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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
MARTHA BIGGS
JAMES GRISHAM
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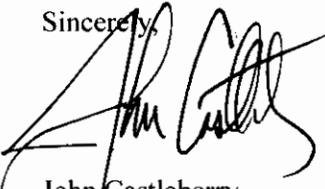
June 13, 2016

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, 2015. A separate management letter was not written to the City of Iuka in connection with this audit.

Sincerely,



John Castleberry
Mayor

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**CITY OF IUKA, MISSISSIPPI
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2015**

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City of Iuka, Mississippi
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September 30, 2015

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2016, on our consideration of the City of Iuka, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Iuka, Mississippi's internal control over financial reporting and compliance.

Brauner, Vanstony & Co., P.A.

June 1, 2016
Booneville, Mississippi

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**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015**

This Discussion and Analysis of the City of Iuka's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2015. 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 2015 were as follows:

Total net position decreased by \$1,964,194 or 28.5% from 2014. This includes a prior period adjustment of (\$2,242,736) which is the cumulative effect adjustment to record the City's proportionate share of the net unfunded PERS pension liability.

Overall, the book value of capital assets decreased by \$181,577 from 2014.

Using this Annual Financial Report

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

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

Reporting the City of Iuka as a whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

Reporting of the City of Iuka's Most Significant Funds

Fund Financial Statements

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

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

The City of Iuka as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2015.

**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015**

THE CITY AS A WHOLE

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

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2015	2014	2015	2014	2015	2014	
Current and Other Assets	\$ 1,163,251	\$ 1,117,633	\$ 1,778,943	\$ 1,520,271	\$ 2,942,194	\$ 2,637,904	\$ 304,290
Capital Assets, Net	2,117,947	2,058,008	8,900,483	9,141,999	11,018,430	11,200,007	(181,577)
Total Assets	3,281,198	3,175,641	10,679,426	10,662,270	13,960,624	13,837,911	122,713
Deferred Outflows of Resources	274,341	-	206,961	-	481,302	-	481,302
Long-Term Debt	2,212,075	662,428	6,287,899	5,171,829	8,499,974	5,834,257	2,665,717
Other Liabilities	120,679	286,324	547,157	555,563	667,836	841,887	(174,051)
Total Liabilities	2,332,754	948,752	6,835,056	5,727,392	9,167,810	6,676,144	2,491,666
Deferred In Flows of Resources	307,177	270,300	39,665	-	346,842	270,300	76,542
Net Investment in Capital Assets	1,512,696	1,440,754	3,816,960	3,997,135	5,329,656	5,437,889	(108,233)
Restricted	803	803	-	-	803	803	-
Unrestricted (Deficit)	(597,891)	515,032	194,705	937,743	(403,186)	1,452,775	(1,855,961)
Total Net Position	\$ 915,608	\$ 1,956,589	\$ 4,011,665	\$ 4,934,878	\$ 4,927,273	\$ 6,891,467	\$ (1,964,194)

The City's total assets increased \$122,713 during 2015 with business-type activities showing an increase of \$17,156 and governmental activities showing a increase of \$105,557. The major changes were a \$369,132 increase in cash; \$181,577 decrease in capital assets; a \$17,814 decrease in accounts receivable; and \$45,069 decrease in property tax and other receivables.

The City's total liabilities increased \$2,491,666. The major change was \$2,747,973 increase in net pension liability.

The City's net position decreased \$1,964,194 due to recording net pension liability.

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Table 2 shows the Change in Net Position for the year ended September 30, 2015. 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)
	2015	2014	2015	2014	2015	2014	
Program Revenues:							
Charges for Services	\$ 134,571	\$ 96,772	\$ 3,070,728	\$ 3,217,760	\$ 3,205,299	\$ 3,314,532	\$ (109,233)
Grants and Donations	119,716	61,665	-	7,789	119,716	69,454	50,262
General Revenues:							
Property Taxes	381,366	329,109	-	-	381,366	329,109	52,257
Intergovernmental Revenues	873,750	856,067	-	-	873,750	856,067	17,683
Investment Income	942	1,403	1,756	1,574	2,698	2,977	(279)
Miscellaneous Taxes and Other	294,369	272,826	-	6,750	294,369	279,576	14,793
Total Revenues	1,804,714	1,617,842	3,072,484	3,233,873	4,877,198	4,851,715	25,483
Program Expenses:							
General Government	204,895	226,963	-	-	204,895	226,963	(22,068)
Public Safety	929,477	964,192	-	-	929,477	964,192	(34,715)
Public Works	128,175	135,580	-	-	128,175	135,580	(7,405)
Culture and Recreation	95,155	104,710	-	-	95,155	104,710	(9,555)
Economic Development	23,601	26,101	-	-	23,601	26,101	(2,500)
Gas System	-	-	1,523,525	1,754,062	1,523,525	1,754,062	(230,537)
Water and Sewer	-	-	1,321,448	1,289,163	1,321,448	1,289,163	32,285
Other Business-Type	-	-	186,348	166,202	186,348	166,202	20,146
Pension Expense	167,350	-	-	-	167,350	-	167,350
Interest on Long-Term Debt	18,682	23,420	-	-	18,682	23,420	(4,738)
Total Program Expenses	1,567,335	1,480,966	3,031,321	3,209,427	4,598,656	4,690,393	(91,737)
Net Increase(Decrease) in Net Position Before Transfers	237,379	136,876	41,163	24,446	278,542	161,322	117,220
Transfers	-	4,000	-	(4,000)	-	-	-
Increase (Decrease) in Net Position	\$ 237,379	\$ 140,876	\$ 41,163	\$ 20,446	\$ 278,542	\$ 161,322	\$ 117,220

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The increase in net position identified in Table 2 was due to revenues exceeding expenses during 2015. This increase was mainly due to increased revenues from governmental-type activity.

**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015**

Major expense activities under the accrual basis of accounting, included: Public Safety expenses accounting for 20.21% of the total program expenses; Public Works accounting for 2.78%; and Public Utilities accounting for 65.92%. 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 \$1.577 million and expenditures of \$1.505 million.

The fund balance of the general fund remained relatively constant, increasing by \$83,121.

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 2015, 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 \$1,626,400; final budget amounts were \$1,626,400; and actual revenue collections were \$1,629,385. The major factor contributing to the increase of actual revenues over budgeted amounts was increased revenues from intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets. As of September 30, 2015, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$2,117,947 and \$8,900,483 respectively. The governmental activities increased \$59,939 and business-type activities decreased by \$241,516. The government activities increase was due to youth center improvements, and the business-type activities decrease was due to depreciation.

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

Debt Administration. At September 30, 2015, the City had \$5,752,001 in general obligation bonds and other long-term debt outstanding, of which \$270,489 is due within one year. Additional information of the City's long-term debt can be found in Note 8 on pages 29, 30, 31, and 32 of this report.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Benny Gray, City Clerk, at Iuka City Hall located at 118 South Pearl Street, Iuka, MS 38852

City of Iuka, Mississippi
Statement of Net Position
September 30, 2015

	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Current Assets:			
Cash and investments	\$ 719,881	\$ 1,136,119	\$ 1,856,000
Property tax receivable	261,178	-	261,178
Fines receivable, net	85,477	-	85,477
Utility tax receivable	20,690	-	20,690
Accounts receivable, net	-	302,202	302,202
Interest receivable	137	37	174
Due from other funds	9,752	6,756	16,508
Internal Balances	(25,000)	25,000	-
Intergovernmental receivables	66,367	-	66,367
Inventories	-	123,499	123,499
Prepaid expenses	24,769	23,161	47,930
Restricted cash	-	150,768	150,768
Total Current Assets	<u>1,163,251</u>	<u>1,767,542</u>	<u>2,930,793</u>
Non-Current Assets:			
Franchise rights	-	11,400	11,400
Capital assets, net			
Capital assets not being depreciated	216,880	68,900	285,780
Capital assets, net of depreciation	1,901,067	8,831,583	10,732,650
Total Non-Current Assets	<u>2,117,947</u>	<u>8,911,883</u>	<u>11,029,830</u>
Total Assets	<u>3,281,198</u>	<u>10,679,425</u>	<u>13,960,623</u>
<u>Deferred Outflows of Resources</u>			
Deferred Amounts - pensions	<u>274,341</u>	<u>206,961</u>	<u>481,302</u>
<u>Liabilities</u>			
Current Liabilities:			
Accounts payable	84,161	149,821	233,982
Accrued liabilities	36,518	22,526	59,044
Accrued interest payable	-	66,320	66,320
Customer deposits	-	308,490	308,490
Total Current Liabilities:	<u>120,679</u>	<u>547,157</u>	<u>667,836</u>
Non-current Liabilities:			
Due within one year	58,538	211,951	270,489
Due in more than one year	546,713	4,871,572	5,418,285
Net pension liability	1,566,345	1,181,628	2,747,973
Compensated absences	40,479	22,748	63,227
Total Non-Current Liabilities	<u>2,212,075</u>	<u>6,287,899</u>	<u>8,499,974</u>
Total Liabilities	<u>2,332,754</u>	<u>6,835,056</u>	<u>9,167,810</u>
<u>Deferred In Flows of Resources</u>			
Unavailable Revenue - property taxes	254,600	-	254,600
Deferred Amounts - pensions	52,577	39,665	92,242
Total Deferred In Flows of Resources	<u>307,177</u>	<u>39,665</u>	<u>346,842</u>
<u>Net Position</u>			
Net Investment in capital assets,	1,512,696	3,816,960	5,329,656
Restricted Net Position			
Debt service	803	-	803
Unrestricted	(597,891)	194,705	(403,186)
Total Net Position	<u>\$ 915,608</u>	<u>\$ 4,011,665</u>	<u>\$ 4,927,273</u>

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 204,895	9,565	-	-	(195,330)	-	(195,330)
Public safety	929,477	65,006	8,700	-	(855,771)	-	(855,771)
Public works	128,175	-	-	-	(128,175)	-	(128,175)
Culture & Recreation	95,155	-	-	111,016	15,861	-	15,861
Economic Development	23,601	60,000	-	-	36,399	-	36,399
Pension Expense	167,350	-	-	-	(167,350)	-	(167,350)
Interest on long-term liabilities	18,682	-	-	-	(18,682)	-	(18,682)
Total Governmental Activities	1,567,335	134,571	8,700	111,016	(1,313,048)	-	(1,313,048)
Business-type activity:							
Gas System	1,523,525	1,627,971	-	-	-	104,446	104,446
Water System	1,077,833	1,034,681	-	-	-	(43,152)	(43,152)
Sewer System	243,615	233,862	-	-	-	(9,753)	(9,753)
Other Business Types	186,348	174,214	-	-	-	(12,134)	(12,134)
Total Business-Type Activities	3,031,321	3,070,728	-	-	-	39,407	39,407
Total Primary Government	\$ 4,598,656	3,205,299	8,700	111,016	(1,313,048)	39,407	(1,273,641)

General Revenues:

Taxes:

Property Taxes, General	381,366	-	381,366
Franchise Taxes	85,926	-	85,926
Licenses and Permits	11,381	-	11,381
Intergovernmental Revenue	873,750	-	873,750
Unrestricted investment income	942	1,756	2,698
Miscellaneous	191,296	-	191,296
Contributions	5,766	-	5,766

Total General Revenues and Transfers

1,550,427 1,756 1,552,183

Change in Net Position

237,379 41,163 278,542

Net Position-Beginning

1,956,589 4,934,878 6,891,467

Restatement Adjustment - Pension

(1,278,360) (964,376) (2,242,736)

Net Position - Beginning (As Restated)

678,229 3,970,502 4,648,731

Net Position-Ending

\$ 915,608 4,011,665 4,927,273

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

City of Iuka, Mississippi
Balance Sheet
Governmental Funds
September 30, 2015

<u>Assets</u>	<u>Major Fund</u> General Fund	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Cash	\$ 367,447	\$ 352,434	\$ 719,881
Property taxes receivable	227,703	33,475	261,178
Fines receivable, net	85,477	-	85,477
Utility tax receivable	20,690	-	20,690
Interest receivable	-	137	137
Due from other funds	9,749	24,332	34,081
Intergovernmental receivables	66,367	-	66,367
Total Assets	\$ 777,433	\$ 410,378	\$ 1,187,811
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 63,148	\$ 21,013	\$ 84,161
Accrued liabilities	36,263	255	36,518
Due to other funds	43,526	5,803	49,329
Total Liabilities	142,937	27,071	170,008
 Deferred Inflows of Resources			
Unavailable revenue - property taxes	225,000	29,600	254,600
Unavailable revenue - Fines	85,477	-	85,477
Total Deferred Inflows of Resources	310,477	29,600	340,077
 Fund Balance			
Restricted For			
Debt Service	-	803	803
Assigned			
Cemetery	-	67,860	67,860
Public Safety	-	14,630	14,630
Public Works	-	178,697	178,697
Economic Development	-	42,300	42,300
Capital Projects	-	50,349	50,349
Unassigned	324,019	(932)	323,087
Total Fund Balances	324,019	353,707	677,726
Total Liabilities and Fund Balances	\$ 777,433	\$ 410,378	\$ 1,187,811

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

JUN 16 2016

City of Iuka, Mississippi
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of
Net Position
September 30, 2015

Total fund balance, governmental funds \$ 677,726

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	\$ 3,349,138	
Less: accumulated depreciation	<u>(1,231,191)</u>	2,117,947

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	85,477
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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	274,341
Deferred inflows of resources related to defined benefit pension plan	(52,577)

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

Net Pension Liability		(1,566,345)
Bonds and notes		(605,251)
Compensated absences		(40,479)

Prepaid expenses are not financial resources, and, therefore, are not reported in the funds.	<u>24,769</u>
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Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 915,608</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, 2015

	<u>Major Fund</u>	<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
<u>Revenues</u>			
Taxes	\$ 338,340	\$ 113,743	\$ 452,083
License and Permits	11,381	-	11,381
Intergovernmental Revenues	975,190	16,726	991,916
Charges for Service	3,565	66,000	69,565
Fines and Forfeitures	39,556	-	39,556
Miscellaneous	208,501	496	208,997
	<u>1,576,533</u>	<u>196,965</u>	<u>1,773,498</u>
Total Revenues			
<u>Expenditures</u>			
General Government	218,698	-	218,698
Public Safety	997,115	29,188	1,026,303
Public Works	98,744	27,346	126,090
Culture and Recreation	184,785	950	185,735
Debt Service:			
Principal	5,530	51,473	57,003
Interest and Fiscal Changes	200	18,482	18,682
	<u>1,505,072</u>	<u>127,439</u>	<u>1,632,511</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	<u>71,461</u>	<u>69,526</u>	<u>140,987</u>
<u>Other Financing Sources (Uses)</u>			
Compensation for Loss on Asset	14,660	-	14,660
Contributions	-	5,766	5,766
Long-Term Debt Issued	-	45,000	45,000
Transfers out	(3,000)	-	(3,000)
Transfer In	-	3,000	3,000
	<u>11,660</u>	<u>53,766</u>	<u>65,426</u>
Total Other Financing Sources and Uses			
Net Change in Fund Balance	<u>83,121</u>	<u>123,292</u>	<u>206,413</u>
Fund Balance - Beginning of Year	<u>240,898</u>	<u>230,415</u>	<u>471,313</u>
Fund Balance - End of Year	<u>\$ 324,019</u>	<u>\$ 353,707</u>	<u>\$ 677,726</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, 2015

Net change in fund balances - total governmental funds: \$ 206,413

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

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

Capital outlay	\$ 140,657	
Depreciation expense	<u>(80,718)</u>	
Excess of capital outlays over depreciation expense		59,939

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. (66,221)

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 \$25,450 in the City's fines revenue. 25,450

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 \$57,003 exceeded debt proceeds of \$45,000. 12,003

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

Accrued compensated absences	\$ 4,695	
Prepaid insurance	<u>(4,900)</u>	<u>(205)</u>

Change in net position of governmental activities. \$ 237,379

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, 2015

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Assets</u>				
<u>Current Assets</u>				
Cash	\$ 557,124	\$ 523,485	\$ 55,510	\$ 1,136,119
Accounts Receivable	107,349	170,021	24,832	302,202
Interest Receivable	-	37	-	37
Due from Other Funds	306,090	28,610	19	334,719
Inventory	123,499	-	-	123,499
Prepaid Expenses	10,490	10,412	2,259	23,161
Total Current Assets	<u>1,104,552</u>	<u>732,565</u>	<u>82,620</u>	<u>1,919,737</u>
<u>Restricted Assets</u>				
Cash	-	150,768	-	150,768
Total Restricted Assets	<u>-</u>	<u>150,768</u>	<u>-</u>	<u>150,768</u>
<u>Non-Current Assets</u>				
<u>Capital Assets</u>				
Capital assets not being depreciated	550	68,350	-	68,900
Capital assets being depreciated net of depreciation	414,594	8,394,350	22,639	8,831,583
Franchise Rights	11,400	-	-	11,400
Total Non-Current Assets	<u>426,544</u>	<u>8,462,700</u>	<u>22,639</u>	<u>8,911,883</u>
Total Assets	<u>1,531,096</u>	<u>9,346,033</u>	<u>105,259</u>	<u>10,982,388</u>
<u>Deferred Outflows of Resources</u>				
Deferred Amounts - Pensions	<u>101,074</u>	<u>86,635</u>	<u>19,252</u>	<u>206,961</u>
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable	87,643	44,774	17,404	149,821
Accrued Liabilities	9,303	76,731	2,812	88,846
Customer Deposits	181,148	127,342	-	308,490
Due to Other Funds	-	302,447	516	302,963
Current Portion of Long-Term Debt	10,218	201,733	-	211,951
Total Current Liabilities	<u>288,312</u>	<u>753,027</u>	<u>20,732</u>	<u>1,062,071</u>
<u>Non-Current Liabilities</u>				
Capital Leases	19,063	19,062	-	38,125
Net Pension Liability	577,075	494,635	109,918	1,181,628
Bonds Payable	-	4,833,447	-	4,833,447
Compensated Absences	9,733	9,734	3,281	22,748
Total Non-Current Liabilities	<u>605,871</u>	<u>5,356,878</u>	<u>113,199</u>	<u>6,075,948</u>
Total Liabilities	<u>894,183</u>	<u>6,109,905</u>	<u>133,931</u>	<u>7,138,019</u>
<u>Deferred Inflows of Resources</u>				
Deferred Amounts - Pensions	<u>19,371</u>	<u>16,604</u>	<u>3,690</u>	<u>39,665</u>
<u>Net Position</u>				
Net investment in capital assets	385,863	3,408,458	22,639	3,816,960
Unrestricted	332,753	(102,299)	(35,749)	194,705
Total Net Position	<u>\$ 718,616</u>	<u>\$ 3,306,159</u>	<u>\$ (13,110)</u>	<u>\$ 4,011,665</u>

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, 2015

	<u>Business Type Activities</u>			<u>Total</u>
	<u>Gas System</u>	<u>Water and Sewer</u>	<u>Other Business Types</u>	
<u>OPERATING REVENUES</u>				
Charges for Service	\$ 1,593,980	\$ 1,255,154	\$ 174,214	\$ 3,023,348
Other	33,991	13,389	-	47,380
Total Operating Revenues	<u>1,627,971</u>	<u>1,268,543</u>	<u>174,214</u>	<u>3,070,728</u>
<u>OPERATING EXPENSES</u>				
Personal Services	394,922	310,912	80,005	785,839
Contractual Services	28,011	51,734	-	79,745
Materials and Supplies	39,214	39,427	1,902	80,543
Repairs and Maintenance	5,000	49,473	-	54,473
Purchase of Gas	863,468	-	-	863,468
Rent	84,000	84,000	-	168,000
Vehicle Expense	29,808	20,252	33,150	83,210
Utilities	566	159,453	-	160,019
Insurance	19,384	25,375	6,971	51,730
Depreciation	35,742	368,736	-	404,478
Other	22,674	33,385	64,320	120,379
Total Operating Expenses	<u>1,522,789</u>	<u>1,142,747</u>	<u>186,348</u>	<u>2,851,884</u>
Operating Income (Loss)	<u>105,182</u>	<u>125,796</u>	<u>(12,134)</u>	<u>218,844</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest and Fiscal Charges	(736)	(178,701)	-	(179,437)
Interest Income	517	1,183	56	1,756
Total Non-operating Revenues (Expenses)	<u>(219)</u>	<u>(177,518)</u>	<u>56</u>	<u>(177,681)</u>
Change in Net Position	<u>104,963</u>	<u>(51,722)</u>	<u>(12,078)</u>	<u>41,163</u>
Net Position - Beginning of Year	1,084,628	3,761,573	88,677	4,934,878
Cumulative Effect - GASB 68 Adjustment	<u>(470,975)</u>	<u>(403,692)</u>	<u>(89,709)</u>	<u>(964,376)</u>
Net Position - Beginning (as Restated)	<u>613,653</u>	<u>3,357,881</u>	<u>(1,032)</u>	<u>3,970,502</u>
Net Position - End of Year	<u>\$ 718,616</u>	<u>\$ 3,306,159</u>	<u>\$ (13,110)</u>	<u>\$ 4,011,665</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, 2015

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,654,623	\$ 1,260,465	\$ 173,454	\$ 3,088,542
Cash Payments for Goods and Service	(1,133,605)	(464,900)	(99,599)	(1,698,104)
Cash Payments to Employees	(372,958)	(293,090)	(75,461)	(741,509)
Net Cash Provided By Operating Activities	<u>148,060</u>	<u>502,475</u>	<u>(1,606)</u>	<u>648,929</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Increase (Decrease) in Due to Other Funds	40,495	(40,495)	-	-
Net Cash Provided(Used) By Noncapital Financing Activities	<u>40,495</u>	<u>(40,495)</u>	<u>-</u>	<u>-</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for Capital Acquisitions	(6,805)	(156,157)	-	(162,962)
Principal Payments on Debt	(10,003)	(206,365)	-	(216,368)
Interest and Fiscal Changess on Debt	(736)	(156,659)	-	(157,395)
Proceeds From Debt Issuance	-	155,027	-	155,027
Other Receipts	3,394	9,360	-	12,754
Net Cash Used By Capital and Related Financing Activities	<u>(14,150)</u>	<u>(354,794)</u>	<u>-</u>	<u>(368,944)</u>
<u>Cash Flows From Investing Activities</u>				
Interest Received	517	1,183	56	1,756
Net Cash Provided By Investing Activities	<u>517</u>	<u>1,183</u>	<u>56</u>	<u>1,756</u>
Net Increase (Decrease) in Cash	174,922	108,369	(1,550)	281,741
Cash and Cash Equivalent - Beginning	<u>382,202</u>	<u>565,884</u>	<u>57,060</u>	<u>1,005,146</u>
Cash and Cash Equivalent - Ending	<u>\$ 557,124</u>	<u>\$ 674,253</u>	<u>\$ 55,510</u>	<u>\$ 1,286,887</u>
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 105,182	\$ 125,796	\$ (12,134)	\$ 218,844
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	35,742	368,736	-	404,478
Net Pension Expense	24,397	20,912	4,647	49,956
Receivables	26,652	(8,078)	(760)	17,814
Payables	(32,425)	(13,114)	4,870	(40,669)
Inventory	(12,840)	-	-	(12,840)
Prepaid Expenses	1,352	8,223	1,771	11,346
Net Cash Provided (Used) by Operating Activities:	<u>\$ 148,060</u>	<u>\$ 502,475</u>	<u>\$ (1,606)</u>	<u>\$ 648,929</u>

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

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City of Iuka, Mississippi
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2015

	<u>AGENCY FUNDS</u>
<u>Assets</u>	
Cash	\$ 16,443
Other Receivables	<u>65</u>
 Total Assets	 <u>\$ 16,508</u>
 <u>Liabilities</u>	
Due to Other Funds	<u>\$ 16,508</u>
 Total Liabilities	 <u>\$ 16,508</u>

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, 2015

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

B. Basis of Presentation

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

Government-wide Fund Statements:

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

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

Fund Financial Statements-

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

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City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

1. Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Governmental Funds:

The City reports the following major governmental funds:

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

1. Summary of Significant Accounting Policies – Continued

PROPRIETARY FUNDS:

The City reports the following major enterprise funds:

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

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

Additionally, the city reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

D. Cash and Investments

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

Cash consists of demand deposit accounts and passbook savings accounts.

E. Receivables

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

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

F. Interfund Transactions and Balances

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

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

1. Summary of Significant Accounting Policies - Continued

G. Inventories and Prepaid Items

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

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

H. Capital Assets

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

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

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

	<u>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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

1. Summary of Significant Accounting Policies – Continued

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the City has no transactions that meet the definition of deferred outflows of resources. The City has a deferred outflow which is presented as a deferred outflow of resources related to pension obligations.

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

Deferred inflows of resources related to pension obligations.

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

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

J. Long-term liabilities

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

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

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

K. Fund Equity

Government-wide Financial Statements:

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

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

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City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

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 “invested in capital assets, net of related debt.”

Governmental Financial Statements:

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

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

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

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

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

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

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

L. Property Tax Revenues

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

1. Summary of Significant Accounting Policies – Continued

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

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

M. Intergovernmental Revenues in Governmental Funds

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

N. Compensated Absences

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

The City’s full liability in the amount of \$40,479 for accumulated unpaid vacation payable from the Governmental Funds is reported as a liability in the Statement of Net Position. In the Proprietary Funds, the compensated absences are reported as a liability of those funds in the amount of \$22,748.

O. Budgets

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

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

1. Summary of Significant Accounting Policies – Continued

P. Pensions

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

2. Deposits and Investments

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

At year end, the carrying amount of the City's deposits was \$2,023,211 and the bank balance was \$2,065,247.

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

The City does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City. As of September 30, 2015, none of the City's bank balance of \$2,065,247 was exposed to custodial credit risk.

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

3. Interfund Receivables and Payables

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

	<u>Due From</u>	<u>Due To</u>	<u>Reason for Loan</u>
Governmental Funds			
Major Fund:			
General Fund	\$ 9,749	\$ 43,526	Temporary loan
Non-Major Funds:			
Other Governmental	24,332	5,803	Temporary loan for equipment
Total Governmental Funds	<u>34,081</u>	<u>49,329</u>	
Business-Type Funds			
Major Funds:			
Gas System	306,090	-	Temporary loan for supplies in water & sewer
Water & Sewer System	28,610	302,447	Temporary loan for supplies in water & sewer
Non-Major Funds:			
Sanitation	19	516	Temporary cash shortage
Total Business-Type Funds	<u>334,719</u>	<u>302,963</u>	
Fiduciary Funds:			
Accounts Payable	-	14,424	Temporary loan from General, Gas & Water
Payroll Clearing	-	2,084	Temporary loan from General
Total Fiduciary Funds	<u>-</u>	<u>16,508</u>	
Total All Funds	<u>\$ 368,800</u>	<u>\$ 368,800</u>	

4. Transfers and Payments

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

5. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
State Tax Commission Sales Tax	<u>\$ 66,367</u>

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City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

6. Leases

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

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

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ 60,000
2017	60,000
2018	60,000
2019	60,000
2020	60,000
2021-2025	300,000
2026-2028	150,000
	<u>\$ 750,000</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

7. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015

	Balance 9/30/2014	Additions	Deletions	Adjustments	Balance 9/30/2015
Capital assets, not being depreciated					
Land	\$ 216,880	\$ -	\$ -	\$ -	\$ 216,880
Construction in Progress	38,984	111,168	-	(150,152)	-
Total capital assets, not being depreciated:	<u>255,864</u>	<u>111,168</u>	<u>-</u>	<u>(150,152)</u>	<u>216,880</u>
Capital assets, being depreciated:					
Buildings and improvements	2,168,176	-	-	150,152	2,318,328
Furniture and equipment	239,742	-	-	-	239,742
Mobile equipment	522,772	29,489	-	-	552,261
Leased Property	21,927	-	-	-	21,927
Total capital assets, being depreciated	<u>2,952,617</u>	<u>29,489</u>	<u>-</u>	<u>150,152</u>	<u>3,132,258</u>
Less accumulated depreciation for:					
Buildings	548,889	45,105	-	-	593,994
Improvements other than buildings	49,497	1,020	-	-	50,517
Furniture and Equipment	202,465	2,791	-	-	205,256
Mobile equipment	341,729	27,855	-	-	369,584
Leased Property	7,893	3,947	-	-	11,840
Total accumulated depreciation	<u>1,150,473</u>	<u>80,718</u>	<u>-</u>	<u>-</u>	<u>1,231,191</u>
Total capital assets, being depreciated, net	<u>1,802,144</u>	<u>(51,229)</u>	<u>-</u>	<u>150,152</u>	<u>1,901,067</u>
Governmental activities capital assets, net	<u>\$ 2,058,008</u>	<u>\$ 59,939</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,117,947</u>
Business Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 68,900	\$ -	\$ -	\$ -	\$ 68,900
Total capital assets, not being depreciated:	<u>68,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,900</u>
Capital assets, being depreciated:					
Furniture & Equipment	458,098	-	-	-	458,098
Mobile Equipment	416,538	-	-	-	416,538
Plant & Distribution Assets	16,250,736	162,962	-	-	16,413,698
Leased Property	37,950	-	-	-	37,950
Total capital assets, being depreciated:	<u>17,163,322</u>	<u>162,962</u>	<u>-</u>	<u>-</u>	<u>17,326,284</u>
Less accumulated depreciation for:					
Furniture & Equipment	331,409	14,013	-	-	345,422
Mobile Equipment	346,499	7,096	-	-	353,595
Plant & Distribution Assets	7,405,483	379,953	-	-	7,785,436
Leased Property	6,832	3,416	-	-	10,248
Total accumulated depreciation	<u>8,090,223</u>	<u>404,478</u>	<u>-</u>	<u>-</u>	<u>8,494,701</u>
Total depreciable capital assets, net	<u>9,073,099</u>	<u>(241,516)</u>	<u>-</u>	<u>-</u>	<u>8,831,583</u>
Business Type Activities:					
Capital assets, net	<u>\$ 9,141,999</u>	<u>\$ (241,516)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,900,483</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

7. Capital Assets – Continued

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 5,558
Public safety	32,394
Public works	2,085
Culture & Recreation	17,080
Economic Development	23,601
Total governmental activities depreciation expense	\$ 80,718
Business Type Activities:	
Gas System	\$ 35,742
Water & Sewer System	368,736
Total business type activities	\$ 404,478

8. Long-Term Liabilities

Debt outstanding as of September 30, 2015, consists of the following:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Governmental Activities					
A. Capital Leases:					
2013 Police Car	2.19%	11/21/2012	11/21/2016	\$ 21,927	\$ 6,129
Fire Truck	1.99%	9/24/2014	9/29/2017	\$ 45,000	\$ 30,297
Total Capital Leases				\$ 66,927	\$ 36,426
B. Loans Payable					
CAP Loan	3.0%	6/26/2007	5/1/2028	\$ 816,620	\$ 568,825
Business-type Activities:					
A. General Obligation Bonds:					
2014 Refunding Bonds	2.0-4.375%	2/6/2014	12/1/2033	\$ 1,825,000	\$ 1,695,000
B. Revenue Bonds:					
2010 Sewer	3.8%	11/4/2010	11/4/2041	800,000	684,429
2013 Water	2.75%	5/16/2013	5/16/2048	2,775,000	2,663,856
Total Revenue Bonds				\$ 3,575,000	\$ 3,348,285
C. Capital Leases:					
Excavator	2.24%	11/21/2012	11/21/2017	\$ 37,950	\$ 16,330
Backhoe	2.07%	2/25/2014	2/25/2019	63,824	42,232
Total Capital Leases				\$ 101,774	\$ 58,562

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

8. Long-Term Debt – Continued

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

<u>Governmental Activities</u>	<u>Capital Leases</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 20,650	\$ 686
2017	15,776	308
Total	<u>\$ 36,426</u>	<u>\$ 994</u>

<u>Year Ending September 30,</u>	<u>Other Loans Payable</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	37,888	16,459
2017	39,040	15,307
2018	40,228	14,119
2019	41,451	12,896
2020	42,712	11,635
2021-2025	233,856	37,881
2026-2028	133,650	5,206
Total	<u>\$ 568,825</u>	<u>\$ 113,503</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

8. Long-Term Debt – Continued

<u>Business Type Activities:</u> <u>Year Ending September 30,</u>	<u>General Obligations Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 125,000	49,600
2017	130,000	47,050
2018	130,000	44,450
2019	135,000	41,800
2020	125,000	39,200
2021-2025	415,000	160,838
2026-2030	380,000	93,013
2031-2034	255,000	21,594
Total	<u>\$ 1,695,000</u>	<u>\$ 497,545</u>

<u>Year Ending September 30,</u>	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 66,514	\$ 99,396
2017	68,699	97,211
2018	70,749	95,161
2019	72,861	93,049
2020	74,853	91,057
2021-2025	410,036	419,516
2026-2030	475,321	354,232
2031-2035	551,245	278,308
2036-2040	639,516	190,037
2041-2045	593,829	92,820
2046-2048	324,662	17,170
Total	<u>\$ 3,348,285</u>	<u>\$ 1,827,957</u>

<u>Year Ending September 30,</u>	<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>
2016	20,437	1,040
2017	20,877	600
2018	13,898	219
2019	3,350	19
Total	<u>\$ 58,562</u>	<u>\$ 1,878</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

8. Long-Term Liabilities – Continued

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Adjustments	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:						
Loans Payable	605,595	-	36,770	-	568,825	37,888
Capital Leases	11,659	45,000	20,233	-	36,426	20,650
Compensated Absences	45,174	-	4,695	-	40,479	
Total	\$ 662,428	45,000	61,698	-	645,730	58,538
Business Type Activities:						
General Obligation						
Bond	\$ 1,825,000	-	130,000	-	1,695,000	125,000
Less: Discounts	(27,375)	-	(1,950)	-	(25,425)	-
Add: Premiums	7,645	-	544	-	7,101	-
Revenue Bonds	3,261,026	155,027	67,768	-	3,348,285	66,514
Capital Leases	78,568	-	20,006	-	58,562	20,437
Compensated Absences	26,965	-	4,217	-	22,748	-
Total	\$ 5,171,829	155,027	220,585	-	5,106,271	211,951

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City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

9. Defined Benefit Pension Plan

Plan Description – Employees of the City of Iuka are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided – For the cost-sharing plan participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of credible service up to and including 30 years (25 years of creditable service for employees who became members of PERS before July 1, 2011), plus 2.50% 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 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. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Retirees and beneficiaries who have been receiving benefit payments for at least one full fiscal year are eligible to receive an annual Cost-of-Living Adjustment (COLA). Designed to help offset the effects of inflation, the COLA is equal to 3 percent of your annual base benefit for each full fiscal year of retirement prior to the year in which you reach age 55 (Retirement Tiers 1 through 3) or age 60 (Retirement Tier 4), plus 3 percent compounded for each fiscal year thereafter, beginning with the fiscal year in which you turn age 55.

Contributions – The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Iuka is required to contribute at an actuarially determined rate. The current rate is 15.75% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended September 30, 2015 the City of Iuka's total payroll for all employees was \$1,139,968. Total covered payroll was also \$1,126,474. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2015 the City of Iuka reported a liability of \$2,747,973 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2015, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Iuka's proportion of the net pension was based on a projection of the City of Iuka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities actuarially determined. At June 30, 2015 the City of Iuka's proportion was 0.017777 percent.

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

9. Defined Benefit Pension Plan - (Continued)

For the year ended September 30, 2015, the City of Iuka recognized pension expense of \$257,060. At September 30, 2015 the City of Iuka reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 42,290	\$ -
Net Difference Between Projected and Actual Investment Earnings	160,786	-
City Pension Contributions Subsequent to the Measurement Date	41,497	-
Changes of Assumptions	236,729	-
Changes in Proportions and Differences Actual Earnings on Pension Plan Assets	-	92,242
Total	<u>\$ 481,302</u>	<u>\$ 92,242</u>

The \$41,497 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2016	\$ 108,864
2017	108,864
2018	89,637
2019	40,198
Total	<u>\$ 347,563</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

9. Defined Benefit Pension Plan - (Continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

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

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

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

	<u>Discount Rate</u>	<u>City of Iuka's Proportionate Share of Net Pension Liability</u>
1% Decrease	6.75%	\$ 3,622,081
Current Discount Rate	7.75%	2,747,974
1% Increase	8.75%	2,022,628

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

10. Commitments and Contingencies

Contingencies

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

10. Commitments and Contingencies -- (Continued)

Litigation

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

11. Risk Management

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

Participation in Public Entity Risk Pool

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

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

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

12. Home Investment Partnership Grant

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

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

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

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

13. Segment Information

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2015

14. Subsequent Events

Events that occur after the balance sheet due date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. The City has evaluated subsequent events through June 1, 2016, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

15. Jointly Governed Organizations

TAP Alliance (TAP) is an alliance among Tishomingo, Alcorn and Prentiss counties and the City of Iuka, City of Booneville and City of Iuka. The City of Iuka appoints one of the nine members of the board of directors, which is to be the Mayor of the City. The City appropriated \$0.00 for the support of the Alliance in fiscal year 2015.

16. Deficit Fund Balances

The Library Fund had deficit fund balance at September 30, 2015, in the amount of \$931. This deficit fund balance could have been eliminated with a transfer and/or short-term advance from the General Fund.

17. Cumulative Effect Adjustment

During the year ended September 30, 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date were implemented. GASB No. 68 requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. Cost-sharing employers are required to recognize the liability for its proportionate share of the net pension liability of all employers for benefits provided through the pension plan. GASB No. 71 amended GASB No. 68, to require a government to recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the state of the government's fiscal year.

Transition guidance in GASB No. 68 requires that accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning net position for the earliest period presented. Based on the foregoing, the cumulative effect adjustment reflected in the financial statements for the year ended September 30, 2015, is comprised of the following components:

Beginning of year proportionate share of net pension liability	\$ 2,281,733
Beginning of year pension contributions made after beginning of year measurement date	(38,997)
	\$ 2,242,736

REQUIRED SUPPLEMENTARY INFORMATION

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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, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Taxes	\$ 340,100	\$ 340,100	\$ 337,693	\$ (2,407)
Intergovernmental revenues	1,010,000	1,010,000	1,024,874	14,874
Charges for services	4,500	4,500	3,565	(935)
Licenses	8,400	8,400	11,381	2,981
Fines & Forfeitures	50,000	50,000	39,556	(10,444)
Miscellaneous	213,400	213,400	212,316	(1,084)
Total Revenues	<u>1,626,400</u>	<u>1,626,400</u>	<u>1,629,385</u>	<u>2,985</u>
<u>Expenditures</u>				
General government	231,000	231,000	218,935	12,065
Public safety	997,000	997,000	1,017,242	(20,242)
Public works	100,000	100,000	98,325	1,675
Culture and recreation	241,000	241,000	214,136	26,864
Debt service	12,000	12,000	5,730	6,270
Total Expenditures	<u>1,581,000</u>	<u>1,581,000</u>	<u>1,554,368</u>	<u>26,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,400</u>	<u>45,400</u>	<u>75,017</u>	<u>29,617</u>
<u>Other Financing Sources</u>				
Transfers	-	-	(3,000)	(3,000)
Compensation for Loss on Asset	-	-	14,661	14,661
Sale of Assets	600	600	-	(600)
Total Other Financing Sources	<u>600</u>	<u>600</u>	<u>11,661</u>	<u>11,061</u>
Net changes in fund balances	<u>\$ 46,000</u>	<u>\$ 46,000</u>	86,678	<u>\$ 40,678</u>
Fund Balances - Beginning of Year			240,898	
Adjustments to conform with GAAP:				
Revenues			(52,852)	
Expenditures			<u>49,295</u>	
Fund Balances - End of Year (GAAP basis)			<u>\$ 324,019</u>	

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

City of Iuka, Mississippi
Schedule of Required Supplementary Information – Pension
September 30, 2015
Last 2 Fiscal Years*

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

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.017777%	0.018798%
City's proportionate share of the net pension liability	\$ 2,747,973	\$ 2,281,733
City's covered-employee payroll	\$ 1,126,474	\$ 1,125,697
System's proportionate share of the net pension liability as a percentage of its covered-employee payroll	243.9446%	202.6951%
Plan fiduciary net position as a percentage of the total pension liability	61.7040%	67.2077%

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

Schedule of City Contributions - PERS

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 177,420	\$ 177,297
Contributions in relation to contractually required contribution	<u>(177,420)</u>	<u>(177,297)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
System's covered-employee payroll	\$ 1,126,474	\$ 1,125,697
Contributions as a percentage of covered-employee payroll	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, 2015

Notes 1. Budgetary Comparison Schedule

A. Budgetary Information

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

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

B. Basis of Presentation

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

Budget/GAAP Reconciliation

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

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

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

Note 2. Pension Liability and Contributions

A. Changes in benefit terms

None identified during periods presented in the required supplementary information.

B. Changes in assumptions

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

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

None identified during periods presented in the required supplementary information.

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SUPPLEMENTARY INFORMATION

City of Iuka, Mississippi
 Schedule of Surety Bonds for Municipal Officials
September 30, 2015

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
John D. Daugherty	Policeman	Western Surety	25,000
Luther Marlar	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
Jeremy Lovelace	Policeman	Western Surety	25,000
Jamie L. Stewart	Policeman	Western Surety	25,000
Rodney Pannell	Policeman	Western Surety	25,000
Cynthia Enlow	Deputy City Clerk	Western Surety	50,000
James Grisham	Alderman	Travelers Casualty	50,000
Johnny Southward	Alderman	Travelers Casualty	50,000
Joseph Ayers	Policeman	Western Surety	25,000
Jessica Tuders	Deputy City Clerk	Western Surety	50,000
Joel Robertson	Alderman	Travelers Casualty	50,000
John Kent	Alderman	Travelers Casualty	50,000
Randolph Trim	Policeman	Western Surety	25,000
Ricky Higginbottom	Policeman	Western Surety	25,000
Brandon Scott Lambert	Policeman	Western Surety	25,000
Eric Bowman	Policeman	Western Surety	25,000
Eric Harris	Policeman	Western Surety	25,000
Christopher Johnson	Policeman	Western Surety	25,000
Adam Hall	Policeman	Western Surety	25,000
Scott Woodruff	Policeman	Western Surety	25,000

City of Iuka, Mississippi
Schedule of Long-Term Debt
For the Year Ended September 30, 2015

	<u>Issue Date</u>	<u>Balance 10/1/2014</u>	<u>Additions (Retirements)</u>	<u>Balance 9/30/2015</u>
<u>Governmental Funds</u>				
<u>Notes Payable</u>				
\$900,000 CAP Loan	6-26-07	605,595	(36,770)	568,825
<u>Other Long-Term Debt</u>				
\$21,927 Capital Lease Payable	11-21-12	11,659	(5,530)	6,129
\$45,000 Capital Lease Payable	9-24-14	-	30,297	30,297
		<u>11,659</u>	<u>24,767</u>	<u>36,426</u>
Total Long-Term Debt		<u>11,659</u>	<u>24,767</u>	<u>36,426</u>
Total Governmental Funds		<u>617,254</u>	<u>(12,003)</u>	<u>605,251</u>
<u>Proprietary Funds</u>				
<u>General Obligation Bonds</u>				
2014 Refunding Bonds	2/6/2014	1,825,000	(130,000)	1,695,000
<u>Revenue Bonds</u>				
\$800,000 Sewer	11-4-10	699,618	(15,189)	684,429
\$2,775,000 Water	5-16-13	2,561,408	155,027	2,663,856
		-	(52,579)	
Total Revenue Bonds		<u>3,261,026</u>	<u>87,259</u>	<u>3,348,285</u>
<u>Other Long-Term Debt</u>				
\$37,950 Capital Lease Payable	11-21-12	23,902	(7,572)	16,330
\$63,824 Capital Lease Payable	2-25-14	54,666	(12,434)	42,232
		-	-	-
Total Other Long-Term Debt		<u>78,568</u>	<u>(20,006)</u>	<u>58,562</u>
Total Proprietary Funds		<u>5,164,594</u>	<u>(62,747)</u>	<u>5,101,847</u>
Total Long-Term Debt		<u><u>\$ 5,781,848</u></u>	<u><u>\$ (74,750)</u></u>	<u><u>\$ 5,707,098</u></u>

The above schedule does not include 9/30/15 compensated absences of \$40,479.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Iuka, Mississippi as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise City of Iuka, Mississippi's basic financial statements and have issued our report thereon dated June 1, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2015-1, and 2015-2 to be material weaknesses.

Compliance and Other Matters

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

City of Iuka, Mississippi's Response to Findings

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

Purpose of this Report

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

Brawner, Vanstony & Co., P.A.

June 1, 2016
Booneville, Mississippi

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Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Honorable Mayor and
Board of Aldermen
City of Iuka, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 1, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

Brawner, Vanstory & Co., P.A.

June 1, 2016
Booneville, Mississippi

City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2015

Findings Related to the Financial Statements

Significant Deficiencies Considered to be Material Weakness – Internal Controls

Finding 2015-1

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

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

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

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

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

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

Finding 2015-2

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

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

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

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

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

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