

**City of Horn Lake, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2014**



City of Horn Lake, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2014

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INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen
City of Horn Lake
Horn Lake, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horn Lake, Mississippi ("the City") as of and for the year ended September 30, 2014, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horn Lake, as of September 30, 2014, 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 and budgetary comparison information on pages i-ix and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of surety bonds of municipal officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
December 21, 2015

CITY OF HORN LAKE

MISSISSIPPI



Management's Analysis and Discussion

FYE 2014

THE CITY OF HORN LAKE, MISSISSIPPI

CITY OFFICIALS

MAYOR

ALLEN B. LATIMER

ALDERMEN

DONNIE WHITE, ALDERMAN-AT-LARGE

AMY LAY, WARD 1

TOMMY BLEDSOE, WARD 2

TIM SMITH, WARD 3

CHARLIE ROBERTS, WARD 4

BRYAN PETTIGREW, WARD 5

JOHN E JONES, JR, WARD 6

CITY ADMINISTRATOR/CAO and CITY CLERK

ANDREA FREEZE, MPPA

CITY ATTORNEY

BILLY CAMPBELL, HUNT, ROSS & ALLEN

DEPARTMENT HEADS

POLICE CHIEF - DARRYL WHALEY

FIRE CHIEF - DAVID LINVILLE

DIRECTOR OF OPERATIONS - SPENCER SHIELDS

COURT CLERK – TARA WARREN

PARKS AND RECREATION – JOHN WILLOUGHBY

COMMUNITY DEVELOPMENT / HUMAN RESOURCES - A.J. LINVILLE

CITY ENGINEER

VINCE MALAVASI, NEEL-SCHAFFER

City of Horn Lake, Mississippi
Management's Discussion and Analysis
For Year Ended September 30, 2014
Unaudited

This discussion and analysis of the City of Horn Lake's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2014 as compared to 2013 were as follows:

- Total net position decreased from \$ 11,797,008 to \$ 10,915,212
- Total liabilities decreased from \$ 35,988,772 (less deferred revenue, now classified as deferred inflows) to \$36,740,461
- Total assets of governmental activities increased from \$ 37,792,028 to \$ 38,938,406
- Total assets of business-type activities decreased from \$ 16,454,685 to \$ 15,110,467

Using This Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Horn Lake's performance as a whole. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a long-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as funds that remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in an aggregate column.

Reporting on the City of Horn Lake as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

City of Horn Lake, Mississippi
Management's Discussion and Analysis
For Year Ended September 30, 2014
Unaudited

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services such as police, fire, administrative, public services and all other departments. The business-type activities of the City of Horn Lake consist of the City's Water and Sewer System, also known as the Utility Department. This is known as the Proprietary Fund. The City of Horn Lake has no component units.

Reporting on the City of Horn Lake's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 6. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Horn Lake, the City's major funds are the General, Debt Service, and Utility Funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term financing decisions. Both the governmental fund balances and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

The City of Horn Lake maintains an enterprise fund that is used to report business-type activities in the government-wide financial statements. The City uses enterprise fund accounting in order to account for the Utility System Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on page 10. Operating revenues of the System are utilized to fund the operation and maintenance expenses and debt service.

City of Horn Lake, Mississippi
Management's Discussion and Analysis
For Year Ended September 30, 2014
Unaudited

The City of Horn Lake as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2014 compared to 2013. Table 2 shows the changes in net position for the 2014 year.

Table 1
Statement of Net Position

	2014		2013	
	Government Activities	Business-type Activities	Government Activities	Business-type Activities
Assets				
Current and other assets	10,395,529	2,543,882	8,631,065	3,896,852
Capital assets, net	28,542,877	12,566,585	29,160,963	12,557,833
Total Assets	38,938,406	15,110,467	37,792,028	16,454,685
Deferred Inflows of Resources				
Deferred amount on refunding	-	422,430	-	-
Total Deferred Inflows of Resources	-	422,430	-	-
Liabilities				
Current liabilities	4,662,453	1,206,733	9,446,881	1,211,649
Long-term liabilities	18,008,228	12,863,047	19,424,714	12,366,461
Total Liabilities	22,670,681	14,069,780	28,871,595	13,578,110
Deferred Outflows of Resources				
Deferred revenue	6,815,630	-	-	-
Total Deferred Outflows of Resources	6,815,630	-	-	-
Net Assets				
Invested in capital assets, net of debt	7,359,951	(409,446)	8,934,864	76,842
Restricted	58,854	573,058	50,857	728,539
Unrestricted	2,033,290	1,299,505	(65,288)	2,071,194
Total Net Assets	9,452,095	1,463,117	8,920,433	2,876,575

Total assets and deferred inflows of resources increased by \$ 224,590. Cash and cash equivalents increased by \$309,989, excluding restricted cash. The following table, Table 2, presents a summary of the changes in net position for the fiscal year ended September 30, 2014.

(See next page for Table 2)

City of Horn Lake, Mississippi
Management's Discussion and Analysis
For Year Ended September 30, 2014
Unaudited

Table 2
Changes in Net Position

	<u>Government</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Government</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Revenues				
Program Revenues:				
Charges for services	\$ 2,007,352	\$ 4,159,667	\$ 2,378,343	\$ 4,017,805
Operating grants and contributions	278,762	-	-	-
Capital grants and contributions	-	258,452	-	-
Total Program Revenues	<u>2,286,114</u>	<u>4,418,119</u>	<u>2,378,343</u>	<u>4,017,805</u>
General Revenues:				
Taxes	11,899,913	-	11,458,790	-
Other revenues	2,522,746	39,685	2,555,957	224,104
Transfers	1,429,074	(1,429,074)	400,000	(400,000)
Total General Revenues	<u>15,851,733</u>	<u>(1,389,389)</u>	<u>14,414,747</u>	<u>(175,896)</u>
Total Revenues	<u>18,137,847</u>	<u>3,028,730</u>	<u>16,793,090</u>	<u>3,841,909</u>
Expenses				
General government	2,706,887	-	2,839,961	-
Public safety	9,200,729	-	8,722,789	-
Public works	2,823,515	-	2,704,507	-
Cultural & recreational	1,359,375	-	1,631,257	-
Economic development	301,654	-	205,160	-
Interest	781,382	-	882,631	-
Utility department	-	4,037,297	-	3,561,054
Total Expenses	<u>17,173,542</u>	<u>4,037,297</u>	<u>16,986,305</u>	<u>3,561,054</u>
Change in Net Assets	<u>\$ 964,305</u>	<u>\$ (1,008,567)</u>	<u>\$ (193,215)</u>	<u>\$ 280,855</u>

Governmental Activities

Several revenues fund the City's governmental activities. The largest funding source, property tax revenue, accounted for \$ 7,057,462, or 44.5% of general revenues; sales tax revenue accounted for \$ 4,135,727, or 26% of general revenues. Fines of \$ 1,223,748 accounted for 7.7% of general revenues, and franchise taxes of \$ 706,724 accounted for 4.5% of general revenues.

The remaining 17.3% of general revenues was comprised of miscellaneous revenues and transfers.

Total general revenues from governmental activities increased from \$ 14,414,747 in 2013 to \$ 15,851,733, or 10%. Major expense activities included public safety expenditures accounting for 53.6% of total program expenses, and general government expenses accounting for 15.8% of total program expenses.

City of Horn Lake, Mississippi
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Although the City has worked very hard on increasing its tax base by being proactive with new businesses and reducing costs department by department, we still strive to provide better service at a lower cost per man-hour. The ability of the City to continue to provide quality services without tax increases rests on the City management's ability to keep these costs in line.

Business-type Activities

Business-type activities decreased the City's net position by \$ 1,008,567. Revenues from the utility system fund totaled \$ 4,418,119 in 2014, an increase of 10% from 2013 revenues of \$ 4,017,805.

Expenses of the utility fund increased by 13.4% in 2014, totaling \$ 4,037,297 in 2014 and \$ 3,561,054 in 2013.

The City's Funds

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 7 and 9, respectively.

The City maintains individual governmental funds in accordance with the Mississippi Municipal Audit and Accounting Guide issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 6 and 8 of this report. It is important to realize that all short-term notes issued by the City are recognized in the current period as short-term liabilities, and once bonded by the City they become long-term general obligation debt of the City.

City of Horn Lake, Mississippi
Management's Discussion and Analysis
For Year Ended September 30, 2014
Unaudited

Proprietary Funds

The net position of the proprietary funds at the end of fiscal year 2014 totaled \$ 1,463,117 which represents a \$1,008,567 decrease from 2013, net position beginning as restated in the financial statements due to implementation of GASB 65 (deferred charges on bond issue costs).

General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi Law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of 2014, the City amended its general fund budget. All recommendations for a budget change come from the Department Heads to the City Administrator. The Board of Aldermen of the City does not allow budget changes that modify totals within departments without Board approval. With the General Fund supporting many of the City's major activities such as police, fire, ambulance, street and park departments, as well as legislative, judicial and executive activities, the General Fund is monitored closely, looking for possible revenue shortfalls or overspending by individual departments. For the general fund, original budgeted revenues were \$ 14,302,600; amended budget amounts were \$14,444,630 and actual revenue collections-budgetary basis were \$ 13,938,575.

Capital Assets and Long-Term Obligations

Table 3

Capital Assets (Net of Depreciation)

	2014		2013	
	Government Activities	Business-type Activities	Government Activities	Business-type Activities
Land	\$ 3,668,471	\$ 28,225	\$ 3,668,471	\$ 28,225
Buildings & Improvements	10,990,997	151,001	11,008,229	151,001
Equipment & Vehicles	7,583,855	377,556	6,807,488	377,556
Construction in Progress	70,820	865,119	49,916	302,745
Infrastructure	27,414,029	19,408,817	27,259,618	19,318,868
Accumulated Depreciation	<u>(21,185,295)</u>	<u>(8,264,133)</u>	<u>(19,632,759)</u>	<u>(7,620,562)</u>
Total Capital Assets, net	<u>\$ 28,542,877</u>	<u>\$ 12,566,585</u>	<u>\$ 29,160,963</u>	<u>\$ 12,557,833</u>

**City of Horn Lake, Mississippi
Management's Discussion and Analysis
For Year Ended September 30, 2014
Unaudited**

Long-Term Obligations

Table 4

Outstanding Notes and Long-Term Obligations at Year End

	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General obligation bonds	\$ 9,670,000	\$ 10,360,000
Special assessment bonds	9,275,000	9,850,000
Loans payable	1,589,179	310,083
Leases payable	811,357	330,285
Bond premium	108,090	127,166
Bond discount	(43,730)	(49,196)
Deferred loss	(226,970)	(269,596)
Compensated absences	293,545	232,603
Total	<u>\$ 21,476,471</u>	<u>\$ 20,891,345</u>
Business-type Activities:		
Bonds and notes payable	\$ 11,060,000	\$ 10,635,000
Loans payable	2,114,345	1,939,671
Bond premium	224,116	311,213
Compensated absences	42,830	22,708
Total	<u>\$ 13,441,291</u>	<u>\$ 12,908,592</u>

During 2014, the City issued \$ 7,320,000 in special obligation revenue refunding bonds to advance refund \$6,525,000 of 2005 special obligation bonds. The refunding will reduce the City's debt service payments over the next 16 years by more than \$ 400,000. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City Clerk at 662-342-3488.

BASIC FINANCIAL STATEMENTS

City of Horn Lake, Mississippi
Statement of Net Position
September 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 588,327	\$ 1,583,506	\$ 2,171,833
Investments	107,601	-	107,601
Accounts receivable (net of allowance for uncollectibles of \$2,653,462)	639,833	289,420	929,253
Intergovernmental receivable	509,663	9,042	518,705
Property tax receivable	6,815,630	-	6,815,630
Prepaid items	751,884	86,661	838,545
Inventories	-	2,195	2,195
Restricted assets			
Cash in bank	-	573,058	573,058
Property held for sale	982,591	-	982,591
Capital assets:			
Land and construction in progress	3,739,291	893,344	4,632,635
Other capital assets, net	24,803,586	11,673,241	36,476,827
Total Assets	<u>38,938,406</u>	<u>15,110,467</u>	<u>54,048,873</u>
Deferred outflows of resources			
Deferred amount on refunding	-	422,430	422,430
Total deferred outflows of resources	<u>-</u>	<u>422,430</u>	<u>422,430</u>
Liabilities			
Accounts payable	415,478	119,361	534,839
Accrued expenses	77,198	7,992	85,190
Customer deposits	274,280	306,248	580,528
Other deposits	113,535	-	113,535
Unearned revenue	9,152	16,491	25,643
Accrued interest	304,567	178,397	482,964
Long-term liabilities			
Due within one year:			
Capital debt	3,468,243	578,244	4,046,487
Due in more than one year:			
Capital debt	17,714,683	12,820,217	30,534,900
Non-capital debt	293,545	42,830	336,375
Total Liabilities	<u>22,670,681</u>	<u>14,069,780</u>	<u>36,740,461</u>
Deferred inflows of resources			
Unavailable revenue-property taxes	6,815,630	-	6,815,630
Total deferred inflows of resources	<u>6,815,630</u>	<u>-</u>	<u>6,815,630</u>
Net Position			
Net Investment in capital assets	7,359,951	(409,446)	6,950,505
Restricted for:			
Culture and recreation	58,854	-	58,854
Debt service	-	573,058	573,058
Unrestricted	2,033,290	1,299,505	3,332,795
Total Net Position	<u>\$ 9,452,095</u>	<u>\$ 1,463,117</u>	<u>\$ 10,915,212</u>

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

City of Horn Lake, Mississippi
Statement of Activities
For the Year Ended September 30, 2014

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General government	\$ 2,706,887	\$ -	\$ -	\$ -	\$ (2,706,887)	\$ -	\$ (2,706,887)
Public safety	9,200,729	239,656	250,983	-	(8,710,090)	-	(8,710,090)
Public works	2,823,515	1,373,459	27,779	-	(1,422,277)	-	(1,422,277)
Culture and recreation	1,359,375	394,237	-	-	(965,138)	-	(965,138)
Economic development	301,654	-	-	-	(301,654)	-	(301,654)
Interest on long-term debt	781,382	-	-	-	(781,382)	-	(781,382)
Total Governmental Activities	<u>17,173,542</u>	<u>2,007,352</u>	<u>278,762</u>	<u>-</u>	<u>(14,887,428)</u>	<u>-</u>	<u>(14,887,428)</u>
Business-type Activities							
Water and sewer	4,037,297	4,159,667	-	258,452	-	380,822	380,822
Total Business-type Activities	<u>\$ 4,037,297</u>	<u>\$ 4,159,667</u>	<u>\$ -</u>	<u>\$ 258,452</u>	<u>-</u>	<u>380,822</u>	<u>380,822</u>
			General Revenues				
			Property taxes	7,057,462	-	7,057,462	
			Franchise taxes	706,724	-	706,724	
			Sales taxes	4,135,727	-	4,135,727	
			Intergovernmental	201,590	-	201,590	
			License & permits	185,087	-	185,087	
			Fines	1,223,748	-	1,223,748	
			Penalty and interest	43,162	-	43,162	
			Unrestricted investment earnings	4,405	2,470	6,875	
			Rent	20,904	-	20,904	
			Miscellaneous	526,478	37,215	563,693	
			Transfers	1,429,074	(1,429,074)	-	
			Gain (loss) on sale of asset	317,372	-	317,372	
			Total General Revenues	<u>15,851,733</u>	<u>(1,389,389)</u>	<u>14,462,344</u>	
			Change in Net Position	<u>964,305</u>	<u>(1,008,567)</u>	<u>(44,262)</u>	
			Net Position-Beginning	<u>8,920,433</u>	<u>2,876,575</u>	<u>11,797,008</u>	
			Prior period adjustment	<u>(432,643)</u>	<u>(404,891)</u>	<u>(837,534)</u>	
			Net Position - Beginning, as restated	<u>8,487,790</u>	<u>2,471,684</u>	<u>10,959,474</u>	
			Net Position-Ending	<u>\$ 9,452,095</u>	<u>\$ 1,463,117</u>	<u>\$ 10,915,212</u>	

The accompanying notes are an integral part of the financial statements

CITY OF HORN LAKE, MISSISSIPPI
Balance Sheet
Governmental Funds
September 30, 2014

	<u>Major Funds</u>			Total Governmental Funds
	General Fund	Debt Service Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 258,760	\$ 252,674	\$ 76,893	\$ 588,327
Investments	107,601	-	-	107,601
Accounts receivable (net of allowance for uncollectibles of \$2,558,106)	639,833	-	-	639,833
Intergovernmental receivable	464,295	22,644	22,724	509,663
Prepaid items	6,751	721,163	23,970	751,884
Property tax receivable	4,850,230	1,817,234	148,166	6,815,630
Total Assets	<u>\$ 6,327,470</u>	<u>\$ 2,813,715</u>	<u>\$ 271,753</u>	<u>\$ 9,412,938</u>
Liabilities				
Accounts payable	\$ 407,136	\$ 4,941	\$ 3,401	\$ 415,478
Accrued expenses	77,198	-	-	77,198
Other deposits	387,815	-	-	387,815
Unearned revenue	9,152	-	-	9,152
Total Liabilities	<u>881,301</u>	<u>4,941</u>	<u>3,401</u>	<u>889,643</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	4,850,230	1,817,234	148,166	6,815,630
Total deferred inflows of resources	<u>4,850,230</u>	<u>1,817,234</u>	<u>148,166</u>	<u>6,815,630</u>
Fund Balances				
Nonspendable:				
Prepaid items	6,751	721,163	23,970	751,884
Restricted:				
Culture and recreation	-	-	58,854	58,854
Debt service	-	270,377	-	270,377
Assigned:				
Economic development	-	-	115,444	115,444
General government	-	-	52,941	52,941
Unassigned	589,188	-	(131,023)	458,165
Total Fund Balances	<u>595,939</u>	<u>991,540</u>	<u>120,186</u>	<u>1,707,665</u>
Total Liabilities and Fund Balances	<u>\$ 6,327,470</u>	<u>\$ 2,813,715</u>	<u>\$ 271,753</u>	<u>\$ 9,412,938</u>

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

City of Horn Lake, Mississippi
Reconciliation of Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2014

Total Fund Balance - Governmental Funds	\$ 1,707,665
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 \$21,185,295.	28,542,877
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of the following:	
Tax Forfeited Land ("Investments")	982,591
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(21,476,471)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds	<u>(304,567)</u>
Net Position of Governmental Activities	<u>\$ 9,452,095</u>

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

City of Horn Lake, Mississippi
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2014

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	
Revenues				
Property taxes	\$ 5,167,498	\$ 1,747,162	\$ 142,802	\$ 7,057,462
Franchise taxes	706,724	-	-	706,724
Sales taxes	3,947,219	-	188,508	4,135,727
Penalty and interest	43,162	-	-	43,162
Licenses and permits	185,087	-	-	185,087
Intergovernmental	480,352	-	-	480,352
Charges for services	2,007,352	-	-	2,007,352
Fines	1,223,748	-	-	1,223,748
Interest	4,406	-	-	4,406
Miscellaneous	547,382	-	-	547,382
Total Revenues	<u>14,312,930</u>	<u>1,747,162</u>	<u>331,310</u>	<u>16,391,402</u>
Expenditures				
General government	2,472,680	-	-	2,472,680
Public safety	8,572,823	-	-	8,572,823
Public works	2,153,209	-	-	2,153,209
Culture and recreation	986,357	-	134,804	1,121,161
Economic development	173,594	-	120,200	293,794
Debt service				
Principal	201,632	1,265,000	-	1,466,632
Interest	5,562	632,805	-	638,367
Other	-	13,648	-	13,648
Capital outlay	989,468	-	110,000	1,099,468
Total Expenditures	<u>15,555,325</u>	<u>1,911,453</u>	<u>365,004</u>	<u>17,831,782</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,242,395)</u>	<u>(164,291)</u>	<u>(33,694)</u>	<u>(1,440,380)</u>
Other Financing Sources (Uses)				
Long-term capital debt issued	661,799	-	-	661,799
Proceeds from sale of fixed assets	317,372	-	-	317,372
Loan proceeds	-	2,500,000	-	2,500,000
Loan payment	-	(1,200,000)	-	(1,200,000)
Interfund transfers	421,301	1,174,334	(166,561)	1,429,074
Total Other Financing Sources (Uses)	<u>1,400,472</u>	<u>2,474,334</u>	<u>(166,561)</u>	<u>3,708,245</u>
Net Change in Fund Balances	158,077	2,310,043	(200,255)	2,267,865
Fund Balance - Beginning	<u>437,862</u>	<u>(1,318,503)</u>	<u>320,441</u>	<u>(560,200)</u>
Fund Balance - Ending	<u>\$ 595,939</u>	<u>\$ 991,540</u>	<u>\$ 120,186</u>	<u>\$ 1,707,665</u>

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

City of Horn Lake, Mississippi
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 2,267,865

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$934,450 were less than depreciation of \$1,494,568 in the current period. (560,118)

Debt proceeds provide current financial resources to governmental funds, but issuing 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. This is the amount by which repayments of \$2,666,631 were less than debt proceeds of \$3,161,799. (495,168)

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

Accrued interest on debt	19,862
Prepaid interest	(120,212)
Compensated absences	(60,942)
Bond premium, discount and deferred loss amortization	(29,017)
Correction of accumulated depreciation	(57,965)
	<u>(560,118)</u>

Change in Net Position of Governmental Activities \$ 964,305

City of Horn Lake, Mississippi
Statement of Net Position
Proprietary Funds
September 30, 2014

	Utility Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,583,506
Accounts receivable (net of allowance for uncollectibles of \$109,326)	289,420
Intergovernmental receivables	9,042
Inventory	2,195
Prepaid items	86,661
Total Current Assets	1,970,824
Noncurrent Assets	
Restricted Cash	573,058
Capital assets:	
Land and construction in progress	893,344
Other capital assets, net	11,673,241
Total Noncurrent Assets	13,139,643
Total Assets	15,110,467
Deferred outflows of resources	
Deferred amount on refunding	422,430
Total deferred outflows of resources	422,430
Liabilities	
Current Liabilities	
Accounts payable	119,361
Accrued expenses	7,992
Accrued interest payable	178,397
Unearned revenue	16,491
Customer deposits	306,248
Capital debt:	
Other long-term liabilities	578,244
Total Current Liabilities	1,206,733
Noncurrent liabilities:	
Capital debt	12,820,217
Non-capital debt	42,830
Total noncurrent liabilities	12,863,047
Total Liabilities	14,069,780
Net Position	
Net investment in capital assets	(409,446)
Restricted for:	
Debt service	573,058
Unrestricted	1,299,505
Total Net Position	\$ 1,463,117

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

City of Horn Lake, Mississippi
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2014

	Utility Fund
Operating Revenues	
Charges for services	\$ 4,159,667
Miscellaneous	<u>37,215</u>
Total Operating Revenues	<u>4,196,882</u>
Operating Expenses	
Personnel	1,007,638
Supplies	98,271
Depreciation and amortization	662,672
Maintenance and other	276,794
Water & sewer system management	<u>1,236,891</u>
Total Operating Expenses	<u>3,282,266</u>
Operating Income	<u>914,616</u>
Non-operating Revenues (Expenses)	
Interest income	2,470
Intergovernmental grants	258,452
Interest expense	<u>(755,031)</u>
Net Non-operating Revenues (Expenses)	<u>(494,109)</u>
Income (Loss) Before Contributions and Transfers	420,507
Transfers Out	<u>(1,429,074)</u>
Change in Net Position	<u>(1,008,567)</u>
Net Position - Beginning, as previously reported	2,876,575
Prior period adjustment	<u>(404,891)</u>
Net Position - Beginning, as restated	<u>2,471,684</u>
Net Position - Ending	<u><u>\$ 1,463,117</u></u>

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

City of Horn Lake, Mississippi
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2014

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 4,169,657
Payments to suppliers	(1,725,576)
Payments to employees	<u>(987,516)</u>
Net Cash Provided By (Used In) Operating Activities	<u>1,456,565</u>
Cash Flows from Non-capital Financing Activities	
Interfund transfers	<u>(400,000)</u>
Net Cash Provided By (Used In) Non-Capital Financing Activities	<u>(400,000)</u>
Cash Flows from Capital and Related Financing Activities	
Payments for capital acquisitions	(671,422)
Capital grants received	258,452
Customer deposits	17,266
Proceeds of long-term debt	7,783,801
Principal payments on debt	(7,693,654)
Interest payments on debt	<u>(754,614)</u>
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(1,060,171)</u>
Cash Flows from Investing Activities	
Interest revenue	<u>2,470</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,136)
Cash and Cash Equivalents-Beginning of Year	<u>2,157,700</u>
Cash and Cash Equivalents-End of Year	<u><u>\$ 2,156,564</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	<u>\$ 914,616</u>
Adjustments to reconcile operating income to net cash provided by (used in) operating activities	
Depreciation and amortization	662,672
(Increase) decrease in customer receivables	(43,716)
(Increase) decrease in prepaid expenses	(38,415)
Increase (decrease) in accounts payable	(43,770)
Increase (decrease) in accrued expenses	(31,435)
Increase (decrease) in unearned revenue	16,491
Increase (decrease) in compensated absences	<u>20,122</u>
Total adjustments	<u>541,949</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 1,456,565</u></u>

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

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Horn Lake ("the City") was incorporated in 1973. The City operates under a Board of Aldermen-Mayor form of government and provides the following services; public safety, public works, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Financial Reporting Entity

These financial statements present all the accounts of the City. There are no component units as defined by GASB Statement 14, *The Financial Reporting Entity*.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The 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 Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental 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.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

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 is used to account for and report all financial resources not accounted for and reported in another fund.

Debt Service fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal interest and related costs.

The City reports the following major Proprietary Funds:

Utility Fund:

The Utility Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, as well as billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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.

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

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

PROPRIETARY FUND TYPES

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

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 as 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 expenditure and revenues to the Mayor and Board of Alderman 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.

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, "Cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, "Cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments

The City's investments consist of shares of common stock and property held for sale. The stock is valued at fair market value using quoted prices in an actively traded market.

Property Held for Sale

The property held for sale is carried at an amount equal to the property taxes uncollected at the time the City received title to the property and limited to appraised values as assessed by the local tax assessor.

Inventories and Prepaid Items.

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in/first-out method.

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

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

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."

Restricted Assets

Proprietary 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 non-restricted assets are available for use, the policy is to use restricted assets first.

Capital Assets and Depreciation

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Infrastructure	-	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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 refunding's and advance refunding's 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.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

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.

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 governmental activities or Proprietary Funds Statement of Net Position.

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 fund 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.

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 restricted classifications could be used, it is the City’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

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.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Mayor pursuant to authorization established by the Board of Aldermen.

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 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.

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 that become a lien are due in the month that coincides with the month of the original purchase.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

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 the original purchase occurs.

Intergovernmental Revenues in Governmental Funds

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

Changes in Accounting Standards

The City of Horn Lake, Mississippi adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year. The provisions of this standard have been incorporated into the financial statements and notes.

NOTE B - PRIOR PERIOD ADJUSTMENT

A summary of significant fund equity adjustment is as follows:

Statement of Activities:

Explanation

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Implementation of GASB 65 (deferred charges-bond issue costs)	\$ <u>432,643</u>	\$ <u>404,891</u>

The adjustment of \$404,891 is also relevant for the Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

NOTE C - CASH AND CASH EQUIVALENTS

The collateral for public entities’ deposits in financial institutions are 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 is the risk that in the event of a financial institutions failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the City. As of September 30, 2014, the City’s bank balance was not exposed to custodial credit risk.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

As of September 30, 2014, the carrying amount of the City's deposits with financial institutions was \$2,744,891 and the bank balances totaled \$3,405,424. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

NOTE D - INVESTMENTS

The following is a summary of changes in investments:

<u>Investments</u>	<u>Fund</u>	<u>Balance at</u>			<u>Balance at</u>
		<u>9/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2014</u>
Capital stock	General	\$ 86,282	\$ 21,319	\$ -	\$ 107,601
Total		<u>\$ 86,282</u>	<u>\$ 21,319</u>	<u>\$ -</u>	<u>\$ 107,601</u>

The stock was donated and is carried at quoted market prices as of the balance sheet date. Cost basis is unknown.

NOTE E - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

<u>Description</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Ad valorem	\$ 87,625	\$ -
Grant proceeds	72,559	9,042
Sales tax	328,841	-
Tourism tax	<u>20,638</u>	<u>0</u>
Totals	<u>\$ 509,663</u>	<u>\$ 9,042</u>

NOTE F- PROPERTY HELD FOR SALE

At September 30, 2012, the City had delinquent property taxes receivable of \$539,609. During 2013 the parcels were forfeited to the City due to taxes being delinquent for 3 years. The receivable was increased by \$442,982, which represents tax revenue to the extent of fair values of the parcels as listed by the Desoto County Tax Assessor. The total of \$982,591 is presented on the Statement of Net Position as Property Held for Sale.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

NOTE G - CAPITAL ASSETS

The following is a summary of changes in capital assets:

	Balance at 9/30/2013	Additions	Deletions	Transfers/ Adjustments	Balance at 9/30/2014
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 3,668,471	\$ -	\$ -	\$ -	\$ 3,668,471
Construction in progress	49,916	175,315	154,411	-	70,820
Total Capital Assets, Not Being Depreciated:	<u>3,718,387</u>	<u>175,315</u>	<u>154,411</u>	<u>-</u>	<u>3,739,291</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	11,008,229	-	-	(17,232)	10,990,997
Equipment and machinery	2,013,020	579,285	-	48,172	2,640,477
Infrastructure	27,259,618	154,411	-	-	27,414,029
Vehicles	4,794,468	179,850	-	(30,940)	4,943,378
Total Capital Assets, Being Depreciated:	<u>45,075,335</u>	<u>913,546</u>	<u>-</u>	<u>-</u>	<u>45,988,881</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,220,368)	(283,454)	-	(58,440)	(2,562,262)
Equipment and machinery	(2,361,614)	(173,373)	-	723,010	(1,811,977)
Infrastructure	(11,215,461)	(750,056)	-	(728,109)	(12,693,626)
Vehicles	(3,835,313)	(287,685)	-	5,568	(4,117,430)
Total Accumulated Depreciation	<u>(19,632,756)</u>	<u>(1,494,568)</u>	<u>-</u>	<u>(57,971)</u>	<u>(21,185,295)</u>
Total Capital Assets, Being Depreciated, Net	<u>25,442,579</u>	<u>(581,022)</u>	<u>-</u>	<u>(57,971)</u>	<u>24,803,586</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,160,966</u>	<u>\$ (405,707)</u>	<u>\$ 154,411</u>	<u>\$ (57,971)</u>	<u>\$ 28,542,877</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$ 28,225	\$ -	\$ -	\$ -	\$ 28,225
Construction in progress	302,745	652,271	89,897	-	865,119
Total Capital Assets, Not Being Depreciated:	<u>330,970</u>	<u>652,271</u>	<u>89,897</u>	<u>-</u>	<u>893,344</u>
Capital assets, being depreciated:					
Buildings and improvements	151,001	-	-	-	151,001
Equipment and machinery	321,435	-	-	-	321,435
Infrastructure	19,318,868	89,949	-	-	19,408,817
Vehicles	56,121	-	-	-	56,121
Total Capital Assets, Being Depreciated:	<u>19,847,425</u>	<u>89,949</u>	<u>-</u>	<u>-</u>	<u>19,937,374</u>
Less accumulated depreciation for:					
Buildings and improvements	(35,576)	(3,011)	-	-	(38,587)
Equipment and machinery	(298,842)	(8,316)	-	-	(307,158)
Infrastructure	(7,241,034)	(629,544)	-	-	(7,870,578)
Vehicles	(45,110)	(2,700)	-	-	(47,810)
Total Accumulated Depreciation	<u>(7,620,562)</u>	<u>(643,571)</u>	<u>-</u>	<u>-</u>	<u>(8,264,133)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,226,863</u>	<u>(553,622)</u>	<u>-</u>	<u>-</u>	<u>11,673,241</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,557,833</u>	<u>\$ 98,649</u>	<u>\$ 89,897</u>	<u>\$ -</u>	<u>\$ 12,566,585</u>

No interest was capitalized during the year due to immateriality.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

Depreciation was charged to functions of the City as follows:

Governmental Activities

General government	\$ 190,510
Public safety	461,302
Public works	628,713
Cultural and recreational	<u>214,043</u>
Total Depreciation Expense, Governmental Activities	<u>\$ 1,494,568</u>

Business-type Activities

Water and sewer	<u>\$ 643,571</u>
Total Depreciation Expense, Business-type Activities	<u>\$ 643,571</u>

There are no commitments at September 30, 2014.

NOTE H – OPERATING LEASES

The city receives income from the Newly Weds Foods, Inc. rail spur it leases under a noncancellable operating lease. Total income from such lease was \$20,904. The future minimum lease receivables for these leases are as follows:

<u>Year ended September 30</u>	<u>Amount</u>
2015	\$ 20,904
2016	20,904
2017	20,904
2018	20,904
2019	20,904
2020-2024	104,520
2025-2029	<u>80,139</u>
	<u>\$ 289,179</u>

NOTE I - INTERFUND TRANSACTIONS

Interfund transactions are for the payment of monthly claims, and to provide funds for debt service and capital outlay. All transfers were routine and consistent with the activities of the fund. All interfund balances were repaid at year end. The following is a summary of interfund transactions and balances as of September 30, 2014:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major		
General Fund	\$ 421,301	\$ -
Debt Service Fund	1,174,334	-
Non Major		
Other Governmental Funds	-	166,561
Major		
Utility Fund	<u>-</u>	<u>1,429,074</u>
Total	<u>\$ 1,595,635</u>	<u>\$ 1,595,635</u>

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

NOTE J - LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2014 was as follows:

	<u>Balance at 9/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/2014</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds payable	\$ 10,360,000		\$ 690,000	\$ 9,670,000	\$ 715,000
Special assessment bonds payable	9,850,000		575,000	9,275,000	1,195,000
Loans payable	310,083	2,500,000	1,220,904	1,589,179	1,320,904
Leases payable	330,285	661,799	180,727	811,357	237,339
Bond premium	127,166		19,076	108,090	-
Bond discount	(49,196)	5,466		(43,730)	-
Deferred loss	(269,596)	42,626		(226,970)	-
Compensated absences	232,603	60,942		293,545	-
Total Governmental Activities	<u>\$ 20,891,345</u>	<u>\$ 3,270,833</u>	<u>\$ 2,685,707</u>	<u>\$ 21,476,471</u>	<u>\$ 3,468,243</u>
Business-type Activities:					
Special obligation bonds payable	\$ 10,635,000	\$ 7,320,000	\$ 6,895,000	\$ 11,060,000	\$ 390,000
Loans payable	1,939,671	346,804	172,130	2,114,345	188,244
Bond premium	311,213	116,997	204,094	224,116	-
Compensated absences	22,708	20,122		42,830	-
Total Business-type Activities	<u>\$ 12,908,592</u>	<u>\$ 7,803,923</u>	<u>\$ 7,271,224</u>	<u>\$ 13,441,291</u>	<u>\$ 578,244</u>

General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds outstanding as of September 30, 2014 are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amounts</u>	
				<u>Issued</u>	<u>Outstanding</u>
2008	3.25% - 4.63%	4/1/2008	4/1/2023	4,410,000	3,095,000
2008	2.75% - 5.00%	11/1/2008	11/1/2028	4,500,000	3,715,000
2011	2.00% - 3.125%	12/15/2011	8/1/2024	3,395,000	2,860,000
Total General Obligation Bonds				<u>\$ 12,305,000</u>	<u>\$ 9,670,000</u>

Special assessment improvement bonds are issued by a municipality for construction of special improvements primarily chargeable to the property benefited. Special assessment improvement bonds outstanding at year end are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amounts</u>	
				<u>Issued</u>	<u>Outstanding</u>
2005 Special Assessment Refunding	2.75% - 5.00%	5/18/2005	4/15/2020	\$ 8,540,000	\$ 4,090,000
2012 Special Obligation Recreation Facility Refunding	2.00% - 3.00%	3/28/2012	10/1/2021	5,185,000	5,185,000
Total Special Assessment Bonds				<u>\$ 13,725,000</u>	<u>\$ 9,275,000</u>

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

The City issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
2005 Special Obligation Refunding	2.40% - 5.00%	6/1/2006	12/1/2030	\$ 12,750,000	\$ 3,740,000
2014 Special Obligation Refunding				\$ 7,320,000	\$ 7,320,000
Total Revenue Bonds				<u>\$ 20,070,000</u>	<u>\$ 11,060,000</u>

The City uses loans to finance its projects. Loans outstanding at year end are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
General					
MDA Railroad Spur	0.00%	8/1/2013	7/1/2028	\$ 313,568	\$ 289,179
Tax Anticipation Loan	1.47%	11/12/2013	3/15/2014	1,200,000	-
Tax Anticipation Loan	1.25%	9/19/2014	3/15/2015	1,300,000	1,300,000
Total Loans				<u>\$ 2,813,568</u>	<u>\$ 1,589,179</u>

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Enterprise					
Drinking Water System Improvements Revolving Loan	4.00%	3/1/2001	11/1/2020	1,509,556	605,654
Drinking Water System Improvements Revolving Loan (Water Treatment Plant)	3.50%	11/13/2002	10/2/2023	773,901	422,229
Cap Loan (Water Treatment Plant)	2.00%	11/20/2002	10/2/2023	476,333	313,934
Cap Loan (Water Treatment Plant)	3.00%	2/1/2005	10/1/2027	587,905	422,959
Cap Loan (Allen Subdivision Sewer Improvement)	2.00%	6/12/2012	2/1/2035	298,918	298,918
Cap Loan (Twin Lakes Sewer Improvement)	2.00%	2/1/2005	2/1/2035	50,651	50,651
Total Loans				<u>\$ 3,697,264</u>	<u>\$ 2,114,345</u>

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

The aggregate maturities of general obligation, special assessment bonds, revenue bonds and loans for the years subsequent to September 30, 2014 are as follows:

Governmental Activities:

<u>Year Ending</u> <u>September 30</u>	<u>General Obligation Bonds</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	715,000	382,970	1,195,000	341,425
2016	740,000	357,925	1,235,000	312,762
2017	780,000	331,326	1,285,000	276,712
2018	795,000	303,125	1,330,000	233,112
2019	835,000	272,595	1,385,000	187,512
2020-2024	4,290,000	831,563	2,845,000	270,918
2025-2029	1,515,000	186,319	-	-
Total	<u>\$ 9,670,000</u>	<u>\$ 2,665,823</u>	<u>\$ 9,275,000</u>	<u>\$ 1,622,441</u>

<u>Year Ending</u> <u>September 30</u>	<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,320,904	-
2016	20,904	-
2017	20,904	-
2018	20,904	-
2019	20,904	-
2020-2024	104,520	-
2025-2029	80,139	-
Total	<u>\$ 1,589,179</u>	<u>\$ -</u>

Business type Activities:

<u>Year Ending</u> <u>September 30</u>	<u>Revenue Bonds</u>		<u>Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 390,000	\$ 387,338	\$ 188,244	\$ 60,386
2016	410,000	360,019	199,404	56,259
2017	545,000	340,019	206,237	49,423
2018	550,000	322,019	213,318	42,343
2019	590,000	304,919	220,654	35,009
2020-2024	3,165,000	1,291,870	713,415	89,029
2025-2029	3,695,000	748,047	291,633	25,119
2030-2034	1,715,000	78,188	81,440	3,702
Total	<u>\$ 11,060,000</u>	<u>\$ 3,832,419</u>	<u>\$ 2,114,345</u>	<u>\$ 361,270</u>

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

Future minimum capital lease payments and the net present value of these minimum lease payments as of September 30, 2014 were as follows:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2015	\$ 237,339	\$ 20,053
2016	245,396	11,996
2017	173,745	7,079
2018	76,622	3,289
2019	78,255	1,666
Total	\$ 811,357	\$ 44,083

Advance refunding – On July 9, 2014, the City issued \$7,320,000 in special obligation refunding bonds with an average interest rate of 2.9% to advance refund \$6,525,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest rate</u>	<u>Outstanding Amount Refunded</u>
2005 Special Obligation Bonds	2.40% - 5.00%	\$6,525,000

The bonds had an outstanding balance of \$10,265,000 at the time of refunding, but only \$6,525,000 of the bond is to be refunded on December 1, 2015.

The net proceeds of \$7,162,912 (after premium of \$116,997 and payment of \$274,085 in underwriting fees and other issuance costs) were used to purchase US government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Position.

The city advance refunded the above bonds to reduce its total debt service payment over the next 16 years by almost \$419,792 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$361,215.

Legal Debt Margin. The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Miss. Code Ann. (1972). No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of \$12,845,426 (the smaller of the two computed margins) as of September 30, 2014.

	<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2013:		
\$158,011,312 times applicable percentage	\$ 22,515,424	\$ 30,020,565
Less present debt subject to debt limits as of September 30, 2013:		
Total bonds outstanding (exclude proprietary)	<u>(9,670,000)</u>	<u>(9,670,000)</u>
Margin for additional debt	<u>\$ 12,845,424</u>	<u>\$ 20,350,565</u>

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

NOTE K - DEFINED BENEFIT PENSION PLAN

Plan Description. The City contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law 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 Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. At September 30, 2014, the current rate was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the years ending September 30, 2014, 2013, and 2012 were \$1,256,451, \$1,148,550, and \$1,014,884 respectively, equal to the required contribution for each year.

NOTE L - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The exposure is covered by purchase of commercial insurance.

NOTE M – 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. The city has a possible loss contingency of \$479,403 relating to a 2008 tax sale.

NOTE N - 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 the City of Horn Lake evaluated the activity of the city through December 21, 2015, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

On May 28, 2015 the city issued \$7,120,000 General Obligation and Special Assessment Combined Refunding Bonds, Series 2015 to redeem and refund \$3,155,000 of the General Obligation Bonds, Series 2008 and \$3,490,000 of the Series 2005 Special Assessment Refunding Bonds (DeSoto Commons Project) and pay cost of issuance of the Series 2015 Bonds.

City of Horn Lake, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2014

On September 23, 2015 the city borrowed \$1,500,000 in the form of a tax anticipation loan at 1.15% interest due March 15, 2016.

On October 29, 2015 the city issued \$2,695,000 Water and Sewer System Revenue Refunding Bonds, Series 2015 to redeem \$2,510,000 of the city's promissory note to the Mississippi Development Bank dated December 1, 2005 and to pay the cost of issuance of the Series 2015 Refunding Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

City of Horn Lake, Mississippi
Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variances</u> <u>Positive (Negative)</u>	
	<u>Original</u>	<u>Final</u>		<u>Original to Final</u>	<u>Final to Actual</u>
	Revenues				
Taxes	\$ 9,880,000	\$ 9,847,650	\$ 9,769,010	\$ (32,350)	\$ (78,640)
Licenses and permits	169,100	186,300	185,087	17,200	(1,213)
Intergovernmental	467,000	485,175	201,590	18,175	(283,585)
Charges for services	2,263,000	2,208,000	2,007,352	(55,000)	(200,648)
Fines	1,045,000	1,222,000	1,223,748	177,000	1,748
Interest	5,000	5,000	4,406	-	(594)
Miscellaneous	473,500	490,505	547,382	17,005	56,877
Total Revenues	<u>14,302,600</u>	<u>14,444,630</u>	<u>13,938,575</u>	<u>142,030</u>	<u>(506,055)</u>
Expenditures					
General government	2,614,040	2,628,955	2,474,274	(14,915)	154,681
Public safety	8,823,750	8,813,050	8,633,477	10,700	179,573
Public works	2,314,450	2,328,700	2,277,563	(14,250)	51,137
Culture & recreation	1,082,270	1,088,370	1,075,874	(6,100)	12,496
Economic development	181,800	178,360	173,594	3,440	4,766
Debt service	186,290	207,195	207,195	(20,905)	-
Total Expenditures	<u>15,202,600</u>	<u>15,244,630</u>	<u>14,841,977</u>	<u>(42,030)</u>	<u>402,653</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(900,000)</u>	<u>(800,000)</u>	<u>(903,402)</u>	<u>100,000</u>	<u>(103,402)</u>
Other Financing Sources (Uses)					
Interfund transfers	800,000	483,000	421,301	(317,000)	(61,699)
Sale of assets	100,000	317,000	317,372	217,000	372
Total Other Financing Sources (Uses)	<u>900,000</u>	<u>800,000</u>	<u>738,673</u>	<u>(100,000)</u>	<u>(61,327)</u>
Net Changes in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(164,729)</u>	<u>\$ -</u>	<u>\$ (164,729)</u>
Fund Balance - Beginning of Year			<u>437,862</u>		
Fund Balance - End of Year			273,133		
Adjustments to Conform with GAAP:					
Revenues			1,036,154		
Expenditures			<u>(713,348)</u>		
Fund Balance - End of Year (GAAP Basis)			<u>\$ 595,939</u>		

Notes to the Required Supplementary Information

Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule is part of required supplementary information.

OTHER INFORMATION

City of Horn Lake, Mississippi
Schedule of Surety Bonds for Municipal Officials
For the Year Ended September 30, 2014

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
Allen Latimer	Mayor	Fidelity	\$ 75,000
Andrea Freeze	Administrator/City Clerk	Fidelity	100,000
Tara Warran	Court Clerk	Fidelity	50,000
Darryl Whaley	Police Chief	Fidelity	50,000
Ariane Linville	Human Resources Director	Fidelity	50,000
Sandra McElhannon	Finance Director	Fidelity	50,000
Danny Smith	Animal Shelter Director	Fidelity	50,000
Leslie Chung	Concession Coordinator	Fidelity	50,000
Christy McNeamer	Accounting Clerk	Fidelity	50,000
	Aldermen (each)	Fidelity	100,000

SPECIAL REPORTS

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

To the Mayor and 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 the City of Horn Lake, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Horn Lake, Mississippi's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Horn Lake, Mississippi's internal control over financial reporting (internal control) 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 the City of Horn Lake, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Horn Lake, Mississippi's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist and not be identify.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams, Pitts & Beard, PLLC

Williams, Pitts and Beard, PLLC
Horn Lake, Mississippi
December 21, 2015



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

Mayor and Board of Aldermen
City of Horn Lake, Mississippi

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Horn Lake, Mississippi ("the City"), as of and for the year ended September 30, 2014, and have issued our report dated December 21, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Governmental Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly we do not express such an opinion.

The results of those procedures and our audit of the general purpose financial statements disclosed no material instances of noncompliance state laws and regulations. Our finding and recommendation and your response if as follows:

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
December 21, 2015

City of Horn Lake, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------------------------|
| (1) Type of auditor's report issued on the financial statements: | _____ <u>Unmodified</u> _____ |
| (2) Internal Control over financial reporting: | |
| (a) Material weaknesses identified? | _____ <u>No</u> _____ |
| (b) Significant deficiency identified that are not considered to be a material weaknesses? | _____ <u>No</u> _____ |
| (3) Noncompliance material to the financial statements noted: | _____ <u>No</u> _____ |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.