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**CITY OF IUKA, MISSISSIPPI
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
YEAR ENDED SEPTEMBER 30, 2020**



Certified Public Accountants

City of Iuka, Mississippi
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September 30, 2020

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Iuka, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Iuka, Mississippi, as of and for the year ended September 30, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 3 through 8 and 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Iuka, Mississippi's basic financial statements. The Schedule of Surety Bonds for Municipal Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2021, on our consideration of the City of Iuka, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to 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 Iuka, 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 Iuka, Mississippi's internal control over financial reporting and compliance.



The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
November 12, 2021

City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2020

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, 2020. 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 2020 were as follows:

Total net position increased by \$220,979 or 5.4% from 2019.

Overall, the book value of capital assets decreased by \$12,959 from 2019.

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 2020?" 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, 2020

Reporting of the City of Iuka's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 11. 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 12 and 14, 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 11 and 13 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 15 - 17 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 19 – 40 of this report.

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2020

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 2020.

(Table 1)
Net Position
Government Wide

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2020	2019	2020	2019	2020	2019	
Current and other assets	\$ 2,090,224	\$ 1,970,103	\$ 1,623,640	\$ 1,778,845	\$ 3,713,864	\$ 3,748,948	\$ (35,084)
Capital assets, net	2,232,240	1,915,513	7,492,480	7,822,166	9,724,720	9,737,679	(12,959)
Total Assets	4,322,464	3,885,616	9,116,120	9,601,011	13,438,584	13,486,627	(48,043)
Deferred outflows of resources	233,276	184,258	167,661	123,208	400,937	307,466	93,471
Long-term debt	2,678,099	2,490,636	5,829,595	5,841,073	8,507,694	8,331,709	175,985
Other liabilities	97,509	268,336	564,166	678,341	661,675	946,677	(285,002)
Total Liabilities	2,775,608	2,758,972	6,393,761	6,519,414	9,169,369	9,278,386	(109,017)
Deferred inflows of resources	346,017	379,920	27,295	59,926	373,312	439,846	(66,534)
Net investment in capital assets	1,859,622	1,490,645	3,448,545	3,555,572	5,308,167	5,046,217	261,950
Restricted	803	803	-	-	803	803	-
Unrestricted (deficit)	(426,310)	(560,466)	(585,820)	(410,693)	(1,012,130)	(971,159)	(40,971)
Total Net Position	\$ 1,434,115	\$ 930,982	\$ 2,862,725	\$ 3,144,879	\$ 4,296,840	\$ 4,075,861	\$ 220,979

The City's total assets decreased \$48,043 during 2020 with business-type activities showing an decrease of \$484,891 and governmental activities showing an increase of \$436,848. The major changes were a \$12,959 decrease in capital assets; a \$4,206 increase in accounts receivable; and \$37,882 increase in property tax and other receivables.

The City's total liabilities decreased \$109,017. The major changes were a \$140,954 decrease in unearned revenue, a \$278,567 decrease from the retirement of long-term debt and a \$454,549 increase in the net pension liability.

The City's net position increased \$220,979 due to governmental activities revenues exceeding expenses.

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2020

Table 2 shows the Change in Net Position for the year ended September 30, 2020. A comparative analysis of government-wide data is as follows:

		(Table 2) Change in Net Position Government Wide					Increase (Decrease)	
		Governmental Activities		Business-Type Activities		Totals		
		2020	2019	2020	2019	2020	2019	
Program revenues:								
Charges for services	\$ 106,444	\$ 136,083	\$ 2,813,303	\$ 3,186,230	\$ 2,919,747	\$ 3,322,313	\$ (402,566)	
Grants and donations	422,572	67,205	-	-	422,572	67,205	355,367	
General revenues:								
Property taxes	517,386	431,587	-	-	517,386	431,587	85,799	
Intergovernmental revenues	1,117,970	972,550	43,448	334,884	1,161,418	1,307,434	(146,016)	
Investment income	31,239	14,940	12,460	11,488	43,699	26,428	17,271	
Miscellaneous taxes and other	232,545	332,703	39,554	-	272,099	332,703	(60,604)	
Total revenues	2,428,156	1,955,068	2,908,765	3,532,602	5,336,921	5,487,670	(150,749)	
Program expenses:								
General government	213,130	209,566	-	-	213,130	209,566	3,564	
Public safety	1,113,249	1,110,228	-	-	1,113,249	1,110,228	3,021	
Public works	176,761	344,389	-	-	176,761	344,389	(167,628)	
Culture and recreation	104,900	109,246	-	-	104,900	109,246	(4,346)	
Economic development	23,601	23,601	-	-	23,601	23,601	-	
Gas system	-	-	1,337,471	1,617,242	1,337,471	1,617,242	(279,771)	
Water and sewer	-	-	1,654,965	1,613,408	1,654,965	1,613,408	41,557	
Other business-type	-	-	198,483	216,551	198,483	216,551	(18,068)	
Pension expense	281,548	234,712	-	-	281,548	234,712	46,836	
Interest on long-term debt	11,834	13,317	-	-	11,834	13,317	(1,483)	
Total program expenses	1,925,023	2,045,059	3,190,919	3,447,201	5,115,942	5,492,260	(376,318)	
Net increase (decrease) in net position before contributions and transfers	503,133	(89,991)	(282,154)	85,401	220,979	(4,590)	225,569	
Transfers	-	(40,000)	-	40,000	-	-	-	
Net increase (decrease) in net position	\$ 503,133	\$ (129,991)	\$ (282,154)	\$ 125,401	\$ 220,979	\$ (4,590)	\$ 225,569	

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2020

The increase in net position identified in Table 2 was due to revenues exceeding expenses during 2020. This increase was mainly due to increased intergovernmental revenues in the governmental funds.

Major expense activities under the accrual basis of accounting, included: Public Safety expenses accounting for 21.76% of the total program expenses; Public Works accounting for 3.46% and Public Utilities accounting for 62.37%. 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 11. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$2.430 million and expenditures of \$2.140 million.

The fund balance of the general fund remained relatively constant, increasing by \$186,732.

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 2020, 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 \$1,735,500; final budget amounts were \$1,731,500 and actual revenue collections were \$1,779,509. 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, 2020, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$2,232,240 and \$7,492,480 respectively. The governmental activities increased \$316,727 and business-type activities decreased by \$329,686. The government activities increase was due to building and equipment additions, 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 30 & 31 of this report.

Debt Administration:

At September 30, 2020, the City had \$4,498,863 in general obligation bonds and other long-term debt outstanding, of which \$216,232 is due within one year. Additional information of the City's long-term debt can be found in Note 9 on pages 32 through 34 of this report.

**City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2020**

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 Emily Dotson, 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, 2020

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and investments	\$ 1,461,724	723,872	2,185,596
Cash - restricted	-	315,768	315,768
Property tax receivable	313,714	-	313,714
Fines receivable, net of uncollectibles, \$235,423	127,116	-	127,116
Utility tax receivable	23,554	-	23,554
Accounts receivable	-	347,351	347,351
Interest receivable	137	37	174
Due from other funds	10,881	6,457	17,338
Internal Balances	(25,000)	25,000	-
Intergovernmental receivables	157,538	-	157,538
Inventories	-	172,238	172,238
Prepaid expenses	20,560	21,517	42,077
Franchise rights	-	11,400	11,400
Capital assets, net			
Capital assets not being depreciated	216,880	68,900	285,780
Capital assets, net of depreciation	2,015,360	7,423,580	9,438,940
Total Assets	<u>4,322,464</u>	<u>9,116,120</u>	<u>13,438,584</u>
Deferred Outflows of Resources			
Deferred Amounts - pensions	233,276	167,661	400,937
Total Deferred Outflows of Resources	<u>233,276</u>	<u>167,661</u>	<u>400,937</u>
Liabilities			
Accounts payable	63,196	154,373	217,569
Accrued liabilities	34,313	29,649	63,962
Accrued interest payable	-	56,352	56,352
Customer deposits	-	323,792	323,792
Long-term liabilities:			
Due within one year	47,241	168,991	216,232
Due in more than one year	325,377	3,874,944	4,200,321
Net pension liability	2,250,396	1,758,432	4,008,828
Compensated absences	55,085	27,228	82,313
Total Liabilities	<u>2,775,608</u>	<u>6,393,761</u>	<u>9,169,369</u>
Deferred Inflows of Resources			
Unavailable Revenue - property taxes	310,000	-	310,000
Deferred Amounts - pensions	36,017	27,295	63,312
Total Deferred Inflows of Resources	<u>346,017</u>	<u>27,295</u>	<u>373,312</u>
Net Position			
Net Investment in capital assets,	1,859,622	3,448,545	5,308,167
Restricted net position			
Debt service	803	-	803
Unrestricted	(426,310)	(585,820)	(1,012,130)
Total Net Position	<u>\$ 1,434,115</u>	<u>2,862,725</u>	<u>4,296,840</u>

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

City of Iuka, Mississippi
Statement of Activities
For The Year Ended September 30, 2020

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities	Business Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 213,130	5,506	-	-	(207,624)	-	(207,624)
Public safety	1,113,249	29,438	-	302,572	(781,239)	-	(781,239)
Public works	176,761	-	-	-	(176,761)	-	(176,761)
Culture and recreation	104,900	-	-	120,000	15,100	-	15,100
Economic development	23,601	71,500	-	-	47,899	-	47,899
Pension expense	281,548	-	-	-	(281,548)	-	(281,548)
Interest on long-term liabilities	11,834	-	-	-	(11,834)	-	(11,834)
Total governmental activities	1,925,023	106,444	-	422,572	(1,396,007)	-	(1,396,007)
Business-type activity:							
Gas system	1,337,471	1,130,213	-	-	-	(207,258)	(207,258)
Water and sewer system	1,654,965	1,443,662	-	43,448	-	(167,855)	(167,855)
Other business types	198,483	239,428	-	-	-	40,945	40,945
Total business-type activities	3,190,919	2,813,303	-	43,448	-	(334,168)	(334,168)
Total primary government	\$ 5,115,942	2,919,747	-	466,020	(1,396,007)	(334,168)	(1,730,175)
General Revenues:							
Taxes:							
		Property taxes, general			\$ 517,386	-	517,386
		Franchise taxes			87,540	-	87,540
		Licenses and permits			10,666	-	10,666
		Intergovernmental revenue			1,117,970	-	1,117,970
		Unrestricted investment income			31,239	12,460	43,699
		Miscellaneous			128,814	-	128,814
		Gain on disposal of assets			5,525	-	5,525
		Insurance reimbursements			-	39,554	39,554
		Total general revenues and transfers			1,899,140	52,014	1,951,154
		Change in net position			503,133	(282,154)	220,979
		Net position-beginning			930,982	3,144,879	4,075,861
		Net position-ending			\$ 1,434,115	2,862,725	4,296,840

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

City of luka, Mississippi
Balance Sheet -
Governmental Funds
September 30, 2020

	Major Funds		Other	Total
	General	Fire Fund	Governmental	Governmental
	Fund		Funds	Funds
Assets				
Cash	\$ 956,625	44,842	460,257	1,461,724
Property taxes receivable	275,531	9,565	28,618	313,714
Fines receivable, net of uncollectibles, \$220,183	127,116	-	-	127,116
Utility tax receivable	23,554	-	-	23,554
Interest receivable	-	-	137	137
Due from other funds	11,022	-	913	11,935
Intergovernmental receivables	157,538	-	-	157,538
Total Assets	\$ 1,551,386	54,407	489,925	2,095,718
Liabilities				
Accounts payable	\$ 57,935	-	5,261	63,196
Accrued liabilities	34,036	-	278	34,314
Due to other funds	20,000	-	6,054	26,054
Total Liabilities	111,971	-	11,593	123,564
Deferred Inflows of Resources				
Unavailable revenue - property taxes	273,000	9,500	27,500	310,000
Unavailable revenue - fines	127,116	-	-	127,116
Total Deferred Inflows of Resources	400,116	9,500	27,500	437,116
Fund Balances				
Restricted for				
Debt service	-	-	803	803
Assigned				
Cemetery	-	-	62,649	62,649
Culture and recreation	-	-	53,820	53,820
Public safety	-	44,907	-	44,907
Public works	-	-	217,211	217,211
Economic development	-	-	35,942	35,942
Capital projects	-	-	80,407	80,407
Unassigned	1,039,299	-	-	1,039,299
Total Fund Balances	1,039,299	44,907	450,832	1,535,038
Total Liabilities and Fund Balances	\$ 1,551,386	54,407	489,925	2,095,718

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 Statement of Net Position
September 30, 2020

Total fund balance, governmental funds	\$	1,535,038
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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	\$ 3,834,847		
Less: accumulated depreciation	<u>1,602,607</u>		2,232,240

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		127,116
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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		233,276
Deferred inflows of resources related to defined benefit pension plan		(36,017)

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

Net Pension Liability		(2,250,396)
Bonds and notes		(372,618)
Compensated absences		(55,085)

Prepaid expenses are not financial resources and, therefore, are not reported in the funds.		20,560
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Rounding		<u>1</u>
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Net Position of Governmental Activities in the Statement of Net Position		<u><u>\$ 1,434,115</u></u>
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City of Iuka, Mississippi
Statement of Revenue, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2020

	Major Funds		Other	Total
	General	Fire Fund	Governmental	Governmental
	Fund		Funds	Funds
Revenues				
Taxes	\$ 380,732	6,846	128,462	516,040
License and permits	10,666	-	-	10,666
Intergovernmental revenues	1,191,551	302,572	46,419	1,540,542
Charges for service	5,506	-	71,500	77,006
Fines and forfeitures	37,080	-	-	37,080
Miscellaneous	241,598	2,268	5,073	248,939
Total Revenues	<u>1,867,133</u>	<u>311,686</u>	<u>251,454</u>	<u>2,430,273</u>
Expenditures				
General government	223,285	-	-	223,285
Public safety	1,136,981	301,906	-	1,438,887
Public works	97,421	-	67,278	164,699
Culture and recreation	218,502	-	30,751	249,253
Debt service:				
Principal	9,538	-	42,712	52,250
Interest and fiscal changes	199	-	11,635	11,834
Total Expenditures	<u>1,685,926</u>	<u>301,906</u>	<u>152,376</u>	<u>2,140,208</u>
Excess of revenues over (under) expenditures	<u>181,207</u>	<u>9,780</u>	<u>99,078</u>	<u>290,065</u>
Other Financing Sources (Uses)				
Sale of Assets	<u>5,525</u>	<u>-</u>	<u>-</u>	<u>5,525</u>
Total Other Financing Sources and Uses	<u>5,525</u>	<u>-</u>	<u>-</u>	<u>5,525</u>
Net change in fund balance	186,732	9,780	99,078	295,590
Fund balances - beginning	<u>852,567</u>	<u>35,127</u>	<u>351,754</u>	<u>1,239,448</u>
Fund balances - ending	<u>\$ 1,039,299</u>	<u>44,907</u>	<u>450,832</u>	<u>1,535,038</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 Statement of Activities
For the Year Ended September 30, 2020

Net change in fund balances - total governmental funds:	\$ 295,590
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> <p>Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	\$ 420,041
Depreciation expense	<u>(103,314)</u>
Excess of depreciation over capital outlay	316,727
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.	(154,758)
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.	(7,642)
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 \$52,250 exceeded debt proceeds of \$0.	52,250
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	<u>966</u>
Change in net position of governmental activities.	\$ <u><u>503,133</u></u>

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

City of Iuka, Mississippi
Statement of Net Position -
Proprietary Funds
September 30, 2020

	Business Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
Assets				
Current assets:				
Cash	\$ 116,284	523,779	83,809	723,872
Cash - restricted	-	315,768	-	315,768
Accounts receivable	97,993	216,410	32,948	347,351
Interest receivable	-	37	-	37
Due from other funds	124,632	31,330	19	155,981
Inventory	172,238	-	-	172,238
Prepaid expenses	8,804	8,724	3,989	21,517
Total current assets	<u>519,951</u>	<u>1,096,048</u>	<u>120,765</u>	<u>1,736,764</u>
Non-current Assets:				
Capital assets:				
Capital assets not being depreciated	550	68,350	-	68,900
Capital assets being depreciated net of depreciation	306,008	7,086,910	30,662	7,423,580
Franchise rights	<u>11,400</u>	<u>-</u>	<u>-</u>	<u>11,400</u>
Total non-current assets	<u>317,958</u>	<u>7,155,260</u>	<u>30,662</u>	<u>7,503,880</u>
Total Assets	<u>837,909</u>	<u>8,251,308</u>	<u>151,427</u>	<u>9,240,644</u>
Deferred Outflows of Resources				
Deferred amounts - pensions	<u>82,314</u>	<u>69,615</u>	<u>15,732</u>	<u>167,661</u>
Total Deferred Outflows of Resources	<u>82,314</u>	<u>69,615</u>	<u>15,732</u>	<u>167,661</u>
Liabilities				
Current liabilities:				
Accounts payable	90,269	53,123	10,981	154,373
Accrued liabilities	11,485	71,767	2,749	86,001
Customer deposits	187,827	135,965	-	323,792
Due to other funds	-	124,008	516	124,524
Current portion of long-term debt	<u>-</u>	<u>156,411</u>	<u>12,580</u>	<u>168,991</u>
Total current liabilities	<u>289,581</u>	<u>541,274</u>	<u>26,826</u>	<u>857,681</u>
Non-Current Liabilities:				
Net pension liability	836,365	760,602	161,465	1,758,432
Bonds payable	-	3,874,944	-	3,874,944
Compensated absences	<u>11,582</u>	<u>11,582</u>	<u>4,064</u>	<u>27,228</u>
Total non-current liabilities	<u>847,947</u>	<u>4,647,128</u>	<u>165,529</u>	<u>5,660,604</u>
Total Liabilities	<u>1,137,528</u>	<u>5,188,402</u>	<u>192,355</u>	<u>6,518,285</u>
Deferred Inflows of Resources				
Deferred amounts - pensions	<u>18,217</u>	<u>6,348</u>	<u>2,730</u>	<u>27,295</u>
Total Deferred Inflows of Resources	<u>18,217</u>	<u>6,348</u>	<u>2,730</u>	<u>27,295</u>
Net Position				
Net investment in capital assets	306,558	3,123,905	18,082	3,448,545
Unrestricted	<u>(542,080)</u>	<u>2,268</u>	<u>(46,008)</u>	<u>(585,820)</u>
Total Net Position	<u>\$ (235,522)</u>	<u>3,126,173</u>	<u>(27,926)</u>	<u>2,862,725</u>

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

City of Iuka, Mississippi
Statement of Revenues, Expenses and Changes in
Net Position - Proprietary Funds
For the Year Ended September 30, 2020

	Business Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
Operating Revenues				
Charges for service	\$ 1,099,195	1,443,598	239,428	2,782,221
Other	31,018	64	-	31,082
Total operating revenues	<u>1,130,213</u>	<u>1,443,662</u>	<u>239,428</u>	<u>2,813,303</u>
Operating Expenses				
Personal services	382,021	416,352	83,887	882,260
Pension expense	108,805	118,834	22,829	250,468
Contractual services	39,122	60,323	-	99,445
Materials and supplies	35,126	54,540	1,965	91,631
Repairs and maintenance	18,472	169,199	4,513	192,184
Purchase of gas	587,161	-	-	587,161
Rent	90,000	90,000	-	180,000
Vehicle expense	15,617	15,367	11,446	42,430
Utilities	1,540	198,883	-	200,423
Insurance	13,617	26,785	6,904	47,306
Depreciation	34,833	362,460	14,441	411,734
Other	11,128	11,278	52,044	74,450
Total operating expenses	<u>1,337,442</u>	<u>1,524,021</u>	<u>198,029</u>	<u>3,059,492</u>
Operating income (loss)	<u>(207,229)</u>	<u>(80,359)</u>	<u>41,399</u>	<u>(246,189)</u>
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	(29)	(130,944)	(454)	(131,427)
Interest income	1,932	9,763	765	12,460
Intergovernmental revenues	-	43,448	-	43,448
Insurance reimbursement	11,000	28,554	-	39,554
Net non-operating revenues (expenses)	<u>12,903</u>	<u>(49,179)</u>	<u>311</u>	<u>(35,965)</u>
Net Income (loss) before operating transfers	<u>(194,326)</u>	<u>(129,538)</u>	<u>41,710</u>	<u>(282,154)</u>
Change in net position	<u>(194,326)</u>	<u>(129,538)</u>	<u>41,710</u>	<u>(282,154)</u>
Net position - beginning	<u>(41,196)</u>	<u>3,255,711</u>	<u>(69,636)</u>	<u>3,144,879</u>
Net position - end	<u>\$ (235,522)</u>	<u>3,126,173</u>	<u>(27,926)</u>	<u>2,862,725</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, 2020

	Business Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,131,495	1,441,159	238,260	2,810,914
Cash Payments for Goods and Service	(804,441)	(760,640)	(79,335)	(1,644,416)
Cash Payments to Employees	(428,781)	(469,495)	(94,667)	(992,943)
Net Cash Provided By Operating Activities	(101,727)	211,024	64,258	173,555
<u>Cash Flows From Noncapital Financing Activities</u>				
Increase (Decrease) in Due to Other Funds	29,659	(30,439)	-	(780)
Net Cash Provided(Used) By Noncapital Financing Activities	29,659	(30,439)	-	(780)
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for capital acquisitions	-	(82,048)	-	(82,048)
Principal payments on debt	(3,592)	(202,602)	(16,467)	(222,661)
Interest and fiscal changess on debt	(29)	(130,953)	(454)	(131,436)
Intergovernmental revenues	-	169,730	-	169,730
Other receipts (expenses)	1,440	2,398	-	3,838
Net Cash Used By Capital and Related Financing Activities	(2,181)	(243,475)	(16,921)	(262,577)
<u>Cash Flows From Investing Activities</u>				
Interest received	1,932	9,763	765	12,460
Insurance reimbursement	11,000	28,554	-	39,554
Net Cash Provided By Investing Activities	12,932	38,317	765	52,014
Net Increase (Decrease) in Cash	(61,317)	(24,573)	48,102	(37,788)
Cash and Cash Equivalent - Beginning	177,601	864,120	35,707	1,077,428
Cash and Cash Equivalent - Ending	\$ 116,284	839,547	83,809	1,039,640
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (207,229)	(80,359)	41,399	(246,189)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	34,833	362,460	14,441	411,734
Net Pension Expense	59,681	64,900	12,216	136,797
Receivables	1,282	(2,503)	(1,168)	(2,389)
Payables	15,402	(133,474)	(2,630)	(120,702)
Inventory	(5,696)	-	-	(5,696)
Net cash provided (used) by operating activities	\$ (101,727)	211,024	64,258	173,555

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, 2020

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	\$ 45,582
Total Assets	\$ <u>45,582</u>
 <u>Liabilities</u>	
Accrued liabilities	\$ 28,244
Due to other funds	<u>17,338</u>
Total Liabilities	\$ <u>45,582</u>

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

City of luka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

The City of luka, 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 luka 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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

Fund Financial Statements:

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

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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

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

Governmental Funds:

The City reports the following major governmental funds:

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

Fire Fund – This fund is used to account for and report the proceeds of specific revenue sources that are restricted for the fire department.

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

and operated in a manner similar to private business enterprises or where the City had decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

Fiduciary Fund Types:

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

D. Cash and Investments

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

Cash consists of demand deposit accounts and passbook savings accounts.

E. Receivables

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

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

F. Interfund Transactions and Balances

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

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

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

City of luka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

types since the costs of such items are accounted for as expenditures in the period of acquisition.

H. Capital Assets

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

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

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

	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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

I. Deferred Outflows/Inflows of Resources

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

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

Deferred inflows of resources related to pension obligations.

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

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

J. Long-term liabilities

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

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

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

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.

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, 2020.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

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

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

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

L. Property Tax Revenues

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

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

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 \$55,085 for accumulated unpaid vacation payable from the Governmental Funds is reported as a liability in the Statement of Net Position. In the Proprietary Funds, the compensated absences are reported as a liability of those funds in the amount of \$27,228.

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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies – (Continued)

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 \$2,546,946 and the bank balance was \$2,591,375.

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, 2020, none of the City's bank balance of \$2,591,375 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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

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	<u>913</u>	<u>6,054</u>	Temporary loan for equipment
Total Governmental Funds	<u>11,935</u>	<u>26,054</u>	
Business-Type Funds:			
Major Funds:			
Gas System	124,632	-	Temporary loan for supplies in water & sewer
Water & Sewer System	31,330	124,008	Temporary loan for supplies in water & sewer
Non-Major Funds:			
Sanitation	<u>19</u>	<u>516</u>	Temporary cash shortage
Total Business-Type Funds	<u>155,981</u>	<u>124,524</u>	
Fiduciary Funds:			
Accounts Payable	-	15,353	Temporary loan from General, Gas & Water
Payroll Clearing	<u>-</u>	<u>1,985</u>	Temporary loan from General
Total Fiduciary Funds	<u>-</u>	<u>17,338</u>	
Total All Funds	\$ <u>167,916</u>	\$ <u>167,916</u>	

5. Transfers and Payments

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

6. Intergovernmental Receivables

Intergovernmental receivables at September 30, 2020 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
State Tax Commission Sales Tax	\$ 86,615
Cares Act Relief Grant	<u>71,923</u>
Total	\$ <u>157,538</u>

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

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>
2021	\$ 60,000
2022	60,000
2023	60,000
2024	60,000
2025	60,000
2026-2028	150,000
	<u>\$ 450,000</u>

8. Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2020:

	<u>Balance 10/1/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance 9/30/2020</u>
Governmental Activities:					
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	163,500	-	-	2,481,828
Furniture and equipment	290,541	117,841	-	-	408,382
Mobile equipment	551,927	138,700	-	-	690,627
Leased property	37,130	-	-	-	37,130
Total capital assets, being depreciated	3,197,926	420,041	-	-	3,617,967
Less accumulated depreciation for:					
Buildings	774,412	48,375	-	-	822,787
Improvements other than buildings	51,537	-	-	-	51,537
Furniture and equipment	227,891	16,829	-	-	244,720
Mobile equipment	425,403	31,427	-	-	456,830
Leased property	20,050	6,683	-	-	26,733
Total accumulated depreciation	1,499,293	103,314	-	-	1,602,607
Total capital assets, being depreciated, net	1,698,633	316,727	-	-	2,015,360
Governmental activities capital assets, net	\$ 1,915,513	316,727	-	-	2,232,240

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

8. Capital Assets – (Continued)

	Balance 10/1/2019	Additions	Deletions	Adjustments	Balance 9/30/2020
Business Type Activities:					
Capital assets, not being depreciated:					
Land	\$ 68,900	-	-	-	68,900
Construction in progress	371,404	58,056	-	(429,460)	-
Total capital assets, not being depreciated:	440,304	58,056	-	(429,460)	68,900
Capital assets, being depreciated:					
Furniture and equipment	467,654	-	-	-	467,654
Mobile equipment	416,538	-	-	-	416,538
Plant and distribution assets	16,502,629	23,992	-	429,460	16,956,081
Leased property	154,064	-	-	-	154,064
Total capital assets, being depreciated:	17,540,885	23,992	-	429,460	17,994,337
Less accumulated depreciation for:					
Furniture and equipment	400,067	6,074	-	-	406,141
Mobile equipment	374,883	-	-	-	374,883
Plant and distribution assets	9,283,022	381,344	-	-	9,664,366
Leased property	101,051	24,316	-	-	125,367
Total accumulated depreciation	10,159,023	411,734	-	-	10,570,757
Total depreciable capital assets, net	7,381,862	(387,742)	-	429,460	7,423,580
Business Type Activities:					
Capital assets, net	\$ 7,822,166	(329,686)	-	-	7,492,480

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 5,559
Public safety	42,946
Public works	12,061
Culture and recreation	19,147
Economic development	23,601
Total Governmental Activities	\$ 103,314
Business Type Activities:	
Gas System	\$ 34,833
Water and sewer system	362,460
Sanitation	14,441
Total Business Type Activities	\$ 411,734

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

9. Long-Term Liabilities

Debt outstanding as of September 30, 2020, consists of the following:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amount	
				Issued	Outstanding
Governmental Activities					
A. Capital Leases:					
2017 Police Car	2.36%	2/24/2017	2/24/2021	\$ <u>37,130</u>	\$ <u>3,230</u>
B. Loans Payable:					
CAP Loan	3.00%	6/26/2007	5/1/2028	\$ <u>816,620</u>	\$ <u>369,388</u>
Business-type Activities					
A. General Obligation Bonds:					
2014 Refunding Bonds	2-4.375%	2/6/2014	12/1/2033	\$ <u>1,825,000</u>	\$ <u>1,050,000</u>
B. Revenue Bonds:					
2010 Sewer	3.80%	11/4/2010	11/4/2041	\$ 800,000	\$ 599,506
2013 Water	2.75%	5/16/2013	5/16/2048	<u>2,775,000</u>	<u>2,393,224</u>
Total Revenue Bonds				\$ <u>3,575,000</u>	\$ <u>2,992,730</u>
C. Capital Leases:					
Garbage Truck	2.11%	7/11/2016	7/11/2021	\$ <u>80,230</u>	\$ <u>12,580</u>
Total Capital Leases				\$ <u>80,230</u>	\$ <u>12,580</u>

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

Governmental Activities:		Capital Leases	
<u>Year Ending September 30,</u>		<u>Principal</u>	<u>Interest</u>
2021	\$	<u>3,230</u>	\$ <u>16</u>
Total	\$	<u>3,230</u>	\$ <u>16</u>
		Other Loans Payable	
<u>Year Ending September 30,</u>		<u>Principal</u>	<u>Interest</u>
2021	\$	44,011	\$ 10,336
2022		45,350	8,997
2023		46,729	7,618
2024		48,151	6,197
2025		49,615	4,732
2026-2028		<u>135,532</u>	<u>5,256</u>
Total	\$	<u>369,388</u>	\$ <u>43,136</u>

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

9. Long-Term Debt – (Continued)

Business Type Activities:		General Obligation Bonds	
Year Ending September 30,		Principal	Interest
2021	\$	80,000	\$ 36,900
2022		80,000	34,800
2023		85,000	32,422
2024		85,000	29,766
2025		85,000	26,950
2026-2030		380,000	93,013
2031-2034		255,000	1,594
Total	\$	1,050,000	\$ 255,445

		Revenue Bonds	
Year Ending September 30,		Principal	Interest
2021	\$	77,276	\$ 88,635
2022		79,587	86,324
2023		81,969	83,942
2024		84,257	81,654
2025		86,948	78,962
2026-2030		475,321	354,232
2031-2035		551,245	278,308
2036-2040		639,516	190,037
2041-2045		592,674	92,783
2046-2048		323,937	17,158
Total	\$	2,992,730	\$ 1,352,035

		Capital Leases	
Year Ending September 30,		Principal	Interest
2021	\$	12,580	\$ 111
Total	\$	12,580	\$ 111

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2020:

	Balance 10/1/2019	Additions	Reductions	Adjustments	Balance 9/30/2020	Amount due within one year
Governmental Activities:						
Loans Payable	\$ 412,100	-	42,712	-	369,388	44,011
Capital Leases	12,768	-	9,538	-	3,230	3,230
Compensated Absences	56,051	-	966	-	55,085	-
Total	\$ 480,919	-	53,216	-	427,703	47,241

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

9. Long-Term Debt – (Continued)

	Balance 10/1/2019	Additions	Reductions	Adjustments	Balance 9/30/2020	Amount due within one year
Business Type						
Activities:						
General Obligation						
Bond	\$ 1,175,000	-	125,000	-	1,050,000	80,000
Less: Discounts	(17,625)	-	(1,875)	-	(15,750)	(1,200)
Add: Premiums	4,899	-	524	-	4,375	335
Revenue Bonds	3,068,088	-	75,361	-	2,992,727	77,276
Capital Leases	36,232	-	23,652	-	12,580	12,580
Compensated						
Absences	29,917	-	2,689	-	27,228	-
Total	\$ 4,296,511	-	225,351	-	4,071,160	168,991

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

City of luka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

10. Defined Benefit Pension Plan - (Continued)

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, 2020, 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, 2020 was 17.40% of annual covered payroll. 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, 2020, 2019 and 2018 were \$243,461, \$214,686 and \$203,026, respectively, which equaled the required contributions for each year.

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

At September 30, 2020, the City of luka reported a liability of \$4,008,828 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of luka's proportion of the net pension was based on a projection of the City of luka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City of luka's proportionate share used to calculate the September 30, 2020 net pension liability was 0.020708 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.000504 percent from its proportionate share used to calculate the September 30, 2019 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended September 30, 2020, the City of luka recognized pension expense of \$535,014. At September 30, 2020, the City of luka reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

10. Defined Benefit Pension Plan – (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 29,648	\$ 3,244
Net Difference Between Projected and Actual Investment Earnings	131,818	57,852
City Pension Contributions Subsequent to the Measurement Date	65,016	-
Changes in Assumptions	33,063	425
Changes in Proportions and Differences		
Actual Earnings on Pension Plan Assets	141,392	1,791
Total	\$ <u>400,937</u>	\$ <u>63,312</u>

The \$65,106 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending September 30,	Amount
2021	\$ 110,311
2022	77,259
2023	52,012
2024	33,027
Total	\$ <u>272,609</u>

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

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. Mortality rates will be projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

The long-term expected rate of return on pension plan investments was determined

City of luka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

10. Defined Benefit Pension Plan – (Continued)

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, 2020, 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		.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 luka's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City of luka's proportionate share of the net pension liability using the discount rate of 7.75 percent, as well as what the City of luka's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	Discount Rate		City of luka's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$	5,188,935
Current Discount Rate	7.75%		4,008,828
1% Increase	8.75%		3,034,765

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

10. Defined Benefit Pension Plan – (Continued)

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

11. Commitments and Contingencies

Contingencies

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

Litigation

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

12. Risk Management

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

Participation in Public Entity Risk Pool

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

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

City of luka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

12. Risk Management – (Continued)

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 luka 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 November 12, 2021, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements. No adjustments were considered necessary to the financial statements.

16. Jointly Governed Organizations

TAP Alliance (TAP) is an alliance among Tishomingo, Alcorn and Prentiss counties and the City of luka, City of Booneville and City of Corinth. The City of luka appoints one of

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2020

16. Jointly Governed Organizations – Continued

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 2020.

17. Deficit Fund Balances of Individual Funds

The following fund reported a deficit in fund balance at September 30, 2020:

Fund	Deficit Amount
Sanitation Fund	\$ 27,928
Gas System Fund	\$ 235,522

18. Effects of Deferred Amounts on Net Position

The unrestricted net position amount of \$4,295,991 includes the effect of deferring the recognition of expenses resulting from the deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$65,016 resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$335,921 balance of deferred outflows of resources related to pensions at September 30, 2020 will be recognized as expense and decrease the unrestricted net position over the next four years. The \$63,312 balance of deferred inflows of resources related to pensions at September 30, 2020 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, 2020, 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, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	\$ 391,000	\$ 391,000	\$ 381,980	\$ (9,020)
Intergovernmental revenues	1,043,000	1,043,000	1,105,842	62,842
Charges for services	4,000	4,000	5,506	1,506
Licenses and permits	5,000	5,000	10,666	5,666
Fines and forfeitures	50,000	50,000	37,080	(12,920)
Miscellaneous	242,500	238,500	238,435	(65)
Total Revenues	1,735,500	1,731,500	1,779,509	48,009
Expenditures				
General government	230,000	230,000	225,311	4,689
Public safety	1,226,300	1,227,300	1,137,273	90,027
Public works	108,000	108,000	98,603	9,397
Culture and recreation	230,000	230,000	218,927	11,073
Debt service	9,700	9,700	9,737	(37)
Total Expenditures	1,804,000	1,805,000	1,689,851	115,149
Excess (deficiency) of revenues over (under) expenditures	(68,500)	(73,500)	89,658	163,158
Other Financing Sources				
Sale of assets	4,500	4,500	5,525	1,025
Total Other Financing Sources	4,500	4,500	5,525	1,025
Net changes in fund balance	\$ (64,000)	(69,000)	95,183	\$ 164,183
Fund Balance - Beginning of Year			852,567	
Adjustments to conform with GAAP:				
Revenues			87,624	
Expenditures			3,925	
Fund Balance - End of Year (GAAP basis)			\$ 1,039,299	

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

City of Iuka, Mississippi
Schedule of Revenue, Expenditures, and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis)
Fire Fund
For the Year Ended September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	\$ 8,000	\$ 8,000	\$ 6,840	\$ (1,160)
Intergovernmental revenues	508,500	508,500	302,572	(205,928)
Miscellaneous	1,500	1,500	2,268	768
Total Revenues	518,000	518,000	311,680	(206,320)
Expenditures				
Public safety	493,000	493,000	301,906	191,094
Total Expenditures	493,000	493,000	301,906	191,094
Excess (deficiency) of revenues over (under) expenditures	25,000	25,000	9,774	(15,226)
Net changes in fund balance	\$ 25,000	\$ 25,000	9,774	\$ (15,226)
Fund Balance - Beginning of Year			35,127	
Adjustments to conform with GAAP:				
Revenues			6	
Fund Balance - End of Year (GAAP basis)			\$ 44,907	

These 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, 2020
Last 7 Fiscal Years*

	Schedule of the City's Proportionate Share of the Net Pension Liability						
	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability(asset)	0.020708%	0.020204%	0.020051%	0.018877%	0.017883%	0.017777%	0.018798%
City's proportionate share of the net pension liability(asset)	\$ 4,008,828	\$ 3,554,279	\$ 3,335,077	\$ 3,137,998	\$ 3,194,347	\$ 2,747,973	\$ 2,281,733
City's covered payroll	\$ 1,378,901	\$ 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	290.73%	270.12%	260.47%	259.13%	267.20%	243.94%	202.70%
Plan fiduciary net position as a percentage of the total pension liability	58.97%	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						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 243,461	\$ 214,686	\$ 203,026	\$ 193,940	\$ 187,977	\$ 177,420	\$ 177,297
Contributions in relation to contractually required contribution	\$ 243,461	\$ 214,686	\$ (203,026)	\$ 193,940	\$ 187,977	\$ 177,420	\$ 177,297
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,398,198	\$ 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	17.40%	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, 2020

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, 2020

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 6.00% to 7.00%.

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, 2020

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 7.00% to 9.00%.

(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 smoother 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 Iuka, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2020

Name	Position	Company	Bond
John T. Castleberry	Mayor	Western Surety	\$165,910
Benny Gray	City Clerk & Tax Collector	Western Surety	165,910
Randy Stringer	Chief of Police	Western Surety	50,000
Anita Mitchell	Policeman	Western Surety	25,000
Charlie M. Dean, III	Policeman	Western Surety	25,000
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
Darrell Hopkins	Policeman	Western Surety	25,000
Barry Finch	Policeman	Western Surety	25,000
Andrew Hisaw	Policeman	Western Surety	25,000
Sue Scott	Deputy City Clerk	Western Surety	50,000
Vicki Meeks	Deputy City Clerk	Western Surety	50,000
Kelsey K Smith	Deputy City Clerk	Western Surety	50,000
Marlena Gaston	Deputy City Clerk	Western Surety	50,000

SPECIAL REPORTS

**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, 2020 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 November 12, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2020-001 and 2020-002 to be material weaknesses.

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. We consider the deficiency described in the accompany Schedule of Findings and Responses as item 2020-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of luka, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance 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 response 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
November 12, 2021



Certified Public Accountants

Member of:
American Institute of Certified Public Accountants
Alabama Society of Certified Public Accountants
Mississippi Society of Certified Public Accountants

www.sparkscpas.com

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, 2020, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 12, 2021. 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.
Certified Public Accountants
Booneville, Mississippi
November 12, 2021

City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2020

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
Fire 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	Yes
3. Noncompliance material to the financial statements noted	None

Section 2: Financial Statements Findings

Material Weakness – Internal Controls

2020-001

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.

2020-002

Condition: The City's accounting records are maintained on a cash basis and the auditors assisted in the preparation of accrual entries and the financial statements. However, the City has made all management decisions including approving the accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation, evaluating the adequacy and results of the services performed, and accepting responsibility for the results of the services..

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, 2020

2020-002 – (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 approves the adjusting entries.

Significant Deficiency – Internal Controls

2020-003

Condition: During the test of expenditures, there were 3 instances of the lack of sufficient documentation to support the amount paid to the vendors.

Criteria: An effective system of internal controls ensures that each claim for payment has the appropriate supporting documentation for the claim.

Cause: The City failed to maintain the supporting documentation for the claims in question.

Effect: Failure to maintain the required supporting documentation before a claim is paid could result in the misappropriation of City funds.

Recommendation: The City should maintain adequate supporting documentation and attach it to each claim before the claims are submitted to the Board for approval for payment.

Response: The City has implemented new procedures for accounts payable to ensure no documentation is misplaced throughout the year.