

OFFICE OF THE STATE AUDITOR REPORT NOTE:

Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

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

**CITY OF IUKA, MISSISSIPPI
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2023**



Certified Public Accountants

City of Iuka, Mississippi
Table of Contents
September 30, 2023

Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
Financial Statements	10
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Governmental Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	16
Statement of Net Position – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Notes to Financial Statements	20-37
Required Supplementary Information	38
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	39
Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - Pro-Rata Fund	40
Schedule of Required Supplementary Information - Pension	41
Notes to Required Supplementary Information	42-45
Supplementary Information	46
Schedule of Surety Bonds for Municipal Officials	47
Special Reports	48
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 <i>Government Auditing Standards</i>	49-50
Independent Auditors' Report on Compliance with State Laws and Regulations	51
Schedule of Findings and Responses	52-54



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

Honorable Mayor and Board of Aldermen
City of luka, Mississippi

Report on the Audit of the Financial Statements

Opinions

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 luka, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of luka, Mississippi's basic financial statements as listed in the table of contents.

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 luka, Mississippi, as of September 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of luka, Mississippi and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of luka, Mississippi's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

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

Red Bay, Alabama
Phone: (256) 356-9375

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

luka, Mississippi
Phone: (662) 423-5057

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Iuka, Mississippi's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Iuka, Mississippi's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, Budgetary Comparison Information on pages 39 through 40, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions - PERS on page 41 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying Schedule of Surety Bonds for Municipal Officials is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Surety Bonds for Municipal Officials is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City of Iuka, Mississippi's internal control over financial reporting and compliance.

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
October 27, 2025

City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2023

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, 2023. 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 2023 were as follows:

Total net position decreased by \$679,803 or 11% from 2022.

Overall, the book value of capital assets decreased by \$404,468 from 2022.

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 2023?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2023

Reporting of the City of luka's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 13. Fund financial reports provide detailed information about the City's major funds. Based on the restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of luka, the City's major funds are the General, Pro-Rata, 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 14 and 16, 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 13 and 15 of this report.

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

The City of luka Natural Gas System and the City of luka Combined Water & Sewer System are considered to be major funds of the City. Data from the other proprietary funds are combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 17 - 19 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 20 – 37 of this report.

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2023

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 2023.

(Table 1)

Net Position
Government Wide

	Governmental Activities		Business-Type Activities		Totals		Increase (Decrease)
	2023	2022	2023	2022	2023	2022	
Current and other assets	\$ 3,633,560	\$ 3,580,129	\$ 2,470,405	\$ 2,385,776	\$ 6,103,965	\$ 5,965,905	\$ 138,060
Capital assets, net	2,321,475	2,403,543	6,391,039	6,713,439	8,712,514	9,116,982	(404,468)
Total Assets	5,955,035	5,983,672	8,861,444	9,099,215	14,816,479	15,082,887	(266,408)
Deferred outflows of resources	624,963	377,087	427,053	268,080	1,052,016	645,167	406,849
Long-term debt	3,069,410	2,854,776	5,671,067	5,642,244	8,740,477	8,497,020	243,457
Other liabilities	117,323	122,954	515,131	709,284	632,454	832,238	(199,784)
Total Liabilities	3,186,733	2,977,730	6,186,198	6,351,528	9,372,931	9,329,258	43,673
Deferred inflows of resources	855,283	382,935	395,529	91,306	1,250,812	474,241	776,571
Net investment in capital assets	2,088,993	2,124,332	2,829,850	2,984,560	4,918,843	5,108,892	(190,049)
Restricted	803	803	-	-	803	803	-
Unrestricted (deficit)	448,186	874,959	(123,080)	(60,099)	325,106	814,860	(489,754)
Total Net Position	\$ 2,537,982	\$ 3,000,094	\$ 2,706,770	\$ 2,924,461	\$ 5,244,752	\$ 5,924,555	\$ (679,803)

The City's total assets decreased \$266,408 during 2023 with business-type activities showing a decrease of \$237,771 and governmental activities showing a decrease of \$28,637. The major changes were a \$292,730 increase in cash; a \$404,468 decrease in capital assets; and \$159,544 decrease in accounts receivable.

The City's total liabilities increased \$43,673. The major changes were a \$201,741 decrease in accounts payable and accrued liabilities; a \$214,419 decrease from the retirement of long-term debt, a \$38,188 decrease in compensated absences, and a \$496,064 increase in the net pension liability.

The City's net position decreased \$679,803 due to expenses exceeding revenues in the both the governmental activities and the business-type activities.

City of luka, Mississippi

Table 2 shows the Change in Net Position for the year ended September 30, 2023. A comparative analysis of government-wide data is as follows:

**Change in Net Position
Government Wide
(Table 2)**

City of Iuka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2023

The decrease in net position identified in Table 2 was due to expenses exceeding revenues during 2023. This decrease was mainly due to increased pension expense, decreased revenue in the water and sewer system, decreased grant revenue, and increased expenses in the sanitation system.

Major expense activities under the accrual basis of accounting, included: Public Safety expenses accounting for 19% of the total program expenses and Public Utilities accounting for 58%. 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 13. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$2,511,827 and expenditures of \$2,458,765.

The fund balance of the General Fund decreased significantly, decreasing by \$591,283. This was mainly due to the decrease in intergovernmental revenues.

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 2023, 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 \$1,841,500; final budget amounts were \$1,841,500 and actual revenue collections were \$2,005,877. The major factor contributing to the increase of actual revenues over budgeted amounts was increased grant revenues and insurance reimbursements.

Capital Assets and Debt Administration

Capital Assets:

As of September 30, 2023, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$2,321,475 and \$6,391,039 respectively. The governmental activities decreased \$82,068 and business-type activities decreased by \$322,400. The decrease for both government activities and business-type activities was due to depreciation.

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

Debt Administration:

At September 30, 2023, the City had \$3,793,671 in general obligation bonds and other long-term debt outstanding, of which \$217,398 is due within one year. Additional information of the City's

**City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2023**

long-term debt can be found in Note 8 on pages 30 through 31 of this report.

Contacting the City's Finance Department

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

FINANCIAL STATEMENTS

City of luka, Mississippi
Statement of Net Position
September 30, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 2,821,579	1,447,024	4,268,603
Cash - restricted	-	362,085	362,085
Property tax receivable	321,034	-	321,034
Fines receivable, net of uncollectibles, \$258,106	151,474	-	151,474
Utility tax receivable	25,452	-	25,452
Accounts receivable	-	332,319	332,319
Interest receivable	137	37	174
Intergovernmental receivables	296,630	-	296,630
Internal balances	(7,481)	7,481	-
Inventories	-	290,652	290,652
Prepaid expenses	24,735	19,407	44,142
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	2,104,595	6,322,139	8,426,734
Total Assets	<u>5,955,035</u>	<u>8,861,444</u>	<u>14,816,479</u>
Deferred Outflows of Resources			
Deferred Amounts - pensions	624,963	427,053	1,052,016
Total Deferred Outflows of Resources	<u>624,963</u>	<u>427,053</u>	<u>1,052,016</u>
Liabilities			
Accounts payable	76,383	94,848	171,231
Accrued liabilities	40,940	29,009	69,949
Accrued interest payable	-	52,550	52,550
Customer deposits	-	338,724	338,724
Long-term liabilities:			
Due within one year	48,151	169,247	217,398
Due in more than one year	184,331	3,391,942	3,576,273
Net pension liability	2,808,908	2,093,364	4,902,272
Compensated absences	28,020	16,514	44,534
Total Liabilities	<u>3,186,733</u>	<u>6,186,198</u>	<u>9,372,931</u>
Deferred Inflows of Resources			
Unavailable Revenue - property taxes	316,000	-	316,000
Deferred Amounts - pensions	539,283	395,529	934,812
Total Deferred Inflows of Resources	<u>855,283</u>	<u>395,529</u>	<u>1,250,812</u>
Net Position			
Net Investment in capital assets,	2,088,993	2,829,850	4,918,843
Restricted net position			
Debt service	803	-	803
Unrestricted (deficit)	448,186	(123,080)	325,106
Total Net Position	<u>\$ 2,537,982</u>	<u>2,706,770</u>	<u>5,244,752</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, 2023

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	\$ 352,476	16,917	-	48,728	(286,831)	-	(286,831)
Public safety	1,184,653	-	-	3,083	(1,181,570)	-	(1,181,570)
Public works	277,601	-	-	-	(277,601)	-	(277,601)
Culture and recreation	165,873	-	-	-	(165,873)	-	(165,873)
Economic development	23,601	-	-	-	(23,601)	-	(23,601)
Pension expense	662,117	-	-	-	(662,117)	-	(662,117)
Interest on long-term liabilities	7,618	-	-	-	(7,618)	-	(7,618)
Total governmental activities	2,673,939	16,917	-	51,811	(2,605,211)	-	(2,605,211)
Business-type activity:							
Gas system	1,645,450	1,564,904	-	-	-	(80,546)	(80,546)
Water and sewer system	1,739,752	1,306,001	-	-	-	(433,751)	(433,751)
Other business types	254,393	250,999	-	-	-	(3,394)	(3,394)
Total business-type activities	3,639,595	3,121,904	-	-	-	(517,691)	(517,691)
Total primary government	\$ 6,313,534	3,138,821	-	51,811	(2,605,211)	(517,691)	(3,122,902)
General Revenues:							
Taxes:							
		Property taxes, general			\$ 491,610	-	491,610
		Franchise taxes			88,060	-	88,060
		Licenses and permits			12,113	-	12,113
		Intergovernmental revenue			1,571,069	-	1,571,069
		Unrestricted investment income			2,004	-	2,004
		Miscellaneous			253,092	-	253,092
		Transfers			(300,000)	300,000	-
		Insurance reimbursements			25,151	-	25,151
		Total general revenues and transfers			2,143,099	300,000	2,443,099
		Change in net position			(462,112)	(217,691)	(679,803)
		Net position-beginning			3,000,094	2,924,461	5,924,555
		Net position-ending			\$ 2,537,982	2,706,770	5,244,752

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

City of Iuka, Mississippi
Balance Sheet -
Governmental Funds
September 30, 2023

	Major Funds		Other	Total
	General	Pro-Rata	Governmental	Governmental
	Fund	Fund	Funds	Funds
Assets				
Cash	\$ 1,493,636	584,445	743,498	2,821,579
Property taxes receivable	283,758	1,300	35,976	321,034
Fines receivable, net of uncollectibles, \$258,106	151,474	-	-	151,474
Utility tax receivable	25,452	-	-	25,452
Interest receivable	-	-	137	137
Due from other funds	59,927	-	29,804	89,731
Intergovernmental receivables	296,630	-	-	296,630
Total Assets	\$ 2,310,877	585,745	809,415	3,706,037
Liabilities				
Accounts payable	\$ 57,689	8,027	10,667	76,383
Accrued liabilities	40,682	-	258	40,940
Due to other funds	41,051	823	55,338	97,212
Total Liabilities	139,422	8,850	66,263	214,535
Deferred Inflows of Resources				
Unavailable revenue - property taxes	280,000	-	36,000	316,000
Unavailable revenue - fines	151,474	-	-	151,474
Total Deferred Inflows of Resources	431,474	-	36,000	467,474
Fund Balances				
Restricted for				
Debt service	-	-	803	803
Public works	-	422,441	-	422,441
Assigned				
Cemetery	-	-	78,230	78,230
Culture and recreation	-	-	49,311	49,311
Public safety	-	-	117,737	117,737
Public works	-	154,454	380,500	534,954
Economic development	-	-	36,243	36,243
Capital projects	-	-	44,328	44,328
Unassigned	1,739,981	-	-	1,739,981
Total Fund Balances	1,739,981	576,895	707,152	3,024,028
Total Liabilities and Fund Balances	\$ 2,310,877	585,745	809,415	3,706,037

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, 2023

Total fund balance, governmental funds	\$	3,024,028
--	----	-----------

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	\$ 4,360,706		
Less: accumulated depreciation	<u>2,039,231</u>		2,321,475

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			151,474
------------------	--	--	---------

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			624,963
Deferred inflows of resources related to defined benefit pension plan			(539,283)

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

Net Pension Liability			(2,808,908)
Bonds and notes			(232,482)
Compensated absences			(28,020)

Prepaid expenses are not financial resources and, therefore, are not reported in the funds.			<u>24,735</u>
---	--	--	---------------

Net Position of Governmental Activities in the Statement of Net Position			<u><u>\$ 2,537,982</u></u>
--	--	--	----------------------------

City of Iuka, Mississippi
Statement of Revenue, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2023

	Major Fund		Other	Total
	General	Pro-Rata	Governmental	Governmental
	Fund	Fund	Funds	Funds
Revenues				
Taxes	\$ 421,876	106,466	41,318	569,660
Licenses and permits	12,113	-	-	12,113
Intergovernmental revenues	1,341,508	257,804	23,567	1,622,879
Charges for services	16,907	-	-	16,907
Fines and forfeitures	25,997	-	-	25,997
Miscellaneous	173,007	-	91,264	264,271
Total Revenues	<u>1,991,408</u>	<u>364,270</u>	<u>156,149</u>	<u>2,511,827</u>
Expenditures				
General government	375,123	-	-	375,123
Public safety	1,289,170	-	4,852	1,294,022
Public works	93,601	170,374	19,536	283,511
Culture and recreation	122,797	-	28,965	151,762
Debt service:				
Principal	-	-	46,729	46,729
Interest and fiscal changes	-	-	7,618	7,618
Total Expenditures	<u>1,880,691</u>	<u>170,374</u>	<u>107,700</u>	<u>2,158,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>110,717</u>	<u>193,896</u>	<u>48,449</u>	<u>353,062</u>
Other Financing Sources				
Transfers in	-	-	402,000	402,000
Transfers out	(702,000)	-	-	(702,000)
Total Other Financing Sources	<u>(702,000)</u>	<u>-</u>	<u>402,000</u>	<u>(300,000)</u>
Net changes in fund balance	(591,283)	193,896	450,449	53,062
Fund balances - beginning	<u>2,331,264</u>	<u>382,999</u>	<u>256,703</u>	<u>2,970,966</u>
Fund balances - ending	<u>\$ 1,739,981</u>	<u>576,895</u>	<u>707,152</u>	<u>3,024,028</u>

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

City of Iuka, Mississippi
Reconciliation of the Governmental Statement of Revenues, Expenditures and Changes in Fund
Balances to the Statement of Activities
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds: \$ 53,062

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

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

Capital outlay	\$ 79,377	
Depreciation expense	<u>(161,445)</u>	(82,068)

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. (520,342)

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 \$46,729 exceeded debt proceeds of \$0. 46,729

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>40,507</u>
------------------------------	--	---------------

Change in net position of governmental activities. \$ (462,112)

City of Iuka, Mississippi
Statement of Net Position -
Proprietary Funds
September 30, 2023

	Business-Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
Assets				
Current assets:				
Cash	\$ 365,250	875,255	206,519	1,447,024
Cash - restricted	-	362,085	-	362,085
Accounts receivable	103,091	191,860	37,368	332,319
Interest receivable	-	37	-	37
Due from other funds	(94,129)	102,107	(497)	7,481
Inventory	290,652	-	-	290,652
Prepaid expenses	7,926	7,846	3,635	19,407
Total current assets	<u>672,790</u>	<u>1,539,190</u>	<u>247,025</u>	<u>2,459,005</u>
Non-current Assets:				
Capital assets:				
Capital assets not being depreciated	550	68,350	-	68,900
Capital assets being depreciated net of depreciation	215,080	6,090,838	16,221	6,322,139
Franchise rights	11,400	-	-	11,400
Total non-current assets	<u>227,030</u>	<u>6,159,188</u>	<u>16,221</u>	<u>6,402,439</u>
Total Assets	<u>899,820</u>	<u>7,698,378</u>	<u>263,246</u>	<u>8,861,444</u>
Deferred Outflows of Resources				
Deferred amounts - pensions	149,790	225,415	51,848	427,053
Total Deferred Outflows of Resources	<u>149,790</u>	<u>225,415</u>	<u>51,848</u>	<u>427,053</u>
Liabilities				
Current liabilities:				
Accounts payable	41,597	48,114	5,137	94,848
Accrued liabilities	16,899	61,928	2,732	81,559
Customer deposits	197,059	141,665	-	338,724
Current portion of long-term debt	-	169,247	-	169,247
Total current liabilities	<u>255,555</u>	<u>420,954</u>	<u>7,869</u>	<u>684,378</u>
Non-Current Liabilities:				
Net pension liability	910,669	969,147	213,548	2,093,364
Bonds payable	-	3,391,942	-	3,391,942
Compensated absences	7,868	7,868	778	16,514
Total non-current liabilities	<u>918,537</u>	<u>4,368,957</u>	<u>214,326</u>	<u>5,501,820</u>
Total Liabilities	<u>1,174,092</u>	<u>4,789,911</u>	<u>222,195</u>	<u>6,186,198</u>
Deferred Inflows of Resources				
Deferred amounts - pensions	120,992	224,316	50,221	395,529
Total Deferred Inflows of Resources	<u>120,992</u>	<u>224,316</u>	<u>50,221</u>	<u>395,529</u>
Net Position				
Net investment in capital assets	215,630	2,597,999	16,221	2,829,850
Unrestricted (deficit)	(461,104)	311,567	26,457	(123,080)
Total Net Position	<u>\$ (245,474)</u>	<u>2,909,566</u>	<u>42,678</u>	<u>2,706,770</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, 2023

	Business-Type Activities			
	Gas System	Water and Sewer	Other Business Types	Total
Operating Revenues				
Charges for service	\$ 1,494,421	1,305,673	250,999	3,051,093
Other	70,483	328	-	70,811
Total operating revenues	<u>1,564,904</u>	<u>1,306,001</u>	<u>250,999</u>	<u>3,121,904</u>
Operating Expenses				
Personal services	172,146	469,254	118,190	759,590
Pension expense	91,640	279,337	65,197	436,174
Contractual services	74,817	60,037	-	134,854
Materials and supplies	121,026	49,724	1,728	172,478
Repairs and maintenance	7,962	91,280	2,093	101,335
Purchase of gas	1,075,885	-	-	1,075,885
Rent	-	60,059	-	60,059
Vehicle expense	17,492	17,660	13,616	48,768
Utilities	791	195,264	-	196,055
Insurance	37,995	12,565	6,336	56,896
Depreciation	27,527	354,535	-	382,062
Other	18,169	20,305	47,233	85,707
Total operating expenses	<u>1,645,450</u>	<u>1,610,020</u>	<u>254,393</u>	<u>3,509,863</u>
Operating income (loss)	<u>(80,546)</u>	<u>(304,019)</u>	<u>(3,394)</u>	<u>(387,959)</u>
Non-Operating Revenues (Expenses)				
Interest and fiscal charges	-	(129,732)	-	(129,732)
Net non-operating revenues (expenses)	<u>-</u>	<u>(129,732)</u>	<u>-</u>	<u>(129,732)</u>
Net Income (loss) before operating transfers	<u>(80,546)</u>	<u>(433,751)</u>	<u>(3,394)</u>	<u>(517,691)</u>
Operating transfers in	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Change in net position	<u>219,454</u>	<u>(433,751)</u>	<u>(3,394)</u>	<u>(217,691)</u>
Net position - beginning	<u>(464,928)</u>	<u>3,343,317</u>	<u>46,072</u>	<u>2,924,461</u>
Net position - end	<u>\$ (245,474)</u>	<u>2,909,566</u>	<u>42,678</u>	<u>2,706,770</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, 2023

	Business-Type Activities			Total
	Gas System	Water and Sewer	Other Business Types	
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,592,522	1,439,728	249,198	3,281,448
Cash Payments for Goods and Service	(1,513,558)	(528,889)	(78,477)	(2,120,924)
Cash Payments to Employees	(184,450)	(540,080)	(132,906)	(857,436)
Net Cash Provided By Operating Activities	(105,486)	370,759	37,815	303,088
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	300,000	-	-	300,000
Due to/from other funds	143,639	(140,434)	-	3,205
Net Cash Provided(Used) By Noncapital Financing Activities	443,639	(140,434)	-	303,205
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for capital acquisitions	-	(59,662)	-	(59,662)
Principal payments on debt	-	(167,690)	-	(167,690)
Interest and fiscal changess on debt	-	(129,732)	-	(129,732)
Other receipts (expenses)	4,087	(2,130)	-	1,957
Net Cash Used By Capital and Related Financing Activities	4,087	(359,214)	-	(355,127)
Net Increase (Decrease) in Cash	342,240	(128,889)	37,815	251,166
Cash and Cash Equivalent - Beginning	23,010	1,366,229	168,704	1,557,943
Cash and Cash Equivalent - Ending	\$ 365,250	1,237,340	206,519	1,809,109
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (80,546)	(304,019)	(3,394)	(387,959)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	27,527	354,535	-	382,062
Net Pension Expense	71,191	217,697	50,556	339,444
Receivables	27,618	133,727	(1,801)	159,544
Payables	(155,581)	(31,181)	(7,546)	(194,308)
Inventory	4,305	-	-	4,305
Net cash provided (used) by operating activities	\$ (105,486)	370,759	37,815	303,088

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

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

The accounting and reporting policies of the City of Iuka relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting and reporting policies and practices used in the preparation of these financial statements.

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

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, Fund Financial Statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information concerning the City as a whole. The statements include all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and 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-type activity or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balances, revenues and expenditures. Funds are organized into governmental and proprietary. 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 as other governmental funds.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

The City reports the following major funds:

Governmental Funds:

General Fund – The General Fund is the principal fund of the City and is always classified as a major fund. This fund is used to account for all revenues and expenditures applicable to the general operations of city government which are not accounted for and reported in another fund.

Pro-Rata Fund – The Pro-Rata Fund is used to account for and report the proceeds of specific revenue sources that are restricted for streets.

Proprietary Funds:

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

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

Additionally, the city reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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. Measurable means knowing or being able to reasonably estimate the amount. The City considers revenues to be available if they are collected within 60 days after the year-end. Expenditures are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are reported only when payment is due. Property taxes, sales taxes, other taxes, license, and investment income associated with the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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.

Management Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

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.

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 to/from other funds: on the balance sheet.

Interfund receivables and payables 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 statement as "internal balances".

Inventories and Prepaid Items

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

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

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 are used to report capital assets 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 and estimated useful lives:

	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

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.

1. Deferred inflows of resources related to pension obligations.
2. Deferred revenues for property taxes for future reporting period/unavailable revenue – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

3. Unavailable revenue for 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.

Long-term liabilities

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

In the government-wide financial statements and in the proprietary 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 funds Statement of Net Position.

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as expenditures in the period incurred. The face amount of the debt issued is reported as other financing sources.

Pension

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.

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 \$28,020 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 \$16,514.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Government-wide Financial Statements:

In the government-wide financial statements, net position is reported in three components: net investment in capital assets, restricted, and unrestricted.

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 borrowings attributable to the acquisition, construction, or improvements of those assets.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

Restricted net position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position consists of all other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Statement No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

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 – prepaid 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 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, 2023.

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.

Property Tax Revenues

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

The Board of Aldermen, each year at a 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.

Intergovernmental Revenues in Governmental Funds

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

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.

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.

Accounting Standards Update

GASB 87, Leases, was implemented during the fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. The City has no leases to report.

NOTE 2 – DEPOSITS AND INVESTMENTS

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this 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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

At year end, the carrying amount of the City's deposits was \$4,630,688, and the bank balance was \$4,707,833.

Custodial Credit Risk – Deposits. Custodial credit risk is 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, 2023, none of the City's bank balance of \$4,707,833 was exposed to custodial credit risk.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 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.

Restricted assets at September 30, 2023 consisted of the following:

Cash Reserve Requirements for Revenue Bonds:

2010 Sewer Bonds – Original Issue \$800,000

Debt Service Account	\$ 41,424
Debt Service Reserve	41,424
Depreciation Fund	23,127
Contingent Fund	<u>23,127</u>
Total	<u>129,102</u>

2013 Water Bonds – Original Issue \$2,775,000

Debt Service Account	41,496
Debt Service Reserve	124,487
Depreciation Fund	33,500
Contingent Fund	<u>33,500</u>
Total	<u>232,983</u>

Total Restricted Assets \$362,085

NOTE 4 – TRANSFERS AND PAYMENTS

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2023 consisted of the following:

Governmental Activities:

Description	Amount
State Tax Commission Sales Tax	\$ <u>296,630</u>

NOTE 6 – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of amounts due from/to other funds at September 30, 2023:

	Due From	Due To	Reason for Loan
Governmental Funds:			
Major Funds:			
General Fund	\$ 59,927	\$ 41,051	Temporary loan
Pro-Rata Fund	-	823	Temporary loan
Non-Major Funds:			
Other Governmental	<u>29,804</u>	<u>55,338</u>	Temporary loan for equipment
Total Governmental Funds	<u>89,731</u>	<u>97,212</u>	
Business-Type Funds:			
Major Funds:			
Gas System	62,132	156,261	Temporary loan for supplies
Water & Sewer System	176,110	74,003	Temporary loan for supplies
Non-Major Funds:			
Sanitation	<u>19</u>	<u>516</u>	Temporary cash shortage
Total Business-Type Funds	<u>238,261</u>	<u>230,780</u>	
Total All Funds	\$ <u>327,992</u>	\$ <u>327,992</u>	

NOTE 7 – CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 216,880	-	-	216,880
Total capital assets, not being depreciated:	<u>216,880</u>	<u>-</u>	<u>-</u>	<u>216,880</u>
Capital assets, being depreciated:				
Buildings and improvements	2,618,910	-	-	2,618,910
Furniture and equipment	580,986	34,868	-	615,854
Mobile equipment	864,553	44,509	-	909,062
Total capital assets, being depreciated	<u>4,064,449</u>	<u>79,377</u>	<u>-</u>	<u>4,143,826</u>

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Less accumulated depreciation for:				
Buildings	912,049	44,631	-	956,680
Improvements other than buildings	60,009	6,854	-	66,863
Furniture and equipment	295,731	38,023	-	333,754
Mobile equipment	609,997	71,937	-	681,934
Total accumulated depreciation	<u>1,877,786</u>	<u>161,445</u>	<u>-</u>	<u>2,039,231</u>
Total capital assets, being depreciated, net	<u>2,186,663</u>	<u>(82,068)</u>	<u>-</u>	<u>2,104,595</u>
Governmental activities capital assets, net	<u>\$ 2,403,543</u>	<u>(82,068)</u>	<u>-</u>	<u>2,321,475</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 68,900	-	-	68,900
Total capital assets, not being depreciated:	<u>68,900</u>	<u>-</u>	<u>-</u>	<u>68,900</u>
Capital assets, being depreciated:				
Furniture and equipment	467,654	23,562	-	491,216
Mobile equipment	595,612	-	-	595,612
Plant and distribution assets	16,956,081	36,100	-	16,992,181
Total capital assets, being depreciated:	<u>18,019,347</u>	<u>59,662</u>	<u>-</u>	<u>18,079,009</u>
Less accumulated depreciation for:				
Furniture and equipment	418,290	11,148	-	429,438
Mobile equipment	532,983	5,002	-	537,985
Plant and distribution assets	10,423,535	365,912	-	10,789,447
Total accumulated depreciation	<u>11,374,808</u>	<u>382,062</u>	<u>-</u>	<u>11,756,870</u>
Total depreciable capital assets, net	<u>6,644,539</u>	<u>(322,400)</u>	<u>-</u>	<u>6,322,139</u>
Business Type Activities:				
Capital assets, net	<u>\$ 6,713,439</u>	<u>(322,400)</u>	<u>-</u>	<u>6,391,039</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 1,814
Public safety	92,924
Public works	14,796
Culture and recreation	28,310
Economic development	23,601
Total Governmental Activities	<u>\$ 161,445</u>
Business-Type Activities:	
Gas System	\$ 27,527
Water and sewer system	354,535
Total Business-Type Activities	<u>\$ 382,062</u>

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

NOTE 8 – LONG-TERM LIABILITIES

Debt outstanding as of September 30, 2023, consisted of the following:

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amount	
				Issued	Outstanding
Governmental Activities					
A. Loans Payable:					
CAP Loan	3.00%	6/26/2007	6/27/2028	\$ 816,620	\$ 232,482

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

Governmental Activities: Year Ending September 30,	Other Loans Payable	
	Principal	Interest
2024	\$ 48,151	\$ 6,197
2025	49,615	4,732
2026	51,124	3,223
2027	52,679	1,668
2028	30,913	927
Total	\$ 232,482	\$ 16,747

Description and Purpose	Interest Rate	Issue Date	Maturity Date	Amount	
				Issued	Outstanding
Business-type Activities					
A. General Obligation Bonds:					
2014 Refunding Bonds	2-4.375%	2/6/2014	12/1/2033	\$ 1,825,000	\$ 805,000
B. Revenue Bonds:					
2010 Sewer	3.80%	11/4/2010	11/4/2041	\$ 800,000	\$ 540,519
2013 Water	2.75%	5/16/2013	5/16/2048	2,775,000	2,212,319
Total Revenue Bonds				\$ 3,575,000	\$ 2,752,838

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

Business-Type Activities: Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2024	\$ 85,000	\$ 29,766
2025	85,000	26,950
2026	70,000	24,237
2027	75,000	21,606
2028	75,000	18,794
2029-2033	355,000	48,656
2034	60,000	1,313
Total	\$ 805,000	\$ 171,322

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

Business-Type Activities: Year Ending September 30,	Revenue Bonds	
	Principal	Interest
2024	\$ 83,891	\$ 82,019
2025	86,948	78,962
2026	89,555	76,356
2027	92,241	73,669
2028	94,864	71,047
2029-2033	519,499	310,054
2034-2038	602,644	226,909
2039-2043	637,086	130,330
2044-2048	546,110	44,244
Total	\$ 2,752,838	\$ 1,093,590

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2023:

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Amount due within one year
Governmental Activities:					
Loans Payable	\$ 279,211	-	46,729	232,482	48,151
Compensated Absences	68,527	-	40,507	28,020	-
Total	\$ 347,738	-	87,236	260,502	48,151
Business-Type Activities:					
General Obligation Bond	\$ 890,000	-	85,000	805,000	85,000
Add: Premiums	3,707	-	356	3,351	356
Revenue Bonds	2,835,172	-	82,334	2,752,838	83,891
Compensated Absences	14,195	2,319	-	16,514	-
Total	\$ 3,743,074	2,319	167,690	3,577,703	169,247

NOTE 9 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by *Mississippi Code of 1972 Annotated Section 25-11-1 et seq.*, and may be amended only by the State of Mississippi Legislature. The PERS plan financial report is included in the Annual Comprehensive Financial Report of the Public Employees' Retirement System available at www.PERS.ms.gov

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

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 districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became member of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

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, 2023, PERS members were 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 at September 30, 2023 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 years ending September 30, 2023, 2022 and 2021 were \$240,342, \$253,095 and \$251,095, respectively, which equaled the required contributions for each year.

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

At September 30, 2023, the City of Iuka reported a liability of \$4,902,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Iuka's proportion of the net pension liability was based on a projection of the City of Iuka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City of Iuka's proportionate share used to calculate the September 30, 2023 net pension liability was 0.019490 percent, which was based on a measurement date of June 30, 2023. This was a decrease of 0.001915 percent from its proportionate share used to calculate the September 30, 2022 net pension liability, which was based on a measurement date of June 30, 2022.

For the year ended September 30, 2023, the City of Iuka recognized pension expense of \$1,098,291. At September 30, 2023 the City of Iuka 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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 88,550	\$ -
Net difference between projected and actual earnings on pension plan investments	153,431	-
Changes of assumptions	415,256	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	340,285	934,812
City contributions subsequent to the measurement date	54,494	-
Total	\$ 1,052,016	\$ 934,812

The \$54,494 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, 2024. 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
2024	\$ 152,364
2025	(55,857)
2026	12,010
2027	(45,807)
Total	\$ 62,710

Actuarial Assumptions – The total pension liability as of June 30, 2023 was determined by an actuarial valuation prepared as of June 30, 2022, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2022 valuation based on the experience investigation for the four-year period ending June 30, 2022, and by the investment experience for the fiscal year ending June 30, 2023. The following actuarial assumptions are applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	2.65 – 17.90%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the four-year period from July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.75 %
International Equity	22.00	4.75
Global Equity	12.00	4.95
Fixed Income	20.00	1.75
Real Estate	10.00	3.25
Private Equity	8.00	6.00
Cash Equivalents	1.00	.25
Total	100.00 %	

Discount Rate – The discount rate used to measure the total pension liability was 7.00 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%) and that employer contributions will be phased in to 22.40 percent over three fiscal years (17.40% for FYE 2024, 19.40% for FYE 2025, 21.40% for FYE 2026, and 22.40% for FYE 2027). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Iuka's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City of Iuka's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City of Iuka's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 6,321,243	\$ 4,902,272	\$ 3,737,339

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 10 – DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

The following fund reported a deficit in fund balance at September 30, 2023:

Fund	Deficit Amount
Gas System Fund	\$ 245,474

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

NOTE 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.

NOTE 12 – EFFECTS OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$325,106 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 \$54,494 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, 2024.

The \$1,052,016 balance of deferred outflows of resources related to pensions at September 30, 2023 will be recognized as expense and decrease the unrestricted net position over the next four years. The \$934,812 balance of deferred inflows of resources related to pensions at September 30, 2023 will be recognized as revenue and will increase the unrestricted net position over the next four years.

Please reference Note 9 for details on amortization of deferred outflows/inflows related to pensions.

Deferred Inflows related to revenue from property taxes reflects property taxes receivable for the subsequent year and is not yet available.

NOTE 13 – 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,

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

then the pool members would be required to pay for the deficiencies. The City has not had an additional assessment for excess losses incurred by the pool.

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

NOTE 14 – HOME INVESTMENT PARTNERSHIP GRANT

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

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

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

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

NOTE 15 – 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.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

TAP Alliance (TAP) is an alliance among Tishomingo, Alcorn and Prentiss counties and the City of Iuka, City of Booneville and City of Corinth. The City of Iuka appoints one of the nine members of the board of directors, which is to be the Mayor of the City. The City appropriated \$0 for the support of the Alliance in fiscal year 2023.

NOTE 17 – TAX ABATEMENTS

GASB No. 77 requires governments that enter into tax abatement agreements 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, 2023, therefore, no further disclosure is required.

NOTE 18 – SUBSEQUENT EVENTS

Events that occur after the Statement of Net Position due date but before the financial statements are 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 Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2023

existed after the Statement of Net Position date, require disclosure in the accompanying notes. The City has evaluated subsequent events through October 27, 2025, the date the financial statements were available to be issued, and determined 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.

REQUIRED SUPPLEMENTARY INFORMATION

City of luka, 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, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	\$ 280,000	\$ 280,000	\$ 285,520	\$ 5,520
Intergovernmental revenues	1,309,000	1,309,000	1,332,072	23,072
Charges for services	5,500	5,500	8,355	2,855
Licenses and permits	5,000	5,000	8,552	3,552
Fines and forfeitures	40,000	40,000	43,658	3,658
Miscellaneous	202,000	202,000	327,720	125,720
Total Revenues	<u>1,841,500</u>	<u>1,841,500</u>	<u>2,005,877</u>	<u>164,377</u>
Expenditures				
General government	327,195	344,000	342,832	1,168
Public safety	1,317,514	1,391,000	1,389,877	1,123
Public works	99,000	103,000	101,965	1,035
Culture and recreation	95,700	125,000	124,506	494
Total Expenditures	<u>1,839,409</u>	<u>1,963,000</u>	<u>1,959,180</u>	<u>3,820</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,091</u>	<u>(121,500)</u>	<u>46,697</u>	<u>168,197</u>
Net changes in fund balance	\$ <u><u>2,091</u></u>	\$ <u><u>(121,500)</u></u>	46,697	\$ <u><u>168,197</u></u>
Fund Balance - Beginning of Year			2,331,264	
Adjustments to conform with GAAP:				
Revenues			(14,469)	
Expenditures			<u>(623,511)</u>	
Fund Balance - End of Year (GAAP basis)			\$ <u><u>1,739,981</u></u>	

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) -
Pro-Rata Fund
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Intergovernmental revenues	\$ 340,000	\$ 340,000	\$ 364,270	\$ 24,270
Total Revenues	<u>340,000</u>	<u>340,000</u>	<u>364,270</u>	<u>24,270</u>
Expenditures				
Public works	<u>185,000</u>	<u>185,000</u>	<u>170,374</u>	<u>14,626</u>
Total Expenditures	<u>185,000</u>	<u>185,000</u>	<u>170,374</u>	<u>14,626</u>
Excess (deficiency) of revenues over (under) expenditures	<u>155,000</u>	<u>155,000</u>	<u>193,896</u>	<u>38,896</u>
Net changes in fund balance	\$ <u>155,000</u>	\$ <u>155,000</u>	193,896	\$ <u>38,896</u>
Fund Balance - Beginning of Year			<u>382,999</u>	
Fund Balance - End of Year (GAAP basis)			\$ <u>576,895</u>	

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

City of luka, Mississippi
Schedule of Required Supplementary Information - Pension
September 30, 2023
Last 10 Fiscal Years*

	Schedule of the City's Proportionate Share of the Net Pension Liability									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the net pension liability(asset)	0.019490%	0.021405%	0.021380%	0.020708%	0.020204%	0.020051%	0.018877%	0.017883%	0.017777%	0.018798%
City's proportionate share of the net pension liability(asset)	\$ 4,902,272	4,406,208	\$ 3,160,337	\$ 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	\$ 1,381,266	1,454,561	\$ 1,443,067	\$ 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	354.91%	302.92%	219.00%	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	55.70%	59.93%	70.44%	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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 240,342	253,095	\$ 251,095	\$ 243,461	\$ 214,686	\$ 203,026	\$ 193,940	\$ 187,977	\$ 177,420	\$ 177,297
Contributions in relation to contractually required contribution	\$ 240,342	253,095	\$ 251,095	\$ 243,461	\$ 214,686	\$ 203,026	\$ 193,940	\$ 187,977	\$ 177,420	\$ 177,297
Contribution deficiency (excess)	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
City's covered payroll	\$ 1,381,266	1,454,561	\$ 1,443,067	\$ 1,399,198	\$ 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%	17.40%	17.40%	17.40%	16.17%	15.75%	15.75%	15.75%	15.75%	15.75%

This schedule is presented to illustrate the requirement to show information for 10 years.

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, 2023

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 investment 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. The Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

Budget/GAAP Reconciliation

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

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

Note 2. Pension Schedules

(1) Changes 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 were also adjusted to reflect actual experience more closely.

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

City of Iuka, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2023

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 reflect actual experience more closely.

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%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7.00% to 9.00%.

2021:

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

City of Iuka, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2023

- For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
- For females, 84% of female rates up to age 72, 100% for ages above 76.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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

- For males, 134% of male rates at all ages.
- For females, 121% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

- For males, 97% of male rates at all ages.
- For females, 110% of female rates at all ages.
- Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9.00% to 12.00%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6.00% to 4.00%.

2023:

The investment rate of return assumption was changed from 7.55% to 7.00%.

The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll.

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

The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.

For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.

The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.

City of Iuka, Mississippi
Notes to Required Supplementary Information
For the Year Ended September 30, 2023

The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

(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.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2021 valuation for the June 30, 2023 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	26.7 years
Asset valuation method	5-year smoothed market
Price inflation	2.40 percent
Salary increase	2.65 percent to 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

SUPPLEMENTARY INFORMATION

City of Iuka, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2023

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Joel Robertson	Mayor	Western Surety	\$ 50,000
Cynthia Enlow	Deputy City Clerk	Western Surety	50,000
Kelsey K Smith	Deputy City Clerk	Travelers Casualty	100,000
Sherry Grissom	Deputy City Clerk	Western Surety	50,000
Megan Holt	Deputy City Clerk	Western Surety	50,000
Johnny Southward	Alderman	Travelers Casualty	50,000
Kenny Carson	Alderman	Travelers Casualty	50,000
Sandra Perkins	Alderman	Travelers Casualty	50,000
Nancy Stripling	Alderman	Travelers Casualty	50,000
Emily Bell	Alderman	Travelers Casualty	50,000
Jesse Julen	Policeman	Western Surety	25,000
Ethan Maness	Policeman	Travelers Casualty	50,000
Skyler Gammill	Policeman	Western Surety	25,000
Brandon Lambert	Policeman	Western Surety	25,000
Scott Gammill	Policeman	Western Surety	25,000
Randy Stringer	Chief of Police	Western Surety	50,000
Jamie Stuart	Policeman	Western Surety	25,000
Rodney Pannell	Policeman	Western Surety	25,000
Anita Mitchell	Policeman	Western Surety	25,000

SPECIAL REPORTS



Member of:

American Institute of Certified Public Accountants

Alabama Society of Certified Public Accountants

Mississippi Society of Certified Public Accountants

Certified Public Accountants

www.sparkscpas.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of luka, Mississippi, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of luka, Mississippi's basic financial statements and have issued our report thereon dated October 27, 2025.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency is a deficiency, or a 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 deficiencies described in the accompanying schedule of findings and responses as items 2023-003 and 2023-004 to be significant deficiencies.

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

Red Bay, Alabama
Phone: (256) 356-9375

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

luka, Mississippi
Phone: (662) 423-5057

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of luka, Mississippi's financial statements are free from 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 financial statements. 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 Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of luka, Mississippi's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of luka, Mississippi's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope 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
October 27, 2025



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 luka, 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 the City of luka, Mississippi, as of and for the year ended September 30, 2023, which collectively comprise the City of luka, Mississippi's basic financial statements and have issued our report thereon dated October 27, 2025.

Report on Compliance

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 those procedures and our audit of the financial statements disclosed instances of noncompliance with state laws and regulations which are described in the accompanying schedule of findings and responses as items 2023-003 and 2023-004.

City of luka, Mississippi's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of luka, Mississippi's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. City of luka, Mississippi's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance with state laws and regulations, and not to express an opinion on the entity's compliance. This report is intended for the information of the City's management, Board of Aldermen, and the Office of the State Auditor 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
October 27, 2025

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

Red Bay, Alabama
Phone: (256) 356-9375

Sheffield, Alabama
Phone: (256) 381-1473

Booneville, Mississippi
Phone: (662) 728-6172

Corinth, Mississippi
Phone: (662) 286-7082

luka, Mississippi
Phone: (662) 423-5057

**City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2023**

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 |
| Pro-Rata 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? | Yes |
| 3. Noncompliance material to the financial statements noted | None |

Section 2: Financial Statements Findings

Material Weakness

2023-001

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.

2023-002

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, 2023

2023-002 – (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

2023-003

Condition: During the test of expenditures, there were 4 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.

2023-004

Condition: During the test of expenditures, there were 2 instances of the lack of sufficient documentation to support the receipt of 2 competitive written bids when required.

Criteria: The State of Mississippi Purchase Laws require 2 quote bids for expenditures of more than \$5,000 but not more than \$50,000.

Cause: The City failed to maintain the supporting documentation for the required bids.

Effect: Failure to obtain 2 bids is a violation of state purchasing laws.

City of Iuka, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2023

2023-004 – (Continued)

Recommendation: The City should maintain adequate supporting documentation of bids received for expenditures 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.