

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, 2024**



Certified Public Accountants

City of Iuka, Mississippi
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September 30, 2024

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Certified Public Accountants

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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, 2024, 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, 2024, 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.

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luka, Mississippi
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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from 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 40 through 42, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions - PERS on page 43 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 Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the

Schedule of Surety Bonds for Municipal Officials are presented for purposes of additional analysis and are 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 Expenditures of Federal Awards and the Schedule of Surety Bonds for Municipal Officials are 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 September 24, 2026, 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 the 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
September 24, 2026

City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2024

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, 2024. 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 2024 were as follows:

Total net position increased by \$1,896,020 or 36% from 2023.

Overall, the book value of capital assets increased by \$2,510,460 from 2023.

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 2024?" 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, 2024

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, Fire, 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 – 38 of this report.

City of luka, Mississippi

Table 2 shows the Change in Net Position for the year ended September 30, 2024. 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, 2024

The increase in net position identified in Table 2 was due to revenues exceeding expenses during 2024. This increase was mainly due to increased grant revenue, increased intergovernmental revenues, increased miscellaneous revenues, decreased pension expense, and decreased expenses in the gas system, water and sewer system, and the sanitation system.

Major expense activities under the accrual basis of accounting, included: Public Safety expenses accounting for 23% of the total program expenses and Public Utilities accounting for 55%. 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 \$3,747,398 and expenditures of \$3,738,533.

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 2024, 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 \$1,920,500; final budget amounts were \$2,070,500 and actual revenue collections were \$2,092,548. The major factor contributing to the increase of actual revenues over budgeted amounts was increased grant revenues.

Capital Assets and Debt Administration

Capital Assets:

As of September 30, 2024, the City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities was \$2,875,261 and \$8,347,713 respectively. The governmental activities increased \$553,786 and business-type activities increased by \$1,956,674. The increase for both government activities and business-type activities was due to additions to capital assets.

Additional information of the City's capital assets can be found in Note 7 on pages 29 through 30 of this report.

Debt Administration:

At September 30, 2024, the City had \$3,570,977 in general obligation bonds and other long-term debt outstanding, of which \$221,008 is due within one year. Additional information of the City's long-term debt can be found in Note 8 on pages 30 through 31 of this report.

City of luka, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2024

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 Iuka, Mississippi
Statement of Net Position
September 30, 2024

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 2,600,399	1,560,583	4,160,982
Cash - restricted	-	362,085	362,085
Property tax receivable	372,525	-	372,525
Fines receivable, net of uncollectibles, \$274,545	134,600	-	134,600
Utility tax receivable	27,113	-	27,113
Accounts receivable	-	363,760	363,760
Interest receivable	137	37	174
Intergovernmental receivables	543,618	114,417	658,035
Internal balances	(17,670)	17,670	-
Inventories	-	240,112	240,112
Prepaid expenses	24,736	19,407	44,143
Franchise rights	-	11,400	11,400
Capital assets, net			
Capital assets not being depreciated	216,880	2,114,818	2,331,698
Capital assets, net of depreciation	2,658,381	6,232,895	8,891,276
Total Assets	<u>6,560,719</u>	<u>11,037,184</u>	<u>17,597,903</u>
Deferred Outflows of Resources			
Deferred Amounts - pensions	599,922	410,891	1,010,813
Total Deferred Outflows of Resources	<u>599,922</u>	<u>410,891</u>	<u>1,010,813</u>
Liabilities			
Accounts payable	82,242	199,039	281,281
Accrued liabilities	43,487	40,394	83,881
Accrued interest payable	-	52,550	52,550
Customer deposits	-	339,937	339,937
Long-term liabilities:			
Lease payable due within one year	34,731	-	34,731
Lease payable due in more than one year	435,269	-	435,269
Due within one year	49,615	171,393	221,008
Due in more than one year	130,331	3,219,638	3,349,969
Net pension liability	2,595,030	1,959,965	4,554,995
Compensated absences	19,827	19,753	39,580
Total Liabilities	<u>3,390,532</u>	<u>6,002,669</u>	<u>9,393,201</u>
Deferred Inflows of Resources			
Unavailable Revenue - property taxes	367,500	-	367,500
Deferred Amounts - pensions	1,015,843	691,400	1,707,243
Total Deferred Inflows of Resources	<u>1,383,343</u>	<u>691,400</u>	<u>2,074,743</u>
Net Position			
Net Investment in capital assets,	2,225,315	4,956,682	7,181,997
Restricted net position			
Debt service	803	362,085	362,888
Unrestricted (deficit)	160,648	(564,761)	(404,113)
Total Net Position	<u>\$ 2,386,766</u>	<u>4,754,006</u>	<u>7,140,772</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, 2024

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	\$ 377,227	5,850	-	66,617	(304,760)	-	(304,760)
Public safety	1,252,761	-	-	361,216	(891,545)	-	(891,545)
Public works	158,738	-	-	-	(158,738)	-	(158,738)
Culture and recreation	224,053	-	-	248,899	24,846	-	24,846
Economic development	23,601	-	-	-	(23,601)	-	(23,601)
Pension expense	434,605	-	-	-	(434,605)	-	(434,605)
Interest on long-term liabilities	6,564	-	-	-	(6,564)	-	(6,564)
Total governmental activities	2,477,549	5,850	-	676,732	(1,794,967)	-	(1,794,967)
Business-type activity:							
Gas system	1,301,234	1,307,744	-	-	-	6,510	6,510
Water and sewer system	1,560,102	1,236,199	-	1,370,353	-	1,046,450	1,046,450
Other business types	207,505	250,716	-	-	-	43,211	43,211
Total business-type activities	3,068,841	2,794,659	-	1,370,353	-	1,096,171	1,096,171
Total primary government	\$ 5,546,390	2,800,509	-	2,047,085	(1,794,967)	1,096,171	(698,796)
General Revenues:							
Taxes:							
		Property taxes, general			\$ 499,794	-	499,794
		Franchise taxes			90,547	-	90,547
		Licenses and permits			18,246	-	18,246
		Intergovernmental revenue			1,656,769	-	1,656,769
		Unrestricted investment income			3,499	-	3,499
		Miscellaneous			325,740	-	325,740
		Transfers			(951,065)	951,065	-
		Insurance reimbursements			221	-	221
		Total general revenues and transfers			1,643,751	951,065	2,594,816
		Change in net position			(151,216)	2,047,236	1,896,020
		Net position-beginning			2,537,982	2,706,770	5,244,752
		Net position-ending			\$ 2,386,766	4,754,006	7,140,772

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

City of Iuka, Mississippi
Balance Sheet -
Governmental Funds
September 30, 2024

	Major Funds			Other	Total
	General	Fire	Pro-Rata	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Assets					
Cash	\$ 1,260,965	49,695	699,546	590,193	2,600,399
Property taxes receivable	333,757	7,580	1,300	29,888	372,525
Fines receivable, net of uncollectibles, \$274,545	134,600	-	-	-	134,600
Utility tax receivable	27,113	-	-	-	27,113
Interest receivable	-	-	-	137	137
Due from other funds	85,361	-	-	34,336	119,697
Intergovernmental receivables	543,618	-	-	-	543,618
Total Assets	\$ 2,385,414	57,275	700,846	654,554	3,798,089
Liabilities					
Accounts payable	\$ 72,981	-	6,267	2,994	82,242
Accrued liabilities	43,113	-	-	374	43,487
Due to other funds	121,240	4	823	15,300	137,367
Total Liabilities	237,334	4	7,090	18,668	263,096
Deferred Inflows of Resources					
Unavailable revenue - property taxes	330,000	7,500	-	30,000	367,500
Unavailable revenue - fines	134,600	-	-	-	134,600
Total Deferred Inflows of Resources	464,600	7,500	-	30,000	502,100
Fund Balances					
Restricted for					
Debt service	-	-	-	803	803
Public works	-	-	593,473	-	593,473
Assigned					
Cemetery	-	-	-	79,257	79,257
Culture and recreation	-	-	-	62,854	62,854
Public safety	-	49,771	-	-	49,771
Public works	-	-	100,283	380,500	480,783
Economic development	-	-	-	36,243	36,243
Capital projects	-	-	-	46,229	46,229
Unassigned	1,683,480	-	-	-	1,683,480
Total Fund Balances	1,683,480	49,771	693,756	605,886	3,032,893
Total Liabilities and Fund Balances	\$ 2,385,414	57,275	700,846	654,554	3,798,089

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, 2024

Total fund balance, governmental funds	\$	3,032,893
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives and reported as depreciation expense.

Governmental capital assets	\$	5,119,365	
Less: accumulated depreciation		<u>(2,244,104)</u>	2,875,261

Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position:

Fines Receivable		134,600
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Deferred outflows and inflows related to pensions are applicable to future periods and therefore, are not reported in Governmental Funds Balance Sheet:

Deferred outflows of resources related to defined benefit pension plan		599,922	
Deferred inflows of resources related to defined benefit pension plan		(1,015,843)	

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

Net Pension Liability		(2,595,030)	
Bonds and notes		(179,946)	
Leases payable		(470,000)	
Compensated absences		(19,827)	

Prepaid expenses are not financial resources and, therefore, are not reported in the funds.		<u>24,736</u>
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Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>2,386,766</u></u>
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City of Iuka, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2024

	Major Fund			Other	Total
	General	Fire	Pro-Rata	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
Revenues					
Taxes	\$ 428,564	7,704	110,246	35,162	581,676
Licenses and permits	18,246	-	-	-	18,246
Intergovernmental revenues	1,757,821	24,015	273,299	-	2,055,135
Charges for services	5,850	-	-	-	5,850
Fines and forfeitures	20,696	-	-	-	20,696
Miscellaneous	527,517	-	-	68,278	595,795
Total Revenues	<u>2,758,694</u>	<u>31,719</u>	<u>383,545</u>	<u>103,440</u>	<u>3,277,398</u>
Expenditures					
General government	389,046	-	-	-	389,046
Public safety	1,313,893	569,685	-	-	1,883,578
Public works	106,269	-	37,672	-	143,941
Culture and recreation	283,934	-	-	27,869	311,803
Debt service:					
Principal	-	-	-	52,536	52,536
Interest and fiscal charges	-	-	-	6,564	6,564
Total Expenditures	<u>2,093,142</u>	<u>569,685</u>	<u>37,672</u>	<u>86,969</u>	<u>2,787,468</u>
Excess (deficiency) of revenues over (under) expenditures	<u>665,552</u>	<u>(537,966)</u>	<u>345,873</u>	<u>16,471</u>	<u>489,930</u>
Other Financing Sources					
Debt proceeds	-	470,000	-	-	470,000
Transfers out	(722,053)	-	(229,012)	-	(951,065)
Total Other Financing Sources	<u>(722,053)</u>	<u>470,000</u>	<u>(229,012)</u>	<u>-</u>	<u>(481,065)</u>
Net changes in fund balance	(56,501)	(67,966)	116,861	16,471	8,865
Fund balances - beginning	<u>1,739,981</u>	<u>117,737</u>	<u>576,895</u>	<u>589,415</u>	<u>3,024,028</u>
Fund balances - ending	<u>\$ 1,683,480</u>	<u>49,771</u>	<u>693,756</u>	<u>605,886</u>	<u>3,032,893</u>

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, 2024

Net change in fund balances - total governmental funds:	\$	8,865
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	\$	758,659
Depreciation expense		<u>(204,873)</u>
		553,786
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.		(287,725)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This includes an decrease of \$485 in the City's fines revenue.		(485)
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt repayment of \$52,536 was exceeded by lease proceeds of \$470,000.		(417,464)
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>(8,193)</u>
Change in net position of governmental activities	\$	<u><u>(151,216)</u></u>

City of Iuka, Mississippi
Statement of Net Position -
Proprietary Funds
September 30, 2024

	Business-Type Activities			
	Gas System	Water and Sewer	Other Business-Type	Total
Assets				
Current assets:				
Cash	\$ 496,441	791,427	272,715	1,560,583
Cash - restricted	-	362,085	-	362,085
Accounts receivable	104,093	221,219	38,448	363,760
Interest receivable	-	37	-	37
Due from other funds	(177,891)	196,058	(497)	17,670
Due from other governments	-	114,417	-	114,417
Inventory	240,112	-	-	240,112
Prepaid expenses	7,926	7,846	3,635	19,407
Total current assets	670,681	1,693,089	314,301	2,678,071
Non-current Assets:				
Capital assets:				
Capital assets not being depreciated	550	2,114,268	-	2,114,818
Capital assets being depreciated net of depreciation	296,998	5,919,676	16,221	6,232,895
Franchise rights	11,400	-	-	11,400
Total non-current assets	308,948	8,033,944	16,221	8,359,113
Total Assets	979,629	9,727,033	330,522	11,037,184
Deferred Outflows of Resources				
Deferred amounts - pensions	147,331	214,407	49,153	410,891
Total Deferred Outflows of Resources	147,331	214,407	49,153	410,891
Liabilities				
Current liabilities:				
Accounts payable	39,492	37,120	8,010	84,622
Accrued liabilities	25,522	63,420	4,002	92,944
Grant Payable	-	114,417	-	114,417
Customer deposits	195,412	144,525	-	339,937
Current portion of long-term debt	-	171,393	-	171,393
Total current liabilities	260,426	530,875	12,012	803,313
Non-Current Liabilities:				
Net pension liability	864,437	897,899	197,629	1,959,965
Bonds payable	-	3,219,638	-	3,219,638
Compensated absences	9,600	9,601	552	19,753
Total non-current liabilities	874,037	4,127,138	198,181	5,199,356
Total Liabilities	1,134,463	4,658,013	210,193	6,002,669
Deferred Inflows of Resources				
Deferred amounts - pensions	231,461	376,346	83,593	691,400
Total Deferred Inflows of Resources	231,461	376,346	83,593	691,400
Net Position				
Net investment in capital assets	297,548	4,642,913	16,221	4,956,682
Restricted net position	-	362,085	-	362,085
Unrestricted (deficit)	(536,512)	(97,917)	69,668	(564,761)
Total Net Position	\$ (238,964)	4,907,081	85,889	4,754,006

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, 2024

	Business-Type Activities			
	Gas System	Water and Sewer	Other Business-Type	Total
Operating Revenues				
Charges for service	\$ 1,239,061	1,236,143	250,716	2,725,920
Other	68,683	56	-	68,739
Total operating revenues	<u>1,307,744</u>	<u>1,236,199</u>	<u>250,716</u>	<u>2,794,659</u>
Operating Expenses				
Personal services	261,219	382,106	82,996	726,321
Pension expense	100,262	139,188	30,522	269,972
Contractual services	31,225	53,770	-	84,995
Materials and supplies	182,961	46,881	932	230,774
Repairs and maintenance	18,261	127,710	12,991	158,962
Purchase of gas	575,212	-	-	575,212
Rent	65,000	62,500	-	127,500
Vehicle expense	12,977	15,472	12,643	41,092
Utilities	533	203,882	-	204,415
Insurance	13,206	39,777	6,088	59,071
Depreciation	22,392	353,242	-	375,634
Other	17,986	24,316	61,333	103,635
Total operating expenses	<u>1,301,234</u>	<u>1,448,844</u>	<u>207,505</u>	<u>2,957,583</u>
Operating income (loss)	<u>6,510</u>	<u>(212,645)</u>	<u>43,211</u>	<u>(162,924)</u>
Non-Operating Revenues (Expenses)				
Grant Income	-	1,370,353	-	1,370,353
Interest and fiscal charges	-	(111,258)	-	(111,258)
Net non-operating revenues (expenses)	<u>-</u>	<u>1,259,095</u>	<u>-</u>	<u>1,259,095</u>
Net Income (loss) before operating transfers	<u>6,510</u>	<u>1,046,450</u>	<u>43,211</u>	<u>1,096,171</u>
Operating transfers in	<u>-</u>	<u>951,065</u>	<u>-</u>	<u>951,065</u>
Change in net position	<u>6,510</u>	<u>1,997,515</u>	<u>43,211</u>	<u>2,047,236</u>
Net position - beginning	<u>(245,474)</u>	<u>2,909,566</u>	<u>42,678</u>	<u>2,706,770</u>
Net position - end	<u>\$ (238,964)</u>	<u>4,907,081</u>	<u>85,889</u>	<u>4,754,006</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, 2024

	Business-Type Activities			
	Gas System	Water and Sewer	Other Business-Type	Total
<u>Cash Flows From Operating Activities</u>				
Cash Received from Customer	\$ 1,306,752	1,206,840	249,636	2,763,228
Cash Payments for Goods and Service	(868,926)	(585,302)	(91,113)	(1,545,341)
Cash Payments to Employees	(286,532)	(425,714)	(92,327)	(804,573)
Net Cash Provided By Operating Activities	151,294	195,824	66,196	413,314
<u>Cash Flows From Noncapital Financing Activities</u>				
Transfers in	-	951,065	-	951,065
Due to/from other funds	83,762	(93,951)	-	(10,189)
Net Cash Provided(Used) By Noncapital Financing Activities	83,762	857,114	-	940,876
<u>Cash Flows From Capital and Related Financing Activities</u>				
Payments for capital acquisitions	(104,310)	(2,227,998)	-	(2,332,308)
Principal payments on debt	-	(170,158)	-	(170,158)
Interest and fiscal charges on debt	-	(111,258)	-	(111,258)
Grants	-	1,370,353	-	1,370,353
Other receipts (expenses)	445	2,295	-	2,740
Net Cash Used By Capital and Related Financing Activities	(103,865)	(1,136,766)	-	(1,240,631)
Net Increase (Decrease) in Cash	131,191	(83,828)	66,196	113,559
Cash and Cash Equivalent - Beginning	365,250	1,237,340	206,519	1,809,109
Cash and Cash Equivalent - Ending	\$ 496,441	1,153,512	272,715	1,922,668
Reconciliation of Operating-Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ 6,510	(212,645)	43,211	(162,924)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	22,392	353,242	-	375,634
Net Pension Expense	66,696	91,788	20,149	178,633
Receivables	(1,002)	(143,776)	(1,080)	(145,858)
Payables	6,158	107,215	3,916	117,289
Inventory	50,540	-	-	50,540
Net cash provided (used) by operating activities	\$ 151,294	195,824	66,196	413,314

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, 2024

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, 2024

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.

Fire Fund – The Fire Fund is used to account for and report the proceeds of specific revenue sources that are restricted for purchases related to providing fire protection services.

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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.

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

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

Right-of-Use Assets

Right-of-use assets are recorded as the lease liability at the lease commencement date plus initial direct costs, plus prepayments, less any lease incentives received. Routine repairs and maintenance costs are charged to operating expenses in the year in which the expense was incurred. Amortization is computed using the straight-line method over the estimated useful lives of the assets or the lease period, whichever is shorter

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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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.
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 \$19,827 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 \$19,753.

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".

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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.

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, 2024.

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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

Property Tax Revenues

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

The Board of Aldermen, each year at 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.

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.

At year end, the carrying amount of the City's deposits was \$4,523,067, and the bank balance was \$4,610,723.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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, 2024, none of the City's bank balance of \$4,610,723 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, 2024 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	<u>\$ 362,085</u>
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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, 2024

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2024 consisted of the following:

Governmental Activities:

Description	Amount
State Tax Commission Sales Tax	\$ 293,618
State of MS SB 2468	250,000
	<u>543,618</u>

Business-Type Activities:

Description	Amount
MS Dept. of Environmental Quality-ARPA	114,417
	<u>114,417</u>
Total Intergovernmental Receivables	\$ <u>658,035</u>

NOTE 6 – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of amounts due from/to other funds at September 30, 2024:

	Due From	Due To	Reason for Loan
Governmental Funds:			
Major Funds:			
General Fund	\$ 80,437	\$ 63,697	Temporary loan
Fire Fund		4	
Pro-Rata Fund	-	823	Temporary loan
Non-Major Funds:			
Other Governmental	39,260	72,843	Temporary loan for equipment
Total Governmental Funds	<u>119,697</u>	<u>137,367</u>	
Business-Type Funds:			
Major Funds:			
Gas System	3,124	181,015	Temporary loan for supplies
Water & Sewer System	207,103	11,045	Temporary loan for supplies
Non-Major Funds:			
Sanitation	19	516	Temporary cash shortage
Total Business-Type Funds	<u>210,246</u>	<u>192,576</u>	
Total All Funds	\$ <u>329,943</u>	\$ <u>329,943</u>	

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

NOTE 7 – CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2024:

	Balance 10/1/2023	Additions	Deletions	Balance 9/30/2024
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	88,631	-	2,707,541
Furniture and equipment	615,854	62,011	-	677,865
Mobile equipment	909,062	138,017	-	1,047,079
Right-to-use leased equipment	-	470,000	-	470,000
Total capital assets, being depreciated	<u>4,143,826</u>	<u>758,659</u>	<u>-</u>	<u>4,902,485</u>
Less accumulated depreciation for:				
Buildings	956,680	44,631	-	1,001,311
Improvements other than buildings	66,863	11,286	-	78,149
Furniture and equipment	333,754	42,181	-	375,935
Mobile equipment	681,934	59,775	-	741,709
Right-to-use leased equipment	-	47,000	-	47,000
Total accumulated depreciation	<u>2,039,231</u>	<u>204,873</u>	<u>-</u>	<u>2,244,104</u>
Total capital assets, being depreciated, net	<u>2,104,595</u>	<u>553,786</u>	<u>-</u>	<u>2,658,381</u>
Governmental activities capital assets, net	<u>\$ 2,321,475</u>	<u>553,786</u>	<u>-</u>	<u>2,875,261</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 68,900	-	-	68,900
Construction in progress	-	2,045,918	-	2,045,918
Total capital assets, not being depreciated:	<u>68,900</u>	<u>2,045,918</u>	<u>-</u>	<u>2,114,818</u>
Capital assets, being depreciated:				
Furniture and equipment	491,216	182,080	-	673,296
Mobile equipment	595,612	-	-	595,612
Plant and distribution assets	16,992,181	104,310	-	17,096,491
Total capital assets, being depreciated:	<u>18,079,009</u>	<u>286,390</u>	<u>-</u>	<u>18,365,399</u>
Less accumulated depreciation for:				
Furniture and equipment	429,438	15,275	-	444,713
Mobile equipment	537,985	5,002	-	542,987
Plant and distribution assets	10,789,447	355,357	-	11,144,804
Total accumulated depreciation	<u>11,756,870</u>	<u>375,634</u>	<u>-</u>	<u>12,132,504</u>
Total depreciable capital assets, net	<u>6,322,139</u>	<u>(89,244)</u>	<u>-</u>	<u>6,232,895</u>
Business Type Activities:				
Capital assets, net	<u>\$ 6,391,039</u>	<u>1,956,674</u>	<u>-</u>	<u>8,347,713</u>

Construction in progress is composed of the ARPA water radio meter project.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 1,814
Public safety	128,725
Public works	14,796
Culture and recreation	35,937
Economic development	23,601
Total Governmental Activities	\$ 204,873
Business-Type Activities:	
Gas System	\$ 22,392
Water and sewer system	353,242
Total Business-Type Activities	\$ 375,634

The term “depreciation” includes the amortization of right-of-use assets.

NOTE 8 – LONG-TERM LIABILITIES

Debt outstanding as of September 30, 2024, 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	\$ 179,946

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
2025	\$ 49,615	\$ 4,732
2026	51,124	3,223
2027	52,679	1,668
2028	26,528	927
Total	\$ 179,946	\$ 10,550

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	\$ 720,000
B. Revenue Bonds:					
2010 Sewer	3.80%	11/4/2010	11/4/2041	\$ 800,000	\$ 519,365
2013 Water	2.75%	5/16/2013	5/16/2048	2,775,000	2,148,671
Total Revenue Bonds				\$ 3,575,000	\$ 2,668,036

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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

Business-Type Activities:		General Obligation Bonds	
Year Ending September 30,		Principal	Interest
2025	\$	85,000	\$ 26,950
2026		70,000	24,237
2027		75,000	21,606
2028		75,000	18,794
2029		80,000	15,787
2030-2034		335,000	34,182
Total	\$	<u>720,000</u>	<u>\$ 141,556</u>

Business-Type Activities:		Revenue Bonds	
Year Ending September 30,		Principal	Interest
2025	\$	86,037	\$ 79,873
2026		89,555	76,356
2027		92,241	73,669
2028		94,864	71,047
2029		97,860	68,051
2030-2034		535,131	294,421
2035-2039		620,835	208,717
2040-2044		614,817	111,175
2045-2048		436,696	29,173
Total	\$	<u>2,668,036</u>	<u>\$ 1,012,482</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2024:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Amount due within one year
Governmental Activities:					
Loans Payable	\$ 232,482	-	52,536	179,946	49,615
Lease Payable	-	470,000	-	470,000	34,731
Compensated Absences	28,020	-	8,193	19,827	-
Total	<u>\$ 260,502</u>	<u>470,000</u>	<u>60,729</u>	<u>669,773</u>	<u>84,346</u>
Business-Type Activities:					
General Obligation Bond	\$ 805,000	-	85,000	720,000	85,000
Add: Premiums	3,351	-	356	2,995	356
Revenue Bonds	2,752,838	-	84,802	2,668,036	86,037
Compensated Absences	16,514	3,239	-	19,753	-
Total	<u>\$ 3,577,703</u>	<u>3,239</u>	<u>170,158</u>	<u>3,410,784</u>	<u>171,393</u>

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

NOTE 9 – LEASES

For leases that have a maximum possible term of 12 months or less at commencement, the City recognizes expense based on the provisions of the lease contract. For all other leases, the City recognized a lease liability and a right-to-use asset. The City's lease consists of a lease-purchase agreement for a fire truck.

At lease commencement, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

As Lessee

Lease Assets:

The following is a summary of changes in lease assets for the year ended September 30, 2024:

	Balance 10/1/2023	Additions	Reductions	Amortization	Balance 9/30/2024
Governmental					
Activities:					
Fire Truck	\$ -	470,000	-	47,000	423,000
Total	\$ -	470,000	-	47,000	423,000

Amortization is computed on a straight-line basis over the lesser of the estimated useful lives of the assets leased or the lease term, whichever is shorter. Useful lives are determined in the same way as depreciable capital assets.

Lease Liabilities:

The following is a schedule of changes in lease liabilities for the year ended September 30, 2024:

	Balance 10/1/2023	Additions	Retirements	Balance 9/30/2024	Amount due within one year
Governmental					
Activities:					
Fire Truck	\$ -	470,000	-	470,000	34,731
Total	\$ -	470,000	-	470,000	34,731

The City has entered into the following lease for a fire truck for 10 years. The lease agreement can only be cancelled if both parties agree. There are no options to extend and no variable payment options.

Description	Date of issue	Date of maturity	Interest rate	Payment	Amount outstanding
Governmental					
Activities:					
Fire Truck	12/21/2023	1/1/2034	6.56%	\$65,563/yr	\$ 470,000
Total					\$ 470,000

The lease is a fixed payment lease with an option to purchase as determined by the lessor. There are no terms of the lease whereby variable payments would be due. The following is a schedule by years of the total payments due on the lease payable.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

Governmental Activities: Year Ending September 30,	Lease Payable		Total
	Principal	Interest	
2025	\$ 34,731	\$ 30,832	\$ 65,563
2026	37,009	28,554	65,563
2027	39,437	26,126	65,563
2028	42,024	23,539	65,563
2029	44,781	20,782	65,563
2030-2034	272,018	55,796	327,814
Total	\$ 470,000	\$ 185,629	\$ 655,629

NOTE 10 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by *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

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, 2024, 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, 2024 was 17.90% of annual covered payroll. The contribution requirements of PERS

City of luka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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, 2024, 2023 and 2022 were \$238,629, \$240,342 and \$253,095, 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, 2024, the City of luka reported a liability of \$4,554,995 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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 luka's proportion of the net pension liability was based on a projection of the City of luka's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The City of luka's proportionate share used to calculate the September 30, 2024 net pension liability was 0.017540 percent, which was based on a measurement date of June 30, 2024. This was a decrease of 0.00195 percent from its proportionate share used to calculate the September 30, 2023 net pension liability, which was based on a measurement date of June 30, 2023.

For the year ended September 30, 2024, the City of luka recognized pension expense of \$704,577. At September 30, 2024 the City of luka reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 175,834	\$ -
Net difference between projected and actual earnings on pension plan investments	12,075	-
Changes of assumptions	202,423	-
Changes in proportion and differences between the City's contributions and proportionate share of contributions	561,236	1,707,243
City contributions subsequent to the measurement date	59,245	-
Total	\$ <u>1,010,813</u>	\$ <u>1,707,243</u>

The \$59,245 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, 2025. 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
2025	\$ (389,089)
2026	(206,949)
2027	(162,656)
2028	3,019
Total	\$ <u>(755,675)</u>

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

Actuarial Assumptions – The total pension liability as of June 30, 2024 was determined by an actuarial valuation prepared as of June 30, 2023 and by the investment experience for the fiscal year ending June 30, 2024. 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 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 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	25.00	%	5.15	%
International Equity	20.00		5.00	
Global Equity	12.00		5.15	
Fixed Income	18.00		2.75	
Real Estate	10.00		3.50	
Private Equity	10.00		6.25	
Infrastructure	2.00		3.85	
Private Credit	2.00		4.90	
Cash Equivalents	1.00		.50	
Total	100.00	%		

*Net of Inflation

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 19.90 percent over five fiscal years (17.90% for FYE 2025, 18.40% for FYE 2026, 18.90% for FYE 2027, 19.40% for FYE 2028, 19.90% for FYE 2029 and beyond). 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

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

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	\$ 5,903,537	\$ 4,554,995	\$ 3,450,755

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 11 – DEFICIT FUND BALANCES OF INDIVIDUAL FUNDS

The following fund reported a deficit in fund balance at September 30, 2024:

Fund	Deficit Amount
Gas System Fund	\$ 238,964

NOTE 12 – 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 13 – EFFECTS OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position deficit amount of \$42,028 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 \$59,245 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, 2025.

The \$1,010,813 balance of deferred outflows of resources related to pensions at September 30, 2024 will be recognized as expense and decrease the unrestricted net position over the next four years. The \$1,707,243 balance of deferred inflows of resources related to pensions at September 30, 2024 will be recognized as revenue and will increase the unrestricted net position over the next four years.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

Please reference Note 10 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 14 – RISK MANAGEMENT

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

Participation in Public Entity Risk Pool

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

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

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

NOTE 15 – 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.

City of Iuka, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2024

NOTE 16 – 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 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, 2024, 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 existed after the Statement of Net Position date, require disclosure in the accompanying notes. The City has evaluated subsequent events through September 24, 2026, 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 Iuka, Mississippi
Schedule of Revenue, Expenditures and Changes in Fund Balance -
Budget and Actual (Non-GAAP Budgetary Basis) -
General Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	\$ 300,000	\$ 300,000	\$ 298,839	\$ (1,161)
Intergovernmental revenues	1,350,000	1,500,000	1,510,832	10,832
Charges for services	5,500	5,500	5,850	350
Licenses and permits	5,000	15,000	18,246	3,246
Fines and forfeitures	40,000	30,000	33,525	3,525
Miscellaneous	220,000	220,000	225,256	5,256
Total Revenues	<u>1,920,500</u>	<u>2,070,500</u>	<u>2,092,548</u>	<u>22,048</u>
Expenditures				
General government	340,000	390,000	388,134	1,866
Public safety	1,350,000	1,275,000	1,273,525	1,475
Public works	100,000	106,000	106,269	(269)
Culture and recreation	120,000	284,000	283,934	66
Transfers	-	722,000	722,053	(53)
Total Expenditures	<u>1,910,000</u>	<u>2,777,000</u>	<u>2,773,915</u>	<u>3,085</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,500</u>	<u>(706,500)</u>	<u>(681,367)</u>	<u>25,133</u>
Net changes in fund balance	\$ <u>10,500</u>	\$ <u>(706,500)</u>	(681,367)	\$ <u>25,133</u>
Fund Balance - Beginning of Year			1,739,981	
Adjustments to conform with GAAP:				
Revenues			583,586	
Expenditures			<u>41,280</u>	
Fund Balance - End of Year (GAAP basis)			\$ <u>1,683,480</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) -
Fire Fund
For the Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Taxes	\$ 7,500	\$ 7,500	\$ 7,704	\$ 204
Intergovernmental revenues	23,500	23,500	24,015	515
Debt proceeds	-	470,000	470,000	-
Miscellaneous	500	500	-	(500)
Total Revenues	<u>31,500</u>	<u>501,500</u>	<u>501,719</u>	<u>219</u>
Expenditures				
Capital outlay	-	570,000	569,685	315
Total Expenditures	<u>-</u>	<u>570,000</u>	<u>569,685</u>	<u>315</u>
Excess (deficiency) of revenues over (under) expenditures	<u>31,500</u>	<u>(68,500)</u>	<u>(67,966)</u>	<u>534</u>
Net changes in fund balance	\$ <u>31,500</u>	\$ <u>(68,500)</u>	(67,966)	\$ <u>534</u>
Fund Balance - Beginning of Year			<u>117,737</u>	
Fund Balance - End of Year (GAAP basis)			\$ <u>49,771</u>	

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

City of luka, 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, 2024

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Revenues				
Intergovernmental revenues	\$ 380,000	\$ 380,000	\$ 383,545	\$ 3,545
Total Revenues	<u>380,000</u>	<u>380,000</u>	<u>383,545</u>	<u>3,545</u>
Expenditures				
Public works	45,000	45,000	37,672	7,328
Transfers out	<u>-</u>	<u>229,000</u>	<u>229,012</u>	<u>(12)</u>
Total Expenditures	<u>45,000</u>	<u>274,000</u>	<u>266,684</u>	<u>7,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>335,000</u>	<u>106,000</u>	<u>116,861</u>	<u>10,861</u>
Net changes in fund balance	\$ <u>335,000</u>	\$ <u>106,000</u>	116,861	\$ <u>10,861</u>
Fund Balance - Beginning of Year			<u>576,895</u>	
Fund Balance - End of Year (GAAP basis)			\$ <u>693,756</u>	

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

City of Iuka, Mississippi
Schedule of Required Supplementary Information - Pension
September 30, 2024
Last 10 Fiscal Years*

	Schedule of the City's Proportionate Share of the Net Pension Liability									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability(asset)	0.017540%	0.019490%	0.021405%	0.021380%	0.020708%	0.020204%	0.020051%	0.018877%	0.017883%	0.017777%
City's proportionate share of the net pension liability(asset)	\$ 4,554,995	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
City's covered payroll	\$ 1,361,912	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
City's proportionate share of the net pension liability(asset) as a percentage of its covered payroll	334.46%	354.91%	302.92%	219.00%	290.73%	270.12%	260.47%	259.13%	267.20%	243.94%
Plan fiduciary net position as a percentage of the total pension liability	56.30%	55.70%	59.93%	70.44%	58.97%	61.59%	62.54%	61.49%	57.47%	61.70%

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

	Schedule of City Contributions - PERS									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 238,629	240,342	253,095	251,095	243,461	214,686	203,026	193,940	187,977	177,420
Contributions in relation to contractually required contribution	\$ 238,629	240,342	253,095	251,095	243,461	214,686	203,026	193,940	187,977	177,420
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 1,361,912	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
Contributions as a percentage of covered payroll	17.52%	17.40%	17.40%	17.40%	17.40%	16.17%	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, 2024

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.

C. 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, 2024

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, 2024

- 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, 2024

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, 2022 valuation for the June 30, 2024 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	25.6 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 Expenditures of Federal Awards
For the Year Ended September 30, 2024

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Department of the Treasury			
Passed through MS Department of Environmental Quality			
COVID 19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	439-2-DW-5.15	\$ <u>1,370,353</u>
Total passed through MS Department of Environmental Quality			<u>1,370,353</u>
Total Department of the Treasury			<u>1,370,353</u>
Total Expenditures of Federal Awards			\$ <u><u>1,370,353</u></u>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

City of Iuka, Mississippi
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024

SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Iuka, Mississippi under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Iuka, Mississippi, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Iuka, Mississippi.

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements, with the following exceptions:

Expenditures presented on the Schedule are recognized following the cost principles as found in the Uniform Guidance. The City has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

City of Iuka, Mississippi
Schedule of Surety Bonds for Municipal Officials
September 30, 2024

<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



Certified Public Accountants

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

Honorable Mayor and 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, 2024, 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 September 24, 2026.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be material weaknesses.

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

Muscle Shoals, Alabama
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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

disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of luka, Mississippi's Response to Findings

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 questioned costs. The 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 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
September 24, 2026

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Board of Aldermen
City of luka, Mississippi

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of luka, Mississippi's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of luka, Mississippi's major federal programs for the year ended September 30, 2024. The City of luka, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of luka, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of luka, Mississippi's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of luka, Mississippi's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of luka, Mississippi's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of luka, Mississippi's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of luka, Mississippi's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of luka, Mississippi's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of luka, Mississippi's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Sparks CPA Firm, P.C.

The Sparks CPA Firm, P.C.
Certified Public Accountants
Booneville, Mississippi
September 24, 2026



Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen
City of Iuka, Mississippi

We have audited, 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 Iuka, Mississippi, as of and for the year ended September 30, 2024, which collectively comprise the City of Iuka, Mississippi's basic financial statements and have issued our report thereon dated September 24, 2026.

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 basic financial statements disclosed no instances of noncompliance with state laws and regulations.

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.
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September 24, 2026

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City of Iuka, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

Section 1: Summary of Auditors' Results

Financial Statements:

- | | |
|---|---------------|
| 1. Type of Auditors' report issued on the financial statements: | |
| Governmental Activities | Unmodified |
| Business-type Activities | Unmodified |
| General Fund | Unmodified |
| Fire 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? | None reported |
| 3. Noncompliance material to the financial statements noted | No |

Federal Awards:

- | | |
|---|--|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiencies identified? | None reported |
| 5. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of Major Programs: | |
| <u>ALN Numbers</u> | <u>Name of Program or Cluster</u> |
| 21.027 | COVID 19 - Coronavirus State and Local Fiscal Recovery Funds |
| 8. The dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)? | No |

Section 2: Financial Statements Findings

Material Weakness

2024-001

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

City of Iuka, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2024

2024-001 – (Continued)

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.

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.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.