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**CITY OF IUKA, MISSISSIPPI
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2019**



Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Iuka, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Iuka, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of September 30, 2019, 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.

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City of Iuka, Mississippi
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September 30, 2019

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Required Supplementary Information

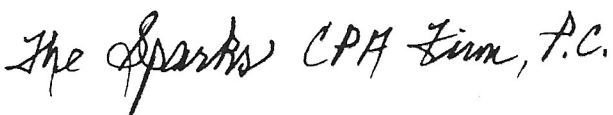
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 3 through 7 and 41 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of luka, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials 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 September 18, 2020, on our consideration of the City of luka, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely 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 effectiveness of the City of luka, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of luka, Mississippi's internal control over financial reporting and compliance.



The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 18, 2020

**City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

This Discussion and Analysis of the City of luka's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2019. 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 2019 were as follows:

Total net position decreased by \$4,590 or .01% from 2018.

Overall, the book value of capital assets decreased by \$122,377 from 2018.

Using this Annual Financial Report

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

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

Reporting the City of luka as a whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019**

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.

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

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

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

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

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

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 proprietary funds are combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 14 - 16 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of data provided in government-wide and fund financial statements. The notes can be found on pages 18 - 39 of this report.

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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 2019.

(Table 1)
Net Position
Government Wide

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 1,970,103	\$ 1,771,987	\$ 1,778,845	\$ 1,610,876	\$ 3,748,948	\$ 3,382,863	\$ 366,085
Capital assets, net	1,915,513	1,970,094	7,822,166	7,889,962	9,737,679	9,860,056	(122,377)
Total Assets	3,885,616	3,742,081	9,601,011	9,500,838	13,486,627	13,242,919	243,708
Deferred outflows of resources	184,258	233,106	123,208	164,736	307,466	397,842	(90,376)
Long-term debt	2,490,636	2,415,386	5,841,073	5,974,556	8,331,709	8,389,942	(58,233)
Other liabilities	268,336	94,975	678,341	570,872	946,677	665,847	280,830
Total Liabilities	2,758,972	2,510,361	6,519,414	6,545,428	9,278,386	9,055,789	222,597
Deferred inflows of resources	379,920	403,853	59,926	100,668	439,846	504,521	(64,675)
Net investment in capital assets	1,490,645	1,494,459	3,555,572	3,385,098	5,046,217	4,879,557	166,660
Restricted	803	803	-	-	803	803	-
Unrestricted (deficit)	(560,466)	(434,289)	(410,693)	(365,620)	(971,159)	(799,909)	(171,250)
Total Net Position	\$ 930,982	\$ 1,060,973	\$ 3,144,879	\$ 3,019,478	\$ 4,075,861	\$ 4,080,451	\$ (4,590)

The City's total assets increased \$243,708 during 2019 with business-type activities showing an increase of \$100,173 and governmental activities showing an increase of \$143,535. The major changes were a \$201,197 increase in cash; \$122,377 decrease in capital assets; a \$7,798 increase in accounts receivable; and \$58,410 increase in property tax and other receivables.

The City's total liabilities increased \$222,597. The major changes were a \$140,954 increase in unearned revenue, a \$289,037 decrease from the retirement of long-term debt and a \$219,202 increase in the net pension liability.

The City's net position decreased \$4,590 due to governmental activities expenses exceeding program revenues.

Table 2 shows the Change in Net Position for the year ended September 30, 2019. A comparative analysis of government-wide data is as follows:

(Table 2)

The decrease in net position identified in Table 2 was due to expenses exceeding revenues during 2019. This decrease was mainly due to increased expenses in the other governmental funds.

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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 6.27%; and Public Utilities accounting for 62.76%. The City is committed to providing the basic services that our residents expect.

The City's Funds

Information about the City's major governmental funds begins on page 10. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$1.906 million and expenditures of \$1.923 million.

The fund balance of the general fund remained relatively constant, increasing by \$97,810.

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 2019, 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 \$1,597,000; final budget amounts were \$1,597,000; and actual revenue collections were \$1,630,194. The major factor contributing to the increase of actual revenues over budgeted amounts was increased intergovernmental revenues.

Capital Assets and Debt Administration

Capital Assets. As of September 30, 2019, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$1,915,513 and \$7,822,166 respectively. The governmental activities decreased \$54,581 and business-type activities decreased by \$67,796. The government activities decrease was due to depreciation, and the business-type activities decrease was due to depreciation.

Additional information of the City's capital assets can be found in Note 8 on pages 29 & 30 of this report.

Debt Administration. At September 30, 2019, the City had \$4,777,430 in general obligation bonds and other long-term debt outstanding, of which \$274,403 is due within one year. Additional information of the City's long-term debt can be found in Note 9 on pages 30, 31, 32 and 33 of this report.

Contacting the City's Finance Department

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

City of Iuka, Mississippi
Statement of Net Position
September 30, 2019

	Governmental Activities	Business Type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 1,424,732	\$ 794,660	\$ 2,219,392
Cash - restricted	-	282,768	282,768
Property tax receivable	310,577	-	310,577
Fines receivable, net of uncollectibles, \$216,046	134,759	-	134,759
Utility tax receivable	21,737	-	21,737
Accounts receivable	-	344,962	344,962
Interest receivable	137	37	174
Due from other funds	10,774	5,677	16,451
Internal Balances	(25,000)	25,000	-
Intergovernmental receivables	71,827	126,282	198,109
Inventories	-	166,542	166,542
Prepaid expenses	20,560	21,517	42,077
Franchise rights	-	11,400	11,400
Capital assets, net			
Capital assets not being depreciated	216,880	440,304	657,184
Capital assets, net of depreciation	1,698,633	7,381,862	9,080,495
Total Assets	3,885,616	9,601,011	13,486,627
<u>Deferred Outflows of Resources</u>			
Deferred Amounts - pensions	184,258	123,208	307,466
<u>Liabilities</u>			
Accounts payable	97,646	278,063	375,709
Accrued liabilities	29,736	21,846	51,582
Accrued interest payable	-	58,478	58,478
Customer deposits	-	319,954	319,954
Unearned revenue	140,954	-	140,954
Long-term liabilities:			
Due within one year	52,250	222,153	274,403
Due in more than one year	372,618	4,044,441	4,417,059
Net pension liability	2,009,717	1,544,562	3,554,279
Compensated absences	56,051	29,917	85,968
Total Liabilities	2,758,972	6,519,414	9,278,386
<u>Deferred Inflows of Resources</u>			
Unavailable Revenue - property taxes	307,000	-	307,000
Deferred Amounts - pensions	72,920	59,926	132,846
Total Deferred Inflows of Resources	379,920	59,926	439,846
<u>Net Position</u>			
Net Investment in capital assets,	1,490,645	3,555,572	5,046,217
Restricted net position			
Debt service	803	-	803
Unrestricted	(560,466)	(410,693)	(971,159)
Total Net Position	\$ 930,982	\$ 3,144,879	\$ 4,075,861

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, 2019

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	\$ 209,566	5,567	-	-	(203,999)	-	(203,999)
Public safety	1,110,228	69,516	67,205	-	(973,507)	-	(973,507)
Public works	344,389	-	-	-	(344,389)	-	(344,389)
Culture and recreation	109,246	-	-	-	(109,246)	-	(109,246)
Economic development	23,601	61,000	-	-	37,399	-	37,399
Pension expense	234,712	-	-	-	(234,712)	-	(234,712)
Interest on long-term liabilities	13,317	-	-	-	(13,317)	-	(13,317)
Total governmental activities	2,045,059	136,083	67,205	-	(1,841,771)	-	(1,841,771)
Business-type activity:							
Gas system	1,617,242	1,454,343	-	-	-	(162,899)	(162,899)
Water and sewer system	1,613,408	1,537,721	-	334,884	-	259,197	259,197
Other business types	216,551	194,166	-	-	-	(22,385)	(22,385)
Total business-type activities	3,447,201	3,186,230	-	334,884	-	73,913	73,913
Total primary government	\$ 5,492,260	3,322,313	67,205	334,884	(1,841,771)	73,913	(1,767,858)
General Revenues:							
Taxes:							
Property taxes, general					431,587	-	431,587
Franchise taxes					72,060	-	72,060
Licenses and permits					10,187	-	10,187
Intergovernmental revenue					972,550	-	972,550
Unrestricted investment income					14,940	11,488	26,428
Miscellaneous					235,712	-	235,712
Gain on disposal of assets					14,744	-	14,744
Transfers					(40,000)	40,000	-
Total general revenues and transfers					1,711,780	51,488	1,763,268
Change in net position					(129,991)	125,401	(4,590)
Net position-beginning					1,060,973	3,019,478	4,080,451
Net position-ending					\$ 930,982	3,144,879	4,075,861

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

City of Iuka, Mississippi
Balance Sheet
Governmental Funds
September 30, 2019

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Assets			
Cash	\$ 855,821	\$ 568,911	\$ 1,424,732
Property taxes receivable	275,433	35,144	310,577
Fines receivable, net of uncollectibles, \$220,183	134,759	-	134,759
Utility tax receivable	21,737	-	21,737
Interest receivable	-	137	137
Due from other funds	11,022	806	11,828
Intergovernmental receivables	71,827	-	71,827
Total Assets	\$ 1,370,599	\$ 604,998	\$ 1,975,597
Liabilities			
Accounts payable	\$ 60,917	\$ 36,729	\$ 97,646
Accrued liabilities	29,356	380	29,736
Unearned revenue	-	140,954	140,954
Due to other funds	20,000	6,054	26,054
Total Liabilities	110,273	184,117	294,390
Deferred Inflows of Resources			
Unavailable revenue - property taxes	273,000	34,000	307,000
Unavailable revenue - fines	134,759	-	134,759
Total Deferred Inflows of Resources	407,759	34,000	441,759
Fund Balances			
Restricted for			
Debt service	-	803	803
Assigned			
Cemetery	-	62,619	62,619
Culture and recreation	-	45,461	45,461
Public safety	-	35,127	35,127
Public works	-	138,569	138,569
Economic development	-	35,498	35,498
Capital projects	-	68,804	68,804
Unassigned	852,567	-	852,567
Total Fund Balances	852,567	386,881	1,239,448
Total Liabilities and Fund Balances	\$ 1,370,599	\$ 604,998	\$ 1,975,597

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

City of Iuka, Mississippi
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement
of Net Position
September 30, 2019

Total fund balance, governmental funds	\$	1,239,448
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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	\$ 3,414,806	
Less: accumulated depreciation	1,499,293	1,915,513

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	134,759
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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	184,258
Deferred inflows of resources related to defined benefit pension plan	(72,920)

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

Net Pension Liability	(2,009,717)
Bonds and notes	(424,868)
Compensated absences	(56,051)

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

	20,560
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Net Position of Governmental Activities in the Statement of Net Position

	\$ 930,982
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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 Balances -
Governmental Funds
For the Year Ended September 30, 2019

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Revenues</u>			
Taxes	\$ 372,806	\$ 130,841	\$ 503,647
License and permits	10,187	-	10,187
Intergovernmental revenues	958,638	81,117	1,039,755
Charges for service	5,567	61,000	66,567
Fines and forfeitures	34,982	-	34,982
Miscellaneous	245,516	5,134	250,650
Total Revenues	<u>1,627,696</u>	<u>278,092</u>	<u>1,905,788</u>
<u>Expenditures</u>			
General government	216,753	-	216,753
Public safety	1,126,120	80,251	1,206,371
Public works	99,803	242,188	341,991
Culture and recreation	60,473	32,895	93,368
Debt service:			
Principal	9,316	41,451	50,767
Interest and fiscal changes	421	12,896	13,317
Total Expenditures	<u>1,512,886</u>	<u>409,681</u>	<u>1,922,567</u>
Excess of revenues over (under) expenditures	<u>114,810</u>	<u>(131,589)</u>	<u>(16,779)</u>
<u>Other Financing Sources (Uses)</u>			
Insurance reimbursement	23,000	-	23,000
Transfers out	(40,000)	-	(40,000)
Total Other Financing Sources and Uses	<u>(17,000)</u>	<u>-</u>	<u>(17,000)</u>
Net change in fund balance	<u>97,810</u>	<u>(131,589)</u>	<u>(33,779)</u>
Fund balance - beginning of year	<u>754,757</u>	<u>518,470</u>	<u>1,273,227</u>
Fund balance - end of year	<u>\$ 852,567</u>	<u>\$ 386,881</u>	<u>\$ 1,239,448</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, 2019

Net change in fund balances - total governmental funds: \$ (33,779)

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	\$	30,271	
Depreciation expense		<u>(76,596)</u>	
Excess of depreciation over capital outlay			(46,325)

In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (8,256)

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. (119,396)

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 \$34,534 in the City's fines revenue. 34,534

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 \$50,767 exceeded debt proceeds of \$0. 50,767

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			(7,539)
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Rounding		<u>3</u>	
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Change in net position of governmental activities.		<u>\$ (129,991)</u>	
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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, 2019

	Business Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
<u>Assets</u>				
Current assets:				
Cash	\$ 177,601	\$ 581,352	\$ 35,707	\$ 794,660
Cash - restricted	-	282,768	-	282,768
Accounts receivable	99,275	213,907	31,780	344,962
Interest receivable	-	37	-	37
Due from other funds	154,291	30,550	19	184,860
Due from other governments	-	126,282	-	126,282
Inventory	166,542	-	-	166,542
Prepaid expenses	8,804	8,724	3,989	21,517
Total current assets	606,513	1,243,620	71,495	1,921,628
Non-current Assets:				
Capital assets:				
Capital assets not being depreciated	550	439,754	-	440,304
Capital assets being depreciated net of depreciation	340,841	6,995,918	45,103	7,381,862
Franchise rights	11,400	-	-	11,400
Total non-current assets	352,791	7,435,672	45,103	7,833,566
Total Assets	959,304	8,679,292	116,598	9,755,194
<u>Deferred Outflows of Resources</u>				
Deferred amounts - pensions	62,849	48,476	11,883	123,208
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	77,231	187,388	13,444	278,063
Accrued liabilities	8,149	70,004	2,171	80,324
Customer deposits	186,387	133,567	-	319,954
Due to other funds	-	153,667	516	154,183
Current portion of long-term debt	3,592	202,094	16,467	222,153
Total current liabilities	275,359	746,720	32,598	1,054,677
Non-Current Liabilities:				
Capital leases	-	-	12,580	12,580
Net pension liability	742,987	659,088	142,487	1,544,562
Bonds payable	-	4,031,861	-	4,031,861
Compensated absences	12,554	12,554	4,809	29,917
Total non-current liabilities	755,541	4,703,503	159,876	5,618,920
Total Liabilities	1,030,900	5,450,223	192,474	6,673,597
<u>Deferred Inflows of Resources</u>				
Deferred amounts - pensions	32,449	21,834	5,643	59,926
<u>Net Position</u>				
Net investment in capital assets	337,799	3,201,717	16,056	3,555,572
Unrestricted	(378,995)	53,994	(85,692)	(410,693)
Total Net Position	\$ (41,196)	\$ 3,255,711	\$ (69,636)	\$ 3,144,879

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, 2019

	Business Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
<u>Operating Revenues</u>				
Charges for service	\$ 1,418,476	\$ 1,536,481	\$ 193,944	\$ 3,148,901
Other	35,867	1,240	222	37,329
Total operating revenues	<u>1,454,343</u>	<u>1,537,721</u>	<u>194,166</u>	<u>3,186,230</u>
<u>Operating Expenses</u>				
Personal services	368,753	400,004	81,285	850,042
Pension expense	87,120	95,212	18,804	201,136
Contractual services	52,607	148,999	125	201,731
Materials and supplies	34,160	96,168	1,120	131,448
Repairs and maintenance	6,898	6,900	14,382	28,180
Purchase of gas	895,558	-	-	895,558
Rent	90,000	90,000	-	180,000
Vehicle expense	18,428	18,636	14,512	51,576
Utilities	1,746	192,800	-	194,546
Insurance	14,259	26,981	7,124	48,364
Depreciation	35,460	352,799	14,441	402,700
Other	12,079	51,695	63,960	127,734
Total operating expenses	<u>1,617,068</u>	<u>1,480,194</u>	<u>215,753</u>	<u>3,313,015</u>
Operating income (loss)	<u>(162,725)</u>	<u>57,527</u>	<u>(21,587)</u>	<u>(126,785)</u>
<u>Non-Operating Revenues (Expenses)</u>				
Interest and fiscal charges	(174)	(133,214)	(798)	(134,186)
Interest income	2,374	8,616	498	11,488
Intergovernmental revenues	-	334,884	-	334,884
Insurance reimbursement	-	-	-	-
Total non-operating revenues (expenses)	<u>2,200</u>	<u>210,286</u>	<u>(300)</u>	<u>212,186</u>
Income (loss) before operating transfers	<u>(160,525)</u>	<u>267,813</u>	<u>(21,887)</u>	<u>85,401</u>
Operating transfers in	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Change in net position	<u>(120,525)</u>	<u>267,813</u>	<u>(21,887)</u>	<u>125,401</u>
Net position - beginning of year	<u>79,329</u>	<u>2,987,898</u>	<u>(47,749)</u>	<u>3,019,478</u>
Net position - end of year	<u>\$ (41,196)</u>	<u>\$ 3,255,711</u>	<u>\$ (69,636)</u>	<u>\$ 3,144,879</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, 2019

	Business Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,454,422	\$ 1,534,455	\$ 189,556	\$ 3,178,433
Cash Payments for Goods and Service	(1,120,953)	(627,090)	(107,887)	(1,855,930)
Cash Payments to Employees	(409,522)	(445,681)	(89,507)	(944,710)
Net Cash Provided By Operating Activities	<u>(76,053)</u>	<u>461,684</u>	<u>(7,838)</u>	<u>377,793</u>
<u>Cash Flows From Noncapital Financing Activities</u>				
Increase (Decrease) in Due to Other Funds	54,546	(54,545)	-	1
Transfers in	40,000	-	-	40,000
Net Cash Provided(Used) By Noncapital Financing Activities	<u>94,546</u>	<u>(54,545)</u>	<u>-</u>	<u>40,001</u>
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for capital acquisitions	-	(208,622)	-	(208,622)
Principal payments on debt	(7,716)	(214,430)	(16,124)	(238,270)
Interest and fiscal changess on debt	(174)	(135,174)	(798)	(136,146)
Intergovernmental revenues	-	208,602	-	208,602
Other receipts (expenses)	3,075	1,870	-	4,945
Net Cash Used By Capital and Related Financing Activities	<u>(4,815)</u>	<u>(347,754)</u>	<u>(16,922)</u>	<u>(369,491)</u>
<u>Cash Flows From Investing Activities</u>				
Interest received	2,374	8,616	498	11,488
Insurance reimbursement	-	-	-	-
Net Cash Provided By Investing Activities	<u>2,374</u>	<u>8,616</u>	<u>498</u>	<u>11,488</u>
Net Increase (Decrease) in Cash	16,052	68,001	(24,262)	59,791
Cash and Cash Equivalent - Beginning	161,549	796,119	59,969	1,017,637
Cash and Cash Equivalent - Ending	<u>\$ 177,601</u>	<u>\$ 864,120</u>	<u>\$ 35,707</u>	<u>\$ 1,077,428</u>
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (162,725)	\$ 57,527	\$ (21,587)	\$ (126,785)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	35,460	352,799	14,441	402,700
Net Pension Expense	44,024	47,233	9,499	100,756
Receivables	79	(3,266)	(4,610)	(7,797)
Payables	(18,791)	7,391	(5,581)	(16,981)
Inventory	25,900	-	-	25,900
Net cash provided (used) by operating activities	<u>\$ (76,053)</u>	<u>\$ 461,684</u>	<u>\$ (7,838)</u>	<u>\$ 377,793</u>

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

City of Iuka, Mississippi
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2019

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	\$ 42,969
Due from other funds	251
Total Assets	\$ <u>43,220</u>
 <u>Liabilities</u>	
Accrued liabilities	\$ 26,518
Due to other funds	16,702
Total Liabilities	\$ <u>43,220</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, 2019

1. Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

B. Basis of Presentation

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

Government-wide Fund Statements:

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

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

Fund Financial Statements-

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures\expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting

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

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

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

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

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

Governmental Funds:

The City reports the following major governmental funds:

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

Proprietary Funds:

The City reports the following major enterprise funds:

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

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

Additionally, the city reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

Fiduciary Fund Types:

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

D. Cash and Investments

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

Cash consists of demand deposit accounts and passbook savings accounts.

E. Receivables

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

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

F. Interfund Transactions and Balances

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

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

G. Inventories and Prepaid Items

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

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

H. Capital Assets

Capital outlays are recorded as expenditures of the Governmental Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Depreciation is recorded on capital assets on a government-wide basis. Capital outlays of the Proprietary Funds are recorded as capital assets and depreciated over their estimated useful lives on a straight-line

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

basis on both the funds basis and the government-wide basis. All capital assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated. As permitted by GASB Statement No. 34, the City has elected to not report public domain (infrastructure) capital assets acquired prior to October 1, 2003.

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

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

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

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

I. Deferred Outflows/Inflows of Resources

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

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

Deferred inflows of resources related to pension obligations.

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

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

J. Long-term liabilities

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

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

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

K. Fund Equity

Government-wide Financial Statements:

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

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

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

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

Governmental Financial Statements

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

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

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

Committed fund balance. These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City Board of Alderman – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Board removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. There were no committed fund balances as of September 30, 2019.

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

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

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

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

L. Property Tax Revenues

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

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

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

M. Intergovernmental Revenues in Governmental Funds

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

N. Compensated Absences

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

The City's full liability in the amount of \$56,051 for accumulated unpaid vacation payable from the Governmental Funds is reported as a liability in the Statement of

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

1. Summary of Significant Accounting Policies – (Continued)

Net Position. In the Proprietary Funds, the compensated absences are reported as a liability of those funds in the amount of \$29,917.

O. Budgets

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

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

P. Pensions

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

R. Changes in Accounting Standards

The City implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. The provisions of this standard have been incorporated into the financial statements and notes.

S. Statement of Cash Flows

For the purpose of cash flows, the proprietary funds consider all liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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 \$2,545,129 and the bank balance was \$2,592,578.

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

2. Deposits and Investments – (Continued)

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, 2019, none of the City's bank balance of \$2,592,578 was exposed to custodial credit risk.

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

3. Restricted Assets

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

4. Interfund Receivables and Payables

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

	<u>Due From</u>	<u>Due To</u>	<u>Reason for Loan</u>
Governmental Funds			
Major Fund:			
General Fund	\$ 11,022	\$ 20,000	Temporary loan
Non-Major Funds:			
Other Governmental	806	6,054	Temporary loan for equipment
Total Governmental Funds	<u>11,828</u>	<u>26,054</u>	
Business-Type Funds			
Major Funds:			
Gas System	154,291	-	Temporary loan for supplies in water & sewer
Water & Sewer System	30,550	153,667	Temporary loan for supplies in water & sewer
Non-Major Funds:			
Sanitation	19	516	Temporary cash shortage
Total Business-Type Funds	<u>184,860</u>	<u>154,183</u>	
Fiduciary Funds:			
Accounts Payable	-	14,534	Temporary loan from General, Gas & Water
Payroll Clearing	251	2,168	Temporary loan from General
Total Fiduciary Funds	<u>251</u>	<u>16,702</u>	
Total All Funds	<u>\$ 196,939</u>	<u>\$ 196,939</u>	

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

5. Transfers and Payments

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

6. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2019 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
State Tax Commission Sales Tax	\$ <u>71,827</u>

7. 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>
2020	\$ 60,000
2021	60,000
2022	60,000
2023	60,000
2024	60,000
2025-2028	210,000
	<u>\$ 510,000</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

8. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2019:

	Balance 9/30/2018	Additions	Deletions	Adjustments	Balance 9/30/2019
Capital assets, not being depreciated:					
Land	\$ 216,880	\$ -	\$ -	\$ -	\$ 216,880
Total capital assets, not being depreciated:	216,880	-	-	-	216,880
Capital assets, being depreciated:					
Buildings and improvements	2,318,328	-	-	-	2,318,328
Furniture and equipment	290,541	-	-	-	290,541
Mobile equipment	551,145	30,271	(29,489)	-	551,927
Leased property	37,130	-	-	-	37,130
Total capital assets, being depreciated	3,197,144	30,271	(29,489)	-	3,197,926
Less accumulated depreciation for:					
Buildings	729,307	45,105	-	-	774,412
Improvements other than buildings	51,537	-	-	-	51,537
Furniture and equipment	221,666	6,225	-	-	227,891
Mobile equipment	428,053	18,583	(21,233)	-	425,403
Leased property	13,367	6,683	-	-	20,050
Total accumulated depreciation	1,443,930	76,596	(21,233)	-	1,499,293
Total capital assets, being depreciated, net	1,753,214	(46,325)	(8,256)	-	1,698,633
Governmental activities capital assets, net	\$ 1,970,094	\$ (46,325)	\$ (8,256)	\$ -	\$ 1,915,513
Business Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 68,900	\$ -	\$ -	\$ -	\$ 68,900
Construction in progress	36,500	334,904	-	-	371,404
Total capital assets, not being depreciated:	105,400	334,904	-	-	440,304
Capital assets, being depreciated:					
Furniture and equipment	467,654	-	-	-	467,654
Mobile equipment	416,538	-	-	-	416,538
Plant & distribution assets	16,502,629	-	-	-	16,502,629
Leased property	154,064	-	-	-	154,064
Total capital assets, being depreciated:	17,540,885	-	-	-	17,540,885
Less accumulated depreciation for:					
Furniture and equipment	390,834	9,233	-	-	400,067
Mobile equipment	374,883	-	-	-	374,883
Plant and distribution assets	8,913,871	369,151	-	-	9,283,022
Leased property	76,735	24,316	-	-	101,051
Total accumulated depreciation	9,756,323	402,700	-	-	10,159,023
Total depreciable capital assets, net	7,784,562	(402,700)	-	-	7,381,862
Business Type Activities:					
Capital assets, net	\$ 7,889,962	\$ (67,796)	\$ -	\$ -	\$ 7,822,166

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

8. Capital Assets – (Continued)

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 5,558
Public safety	29,161
Public works	2,398
Culture and recreation	15,878
Economic development	23,601
Total Governmental Activities	<u>\$ 76,596</u>
Business Type Activities:	
Gas system	\$ 35,460
Water and sewer system	362,799
Sanitation	14,441
Total Business Type Activities	<u>\$ 412,700</u>

9. Long-Term Liabilities

Debt outstanding as of September 30, 2019, consists of the following:

<u>Description and Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amounts</u>	
				<u>Issued</u>	<u>Outstanding</u>
Governmental Activities					
A. Capital Leases:					
2017 Police Car	2.36%	2/24/2017	2/24/2021	\$ 37,130	\$ 12,768
B. Loans Payable					
CAP Loan	3.0%	6/26/2007	5/1/2028	\$ 816,620	\$ 412,100
Business-type Activities:					
A. General Obligation Bonds:					
2014 Refunding Bonds	2.0-4.375%	2/6/2014	12/1/2033	\$ 1,825,000	\$ 1,175,000
B. Revenue Bonds:					
2010 Sewer	3.8%	11/4/2010	11/4/2041	\$ 800,000	\$ 617,763
2013 Water	2.75%	5/16/2013	5/16/2048	2,775,000	2,450,325
Total Revenue Bonds				<u>\$ 3,575,000</u>	<u>\$ 3,068,088</u>
C. Capital Leases:					
Garbage Truck	2.11%	7/11/2016	7/11/2021	80,230	29,047
Ford Truck	2.44%	5/10/2017	5/10/2020	35,884	7,185
Total Capital Leases				<u>\$ 116,114</u>	<u>\$ 36,232</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

9. Long-Term Debt – (Continued)

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

<u>Governmental Activities</u>		<u>Capital Leases</u>	
<u>Year Ending September 30,</u>		<u>Principal</u>	<u>Interest</u>
2020		9,538	199
2021		3,230	16
Total	\$	<u>12,768</u>	<u>\$ 215</u>

<u>Other Loans Payable</u>			
<u>Year Ending September 30,</u>		<u>Principal</u>	<u>Interest</u>
2020	\$	42,712	\$ 11,635
2021		44,011	10,336
2022		45,350	8,997
2023		46,729	7,618
2024		48,151	6,197
2025-2028		185,147	9,988
Total	\$	<u>412,100</u>	<u>\$ 54,771</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

9. Long-Term Debt – (Continued)

Business Type Activities: Year Ending September 30,	General Obligations Bonds	
	Principal	Interest
2020	\$ 125,000	\$ 39,200
2021	80,000	36,900
2022	80,000	34,800
2023	85,000	32,422
2024	85,000	29,766
2025-2029	385,000	107,375
2030-2034	335,000	34,181
Total	<u>\$ 1,175,000</u>	<u>\$ 314,644</u>

Year Ending September 30,	Revenue Bonds	
	Principal	Interest
2020	\$ 74,853	\$ 91,057
2021	77,276	88,635
2022	79,587	86,324
2023	81,969	83,942
2024	84,257	81,654
2025-2029	461,468	368,084
2030-2034	535,131	294,421
2035-2039	620,835	208,717
2040-2044	615,803	111,078
2045-2048	436,909	29,179
Total	<u>\$ 3,068,088</u>	<u>\$ 1,443,091</u>

Year Ending September 30,	Capital Leases	
	Principal	Interest
2020	\$ 23,652	\$ 513
2021	12,580	111
Total	<u>\$ 36,232</u>	<u>\$ 624</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

9. Long-Term Liabilities – (Continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

	Balance Oct. 1, 2018	Additions	Reductions	Adjustments	Balance Sept. 30, 2019	Amount due within one year
Governmental						
Activities:						
Loans Payable	\$ 453,551	-	41,451	-	412,100	42,712
Capital Leases	22,084	-	9,316	-	12,768	9,538
Compensated Absences	48,512	7,539	-	-	56,051	-
Total	<u>\$ 524,147</u>	<u>7,539</u>	<u>50,767</u>	<u>-</u>	<u>480,919</u>	<u>52,250</u>
Business Type						
Activities:						
General Obligation						
Bond	\$ 1,310,000	-	135,000	-	1,175,000	125,000
Less: Discounts	(19,650)	-	(2,025)	-	(17,625)	(1,875)
Add: Premiums	5,467	-	568	-	4,899	524
Revenue Bonds	3,141,260	-	73,172	-	3,068,088	74,853
Capital Leases	67,787	-	31,555	-	36,232	23,651
Compensated Absences	25,854	4,063	-	-	29,917	-
Total	<u>\$ 4,530,718</u>	<u>4,063</u>	<u>238,270</u>	<u>-</u>	<u>4,296,511</u>	<u>222,153</u>

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

10. Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

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

Contributions. At September 30, 2019, PERS members are required to contribute 9.00% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2019 was 17.40% of annual covered payroll. The rate increased as July 1, 2019 from 15.75%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the fiscal years ending September 30, 2019, 2018 and 2017 were \$214,686, \$203,026 and \$193,940, respectively, which equaled the required contributions for each year.

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

10. Defined Benefit Pension Plan - (Continued)

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

At September 30, 2019, the City of Iuka reported a liability of \$3,554,279 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Iuka's proportion of the net pension was based on a projection of the City of Iuka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City of Iuka's proportionate share used to calculate the September 30, 2019 net pension liability was 0.020204 percent, which was based on a measurement date of June 30, 2019. This was an increase of 0.000153 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the City of Iuka recognized pension expense of \$435,847. At September 30, 2019, the City of Iuka reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 13,588	\$ 12,157
Net Difference Between Projected and Actual Investment Earnings	63,105	86,910
City Pension Contributions Subsequent to the Measurement Date	61,437	-
Changes of Assumptions	34,152	1,484
Changes in Proportions and Differences		
Actual Earnings on Pension Plan Assets	135,184	32,295
Total	<u>\$ 307,466</u>	<u>\$ 132,846</u>

The \$61,437 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	<u>Amount</u>
2020	\$ 80,646
2021	36,687
2022	3,635
2023	(7,785)
Total	<u>\$ 113,183</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

10. Defined Benefit Pension Plan - (Continued)

Inflation	2.75%
Salary increases	3.00 - 18.25%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from 18 to 65 scaled up to 102% for ages 75 to 119. Morality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2018.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long- Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	5.10
Cash	1.00	0.25
	<u>100.00 %</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00 percent) and that employer contributions will be made at the current employer contribution rate (17.40 percent). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of 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-

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

10. Defined Benefit Pension Plan - (Continued)

percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate	City of Iuka's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 4,672,227
Current Discount Rate	7.75%	3,554,279
1% Increase	8.75%	2,631,519

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

11. Commitments and Contingencies

Contingencies

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

Litigation

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

12. Risk Management

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

Participation in Public Entity Risk Pool

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

MMWCG covers risks of loss arising from injuries to the City's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

12. Risk Management- (Continued)

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.

13. Home Investment Partnership Grant

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

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

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

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

14. Segment Information

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

15. Subsequent Events

Events that occur after the balance sheet due date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. The City has evaluated subsequent events through September 18, 2020, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements. No adjustments were considered necessary to the financial statements.

16. Jointly Governed Organizations

TAP Alliance (TAP) is an alliance among Tishomingo, Alcorn and Prentiss counties and the City

City of Iuka, Mississippi
Notes to Financial Statements
Year Ended September 30, 2019

16. Jointly Governed Organizations- (Continued)

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 for the support of the Alliance in fiscal year 2019.

17. Deficit Fund Balances of Individual Funds

The following fund reported a deficit in fund balance at September 30, 2019.

Fund	Deficit Amount
Sanitation Fund	\$ 69,636
Gas System Fund	\$ 41,196

18. Effects of Deferred Amounts on Net Position

The unrestricted net position amount of \$4,075,861 includes the effect of deferring the recognition of expenses resulting from the deferred inflows/outflows of resources related to pensions. The \$307,466 balance of deferred outflows of resources related to pensions at September 30, 2019 will be recognized as expense and decrease the unrestricted net position over the next three years. The \$132,846 balance of deferred inflows of resources related to pensions at September 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next four years.

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

19. Tax Abatements

GASB No. 77 requires governments that enter into tax abatements to disclose certain information about the agreements. The City has not entered into any tax abatements as of and for the year ended September 30, 2019, therefore, no further disclosure is required.

REQUIRED SUPPLEMENTARY INFORMATION

City of Iuka, Mississippi
Schedule of Revenue, Expenditures, and Changes in Fund Balance-
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	\$ 368,300	\$ 368,300	\$ 372,904	\$ 4,604
Intergovernmental revenues	930,000	930,000	961,038	31,038
Charges for services	5,000	5,000	5,567	567
Licenses and permits	7,000	7,000	10,187	3,187
Fines and forfeitures	50,000	50,000	34,982	(15,018)
Miscellaneous	236,700	236,700	245,516	8,816
Total Revenues	1,597,000	1,597,000	1,630,194	33,194
Expenditures				
General government	231,000	246,000	217,174	28,826
Public safety	1,186,300	1,221,350	1,126,923	94,427
Public works	99,000	99,000	99,695	(695)
Culture and recreation	81,000	83,000	60,130	22,870
Debt service	9,700	9,750	9,737	13
Total Expenditures	1,607,000	1,659,100	1,513,659	145,441
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(62,100)	116,535	178,635
Other Financing Sources				
Transfers out	-	(40,000)	(40,000)	-
Insurance reimbursements	-	-	23,000	23,000
Sale of assets	5,000	5,000	-	(5,000)
Total Other Financing Sources	5,000	(35,000)	(17,000)	18,000
Net changes in fund balances	\$ (5,000)	\$ (97,100)	99,535	\$ 196,635
Fund Balances - Beginning of Year			754,757	
Adjustments to conform with GAAP:				
Revenues			(2,498)	
Expenditures			773	
Fund Balances - End of Year (GAAP basis)			\$ 852,567	

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

City of Iuka, Mississippi
Schedule of Required Supplementary Information – Pension
September 30, 2019
Last 6 Fiscal Years*

Schedule of the City's Proportionate Share of the Net Pension Liability						
	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability(asset)	0.020204%	0.020051%	0.018877%	0.017883%	0.017777%	0.018798%
City's proportionate share of the net pension liability(asset)	\$ 3,554,279	\$ 3,335,077	\$ 3,137,998	\$ 3,194,347	\$ 2,747,973	\$ 2,281,733
City's covered payroll	\$ 1,315,810	\$ 1,280,409	\$ 1,210,953	\$ 1,195,495	\$ 1,126,474	\$ 1,125,697
City's proportionate share of the net pension liability(asset) as a percentage of its covered payroll	270.12%	260.47%	259.13%	267.20%	243.94%	202.70%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	62.54%	61.49%	57.4700%	61.7040%	67.2077%

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

Schedule of City Contributions - PERS						
	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 214,686	\$ 203,026	\$ 193,940	\$ 187,977	\$ 177,420	\$ 177,297
Contributions in relation to contractually required contribution	214,686	(203,026)	(193,940)	(187,977)	(177,420)	(177,297)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,327,684	\$ 1,289,037	\$ 1,231,345	\$ 1,193,495	\$ 1,126,474	\$ 1,125,697
Contributions as a percentage of covered payroll	16.17%	15.75%	15.75%	15.75%	15.75%	15.75%

Schedules are intended to show information for 10 years. Additional years will be added as they become available.

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, 2019

Note 1. Budgetary Comparison Schedule

A. Budgetary Information

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

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

B. Basis of Presentation

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

Budget/GAAP Reconciliation

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

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

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

Note 2. Pension Liability and Contributions

(1) Change of assumptions.

2015:

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

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

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

City of Iuka, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

Note 2. Pension Liability and Contributions – (Continued)

were also adjusted to more closely reflect actual experience.

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

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

2016:

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

2017:

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

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

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

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

2019:

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

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

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

For males, 137% of male rates at all ages. For females, 115% of female rates at all ages.

Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

City of Iuka, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2019

Note 2. Pension Liability and Contributions – (Continued)

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

(2) Changes in benefit provisions

2016:

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

(3) Methods and assumptions used in calculations of actuarially determined contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	38.4 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

City of luka, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2019

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
John T. Castleberry	Mayor	Western Surety	\$165,910
Benny Gray	City Clerk & Tax Collector	Western Surety	165,910
Randy Stringer	Chief of Police	Western Surety	50,000
Anita Mitchell	Policeman	Western Surety	25,000
Charlie M. Dean, III	Policeman	Western Surety	25,000
Jamie L. Stuart	Policeman	Western Surety	25,000
Rodney Pannell	Policeman	Western Surety	25,000
Cynthia Enlow	Deputy City Clerk	Western Surety	50,000
James Grisham	Alderman	Travelers Casualty	50,000
Johnny Southward	Alderman	Travelers Casualty	50,000
Joel Robertson	Alderman	Travelers Casualty	50,000
Kenny Carson	Alderman	Travelers Casualty	50,000
Nancy Stripling	Alderman	Travelers Casualty	50,000
Joseph Ayers	Policeman	Western Surety	25,000
Jessica Tuders	Deputy City Clerk	Western Surety	50,000
Randolph Trim	Policeman	Western Surety	25,000
Brandon Scott Lambert	Policeman	Western Surety	25,000
Skyler Gammill	Policeman	Western Surety	25,000
Logan Vaughn	Policeman	Western Surety	25,000
Wesley Wellington	Policeman	Western Surety	25,000
Mitchell Ruel Walls	Policeman	Western Surety	25,000
Jonathan Cole	Policeman	Western Surety	25,000
Eric Harris	Policeman	Western Surety	50,000
Marco Cordoba	Policeman	Western Surety	50,000
John Dipietro	Policeman	Western Surety	25,000
David Derrick	Policeman	Western Surety	25,000
Scott Dalton	Policeman	Western Surety	25,000
Sue Scott	Deputy City Clerk	Western Surety	50,000
Vicki Meeks	Deputy City Clerk	Western Surety	50,000



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Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

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

Honorable Mayor and Members
of the Board of Aldermen
City of 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, 2019 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 September 18, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2019-001 and 2019-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Iuka, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance

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Corinth, Mississippi
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Iuka, Mississippi
Phone: (662)423-5057

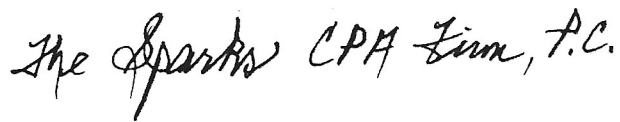
with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of luka, Mississippi's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive, flowing script.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 18, 2020



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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, 2019, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 18, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 18, 2020

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**City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2019**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Section 2: Financial Statements Findings

Material Weakness – Internal Controls

2019-001

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.

2019-002

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

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

**City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2019**

2019-002 – (Continued)

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

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

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

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