

**CITY OF HORN LAKE, MISSISSIPPI**

Audited Financial Statements  
For the Fiscal Year Ended September 30, 2019

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**City of Horn Lake, Mississippi**  
**September 30, 2019**  
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## FINANCIAL AUDIT REPORT

**FORTENBERRY & BALLARD, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL  
STATEMENTS AND SUPPLEMENTARY INFORMATION**

Members of the Board of Aldermen  
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 City of Horn Lake, Mississippi, (the City) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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## **Basis for Qualified Opinion on Governmental Activities, Business-type Activities and Utility Fund**

As discussed in Note 13 to the financial statements, the City has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

## **Qualified Opinion**

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of City of Horn Lake, Mississippi, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of City of Horn Lake, Mississippi, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of Funding Progress – Other Postemployment Benefits, the Schedule of the City’s Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions 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.

### *Omission of Required Supplementary Information*

City of Horn Lake, Mississippi, has omitted the Schedule of Changes in the Total OPEB Liability and Related Ratios that accounting principles generally accepted in the United States of America

require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Horn Lake, Mississippi's basic financial statements.

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, 2021 on our consideration of 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.

*Fortenberry & Ballard, PC*

Fortenberry and Ballard, PC  
August 31, 2021

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# **CITY OF HORN LAKE, MISSISSIPPI**

## **Management's Discussion and Analysis**

### **For the Year Ended September 30, 2019**

As management of the City of Horn Lake (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

This discussion complies with the "Required Supplementary Information" specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis (MD&A) for State and Local Governments issued in June 1999 to provide the reader a clear understanding of the financial activities that occurred during the fiscal year.

#### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the fiscal year by \$955,226 (total net position).
- The government's total net position increased by \$2,776,201 due to general increases in both governmental and business type activities net position inclusive of prior period adjustment of (\$247). Revenues appear greater than originally anticipated and there were no unusual or large purchases in the current year. Operational expenditures/expenses were consistent with the prior fiscal year.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of (\$1,208,600) an increase of \$2,303,821 in comparison with the prior year inclusive of prior period adjustment (\$2,673).
- At the end of the current fiscal year, **unassigned fund balance** for the General Fund was \$3,149,588, or 20.3 percent of total general fund expenditures for the fiscal year.
- The City's total debt increased by \$1,887,198 (7.2%) during the current fiscal year. The key factor in this increase is the issuance of \$5,403,000 in general obligation bonds for the purpose of major street paving projects offset by principal payments made on existing debt issues.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains required supplementary information, and other information that will enhance the reader's understanding of the financial condition of the City.

#### **Basic Financial Statements**

The first two statements (Pages 21 and 22) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Pages 23 through 29) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide 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 next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements.



# **CITY OF HORN LAKE, MISSISSIPPI**

## **Management's Discussion and Analysis**

### **For the Year Ended September 30, 2019**

#### **Required Supplementary Information**

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.

#### **Other Schedules**

Additionally, a Schedule of Surety Bonds for City Officials can be found in this section of the report.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets, deferred outflows of resources, total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property tax and sales tax finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water and sewer and sanitation services offered by the City.

The government-wide financial statements are on pages 21 and 22 of this report.

#### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Mississippi, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. All of the funds of City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

The City adopts an annual budget for its General Fund. The budget is a legally adopted document that incorporates input from the management of the City, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

**Proprietary Funds** – The City has one type of proprietary fund.

*Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its utility operations. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 31 of this report.

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

**Government-Wide Financial Analysis**

The City of Horn Lake's Condensed Statement of Net Position

**Figure 1**

	<u>09/30/19</u>	<u>09/30/18</u>	<u>% Change</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
<b>Assets:</b>			
Current assets	\$ 19,287,279	\$ 12,733,058	51.47%
Capital assets, net	<u>24,548,213</u>	<u>25,319,429</u>	<u>-3.05%</u>
Total Assets	<u>43,835,492</u>	<u>38,052,487</u>	<u>15.20%</u>
 <b>Deferred outflows of resources</b>	 <u>1,859,346</u>	 <u>949,976</u>	 <u>95.73%</u>
 <b>Liabilities:</b>			
Current liabilities	4,002,474	1,100,231	263.78%
Long-term debt outstanding	13,768,757	13,824,917	-0.41%
Net pension liability	<u>19,892,612</u>	<u>18,883,221</u>	<u>5.35%</u>
Total Liabilities	<u>37,663,843</u>	<u>33,808,369</u>	<u>-11.40%</u>
 <b>Deferred inflows of resources</b>	 <u>9,239,595</u>	 <u>8,706,515</u>	 <u>6.12%</u>
 <b>Net Position:</b>			
Net investment in capital assets	8,819,123	12,514,210	-29.53%
Restricted	6,166,044		
Unrestricted	<u>(16,193,767)</u>	<u>(16,026,631)</u>	<u>1.04%</u>
Total Net Position	<u>\$ (1,208,600)</u>	<u>\$ (3,512,421)</u>	<u>-65.59%</u>

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

	<u>09/30/19</u>	<u>09/30/18</u>	<u>% Change</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
<b>Assets:</b>			
Current assets	\$ 4,763,118	\$ 4,242,234	12.28%
Capital assets, net	<u>11,432,099</u>	<u>12,093,127</u>	<u>-5.47%</u>
Total Assets	<u>16,195,217</u>	<u>16,335,361</u>	<u>-0.86%</u>
 <b>Deferred outflows of resources</b>	 <u>448,368</u>	 <u>372,896</u>	 <u>20.24%</u>
 <b>Liabilities:</b>			
Current liabilities	1,861,835	1,591,559	16.98%
Long-term debt outstanding	10,503,046	11,430,470	-8.11%
Net pension liability	<u>2,009,570</u>	<u>1,918,638</u>	<u>4.74%</u>
Total Liabilities	<u>14,374,451</u>	<u>14,940,667</u>	<u>3.79%</u>
 <b>Deferred inflows of resources</b>	 <u>105,308</u>	 <u>76,844</u>	 <u>37.04%</u>
 <b>Net Position:</b>			
Net investment in capital assets	310,158	98,536	214.77%
Restricted	910,757	690,351	31.93%
Unrestricted	<u>942,911</u>	<u>901,859</u>	<u>4.55%</u>
Total Net Position	<u>\$ 2,163,826</u>	<u>\$ 1,690,746</u>	<u>27.98%</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Horn Lake exceeded liabilities and deferred inflows of resources by \$955,226, as of September 30, 2019.

The largest portion of net position, \$9,129,281 is reflected in the City's investment in capital assets (e.g. 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 \$15,250,856 in unrestricted net position due to recording of unfunded pension liabilities under GASB 68. Please refer to Note 12.

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

City of Horn Lake's Condensed Statement of  
Activities

**Figure 2**

	Fiscal Year Ended 9/30/2019	Fiscal Year Ended 9/30/2018	% Change
<b>GOVERNMENTAL ACTIVITIES</b>			
Revenues:			
Program revenues:			
Charges for services	\$ 3,482,250	\$ 2,197,480	58.47%
Operating and capital grants	558,785	215,391	159.43%
General revenues:			
Property taxes	8,142,450	8,158,716	-0.20%
Sales taxes	6,001,624	5,988,536	0.22%
Intergovernmental	216,940	331,294	-34.52%
Unrestricted interest income		1,962	-100.00%
Loss on disposal of capital assets		(1,255)	100.00%
Other	1,017,990	1,623,070	-37.28%
Total Revenues	<u>19,420,039</u>	<u>18,515,194</u>	<u>4.89%</u>
Expenses:			
General government	2,286,839	1,790,786	27.70%
Police	5,179,183	9,223,527	-43.84%
Fire and emergency medical services	3,230,723		
Streets and sanitation	2,885,608	3,799,372	-24.05%
Animal control	168,879		
Parks and recreation	1,119,001	1,190,291	-5.99%
Economic development	193,653	267,219	-27.53%
Debt issuance	196,684	63,039	212.00%
Pension expense	1,467,159		
Interest on long-term debt	385,816	439,911	-12.30%
Total Expenses	<u>17,113,545</u>	<u>16,774,145</u>	<u>2.02%</u>
Transfers		400,000	-100.00%
Change in Net Position	<u>2,306,494</u>	<u>2,141,049</u>	<u>7.73%</u>
Net Position - Beginning of Year	(3,512,421)	(5,653,470)	
Prior period adjustment	(2,673)		
Net Position - Beginning of Year - Restated	<u>(3,515,094)</u>	<u>(5,653,470)</u>	
Net Position - End of Year	<u>\$ (1,208,600)</u>	<u>\$ (3,512,421)</u>	

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

	Fiscal Year Ended 9/30/2019	Fiscal Year Ended 9/30/2018	% Change
<b>BUSINESS-TYPE ACTIVITIES</b>			
Revenues:			
Program revenues:			
Charges for services	\$ 4,661,630	\$ 4,598,404	1.37%
General revenues:			
Interest income	8,478	268	3063.43%
Other	11,564	11,564	-100.00%
Total Revenues	<u>4,670,108</u>	<u>4,610,236</u>	<u>1.30%</u>
Expenses:			
Water and sewer	3,692,914	3,901,039	-5.34%
Pension expense	127,149		
Interest on long-term debt	379,391		
Total Expenses	<u>4,199,454</u>	<u>3,901,039</u>	<u>7.65%</u>
Transfers		(400,000)	-100.00%
Change in Net Position	<u>470,654</u>	<u>309,197</u>	<u>52.22%</u>
Net Position - Beginning of Year	1,690,746	1,381,549	
Prior period adjustment	2,426		
Net Position - Beginning of Year - Restated	<u>1,693,172</u>	<u>1,381,549</u>	
Net Position - End of Year	<u>\$ 2,163,826</u>	<u>\$ 1,690,746</u>	

**Governmental activities.** Governmental activities increased the City's net position by \$2,306,494 not including a prior period adjustment of \$2,673. Key elements of this increase are as follows:

- Various expense categories showed decreases in pension expense due to offsets correcting the net pension liability and deferred outflows / inflows.
- All other key activities listed on previous pages.

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

**Governmental Activities Expenditures**

	2019	2019	2018	2018
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
<u>Governmental Activities:</u>				
General government	\$ 2,286,839	\$ (1,230,349)	\$ 1,790,786	\$ (1,790,786)
Police*	5,179,183	(4,839,704)	9,223,527	(8,640,241)
Fire and emergency services*	3,230,723	(2,700,747)		
Streets and sanitation**	2,885,608	(976,482)	3,799,372	(2,154,465)
Animal control**	168,879	(159,990)		
Parks and recreation	1,119,001	(921,926)	1,190,291	(1,005,613)
Economic development and assistance	193,653	(193,653)	267,219	(267,219)
Pension expense	1,467,159	(1,467,159)		
Interest and bond issuance costs	582,500	(582,500)	502,950	(502,950)
Total Expenses	<u>\$ 17,113,545</u>	<u>\$ (13,072,510)</u>	<u>\$ 16,774,145</u>	<u>\$ (14,361,274)</u>

\*for fiscal year 2019, the Public Safety departmental grouping has been separated into the following activities: 1) Police and 2) Fire and Emergency Services.

\*\*for fiscal year 2019, the Public Works departmental grouping has been separated into the following activities: 1) Streets and Sanitation and 2) Animal Control.

**Business-type activities:** Business-type activities increased the City's net position by \$470,654 not including a prior period adjustment of \$2,426. Key elements of this net increase are as follows:

- Charges for services remained virtually unchanged in the Utility Fund. However, collections exceeded expenses by the amount listed.
- Utility expenses increased nearly \$200,000 in the Utility Fund.

**Business-type Activities Expenses**

	2019	2019	2018	2018
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
<u>Business-type Activities:</u>				
Utility Services	\$ 3,692,904	\$ 968,716	\$ 3,901,039	\$ 697,365
Interest on long-term debt	379,391	(379,391)		
Pension expense	127,149	(127,149)		
Total Expenses	<u>\$ 4,199,444</u>	<u>\$ 462,176</u>	<u>\$ 3,901,039</u>	<u>\$ 697,365</u>

For fiscal year 2019, the City has separated pension expense and interest on long-term debt from overall utility services expenses.

## **CITY OF HORN LAKE, MISSISSIPPI**

### **Management's Discussion and Analysis**

### **For the Year Ended September 30, 2019**

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 usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

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 \$3,149,588. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.3 percent of total General Fund expenditures.

At September 30, 2019, the governmental funds of the City reported a combined fund balance of \$9,119,175, a 39.3 percent increase over last year. The increase is due to the receipt of \$5,403,000 in debt proceeds offset by debt principal payments on existing debt.

The General Fund's increase was mainly due to overall increase in revenue collections offset by expenditures consistent with the prior fiscal year. The Debt Service Fund increased due to the explanation presented in the previous paragraph. Tourism tax receipts increased accounting for the approximately \$156,000 increase in other governmental fund balance.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on three occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because property tax and sales tax revenues received were greater than originally anticipated. Expenditures increased also in some of the funds primarily due to increased employment costs.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year is \$942,911. The total growth in net position for the Utility fund was \$473,080 including a prior period adjustment of \$2,426 due to a recalculation of beginning balance of net pension liability, deferred outflows, and deferred inflows. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

#### **Capital Asset and Debt Administration**

**Capital assets.** The City's capital assets for its governmental and business-type activities as of September 30, 2019, totals \$35,980,312 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, water works system, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

- Vehicles purchased in current fiscal year: \$373,715 for nine (9) new police vehicles, \$240,000 for eight (8) new trucks for planning, parks and recreation and utilities, and \$169,165 for an EMS ambulance and Chevy Tahoe for the Fire Department.



**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

The City of Horn Lake's Capital Assets

**Figure 3**

**Governmental Activities:**

	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Land	\$ 3,729,631	\$ 3,729,631
Buildings and improvements	11,019,977	11,019,977
Equipment and machinery	3,235,085	3,235,084
Infrastructure	28,049,349	28,049,349
Vehicles	5,708,573	5,044,200
Accumulated depreciation	(27,194,402)	(25,758,812)
Total Capital Assets, net	\$ <u>24,548,213</u>	\$ <u>25,319,429</u>

**Business-type Activities:**

	<u>30-Sep-19</u>	<u>30-Sep-18</u>
Land	\$ 28,225	\$ 28,225
Buildings and improvements	151,000	151,001
Equipment and machinery	318,860	319,746
Infrastructure	22,541,985	22,541,984
Vehicles	176,122	56,121
Accumulated depreciation	(11,784,093)	(11,003,950)
Total Capital Assets, net	\$ <u>11,432,099</u>	\$ <u>12,093,127</u>

**CITY OF HORN LAKE, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2019**

Additional information on the City's capital assets can be found in Note 6 of the Basic Financial Statements.

**Long-term Debt.** As of September 30, 2019, the City had total debt outstanding of \$27,681,419. Included here is bonded debt totaling \$7,623,000 backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), notes payable, and a settlement payable.

City of Horn Lake's Outstanding Debt

**Figure 4**

Governmental Activities:

	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>Change</u>
General obligation bonds	\$ 13,026,000	\$ 9,291,000	40.20%
Add: Bond premium	65,541	89,900	-27.10%
Less: Bond discount	(16,400)	(21,866)	-25.00%
Special assessment bonds	2,070,000	2,720,000	-23.90%
Other loans	787,174	900,949	-12.63%
Capital leases	0	89,957	-100.00%
Settlement payable	359,552	479,403	-25.00%
Compensated absences	328,672	275,574	19.27%
Total Long-Term Debt	<u>\$ 16,620,539</u>	<u>\$ 13,824,917</u>	<u>20.22%</u>

---

Business-type Activities:

	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>Change</u>
Special obligation bonds	\$ 8,700,000	\$ 9,300,000	-6.45%
Add: Bond premium	77,997	85,797	-9.09%
Other loans	2,611,555	2,903,313	-10.05%
Compensated absences	24,251	33,117	-26.77%
Total Long-Term Debt	<u>\$ 11,413,803</u>	<u>\$ 12,322,227</u>	<u>-7.37%</u>

---

The City's total debt increased by \$1,842,966 (7.1%) throughout the fiscal year. There was a \$5,403,000 bond issuance in the current fiscal year accounting for the increase less principal payments made on existing debt instruments.

Mississippi general statutes limit the amount of general obligation debt that a unit of government can issue to 15 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for additional debt for the City is \$12,037,874.

## **CITY OF HORN LAKE, MISSISSIPPI**

### **Management's Discussion and Analysis**

### **For the Year Ended September 30, 2019**

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 usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

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 \$3,149,588. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 20.3 percent of total General Fund expenditures.

At September 30, 2019, the governmental funds of the City reported a combined fund balance of \$9,119,175, a 39.3 percent increase over last year. The increase is due to the receipt of \$5,403,000 in debt proceeds offset by debt principal payments on existing debt.

The General Fund's increase was mainly due to overall increase in revenue collections offset by expenditures consistent with the prior fiscal year. The Debt Service Fund increased due to the explanation presented in the previous paragraph. Tourism tax receipts increased accounting for the approximately \$156,000 increase in other governmental fund balance.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on three occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because property tax and sales tax revenues received were greater than originally anticipated. Expenditures increased also in some of the funds primarily due to increased employment costs.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year is \$942,911. The total growth in net position for the Utility fund was \$473,080 including a prior period adjustment of \$2,426 due to a recalculation of beginning balance of net pension liability, deferred outflows, and deferred inflows. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

#### **Capital Asset and Debt Administration**

**Capital assets.** The City's capital assets for its governmental and business-type activities as of September 30, 2019, totals \$35,980,312 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, water works system, and vehicles.

Major capital asset transactions during the year include the following additions and disposals:

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

Additional information regarding the City's long-term debt can be found in Note 10 on page 46 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following key economic indicators reflect the growth and prosperity of the City.

- Low unemployment. The City's unemployment rate of 3.9%, as of September 30, 2019, is well below the National and State averages of 4.2% and 4.7%.
- In 2019, Horn Lake's population estimated, according to the United States Census most recent numbers, to be 27,272.

## **Budget Highlights for the Fiscal Year Ending September 30, 2019**

**Governmental Activities:** Property taxes (benefiting from the economic growth) are expected to increase as the assessment increased in the current year. Ad valorem taxes were increased for the first time in several years in order to augment public safety and public works functions provided by the City. The City of Horn Lake is generally conservative when budgeting revenues due to unknown economic factors.

Budgeted expenditures in the General Fund expected to be relatively similar to the current year. The City doesn't anticipate any significant increases in expenditures through the general fund.

**Business-type Activities:** The Utility rates in the City will remain static. General operating expenses should remain static with no anticipation of any large expenses in the new fiscal year. The City did not anticipate issuing any more debt in fiscal year 2020.

## **Requests for Information**

This report designed to provide an overview of the City of Horn Lake's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information directed to the Jim Robinson, City Administrator/City Clerk at 662-342-3488.

## FINANCIAL STATEMENTS

**CITY OF HORN LAKE, MISSISSIPPI**  
Statement of Net Position  
September 30, 2019

**Exhibit 1**

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
<b>ASSETS</b>			
Cash and investments	\$ 6,881,817	\$ 4,343,514	\$ 11,225,331
Property tax receivable	8,190,161		8,190,161
Accounts receivable (net of allowance for uncollectibles of \$6,023,386)	519,061	377,377	896,438
Intergovernmental receivables	1,105,982		1,105,982
Franchise tax receivable	212,511		212,511
Other receivables	4,741		4,741
Restricted assets - property held for sale	982,591		982,591
Prepaid items	1,390,415	42,227	1,432,642
Capital assets:			
Land and construction in progress	3,729,631	28,225	3,757,856
Other capital assets, net of depreciation	20,818,582	11,403,874	32,222,456
Total Assets	<u>43,835,492</u>	<u>16,195,217</u>	<u>60,030,709</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	1,656,121	180,757	1,836,878
Deferred amounts on refunding	203,225	267,611	470,836
Total Deferred Outflows of Resources	<u>1,859,346</u>	<u>448,368</u>	<u>2,307,714</u>
<b>LIABILITIES</b>			
Accounts payable	332,890	459,201	792,091
Amounts held in custody for others	142,729		142,729
Accrued interest payable	155,340	118,634	273,974
Accrued liabilities	186,318		186,318
Customer deposits	333,415	373,243	706,658
Long-term liabilities			
Due within one year:			
Capital debt	2,731,931	910,757	3,642,688
Non-capital debt	119,851		119,851
Due in more than one year:			
Capital debt	13,200,384	10,478,795	23,679,179
Non-capital debt	568,373	24,251	592,624
Net pension liability	19,892,612	2,009,570	21,902,182
Total Liabilities	<u>37,663,843</u>	<u>14,374,451</u>	<u>52,038,294</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenues - property taxes	8,190,161		8,190,161
Deferred inflows related to pension	1,049,434	105,308	1,154,742
Total Deferred Inflows of Resources	<u>9,239,595</u>	<u>105,308</u>	<u>9,344,903</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,819,123	310,158	9,129,281
Restricted for:			
Capital projects	5,403,000		5,403,000
Debt service		910,757	910,757
Culture and recreation	123,483		123,483
Economic development and assistance	639,561		639,561
Unrestricted	(16,193,767)	942,911	(15,250,856)
Total Net Position	<u>\$ (1,208,600)</u>	<u>\$ 2,163,826</u>	<u>\$ 955,226</u>

The accompanying 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, 2019

**Exhibit 2**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities:						
General government	\$ 2,286,839	\$ 1,056,490	\$	\$ (1,230,349)	\$ -	\$ (1,230,349)
Police	5,179,183		339,479	(4,839,704)		(4,839,704)
Fire and emergency services	3,230,723	310,670	219,306	(2,700,747)		(2,700,747)
Streets and sanitation	2,885,608	1,909,126		(976,482)		(976,482)
Animal control	168,879	8,889		(159,990)		(159,990)
Parks and recreation	1,119,001	197,075		(921,926)		(921,926)
Economic development and assistance	193,653			(193,653)		(193,653)
Pension expense	1,467,159			(1,467,159)		(1,467,159)
Interest and bond issuance costs	582,500			(582,500)		(582,500)
Total Governmental Activities	<u>17,113,545</u>	<u>3,482,250</u>	<u>558,785</u>	<u>(13,072,510)</u>		<u>(13,072,510)</u>
Business-type activities:						
Utility services	3,692,904	4,661,620			968,716	968,716
Interest on long-term debt	379,391				(379,391)	(379,391)
Pension expense	127,149				(127,149)	(127,149)
Total Business-type Activities	<u>4,199,444</u>	<u>4,661,620</u>	<u>-</u>	<u>-</u>	<u>462,176</u>	<u>462,176</u>
Total Primary Government	<u>\$ 21,312,989</u>	<u>\$ 8,143,870</u>	<u>\$ 558,785</u>	<u>\$ (13,072,510)</u>	<u>\$ 462,176</u>	<u>\$ (12,610,334)</u>
General revenues:						
Property taxes				8,142,450		8,142,450
Grants and contributions not restricted to specific programs				216,940		216,940
Sales taxes				5,595,736		5,595,736
Franchise taxes				723,735		723,735
Tourism taxes				338,084		338,084
Special assessments				67,804		67,804
Unrestricted interest income					8,478	8,478
Miscellaneous				294,255		294,255
Total General Revenues				<u>15,379,004</u>	<u>8,478</u>	<u>15,387,482</u>
Change in Net Position				<u>2,306,494</u>	<u>470,654</u>	<u>2,777,148</u>
Net Position - Beginning, as previously reported				(3,512,421)	1,690,746	(1,821,675)
Prior period adjustment(s)				(2,673)	2,426	(247)
Net Position - Beginning, as restated				<u>(3,515,094)</u>	<u>1,693,172</u>	<u>(1,821,922)</u>
Net Position - Ending				<u>\$ (1,208,600)</u>	<u>\$ 2,163,826</u>	<u>\$ 955,226</u>

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

**CITY OF HORN LAKE, MISSISSIPPI**  
Balance Sheet - Governmental Funds  
September 30, 2019

**Exhibit 3**

	Major Funds		Other	Total
	General	Debt	Governmental	Governmental
	Fund	Service	Funds	Funds
		Fund		
<b>ASSETS</b>				
Cash	\$ 2,250,779	\$ 3,816,128	\$ 699,773	\$ 6,766,680
Investments	115,137			115,137
Property tax receivable	5,287,741	2,737,901	164,519	8,190,161
Intergovernmental receivables	1,042,711		63,271	1,105,982
Accounts receivable, net allowance for uncollectible accounts of \$5,886,946	519,061			519,061
Franchise tax receivable	212,511			212,511
Other receivable	4,741			4,741
Prepaid items		1,390,415		1,390,415
Total Assets	<u>\$ 9,432,681</u>	<u>\$ 7,944,444</u>	<u>\$ 927,563</u>	<u>\$ 18,304,688</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 332,890	\$	\$	\$ 332,890
Accrued expenses	186,318			186,318
Customer deposits	333,415			333,415
Amounts held in custody for others	142,729			142,729
Total Liabilities	<u>995,352</u>	<u>-</u>	<u>-</u>	<u>995,352</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	<u>5,287,741</u>	<u>2,737,901</u>	<u>164,519</u>	<u>8,190,161</u>
Fund Balances:				
Nonspendable				
Prepaid items		1,390,415		1,390,415
Restricted				
Capital projects		5,403,000		5,403,000
Culture and recreation			123,483	123,483
Economic development and assistance			639,561	639,561
Unassigned	3,149,588	(1,586,872)		1,562,716
Total Fund Balances	<u>3,149,588</u>	<u>5,206,543</u>	<u>763,044</u>	<u>9,119,175</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 9,432,681</u>	<u>\$ 7,944,444</u>	<u>\$ 927,563</u>	<u>\$ 18,304,688</u>

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



**CITY OF HORN LAKE, MISSISSIPPI****Exhibit 3-1**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
September 30, 2019

Total fund balances for governmental funds	\$ 9,119,175
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$27,194,402.	24,548,213
Other long-term assets are not available to pay current period expenditures and therefore are unavailable in the funds:	
Tax forfeited property	982,591
Long-term debt not available to pay current period expenditures and therefore not reported in the funds.	(16,620,539)
Deferred amount on refunding of debt issuances	203,225
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(155,340)
Deferred outflows of resources related to pension reported in governmental activities is not a financial resource and therefore is not reported in the funds.	1,656,121
Deferred inflows of resources related to pension reported in governmental activities is not a financial resource and therefore is not reported in the funds.	(1,049,434)
Net pension liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(19,892,612)</u>
Net position of governmental activities:	\$ <u><u>(1,208,600)</u></u>

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

**CITY OF HORN LAKE, MISSISSIPPI****Exhibit 4**

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2019

	Major Funds		Other	
	General	Debt	Governmental	Total
	Fund	Service	Funds	
		Fund		
<b>REVENUES</b>				
Property taxes	\$ 5,493,891	\$ 2,503,911	\$ 144,648	\$ 8,142,450
Sales taxes	5,595,736			5,595,736
Franchise taxes	723,735			723,735
Tourism tax			338,084	338,084
Licenses and permits	405,498			405,498
Intergovernmental revenues	775,725			775,725
Special assessments		67,804		67,804
Fines and forfeitures	650,992			650,992
Charges for services	2,425,760			2,425,760
Miscellaneous revenues	644,515			644,515
Total Revenues	<u>16,715,852</u>	<u>2,571,715</u>	<u>482,732</u>	<u>19,770,299</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,222,649			2,222,649
Police	5,646,940			5,646,940
Fire	3,994,909			3,994,909
Streets and sanitation	2,229,661			2,229,661
Animal control	156,103			156,103
Parks and recreation	891,903		132,771	1,024,674
Economic development			193,653	193,653
Debt service:				
Principal	323,583	2,318,000		2,641,583
Interest and bond agent fees	17,973	301,987		319,960
Bond issuance cost		196,684		196,684
Total Expenditures	<u>15,483,721</u>	<u>2,816,671</u>	<u>326,424</u>	<u>18,626,816</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,232,131</u>	<u>(244,956)</u>	<u>156,308</u>	<u>1,143,483</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		5,403,000		5,403,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,403,000</u>	<u>-</u>	<u>5,403,000</u>
Net Change in Fund Balances	<u>1,232,131</u>	<u>5,158,044</u>	<u>156,308</u>	<u>6,546,483</u>
Fund Balances - Beginning	<u>1,917,457</u>	<u>48,499</u>	<u>606,736</u>	<u>2,572,692</u>
Fund Balances - Ending	<u>\$ 3,149,588</u>	<u>\$ 5,206,543</u>	<u>\$ 763,044</u>	<u>\$ 9,119,175</u>

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

**CITY OF HORN LAKE, MISSISSIPPI****Exhibit 4-1**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2019

Net change in fund balances - total governmental funds \$ 6,546,483

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 and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation expense of \$1,417,543 exceeded capital outlays of \$662,880. (754,663)

In the statement of activities, only the gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the amount of the assets sold of \$49,570 exceeded accumulated depreciation of \$35,690 in the current period. 13,880

Debt proceeds provide current financial resources to Governmental Funds, but issuing long-term debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$5,403,000 exceeded repayments of \$2,641,583. (2,761,417)

Some items reported in the statement of activities related to the implementation of GASB 68 are not reported as revenues/expenditures in the Governmental Funds. These activities include:

Recording pension expense for the current period	(1,467,159)
Recording of contributions made during the current period	1,222,490

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Increase / (decrease) in deferred refunding of issuances	(61,497)
Increase / (decrease) in bond premium amortization	(24,359)
Increase / (decrease) in unavailable revenue	(336,380)
(Increase) / decrease in bond discount amortization	5,466
(Increase) / decrease in compensated absences	(53,098)
(Increase) / decrease in accrued interest payable	(23,252)

Change in net position of governmental activities: \$ 2,306,494

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

**CITY OF HORN LAKE, MISSISSIPPI****Exhibit 5**

Proprietary Fund

Statement of Net Position

September 30, 2019

	Business-type Activity - Enterprise Fund
	Utility Fund
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,343,514
Accounts receivable (net allowance for doubtful accounts of \$136,440)	377,377
Prepaid items	42,227
Total Current Assets	<u>4,763,118</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	28,225
Other capital assets, net	11,403,874
Total Noncurrent Assets	<u>11,432,099</u>
Total Assets	<u>16,195,217</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding items	267,611
Deferred outflows related to pension	180,757
Total Deferred Outflows of Resources	<u>448,368</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other liabilities	459,201
Accrued interest payable	118,634
Customer deposits	373,243
Capital debt	910,757
Total Current Liabilities	<u>1,861,835</u>
Noncurrent liabilities:	
Capital debt	10,478,795
Non-capital debt	24,251
Net pension liability	2,009,570
Total Noncurrent Liabilities	<u>12,512,616</u>
Total Liabilities	<u>14,374,451</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>105,308</u>
<b>NET POSITION</b>	
Net investment in capital assets	310,158
Restricted:	
Debt service	910,757
Unrestricted	942,911
Total Net Position	<u>\$ 2,163,826</u>

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

**CITY OF HORN LAKE, MISSISSIPPI****Exhibit 6**

Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2019

	Business-type Activities - Enterprise Fund
	Utility Fund
<b>OPERATING REVENUES</b>	
Charges for services	\$ 4,661,620
	<u>4,661,620</u>
<b>OPERATING EXPENSES</b>	
Contractual services and supplies	2,101,518
Personnel services	807,932
Pension expense	127,149
Depreciation expense	783,454
Total Operating Expenses	<u>3,820,053</u>
Operating Income (Loss)	<u>841,567</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	8,478
Interest expense	(379,391)
Total Nonoperating Revenues	<u>(370,913)</u>
Changes in Net Position	<u>470,654</u>
Net Position - Beginning - As Previously Reported	1,690,746
Prior period adjustment	2,426
Net Position - Beginning - Restated	<u>1,693,172</u>
Net Position - Ending	\$ <u><u>2,163,826</u></u>

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

**CITY OF HORN LAKE, MISSISSIPPI**  
Proprietary Fund  
Statement of Cash Flows  
For the Year Ended September 30, 2019

**Exhibit 7**

	Business-type Activities - Enterprise Fund
	Utility Fund
<b>Cash Flows From Operating Activities</b>	
Receipts from customers	\$ 5,103,648
Payments to suppliers for goods and services	(2,738,775)
Payments to employees for services	(931,403)
Net Cash Provided by (Used for) Operating Activities	<u>1,433,470</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Cash received from other funds:	
Operating transfers in	800,000
Miscellaneous revenues	353,741
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,153,741</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition and construction of capital assets	(120,000)
Principal paid on long-term debt	(891,758)
Interest paid on long-term debt	(338,630)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(1,350,388)</u>
<b>Cash Flows From Investing Activities</b>	
Interest income	8,478
Net Cash Provided by (Used for) Investment Activities	<u>8,478</u>
Net Change in Cash and Cash Equivalents	1,245,301
Cash and Cash Equivalents - Beginning	3,098,213
Cash and Cash Equivalents - Ending	<u><u>\$ 4,343,514</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>	
Operating income (loss)	\$ <u>841,567</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	783,454
Change in assets and liabilities:	
Increase (decrease) in accounts receivable	40,615
Increase (decrease) in deferred outflows related to pensions	102,380
Increase (decrease) in deferred amount on refunding items	(26,908)
(Increase) decrease in accounts payable	(287,636)
(Increase) decrease in accrued expenses	54,168
(Increase) decrease in accrued interest payable	19,266
(Increase) decrease in deferred inflows related to pensions	(28,464)
(Increase) decrease in net pension liability	(90,932)
(Increase) decrease in unearned revenue	16,491
(Increase) decrease in customer deposits	603
(Increase) decrease in compensated absences liability	8,866
Total adjustments	<u>591,903</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 1,433,470</u></u>

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

**City of Horn Lake, Mississippi**

Notes to the Financial Statements  
For the Year Ended September 30, 2019

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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 the 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.

##### B. Basis of Presentation.

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

##### Fund Financial Statements:

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



## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

Governmental Funds.

#### C. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major Governmental Funds:

General Fund - This fund accounts for and report all financial resources not accounted for and reported in another fund.

Debt Service Fund - This fund accounts for resources accumulated and used for the payment of long-term debt principal, interest, and related costs of borrowing used for major projects.

The City reports the following major Enterprise Fund:

Utility Fund - This fund accounts for the provision of water and sewer services to City residents.

Additionally, the City reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

Debt Service Fund - This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

#### PROPRIETARY FUND TYPE

Enterprise Fund - This fund accounts for those operations financed and operated in a manner similar to private

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

business enterprises or where the City has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

#### D. 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.

#### E. Account Classifications.

The account classifications used in the financial statements conform to the board classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

#### F. 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.

#### G. Receivables.

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

#### H. 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."

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### I. 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.

#### J. 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.

#### K. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the City's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### L. 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 pensions – 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 12 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 pensions – 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 12 for additional details.

#### M. 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.

#### N. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds-Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts during

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

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.

#### O. Equity Classifications.

##### Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

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

##### 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 Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

#### 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.

#### P. 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.

#### Q. 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.

#### R. 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.

#### S. Changes in Accounting Standards.

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Provisions of this standard have been incorporated

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

into the financial statements and notes.

#### (2) Prior Period Adjustments.

A summary of the significant net position adjustment(s) is as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct capital assets	\$ (2,673)

Exhibit 2 – Statement of Activities – Business-type Activities.

<u>Explanation</u>	<u>Amount</u>
To correct capital assets	\$ 2,426

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.

<u>Explanation</u>	<u>Amount</u>
To correct capital assets	\$ 2,426

#### (3) Deposits and Investments.

The carrying amount of the City's total deposits with financial institutions at September 30, 2019, was \$11,110,194, and the bank balance was \$11,927,202. 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, 2019.

For the year ended September 30, 2019, investments held in governmental funds totaled \$115,137 and were valued using Level 1 inputs.

**CITY OF HORN LAKE, MISSISSIPPI**

Notes to Financial Statements  
For the Year Ended September 30, 2019

(4) 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 \$982,591.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Sales tax	\$ 935,525
Various police department grants	107,186
Tourism tax	<u>63,271</u>
Total Governmental Activities	\$ <u>1,105,982</u>



# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

(6) Capital Assets.

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

**Governmental activities:**

	Balance Oct. 1, 2018	Additions	Deletions	Adjustments*	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,729,631				3,729,631
<u>Depreciable capital assets:</u>					
Buildings and improvements	11,019,977				11,019,977
Machine and equipment	3,235,084			1	3,235,085
Infrastructure	28,049,349				28,049,349
Vehicles	5,044,200	662,880	49,570	51,063	5,708,573
Total depreciable capital assets	47,348,610	662,880	49,570	51,064	48,012,984
<u>Less accumulated depreciated for:</u>					
Buildings and improvements	3,701,758	284,874		(1)	3,986,631
Machine and equipment	2,090,952	170,228		(134)	2,261,046
Infrastructure	15,733,930	777,860			16,511,790
Vehicles	4,232,172	184,581	35,690	53,872	4,434,935
Total accumulated depreciation	25,758,812	1,417,543	35,690	53,737	27,194,402
Total depreciable capital assets, net	21,589,798	(754,663)	13,880	(2,673)	20,818,582
Governmental activities capital assets, net	\$ 25,319,429	(754,663)	13,880	(2,673)	24,548,213

# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

### Business-type activities:

	Balance Oct. 1, 2018	Additions	Adjustments*	Balance Sept. 30, 2019
<u>Non-depreciable capital assets:</u>				
Land	\$ 28,225			28,225
<u>Depreciable capital assets:</u>				
Buildings and improvements	151,001		(1)	151,000
Machine and equipment	319,746		(886)	318,860
Infrastructure	22,541,984		1	22,541,985
Vehicles	56,121	120,000	1	176,122
Total depreciable capital assets	23,068,852	120,000	(885)	23,187,967
<u>Less accumulated depreciated for:</u>				
Buildings and improvements	50,135	2,850		52,985
Machine and equipment	281,620	6,214	(3,314)	284,520
Infrastructure	10,621,685	752,790	3	11,374,478
Vehicles	50,510	21,600		72,110
Total accumulated depreciation	11,003,950	783,454	(3,311)	11,784,093
Total depreciable capital assets, net	12,064,902	(663,454)	2,426	11,403,874
Business-type activities capital assets, net	\$ 12,093,127	(663,454)	2,426	11,432,099

\* Adjustments made to capital assets to match immaterial differences to records provided.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 191,360
Police, fire and emergency services	288,673
Streets and sanitation	717,286
Parks and recreation	220,224
Total governmental activities depreciation expense	\$ 1,417,543
<b>Business-type activities:</b>	
Utilities	\$ 783,454

### (7) Claims and Judgments.

The City has exposure to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. Purchased commercial insurance covers this exposure.

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### (8) Operating Leases.

As Lessor:

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

Year ending September 30		Amount
2020	\$	20,204
2021		20,204
2022		20,204
2023		20,204
2024		20,204
2025-2028		84,332
Total	\$	<u>185,352</u>

#### (9) Defined Benefit Pension Plan.

##### *General Information about the Pension Plan*

**Plan Description.** City of Horn Lake, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

**Benefits Provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became 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 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA

# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

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.

**Contributions.** At September 30, 2019, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2019 was 17.40% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2019, 2018 and 2017 were \$1,332,619, \$1,247,177 and \$1,243,512 respectively, equal to the required contributions for each year.

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

At September 30, 2019, the City reported a liability of \$21,902,182 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2019 net pension liability was .124501 percent, which was based on a measurement date of June 30, 2019. This was a decrease of .000563 percent from its proportionate share used to calculate the September 30, 2018 net pension liability, which was based on a measurement date of June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$1,594,308. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,015	\$
Net difference between projected and actual earnings on pension plan investments		229,069
Changes of assumptions	214,615	
Changes in the proportion and differences between the City's contributions and proportionate share of contributions	1,220,765	925,673
City contributions subsequent to the measurement date	388,483	
Total	\$ 1,836,878	1,154,742

\$388,483 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

Year ending September 30	Amount
2020	\$ 289,842
2021	(138,815)
2022	42,632
2023	99,994
Total	\$ 293,653

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	3.00 – 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Fixed Income	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash	1.00	0.25
Total	100.00 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.4%). 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 to the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease -6.75%	Current Discount Rate -7.75%	1% Increase -8.75%
City's proportionate share of the net pension liability	\$ 28,791,177	21,902,182	16,215,935

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

# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Series 2011 Refunding Bonds	\$ 1,555,000	2.00-3.125%	08/2024
Series 2015 Refunding Bonds	4,510,000	2.00-3.125%	11/2028
Series 2018 Refunding Bonds	1,558,000	2.20-2.60%	04/2023
Series 2019 Bonds - Paving Roads	<u>5,403,000</u>	2.80%	06/2029
Total General Obligation Bonds	<u>\$ 13,026,000</u>		
B. Special Obligation Bonds:			
Series 2012 Bonds - Recreational Facilities	\$ <u>2,070,000</u>	2.00-3.00%	10/2021
Total Special Obligation Bonds	<u>\$ 2,070,000</u>		
C. Other Loans:			
MDA Railroad Spur	\$ 182,916	0.00%	07/2028
Fire Pumper Truck	<u>604,258</u>	2.29%	12/2024
Total Other Loans	<u>\$ 787,174</u>		
D. Settlement Payable:			
2008 Tax Sale Voided By Court Order	\$ <u>359,552</u>	0.00%	02/2022

# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

Description and Purpose	Amount Oustanding	Interest Rate	Final Maturity Date
<b>Business-type Activites:</b>			
A. Special Obligation Bonds:			
Series 2014 Water and Sewer Refunding Bonds	\$ 6,065,000	2.00-3.50%	10/2027
Series 2015 Water and Sewer Refunding Bonds	<u>2,635,000</u>	3.00-3.25%	12/2030
Total Special Obligation Bonds	<u>\$ 8,700,000</u>		
B. Other Loans:			
Drinking Water Systems Improvement - Water Tower	\$ 126,305	4.00%	11/2020
Drinking Water Systems Improvement - Water Treatment	206,446	3.50%	10/2023
CAP Loan - Water Treatment Plant	293,147	2.00%	10/2026
CAP Loan - Water Treatment Plant	188,597	3.00%	10/2027
CAP Loan - Water Treatment Plant	282,962	2.00%	02/2035
Drinking Water Systems Improvement - Twin Lakes	<u>1,514,098</u>	2.00%	02/2035
Total Other Loans	<u>\$ 2,611,555</u>		

### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2020	\$ 1,941,000	335,808	670,000	49,956
2021	1,981,000	293,548	690,000	31,650
2022	1,537,000	251,805	710,000	10,650
2023	1,591,000	210,040		
2024	1,217,000	166,460		
2025 - 2029	<u>4,759,000</u>	<u>396,446</u>		
Total	<u>\$ 13,026,000</u>	<u>1,654,107</u>	<u>2,070,000</u>	<u>92,256</u>



# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

Year Ending September 30	Other Loans	
	Principal	Interest
2020	\$ 115,931	14,030
2021	118,105	11,856
2022	120,394	9,567
2023	122,704	7,257
2024	125,068	4,893
2025-2029	184,972	2,480
Total	\$ <u>787,174</u>	<u>50,083</u>

### Business-type Activities:

Year Ending September 30	Special Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2020	\$ 610,000	258,194	300,757	56,285
2021	625,000	245,744	216,168	47,775
2022	640,000	229,844	202,802	43,252
2023	660,000	208,719	207,981	38,073
2024	685,000	186,919	162,763	33,487
2025 - 2029	3,770,000	581,509	688,081	116,386
2030 - 2034	1,710,000	55,013	563,490	54,895
2035 - 2039			269,513	8,413
Total	\$ <u>8,700,000</u>	<u>1,765,942</u>	<u>2,611,555</u>	<u>398,566</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 Court 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.

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt incurred by the City is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the City, according to the then last completed assessment for taxation. As of September 30, 2019, the amount of outstanding debt was equal to 7.7% of the latest property assessments.

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

# CITY OF HORN LAKE, MISSISSIPPI

## Notes to Financial Statements For the Year Ended September 30, 2019

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 275,574	53,098		328,672	
General obligation bonds	9,291,000		1,668,000	7,623,000	1,696,000
Add:					
Premiums	89,900		24,359	65,541	
Less:					
Discounts	(21,866)		(5,466)	(16,400)	
Special obligation bonds	2,720,000	5,403,000	650,000	7,473,000	920,000
Settlement payable	479,403		119,851	359,552	119,851
Capital leases	89,957		89,957	-	
Other loans	900,949	-	113,775	787,174	115,931
	<u>13,824,917</u>	<u>5,456,098</u>	<u>2,660,476</u>	<u>16,620,539</u>	<u>2,851,782</u>
Total	\$ 13,824,917	5,456,098	2,660,476	16,620,539	2,851,782

	Balance Oct. 1, 2018	Additions	Reductions	Balance Sept. 30, 2019	Amount due within one year
<b>Business-type Activities:</b>					
Compensated absences	\$ 33,117		8,866	24,251	
Special obligation bonds	9,300,000		600,000	8,700,000	610,000
Add:					
Premiums	85,797		7,800	77,997	
Other loans	2,903,313		291,758	2,611,555	300,757
	<u>12,322,227</u>	<u>-</u>	<u>908,424</u>	<u>11,413,803</u>	<u>910,757</u>
Total	\$ 12,322,227	-	908,424	11,413,803	910,757

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are the General Fund and the Utility Fund.

The City has pledged special assessment taxes levied against certain properties to service a portion of the \$7,120,000 Series 2015 General Obligation Bonds. This levy will continue through tax year 2019 (fiscal year 2020) and expects to generate approximately \$67,500 in taxes annually.

Special obligation bonds are issued by the Mississippi Development Bank under the Mississippi Development Bank Act, the proceeds of which are used to loan funds to the City pursuant to a loan agreement between the City and the Bank (or its assignee) and secured by a promissory note. The note does not constitute a general obligation of the City, and neither the full faith and credit nor the taxing power of the City is pledged. A tax intercept agreement secures the note payments.

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### (11) Contingencies.

Federal Grants - The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

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

#### (12) Effect of Deferred Amounts on Net Position

The governmental activities' net investments in capital assets net position amount of \$9,129,281 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance funding of the City's debt. The \$470,836 balance of the deferred outflow of resources at September 30, 2019 will be recognized as an expense and decrease the net investment in capital assets net position.

The governmental activities' unrestricted net position amount of (\$16,193,767) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$356,378 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$1,299,743 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$1,049,434 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next three years.

The business-type activities' unrestricted net position amount of \$942,911 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$32,105 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. The \$148,652 balance of the deferred outflow of resources related to pensions at September 30, 2019, will be recognized in pension expense over the next four years. The \$105,308 balance of the deferred inflow of resources related to pension at September 30, 2019, will be recognized in pension expense over the next three years.

#### (13) Other Postemployment Benefits.

##### Plan Description

The City of Horn Lake, Mississippi Board of Aldermen administers the City's health insurance plan, which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the City of Horn Lake, Mississippi Board of Aldermen. The City purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the City's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the City has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The City does not issue a publicly available financial report for the Plan. However, the City has not recorded a liability for other postemployment benefits nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to Financial Statements For the Year Ended September 30, 2019

#### (14) Tax Abatements.

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, Tax Abatement Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The City of Horn Lake Board of Aldermen negotiates property tax abatements on an individual basis. All abatements are for ten years and are for economic development purposes. The City had eleven (11) tax abatement agreements with seven (7) entities as of September 30, 2019.

The City had one type of abatements, none of which provide for the abatement of school or state tax levies. These taxes are not included in the amounts listed since DeSoto County, Mississippi collects the ad valorem taxes and forwards the City of Horn Lake their levied portion of those collections:

Section 27-31-105, Miss. Code (Ann.) 1972

All allowable property tax levies

All allowable property tax levies except for countywide road and bridge levy

All seven companies have tax abatements listed under this statute.

These economic development projects, collectively, had \$73,831 in taxes abated in fiscal year 2019 accounting for 63% of taxes abated of potential collections without abatements present.

#### (15) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of City of Horn Lake, Mississippi evaluated the activity of the City through the date the financial statements were available to be issued and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

**CITY OF HORN LAKE, MISSISSIPPI**

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF HORN LAKE, MISSISSIPPI**

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,494,000	\$ 5,509,754	\$ 5,544,743	\$ 34,989
Local taxes	5,737,100	5,751,854	6,319,471	567,617
Licenses and permits	291,000	291,000	405,498	114,498
Fines	600,000	600,000	596,348	(3,652)
Special assessments	100,000	100,000	47,842	(52,158)
Intergovernmental revenues	641,400	626,646	775,725	149,079
Charges for services	2,438,000	2,438,000	2,561,599	123,599
Interest income	4,000	4,000	1,137	(2,863)
Miscellaneous revenues	498,905	498,905	279,700	(219,205)
Total Revenues	<u>15,804,405</u>	<u>15,820,159</u>	<u>16,532,063</u>	<u>711,904</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,533,065	2,641,125	2,409,335	231,790
Police	6,082,100	6,082,100	5,610,397	471,703
Fire and emergency services	4,025,650	4,041,404	3,958,832	82,572
Streets and sanitation	2,481,775	2,527,675	2,484,773	42,902
Animal control	178,510	178,510	155,276	23,234
Parks and recreation	830,700	830,700	890,618	(59,918)
Capital outlay	655,000	501,040	255,644	245,396
Debt service	353,905	353,905	336,227	17,678
Total Expenditures	<u>17,140,705</u>	<u>17,156,459</u>	<u>16,101,102</u>	<u>1,055,357</u>
Excess of Revenues over (under) Expenditures	<u>(1,336,300)</u>	<u>(1,336,300)</u>	<u>430,961</u>	<u>1,767,261</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	30,300	30,300	1,170	(29,130)
Long-term non-capital debt issued	506,000	506,000	0	(506,000)
Transfers in	800,000	800,000	800,000	0
Total Other Financing Sources and Uses	<u>1,336,300</u>	<u>1,336,300</u>	<u>801,170</u>	<u>(535,130)</u>
Net Change in Fund Balance			1,232,131	1,232,131
Fund Balances - Beginning - Cash Basis				<u>1,917,457</u>
Fund Balances - Ending - Cash Basis				<u><u>3,149,588</u></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

Last 10 Fiscal Years\*

For the Year Ended September 30, 2019

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>	
City's proportion of the net pension liability (asset)	0.1245%		0.1251%		0.1201%		0.1200%		0.1265%	
City's proportionate share of the net pension liability (asset)	\$	21,902,182	\$	20,801,859	\$	19,965,694	\$	21,434,996	\$	19,554,406
City's covered payroll	\$	8,461,073	\$	7,918,573	\$	7,895,302	\$	7,881,829	\$	7,902,200
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	286.29%		262.70%		252.88%		271.95%		247.46%	
Plan fiduciary net position as a percentage of the total pension liability	61.59%		62.54%		61.49%		57.47%		61.70%	

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

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the City has only presented information for the years in which information is available.

**CITY OF HORN LAKE, MISSISSIPPI**

## Schedule of City Contributions

Last 10 Fiscal Years\*

For the Year Ended September 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,332,619	\$ 1,247,177	\$ 1,243,512	\$ 1,241,338	\$ 1,237,471
Contributions in relation to the contractually required contribution	<u>1,332,619</u>	<u>1,247,177</u>	<u>1,243,512</u>	<u>1,241,338</u>	<u>1,235,977</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,494</u>
City's covered payroll	\$ 8,461,073	\$ 7,918,573	\$ 7,895,302	\$ 7,881,829	\$ 7,856,961
Contributions as a percentage of covered payroll	16.1625%	15.75%	15.75%	15.75%	15.75%

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

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the City has only presented information for the years in which information is available.



## CITY OF HORN LAKE, MISSISSIPPI

### Notes to the Required Supplementary Information For the Year Ended September 30, 2019

#### A. Budgetary Information.

All funds of the City of Horn Lake, Mississippi, governmental and business-type are budgeted. For comparison purposes, the final amended budget utilized and 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.

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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

#### Pension Schedules

##### A. Changes of assumptions.

###### 2015

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

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

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

Assumed rates of salary increase adjusted reflect actual and anticipated experience.

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

###### 2016

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

###### 2017

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

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

## CITY OF HORN LAKE, MISSISSIPPI

### Notes to the Required Supplementary Information For the Year Ended September 30, 2019

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

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

#### 2019

The expectation of retired life mortality 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 used to project future improvements in life expectancy generationally.

The expectation of disabled mortality 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 used to project future improvements in life expectancy generationally.

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

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

Withdrawal rates, pre-retirement mortality rates, and service retirement rates adjusted to reflect actual experience.

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

#### B. Changes in benefit provisions.

#### 2016

Effective July 1, 2016, the interest rate on employee contributions 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.

#### C. Methods and assumptions used in calculation of actuarially determined contributions.

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2017 valuation for the June 30, 2019 fiscal year end).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in this schedule.

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

## OTHER INFORMATION

**CITY OF HORN LAKE, MISSISSIPPI**  
Schedule of Surety Bonds for City Officials  
For the Year Ended September 30, 2019  
UNAUDITED

Name	Position	Company	Bond
Allen B. Latimer	Mayor	Fidelity & Deposit	\$ 75,000
Michael Guice	Alderman, Ward 1	Fidelity & Deposit	\$ 100,000
Tommy Bledsoe	Alderman, Ward 2	Fidelity & Deposit	\$ 100,000
Jackie Bostick	Alderman, Ward 3	Fidelity & Deposit	\$ 100,000
Charlie Roberts	Alderman, Ward 4	Fidelity & Deposit	\$ 100,000
LaShonda Johnson	Alderman, Ward 5	Fidelity & Deposit	\$ 100,000
John E. Jones, Jr.	Alderman, Ward 6	Fidelity & Deposit	\$ 100,000
Donnie "Chigger" White	Alderman, At-Large	Fidelity & Deposit	\$ 100,000
James Robinson	City Clerk	Fidelity & Deposit	\$ 50,000
Willis Charles Dixon	Finance Officer	Fidelity & Deposit	\$ 50,000
Tara Warren	Court Clerk	Fidelity & Deposit	\$ 50,000
Cindy R. White	Deputy Court Clerk	Fidelity & Deposit	\$ 50,000
Arianne Linville	HR Director	Fidelity & Deposit	\$ 50,000
Willie Dell Davidson, Jr.	Planning Director	Fidelity & Deposit	\$ 50,000
Felecia Topp Peters	Parks / Concessions	Fidelity & Deposit	\$ 50,000
Julie Valsamis	Accounts Payable Clerk	Travelers Casualty & Surety Company	\$ 50,000
Rodney Nash	Utility Manager	Travelers Casualty & Surety Company	\$ 50,000
Amy Louise Ray	Deputy Clerk	Fidelity & Deposit	\$ 50,000
Kelsey N. Bishop	Utility Clerk	Fidelity & Deposit	\$ 50,000
Debra McBride	Utility Lead Clerk	Fidelity & Deposit	\$ 50,000
Troy Rowell	Police Chief	Fidelity & Deposit	\$ 50,000
Denise D. Kovatch	Police - Seized Property	Fidelity & Deposit	\$ 50,000
Jeny Black Price	Police Department	Fidelity & Deposit	\$ 50,000
David Carl Linville	Fire Chief	Fidelity & Deposit	\$ 50,000
Ronald L. White, Jr.	Deputy Fire Marshall	Fidelity & Deposit	\$ 50,000

## SPECIAL REPORTS

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Aldermen  
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 City of Horn Lake, Mississippi, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Horn Lake's basic financial statements, and have issued our report thereon dated August 31, 2021. The report is modified on the governmental activities, business-type activities and the utility fund because the City did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Horn Lake, Mississippi's ("the City") internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as 2019-001 that we consider to be a material weakness.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **City of Horn Lake's Response to Finding**

The City of Horn Lake, Mississippi's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Horn Lake'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 result 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
August 31, 2021

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
STATE LAWS AND REGULATIONS

Members of the Board of Aldermen  
City of Horn Lake, Mississippi

We have audited the financial statements of the governmental activities, 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, 2019, which collectively comprise the City of Horn Lake's basic financial statements and have issued our report dated August 31, 2021. We conducted our audit in accordance with generally accepted 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.

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 all state laws and regulations was not an objective of our audit and, accordingly, we do not express an opinion.

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

This report is intended solely for the information and use of the City's management and the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC  
August 31, 2021

Certified Public Accountants



## SCHEDULE OF FINDINGS AND RESPONSES

## City of Horn Lake, Mississippi

### Schedule of Findings and Responses For the Year Ended September 30, 2019

#### Section 1: Summary of Auditor's Results

##### ***Financial Statements:***

1. Type of auditor's report issued on the financial statements: Unmodified
  - Governmental activities Modified
  - Business-type activities Modified
  - General Fund Unmodified
  - Debt Service Fund Unmodified
  - Utility Fund Modified
  - Aggregate remaining fund information Unmodified
2. Internal control over financial reporting:
  - a. Material weakness identified? Yes
  - b. Significant deficiency identified? None reported
3. Noncompliance material to the financial statements noted? No

#### Section 2: Financial Statement Finding

Board of Aldermen.

Material Weakness

2019-001. Liability for postemployment benefits not recorded/note disclosures for postemployment benefits not reported.

Repeat Finding No

Criteria City of Horn Lake purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the City's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the City has a postemployment healthcare benefit reportable under GASB Statement No. 78 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions as a single employer defined health benefit care plan. GASB Statement No. 78 requires the City to report on an accrual basis the liability associated with other postemployment benefits.

Condition The City does not issue a publicly available financial report for its health insurance plan. The City has not recorded a liability for other postemployment benefits nor has the City reported the note disclosures which are required by accounting principles generally accepted in the United States of America. Since 2011, the City has offered retirees insurance benefit coverage.

Cause Noncompliance with GASB Statement No. 78.

Effect Failure to properly follow generally accepted accounting principles resulted in a modified opinion on the governmental activities and business-type activities opinion units.

**City of Horn Lake, Mississippi**

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

Recommendation	The Board of Aldermen should have an actuarial valuation performed annually so a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.
Response	Due to recent notification of this requirement, the Board has chosen to accept this finding with no corrective action at this time. The Board will address this matter by hiring an actuary. An OPEB liability will be posted in the Government-wide financial statements starting in fiscal year 2020.



# City of Horn Lake

**Jim Robinson, City Administrator/City Clerk**

3101 Goodman Road West, Horn Lake, MS 38637

## SUMMARY OF PRIOR AUDIT FINDINGS

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards (UG), City of Horn Lake, Mississippi has prepared and hereby submits the following summary of prior audit finding follow up as of September 30, 2019:

<u>Finding</u>	<u>Status</u>
2018-001	City management recorded ambulance receipts on the modified accrual basis of accounting for the period ending September 30, 2019.
2018-002	City management recorded court fines on the modified accrual basis of accounting for the period ending September 30, 2019.
2018-003	Correcting entries were not needed for beginning fund balance amounts in the General Fund and the Utility Fund for fiscal year 2019 upon information provided in a previous audit.
2018-004	Asset purchases made in the Proprietary Fund were capitalized at fund level in fiscal year 2019.
2018-005	Cash transactions (receipts and disbursements) were checked in September and October 2019 and recorded to the proper fiscal year.
2018-006	The accounting records were thoroughly examined by internal personnel and a contracted CPA for fiscal year 2019. Old beginning balances without recent support were reversed in proposed journal entries.
2018-007	Interfund activity fully reconciled at fiscal year-end.