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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  
KENNY CARSON  
JAMES GRISHAM  
JOEL ROBERTSON  
JOHNNY SOUTHWARD  
NANCY STRIPLING

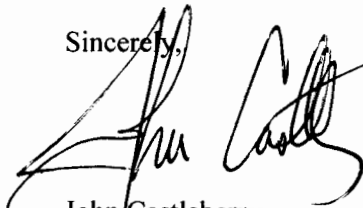
August 8, 2018

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, 2017. A separate management letter was not written to the City of Iuka in connection with this audit.

Sincerely,



John Castleberry  
Mayor

AUG 14 2018

RECEIVED

**CITY OF IUKA, MISSISSIPPI  
FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
YEAR ENDED SEPTEMBER 30, 2017**

RECEIVED  
AUG 14 2018



Certified Public Accountants

**City of Iuka, Mississippi**  
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**September 30, 2017**

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Certified Public Accountants

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
City of Iuka, Mississippi

### 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2017, 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.

Florence, Alabama  
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Phone: (256)356-9375

Muscle Shoals, Alabama  
Phone: (256)314-5082

Booneville, Mississippi  
Phone: (662)728-6172

Corinth, Mississippi  
Phone: (662)286-7082

Iuka, Mississippi  
Phone: (662)423-5057

## Other Matters

### *Required Supplementary Information*

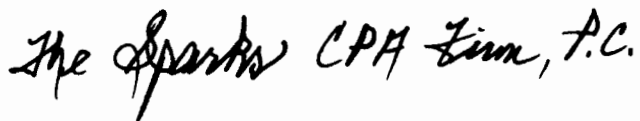
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 3 through 7 and 41 through 44 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 luka, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials and the Schedule of Long-Term Debt have 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 them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2018, on our consideration of the City of luka, 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 luka, Mississippi's internal control over financial reporting and compliance.



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
July 11, 2018

**City of luka, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

This Discussion and Analysis of the City of luka's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2017. 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 2017 were as follows:

Total net position decreased by \$531,681 or 11.16% from 2016.

Overall, the book value of capital assets decreased by \$370,559 from 2016.

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

**Reporting the City of luka 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 2017?" 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 luka has no Component units.

**City of luka, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

**Reporting of the City of luka'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 luka, the City's major funds are the General, Gas System, and Water and Sewer System.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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** – When customers are charged for the provided services, these services are generally reported as proprietary funds. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statement, only in more detail. The City uses proprietary funds to account for the City of luka Natural Gas System, City of luka Combined Water & Sewer System, and City of luka Sanitation Fund.

The City of luka Natural Gas System and the City of luka Combined Water & Sewer System are considered to be major funds of the City. Data from the other proprietary 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 – 39 of this report.



**City of Iuka, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

**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 2017.

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

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2017	2016	2017	2016	2017	2016	
Current and other assets	\$ 1,598,605	\$ 1,401,976	\$ 1,505,297	\$ 1,782,754	\$ 3,103,902	\$ 3,184,730	\$ (80,828)
Capital assets, net	2,037,989	2,048,308	8,258,794	8,619,034	10,296,783	10,667,342	(370,559)
<b>Total Assets</b>	<b>3,636,594</b>	<b>3,450,284</b>	<b>9,764,091</b>	<b>10,401,788</b>	<b>13,400,685</b>	<b>13,852,072</b>	<b>(451,387)</b>
Deferred outflows of resources	295,005	375,178	218,737	286,190	513,742	661,368	(147,626)
Long-term debt	2,352,439	2,400,485	6,120,144	6,348,281	8,472,583	8,748,766	(276,183)
Other liabilities	109,360	109,809	545,167	557,178	654,527	666,987	(12,460)
<b>Total Liabilities</b>	<b>2,461,799</b>	<b>2,510,294</b>	<b>6,665,311</b>	<b>6,905,459</b>	<b>9,127,110</b>	<b>9,415,753</b>	<b>(288,643)</b>
Deferred inflows of resources	424,202	305,890	131,478	28,479	555,680	334,369	221,311
Net investment in capital assets	1,514,910	1,501,595	3,501,388	3,650,148	5,016,298	5,151,743	(135,445)
Restricted	803	803	-	-	803	803	-
Unrestricted (deficit)	(470,115)	(493,120)	(315,349)	103,892	(785,464)	(389,228)	(396,236)
<b>Total Net Position</b>	<b>\$ 1,045,598</b>	<b>\$ 1,009,278</b>	<b>\$ 3,186,039</b>	<b>\$ 3,754,040</b>	<b>\$ 4,231,637</b>	<b>\$ 4,763,318</b>	<b>\$ (531,681)</b>

The City's total assets decreased \$451,387 during 2017 with business-type activities showing a decrease of \$637,697 and governmental activities showing an increase of \$186,310. The major changes were a \$126,166 decrease in cash; \$370,559 decrease in capital assets; a \$22,249 increase in accounts receivable; and \$8,683 increase in property tax and other receivables.

The City's total liabilities decreased \$288,643. The major change was \$226,492 decrease in non-current financing debt outstanding.

The City's net position decreased \$531,681 due to recording net pension liability and the deferred outflows and inflows related to pension.

**City of Iuka, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

Table 2 shows the Change in Net Position for the year ended September 30, 2017. 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)
	2017	2016	2017	2016	2017	2016	
Program revenues:							
Charges for services	\$ 133,367	\$ 103,840	\$ 2,514,679	\$ 2,668,583	\$ 2,648,046	\$ 2,772,423	\$ (124,377)
Grants and donations	7,437	7,200	-	-	7,437	7,200	237
General revenues:	-	-	-	-	-	-	-
Property taxes	400,362	420,096	-	-	400,362	420,096	(19,734)
Intergovernmental revenues	946,013	915,583	-	-	946,013	915,583	30,430
Investment income	2,331	1,470	1,591	2,350	3,922	3,820	102
Miscellaneous taxes and other	309,145	339,444	15,782	-	324,927	339,444	(14,517)
Total revenues	<u>1,798,655</u>	<u>1,787,633</u>	<u>2,532,052</u>	<u>2,670,933</u>	<u>4,330,707</u>	<u>4,458,566</u>	<u>(127,859)</u>
Program expenses:							
General government	245,697	229,926	-	-	245,697	229,926	15,771
Public safety	1,048,822	1,018,768	-	-	1,048,822	1,018,768	30,054
Public works	151,150	142,541	-	-	151,150	142,541	8,609
Culture and recreation	104,247	120,634	-	-	104,247	120,634	(16,387)
Economic development	29,151	23,601	-	-	29,151	23,601	5,550
Gas system	-	-	1,507,521	1,381,543	1,507,521	1,381,543	125,978
Water and sewer	-	-	1,399,229	1,337,951	1,399,229	1,337,951	61,278
Other business-type	-	-	193,303	209,064	193,303	209,064	(15,761)
Pension expense	167,110	134,896	-	-	167,110	134,896	32,214
Interest on long-term debt	16,158	17,145	-	-	16,158	17,145	(987)
Total program expenses	<u>1,762,335</u>	<u>1,687,511</u>	<u>3,100,053</u>	<u>2,928,558</u>	<u>4,862,388</u>	<u>4,616,069</u>	<u>246,319</u>
Net increase (decrease) in net position	<u>\$ 36,320</u>	<u>\$ 100,122</u>	<u>\$ (568,001)</u>	<u>\$ (257,625)</u>	<u>\$ (531,681)</u>	<u>\$ (157,503)</u>	<u>\$ (374,178)</u>

The decrease in net position identified in Table 2 was due to expenses exceeding revenues during 2017. This decrease was mainly due to decreased revenues from the gas and water department activity.

**City of Iuka, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

Major expense activities under the accrual basis of accounting, included: Public Safety expenses accounting for 21.57% of the total program expenses; Public Works accounting for 3.11%; and Public Utilities accounting for 63.76%. 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 \$1.781 million and expenditures of \$1.641 million.

The fund balance of the general fund remained relatively constant, increasing by \$137,233.

### **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 2017, 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 \$1,635,100; final budget amounts were \$1,635,100; and actual revenue collections were \$1,591,916. The major factor contributing to the decrease of actual revenues over budgeted amounts was decreased intergovernmental revenues.

### **Capital Assets and Debt Administration**

**Capital Assets.** As of September 30, 2017, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$2,037,989 and \$8,258,794 respectively. The governmental activities decreased \$10,319 and business-type activities decreased by \$360,240. 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 29 & 30 of this report.

**Debt Administration.** At September 30, 2017, the City had \$5,334,585 in general obligation bonds and other long-term debt outstanding, of which \$291,561 is due within one year. Additional information of the City's long-term debt can be found in Note 8 on pages 30, 31, 32 and 33 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.

**City of Iuka, Mississippi**  
**Statement of Net Position**  
**September 30, 2017**

	Governmental Activities	Business Type Activities	Total
<b><u>Assets</u></b>			
Cash and investments	\$ 1,136,984	\$ 758,157	\$ 1,895,141
Cash - restricted	-	216,768	216,768
Property tax receivable	270,696	-	270,696
Fines receivable, net of uncollectibles, \$219,963	95,963	-	95,963
Utility tax receivable	20,271	-	20,271
Accounts receivable	-	313,114	313,114
Interest receivable	137	37	174
Due from other funds	10,074	5,677	15,751
Internal Balances	(25,000)	25,000	-
Intergovernmental receivables	68,920	-	68,920
Inventories	-	165,027	165,027
Prepaid expenses	20,560	21,517	42,077
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	1,821,109	8,178,494	9,999,603
<b>Total Assets</b>	<b>3,636,594</b>	<b>9,764,091</b>	<b>13,400,685</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred Amounts - pensions	295,005	218,737	513,742
<b><u>Liabilities</u></b>			
Accounts payable	87,520	155,652	243,172
Accrued liabilities	21,840	16,800	38,640
Accrued interest payable	-	62,486	62,486
Customer deposits	-	310,229	310,229
Long-term liabilities:			
Due within one year	49,327	240,826	290,153
Due in more than one year	473,752	4,505,180	4,978,932
Net pension liability	1,784,940	1,353,058	3,137,998
Compensated absences	44,420	21,080	65,500
<b>Total Liabilities</b>	<b>2,461,799</b>	<b>6,665,311</b>	<b>9,127,110</b>
<b><u>Deferred Inflows of Resources</u></b>			
Unavailable Revenue - property taxes	267,550	-	267,550
Deferred Amounts - pensions	156,652	131,478	288,130
<b>Total Deferred Inflows of Resources</b>	<b>424,202</b>	<b>131,478</b>	<b>555,680</b>
<b><u>Net Position</u></b>			
Net Investment in capital assets,	1,514,910	3,501,388	5,016,298
Restricted net position			
Debt service	803	-	803
Unrestricted	(470,115)	(315,349)	(785,464)
<b>Total Net Position</b>	<b>\$ 1,045,598</b>	<b>\$ 3,186,039</b>	<b>\$ 4,231,637</b>

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

**City of Iuka, Mississippi**  
**Statement of Activities**  
**For The Year Ended September 30, 2017**

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
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 245,698	4,550	-	-	(241,148)	-	(241,148)
Public safety	1,048,822	63,317	7,437	-	(978,068)	-	(978,068)
Public works	151,150	-	-	-	(151,150)	-	(151,150)
Culture and recreation	104,247	-	-	-	(104,247)	-	(104,247)
Economic development	29,151	65,500	-	-	36,349	-	36,349
Pension expense	167,109	-	-	-	(167,109)	-	(167,109)
Interest on long-term liabilities	16,158	-	-	-	(16,158)	-	(16,158)
<b>Total governmental activities</b>	<b>1,762,335</b>	<b>133,367</b>	<b>7,437</b>	<b>-</b>	<b>(1,621,531)</b>	<b>-</b>	<b>(1,621,531)</b>
<b>Business-type activity:</b>							
Gas system	1,507,521	1,126,776	-	-	-	(380,745)	(380,745)
Water system	1,137,702	973,272	-	-	-	(164,430)	(164,430)
Sewer system	261,527	223,729	-	-	-	(37,798)	(37,798)
Other business types	193,303	190,902	-	-	-	(2,401)	(2,401)
<b>Total business-type activities</b>	<b>3,100,053</b>	<b>2,514,679</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(585,374)</b>	<b>(585,374)</b>
<b>Total primary government</b>	<b>\$ 4,862,388</b>	<b>2,648,046</b>	<b>7,437</b>	<b>-</b>	<b>(1,621,531)</b>	<b>(585,374)</b>	<b>(2,206,905)</b>
<b>General Revenues:</b>							
<b>Taxes:</b>							
Property taxes, general					400,362	-	400,362
Franchise taxes					82,800	-	82,800
Licenses and permits					9,659	-	9,659
Intergovernmental revenue					946,013	-	946,013
Unrestricted investment income					2,331	1,591	3,922
Miscellaneous					216,686	-	216,686
Insurance reimbursement					-	15,782	15,782
<b>Total general revenues and transfers</b>					<b>1,657,851</b>	<b>17,373</b>	<b>1,675,224</b>
Change in net position					36,320	(568,001)	(531,681)
Net position-beginning					1,009,278	3,754,040	4,763,318
Net position-ending					<b>\$ 1,045,598</b>	<b>\$ 3,186,039</b>	<b>4,231,637</b>

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



**City of Iuka, Mississippi**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2017**

<u>Assets</u>	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Cash	\$ 655,019	\$ 481,965	\$ 1,136,984
Property taxes receivable	239,197	31,499	270,696
Fines receivable, net of uncollectibles, \$219,963	95,963	-	95,963
Utility tax receivable	20,271	-	20,271
Interest receivable	-	137	137
Due from other funds	10,071	7,223	17,294
Intergovernmental receivables	68,920	-	68,920
<b>Total Assets</b>	<b>\$ 1,089,441</b>	<b>\$ 520,824</b>	<b>\$ 1,610,265</b>
 <u>Liabilities</u>			
Accounts payable	\$ 49,299	\$ 38,221	\$ 87,520
Accrued liabilities	21,723	117	21,840
Due to other funds	26,417	5,803	32,220
<b>Total Liabilities</b>	<b>97,439</b>	<b>44,141</b>	<b>141,580</b>
 <u>Deferred Inflows of Resources</u>			
Unavailable revenue - property taxes	237,000	30,550	267,550
Unavailable revenue - fines	95,963	-	95,963
<b>Total Deferred Inflows of Resources</b>	<b>332,963</b>	<b>30,550</b>	<b>363,513</b>
 <u>Fund Balances</u>			
Restricted for			
Debt service	-	803	803
Assigned			
Cemetery	-	64,327	64,327
Culture and recreation	-	34,256	34,256
Public safety	-	19,423	19,423
Public works	-	231,181	231,181
Economic development	-	34,873	34,873
Capital projects	-	61,270	61,270
Unassigned	659,039	-	659,039
<b>Total Fund Balances</b>	<b>659,039</b>	<b>446,133</b>	<b>1,105,172</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,089,441</b>	<b>\$ 520,824</b>	<b>\$ 1,610,265</b>

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, 2017**

Total fund balance, governmental funds \$ 1,105,172

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	\$3,405,464	
Less: accumulated depreciation	<u>1,367,475</u>	2,037,989

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	95,963
------------------	--------

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	295,005
Deferred inflows of resources related to defined benefit pension plan	(156,652)

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

Net Pension Liability	(1,784,940)
Bonds and notes	(523,079)
Compensated absences	(44,420)

Prepaid expenses are not financial resources, and, therefore, are not reported in the funds.	<u>20,560</u>
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 1,045,598</u>
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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, 2017**

	<u>Major Fund</u> General Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues</u>			
Taxes	\$ 363,845	\$ 113,245	\$ 477,090
License and permits	9,659	-	9,659
Intergovernmental revenues	936,496	16,954	953,450
Charges for service	4,550	65,500	70,050
Fines and forfeitures	45,843	-	45,843
Miscellaneous	223,830	1,259	225,089
Total Revenues	<u>1,584,223</u>	<u>196,958</u>	<u>1,781,181</u>
<u>Expenditures</u>			
General government	240,173	-	240,173
Public safety	1,070,047	2,551	1,072,598
Public works	101,672	47,851	149,523
Culture and recreation	65,261	30,544	95,805
Economic development	-	5,550	5,550
Debt service:			
Principal	6,424	54,340	60,764
Interest and fiscal changes	544	15,614	16,158
Total Expenditures	<u>1,484,121</u>	<u>156,450</u>	<u>1,640,571</u>
Excess of revenues over (under) expenditures	<u>100,102</u>	<u>40,508</u>	<u>140,610</u>
<u>Other Financing Sources (Uses)</u>			
Income from inception of lease	37,130	-	37,130
Total Other Financing Sources and Uses	<u>37,130</u>	<u>-</u>	<u>37,130</u>
Net change in fund balance	<u>137,232</u>	<u>40,508</u>	<u>177,740</u>
Fund balance - beginning of year	<u>521,807</u>	<u>405,625</u>	<u>927,432</u>
Fund balance - end of year	<u>\$ 659,039</u>	<u>\$ 446,133</u>	<u>\$ 1,105,172</u>

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

**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, 2017**

Net change in fund balances - total governmental funds:		\$ 177,740
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>		
<p>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.</p>		
Capital outlay	\$ 70,449	
Depreciation expense	<u>(80,768)</u>	
Excess of depreciation over Capital Outlay		(10,319)
<p>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.</p>		
		(167,109)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This includes an increase of \$17,474 in the City's fines revenue.</p>		
		17,474
<p>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 \$60,764 exceeded debt proceeds of \$37,130.</p>		
		23,634
<p>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:</p>		
Accrued compensated absences	\$ (6,963)	
Prepaid insurance	<u>1,863</u>	<u>(5,100)</u>
Change in net position of governmental activities.		<u>\$ 36,320</u>

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, 2017**

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<b>Assets</b>				
<b>Current assets:</b>				
Cash	\$ 107,111	\$ 591,604	\$ 59,442	\$ 758,157
Cash - restricted	-	216,768	-	216,768
Accounts receivable	112,029	174,923	26,162	313,114
Interest receivable	-	37	-	37
Due from other funds	266,714	30,550	19	297,283
Inventory	165,027	-	-	165,027
Prepaid expenses	8,804	8,724	3,989	21,517
<b>Total current assets</b>	<b>659,685</b>	<b>1,022,606</b>	<b>89,612</b>	<b>1,771,903</b>
<b>Non-current Assets:</b>				
<b>Capital assets:</b>				
Capital assets not being depreciated	550	68,350	-	68,900
Capital assets being depreciated net of depreciation	406,976	7,697,532	73,986	8,178,494
Franchise rights	11,400	-	-	11,400
<b>Total non-current assets</b>	<b>418,926</b>	<b>7,765,882</b>	<b>73,986</b>	<b>8,258,794</b>
<b>Total Assets</b>	<b>1,078,611</b>	<b>8,788,488</b>	<b>163,598</b>	<b>10,030,697</b>
<b>Deferred Outflows of Resources</b>				
Deferred amounts - pensions	106,274	92,140	20,323	218,737
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable	101,181	41,123	13,348	155,652
Accrued liabilities	7,767	70,037	1,482	79,286
Customer deposits	179,867	130,362	-	310,229
Due to other funds	-	266,090	516	266,606
Current portion of long-term debt	12,844	212,195	15,787	240,826
<b>Total current liabilities</b>	<b>301,659</b>	<b>719,807</b>	<b>31,133</b>	<b>1,052,599</b>
<b>Non-Current Liabilities:</b>				
Capital leases	11,308	11,308	45,171	67,787
Net pension liability	658,863	568,692	125,503	1,353,058
Bonds payable	-	4,437,393	-	4,437,393
Compensated absences	7,931	7,931	5,218	21,080
<b>Total non-current liabilities</b>	<b>678,102</b>	<b>5,025,324</b>	<b>175,892</b>	<b>5,879,318</b>
<b>Total Liabilities</b>	<b>979,761</b>	<b>5,745,131</b>	<b>207,025</b>	<b>6,931,917</b>
<b>Deferred Inflows of Resources</b>				
Deferred amounts - pensions	64,137	55,306	12,035	131,478
<b>Net Position</b>				
Net investment in capital assets	383,374	3,104,986	13,028	3,501,388
Unrestricted	(242,387)	(24,795)	(48,167)	(315,349)
<b>Total Net Position</b>	<b>\$ 140,987</b>	<b>\$ 3,080,191</b>	<b>\$ (35,139)</b>	<b>\$ 3,186,039</b>

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, 2017**

	<u>Business Type Activities</u>			<u>Total</u>
	<u>Gas System</u>	<u>Water and Sewer</u>	<u>Other Business Types</u>	
<b><u>Operating Revenues</u></b>				
Charges for service	\$ 1,093,085	\$ 1,196,654	\$ 190,299	\$ 2,480,038
Other	33,691	347	603	34,641
Total operating revenues	<u>1,126,776</u>	<u>1,197,001</u>	<u>190,902</u>	<u>2,514,679</u>
<b><u>Operating Expenses</u></b>				
Personal services	475,667	346,443	82,384	904,494
Pension expense	70,770	61,486	13,222	145,478
Contractual services	22,699	35,743	-	58,442
Materials and supplies	22,328	81,578	2,019	105,925
Repairs and maintenance	26,246	12,523	-	38,769
Purchase of gas	688,283	-	-	688,283
Rent	90,000	90,000	-	180,000
Vehicle expense	22,783	19,284	11,272	53,339
Utilities	653	164,254	-	164,907
Insurance	15,651	24,966	7,301	47,918
Depreciation	40,258	371,993	14,441	426,692
Other	31,710	45,110	61,200	138,020
Total operating expenses	<u>1,507,048</u>	<u>1,253,380</u>	<u>191,839</u>	<u>2,952,267</u>
Operating income (loss)	<u>(380,272)</u>	<u>(56,379)</u>	<u>(937)</u>	<u>(437,588)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>				
Interest and fiscal charges	(473)	(145,849)	(1,464)	(147,786)
Interest income	341	1,167	83	1,591
Insurance reimbursement	7,891	7,891	-	15,782
Total non-operating revenues (expenses)	<u>7,759</u>	<u>(136,791)</u>	<u>(1,381)</u>	<u>(130,413)</u>
Change in net position	<u>(372,513)</u>	<u>(193,170)</u>	<u>(2,318)</u>	<u>(568,001)</u>
Net position - beginning of year	<u>513,500</u>	<u>3,273,361</u>	<u>(32,821)</u>	<u>3,754,040</u>
Net position - end of year	<u>\$ 140,987</u>	<u>\$ 3,080,191</u>	<u>\$ (35,139)</u>	<u>\$ 3,186,039</u>

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

**City of Iuka, Mississippi**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2017**

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,108,597	\$ 1,193,549	\$ 190,284	\$ 2,492,430
Cash Payments for Goods and Service	(948,741)	(479,259)	(81,690)	(1,509,690)
Cash Payments to Employees	(471,437)	(342,706)	(80,980)	(895,123)
Net Cash Provided By Operating Activities	<u>(311,581)</u>	<u>371,584</u>	<u>27,614</u>	<u>87,617</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Increase (Decrease) in Due to Other Funds	26,574	(26,049)	-	525
Net Cash Provided(Used) By Noncapital Financing Activities	<u>26,574</u>	<u>(26,049)</u>	<u>-</u>	<u>525</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for capital acquisitions	(29,925)	(36,534)	-	(66,459)
Principal payments on debt	(12,853)	(211,841)	(15,458)	(240,152)
Interest and fiscal changes on debt	(473)	(146,386)	(1,464)	(148,323)
Proceeds from debt issuance	17,942	17,942	-	35,884
Other receipts (expenses)	-	-	-	-
Net Cash Used By Capital and Related Financing Activities	<u>(25,309)</u>	<u>(376,819)</u>	<u>(16,922)</u>	<u>(419,050)</u>
<u>Cash Flows From Investing Activities</u>				
Interest received	341	1,167	83	1,591
Insurance reimbursement	7,891	7,891	-	15,782
Net Cash Provided By Investing Activities	<u>8,232</u>	<u>9,058</u>	<u>83</u>	<u>17,373</u>
Net Increase (Decrease) in Cash	(302,084)	(22,226)	10,775	(313,535)
Cash and Cash Equivalent - Beginning	409,195	830,598	48,667	1,288,460
Cash and Cash Equivalent - Ending	<u>\$ 107,111</u>	<u>\$ 808,372</u>	<u>\$ 59,442</u>	<u>\$ 974,925</u>
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (380,272)	\$ (56,379)	\$ (937)	\$ (437,588)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	40,258	371,993	14,441	426,692
Net Pension Expense	70,770	61,486	13,222	145,478
Receivables	(18,179)	(3,452)	(618)	(22,249)
Payables	(10,205)	(1,412)	1,255	(10,362)
Inventory	(13,301)	-	-	(13,301)
Prepaid Expenses	(652)	(652)	251	(1,053)
Net cash provided (used) by operating activities	<u>\$ (311,581)</u>	<u>\$ 371,584</u>	<u>\$ 27,614</u>	<u>\$ 87,617</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, 2017**

	<u>AGENCY FUNDS</u>
<u>Assets</u>	
Cash	<u>\$ 50,532</u>
 Total Assets	 <u><u>\$ 50,532</u></u>
 <u>Liabilities</u>	
Accrued liabilities	\$ 34,781
Due to other funds	<u>\$ 15,751</u>
Total Liabilities	<u><u>\$ 50,532</u></u>

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

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

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

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies – (Continued)

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.

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.



**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies – (Continued)

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.

**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.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies – (Continued)

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.”

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

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies – (Continued)

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>Capitalization Thresholds</u>	<u>Estimated 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.

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.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies – (Continued)

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.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. 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. There were no committed fund balances as of September 30, 2017.

*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.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

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1. Summary of Significant Accounting Policies – (Continued)

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.

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 \$44,420 for accumulated unpaid vacation payable from the Governmental Funds is reported as a liability in the Statement of

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

1. Summary of Significant Accounting Policies – (Continued)

Net Position. In the Proprietary Funds, the compensated absences are reported as a liability of those funds in the amount of \$21,080.

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.

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.

R. Changes in Accounting Standards

The City implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures*. The provisions of this standard have been incorporated into the financial statements and notes. However, the City had no tax abatement agreements in place as of and for the year ended September 30, 2017; therefore, no further disclosure is necessary.

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 \$2,162,441 and the bank balance was \$2,231,486.

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.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

2. Deposits and Investments – (Continued)

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, 2017, none of the City's bank balance of \$2,231,486 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.

3. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes.

4. 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	\$ 10,071	\$ 26,417	Temporary loan
Non-Major Funds:			
Other Governmental	7,223	5,803	Temporary loan for equipment
Total Governmental Funds	<u>17,294</u>	<u>32,220</u>	
Business-Type Funds			
Major Funds:			
Gas System	266,714	-	Temporary loan for supplies in water & sewer
Water & Sewer System	30,550	266,090	Temporary loan for supplies in water & sewer
Non-Major Funds:			
Sanitation	19	516	Temporary cash shortage
Total Business-Type Funds	<u>297,283</u>	<u>266,606</u>	
Fiduciary Funds:			
Accounts Payable	-	13,584	Temporary loan from General, Gas & Water
Payroll Clearing	-	2,167	Temporary loan from General
Total Fiduciary Funds	<u>-</u>	<u>15,751</u>	
Total All Funds	<u>\$ 314,577</u>	<u>\$ 314,577</u>	

5. 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.



**City of luka, Mississippi  
Notes to Financial Statements  
Year Ended September 30, 2017**

6. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2017 consisted of the following:

Governmental Activities:

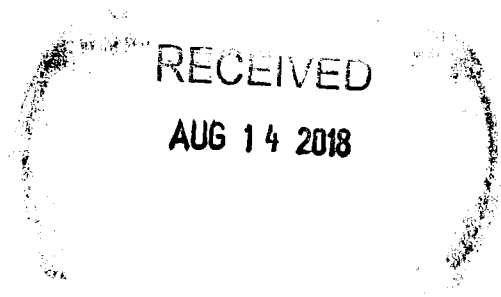
Description	Amount
State Tax Commission Sales Tax	\$ 68,920

7. Leases

The City of luka 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:

Year Ending September 30	Amount
2018	\$ 60,000
2019	60,000
2020	60,000
2021	60,000
2022	60,000
2023-2027	300,000
2028	30,000
	\$ 630,000



**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**8. Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2017

	Balance 9/30/2016	Additions	Deletions	Adjustments	Balance 9/30/2017
Capital assets, not being depreciated:					
Land	\$ 216,880	\$ -	\$ -	\$ -	\$ 216,880
Total capital assets, not being depreciated:	216,880	-	-	-	216,880
Capital assets, being depreciated:					
Buildings and improvements	2,318,328	-	-	-	2,318,328
Furniture and equipment	248,662	33,319	-	-	281,981
Mobile equipment	529,218	-	-	21,927	551,145
Leased property	21,927	37,130	-	(21,927)	37,130
Total capital assets, being depreciated	3,118,135	70,449	-	-	3,188,584
Less accumulated depreciation for:					
Buildings	639,098	45,103	-	-	684,201
Improvements other than buildings	51,537	-	-	-	51,537
Furniture and equipment	208,850	6,593	-	-	215,443
Mobile equipment	371,435	22,389	-	15,787	409,611
Leased property	15,787	6,683	-	(15,787)	6,683
Total accumulated depreciation	1,286,707	80,768	-	-	1,367,475
Total capital assets, being depreciated, net	1,831,428	(10,319)	-	-	1,821,109
Governmental activities capital assets, net	<u>\$ 2,048,308</u>	<u>\$ (10,319)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,037,989</u>
Business Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 68,900	\$ -	\$ -	\$ -	\$ 68,900
Total capital assets, not being depreciated:	68,900	-	-	-	68,900
Capital assets, being depreciated:					
Furniture and equipment	458,098	9,556	-	-	467,654
Mobile equipment	416,538	-	-	-	416,538
Plant & distribution assets	16,459,157	21,012	-	-	16,480,169
Leased property	118,180	35,884	-	-	154,064
Total capital assets, being depreciated:	17,451,973	66,452	-	-	17,518,425
Less accumulated depreciation for:					
Furniture and equipment	359,548	17,315	-	-	376,863
Mobile equipment	360,691	7,096	-	-	367,787
Plant and distribution assets	8,164,895	377,966	-	-	8,542,861
Leased property	28,105	24,315	-	-	52,420
Total accumulated depreciation	8,913,239	426,692	-	-	9,339,931
Total depreciable capital assets, net	8,538,734	(360,240)	-	-	8,178,494
Business Type Activities:					
Capital assets, net	<u>\$ 8,607,634</u>	<u>\$ (360,240)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,247,394</u>

The adjustment was made to reclassify lease equipment to mobile equipment.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**8. Capital Assets – (Continued)**

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 5,558
Public safety	30,924
Public works	1,627
Culture and recreation	19,059
Economic development	23,600
Total Governmental Activities	\$ 80,768
Business Type Activities:	
Gas system	\$ 40,258
Water and sewer system	371,993
Sanitation	14,441
Total Business Type Activities	\$ 426,692

**9. Long-Term Liabilities**

Debt outstanding as of September 30, 2017, consists of the following:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Governmental Activities					
A. Capital Leases:					
2017 Police Car	2.36%	2/24/2017	2/24/2021	\$ 37,130	\$ 31,182
B. Loans Payable					
CAP Loan	3.0%	6/26/2007	5/1/2028	\$ 816,620	\$ 491,897
Business-type Activities:					
A. General Obligation Bonds:					
2014 Refunding Bonds	2.0-4.375%	2/6/2014	12/1/2033	\$ 1,825,000	\$ 1,440,000
B. Revenue Bonds:					
2010 Sewer	3.8%	11/4/2010	11/4/2041	800,000	652,323
2013 Water	2.75%	5/16/2013	5/16/2048	2,775,000	2,559,986
Total Revenue Bonds				\$ 3,575,000	\$ 3,212,309
C. Capital Leases:					
Excavator	2.24%	11/21/2012	11/21/2017	\$ 37,950	\$ 668
Backhoe	2.07%	2/25/2014	2/25/2019	63,824	16,580
Garbage Truck	2.11%	7/11/2016	7/11/2021	80,230	60,958
Ford Truck	2.44%	5/10/2017	5/10/2020	35,884	31,056
Total Capital Leases				\$ 217,888	\$ 109,262

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

9. 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>
2018	\$ 9,099	\$ 638
2019	9,316	421
2020	9,538	199
2021	3,229	16
Total	<u>\$ 31,182</u>	<u>\$ 1,274</u>

<u>Year Ending September 30,</u>	<u>Other Loans Payable</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 40,228	\$ 14,120
2019	41,451	12,896
2020	42,712	11,635
2021	44,011	10,336
2022	45,350	8,997
2023-2027	248,300	23,438
2028	29,845	315
Total	<u>\$ 491,897</u>	<u>\$ 81,737</u>

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

9. 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>
2018	\$ 130,000	44,450
2019	135,000	41,800
2020	125,000	39,200
2021	80,000	36,900
2022	80,000	34,800
2023-2027	400,000	134,981
2028-2032	370,000	63,513
2033-2034	120,000	5,250
Total	<u>\$ 1,440,000</u>	<u>\$ 400,894</u>

<u>Year Ending September 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 70,759	\$ 95,161
2019	72,861	93,049
2020	74,853	91,057
2021	77,276	88,635
2022	79,587	86,324
2023-2027	434,970	394,583
2028-2032	504,190	325,364
2033-2037	584,997	244,557
2038-2042	659,964	150,385
2043-2047	562,702	59,729
2048	90,150	2,480
Total	<u>\$ 3,212,309</u>	<u>\$ 1,631,324</u>

<u>Year Ending September 30,</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2018	41,475	1,980
2019	31,555	1,153
2020	23,652	513
2021	12,580	111
Total	<u>\$ 109,262</u>	<u>\$ 3,757</u>

**City of luka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

9. Long-Term Liabilities – (Continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

	Balance Oct. 1, 2016	Additions	Reductions	Adjustments	Balance Sept. 30, 2017	Amount due within one year
<b>Governmental</b>						
Activities:						
Loans Payable	530,937	-	39,040	-	491,897	40,228
Capital Leases	15,776	37,130	21,724	-	31,182	9,099
Compensated						
Absences	37,457	6,963	-	-	44,420	-
<b>Total</b>	<b>\$ 584,170</b>	<b>44,093</b>	<b>60,764</b>	<b>-</b>	<b>567,499</b>	<b>49,327</b>
<b>Business Type</b>						
Activities:						
General Obligation						
Bond	\$ 1,570,000	-	130,000	-	1,440,000	130,000
Less: Discounts	(23,550)	-	(1,950)	-	(21,600)	(1,950)
Add: Premiums	6,577	-	542	-	6,035	542
Revenue Bonds	3,281,296	-	68,987	-	3,212,309	70,759
Capital Leases	114,541	35,884	41,163	-	109,262	41,475
Compensated Absences	21,385	-	305	-	21,080	-
<b>Total</b>	<b>\$ 4,970,249</b>	<b>35,884</b>	<b>239,047</b>	<b>-</b>	<b>4,767,086</b>	<b>240,826</b>

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**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**10. 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling 1-800-444-PERS.

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school 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 percent of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2017 was 15.75 percent 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, 2017, 2016 and 2015 were \$193,940, \$187,977 and \$177,421, respectively, which equaled the required contributions for each year.

**City of luka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**10. Defined Benefit Pension Plan - (Continued)**

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

At September 30, 2017, the City of luka reported a liability of \$3,137,998 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of luka's proportion of the net pension was based on a projection of the City of luka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. The City of luka's proportionate share used to calculate the September 30, 2017 net pension liability was 0.018877 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.000994 from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City of luka recognized pension expense of \$312,587. At September 30, 2017, the City of luka reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 74,168	\$ 40,428
Net Difference Between Projected and Actual Investment Earnings	269,709	32,049
City Pension Contributions Subsequent to the Measurement Date	52,505	-
Changes of Assumptions	117,360	8,805
Changes in Proportions and Differences		
Actual Earnings on Pension Plan Assets	-	206,848
Total	<u>\$ 513,742</u>	<u>\$ 288,130</u>

The \$52,505 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,	<u>Amount</u>
2018	\$ 104,827
2019	44,035
2020	32,250
2021	(8,005)
Total	<u>\$ 173,107</u>

**Actuarial Assumptions** – The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:



**City of luka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**10. Defined Benefit Pension Plan - (Continued)**

Inflation	3.00%
Salary increases	3.75 - 18.50%, 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 2022, with males rates set forward one year.

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Assets	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	0.00
	<u>100.00 %</u>	

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75 percent. 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 percent) and that employer contributions will be made at the current employer contribution rate (15.75 percent). 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 luka's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the City of luka's proportionate share of the net pension liability using the discount rate of 7.75 percent, as well as what the City of luka'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:

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

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**10. Defined Benefit Pension Plan - (Continued)**

	Discount Rate	City of Iuka's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 4,115,694
Current Discount Rate	7.75%	3,137,998
1% Increase	8.75%	2,326,298

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.

**11. 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.

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.

**12. 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

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

**12. Risk Management- (Continued)**

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.

**13. 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.

**14. 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.

**15. 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 July 11, 2018, 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. No adjustments were considered necessary to the financial statements.

**16. 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 \$5,000 for the support of the Alliance in fiscal year 2017.

**City of Iuka, Mississippi**  
**Notes to Financial Statements**  
**Year Ended September 30, 2017**

17. Deficit Fund Balances of Individual Funds

The following fund reported a deficit in fund balance at September 30, 2017.

<u>Fund</u>	<u>Deficit Amount</u>
Sanitation Fund	\$ 35,139

18. Effects of Deferred Amounts on Net Position

The unrestricted net position amount of \$4,230,834 includes the effect of deferring the recognition of expenses resulting from the deferred inflows/outflows of resources related to pensions. The \$513,742 balance of deferred outflows of resources related to pensions at September 30, 2017 will be recognized as expense and decrease the unrestricted net position over the next three years. The \$288,130 balance of deferred inflows of resources related to pensions at September 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next three years.

Please reference Note 10 for details on amortization of deferred outflows/inflows related to pensions.

**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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	\$ 349,200	\$ 349,200	\$ 367,069	\$ 17,869
Intergovernmental revenues	1,001,000	1,001,000	936,496	(64,504)
Charges for services	2,400	2,400	4,550	2,150
Licenses	9,400	9,400	9,659	259
Fines & Forfeitures	50,000	50,000	45,843	(4,157)
Miscellaneous	223,100	223,100	228,299	5,199
<b>Total Revenues</b>	<b><u>1,635,100</u></b>	<b><u>1,635,100</u></b>	<b><u>1,591,916</u></b>	<b><u>(43,184)</u></b>
<u>Expenditures</u>				
General government	373,000	360,000	273,466	86,534
Public safety	1,078,000	1,108,000	1,002,461	105,539
Public works	105,000	105,300	101,764	3,536
Culture and recreation	60,000	72,475	67,398	5,077
Debt service	20,000	20,000	6,968	13,032
<b>Total Expenditures</b>	<b><u>1,636,000</u></b>	<b><u>1,665,775</u></b>	<b><u>1,452,057</u></b>	<b><u>213,718</u></b>
Excess (deficiency) of revenues over (under) expenditures	<u>(900)</u>	<u>(30,675)</u>	<u>139,859</u>	<u>170,534</u>
<u>Other Financing Sources</u>				
Transfers	-	-	-	-
Loan Proceeds	39,000	39,000	-	(39,000)
Sale of Assets	10,900	10,900	-	(10,900)
<b>Total Other Financing Sources</b>	<b><u>49,900</u></b>	<b><u>49,900</u></b>	<b><u>-</u></b>	<b><u>(49,900)</u></b>
<b>Net changes in fund balances</b>	<b><u>\$ 49,000</u></b>	<b><u>\$ 19,225</u></b>	<b>139,859</b>	<b><u>\$ 120,634</u></b>
Fund Balances - Beginning of Year			521,807	
Adjustments to conform with GAAP:				
Revenues			(7,693)	
Expenditures			(32,064)	
Other Financing Sources			37,130	
<b>Fund Balances - End of Year (GAAP basis)</b>			<b><u>\$ 659,039</u></b>	

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

**City of Iuka, Mississippi**  
**Schedule of Required Supplementary Information – Pension**  
**September 30, 2017**  
**Last 4 Fiscal Years\***

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

	2017	2016	2015	2014
City's proportion of the net pension liability	0.018877%	0.017883%	0.017777%	0.018798%
City's proportionate share of the net pension liability	\$ 3,137,998	\$ 3,194,347	\$ 2,747,973	\$ 2,281,733
City's covered-employee payroll	\$ 1,210,953	\$ 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	259.13%	267.20%	243.94%	202.70%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.7040%	67.2077%

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

Schedule of City Contributions - PERS

	2017	2016	2015	2014
Contractually required contribution	\$ 193,940	\$ 187,977	\$ 177,420	\$ 177,297
Contributions in relation to contractually required contribution	(193,940)	(187,977)	(177,420)	(177,297)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
System's covered-employee payroll	\$ 1,231,345	\$ 1,193,495	\$ 1,126,474	\$ 1,125,697
Contributions as a percentage of covered-employee payroll	15.75%	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, 2017**

Note 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

(1) Change of assumptions.

2015:

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

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

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates



**City of Iuka, Mississippi**  
**Notes to Required Supplementary Information**  
**For the Year Ended September 30, 2017**

Note 2. Pension Liability and Contributions – (Continued)

were also adjusted to more closely reflect actual experience.

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

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

2016:

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

2017:

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

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

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

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

(2) Changes in benefit provisions

2016:

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

**SUPPLEMENTARY INFORMATION**

**City of Iuka, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2017**

Name	Position	Company	Bond
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. Stuart	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
Wesley Wellington	Policeman	Western Surety	25,000
Shane Stegall	Policeman	Western Surety	25,000
Shane Wood	Policeman	Western Surety	25,000
Cari Long	Deputy City Clerk	Western Surety	50,000
Vicki Meeks	Deputy City Clerk	Western Surety	50,000
Kenny Carson	Alderman	Travelers Casualty	50,000
Nancy Stripling	Alderman	Travelers Casualty	50,000

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**City of Iuka, Mississippi**  
**Schedule of Long-Term Debt**  
**For the Year Ended September 30, 2017**

	Issue Date	Balance 10/1/2016	Additions (Retirements)	Balance 9/30/2017
<b><u>Governmental Funds</u></b>				
<b><u>Notes Payable</u></b>				
\$900,000 CAP Loan	6-26-07	530,937	(39,040)	491,897
<b><u>Other Long-Term Debt</u></b>				
\$21,927 Capital Lease Payable	11-21-12	477	(477)	-
\$45,000 Capital Lease Payable	9-24-14	15,299	(15,299)	-
\$37,130 Capital Lease Payable	2-24-17	-	31,182	31,182
Total Long-Term Debt		15,776	15,406	31,182
Total Governmental Funds		546,713	(23,634)	523,079
<b><u>Proprietary Funds</u></b>				
<b><u>General Obligation Bonds</u></b>				
2014 Refunding Bonds	2-6-14	1,570,000	(130,000)	1,440,000
<b><u>Revenue Bonds</u></b>				
\$800,000 Sewer	11-4-10	668,671	(16,349)	652,322
\$2,775,000 Water	5-16-13	2,612,625	(52,638)	2,559,987
Total Revenue Bonds		3,281,296	(68,987)	3,212,309
<b><u>Other Long-Term Debt</u></b>				
\$37,950 Capital Lease Payable	11-21-12	8,587	(7,919)	668
\$63,824 Capital Lease Payable	2-25-14	29,538	(12,959)	16,579
\$80,230 Capital Lease Payable	7-11-16	76,416	(15,457)	60,959
\$35,884 Capital Lease Payable	5-10-17	-	31,056	31,056
Total Other Long-Term Debt		114,541	(5,279)	109,262
Total Proprietary Funds		4,965,837	(204,266)	4,761,571
<b>Total Long-Term Debt</b>		<b>\$ 5,512,550</b>	<b>\$ (227,900)</b>	<b>\$ 5,284,650</b>

The above schedule does not include 9/30/17 compensated absences of \$65,500, unamortized premium on long-term debt of \$6,035, and unamortized discount on long-term debt of (\$21,600).



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**INDEPENDENT AUDITORS' 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 luka, Mississippi

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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 luka, Mississippi as of and for the year ended September 30, 2017 and the related notes to the financial statements, which collectively comprise City of luka, Mississippi's basic financial statements and have issued our report thereon dated July 11, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of luka, 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 luka, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of City of luka, 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 2017-001 and 2017-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of luka, 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

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luka, Mississippi  
Phone: (662)423-5057

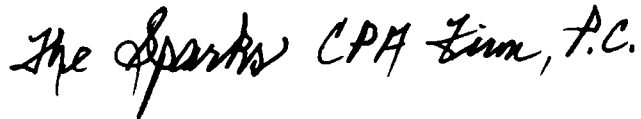
with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of luka, Mississippi's Response to Findings

City of luka, Mississippi's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of luka, 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.



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
July 11, 2018



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS**

Honorable Mayor and  
Board of Aldermen  
City of luka, 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 luka, Mississippi, as of and for the year ended September 30, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 11, 2018. 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.

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Booneville, Mississippi  
July 11, 2018

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**City of Iuka, Mississippi  
Schedule of Findings and Responses  
For the Year Ended September 30, 2017**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |   |               |
|---|---------------|
| 1. Type of Auditors' report issued on the financial statements:                       | Unmodified    |
| Governmental Activities   | Unmodified    |
| Business-type Activities  | Unmodified    |
| General Fund  | Unmodified    |
| Gas System  | Unmodified    |
| Water and Sewer   | Unmodified    |
| Aggregate Remaining Fund Information  | Unmodified    |
| <br>2. Internal Control over financial reporting:                                     |               |
| a. Material weaknesses identified?  | Yes           |
| b. Significant deficiency identified that is not considered to be a material weakness | None Reported |
| <br>3. Noncompliance material to the financial statements noted                       | None          |

**Section 2: Financial Statements Findings**

**Material Weakness – Internal Controls**

**2017-1**

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.

**2017-2**

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.



**City of Iuka, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2017**

**2017-2 – (Continued)**

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.