



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

BENNY GRAY
CITY CLERK

RANDY STRINGER
CHIEF OF POLICE

BRIAN GRISSOM
FIRE CHIEF

JOSHUA CLINGAN
PUBLIC WORKS DIRECTOR



CITY OF IUKA
JOHN CASTLEBERRY, MAYOR

BOARD OF ALDERMEN
MARTHA BIGGS
JAMES GRISHAM
JOHN KENT
JOEL ROBERTSON
JOHNNY SOUTHWARD


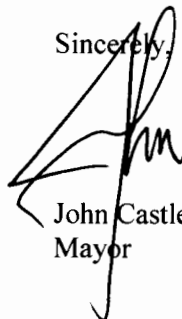
April 5, 2017

Office of the State Auditor
501 N. West Street
Suite 801, Woolfolk Building
Jackson, MS 39201

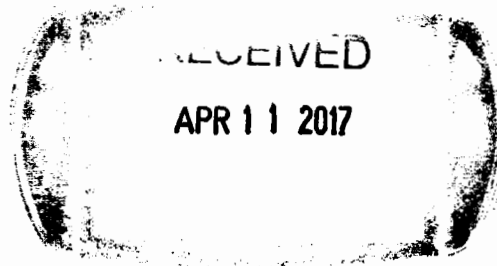
Re: Annual Municipal Audit

Accompanying this letter are two copies of the annual audit of the City of Iuka, Mississippi, for the fiscal year ending September 30, 2016. A separate management letter was not written to the City of Iuka in connection with this audit.

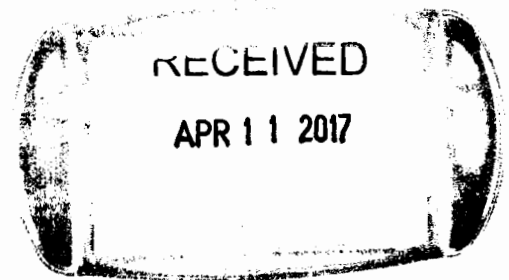
Sincerely,



John Castleberry
Mayor



**CITY OF IUKA, MISSISSIPPI
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2016**





City of Iuka, Mississippi
Table of Contents
September 30, 2016

Independent Auditors' Report on the Basic Financial Statements and Supplemental Information	1-2
Management's Discussion and Analysis	3-7
Financial Statements	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet -- Governmental Funds	10
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Governmental Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	13
Statement of Net Position -- Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	15
Statement of Cash Flows -- Proprietary Funds	16
Statement of Fiduciary Assets and Liabilities	17
Notes to Financial Statements	18-37
Required Supplementary Information	
Budgetary Comparison for Major Funds	39
Schedule of Required Supplementary Information - Pension	40
Notes to Required Supplementary Information	41
Supplemental Information	
Schedule of Surety Bonds for Municipal Officials	43
Schedule of Long-Term Debt	44
Compliance and Internal Control Reports	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45-46
Independent Auditors' Report on Compliance with State Laws and Regulations	47
Schedule of Findings and Responses	48





Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

INDEPENDENT AUDITORS' REPORT

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

RECEIVED

APR 11 2017

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

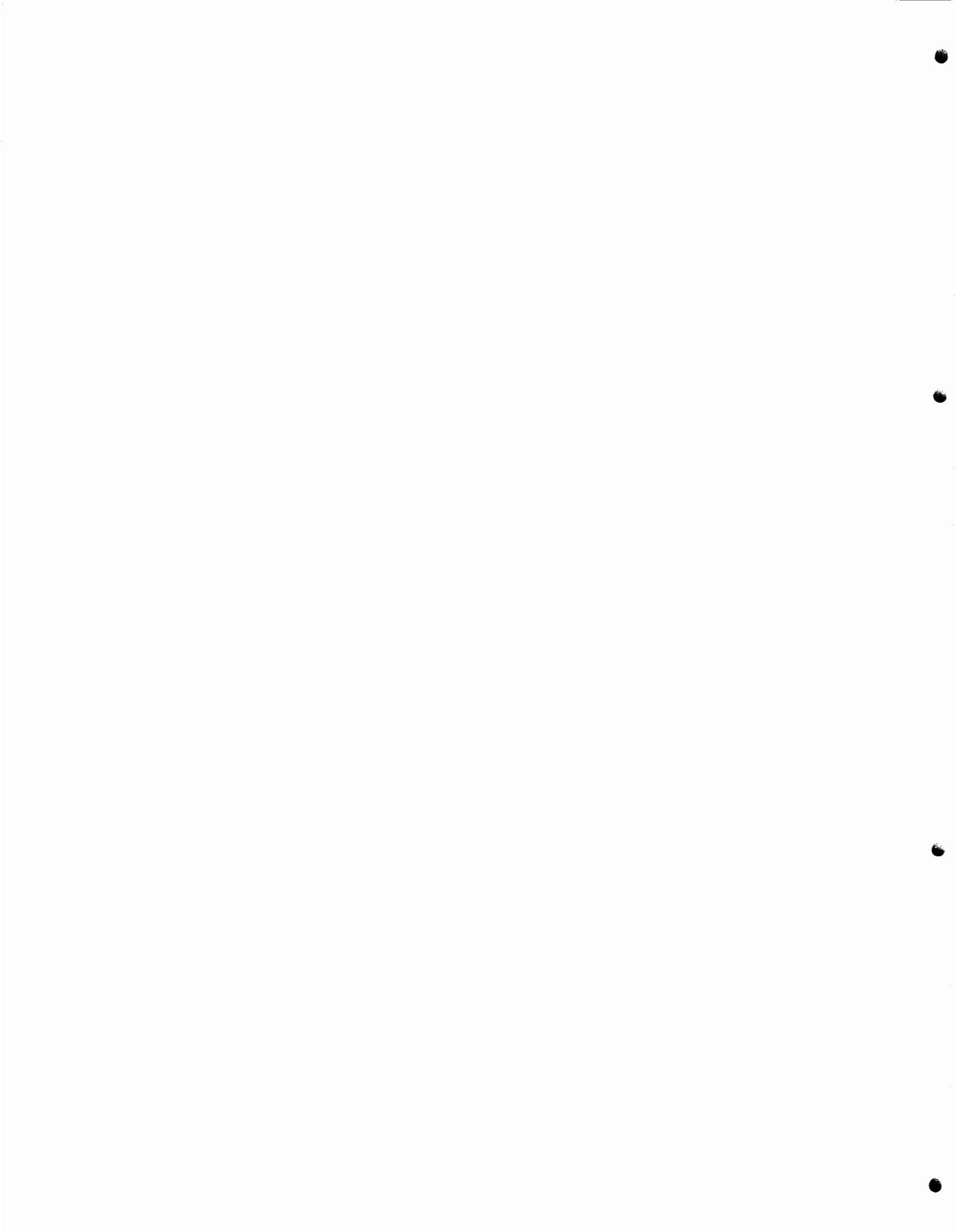
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 3 through 7 and 39 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iuka, Mississippi's basic financial statements.

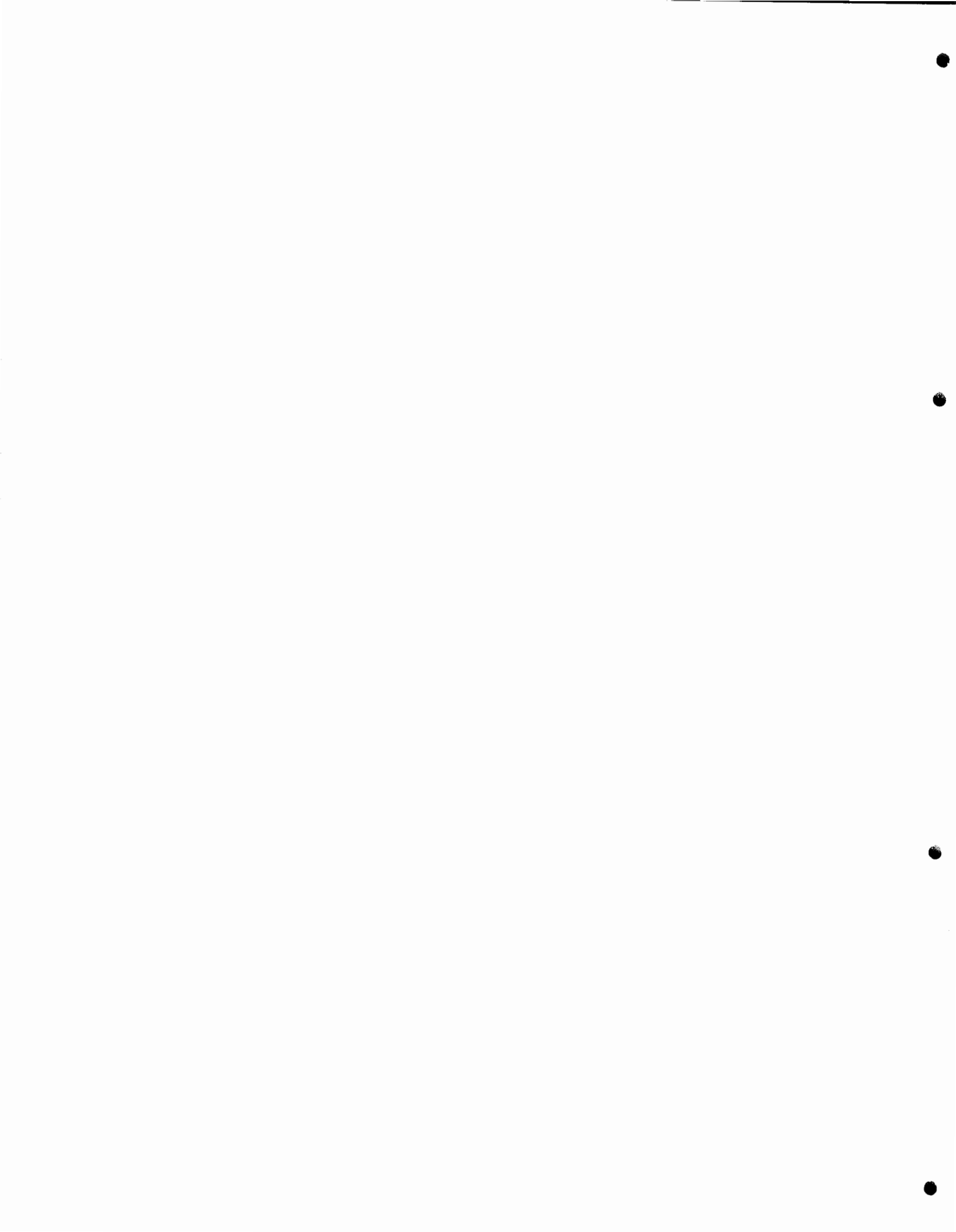
The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the City of Iuka, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Iuka, Mississippi's internal control over financial reporting and compliance.

Brawner, Vanstony & Co., P.A.

March 30, 2017
Booneville, Mississippi



**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016**

This Discussion and Analysis of the City of Iuka's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2016. 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 2016 were as follows:

Total net position decreased by \$163,955 or 3.33% from 2015.

Overall, the book value of capital assets decreased by \$351,088 from 2015.

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 Iuka 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 Position and Statements 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 Iuka as a whole

Statement of Net Position 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 2016?" The Statement of Net Position 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 position and the changes in position. This change in position 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 Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, and Business Type Activities which include all of the City's services including police, fire, administration, gas, water and sewer, and all other departments. The City of Iuka has no Component units.

Reporting of the City of Iuka's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 10. Fund financial reports provide detailed information about the City's major funds. Based on the restrictions on the use of monies, the city has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Iuka, the City's major funds are the General, Gas System, and Water and Sewer System.

RECEIVED

APR 11 2017



**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016**

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial systems. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital project funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand long-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental activities. These reconciliations are on pages 11 and 13, respectively.

The city maintains individual governmental funds in accordance with Mississippi Municipal Audit and Accounting Guide. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The Basic governmental funds financial statements can be found on pages 10 and 12 of this report.

Proprietary Funds

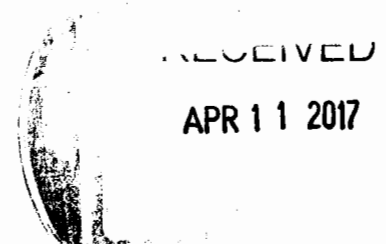
Proprietary Funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City uses enterprise funds to account for the City of Iuka Natural Gas System, City of Iuka Combined Water & Sewer System, and City of Iuka Sanitation Fund.

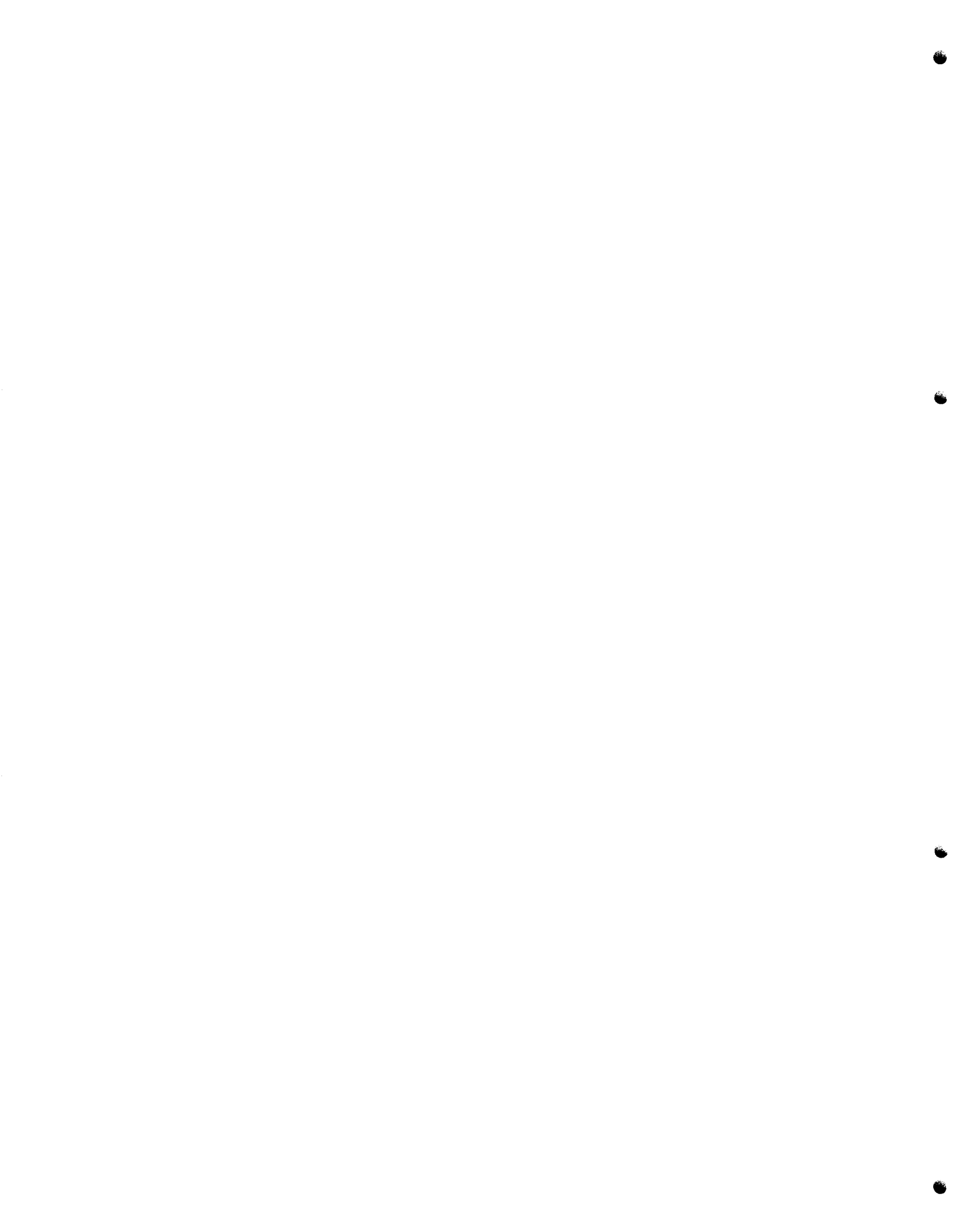
Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Iuka Natural Gas System and the City of Iuka Combined Water & Sewer System are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 14 - 16 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of data provided in government-wide and fund financial statements. The notes can be found on pages 18 – 37 of this report.

The City of Iuka as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2016.





**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016**

THE CITY AS A WHOLE

(Table 1)
**Net Position
Government Wide**

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2016	2015	2016	2015	2016	2015	
Current and Other Assets	\$ 1,401,976	\$ 1,163,251	\$ 1,782,754	\$ 1,778,943	\$ 3,184,730	\$ 2,942,194	\$ 242,536
Capital Assets, Net	2,048,308	2,117,947	8,619,034	8,900,483	10,667,342	11,018,430	(351,088)
Total Assets	<u>3,450,284</u>	<u>3,281,198</u>	<u>10,401,788</u>	<u>10,679,426</u>	<u>13,852,072</u>	<u>13,960,624</u>	<u>(108,552)</u>
Deferred Outflows of Resources	375,178	274,341	286,190	206,961	661,368	481,302	180,066
Long-Term Debt	2,400,485	2,212,075	6,348,281	6,287,899	8,748,766	8,499,974	248,792
Other Liabilities	109,809	120,679	557,178	547,157	666,987	667,836	(849)
Total Liabilities	<u>2,510,294</u>	<u>2,332,754</u>	<u>6,905,459</u>	<u>6,835,056</u>	<u>9,415,753</u>	<u>9,167,810</u>	<u>247,943</u>
Deferred In Flows of Resources	305,890	307,177	28,479	39,665	334,369	346,842	(12,473)
Net Investment in Capital Assets	1,501,595	1,512,696	3,650,148	3,816,960	5,151,743	5,329,656	(177,913)
Restricted	803	803	-	-	803	803	-
Unrestricted (Deficit)	(493,120)	(597,891)	103,892	194,705	(389,228)	(403,186)	13,958
Total Net Position	<u>\$ 1,009,278</u>	<u>\$ 915,608</u>	<u>\$ 3,754,040</u>	<u>\$ 4,011,665</u>	<u>\$ 4,763,318</u>	<u>\$ 4,927,273</u>	<u>\$ (163,955)</u>

The City's total assets decreased \$108,552 during 2016 with business-type activities showing a decrease of \$277,638 and governmental activities showing a increase of \$169,086. The major changes were a \$231,307 increase in cash; \$351,088 decrease in capital assets; a \$11,337 decrease in accounts receivable; and \$15,124 increase in property tax and other receivables.

The City's total liabilities increased \$247,943. The major change was \$446,374 increase in net pension liability.

The City's net position decreased \$163,955 due to recording net pension liability.

RECEIVED
APR 11 2017



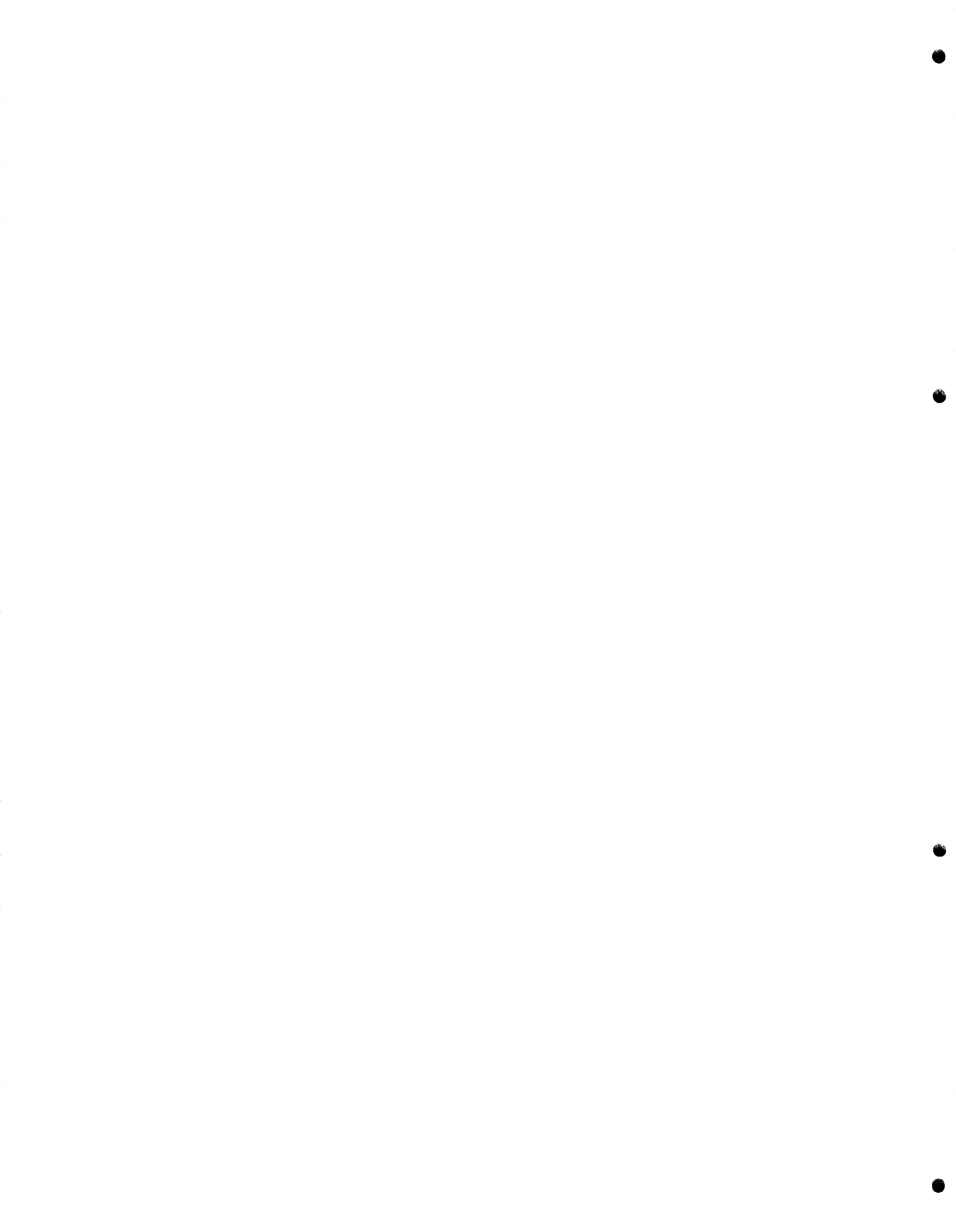
City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Table 2 shows the Change in Net Position for the year ended September 30, 2016. A comparative analysis of government-wide data is as follows:

(Table 2)
Changes in Net Position
Government Wide

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2016	2015	2016	2015	2016	2015	
Program Revenues:							
Charges for Services	\$ 103,840	\$ 134,571	\$ 2,668,583	\$ 3,070,728	\$ 2,772,423	\$ 3,205,299	\$ (432,876)
Grants and Donations	7,200	119,716	-	-	7,200	119,716	(112,516)
General Revenues:	-	-	-	-	-	-	-
Property Taxes	420,096	381,366	-	-	420,096	381,366	38,730
Intergovernmental Revenues	915,583	873,750	-	-	915,583	873,750	41,833
Investment Income	1,470	942	2,350	1,756	3,820	2,698	1,122
Miscellaneous Taxes and Other	339,444	294,369	-	-	339,444	294,369	45,075
Total Revenues	<u>1,787,633</u>	<u>1,804,714</u>	<u>2,670,933</u>	<u>3,072,484</u>	<u>4,458,566</u>	<u>4,877,198</u>	<u>(418,632)</u>
Program Expenses:							
General Government	229,926	204,895	-	-	229,926	204,895	25,031
Public Safety	1,018,768	929,477	-	-	1,018,768	929,477	89,291
Public Works	142,541	128,175	-	-	142,541	128,175	14,366
Culture and Recreation	120,634	95,155	-	-	120,634	95,155	25,479
Economic Development	23,601	23,601	-	-	23,601	23,601	-
Gas System	-	-	1,381,543	1,523,525	1,381,543	1,523,525	(141,982)
Water and Sewer	-	-	1,337,951	1,321,448	1,337,951	1,321,448	16,503
Other Business-Type	-	-	209,064	186,348	209,064	186,348	22,716
Pension Expense	134,896	167,350	-	-	134,896	167,350	(32,454)
Interest on Long-Term Debt	17,145	18,682	-	-	17,145	18,682	(1,537)
Total Program Expenses	<u>1,687,511</u>	<u>1,567,335</u>	<u>2,928,558</u>	<u>3,031,321</u>	<u>4,616,069</u>	<u>4,598,656</u>	<u>17,413</u>
Net Increase(Decrease) in Net Position	<u>\$ 100,122</u>	<u>\$ 237,379</u>	<u>\$ (257,625)</u>	<u>\$ 41,163</u>	<u>\$ (157,503)</u>	<u>\$ 278,542</u>	<u>\$ (436,045)</u>

The decrease in net position identified in Table 2 was due to expenses exceeding revenues during 2016. This decrease was mainly due to decreased revenues from the gas department activity.



**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016**

Major expense activities under the accrual basis of accounting, included: Public Safety expenses accounting for 22.07% of the total program expenses; Public Works accounting for 3.09%; and Public Utilities accounting for 63.44%. The City is committed to providing the basic services that our residents expect.

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$1.793 million and expenditures of \$1.545 million.

The fund balance of the general fund remained relatively constant, increasing by \$179,788.

General Fund Budgeting Highlights

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

During the course of 2016, the City amended its general fund budget. All recommendations for a budget change come from the City Clerk to the Board of Aldermen. 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 \$1,456,500; final budget amounts were \$1,456,500; and actual revenue collections were \$1,580,750. The major factor contributing to the increase of actual revenues over budgeted amounts was increased revenues from intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets. As of September 30, 2016, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$2,048,308 and \$8,619,034 respectively. The governmental activities decreased \$69,639 and business-type activities decreased by \$281,449. The government activities decrease was due to depreciation, and the business-type activities decrease was due to depreciation.

Additional information of the City's capital assets can be found in Note 7 on pages 28 & 29 of this report.

Debt Administration. At September 30, 2016, the City had \$5,554,419 in general obligation bonds and other long-term debt outstanding, of which \$289,850 is due within one year. Additional information of the City's long-term debt can be found in Note 8 on pages 29, 30, 31, and 32 of this report.

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 show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Benny Gray, City Clerk, at Iuka City Hall located at 118 South Pearl Street, Iuka, MS 38852

RECEIVED

APR 11 2017



City of Iuka, Mississippi
Statement of Net Position
September 30, 2016

	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 949,615	\$ 1,104,692	\$ 2,054,307
Property tax receivable	272,627	-	272,627
Fines receivable, net	78,489	-	78,489
Utility tax receivable	27,131	-	27,131
Accounts receivable, net	-	290,865	290,865
Interest receivable	137	37	174
Due from other funds	9,692	6,202	15,894
Internal Balances	(25,000)	25,000	-
Intergovernmental receivables	70,589	-	70,589
Inventories	-	151,726	151,726
Prepaid expenses	18,696	20,464	39,160
Restricted cash	-	183,768	183,768
Total Current Assets	<u>1,401,976</u>	<u>1,782,754</u>	<u>3,184,730</u>
Non-Current Assets:			
Franchise rights	-	11,400	11,400
Capital assets, net			
Capital assets not being depreciated	216,880	68,900	285,780
Capital assets, net of depreciation	1,831,428	8,538,734	10,370,162
Total Non-Current Assets	<u>2,048,308</u>	<u>8,619,034</u>	<u>10,667,342</u>
Total Assets	<u>3,450,284</u>	<u>10,401,788</u>	<u>13,852,072</u>
<u>Deferred Outflows of Resources</u>			
Deferred Amounts - pensions	375,178	286,190	661,368
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	91,374	176,640	268,014
Accrued liabilities	18,435	7,146	25,581
Accrued interest payable	-	64,428	64,428
Customer deposits	-	308,964	308,964
Total Current Liabilities:	<u>109,809</u>	<u>557,178</u>	<u>666,987</u>
Non-current Liabilities:			
Due within one year	54,816	235,034	289,850
Due in more than one year	491,897	4,713,830	5,205,727
Net pension liability	1,816,315	1,378,032	3,194,347
Compensated absences	37,457	21,385	58,842
Total Non-Current Liabilities	<u>2,400,485</u>	<u>6,348,281</u>	<u>8,748,766</u>
Total Liabilities	<u>2,510,294</u>	<u>6,905,459</u>	<u>9,415,753</u>
<u>Deferred In Flows of Resources</u>			
Unavailable Revenue - property taxes	267,550	-	267,550
Deferred Amounts - pensions	38,340	28,479	66,819
Total Deferred In Flows of Resources	<u>305,890</u>	<u>28,479</u>	<u>334,369</u>
<u>Net Position</u>			
Net Investment in capital assets, Restricted Net Position	1,501,595	3,650,148	5,151,743
Debt service	803	-	803
Unrestricted	(493,120)	103,892	(389,228)
Total Net Position	<u>\$ 1,009,278</u>	<u>\$ 3,754,040</u>	<u>\$ 4,763,318</u>

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

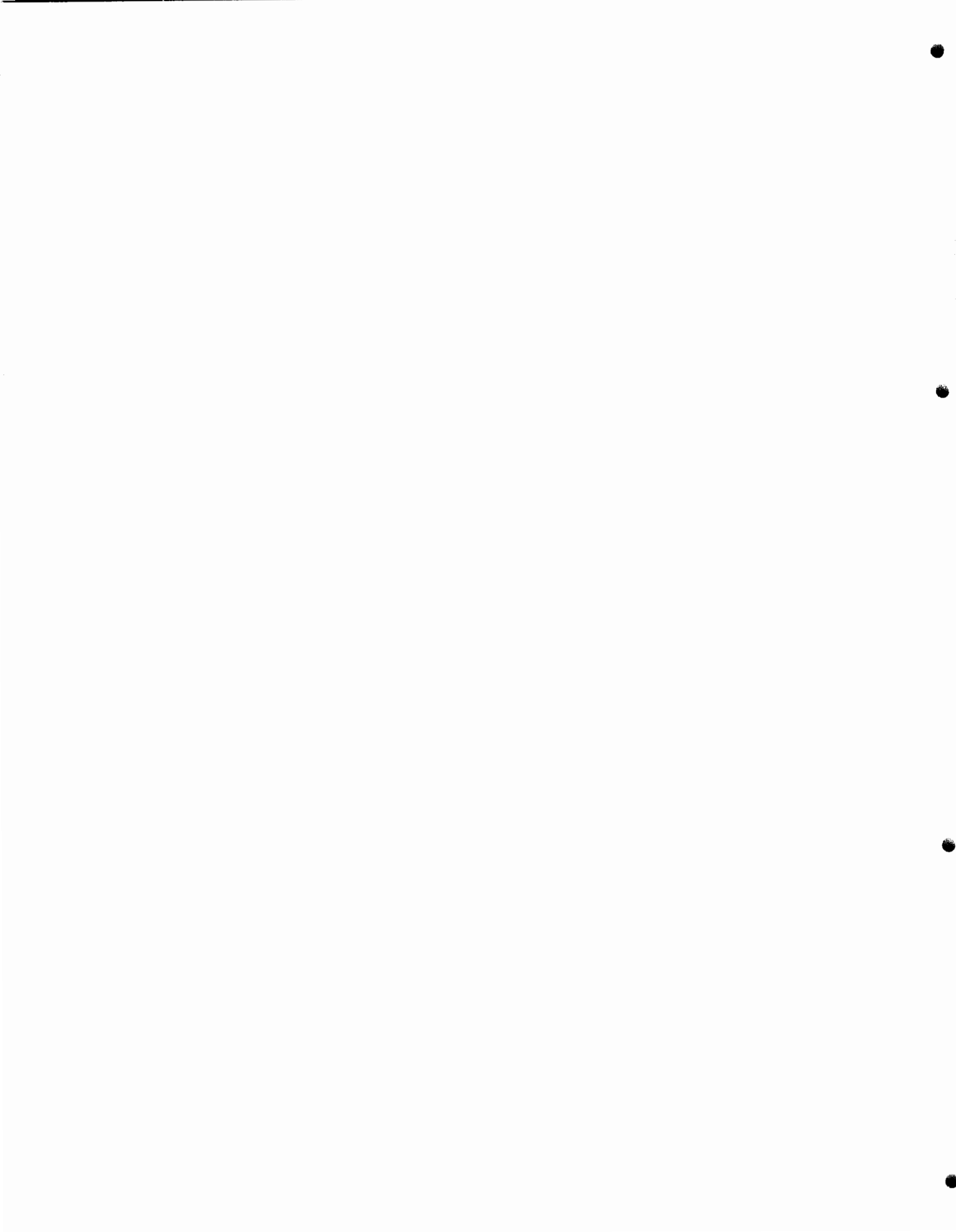
RECEIVED
APR 11 2017



City of Iuka, Mississippi
Statement of Activities
For The Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 229,926	10,395	-	-	(219,531)	-	(219,531)
Public safety	1,018,768	33,445	7,200	-	(978,123)	-	(978,123)
Public works	142,541	-	-	-	(142,541)	-	(142,541)
Culture & Recreation	120,634	-	-	-	(120,634)	-	(120,634)
Economic Development	23,601	60,000	-	-	36,399	-	36,399
Pension Expense	134,896	-	-	-	(134,896)	-	(134,896)
Interest on long-term liabilities	17,145	-	-	-	(17,145)	-	(17,145)
Total Governmental Activities	1,687,511	103,840	7,200	-	(1,576,471)	-	(1,576,471)
Business-type activity:							
Gas System	1,381,543	1,175,669	-	-	-	(205,874)	(205,874)
Water System	1,088,545	1,060,624	-	-	-	(27,921)	(27,921)
Sewer System	249,406	243,009	-	-	-	(6,397)	(6,397)
Other Business Types	209,064	189,281	-	-	-	(19,783)	(19,783)
Total Business-Type Activities	2,928,558	2,668,583	-	-	-	(259,975)	(259,975)
Total Primary Government	\$ 4,616,069	2,772,423	7,200	-	(1,576,471)	(259,975)	(1,836,446)
General Revenues:							
Taxes:							
Property Taxes, General					420,096	-	420,096
Franchise Taxes					94,877	-	94,877
Licenses and Permits					10,218	-	10,218
Intergovernmental Revenue					915,583	-	915,583
Unrestricted investment income					1,470	2,350	3,820
Miscellaneous					233,224	-	233,224
Sale of Assets					1,125	-	1,125
Total General Revenues and Transfers					1,676,593	2,350	1,678,943
Change in Net Position					100,122	(257,625)	(157,503)
Net Position-Beginning					915,608	4,011,665	4,927,273
Prior Period Adjustment					(6,452)	-	(6,452)
Net Position - Beginning (As Restated)					909,156	4,011,665	4,920,821
Net Position-Ending					\$ 1,009,278	3,754,040	4,763,318

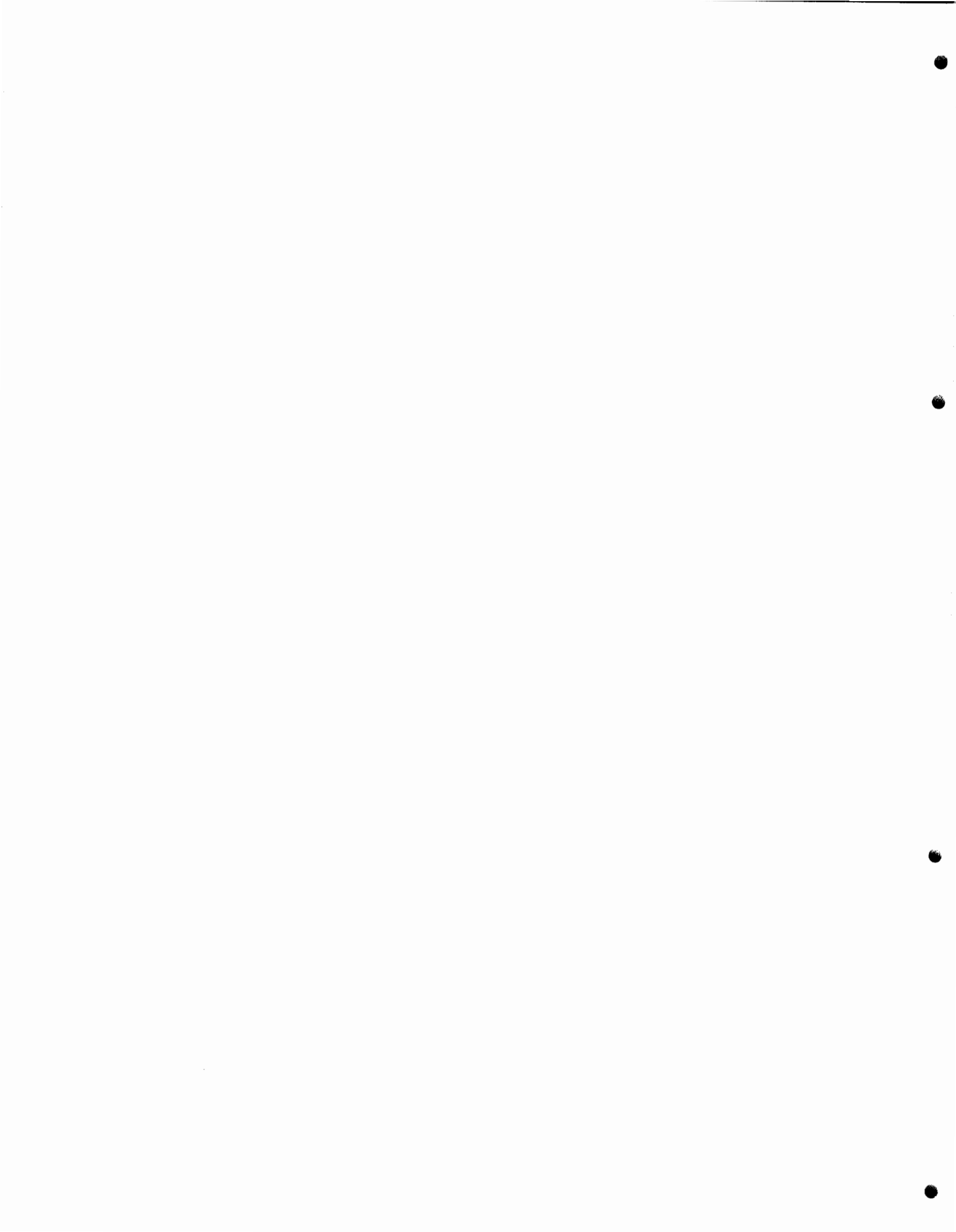
The notes to the financial statements are an integral part of this statement.



City of Iuka, Mississippi
Balance Sheet
Governmental Funds
September 30, 2016

<u>Assets</u>	<u>Major Fund</u> General Fund	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Cash	\$ 521,993	\$ 427,622	\$ 949,615
Property taxes receivable	240,537	32,090	272,627
Fines receivable, net	78,489	-	78,489
Utility tax receivable	27,131	-	27,131
Interest receivable	-	137	137
Due from other funds	9,689	15,778	25,467
Intergovernmental receivables	70,589	-	70,589
Total Assets	\$ 948,428	\$ 475,627	\$ 1,424,055
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 57,846	\$ 33,528	\$ 91,374
Accrued liabilities	18,314	121	18,435
Due to other funds	34,972	5,803	40,775
Total Liabilities	111,132	39,452	150,584
 Deferred Inflows of Resources			
Unavailable revenue - property taxes	237,000	30,550	267,550
Unavailable revenue - Fines	78,489	-	78,489
Total Deferred Inflows of Resources	315,489	30,550	346,039
 Fund Balance			
Restricted For			
Debt Service	-	803	803
Assigned			
Cemetery	-	66,488	66,488
Culture and Recreation	-	29,204	29,204
Public Safety	-	14,164	14,164
Public Works	-	199,057	199,057
Economic Development	-	39,832	39,832
Capital Projects	-	56,077	56,077
Unassigned	521,807	-	521,807
Total Fund Balances	521,807	405,625	927,432
Total Liabilities and Fund Balances	\$ 948,428	\$ 475,627	\$ 1,424,055

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



City of Iuka, Mississippi
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of
Net Position
September 30, 2016

Total fund balance, governmental funds \$ 927,432

Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Governmental capital assets	\$ 3,335,015	
Less: accumulated depreciation	<u>1,286,707</u>	2,048,308

Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position Fines Receivable 78,489

Deferred outflows and inflows related to pensions are applicable to future periods and therefore, are not reported in Governmental Funds Balance Sheet:

Deferred outflows of resources related to defined benefit pension plan		375,178
Deferred inflows of resources related to defined benefit pension plan		(38,340)

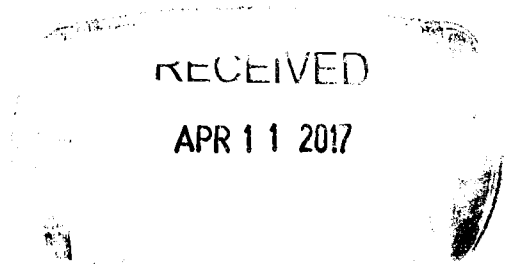
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Net Pension Liability		(1,816,315)
Bonds and notes		(546,713)
Compensated absences		(37,457)

Prepaid expenses are not financial resources, and, therefore, are not reported in the funds. 18,696

Net Position of Governmental Activities in the Statement of Net Position \$ 1,009,278

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





City of Iuka, Mississippi
Statement of Revenue, Expenditures, and Changes in Fund Balance -
Governmental Fund Types
For the Year Ended September 30, 2016

	<u>Major Fund</u> General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Taxes	\$ 393,399	\$ 121,574	\$ 514,973
License and Permits	10,218	-	10,218
Intergovernmental Revenues	903,363	19,420	922,783
Charges for Service	4,395	66,000	70,395
Fines and Forfeitures	40,433	-	40,433
Miscellaneous	233,997	697	234,694
Total Revenues	<u>1,585,805</u>	<u>207,691</u>	<u>1,793,496</u>
<u>Expenditures</u>			
General Government	218,044	2,500	220,544
Public Safety	984,477	11,392	995,869
Public Works	100,610	49,475	150,085
Culture and Recreation	80,281	22,453	102,734
Debt Service:			
Principal	5,652	52,886	58,538
Interest and Fiscal Changes	78	17,067	17,145
Total Expenditures	<u>1,389,142</u>	<u>155,773</u>	<u>1,544,915</u>
Excess of Revenues Over (Under) Expenditures	<u>196,663</u>	<u>51,918</u>	<u>248,581</u>
<u>Other Financing Sources (Uses)</u>			
Compensation for Loss on Asset	625	-	625
Proceed From Sale of Assets	500	-	500
Long-Term Debt Issued	-	-	-
Total Other Financing Sources and Uses	<u>1,125</u>	<u>-</u>	<u>1,125</u>
Net Change in Fund Balance	<u>197,788</u>	<u>51,918</u>	<u>249,706</u>
Fund Balance - Beginning of Year	<u>324,019</u>	<u>353,707</u>	<u>677,726</u>
Fund Balance - End of Year	<u>\$ 521,807</u>	<u>\$ 405,625</u>	<u>\$ 927,432</u>

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

RECEIVED

APR 11 2017



City of Iuka, Mississippi
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds: \$ 249,706

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 8,920	
Depreciation expense	<u>(72,107)</u>	
Excess of depreciation over Capital Outlay		(63,187)

Pension expense is reported in the Statement of Activities but does not provide or require the use of current financial resources. Therefore, pension expense is not reported as expenditures in governmental funds. (134,896)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This includes an decrease of \$6,988 in the City's fines revenue. (6,988)

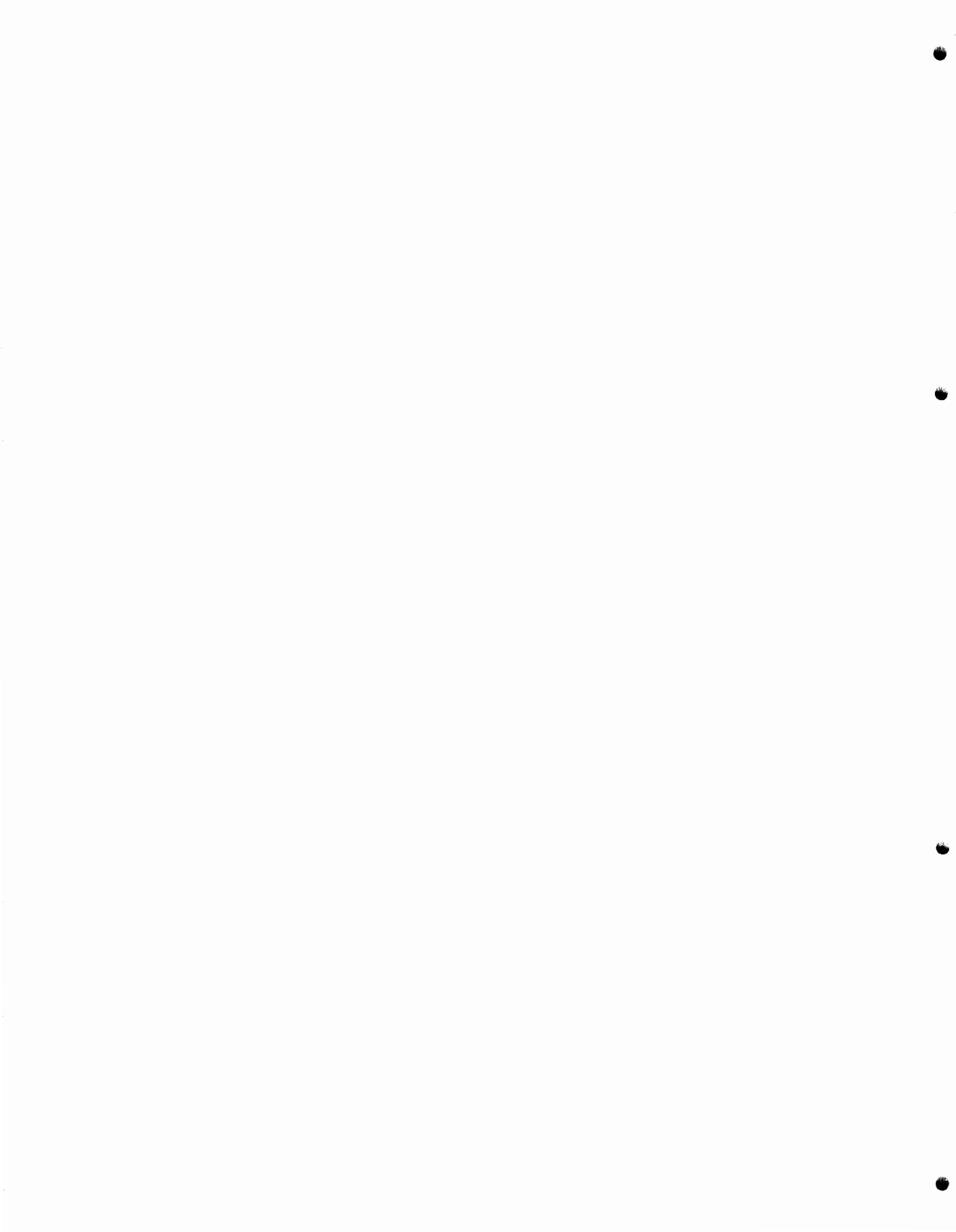
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt repayment of \$58,538 exceeded debt proceeds of \$-0-. 58,538

Some expenses reported in the statement of activities do not require the use of the current financial resources and are not reported as expenditures in the funds:

Accrued compensated absences	\$ 3,022	
Prepaid insurance	<u>(6,073)</u>	<u>(3,051)</u>

Change in net position of governmental activities. \$ 100,122

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



City of Iuka, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2016

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Assets</u>				
<u>Current Assets</u>				
Cash	\$ 409,195	\$ 646,830	\$ 48,667	\$ 1,104,692
Accounts Receivable	93,850	171,471	25,544	290,865
Interest Receivable	-	37	-	37
Due from Other Funds	293,288	28,610	19	321,917
Inventory	151,726	-	-	151,726
Prepaid Expenses	8,152	8,072	4,240	20,464
Total Current Assets	956,211	855,020	78,470	1,889,701
<u>Restricted Assets</u>				
Cash	-	183,768	-	183,768
Total Restricted Assets	-	183,768	-	183,768
<u>Non-Current Assets</u>				
<u>Capital Assets</u>				
Capital assets not being depreciated	550	68,350	-	68,900
Capital assets being depreciated net of depreciation	417,318	8,032,988	88,428	8,538,734
Franchise Rights	11,400	-	-	11,400
Total Non-Current Assets	429,268	8,101,338	88,428	8,619,034
Total Assets	1,385,479	9,140,126	166,898	10,692,503
<u>Deferred Outflows of Resources</u>				
Deferred Amounts - Pensions	138,888	120,848	26,454	286,190
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	115,907	47,235	13,498	176,640
Accrued Liabilities	2,843	67,524	1,207	71,574
Customer Deposits	179,562	129,402	-	308,964
Due to Other Funds	-	290,199	516	290,715
Current Portion of Long-Term Debt	10,439	209,137	15,458	235,034
Total Current Liabilities	308,751	743,497	30,679	1,082,927
<u>Non-Current Liabilities</u>				
Capital Leases	8,623	8,623	60,959	78,205
Net Pension Liability	670,813	579,446	127,773	1,378,032
Bonds Payable	-	4,635,625	-	4,635,625
Compensated Absences	8,648	8,648	4,089	21,385
Total Non-Current Liabilities	688,084	5,232,342	192,821	6,113,247
Total Liabilities	996,835	5,975,839	223,500	7,196,174
<u>Deferred Inflows of Resources</u>				
Deferred Amounts - Pensions	14,032	11,774	2,673	28,479
<u>Net Position</u>				
Net investment in capital assets	398,806	3,239,330	12,012	3,650,148
Unrestricted	114,694	34,031	(44,833)	103,892
Total Net Position	\$ 513,500	\$ 3,273,361	\$ (32,821)	\$ 3,754,040

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



City of Iuka, Mississippi
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds
For the Year Ended September 30, 2016

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>OPERATING REVENUES</u>				
Charges for Service	\$ 1,137,759	\$ 1,303,223	\$ 189,281	\$ 2,630,263
Other	37,910	410	-	38,320
Total Operating Revenues	<u>1,175,669</u>	<u>1,303,633</u>	<u>189,281</u>	<u>2,668,583</u>
<u>OPERATING EXPENSES</u>				
Personal Services	462,352	338,146	90,399	890,897
Contractual Services	28,331	34,080	-	62,411
Materials and Supplies	23,626	50,315	1,028	74,969
Repairs and Maintenance	5,897	57,014	-	62,911
Purchase of Gas	667,847	-	-	667,847
Rent	90,000	90,000	-	180,000
Vehicle Expense	21,136	14,586	33,565	69,287
Utilities	469	165,242	-	165,711
Insurance	19,240	25,900	5,614	50,754
Depreciation	36,728	367,369	14,441	418,538
Other	25,397	44,334	63,600	133,331
Total Operating Expenses	<u>1,381,023</u>	<u>1,186,986</u>	<u>208,647</u>	<u>2,776,656</u>
Operating Income (Loss)	<u>(205,354)</u>	<u>116,647</u>	<u>(19,366)</u>	<u>(108,073)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest and Fiscal Charges	(520)	(150,965)	(417)	(151,902)
Interest Income	758	1,520	72	2,350
Total Non-operating Revenues (Expenses)	<u>238</u>	<u>(149,445)</u>	<u>(345)</u>	<u>(149,552)</u>
Change in Net Position	<u>(205,116)</u>	<u>(32,798)</u>	<u>(19,711)</u>	<u>(257,625)</u>
Net Position - Beginning of Year	<u>718,616</u>	<u>3,306,159</u>	<u>(13,110)</u>	<u>4,011,665</u>
Net Position - End of Year	<u>\$ 513,500</u>	<u>\$ 3,273,361</u>	<u>\$ (32,821)</u>	<u>\$ 3,754,040</u>

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

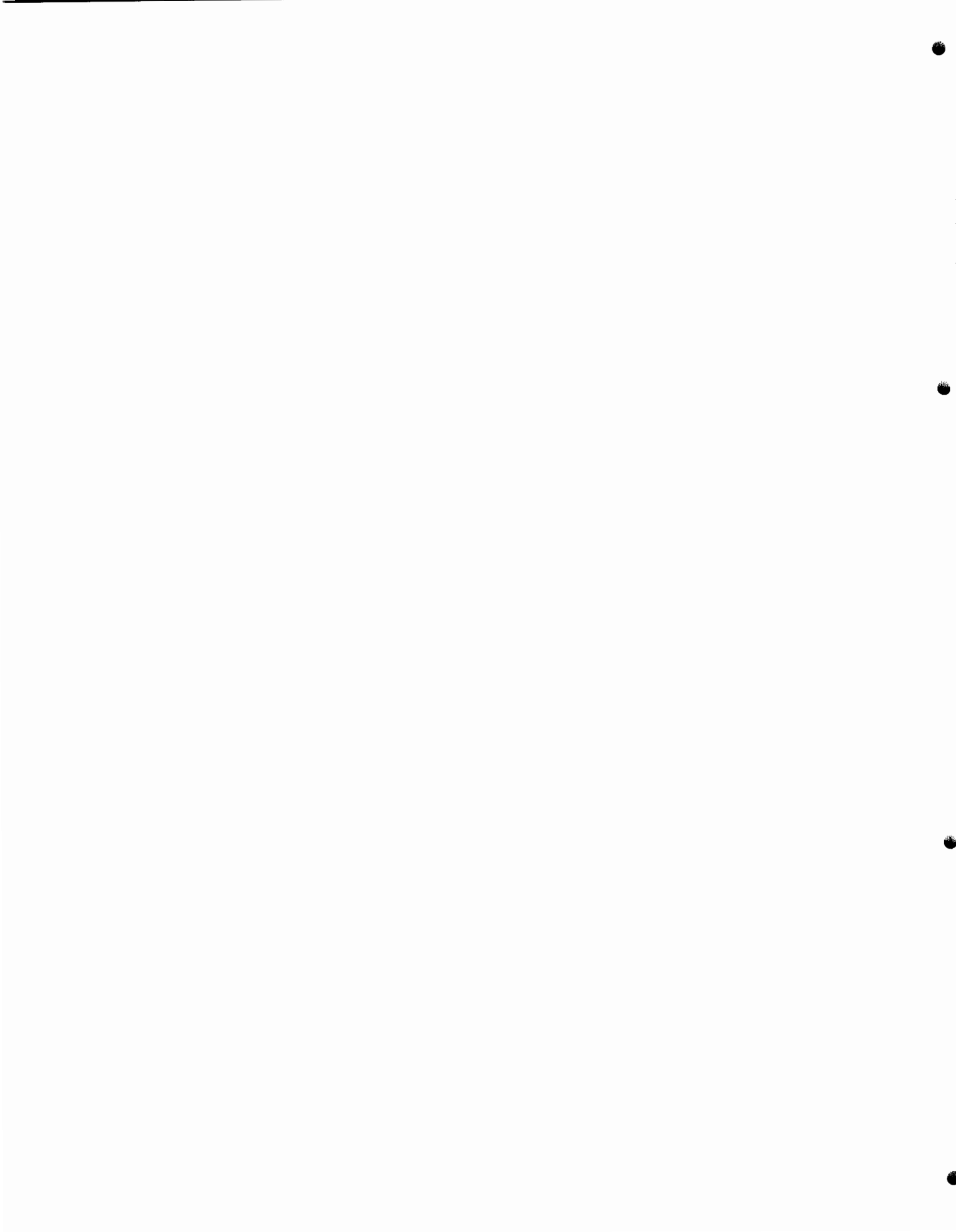
APR 11 2017



City of Iuka, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2016

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,189,168	\$ 1,302,183	\$ 188,569	\$ 2,679,920
Cash Payments for Goods and Service	(879,649)	(476,710)	(109,694)	(1,466,053)
Cash Payments to Employees	(419,234)	(300,741)	(81,560)	(801,535)
Net Cash Provided By Operating Activities	<u>(109,715)</u>	<u>524,732</u>	<u>(2,685)</u>	<u>412,332</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Increase (Decrease) in Due to Other Funds	12,802	(12,248)	-	554
Net Cash Provided(Used) By Noncapital Financing Activities	<u>12,802</u>	<u>(12,248)</u>	<u>-</u>	<u>554</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	(39,453)	(6,006)	(80,230)	(125,689)
Principal Payments on Debt	(10,219)	(200,856)	(3,813)	(214,888)
Interest and Fiscal Changess on Debt	(520)	(152,857)	(417)	(153,794)
Proceeds From Debt Issuance	-	-	80,230	80,230
Other Receipts (Expenses)	(1,582)	2,060	-	478
Net Cash Used By Capital and Related Financing Activities	<u>(51,774)</u>	<u>(357,659)</u>	<u>(4,230)</u>	<u>(413,663)</u>
<u>Cash Flows From Investing Activities</u>				
Interest Received	758	1,520	72	2,350
Net Cash Provided By Investing Activities	<u>758</u>	<u>1,520</u>	<u>72</u>	<u>2,350</u>
Net Increase (Decrease) in Cash	(147,929)	156,345	(6,843)	1,573
Cash and Cash Equivalent - Beginning	557,124	674,253	55,510	1,286,887
Cash and Cash Equivalent - Ending	<u>\$ 409,195</u>	<u>\$ 830,598</u>	<u>\$ 48,667</u>	<u>\$ 1,288,460</u>
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (205,354)	\$ 116,647	\$ (19,366)	\$ (108,073)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	36,728	367,369	14,441	418,538
Net Pension Expense	50,585	45,768	9,636	105,989
Receivables	13,499	(1,450)	(712)	11,337
Payables	20,716	(5,942)	(4,703)	10,071
Inventory	(28,227)	-	-	(28,227)
Prepaid Expenses	2,338	2,340	(1,981)	2,697
Net Cash Provided (Used) by Operating Activities:	<u>\$ (109,715)</u>	<u>\$ 524,732</u>	<u>\$ (2,685)</u>	<u>\$ 412,332</u>

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



City of Iuka, Mississippi
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2016

	<u>AGENCY FUNDS</u>
<u>Assets</u>	
Cash	<u>\$ 48,926</u>
 Total Assets	 <u><u>\$ 48,926</u></u>
 <u>Liabilities</u>	
Accrued Liabilities	\$ 33,032
Due to Other Funds	<u>\$ 15,894</u>
Total Liabilities	<u><u>\$ 48,926</u></u>

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

RECEIVED
APR 11 2017



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies

The City of Iuka, Mississippi operates under a Mayor-Aldermen form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City of Iuka conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the Mayor and Board of Aldermen.

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Fund Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. The statements include all non-fiduciary activities of the overall government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other exchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Position presents the financial condition of the governmental activities and business type activities of the City at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements-

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue is recognized when the provider government recognizes the liability to the City. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City's reporting entity does not apply private-sector guidance issued after November 30, 1989.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expense are classified as non-operating in the financial statements.

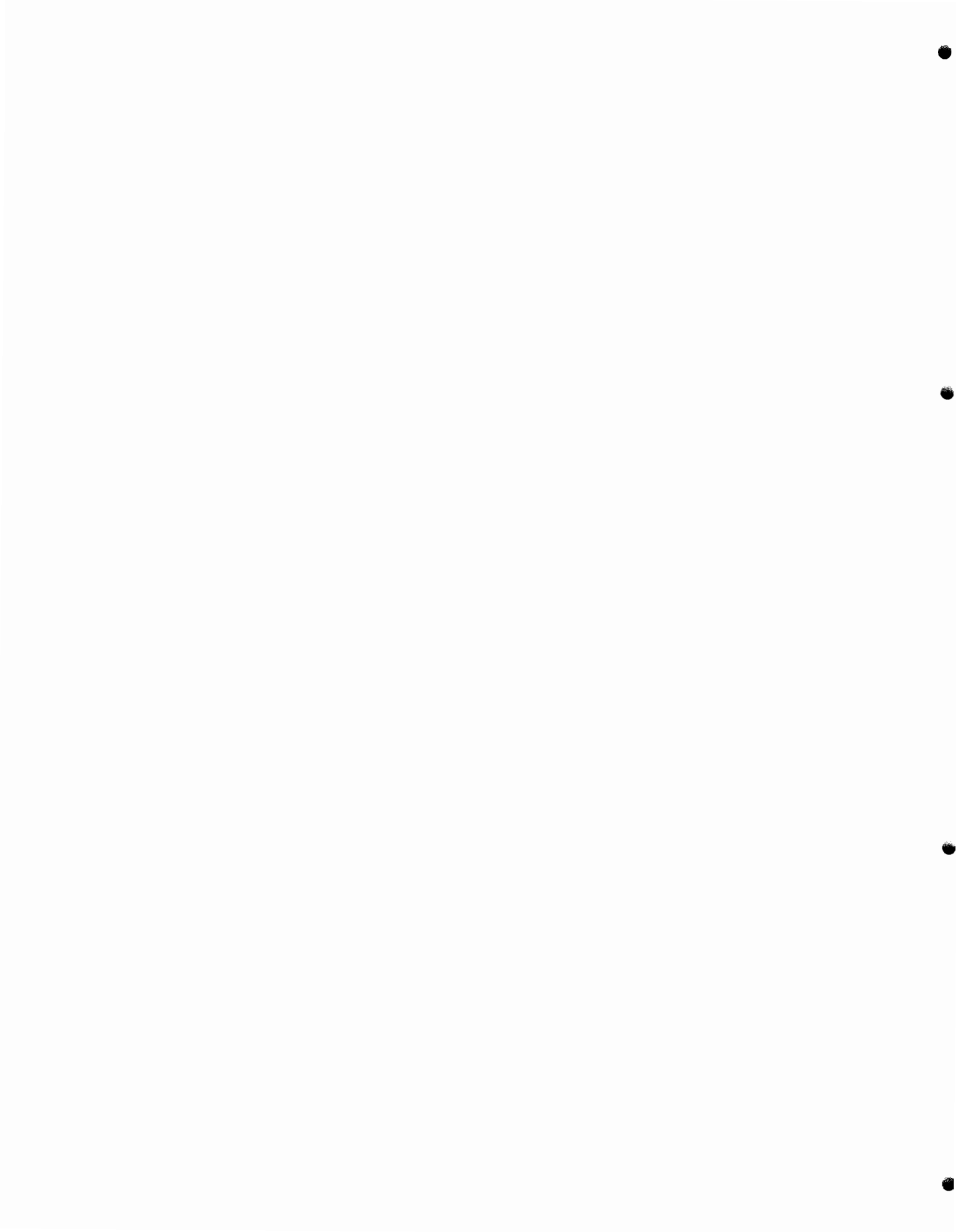
Governmental fund financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collectible within the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

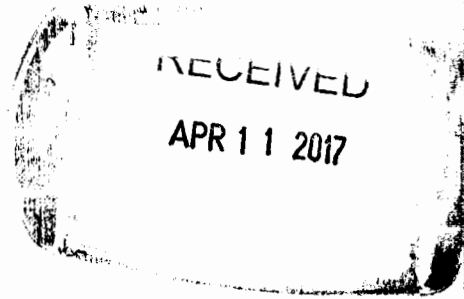
Governmental Funds:

The City reports the following major governmental funds:

General Fund – This fund is used to account for all activities of the general government for which a separate fund has not been established.



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016



1. Summary of Significant Accounting Policies – Continued

PROPRIETARY FUNDS:

The City reports the following major enterprise funds:

Gas System – Accounts for the operating activities of the City’s natural gas services.

Water and Sewer System – Accounts for the operating activities of the City’s water and sewer utility services.

Additionally, the city reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Debt Service Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds – These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPES

Enterprise Funds – These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the city had decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

Agency Funds – These funds account for various taxes, deposits and other monies collected or held by the City acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Cash and Investments

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

Cash consists of demand deposit accounts and passbook savings accounts.

E. Receivables

In the government-wide statements, receivables consist of all revenue earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon estimates by management. Major receivable balances for the governmental activities include sales tax, property taxes, grants and police fines. Business-type activities report utilities earnings as their major receivables.

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

F. Interfund Transactions and Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet.

Payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies - Continued

G. Inventories and Prepaid Items

Inventory consists of materials and supplies. Inventory is recorded at the lower of cost (weighted average method) or market. The cost of inventory is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

H. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. As permitted by GASB Statement No. 34, the City has elected to not report public domain (infrastructure) capital assets acquired prior to October 1, 2003.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenditures that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

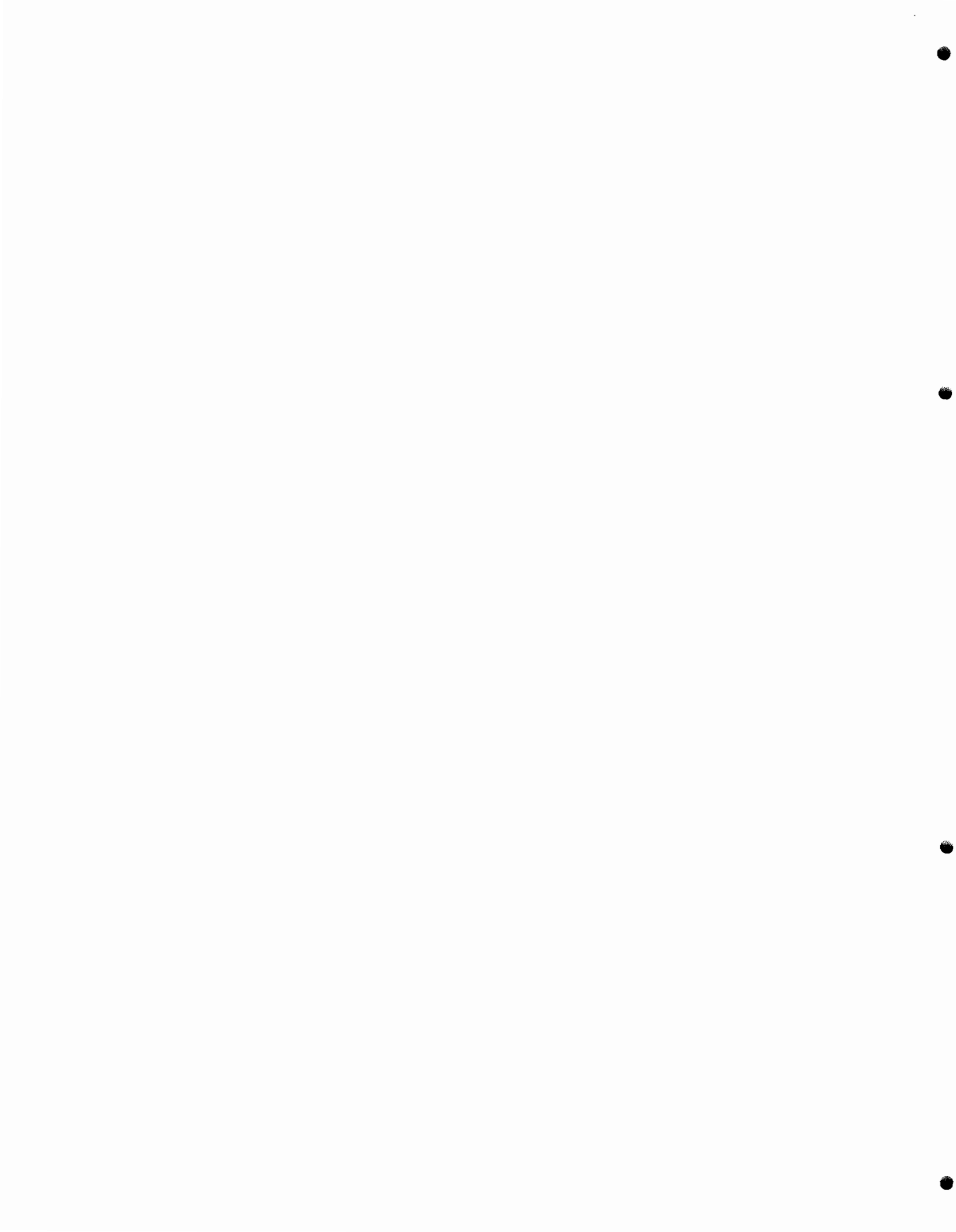
Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except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

	<u>Thresholds</u>	<u>Useful Life</u>
Land	-	N/A
Infrastructure	-	20/50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5/10 years
Furniture and equipment	5,000	3/7 years
Utility Systems	-	30/50 years
Leased Property under Capital Lease	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

RECEIVED

APR 11 2017



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies – Continued

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category.

Deferred inflows of resources related to pension obligations.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed non-exchange revenue transactions are received or reported as a receivable before the period which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

J. Long-term liabilities

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligations indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Fund Equity

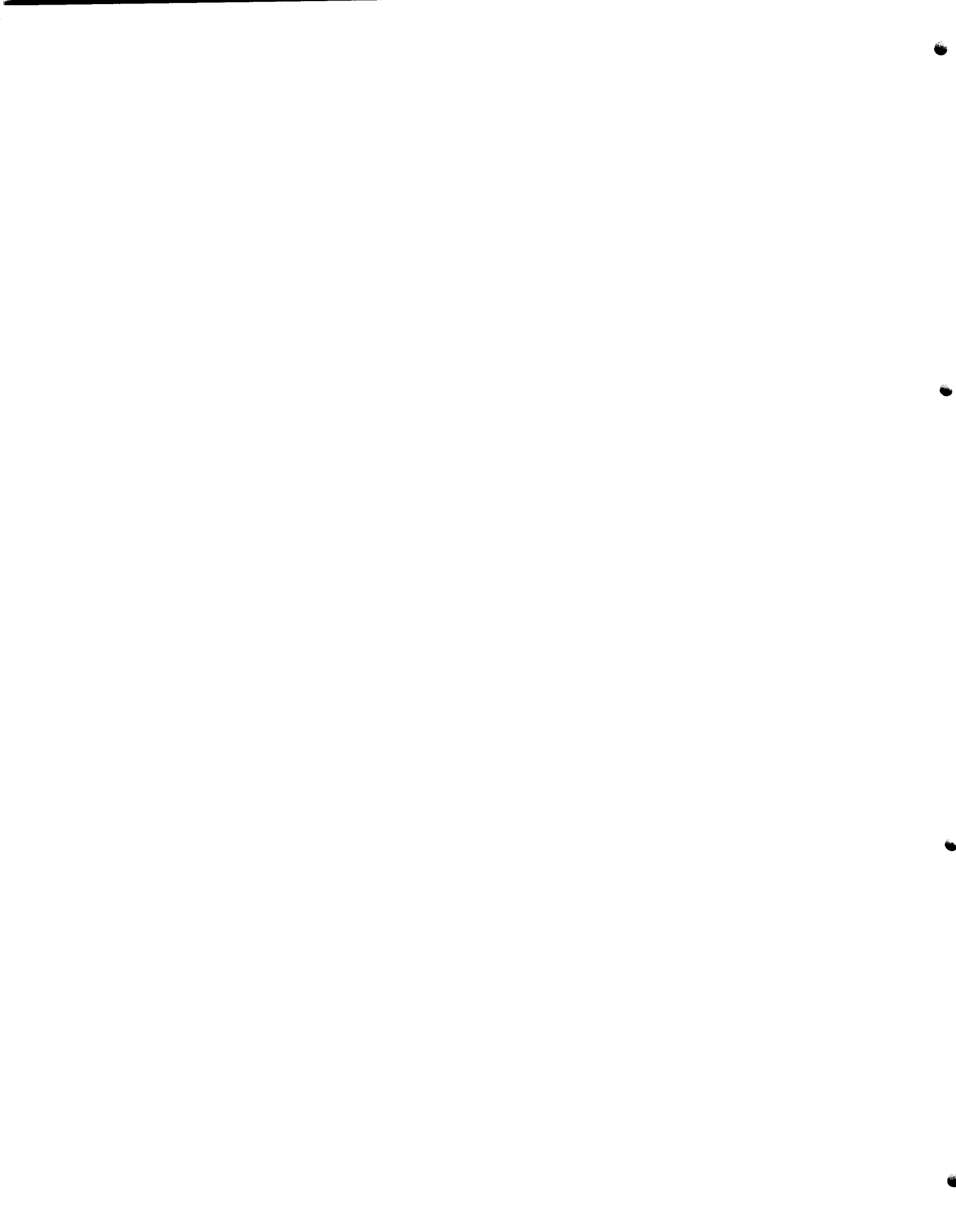
Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowing attributable to the acquisition, construction or improvements of those assets.

RECEIVED

APR 11 2017



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

I. Summary of Significant Accounting Policies – Continued

Restricted net assets – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “net investment capital assets.”

Governmental Financial Statements:

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – pre-paid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance. This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Board of Alderman – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance. This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Board and City Manager have the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance. This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned- in order as needed.

L. Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the City. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies – Continued

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the “available” criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences

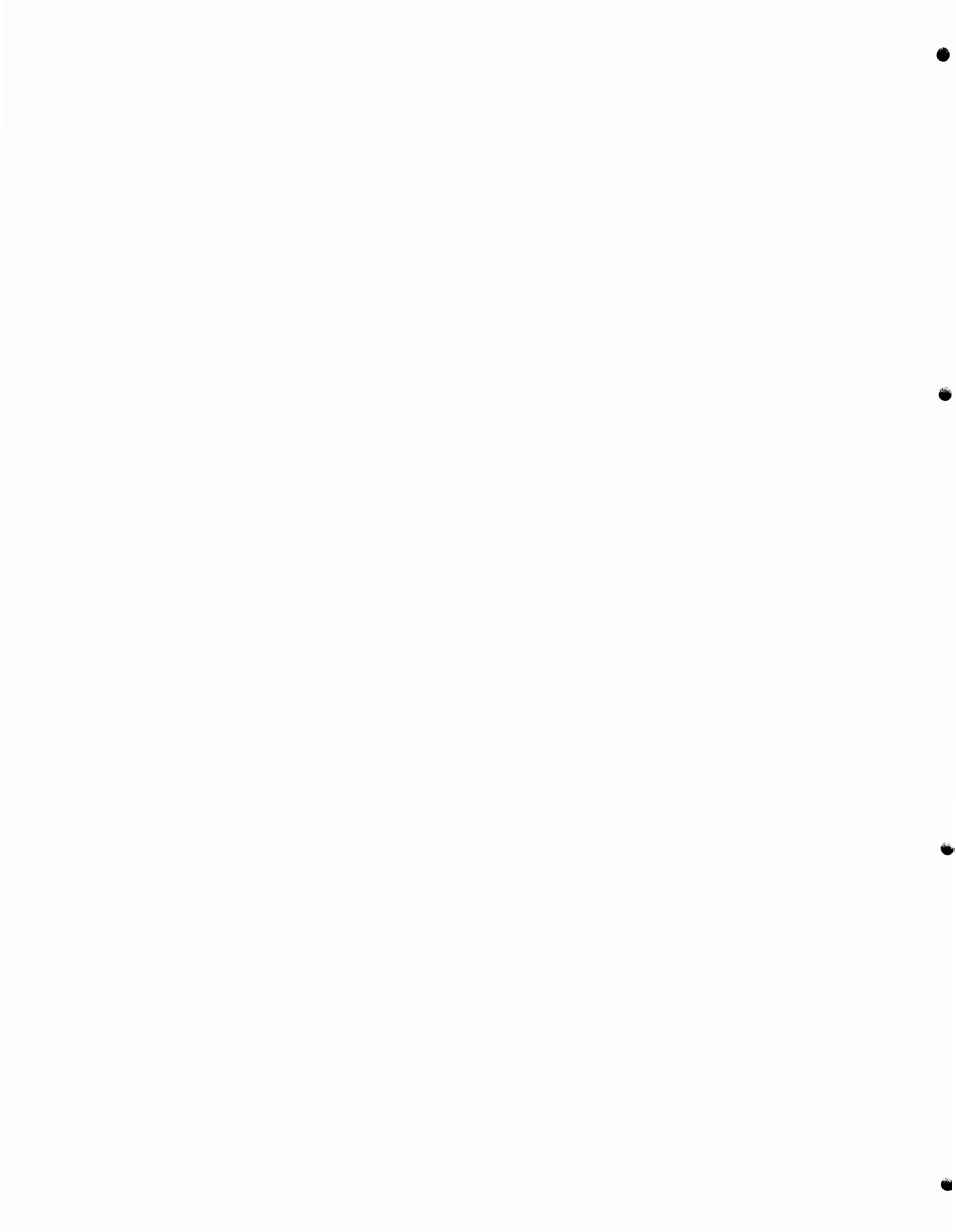
The City allows employees to accumulate unlimited unused sick leave. Earned vacation time is generally required to be used within one year of accrual. Sick leave will be paid only upon illness while in the employment of the City. Any accumulated vacation that was not allowed to be taken due to work-related assignments is paid upon termination.

The City’s full liability in the amount of \$37,457 for accumulated unpaid vacation payable from the Governmental Funds is reported as a liability in the Statement of Net Position. In the Proprietary Funds, the compensated absences are reported as a liability of those funds in the amount of \$21,385.

O. Budgets

Budgets are adopted on a basis consistent with state statutes. Revenues are budgeted on a cash basis. Expenditures are budgeted on a cash basis but include those made within 30 days after the fiscal year end.

Budget amendments are approved by the Board of Aldermen when made. Final budget amendments are to be made and approved no later than September 30 of the fiscal year.



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies – Continued

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee's Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Deposits and Investments

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 its governed by Section 27-105-5, Miss. Code Ann. (1972). Under the 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 the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

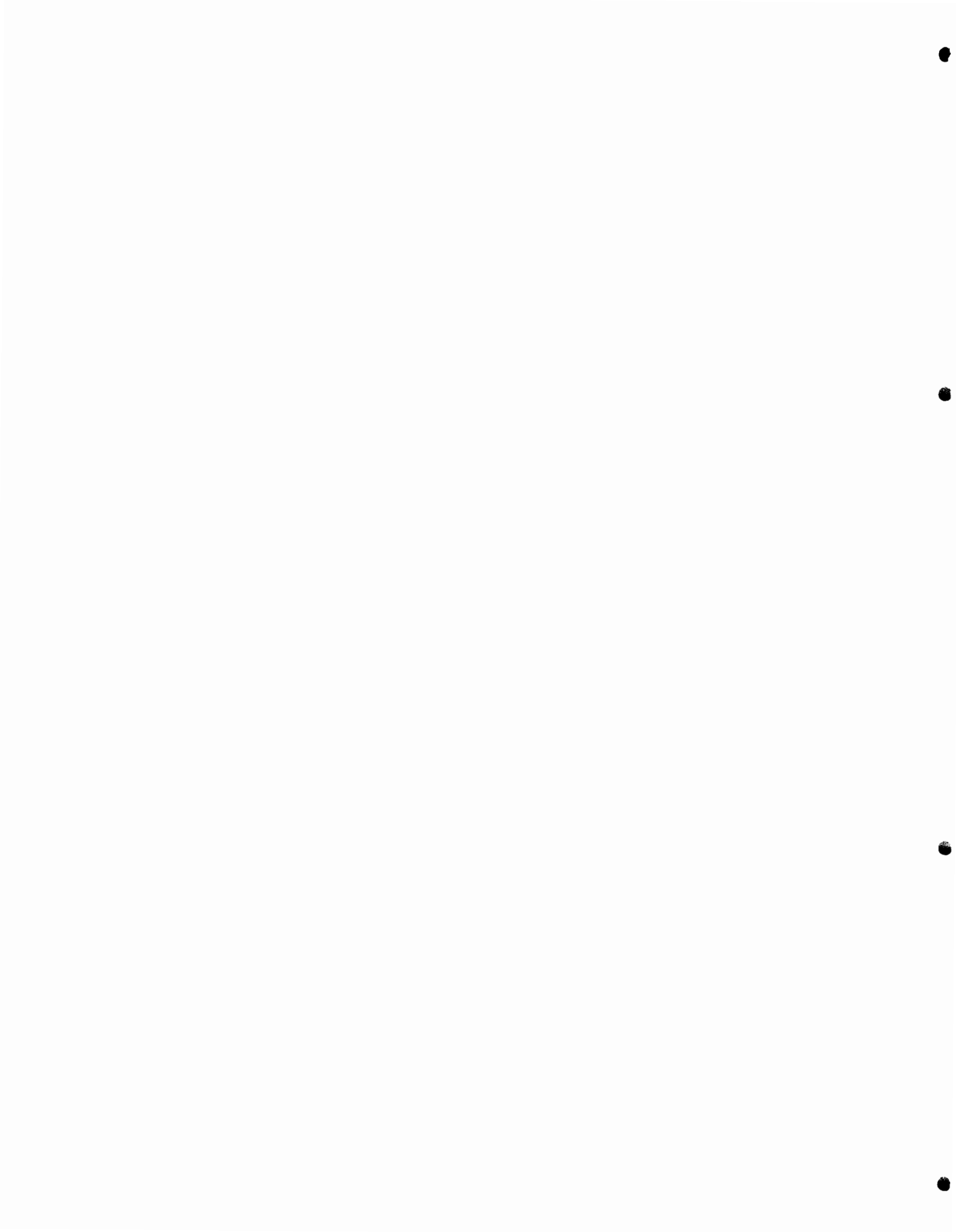
At year end, the carrying amount of the City's deposits was \$2,287,001 and the bank balance was \$2,370,830.

Custodial Credit Risk – Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party.

The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2016, none of the City's bank balance of \$2,370,830 was exposed to custodial credit risk.

Interest Rate Risk – The City has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.





City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

3. Interfund Receivables and Payables

The following is a summary of amounts due from/to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Reason for Loan</u>
Governmental Funds			
Major Fund:			
General Fund	\$ 9,689	\$ 34,972	Temporary loan
Non-Major Funds:			
Other Governmental	<u>15,778</u>	<u>5,803</u>	Temporary loan for equipment
Total Governmental Funds	<u>25,467</u>	<u>40,775</u>	
Business-Type Funds			
Major Funds:			
Gas System	293,288	-	Temporary loan for supplies in water & sewer
Water & Sewer System	28,610	290,199	Temporary loan for supplies in water & sewer
Non-Major Funds:			
Sanitation	<u>19</u>	<u>516</u>	Temporary cash shortage
Total Business-Type Funds	<u>321,917</u>	<u>290,715</u>	
Fiduciary Funds:			
Accounts Payable	-	13,808	Temporary loan from General, Gas & Water
Payroll Clearing	<u>-</u>	<u>2,086</u>	Temporary loan from General
Total Fiduciary Funds	<u>-</u>	<u>15,894</u>	
Total All Funds	<u>\$ 347,384</u>	<u>\$ 347,384</u>	

4. Transfers and Payments

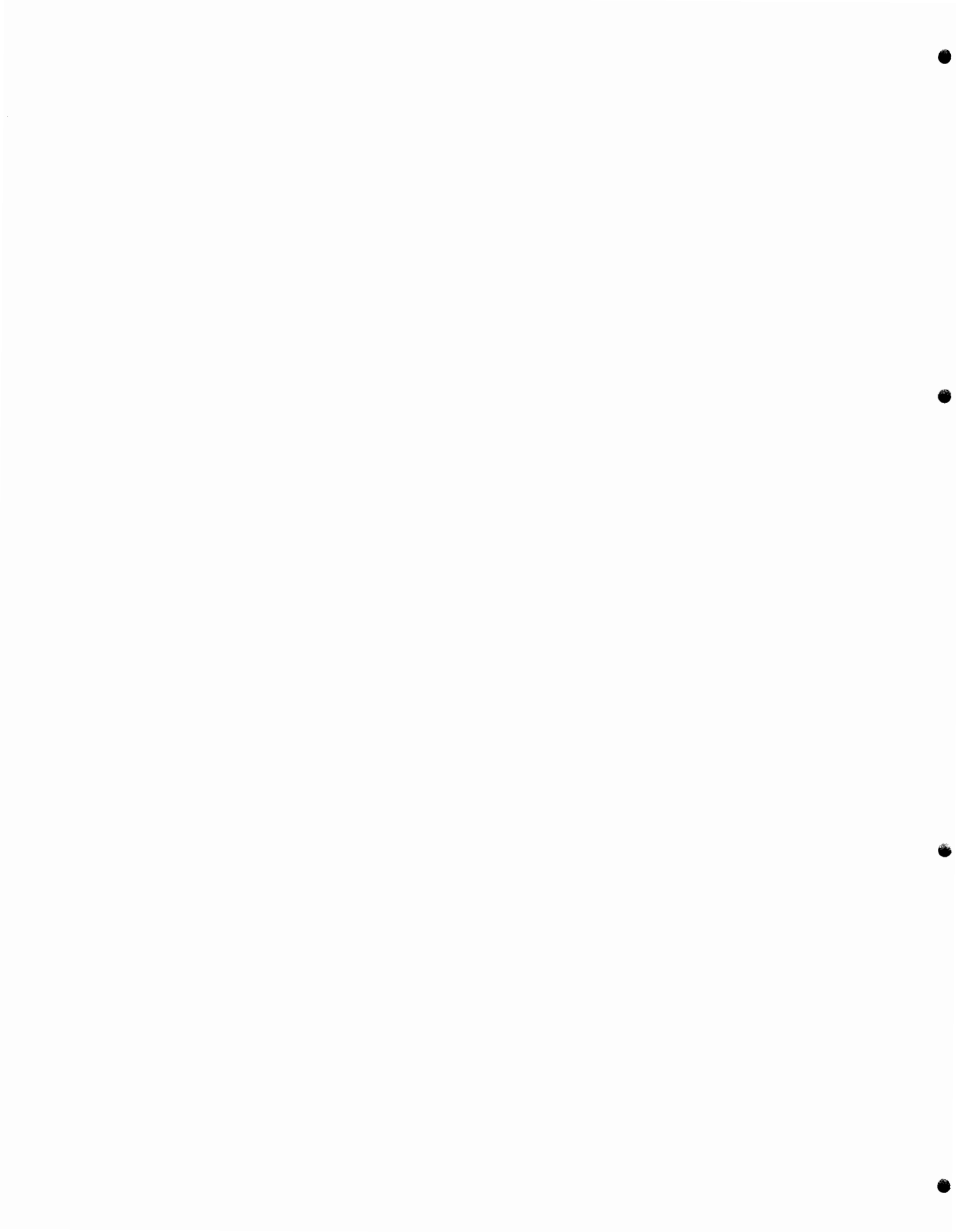
During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. The governmental and business type funds financial statements generally reflect such transactions as transfers.

5. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2016 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
State Tax Commission Sales Tax	<u>\$ 70,589</u>



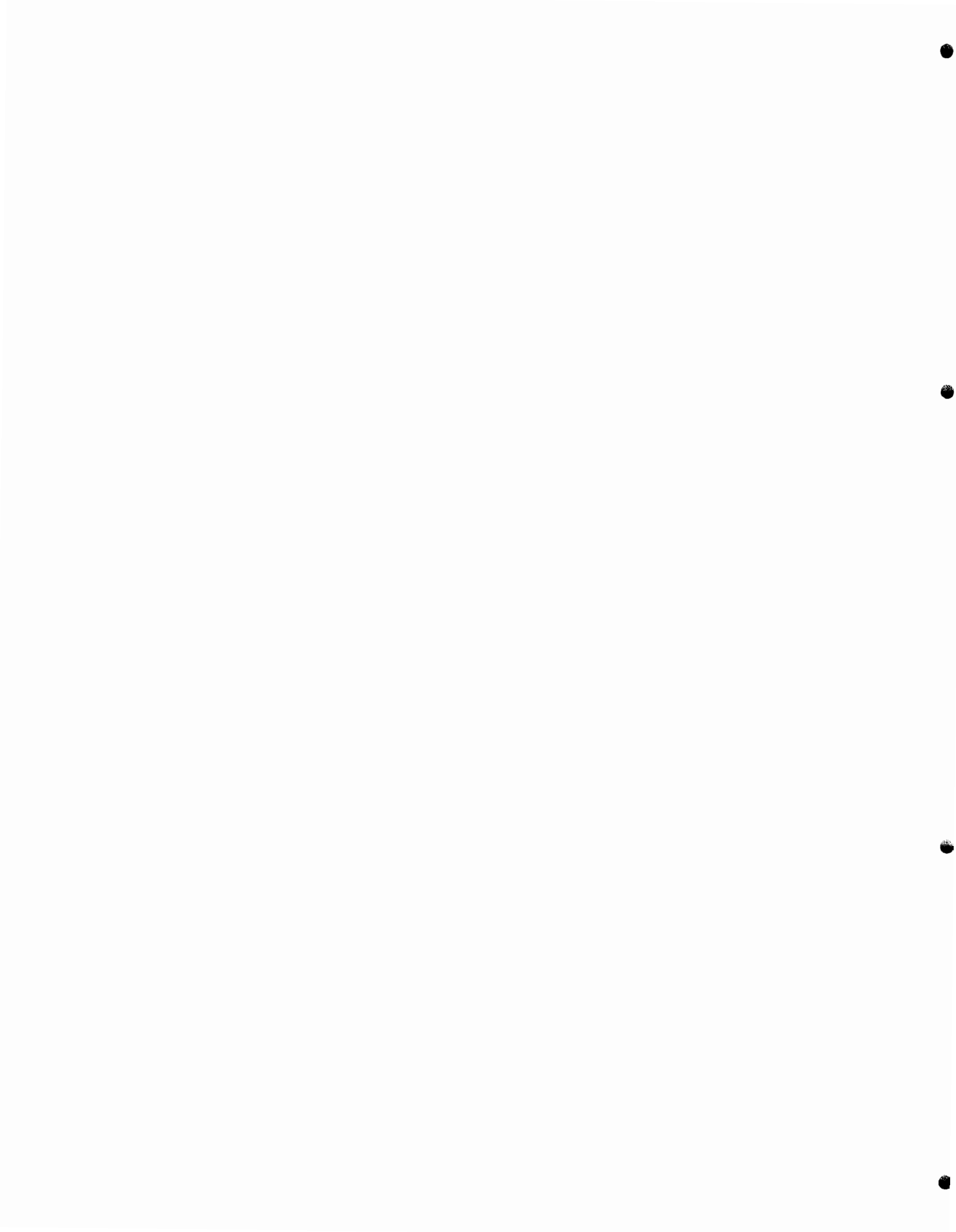
City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

6. Leases

The City of Iuka leases certain industrial real estate to others. This lease is an operating lease which will expire in 20 years.

The following is a schedule of minimum future rental income for the next five years and thereafter thru 2028:

<u>Year Ending September 30</u>	<u>Amount</u>
2017	\$ 60,000
2018	60,000
2019	60,000
2020	60,000
2021	60,000
2022-2026	300,000
2027-2028	90,000
	<u>\$ 690,000</u>



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

7. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2016

	Balance 9/30/2015	Additions	Deletions	Adjustments	Balance 9/30/2016
Capital assets, not being depreciated					
Land	\$ 216,880	\$ -	\$ -	\$ -	\$ 216,880
Total capital assets, not being depreciated:	<u>216,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,880</u>
Capital assets, being depreciated:					
Buildings and improvements	2,318,328	-	-	-	2,318,328
Furniture and equipment	239,742	8,920	-	-	248,662
Mobile equipment	552,261	-	-	(23,043)	529,218
Leased Property	21,927	-	-	-	21,927
Total capital assets, being depreciated	<u>3,132,258</u>	<u>8,920</u>	<u>-</u>	<u>(23,043)</u>	<u>3,118,135</u>
Less accumulated depreciation for:					
Buildings	593,994	45,104	-	-	639,098
Improvements other than buildings	50,517	1,020	-	-	51,537
Furniture and Equipment	205,256	3,594	-	-	208,850
Mobile equipment	369,584	18,442	-	(16,591)	371,435
Leased Property	11,840	3,947	-	-	15,787
Total accumulated depreciation	<u>1,231,191</u>	<u>72,107</u>	<u>-</u>	<u>(16,591)</u>	<u>1,286,707</u>
Total capital assets, being depreciated, net	<u>1,901,067</u>	<u>(63,187)</u>	<u>-</u>	<u>(6,452)</u>	<u>1,831,428</u>
Governmental activities capital assets, net	<u>\$ 2,117,947</u>	<u>\$ (63,187)</u>	<u>\$ -</u>	<u>\$ (6,452)</u>	<u>\$ 2,048,308</u>
Business Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 68,900	\$ -	\$ -	\$ -	\$ 68,900
Total capital assets, not being depreciated:	<u>68,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,900</u>
Capital assets, being depreciated:					
Furniture & Equipment	458,098	-	-	-	458,098
Mobile Equipment	416,538	-	-	-	416,538
Plant & Distribution Assets	16,413,698	45,459	-	-	16,459,157
Leased Property	37,950	80,230	-	-	118,180
Total capital assets, being depreciated:	<u>17,326,284</u>	<u>125,689</u>	<u>-</u>	<u>-</u>	<u>17,451,973</u>
Less accumulated depreciation for:					
Furniture & Equipment	345,422	14,126	-	-	359,548
Mobile Equipment	353,595	7,096	-	-	360,691
Plant & Distribution Assets	7,785,436	379,459	-	-	8,164,895
Leased Property	10,248	17,857	-	-	28,105
Total accumulated depreciation	<u>8,494,701</u>	<u>418,538</u>	<u>-</u>	<u>-</u>	<u>8,913,239</u>
Total depreciable capital assets, net	<u>8,831,583</u>	<u>(292,849)</u>	<u>-</u>	<u>-</u>	<u>8,538,734</u>
Business Type Activities: Capital assets, net	<u>\$ 8,900,483</u>	<u>\$ (292,849)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,607,634</u>

The adjustment was made to remove wreck police car from prior year.

RECEIVED

APR 11 2017



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

7. Capital Assets – Continued

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 5,559
Public safety	24,240
Public works	1,627
Culture & Recreation	17,080
Economic Development	23,601
Total governmental activities depreciation expense	\$ 72,107
Business Type Activities:	
Gas System	\$ 36,728
Water & Sewer System	367,369
Sanitation	14,441
Total Business Type Activities	\$ 418,538

8. Long-Term Liabilities

Debt outstanding as of September 30, 2016, consists of the following:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Governmental Activities					
A. Capital Leases:					
2013 Police Car	2.19%	11/21/2012	11/21/2016	\$ 21,927	\$ 477
Fire Truck	1.99%	9/24/2014	9/29/2017	\$ 45,000	\$ 15,299
Total Capital Leases				\$ 66,927	\$ 15,776
B. Loans Payable					
CAP Loan	3.0%	6/26/2007	5/1/2028	\$ 816,620	\$ 530,937
Business-type Activities:					
A. General Obligation Bonds:					
2014 Refunding Bonds	2.0-4.375%	2/6/2014	12/1/2033	\$ 1,825,000	\$ 1,570,000
B. Revenue Bonds:					
2010 Sewer	3.8%	11/4/2010	11/4/2041	800,000	668,671
2013 Water	2.75%	5/16/2013	5/16/2048	2,775,000	2,612,625
Total Revenue Bonds				\$ 3,575,000	\$ 3,281,296
C. Capital Leases:					
Excavator	2.24%	11/21/2012	11/21/2017	\$ 37,950	\$ 8,586
Backhoe	2.07%	2/25/2014	2/25/2019	63,824	29,538
Garbage Truck	2.11%	7/11/2016	7/11/2021	80,230	76,417
Total Capital Leases				\$ 101,774	\$ 114,541



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

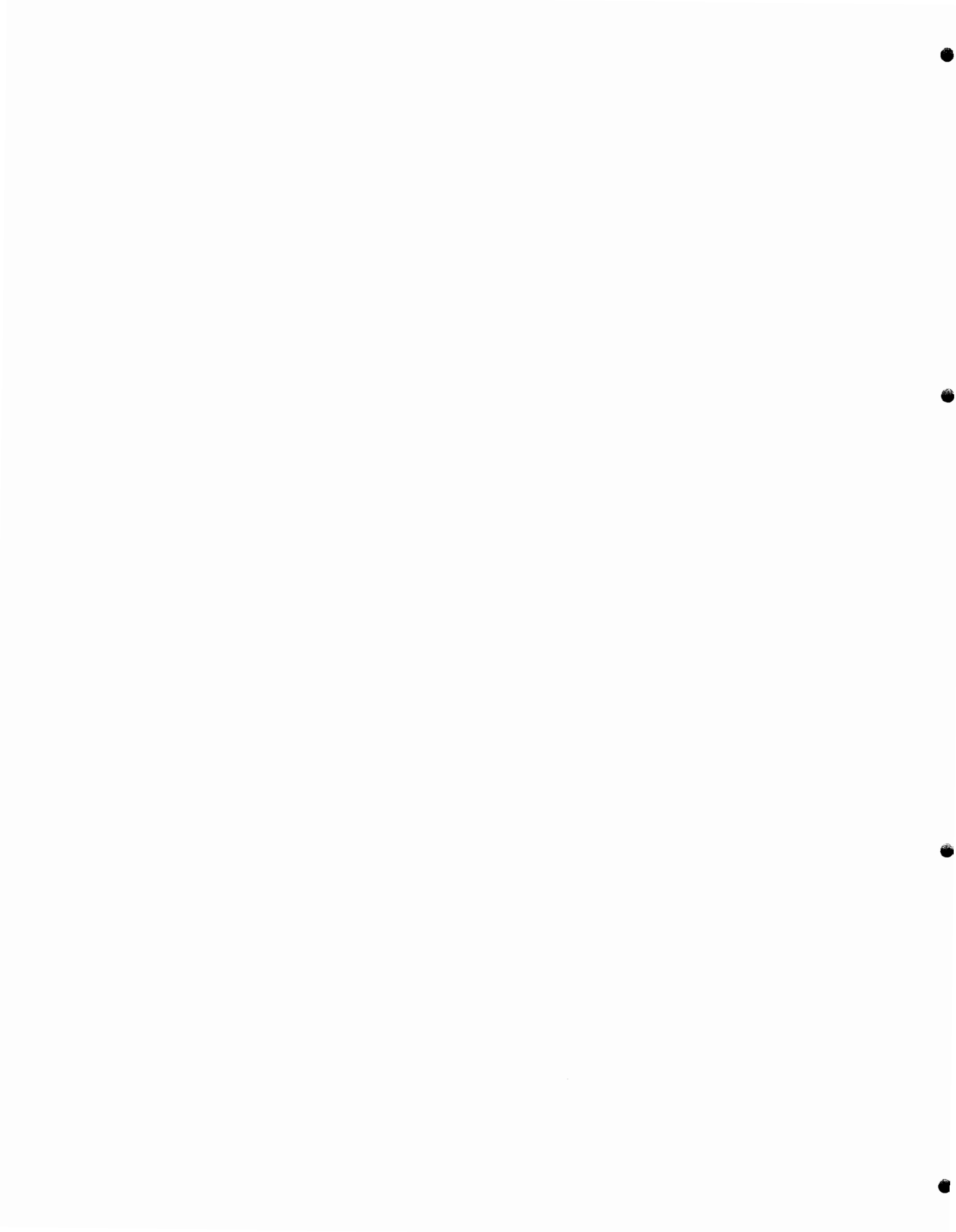
8. Long-Term Debt – Continued

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

<u>Governmental Activities</u>	<u>Capital Leases</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 15,776	\$ 308
Total	<u>\$ 15,776</u>	<u>\$ 308</u>

<u>Year Ending September 30,</u>	<u>Other Loans Payable</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	39,040	15,307
2018	40,228	14,120
2019	41,451	12,896
2020	42,712	11,635
2021	44,011	10,336
2022-2026	240,969	30,768
2027-2028	82,526	1,983
Total	<u>\$ 530,937</u>	<u>\$ 97,045</u>

RECEIVED
APR 11 2017



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

8. Long-Term Debt – Continued

<u>Business Type Activities:</u> <u>Year Ending September 30,</u>	<u>General Obligations Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 130,000	47,050
2018	130,000	44,450
2019	135,000	41,800
2020	125,000	39,200
2021	80,000	36,900
2022-2026	405,000	148,175
2027-2031	375,000	78,381
2032-2034	190,000	11,988
Total	<u>\$ 1,570,000</u>	<u>\$ 447,944</u>

<u>Year Ending September 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 68,699	\$ 97,211
2018	70,749	95,161
2019	72,861	93,049
2020	74,853	91,057
2021	77,276	88,635
2022-2026	422,315	407,237
2027-2031	489,598	399,955
2032-2036	567,754	261,798
2037-2041	658,945	170,608
2042-2046	569,344	75,604
2047-2048	208,902	8,230
Total	<u>\$ 3,281,296</u>	<u>\$ 1,788,545</u>

<u>Year Ending September 30,</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2017	36,335	2,064
2018	29,685	1,354
2019	19,474	817
2020	16,467	454
2021	12,580	111
Total	<u>\$ 114,541</u>	<u>\$ 4,800</u>



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

8. Long-Term Liabilities – Continued

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2016:

	Balance Oct. 1, 2015	Additions	Reductions	Adjustments	Balance Sept. 30, 2016	Amount due within one year
Governmental Activities:						
Loans Payable	568,825	-	37,888	-	530,937	39,040
Capital Leases Compensated	36,426	-	20,650	-	15,776	15,776
Absences	40,479	-	3,022	-	37,457	-
Total	<u>\$ 645,730</u>	<u>-</u>	<u>61,560</u>	<u>-</u>	<u>584,170</u>	<u>54,816</u>
Business Type Activities:						
General Obligation						
Bond	\$ 1,695,000	-	125,000	-	1,570,000	130,000
Less: Discounts	(25,425)	-	(1,875)	-	(23,550)	-
Add: Premiums	7,101	-	524	-	6,577	-
Revenue Bonds	3,348,285	-	66,989	-	3,281,296	68,699
Capital Leases	58,562	80,230	24,251	-	114,541	36,335
Compensated Absences	22,748	-	1,363	-	21,385	-
Total	<u>\$ 5,106,271</u>	<u>80,230</u>	<u>216,252</u>	<u>-</u>	<u>4,970,249</u>	<u>235,034</u>

RECEIVED

APR 11 2017



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

9. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The City 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school district. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became member of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate of September 30, 2016 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$187,977, \$177,421 and \$177,299, respectively, which equaled the required contributions for each year.

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

At September 30, 2016 the City of Iuka reported a liability of \$3,194,347 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Iuka's proportion of the net pension was based on a projection of the City of Iuka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. The City of Iuka's proportionate share used to calculate the September 30, 2016 net pension liability was 0.017883 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.000106 from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

9. Defined Benefit Pension Plan - (Continued)

For the year ended September 30, 2016, the City of Iuka recognized pension expense of \$428,863. At September 30, 2016 the City of Iuka reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 79,439	\$ -
Net Difference Between Projected and Actual Investment Earnings	373,008	-
City Pension Contributions Subsequent to the Measurement Date	49,293	-
Changes of Assumptions	159,628	8,488
Changes in Proportions and Differences Actual Earnings on Pension Plan Assets	-	58,331
Total	\$ 661,368	\$ 66,819

The \$49,293 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2017	\$ 193,799
2018	174,571
2019	113,780
2020	63,106
Total	\$ 545,256

ENCLOSURE
APR 11 2017

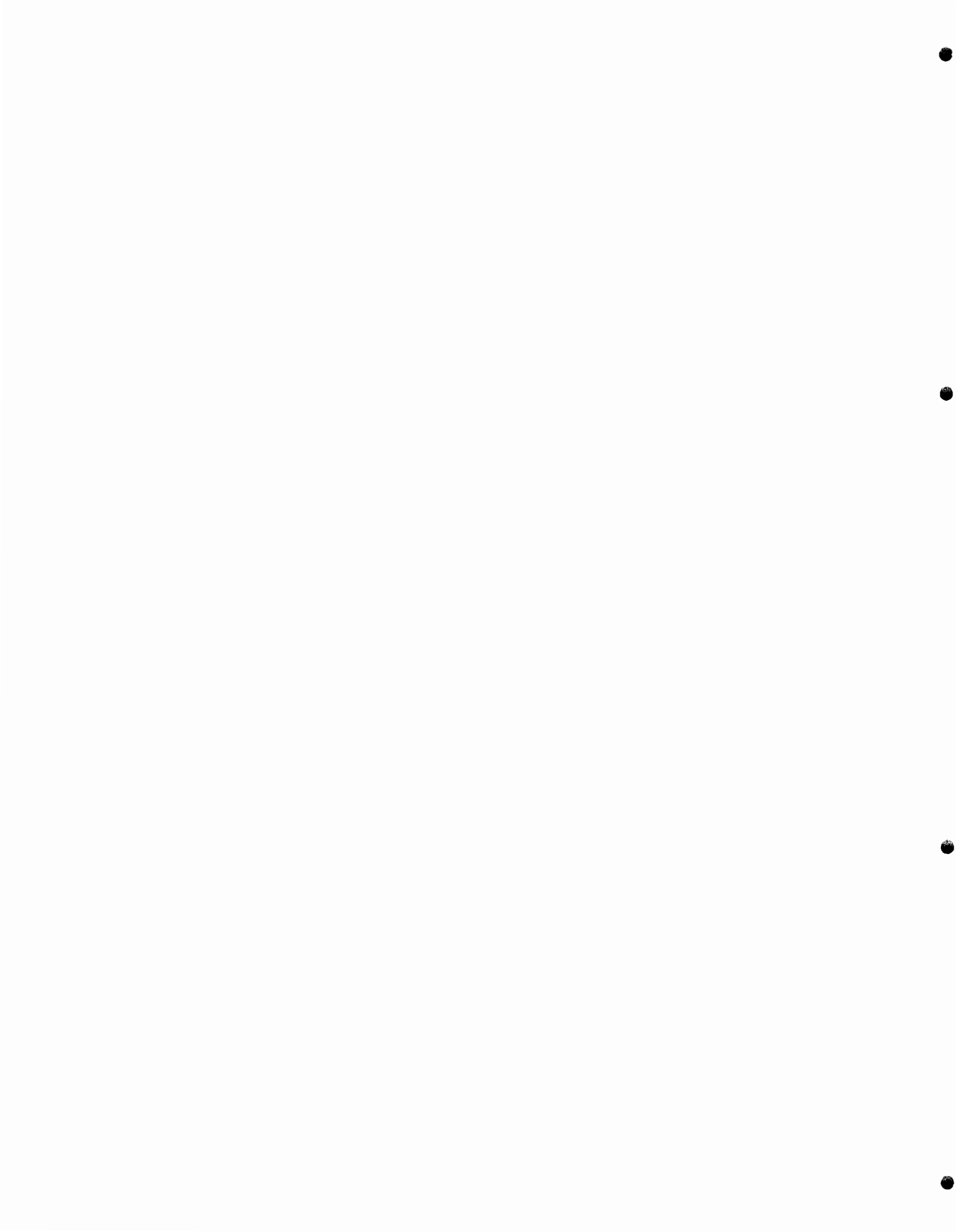
Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 - 19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

9. Defined Benefit Pension Plan - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00 %	5.20 %
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Iuka’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City of Iuka’s proportionate share of the net pension liability using the discount rate of 7.75 percent, as well as what the City of Iuka’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

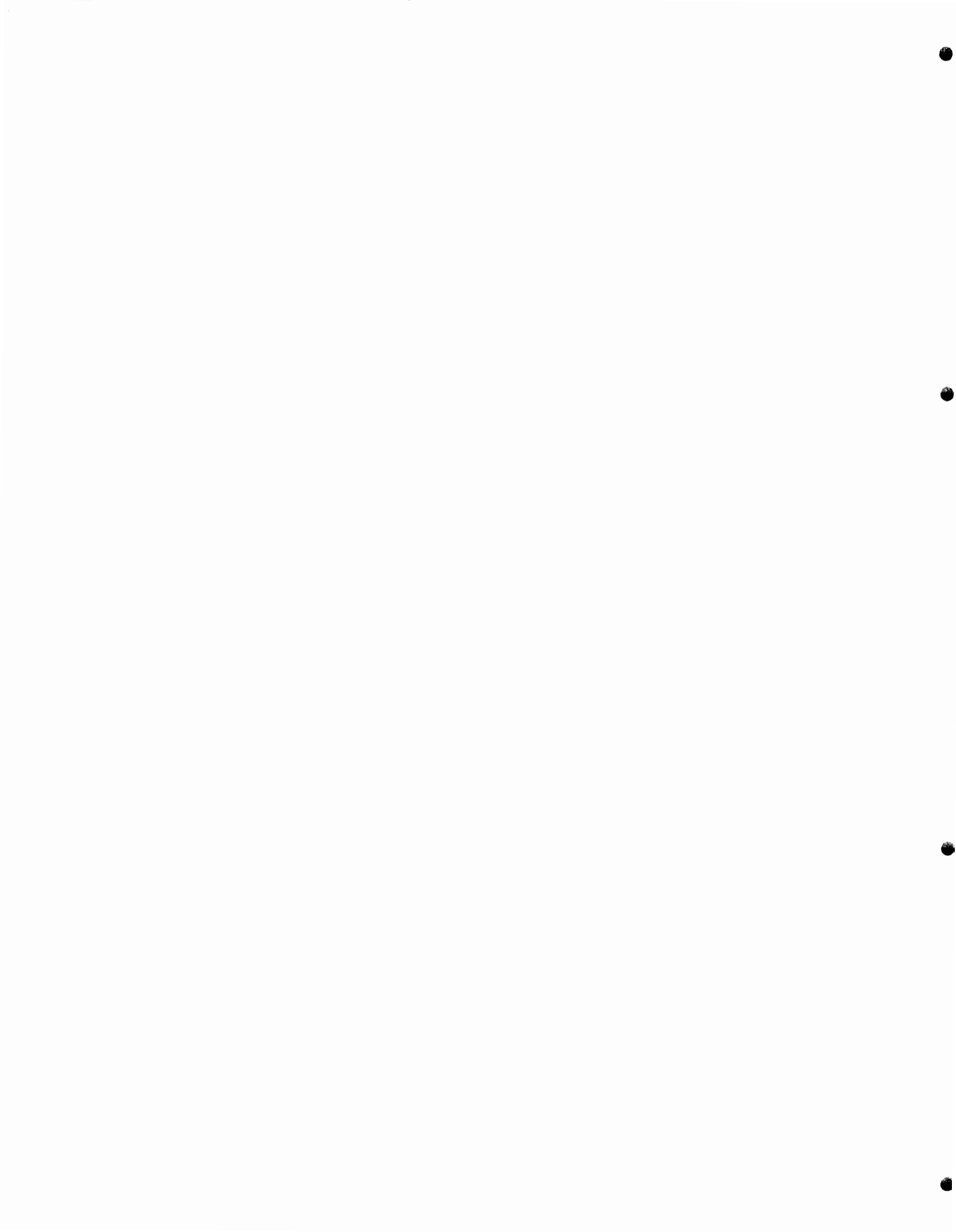
	<u>Discount Rate</u>	<u>City of Iuka's Proportionate Share of Net Pension Liability</u>
1% Decrease	6.75%	\$ 4,095,873
Current Discount Rate	7.75%	3,194,347
1% Increase	8.75%	2,446,378

Plan Fiduciary Net Position – Detailed information about the Plan’s fiduciary net position is available in the separately issued Public Employees’ Retirement System of Mississippi (PERS) financial report.

10. Commitments and Contingencies

Contingencies

The City receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant to the City’s financial statements.



City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

10. Commitments and Contingencies – (Continued)

Litigation

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

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the City carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The City is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG) and the Mississippi Municipal Liability Plan (MMLP), both of which are administered by Municipal Services, Inc. Both Groups are risk-sharing pools; such a pool is frequently referred to as a self-insurance pool.

MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any employee claim. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

MMLP covers the risk of loss related to torts and other liability claims. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities which limits the City's liability to \$250,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. As with the MMWCG, pool members would be required to pay for the deficiency should total claims for the year exceed member contributions. The City has received no assessments for excess losses incurred by the pool.

12. Home Investment Partnership Grant

The City received a Home Investment Partnership Grant in the amount of \$415,000.

These grant monies are federal monies passed through the state to local governments to aid project owners and developers with the cost of providing affordable housing for low income families.

On January 27, 2000, the City made a loan of \$415,000 to Iuka Elderly Apartments, LLC, the project owner, to aid in the construction of low income, elderly apartments. The loan is to be repaid over 480 months commencing ten years from the date of the loan. Payments are to be the lesser of the schedule payment amortization plus 1% interest per annum or 50% of the project net cash flow after payment of expenses and the first mortgage loan payment.

The note receivable of \$415,000 has not been recorded on the City's books due to the uncertainty of adequate project cash flows to make the required payments.

13. Segment Information

The City issues revenue bonds to support a variety of public services. The fund financial statements report major funds with revenue-supported debt for the Water and Sewer System Fund. Services provided by this fund are described in Note 1 C.



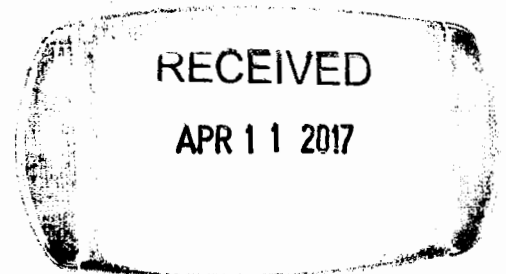
City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2016

14. Subsequent Events

Events that occur after the balance sheet due date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. The City has evaluated subsequent events through March 30, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

15. Jointly Governed Organizations

TAP Alliance (TAP) is an alliance among Tishomingo, Alcorn and Prentiss counties and the City of Iuka, City of Booneville and City of Iuka. The City of Iuka appoints one of the nine members of the board of directors, which is to be the Mayor of the City. The City appropriated \$2,500.00 for the support of the Alliance in fiscal year 2016.





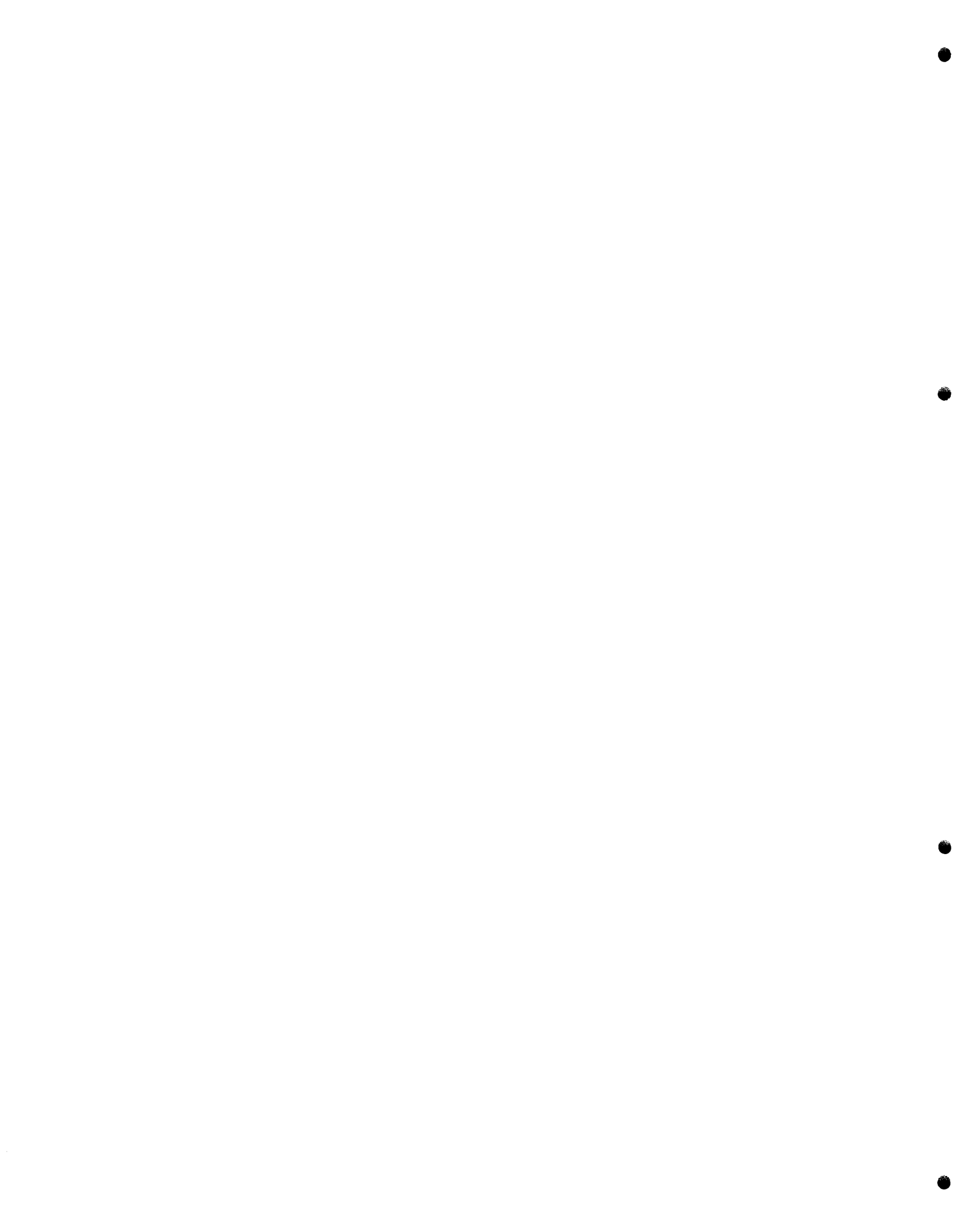
REQUIRED SUPPLEMENTARY INFORMATION



City of Iuka, Mississippi
Schedule of Revenue, Expenditures, and Changes in Fund Balance-
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Taxes	\$ 354,200	\$ 354,200	\$ 392,566	\$ 38,366
Intergovernmental revenues	837,000	837,000	899,141	62,141
Charges for services	3,500	3,500	4,395	895
Licenses	8,400	8,400	10,218	1,818
Fines & Forfeitures	50,000	50,000	40,433	(9,567)
Miscellaneous	203,400	203,400	233,997	30,597
Total Revenues	<u>1,456,500</u>	<u>1,456,500</u>	<u>1,580,750</u>	<u>124,250</u>
<u>Expenditures</u>				
General government	235,000	249,600	217,799	31,801
Public safety	1,007,000	1,007,000	979,485	27,515
Public works	105,000	105,900	100,828	5,072
Culture and recreation	87,000	88,500	78,787	9,713
Debt service	15,000	15,000	5,730	9,270
Total Expenditures	<u>1,449,000</u>	<u>1,466,000</u>	<u>1,382,629</u>	<u>83,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>7,500</u>	<u>(9,500)</u>	<u>198,121</u>	<u>207,621</u>
<u>Other Financing Sources</u>				
Transfers	-	-	-	-
Compensation for Loss on Asset	-	-	625	625
Sale of Assets	500	500	500	-
Total Other Financing Sources	<u>500</u>	<u>500</u>	<u>1,125</u>	<u>625</u>
Net changes in fund balances	<u>\$ 8,000</u>	<u>\$ (9,000)</u>	199,246	<u>\$ 208,246</u>
Fund Balances - Beginning of Year			324,019	
Adjustments to conform with GAAP:				
Revenues			5,056	
Expenditures			(6,514)	
Fund Balances - End of Year (GAAP basis)			<u>\$ 521,807</u>	

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



City of Iuka, Mississippi
Schedule of Required Supplementary Information – Pension
September 30, 2016
Last 3 Fiscal Years*

Schedule of the City's Proportionate Share of the Net Pension Liability

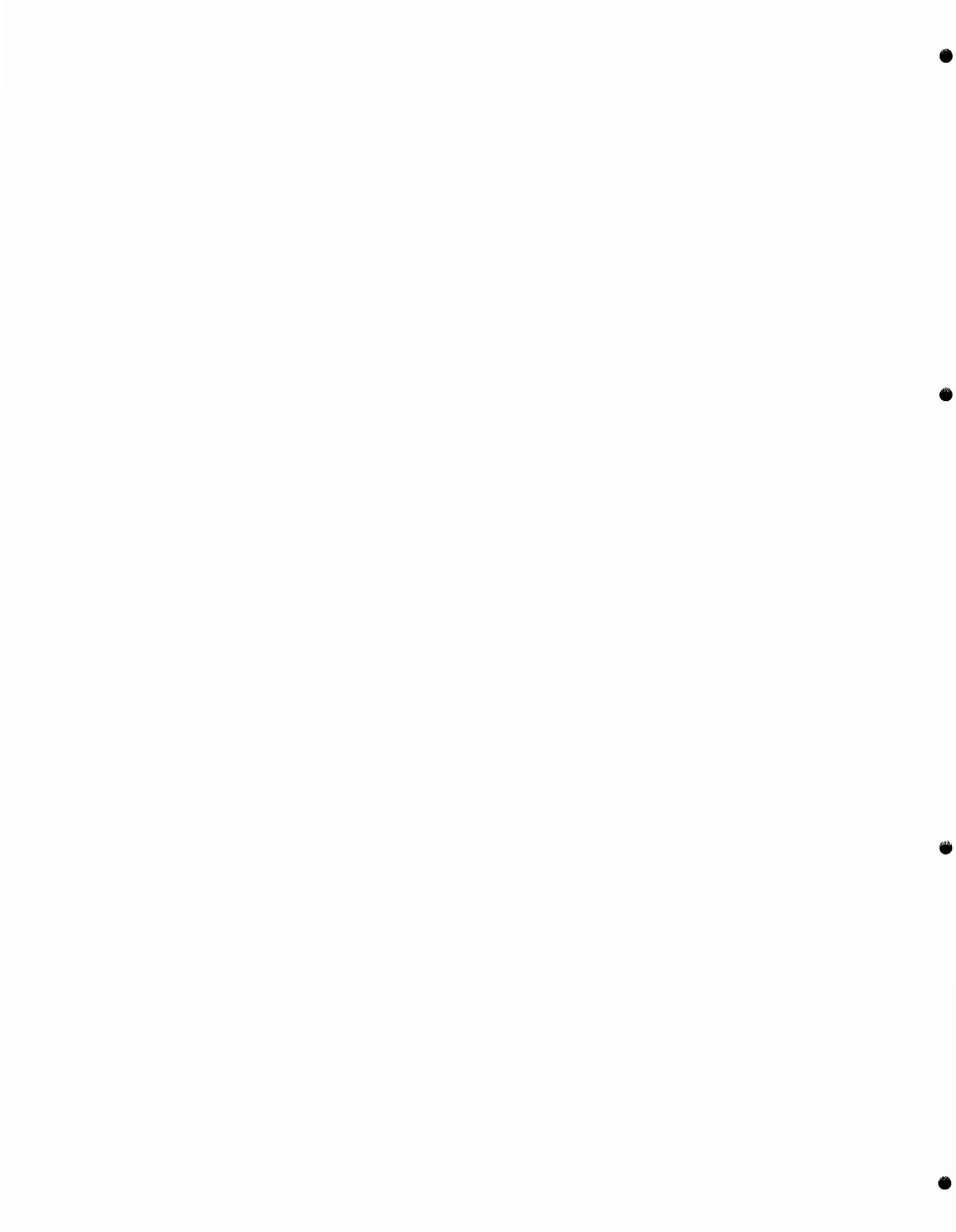
	2016	2015	2014
City's proportion of the net pension liability	0.017883%	0.017777%	0.018798%
City's proportionate share of the net pension liability	\$ 3,194,347	\$ 2,747,973	\$ 2,281,733
City's covered-employee payroll	\$ 1,195,495	\$ 1,126,474	\$ 1,125,697
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	267.6467%	243.9446%	202.6951%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.7040%	67.2077%

* - The amounts presented for each fiscal year were determined as of 6/30

Schedule of City Contributions - PERS

	2016	2015	2014
Contractually required contribution	\$ 187,977	\$ 177,420	\$ 177,297
Contributions in relation to contractually required contribution	(187,977)	(177,420)	(177,297)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
System's covered-employee payroll	\$ 1,193,495	\$ 1,126,474	\$ 1,125,697
Contributions as a percentage of covered-employee payroll	15.75%	15.75%	15.75%

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



City of Iuka, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2016

Notes 1. Budgetary Comparison Schedule

A. Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Aldermen of the City, using historical and anticipated fiscal data and proposed budgets submitted by the City Clerk, Police Chief, Fire Chief and Utility Manager for his or her respective department, prepares an original budget for each of the Governmental Funds and Enterprise Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investments balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation

The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Note 2. Pension Liability and Contributions

A. Changes in benefit terms

None identified during periods presented in the required supplementary information.

B. Changes in assumptions

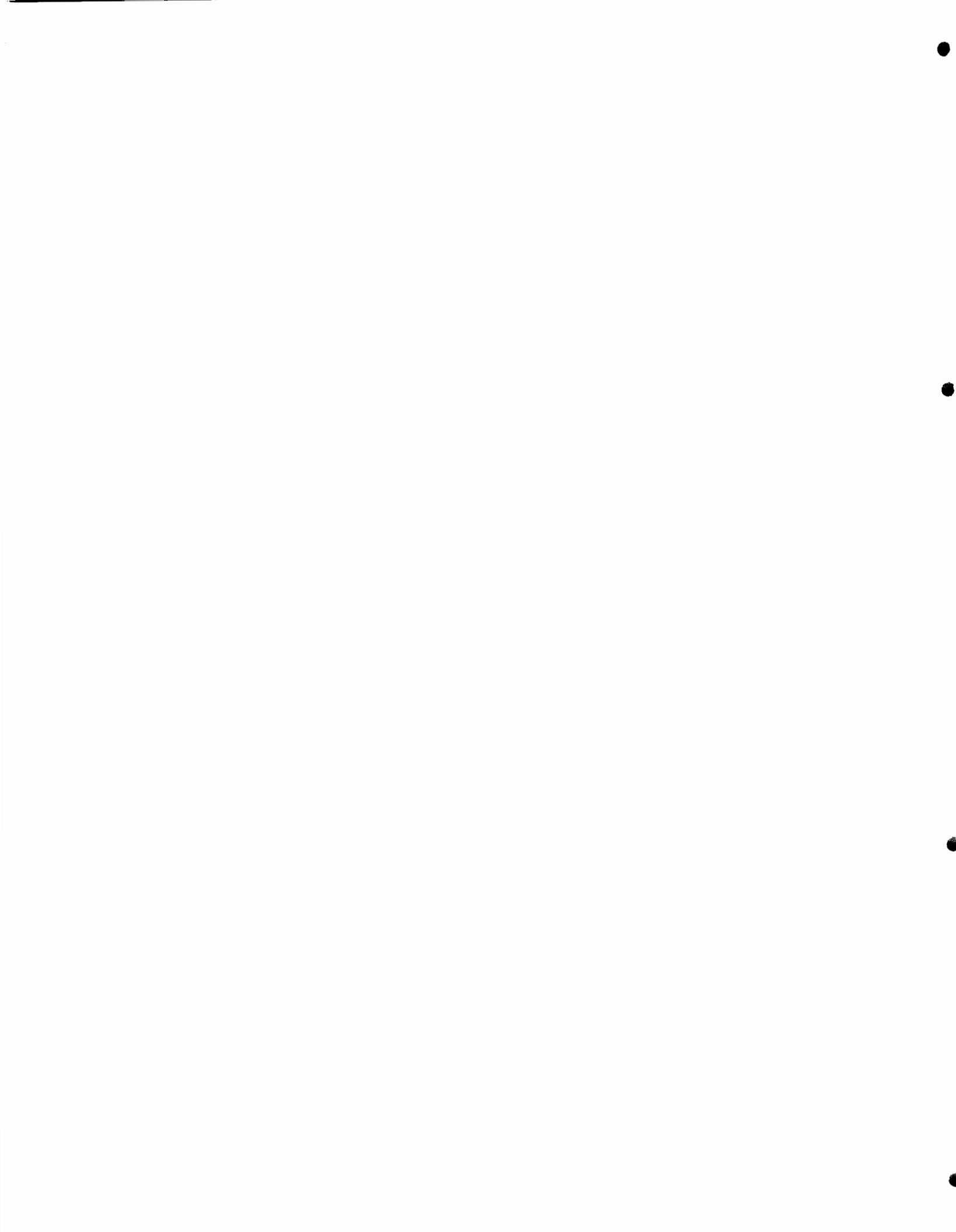
In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-200 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-200 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015 assumed rate of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

C. Changes in size or composition of the population covered by the benefit terms

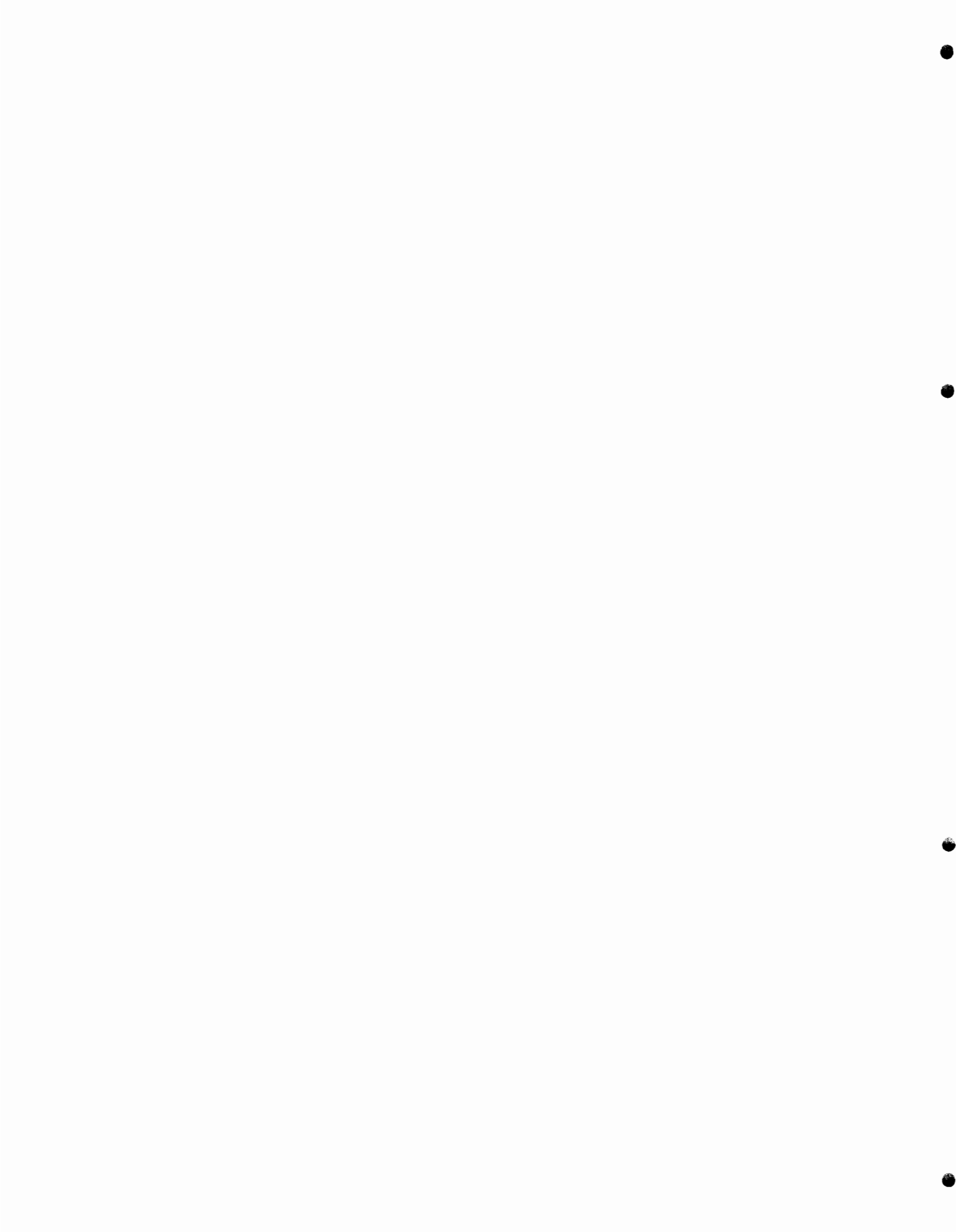
None identified during periods presented in the required supplementary information.

RECEIVED

APR 11 2017



SUPPLEMENTARY INFORMATION



City of Iuka, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
John T. Castleberry	Mayor	Western Surety	\$165,910
Benny Gray	City Clerk & Tax Collector	Western Surety	165,910
Randy Stringer	Chief of Police	Western Surety	50,000
Anita Mitchell	Policeman	Western Surety	25,000
Charlie M. Dean, III	Policeman	Western Surety	25,000
Sue M. Scott	Asst. City Clerk	Western Surety	50,000
Martha Biggs	Alderman	Travelers Casualty	50,000
Jamie L. Stewart	Policeman	Western Surety	25,000
Rodney Pannell	Policeman	Western Surety	25,000
Cynthia Enlow	Deputy City Clerk	Western Surety	50,000
James Grisham	Alderman	Travelers Casualty	50,000
Johnny Southward	Alderman	Travelers Casualty	50,000
Joseph Ayers	Policeman	Western Surety	25,000
Jessica Tuders	Deputy City Clerk	Western Surety	50,000
Joel Robertson	Alderman	Travelers Casualty	50,000
John Kent	Alderman	Travelers Casualty	50,000
Randolph Trim	Policeman	Western Surety	25,000
Brandon Scott Lambert	Policeman	Western Surety	25,000
Scott Woodruff	Policeman	Western Surety	25,000
Kirby Barnes	Deputy City Clerk	Western Surety	50,000
Logan Vaughn	Policeman	Western Surety	25,000
James Page	Policeman	Western Surety	25,000
Wesley Wellington	Policeman	Western Surety	25,000
Scott Dalton	Policeman	Western Surety	25,000
Ethan Edmondson	Policeman	Western Surety	25,000
Kevin Wood	Policeman	Western Surety	25,000

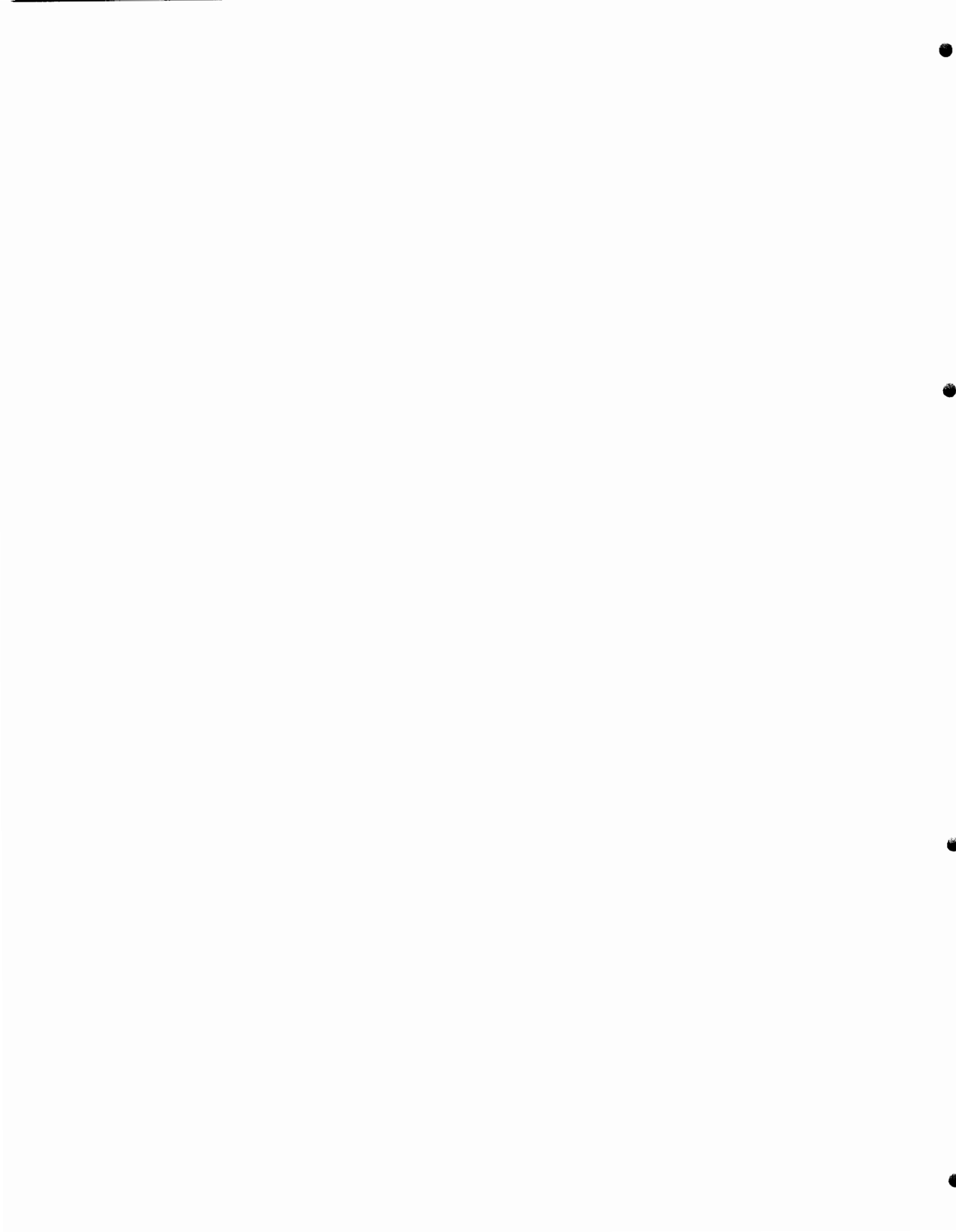
RECEIVED
APR 11 2017



City of Iuka, Mississippi
Schedule of Long-Term Debt
For the Year Ended September 30, 2016

	<u>Issue Date</u>	<u>Balance 10/1/2015</u>	<u>Additions (Retirements)</u>	<u>Balance 9/30/2016</u>
<u>Governmental Funds</u>				
<u>Notes Payable</u>				
\$900,000 CAP Loan	6-26-07	568,825	(37,888)	530,937
<u>Other Long-Term Debt</u>				
\$21,927 Capital Lease Payable	11-21-12	6,129	(5,652)	477
\$45,000 Capital Lease Payable	9-24-14	30,297	(14,998)	15,299
		36,426	(20,650)	15,776
Total Long-Term Debt		605,251	(58,538)	546,713
Total Governmental Funds				
<u>Proprietary Funds</u>				
<u>General Obligation Bonds</u>				
2014 Refunding Bonds	2/6/2014	1,695,000	(125,000)	1,570,000
<u>Revenue Bonds</u>				
\$800,000 Sewer	11-4-10	684,429	(15,758)	668,671
\$2,775,000 Water	5-16-13	2,663,856	(51,231)	2,612,625
		-	-	-
Total Revenue Bonds		3,348,285	(66,989)	3,281,296
<u>Other Long-Term Debt</u>				
\$37,950 Capital Lease Payable	11-21-12	16,330	(7,743)	8,587
\$63,824 Capital Lease Payable	2-25-14	42,232	(12,694)	29,538
\$80,230 Capital Lease Payable	7-11-16	-	76,416	76,416
		58,562	55,979	114,541
Total Other Long-Term Debt		5,101,847	(136,010)	4,965,837
Total Proprietary Funds				
Total Long-Term Debt		\$ 5,707,098	\$ (194,548)	\$ 5,512,550

The above schedule does not include 9/30/16 compensated absences of \$37,457.





Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

**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 Members
of the Board of Aldermen
City of Iuka, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Iuka, Mississippi as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise City of Iuka, Mississippi's basic financial statements and have issued our report thereon dated March 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Iuka, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Iuka, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Iuka, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2016-001 and 2016-002 that we consider to be material weaknesses.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Iuka, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Iuka, Mississippi's Response to Findings

City of Iuka, Mississippi's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Iuka, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

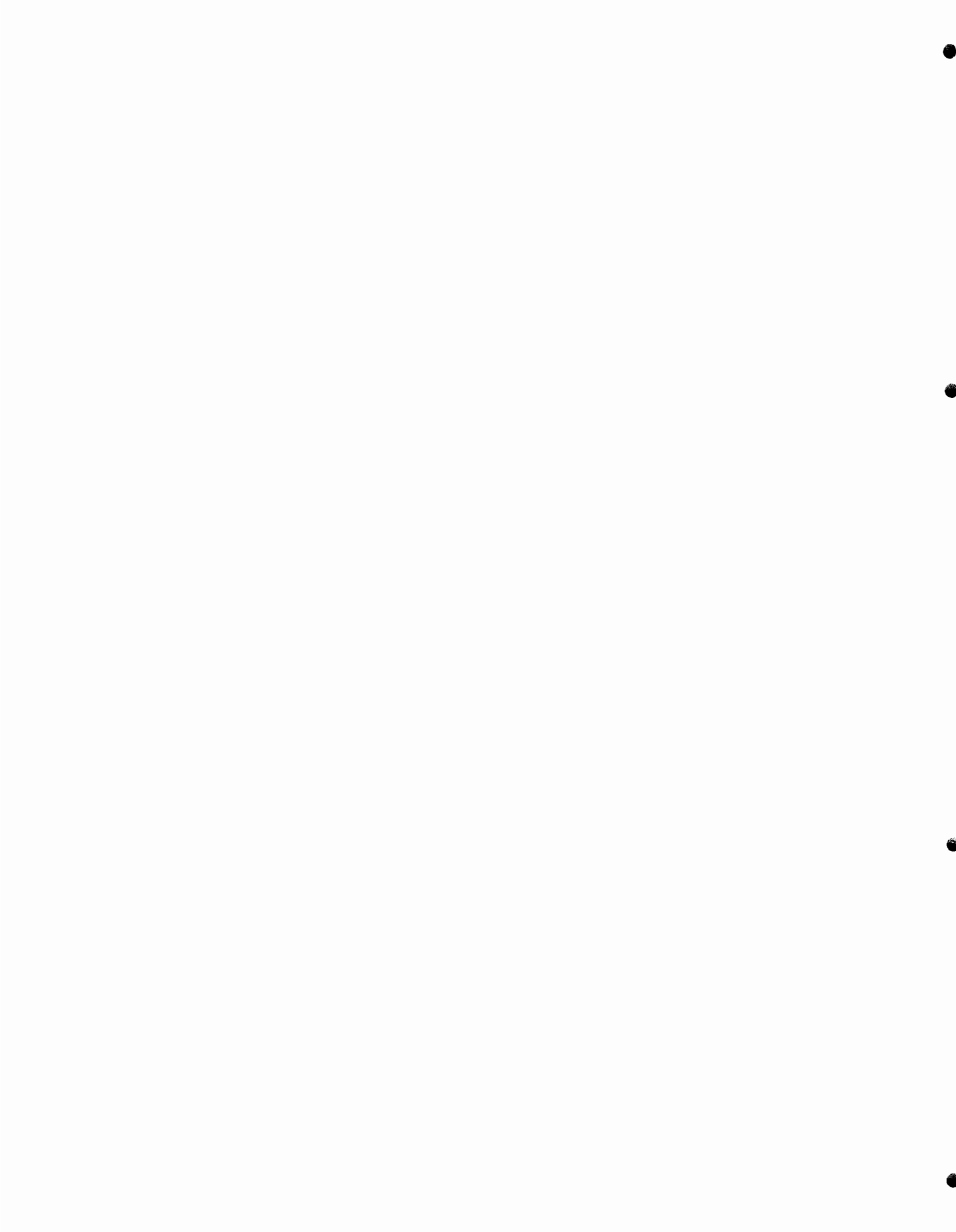
The purpose of this report is solely to describe the scope of our testing of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brawner, Vanstony & Co., P.A.

March 30, 2017
Booneville, Mississippi

RECEIVED

APR 11 2017





Certified Public Accountants
Locations in Corinth, MS & Booneville, MS

Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Honorable Mayor and
Board of Aldermen
City of Iuka, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of and for the year ended September 30, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 30, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Mayor and Board of Aldermen, others within the entity and federal awarding agencies the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Brawner, Vanstory & Co., P.A.

March 30, 2017
Booneville, Mississippi

RECEIVED
APR 11 2017



City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2016

Findings Related to the Financial Statements

Significant Deficiencies Considered to be Material Weakness – Internal Controls

Finding 2016-1

Condition: Due to Limited personnel and the size of the City, there is a lack of segregation of duties.

Criteria: The City is responsible for establishing effective internal controls that will prevent or detect errors in the accounting system.

Cause: There is not sufficient segregation of duties due to the financial constraints.

Effect: The lack of segregation of duties could result in a loss of funds to the City.

Recommendation: We recommended the City develop and maintain an adequate plan of specific duties, and segregated duties as much as possible with limited personnel.

Response: The City has segregated duties as much as possible with the limited personnel. The City will continue to maximize the segregation of duties as much as possible.

Finding 2016-2

Condition: During the audit, material adjustments to the financial statements were discovered and reported by the external auditors. The City relies on its external auditors in assisting in the preparation of financial statements and related disclosures, including the cash to accrual conversion. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of the entity's internal control structure.

Criteria: The City is responsible for developing procedures and providing staffing to prepare financial statements in accordance with generally accepted accounting principles.

Cause: The City does not have sufficient staff or adequate resources necessary to prepare financial statements.

Effect: Due to the size of the City's staff and resources, the external auditors were required to make material adjusting entries to the financial statements to convert from the cash basis to accrual basis financial statements. The lack of accrual basis financial statements could result in the misstatement of accounts on the City's financial statements.

Recommendation: The City should develop internal control procedures to ensure all material adjustments are reflected in the financial statements. Also, the City should evaluate the costs and benefits of providing for the preparation of external financial statements and related disclosures by its personnel as compared to outsourcing the financial statement preparation.

Response: The City will continue to evaluate the cost and benefits of using external auditors to assist in the preparation of financial statements as compared to the cost associated with hiring additional staff. However, the City Clerk has been in the position for many years and approves the adjusting entries.

