

City of Horn Lake, Mississippi

Financial Statements For the year ended September 30, 2021

CITY OF HORN LAKE, MISSISSIPPI
Table of Contents
September 30, 2021

INDEPENDENT AUDITORS' REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	8
BASIC FINANCIAL STATEMENTS - OVERVIEW:	
Government-Wide Financial Statements:	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements:	
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet to the Government - Wide Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government - Wide Statement of Activities and Changes in Net Position	23
Proprietary Fund:	
Statement of Net Position	24
Statement of Revenues, Expenses and Changes in Net Position.....	25
Statement of Cash Flows	26
Notes to Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION:	
General Fund Statement of Revenues, Expenditures and Changes In Fund Balances - Budget (non-GAAP basis) and Actual	52
Schedule of the City's Proportionate Share of the Net Pension Liability	53
Schedule of the City's Contributions	54
Notes to the Required Supplementary Information	55

CITY OF HORN LAKE, MISSISSIPPI
Table of Contents
September 30, 2021

OTHER INFORMATION:

Schedule of Surety Bonds for City Officials.....59

REPORTS ON COMPLIANCE AND INTERNAL CONTROL:

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*61

Schedule of Findings and Responses.....63

Independent Auditors' Report on Compliance
With State Laws and Regulations64

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen / Alderwomen
City of Horn Lake, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horn Lake, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Horn Lake's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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 Horn Lake, Mississippi, as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and corresponding notes, the Schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 8 through 16 and 52 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The schedule of surety bonds for City officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2023, on our consideration of the City of Horn Lake, 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 City of Horn Lake, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Horn Lake, Mississippi's internal control over financial reporting and compliance.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
August 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Required Supplemental Information for the year ended September 30, 2021

This section of the City of Horn Lake's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2021. Please read it in conjunction with the City of Horn Lake financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the 2021 by \$6,375,106 (\$2,718,444 in governmental activity net position and \$3,656,662 in business-type activity net position).
- The City's total net position increased by \$3,571,712, or 127.4% compared to 2020. Net position of the City's governmental activities increased \$2,746,348. Net position of the business-type activities increased \$825,364, or 29.2% from 2020.
- The City's governmental funds reported combined ending fund balances of \$10,347,325, an increase of \$1,130,978 when compared to 2020. Of the combined ending governmental fund balances, approximately 85.1% or \$8,806,507 is available for spending at the City's discretion subject to the Board's approved policies (*committed, assigned and unassigned fund balances*).
- The City's total debt is \$20,144,335. No new debt was issued in the current fiscal year. Debt in the amount of \$3,764,227 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's operations in more detail than the government-wide statements. There are two parts to the fund financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

The Governmental Funds statements tell how general government services such as public safety were financed in the short-term as well as what remains for future spending. The City has four Governmental Fund types: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses and includes the utility operations.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and are presented in single columns in the basic financial statements.

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

After the notes, required supplementary information is provided to show budgetary information required by Governmental Accounting Standards Board for the General Fund. Additionally, the schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions are included in this section.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Horn Lake's Government-wide and Fund Financial Statements

	Fund Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire, public works, parks and recreation, debt service, and capital projects	Activities the City operates similar to private businesses: utility operations such as water and sewer
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows / outflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets, liabilities, and deferred inflows / outflows—is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base, as well as economic activities and trends at local and regional levels.
- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain utility services it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. The “fund” level is where the basic unit of financial organization and operation within the City of Horn Lake exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen / Alderwomen establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

The City of Horn Lake has two types of funds:

- **Governmental funds**—most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City utilizes four types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

- **Proprietary funds**—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City has only one type of proprietary fund—enterprise funds. The City's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in the net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$6,375,106 at the close of the most recent fiscal year. This is a \$3,571,712 increase over last year's net position of \$2,803,394. Tables A-1 and A-2 provide a summary of the City's net position at September 30, 2021 and 2020.

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Table A-1

City of Horn Lake's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current & other assets	\$ 27,274,499	\$ 20,634,588	\$ 5,511,604	\$ 5,155,964	\$ 32,786,103	\$ 25,790,552
Capital assets	23,058,338	23,655,235	10,066,657	10,706,166	33,124,995	34,361,401
Total assets	<u>50,332,837</u>	<u>44,289,823</u>	<u>15,578,261</u>	<u>15,862,130</u>	<u>65,911,098</u>	<u>60,151,953</u>
Total deferred outflows	<u>2,131,143</u>	<u>2,407,114</u>	<u>393,750</u>	<u>474,065</u>	<u>2,524,893</u>	<u>2,881,179</u>
Current liabilities	5,928,243	4,511,020	609,194	1,600,898	6,537,437	6,111,918
Noncurrent liabilities	28,103,928	32,472,641	11,199,291	11,824,142	39,303,219	44,296,783
Total liabilities	<u>34,032,171</u>	<u>36,983,661</u>	<u>11,808,485</u>	<u>13,425,040</u>	<u>45,840,656</u>	<u>50,408,701</u>
Total deferred inflows	<u>15,713,365</u>	<u>9,741,180</u>	<u>506,864</u>	<u>79,857</u>	<u>16,220,229</u>	<u>9,821,037</u>
Net position:						
Net investment in capital assets	12,536,030	10,627,892	444,630	475,888	12,980,660	11,103,780
Restricted	1,540,818	3,790,552	-	841,208	1,540,818	4,631,760
Unrestricted (deficit)	<u>(11,358,404)</u>	<u>(14,446,348)</u>	<u>3,212,032</u>	<u>1,514,202</u>	<u>(8,146,372)</u>	<u>(12,932,146)</u>
Total net position	<u>\$ 2,718,444</u>	<u>\$ (27,904)</u>	<u>\$ 3,656,662</u>	<u>\$ 2,831,298</u>	<u>\$ 6,375,106</u>	<u>\$ 2,803,394</u>

The largest portion of net position, \$12,980,660 is reflected in the City's investment in capital assets (such as land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

There is a deficit of \$8,146,372 in unrestricted net position due to recording of unfunded pension liabilities under GASB 68. Please refer to Note 8.

Changes in net position: Approximately 32.4% of the City's total revenues come from property taxes, with 60.5% of all revenue coming from some type of tax. (See Table A-2.) This compares to 31.2% and 56.5% for the fiscal year ended September 30, 2020. Another 30.7% comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

Changes in the City of Horn Lake's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues						
Program revenues:						
Charges for services	\$ 3,627,273	\$ 3,478,444	\$ 5,208,023	\$ 4,872,959	\$ 8,835,296	\$ 8,351,403
Operating grants, capital grants and contributions	1,916,379	2,543,503	-	-	1,916,379	2,543,503
General revenues:						
Property taxes	9,341,344	8,530,664	-	-	9,341,344	8,530,664
Sales taxes	6,956,121	6,014,896	-	-	6,956,121	6,014,896
Other general revenue	1,762,261	1,899,702	4,095	15,944	1,766,356	1,915,646
Total revenues	23,603,378	22,467,209	5,212,118	4,888,903	28,815,496	27,356,112
Expenses						
General government	3,053,639	2,403,849	-	-	3,053,639	2,403,849
Police	5,431,751	4,894,873	-	-	5,431,751	4,894,873
Fire and emergency services	4,482,440	3,366,521	-	-	4,482,440	3,366,521
Street and sanitation	5,426,478	6,593,373	-	-	5,426,478	6,593,373
Animal control	282,660	241,532	-	-	282,660	241,532
Parks and recreation	1,260,958	1,163,828	-	-	1,260,958	1,163,828
Economic development	173,894	202,449	-	-	173,894	202,449
Pension expense	717,029	2,160,049	(128,653)	195,735	588,376	2,355,784
Interest on long-term debt	343,181	423,289	247,752	300,223	590,933	723,512
Utility	-	-	3,952,655	3,725,473	3,952,655	3,725,473
Total expenses	21,172,030	21,449,763	4,071,754	4,221,431	25,243,784	25,671,194
Excess of revenue over exp.	2,431,348	1,017,446	1,140,364	667,472	3,571,712	1,684,918
Transfers	315,000	-	(315,000)	-	-	-
Change in net position	2,746,348	1,017,446	825,364	667,472	3,571,712	1,684,918
Net position - beginning, as previously stated	(27,904)	(1,208,600)	2,831,298	2,163,826	2,803,394	955,226
Prior period adjustment	-	163,250	-	-	-	163,250
Net position - beginning, as restated	(27,904)	(1,045,350)	2,831,298	2,163,826	2,803,394	1,118,476
Net position - ending	\$ 2,718,444	\$ (27,904)	\$ 3,656,662	\$ 2,831,298	\$ 6,375,106	\$ 2,803,394

CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021

Governmental Activities

Governmental activities increased the City's net position by \$2,746,348. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are property taxes 39.6%, sales taxes 29.5%, and charges for services 15.4%.

The largest expense categories for the City's governmental activities are public safety 25.7% and streets and sanitation 25.6%.

Business-type Activities

Business-type activities increased the City's net position by \$825,364.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$5,208,023.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund—The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,806,507, which comprised 100.0% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 51.24% of total fund expenditures. The fund balance of the City's general fund increased by \$2,761,119 during the current fiscal year.

Debt Service Fund—The debt service fund has a total fund balance of \$339,485, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$1,994,363.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$184,337.

CITY OF HORN LAKE, MISSISSIPPI
Management’s Discussion and Analysis
September 30, 2021

Special Revenue Funds—The special revenue funds are used to account for the programs and projects primarily funded by grants or taxes from the federal and state governments. At the end of the current fiscal year, the fund balance was \$1,016,996, which will be used for future expenditures.

Proprietary Funds—The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$3,656,662. Changes in net position for utility operations totaled an increase of \$825,364.

Budgetary Highlights

The City’s annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary fund as well as the governmental funds.

The City’s 2020 – 2021 general fund budget had no change during the year and an overall operating budget had no change as well.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The City’s investment in capital assets for its governmental and business-type activities as of September 30, 2021, amounted to \$33,124,995, net of accumulated depreciation of \$42,771,250. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Horn Lake’s Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Land	\$ 3,729,631	\$ 3,729,631	\$ 28,225	\$ 28,225	\$ 3,757,856	\$ 3,757,856
Construction in progress	336,625	-	-	-	336,625	-
Building & improvements	11,019,977	11,019,977	151,000	151,000	11,170,978	11,170,977
Equipment & machinery	3,335,769	3,278,200	297,891	297,891	3,633,660	3,576,091
Vehicles	5,989,904	6,084,252	358,507	227,585	6,348,411	6,311,837
Infrastructure	28,049,349	28,049,349	22,599,366	22,549,765	50,648,715	50,599,114
Accumulated depreciation	<u>(29,402,917)</u>	<u>(28,506,174)</u>	<u>(13,368,333)</u>	<u>(12,548,300)</u>	<u>(42,771,250)</u>	<u>(41,054,474)</u>
Total	<u>\$ 23,058,338</u>	<u>\$ 23,655,235</u>	<u>\$ 10,066,657</u>	<u>\$ 10,706,166</u>	<u>\$ 33,124,995</u>	<u>\$ 34,361,401</u>

This year, major capital asset projects or additions included:

- \$395,328 for police vehicles
- \$336,625 towards the Tulane bridge replacement

**CITY OF HORN LAKE, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2021**

Long-term Debt—At year-end, the City had \$20,144,335 in long-term debt outstanding. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Table A-4

City of Horn Lake's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
General obligation bonds	\$ 4,207,000	\$ 5,937,000	\$ -	\$ -	\$ 4,207,000	\$ 5,937,000
Special obligation bonds	5,612,000	6,553,000	7,465,000	8,090,000	13,077,000	14,643,000
Other loans	553,138	671,243	2,094,630	2,310,798	2,647,768	2,982,041
Settlement payable	113,355	239,701	-	-	113,355	239,701
Bond premiums	42,271	47,551	62,397	70,197	104,668	117,748
Bond discounts	(5,456)	(10,928)	-	-	(5,456)	(10,928)
Total	\$ 10,522,308	\$ 13,437,567	\$ 9,622,027	\$ 10,470,995	\$ 20,144,335	\$ 23,908,562

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Millage rates remained the same at 50 for the City's 2022 fiscal year budget. This includes 36.5869 mills for the General Fund, 12.4131 mills for the Debt Service Fund, and 1.0000 mill for the Library Fund.

**CONTACTING THE CITY OF HORN LAKE
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Horn Lake, 3101 Goodman Road West, Horn Lake, MS 38637.

BASIC FINANCIAL STATEMENTS

CITY OF HORN LAKE, MISSISSIPPI
Statement of Net Position
September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,751,203	\$ 4,977,082	\$ 18,728,285
Investments	131,680	-	131,680
Property taxes receivable	10,294,920	-	10,294,920
Accounts receivable (net allowance for doubtful accounts of \$6,261,879)	688,262	392,411	1,080,673
Intergovernmental receivables	1,399,554	-	1,399,554
Franchise tax receivable	192,702	-	192,702
Other receivables	4,689	134,341	139,030
Restricted assets - property held for sale	811,489	-	811,489
Prepaid expenses	-	7,770	7,770
Capital assets not being depreciated	4,066,256	28,225	4,094,481
Capital assets, net of accumulated depreciation	18,992,082	10,038,432	29,030,514
Total assets	50,332,837	15,578,261	65,911,098
Deferred Outflows of Resources			
Deferred outflows related to pensions	1,993,322	179,947	2,173,269
Deferred amounts on refunding items	137,821	213,803	351,624
Total deferred outflows of resources	2,131,143	393,750	2,524,893
Liabilities			
Accounts payable	861,315	44,191	905,506
Accrued expenses	479,540	54,974	534,514
Accrued interest payable	107,478	106,284	213,762
Unearned revenues	3,848,405	-	3,848,405
Amounts held in custody for others	277,015	-	277,015
Customer deposits	354,490	403,745	758,235
Noncurrent liabilities:			
Accrued compensated absences	339,908	20,773	360,681
Pension liability	17,241,712	1,556,491	18,798,203
Long-term debt: due within one year	2,480,749	842,802	3,323,551
Long-term debt: due in more than one year	8,041,559	8,779,225	16,820,784
Total liabilities	34,032,171	11,808,485	45,840,656
Deferred Inflows of Resources			
Deferred revenues - property taxes	10,098,678	-	10,098,678
Deferred inflows related to pensions	5,614,687	506,864	6,121,551
Total deferred inflows of resources	15,713,365	506,864	16,220,229
Net Position			
Net Investment in capital assets	12,536,030	444,630	12,980,660
Restricted for:			
Capital projects	184,337	-	184,337
Debt service	339,485	-	339,485
Culture and recreation	133,873	-	133,873
Economic development	883,123	-	883,123
Unrestricted (deficit)	(11,358,404)	3,212,032	(8,146,372)
Total net position	\$ 2,718,444	\$ 3,656,662	\$ 6,375,106

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

CITY OF HORN LAKE, MISSISSIPPI
Statement of Activities
For the year ended September 30, 2021

Function / Program Activities	Expenses	Program Revenues				Total	Net (Expense) Revenue and Changes in Net Position		
		Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities		Business-Type Activities	Total	
Primary Government									
Government Activities:									
General government	\$ 3,053,639	\$ 417,406	\$ 186,535	\$ -	\$ 603,941	\$ (2,449,698)	\$ -	\$ (2,449,698)	
Police	5,431,751	688,862	324,324	-	1,013,186	(4,418,565)	-	(4,418,565)	
Fire and emergency services	4,482,440	512,294	208,051	-	720,345	(3,762,095)	-	(3,762,095)	
Streets and sanitation	5,426,478	1,859,174	4,396	1,193,073	3,056,643	(2,369,835)	-	(2,369,835)	
Animal control	282,660	-	-	-	-	(282,660)	-	(282,660)	
Parks and recreation	1,260,958	149,537	-	-	149,537	(1,111,421)	-	(1,111,421)	
Economic development and assistance	173,894	-	-	-	-	(173,894)	-	(173,894)	
Pension expense	717,029	-	-	-	-	(717,029)	-	(717,029)	
Interest on long-term debt	343,181	-	-	-	-	(343,181)	-	(343,181)	
Total governmental activities	21,172,030	3,627,273	723,306	1,193,073	5,543,652	(15,628,378)	-	(15,628,378)	
Business-Type Activities:									
Utility services	3,952,655	5,208,023	-	-	5,208,023	-	1,255,368	1,255,368	
Pension expense	(128,653)	-	-	-	-	-	128,653	128,653	
Interest on long-term debt	247,752	-	-	-	-	-	(247,752)	(247,752)	
Total business-type activities	4,071,754	5,208,023	-	-	5,208,023	-	1,136,269	1,136,269	
Total primary government	\$ 25,243,784	\$ 8,835,296	\$ 723,306	\$ 1,193,073	\$ 10,751,675	\$ (15,628,378)	\$ 1,136,269	\$ (14,492,109)	
General Revenues:									
Property taxes						\$ 9,341,344	\$ -	\$ 9,341,344	
Sales taxes						6,956,121	-	6,956,121	
Franchise taxes						722,897	-	722,897	
Tourism taxes						366,630	-	366,630	
Other taxes						42,315	-	42,315	
Interest income						179,845	45	179,890	
Gain (loss) on disposal of assets						(42,171)	1,195	(40,976)	
Miscellaneous						492,745	2,855	495,600	
Transfers						315,000	(315,000)	-	
Total general revenues and transfers						18,374,726	(310,905)	18,063,821	
Change in net position						2,746,348	825,364	3,571,712	
Net position - beginning						(27,904)	2,831,298	2,803,394	
Net position - ending						\$ 2,718,444	\$ 3,656,662	\$ 6,375,106	

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

CITY OF HORN LAKE, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Special Revenue Funds	Total Governmental Funds
Assets					
Cash	\$ 7,937,783	\$ 339,485	\$ 4,505,099	\$ 968,836	\$ 13,751,203
Investments	131,680			-	131,680
Property taxes receivable	7,388,054	2,508,650	-	201,974	10,098,678
Accounts receivable (net allowance for doubtful accounts of \$6,261,879)	688,262	-	-	-	688,262
Intergovernmental receivables	1,328,913	-	-	70,641	1,399,554
Franchise tax receivable	192,702	-	-	-	192,702
Other receivables	4,689	-	-	-	4,689
Total assets	\$ 17,672,083	\$ 2,848,135	\$ 4,505,099	\$ 1,241,451	\$ 26,266,768
Liabilities					
Accounts payable	\$ 366,477	\$ -	\$ 472,357	\$ 22,481	\$ 861,315
Accrued expenses	479,540	-	-	-	479,540
Unearned revenues	-	-	3,848,405	-	3,848,405
Amounts held in custody for others	277,015	-	-	-	277,015
Customer deposits	354,490	-	-	-	354,490
Total liabilities	1,477,522	-	4,320,762	22,481	5,820,765
Deferred Inflows of Resources					
Deferred revenue - property taxes	7,388,054	2,508,650	-	201,974	10,098,678
Fund Balances					
Restricted for					
Capital projects	-	-	184,337	-	184,337
Debt service	-	339,485	-	-	339,485
Culture and recreation	-	-	-	133,873	133,873
Economic development	-	-	-	883,123	883,123
Unassigned	8,806,507	-	-	-	8,806,507
Total fund balances	8,806,507	339,485	184,337	1,016,996	10,347,325
Total liabilities, deferred inflows, and fund balances	\$ 17,672,083	\$ 2,848,135	\$ 4,505,099	\$ 1,241,451	\$ 26,266,768

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

CITY OF HORN LAKE, MISSISSIPPI
Reconciliation of Governmental Funds Balance
Sheet to the Statement of Net Position
For the year ended September 30, 2021

Total Fund Balances - Total Governmental Funds	\$ 10,347,325
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	23,058,338
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the consolidated government's year end.	196,242
Restricted assets - property held for sale are long-term assets are not available to pay current period expenditures and therefore are unavailable in the funds:	811,489
Long-term liabilities, including bonds, notes payable, and other loans, are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(10,522,308)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(107,478)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(339,908)
Net pension liability are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(17,241,712)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore are not reported in the Governmental Funds Balance Sheet:	
Deferred outflows of resources related to defined benefit pension plan	1,993,322
Deferred inflows of resources related to defined benefit pension plan	(5,614,687)
Deferred amount on refunding of debt issuances.	<u>137,821</u>
Net position of governmental activities	<u><u>\$ 2,718,444</u></u>

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

CITY OF HORN LAKE, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
For the year ended September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Non-Major Special Revenue Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 6,281,298	\$ 2,686,531	\$ -	\$ 177,273	\$ 9,145,102
Sales taxes	6,956,121	-	-	-	6,956,121
Franchise taxes	722,897	-	-	-	722,897
Tourism tax	-	-	-	366,630	366,630
Licenses and permits	417,406	-	-	-	417,406
Intergovernmental revenues	1,520,836	-	437,858	-	1,958,694
Fines and forfeitures	666,510	-	-	-	666,510
Charges for services	2,543,357	-	-	-	2,543,357
Interest income	168,211	-	11,634	-	179,845
Miscellaneous revenues	670,643	-	-	-	670,643
Total revenues	<u>19,947,279</u>	<u>2,686,531</u>	<u>449,492</u>	<u>543,903</u>	<u>23,627,205</u>
Expenditures					
Current:					
General government	2,949,104	-	-	-	2,949,104
Police	5,708,878	-	-	-	5,708,878
Fire and emergency services	4,305,659	-	-	-	4,305,659
Streets and sanitation	2,818,044	-	2,260,081	-	5,078,125
Animal Control	269,255	-	-	-	269,255
Culture and recreation	878,913	-	-	167,595	1,046,508
Economic development	-	-	-	196,423	196,423
Debt service:					
Principal	244,451	2,671,000	-	-	2,915,451
Interest and other fees	11,856	329,968	-	-	341,824
Total expenditures	<u>17,186,160</u>	<u>3,000,968</u>	<u>2,260,081</u>	<u>364,018</u>	<u>22,811,227</u>
Excess of revenues over (under) expenditures	<u>2,761,119</u>	<u>(314,437)</u>	<u>(1,810,589)</u>	<u>179,885</u>	<u>815,978</u>
Other financing sources (uses)					
Transfers to other funds	-	(1,994,926)	-	-	(1,994,926)
Transfers from other funds	-	315,000	1,994,926	-	2,309,926
Total other financing sources (uses)	<u>-</u>	<u>(1,679,926)</u>	<u>1,994,926</u>	<u>-</u>	<u>315,000</u>
Net change in fund balances	<u>2,761,119</u>	<u>(1,994,363)</u>	<u>184,337</u>	<u>179,885</u>	<u>1,130,978</u>
Fund balances - beginning	<u>6,045,388</u>	<u>2,333,848</u>	<u>-</u>	<u>837,111</u>	<u>9,216,347</u>
Fund balances - Ending	<u>\$ 8,806,507</u>	<u>\$ 339,485</u>	<u>\$ 184,337</u>	<u>\$ 1,016,996</u>	<u>\$ 10,347,325</u>

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

CITY OF HORN LAKE, MISSISSIPPI
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 1,130,978
 Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	789,522
Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,337,452)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	196,242
The amortization of the bond premium and discount is reported as a reduction to expense on the statement of activities.	(192)
The amortization of the deferred refunding of debt issuances is reported as a increase to expense on the statement of activities.	(32,702)
Governmental funds only report the disposal of capital assets (including restricted assets - property held for sale) to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold.	(220,069)
Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds.	(717,029)
The change in accrued interest payable is reported as an expense on the statement of activities.	31,537
Repayment and refunding of long-term debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,915,451
Increase in accrual of compensated absences.	<u>(9,938)</u>
Change in net position of governmental activities	<u><u>\$ 2,746,348</u></u>

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

CITY OF HORN LAKE, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2021

	Business-Type Activities - Enterprise Funds Utility Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,977,082
Accounts receivable (net of allowance for doubtful accounts of \$153,346)	392,411
Other receivables	134,341
Prepaid expenses	7,770
Total current assets	5,511,604
Noncurrent assets:	
Capital assets not being depreciated	28,225
Capital assets, net of accumulated depreciation	10,038,432
Total noncurrent assets	10,066,657
Total assets	15,578,261
Deferred Outflows of Resources	
Deferred amounts on refunding items	213,803
Deferred outflows related to pensions	179,947
Total deferred outflows of resources	393,750
Liabilities	
Current liabilities:	
Accounts payable	44,191
Accrued liabilities	54,974
Customer deposits	403,745
Accrued interest payable	106,284
Capital debt - current	842,802
Total current liabilities	1,451,996
Noncurrent liabilities:	
Accrued compensated absences	20,773
Pension liability	1,556,491
Capital debt	8,779,225
Total noncurrent liabilities	10,356,489
Total liabilities	11,808,485
Deferred Inflows of Resources	
Deferred inflows related to pensions	506,864
Net Position	
Net investment in capital assets	444,630
Unrestricted (deficit)	3,212,032
Total net position	\$ 3,656,662

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

CITY OF HORN LAKE, MISSISSIPPI
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended September 30, 2021

	Business-Type Activities - Enterprise Funds Utility Fund
Operating revenues	
Charges for services	\$ 5,208,023
Total operating revenues	<u>5,208,023</u>
Operating expenses	
Contractual services and supplies	2,110,105
Personnel services	995,614
Pension expense	(128,653)
Depreciation and amortization expense	846,936
Total operating expenses	<u>3,824,002</u>
Operating income (loss)	<u>1,384,021</u>
Nonoperating revenues (expenses)	
Interest income	45
Interest expense	(247,752)
Gain (loss) on disposal of capital assets	1,195
Miscellaneous revenue	2,855
Total nonoperating revenues (expenses)	<u>(243,657)</u>
Income (loss) before transfers	<u>1,140,364</u>
Transfers out	<u>(315,000)</u>
Changes in net position	<u>825,364</u>
Net position - beginning	<u>2,831,298</u>
Net position - ending	<u>\$ 3,656,662</u>

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

CITY OF HORN LAKE, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the year ended September 30, 2021

	Business-Type Activities - Enterprise Funds <u>Utility Fund</u>
Cash flows from operating activities	
Cash received from customers	\$ 5,037,937
Cash payments to suppliers for goods and services	(2,263,020)
Cash payments to employees for services	<u>(1,003,644)</u>
Net cash provided by (used in) operating activities	<u>1,771,273</u>
Cash flows from noncapital financing activities	
Operating transfers out	(315,000)
Miscellaneous revenues	<u>2,855</u>
Net cash provided by (used In) noncapital financing activities	<u>(312,145)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(180,523)
Proceeds of capital assets	1,195
Principal paid on long-term debt	(848,968)
Interest paid on long-term debt	<u>(253,992)</u>
Net Cash Provided by (Used In) Capital and Related Financing Activities	<u>(1,282,288)</u>
Cash Flows from Investing Activities	
Interest income	<u>45</u>
Net cash provided by (used in) investing activities	<u>45</u>
Net increase (decrease) in cash and cash equivalents	<u>176,885</u>
Cash and cash equivalents - beginning	<u>4,800,197</u>
Cash and cash equivalents - ending	<u>\$ 4,977,082</u>

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

CITY OF HORN LAKE, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the year ended September 30, 2021

	Business-Type Activities - Enterprise Funds Utility Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating Income (loss)	\$ <u>1,384,021</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation and amortization expense	846,936
Net pension expense	(128,653)
Effect of changes in operating assets and liabilities:	
Accounts receivable	(44,414)
Other receivables	(134,341)
Prepaid expenses	-
Accounts payable	(167,726)
Accrued expenses	14,811
Customer deposits	8,669
Compensated absences	<u>(8,030)</u>
Total adjustments	<u>387,252</u>
Net cash provided by (used in) operating activities	\$ <u><u>1,771,273</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Horn Lake, Mississippi (the City) is a political subdivision of the State of Mississippi incorporated in 1973. The City operates under the Board of Aldermen-Mayor form of government and provides the following services: public safety (police and fire), public works (streets and sanitation), culture and recreation, public improvements, planning and zoning, and general administrative services.

Accounting principles generally accepted in the United States of America require City of Horn Lake to present these financial statements on the primary government. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These financial statements present all the accounts of the City. There are no outside organizations that should be included as component units of the City's reporting entity.

FINANCIAL REPORTING ENTITY - BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

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 statement of net position and statement of activities display information concerning the City as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally supported by 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 primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net position presents the financial condition of the governmental and business-type activities for the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods and services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues that are 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

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and enterprise fund financial statements are on major funds. Each major fund is presented in a separate column. Non-major funds, where applicable, are aggregated and presented in a single column.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible in the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Significant revenues considered to be susceptible to accrual in addition to general property taxes include sales tax and various categorical grants. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Types

Governmental Funds

General Fund – The General Fund is used to account for all financial resources of the primary government except those required to be accounted for in another fund. The majority of current operations are financed by this fund. Transfers to other funds and agencies are made from this fund. Monies from other funds may be received unless prohibited by the purpose and object of such funds. This is a major fund.

Debt Service Fund – The Debt Service Fund was established to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for major projects. This is a major governmental fund.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources such as proceeds from the sale of bonds, bond anticipation notes, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. Capital improvements intended for Proprietary Fund use are not included in the Capital Projects Funds. This is a major governmental fund.

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

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Types – continued

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the proprietary funds are as follows: sale of water, sewer, and refuse collection charges. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Utility Fund – This fund is used to account for the provision of water, sewer and sanitation services to City residents. This is a major fund.

BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Charter establishes the fiscal year at the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

INTERFUND TRANSACTIONS AND BALANCES

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CASH EQUIVALENTS

For purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when acquired to be cash equivalents.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEPOSITS 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 City, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, 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), Investments in stock are stated at fair value.

ACCOUNTS RECEIVABLE

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

RESTRICTED ASSETS

Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

CAPITAL ASSETS AND DEPRECIATION

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Infrastructure	-	20-50 years
Buildings / Improvements	50,000	20-40 years
Improvements other than buildings	25,000	20 years
Vehicles and mobile equipment	5,000	3-10 years

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement 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.

Deferred Amount on Refunding - For current and advance refundings resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Outflows Related to Pension - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates. See Note 10 for additional details.

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

Property Tax for Future Reporting Period / Unavailable Revenue – Property Taxes - 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.

Deferred Inflows Related to Pension - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates. See Note 8 for additional details.

LONG-TERM DEBT AND BOND DISCOUNTS / PREMIUMS

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 governmental activities and business-type activities 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.

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

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PREPAID ITEMS

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the nonspendable portion of fund balance for prepaid items in the governmental funds has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

NET POSITION

On the government-wide and proprietary fund statement of net position, the City reports net position in the following three categories:

Net Investment in Capital Assets – consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition or construction of those assets.

Restricted Net Position – consists of assets, less any related liabilities, restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of net position that is not classified as net investment in capital assets or restricted net position.

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

FUND BALANCES

On the fund financial statements, the governmental funds balance sheet reports assets in excess of liabilities as fund balances. The fund balances are segregated into the following classifications indicating the extent to which the City is bound to honor constraints on the specific purposes for which those funds can be spent:

Nonspendable – the fund balance is reported as nonspendable when the resources are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted – the fund balance is reported as restricted when constraints placed on the resources are (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

FUND BALANCES – continued

Committed – the fund balance is reported as committed for amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the board. Committed amounts cannot be uncommitted except by removing the constraints through the same formal action.

Assigned – the fund balance is reported as assigned for resources that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Intent can be expressed by the board of aldermen or an official to which the board has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the unassigned fund balance is the residual classification for the general fund. This classification represents general fund balance that is not otherwise reported as restricted or assigned to specific purposes. This classification is also used to report any negative fund balance in other governmental funds.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' 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.

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.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

PROPERTY TAX REVENUES

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.

COMPENSATED ABSENCES

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS

The carrying amount of the City's total deposits with financial institutions at September 30, 2021, was \$18,728,285, and the bank balance was \$19,116,985. 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 that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). 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.

The City invests in common stock. The valuation methodology used measures assets at fair value. No methodology changes were noted as of September 30, 2021.

For the year ended September 30, 2021, investments held in governmental funds totaled \$131,680 and were valued using Level 1 inputs.

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at September 30, 2021, consisted of the following:

Description	General Fund	Non-Major Governmental Funds
Sales tax	\$ 1,153,550	\$ -
Tourism tax	-	70,641
Fire rebate funds	160,718	-
Police grants	14,645	-
Totals	\$ 1,328,913	\$ 70,641

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 4 - INTERFUND TRANSFERS AND BALANCES

Transfers In / Out

Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
Debt service fund	\$ 315,000	\$ 1,994,926
Capital projects fund	1,994,926	-
Utility	<u>-</u>	<u>315,000</u>
Total funds	<u>\$ 2,309,926</u>	<u>\$ 2,309,926</u>

The principal purpose of interfund transfers was to provide funds for capital projects or to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

NOTE 5 - ACCOUNTS RECEIVABLE

Receivables for accounts of the Utility Fund (an Enterprise Fund) have been reduced by \$153,346 to reflect the provision for uncollectible accounts. The accrual amount of court fine receivables, sanitation accounts, and ambulance fee receivables on the Balance Sheet – Governmental Funds and the Statement of Net Position – Government – Wide has been reduced by \$6,005,675, \$72,163, and \$184,041, respectively, to reflect the provision for uncollectible fines and fees.

NOTE 6 - PROPERTIES HELD FOR SALE – RESTRICTED ASSET

During 2013, five parcels of property were forfeited to the City due to taxes being delinquent for three years. The parcels were recorded on the Statement of Net Position as property held for sale and valued at the accumulated uncollected taxes and limited to fair value as listed by the DeSoto County Tax Assessor totaling \$811,489.

NOTE 7 - OPERATING LEASES

As lessor: the City receives income from Newly Wed Foods, Inc. rail spur it leases under a noncancellable operating lease. Total annual income from the lease is \$20,904. The future minimum lease payments receivable for this lease are as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2022	\$ 20,204
2023	20,204
2024	20,204
2025	20,204
2026	20,204
2027-2028	<u>40,408</u>
	<u>\$ 141,428</u>

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 8 - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2021:

	<u>Balance</u> <u>Oct. 1, 2020</u>	<u>Acquisitions</u>	<u>Capitalized</u> <u>Construction,</u> <u>Sales, or</u> <u>Retirements</u>	<u>Balance</u> <u>Sept. 30, 2021</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,729,631	\$ -	\$ -	\$ 3,729,631
Construction in progress	<u>-</u>	<u>336,625</u>	<u>-</u>	<u>336,625</u>
Total capital assets, not being depreciated:	3,729,631	336,625	-	4,066,256
Capital assets being depreciated:				
Buildings and improvements	11,019,977	-	-	11,019,977
Machinery and equipment	3,278,200	57,569	-	3,335,769
Infrastructure	28,049,349	-	-	28,049,349
Vehicles	<u>6,084,252</u>	<u>395,328</u>	<u>(489,676)</u>	<u>5,989,904</u>
Total capital assets, being depreciated	48,431,778	452,897	(489,676)	48,934,999
Less accumulated depreciation for:				
Buildings and improvements	(4,271,505)	(275,358)	-	(4,546,863)
Machinery and equipment	(2,419,316)	(129,324)	-	(2,548,640)
Infrastructure	(17,293,612)	(759,347)	-	(18,052,959)
Vehicles	<u>(4,521,741)</u>	<u>(173,423)</u>	<u>440,709</u>	<u>(4,254,455)</u>
Total accumulated depreciation	<u>(28,506,174)</u>	<u>(1,337,452)</u>	<u>(48,967)</u>	<u>(29,402,917)</u>
Total governmental activities capital assets, net	<u>\$ 23,655,235</u>	<u>\$ (547,930)</u>	<u>\$ (48,967)</u>	<u>\$ 23,058,338</u>

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 8 - CAPITAL ASSETS – continued

	Balance Oct. 1, 2020	Acquisitions	Capitalized Construction, Sales, or Retirements	Balance Sept. 30, 2021
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 28,225	\$ -	\$ -	\$ 28,225
Construction in progress	-	-	-	-
Total capital assets, not being depreciated:	28,225	-	-	28,225
Capital assets being depreciated:				
Buildings and improvements	151,001	-	-	151,001
Machinery and equipment	297,891	-	-	297,891
Infrastructure	22,549,765	49,601	-	22,599,366
Vehicles	227,585	130,922	-	358,507
Total capital assets, being depreciated	23,226,242	180,523	-	23,406,765
Less accumulated depreciation for:				
Buildings and improvements	(55,835)	(2,850)	-	(58,685)
Machinery and equipment	(261,607)	(8,518)	-	(270,125)
Infrastructure	(12,127,886)	(754,235)	-	(12,882,121)
Vehicles	(102,973)	(54,429)	-	(157,402)
Total accumulated depreciation	(12,548,301)	(820,032)	-	(13,368,333)
Total business-type activities capital assets, net	\$ 10,706,166	\$ (639,509)	\$ -	\$ 10,066,657

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental Activities:

General government	\$ 120,371
Police	120,371
Fire and emergency services	173,869
Streets and sanitation	695,475
Animal control	13,374
Parks and recreation	213,992

Total depreciation expense - governmental activities **\$ 1,337,452**

Business-Type Activities:

Utility	820,033
---------	---------

Total depreciation expense - business-type activities **\$ 820,033**

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 9 - LONG-TERM DEBT

BONDS PAYABLE

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Special Assessments General Obligation Bonds are secured by an irrevocable pledge of the special assessment ad valorem taxes to be levied annually upon the property benefited by the project. The full faith, credit and resources of the City are irrevocably pledged for the payment of the principal and interest on the bonds.

OTHER LOANS

Eight different capital improvement and equipment revolving loans make up the September 30, 2021 other loans balance and are included in both governmental activities and business-type activities. All of the loans are in repayment status with a total outstanding balance of \$2,647,768.

DEBT SUMMARY

Debt outstanding as of September 30, 2021, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
General Obligation Bonds:			
Series 2011 Refunding Bonds	\$ 970,000	2.00-3.125%	08/2024
Series 2015 Refunding Bonds	2,440,000	2.00-3.125%	11/2028
Series 2018 Refunding Bonds	<u>797,000</u>	2.20-2.60%	04/2023
Total General Obligation Bonds	<u>4,207,000</u>		
Special Obligation Bonds:			
Series 2012 Bonds - Recreational Facilities	710,000	2.00-3.00%	10/2021
Series 2019 Bonds - Paving Roads	<u>4,902,000</u>	2.80%	06/2029
Total Special Obligation Bonds	<u>5,612,000</u>		
Other Loans:			
MDA Railroad Spur	141,108	0.00%	07/2028
Fire Pumper Truck	<u>412,030</u>	2.29%	12/2024
Total Other Loans	<u>553,138</u>		
Settlement Payable			
2008 Tax Sale Voided by Court Order	<u>113,355</u>	0.00%	02/2022
Total Governmental Activities	<u>\$10,485,493</u>		

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 9 - LONG-TERM DEBT – continued

DEBT SUMMARY – continued

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-Type Activities:			
Special Obligation Bonds:			
Series 2014 Water and Sewer Refunding Bonds	\$ 4,850,000	2.00-3.50%	10/2027
Series 2015 Water and Sewer Refunding Bonds	<u>2,615,000</u>	3.00-3.25%	12/2030
Total Special Obligation Bonds	<u>7,465,000</u>		
Other Loans:			
Drinking Water Systems Improvement - Water Tower	-	4.00%	11/2020
Drinking Water Systems Improvement - Water Treatment	109,007	3.50%	10/2023
CAP Loan - Water Treatment Plant	259,680	2.00%	10/2026
CAP Loan - Water Treatment Plant	137,592	3.00%	10/2027
CAP Loan - Water Treatment Plant	220,683	2.00%	02/2035
Drinking Water Systems Improvement - Twin Lakes	<u>1,367,668</u>	2.00%	04/2037
Total Other Loans	<u>2,094,630</u>		
Total Business-Type Activities	<u>\$ 9,559,630</u>		

CHANGES IN LONG-TERM DEBT

During the fiscal year, the following changes occurred in long-term debt:

	Fund Debt Retired By	Balances Oct. 1,	Additions	Reductions	Balances Sept. 30	Current Portion
Governmental Activities:						
General Obligation Bonds	Debt Service	\$ 5,937,000	\$ -	\$ 1,730,000	\$ 4,207,000	\$ 982,000
Special Obligation Bonds	Debt Service	6,553,000	-	941,000	5,612,000	1,265,000
Other Loans	General	671,243	-	118,105	553,138	120,394
Settlement Payable	General	239,701	-	126,346	113,355	113,355
Premiums		47,551	-	5,280	42,271	-
Discounts		<u>(10,928)</u>	<u>-</u>	<u>(5,472)</u>	<u>(5,456)</u>	<u>-</u>
Total Governmental Activities		<u>\$ 13,437,567</u>	<u>\$ -</u>	<u>\$ 2,915,259</u>	<u>\$ 10,522,308</u>	<u>\$ 2,480,749</u>
Business-Type Activities:						
Special Obligation Bonds	Utility Fund	\$ 8,090,000	\$ -	\$ 625,000	\$ 7,465,000	\$ 640,000
Other Loans	Utility Fund	2,310,798	-	216,168	2,094,630	202,802
Premiums		<u>70,197</u>	<u>-</u>	<u>7,800</u>	<u>62,397</u>	<u>-</u>
Total Business-Type Activities		<u>\$ 10,470,995</u>	<u>\$ -</u>	<u>\$ 848,968</u>	<u>\$ 9,622,027</u>	<u>\$ 842,802</u>

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 9 - LONG-TERM DEBT – continued

DEBT SERVICE REQUIREMENTS TO MATURITY

Annual debt service requirements to maturity are as follows:

Year Ending September 30,	Governmental Activities					Total
	General Obligation Bonds	Special Obligation Bonds	Other Loans	Settlement Payable	Interest	
2022	\$ 982,000	\$ 1,265,000	\$ 120,394	\$ 113,355	\$ 272,022	\$ 2,752,771
2023	1,020,000	571,000	122,704	-	217,297	1,931,001
2024	630,000	587,000	125,068	-	171,353	1,513,421
2025	300,000	603,000	127,480	-	134,410	1,164,890
2026	310,000	620,000	20,904	-	106,846	1,057,750
2027-2029	<u>965,000</u>	<u>1,966,000</u>	<u>36,588</u>	<u>-</u>	<u>157,670</u>	<u>3,125,258</u>
Total	<u>\$ 4,207,000</u>	<u>\$ 5,612,000</u>	<u>\$ 553,138</u>	<u>\$ 113,355</u>	<u>\$1,059,598</u>	<u>\$11,545,091</u>

Year Ending September 30,	Business-Type Activities				Total
	Special Obligation Bonds	Other Loans	Interest		
2022	\$ 640,000	\$ 202,802	\$ 273,096	\$ 1,115,898	
2023	660,000	207,981	246,792	1,114,773	
2024	685,000	162,763	220,406	1,068,169	
2025	705,000	161,757	195,172	1,061,929	
2026	730,000	165,346	168,302	1,063,648	
2027-2031	4,045,000	579,778	417,996	5,042,774	
2032-2036	-	547,104	34,268	581,372	
2037	<u>-</u>	<u>67,099</u>	<u>478</u>	<u>67,577</u>	
Total	<u>\$ 7,465,000</u>	<u>\$ 2,094,630</u>	<u>\$ 1,556,510</u>	<u>\$11,116,140</u>	

On July 17, 2018, the City entered into an agreement to repay DeSoto County ("the County"), Mississippi related to the settlement of a 2008 tax sale voided by DeSoto County Chancery Comt order affirmed by the Mississippi Supreme Court. The City has agreed to pay \$479,403 to the County in four annual installments of \$119,851 starting February 28, 2019 concluding on the same day in 2022.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLAN

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

Benefits Provided - For the cost-sharing plan participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0% 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% 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 (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011). 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.

Employee membership data related to the Plan, as of June 30, 2020, was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	109,881
Inactive Members Assumed Eligible for a Benefit at Retirement Date	16,436
Inactive Members Assumed Not to Receive Service Retirement Benefits	62,211
Active Members	<u>149,855</u>
Total	<u><u>338,383</u></u>

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLAN – continued

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Horn Lake is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. The City of Horn Lake's contributions to PERS for the years ending September 30, 2021, 2020, and 2019 were, \$1,514,592, \$1,417,721, and \$1,332,619, respectively, equal to the required contributions for each year.

For the year ended September 30, 2021, the City of Horn Lake's total payroll for all employees was \$8,763,504. Total covered payroll was also \$8,704,548. Covered payroll refers to all compensation paid by the City to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2021, the City of Horn Lake reported a liability of \$18,798,203 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2021, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Horn Lake's proportion of the net pension was based on a projection of the City of Horn Lake's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City of Horn Lake's proportion was 0.127183%.

For the year ended September 30, 2021, the City of Horn Lake recognized pension expense of \$588,376. At September 30, 2021, the City of Horn Lake reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 300,583	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	5,661,217
City Pension Contributions Subsequent to the Measurement Date	426,174	-
Changes of Assumptions	1,446,512	-
Changes in Proportion and Differences in Actual Earnings on Pension Plan Assets	-	460,334
Total	<u>\$ 2,173,269</u>	<u>\$ 6,121,551</u>

The \$426,174 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, 2022.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLAN – continued

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
2022	\$ (835,454)
2023	(826,313)
2024	(1,025,677)
2025	<u>(1,687,012)</u>
Total	<u>\$ (4,374,456)</u>

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

Inflation	2.40%
Salary increases	2.65 - 17.90%, average, including inflation
Investment rate of return	7.55%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 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 TPL were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2020. The experience report is dated April 20, 2021.

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

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 10 - DEFINED BENEFIT PENSION PLAN – continued

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.60 %
International Equity	22.00	4.50
Global Equity	12.00	4.80
Fixed Income	20.00	(0.25)
Real Estate	10.00	3.75
Private Equity	8.00	6.00
Cash	<u>1.00</u>	<u>(1.00)</u>
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.55 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 made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Horn Lake's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Horn Lake's proportionate share of the net pension liability using the discount rate of 7.55 percent, as well as what the City of Horn Lake's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) or 1-percentage-point higher (8.55 percent) than the current rate:

	<u>Discount Rate</u>	<u>City of Horn Lake's Proportionate Share of Net Pension Liability</u>
1% Decrease	6.55%	\$ 26,622,663
Current Discount Rate	7.55%	18,798,203
1% Increase	8.55%	12,350,226

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

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 11 - RISK MANAGEMENT

The City of Horn Lake is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, workers' compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 12 - CONTINGENT LIABILITIES

Litigation

The City is a defendant in various litigations arising out of normal business activities. Although the City carries commercial insurance to protect itself against damage claims, it is possible that the ultimate resolution of cases may exceed the City's insured limits. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial statements.

Federally Assisted Programs – Compliance Audits

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 13 - USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for uncollectible court fines and ambulance fees and then the net pension liability as mentioned in Note 5 and Note 10, respectively. It is as least reasonably possible that the significant estimate used will change within the next year.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 14 - CONSTRUCTION COMMITMENTS

Commitments with respect to unfinished capital projects on September 30, 2021, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Street paving project	\$ 121,447	Feb. 2022
Street paving project	1,644,717	Feb. 2022
Tulane bridge replacement	90,463	Mar. 2022
Street maintenance project	63,056	In progress
	<u>\$ 1,919,683</u>	

NOTE 15 - TAX ABATEMENTS

The City enters into property tax abatement agreements with local businesses for economic development purposes. The abatements may be granted to any business located within or promising to locate within the city limits. The abatements are negotiated on an individual basis. Each abatement is for 10 years. The City had four tax abatement agreements with four entities as of September 30, 2021.

The City had one type of abatements, none of which provides for the abatement of school or state tax levies:

Section 27-31-101 – New enterprise exemptions

All four entities had tax abatements listed under the above listed statutes.

Category	Amount of taxes abated during the fiscal year
New industrial enterprises	\$402,771

The companies were not required to comply with any special provisions in order to receive the abatements and the City made no commitments as part of the agreements other than to reduce taxes. Abatements may be voided pursuant to state law in the event of a cessation of company operations.

NOTE 16 - SUBSEQUENT EVENTS

Date of Management Evaluation

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the 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. Management has evaluated the activity of the City through August 31, 2023, (the date the financial statements were available to be issued) and determined that the following subsequent events have occurred that would require disclosure in the notes to the financial statements. No adjustments were considered necessary to the financial statements.

- Approved purchase of 2023 Piece Velocity 100' Heavy Duty Aerial Tower on State contract at a cost of \$1,742,300 – authorized by the Board of Aldermen / Alderwomen on November 2, 2021.

CITY OF HORN LAKE, MISSISSIPPI
Notes to Financial Statements
September 30, 2021

NOTE 16 - SUBSEQUENT EVENTS – continued

- Twin Lakes Project DWSIRLF Loan Number DWI-L170022-04-0 for an estimated cost of \$1,100,000 – authorized by the Board of Aldermen / Alderwomen on April 5, 2022.
- General Obligation Public Improvement Bond, Series 2023, in an amount not to exceed \$9,000,000.00 – authorized by the Board of Aldermen / Alderwomen on May 16, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HORN LAKE, MISSISSIPPI
General Fund Statement of Revenues, Expenditures and Changes
In Fund Balances - Budget (Non-GAAP basis) and Actual
For the year ended September 30, 2021

	Budget		Actual	Variance with Final Budget (Unfavorable)
	Original	Final		
Revenues				
Property taxes	\$ 6,448,000	\$ 6,448,000	\$ 6,281,298	\$ (166,702)
Sales taxes	5,625,000	5,625,000	6,855,603	1,230,603
Franchise taxes	720,000	720,000	758,427	38,427
Licenses and permits	397,000	397,000	415,391	18,391
Intergovernmental revenues	470,000	470,000	1,672,660	1,202,660
Fines and forfeitures	622,000	622,000	666,510	44,510
Charges for services	404,000	404,000	2,450,354	2,046,354
Interest income	-	-	168,211	168,211
Miscellaneous revenues	<u>2,777,305</u>	<u>2,777,305</u>	<u>670,643</u>	<u>(2,106,662)</u>
Total revenues	<u>17,463,305</u>	<u>17,463,305</u>	<u>19,939,097</u>	<u>2,475,792</u>
Expenditures				
Current:				
General government	3,168,675	3,168,675	2,949,104	219,571
Police	6,379,193	6,379,193	5,708,878	670,315
Fire and emergency services	4,459,500	4,459,500	4,305,659	153,841
Streets and sanitation	2,823,400	2,823,400	2,818,044	5,356
Animal Control	269,900	269,900	269,255	645
Culture and recreation	1,030,400	1,030,400	878,913	151,487
Debt Service				
Principal	244,451	244,451	244,451	-
Interest	<u>11,856</u>	<u>11,856</u>	<u>11,856</u>	<u>-</u>
Total expenditures	<u>18,387,375</u>	<u>18,387,375</u>	<u>17,186,160</u>	<u>1,201,215</u>
Excess of revenues over (under) expenditures	<u>(924,070)</u>	<u>(924,070)</u>	<u>2,752,937</u>	<u>3,677,007</u>
Other financing sources (uses)				
Transfers to Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over financing and other uses				
	(924,070)	(924,070)	2,752,937	3,677,007
Fund balance (non-GAAP budgetary basis) - beginning of year				
	<u>6,045,388</u>	<u>6,045,388</u>	<u>6,045,388</u>	<u>-</u>
Fund balance (non-GAAP budgetary basis) - end of year				
	<u>\$ 5,121,318</u>	<u>\$ 5,121,318</u>	8,798,325	<u>\$ 3,677,007</u>
Adjustments to Generally Accepted Accounting Principles:				
Revenue Accruals			<u>8,182</u>	
Fund balance (GAAP basis) - end of year			<u>\$ 8,806,507</u>	

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

CITY OF HORN LAKE, MISSISSIPPI
Schedule of the City's Proportionate
Share of the Net Pension Liability
For the Seven Years Ended September 30, 2021*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of net pension liability (%)	0.127183 %	0.122800 %	0.124500 %	0.125100 %	0.120100 %	0.120000 %	0.126500 %
City's proportionate share of net pension liability	\$ 18,798,203	\$ 23,779,622	\$ 21,902,182	\$ 20,801,859	\$ 19,965,694	\$ 21,434,996	\$ 19,554,406
City's covered payroll	\$ 8,704,548	\$ 8,147,822	\$ 8,461,073	\$ 7,918,573	\$ 7,895,302	\$ 7,881,829	\$ 7,856,961
City's proportionate share of net pension liability as a percentage of its covered payroll	215.96 %	291.85 %	286.29 %	262.70 %	252.88 %	271.95 %	247.46 %
Plan fiduciary net position as a percentage of total pension liability	70.44 %	58.97 %	61.59 %	62.54 %	61.49 %	57.47 %	61.70 %

Schedule is intended to show information for 10 years. Additional years will be available as they become available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

* The amounts presented have a measurement date of June 30.

CITY OF HORN LAKE, MISSISSIPPI
Schedule of the City's Contributions
For the Seven Years Ended September 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,514,592	\$ 1,417,721	\$ 1,332,619	\$ 1,247,177	\$ 1,243,512	\$ 1,241,338	\$ 1,237,471
Contributions in relation to statutorily required contributions	\$ 1,514,592	\$ 1,417,721	\$ 1,332,619	\$ 1,247,177	\$ 1,243,512	\$ 1,241,338	\$ 1,235,977
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,494
City's covered payroll	\$ 8,704,548	\$ 8,147,822	\$ 8,461,073	\$ 7,918,573	\$ 7,895,302	\$ 7,881,829	\$ 7,856,961
Contributions as a percentage of covered payroll	17.40 %	17.40 %	16.12 %	15.75 %	15.75 %	15.75 %	15.75 %

Contribution percentage rate went from 15.75% to 17.40% as of July 1, 2019.
The accompanying notes to the Required Supplementary Information are an integral part of this schedule.
Schedule is intended to show information for 10 years. Additional years will be available as they become available.

CITY OF HORN LAKE, MISSISSIPPI
Notes to the Required Supplementary Information
For the year ended September 30, 2021

Budgetary Information

All funds of the City of Horn Lake, Mississippi, governmental and business-type are budgeted. For comparison purposes, the final, amended budget is utilized, and it is presented on a modified cash basis of accounting as required by the State of Mississippi, which is not consistent with generally accepted accounting principles. Although all capital projects have a proposed budget approved for the project length, they have budgets approved on an annual basis. All budgetary appropriations lapse at year-end.

Budgetary Basis of Presentation

The budget is adopted and may be amended by the Board of Aldermen / Alderwomen. A budgetary comparison is presented for the general fund and each special revenue major fund and is presented on a modified cash basis of accounting.

Pension Schedules - Changes of Assumptions

2021 The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table 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 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.

CITY OF HORN LAKE, MISSISSIPPI
Notes to the Required Supplementary Information
For the year ended September 30, 2021

Pension Schedules - Changes of Assumptions (continued)

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in in the line of duty was decrease from 6% to 4%.

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 more closely reflect actual experience.

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

2017 The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

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

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

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

2016 The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

CITY OF HORN LAKE, MISSISSIPPI
Notes to the Required Supplementary Information
For the year ended September 30, 2021

Pension Schedules - Changes of Assumptions (continued)

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 more closely reflect actual experience.

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

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

Changes of 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.

OTHER INFORMATION

CITY OF HORN LAKE, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2021
Unaudited

NAME	POSITION	BOND	INSURANCE COMPANY
Allen B. Latimer	Mayor	\$ 75,000	Fidelity & Deposit
Michael Guice	Alderman, Ward 1	100,000	Fidelity & Deposit
Tommy Bledsoe	Alderman, Ward 2	100,000	Fidelity & Deposit
Jackie Bostick	Alderman, Ward 3	100,000	Fidelity & Deposit
David Young	Alderman, Ward 4	100,000	Travelers Casualty & Surety Company
LaShonda Johnson	Alderwomen, Ward 5	100,000	Fidelity & Deposit
Robby Dupree	Alderman, Ward 6	100,000	Travelers Casualty & Surety Company
Danny Klein	Alderman, At-Large	100,000	Fidelity & Deposit
James Robinson	CAO / City Clerk	100,000	Fidelity & Deposit
Tara Warren	Court Clerk	50,000	Fidelity & Deposit
Cindy R. White	Deputy Court Clerk	50,000	Fidelity & Deposit
Arianne Linville	HR Director	50,000	Fidelity & Deposit
Felecia Topp Peters	Parks / Concessions	50,000	Fidelity & Deposit
Julie Valsamis	Accounts Payable / Deputy City Clerk	50,000	Travelers Casualty & Surety Company
Rodney Nash	Utility Manager	50,000	Travelers Casualty & Surety Company
Amy Louise Ray	Deputy Court Clerk	50,000	Fidelity & Deposit
Kelsey N. Bishop	Utility Clerk / Deputy City Clerk	50,000	Fidelity & Deposit
Troy Rowell	Police Chief	50,000	Fidelity & Deposit
Denise D. Kovatch	Police - Seized Property	50,000	Fidelity & Deposit
Jeny Black Price	Police Department	50,000	Fidelity & Deposit
David Carl Linville	Fire Chief	50,000	Fidelity & Deposit
Ronald L. White, Jr.	Deputy Fire Marshall	50,000	Fidelity & Deposit
Crystal Shae Matthews	Accounts Payable / Deputy City Clerk	50,000	Travelers Casualty & Surety Company
Marie Shoemaker	Finance Director	50,000	Travelers Casualty & Surety Company
Tammy Woods	Planning Deputy City Clerk	50,000	Travelers Casualty & Surety Company

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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 / Alderwomen
City of Horn Lake, 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 Horn Lake, Mississippi as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Horn Lake, Mississippi's basic financial statements, and have issued our report thereon dated August 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Horn Lake, 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 the City of Horn Lake, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Horn Lake, 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as items [2021-01] that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Horn Lake, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item [2021-21].

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

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. However, this report is a matter of public record and its distribution is not limited.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
August 31, 2023

**CITY OF HORN LAKE, MISSISSIPPI
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2021**

FINANCIAL STATEMENT FINDINGS:

FINDING NO. 2021-01 Design Deficiency – Capital Assets (significant deficiency and instance of noncompliance)

Criteria: The City is required, by state statutes, to maintain adequate subsidiary records substantiating the existence, completeness and valuation of its capital assets.

Cause of Condition: The City does not appear to be utilizing a property tagging system among all departments. None of the equipment we observed had a physical property tag.

Recommendation: The City should ensure all new and existing items of equipment are physically tagged with property numbers. Department heads should verify that all capital assets are properly tagged (equipment) and accounted for when the year-end inventory of assets is carried out. The Department heads should identify any items that do not have proper tags and communicate with the finance department to ensure that the items are tagged and reflected on the capital asset listing.

Response: The City will continue to implement a property tagging system and department heads will conduct annual year-end inventories of all capital assets. The City will stress the importance of communication between department heads and the finance department related to all items involving capital asset inventory control.

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen / Alderwomen
City of Horn Lake, Mississippi

We have audited the financial statements of the City of Horn Lake, Mississippi, as of and for the year ended September 30, 2021, and have issued our report thereon dated August 31, 2023. 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 the *Government Auditing Standards*.

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 statement disclosed the following material instance of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as finding 2021-01 on page 63.

This report is intended for the information and use of management, federal awarding agencies, the Office of the State Auditor, and pass-through entities 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.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
August 31, 2023