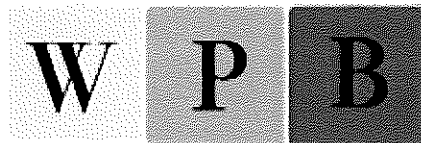


**City of Horn Lake, Mississippi  
Audited Financial Statements  
For the Year Ended September 30, 2011**



**William Price Beard and Company  
CERTIFIED PUBLIC ACCOUNTANTS**

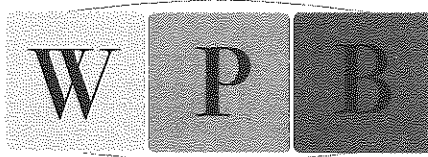


**City of Horn Lake, Mississippi**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2011**

**TABLE OF CONTENTS**

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	i-x
<b>Basic Financial Statements</b> .....	3
Statement of Net Assets .....	4
Statement of Activities .....	5
Balance Sheet – Governmental Funds .....	6
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	7
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	9
Statement of Net Assets – Proprietary Funds .....	10
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds .....	11
Statement of Cash Flows – Proprietary Funds .....	12
Notes to Financial Statements .....	13
<b>Required Supplementary Information</b> .....	27
Budgetary Comparison Schedule – General Fund .....	28
<b>Supplementary Information</b> .....	29
Schedule of Expenditures of Federal Awards .....	30
Schedule of Surety Bonds for Municipal Officials .....	31
<b>Special Reports</b> .....	33
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	34
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	36
Independent Auditors' Report on the Compliance with State Laws and Regulations .....	38
Schedule of Findings and Questioned Costs .....	39





WILLIAMS - PITTS - BEARD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS  
JERRY W. PITTS  
REBECCA A. BEARD  
KRISTOPHER A. WHITTEN

2042 MCINGVALE ROAD, SUITE A  
HERNANDO, MISSISSIPPI 38632  
662-429-4436  
662-429-4438 FAX

## INDEPENDENT AUDITORS' REPORT

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

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 through x and 28 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.

Member American Institute of Certified Public Accountants, Mississippi Society of Certified Public Accountants.  
Licensed in Mississippi and Tennessee.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of surety bonds and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC

Hernando, Mississippi

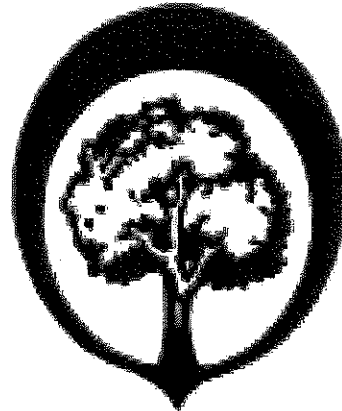
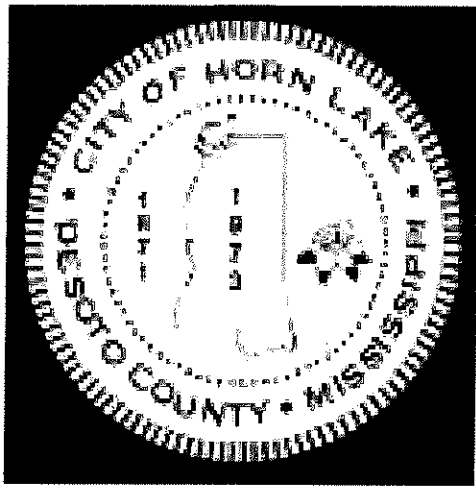
June 26, 2013





# CITY OF HORN LAKE

## MISSISSIPPI



**TREE CITY USA.**

Management's Analysis and Discussion

FYE 2011

**(This page left blank intentionally)**

THE CITY OF HORN LAKE, MISSISSIPPI

CITY OFFICIALS

**MAYOR**

NATHAN "NAT" BAKER, JR

**ALDERMEN**

DONNIE WHITE, ALDERMAN-AT-LARGE

AMY LAY, WARD 1

CHRIS SHELEY, 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

**DEPARTMENT HEADS**

POLICE CHIEF - DARRYL WHALEY

FIRE CHIEF - DAVID LINVILLE

DIRECTOR OF OPERATIONS - SPENCER SHIELDS

COURT CLERK – TARA WARREN

PARKS AND RECREATION – JOHN WILLOUGHBY

EMERGENCY MANAGEMENT – TOMMY BLEDSOE

COMMUNITY DEVELOPMENT / HUMAN RESOURCES - A.J. JENKINS

**City of Horn Lake, Mississippi**  
**Management's Discussion and Analysis**  
**For Year Ended September 30, 2011**  
**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, 2011. 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 2011 were as follows:

Total net assets increased from \$8,569,882 to \$10,619,096  
Total liabilities decreased from \$51,541,378 to \$46,872,984  
Total assets of governmental activities decreased from \$42,082,114 to \$39,706,474  
Total assets of business-type activities decreased from \$18,029,146 to \$17,785,606

**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 Assets 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 Assets 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 2011?" The Statement of Net Assets 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 assets and the changes in those assets. This change in assets 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, 2011**  
**Unaudited**

In the Statement of Net Assets 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 and the City's Sanitation Fund. Collectively these are known as Proprietary Funds. 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, Capital Projects, Utility, and Sanitation 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 and the Sanitation 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, 2011**  
**Unaudited**

**The City of Horn Lake as a Whole**

Recall that the Statement of Net Assets looks at the City as a whole. Table 1 provides a summary of the City's net assets for 2011 compared to 2010. Table 2 shows the changes in net assets for the 2011 year.

**Table 1**  
**Statement of Net Assets**

	2011		2010	
	Government Activities	Business-type Activities	Government Activities	Business-type Activities
<b>Assets</b>				
Current and other assets	\$10,257,388	\$3,799,341	\$11,926,483	\$3,888,859
Capital assets, net	29,449,086	13,986,265	30,155,631	14,140,287
<b>Total Assets</b>	<b>39,706,474</b>	<b>17,785,606</b>	<b>42,082,114</b>	<b>18,029,146</b>
<b>Liabilities</b>				
Current liabilities	11,019,396	1,630,903	13,194,060	1,592,158
Long-term liabilities	20,739,756	13,482,929	22,630,122	14,125,038
<b>Total Liabilities</b>	<b>31,759,152</b>	<b>15,113,832</b>	<b>35,824,182</b>	<b>15,717,196</b>
<b>Net Assets</b>				
Invested in capital assets, net of debt	7,561,436	458,305	5,608,450	87,490
Restricted	26,969	1,304,355	488,251	1,357,230
Unrestricted	358,917	909,114	161,231	867,230
<b>Total Net Assets</b>	<b>7,947,322</b>	<b>\$2,671,774</b>	<b>\$6,257,932</b>	<b>\$2,311,950</b>

Total assets decreased by \$2,619,180. Cash and cash equivalents increased by \$425,246. The following table, Table 2, presents a summary of the changes in net assets for the fiscal year ended September 30, 2011.

**City of Horn Lake, Mississippi**  
**Management's Discussion and Analysis**  
**For Year Ended September 30, 2011**  
**Unaudited**

**Table 2**  
**Changes in Net Assets**

	2011		2010	
	Government Activities	Business-type Activities	Government Activities	Business-type Activities
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$ 863,426	\$ 5,310,473	\$ 880,122	\$ 5,238,446
Operating grants and contributions	865,208	-	883,135	-
Capital grants and contributions	-	109,672	-	33,392
<b>Total Program Revenues</b>	<b>1,728,634</b>	<b>5,420,145</b>	<b>1,763,257</b>	<b>5,271,838</b>
General Revenues:				
Taxes	10,665,662	-	11,154,792	-
Other revenues	2,198,246	32,199	1,996,264	69,041
Transfers	602,643	(602,643)	1,115,595	(1,115,595)
<b>Total General Revenues</b>	<b>13,466,551</b>	<b>(570,444)</b>	<b>14,266,651</b>	<b>(1,046,554)</b>
<b>Total Revenues</b>	<b>15,195,185</b>	<b>4,849,701</b>	<b>16,029,908</b>	<b>4,225,284</b>
<b>Expenses</b>				
General government	2,357,347	-	3,995,563	-
Public safety	7,264,043	-	8,618,025	-
Public works	1,428,278	-	1,592,509	-
Cultural & recreational	1,311,742	-	1,512,106	-
Economic development	171,886	-	267,715	-
Interest	972,499	-	1,364,119	-
Utility department	-	3,238,510	-	4,219,049
Sanitation department	-	1,251,367	-	1,472,099
<b>Total Expenses</b>	<b>13,505,795</b>	<b>4,489,877</b>	<b>17,350,037</b>	<b>5,691,148</b>
<b>Change in Net Assets</b>	<b>\$ 1,689,390</b>	<b>\$ 359,824</b>	<b>\$ (1,320,129)</b>	<b>\$ (1,465,864)</b>

**Governmental Activities**

Several revenues fund the City's governmental activities. The largest funding source, property tax revenue, accounted for \$6,198,661, or 46% of general revenues; sales tax revenue accounted for \$3,904,014, or 29% of general revenues. Fines of \$942,747 accounted for 7% of general revenues, and franchise taxes of \$562,987 accounted for 4% of general revenues.

**City of Horn Lake, Mississippi  
Management's Discussion and Analysis  
For Year Ended September 30, 2011  
Unaudited**

The remaining 14% of general revenues was comprised of miscellaneous revenue and transfers.

Total general revenues from governmental activities decreased from \$14,266,651 in 2010 to \$13,466,551 in 2011, a 5.6% decrease. Major expense activities included public safety expenditures accounting for 53.7% of total program expenses, and general government expenses accounting for 17.5%.

Although the City has worked very hard on increasing its tax base by being proactive with new businesses and reducing cost 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 increased the City's net assets by \$359,824. Revenues from the utility system fund and the sanitation fund totaled \$4,849,701 in 2011, an increase of 14.8% from 2010 revenue of \$4,225,284.

Expenses of the utility and sanitation funds decreased in 2011 to \$4,489,877, a 21.1% decrease from 2010 total expenses of \$5,691,148. The City's formula for the allocation of general overhead expenses to the various departments was adjusted in 2010, causing a reduction in operating expenses assigned to the utility and sanitation funds.

**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.



**City of Horn Lake, Mississippi  
Management's Discussion and Analysis  
For Year Ended September 30, 2011  
Unaudited**

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.

**Proprietary Funds**

The net assets of the proprietary funds at the end of fiscal year 2011 totaled \$2,671,774 which represents a \$359,824 increase from 2010. Of this amount, net assets of the utility fund increased by \$497,755 while the sanitation fund decreased by \$137,931.

**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 2011, 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 \$11,169,800; amended budget amounts were \$11,067,460, and actual revenue collections-budgetary basis were \$11,191,582.

**Capital Assets and Long-Term Obligations**

**Table 3**

**Capital Assets (Net of Depreciation)**

	2011		2010	
	Government Activities	Business-type Activities	Government Activities	Business-type Activities
Land	\$ 3,632,643	\$ 28,225	\$ 3,632,643	\$ 28,225
Buildings & Improvements	8,805,218	218,548	8,683,696	218,548
Equipment & Vehicles	5,992,268	1,493,128	5,924,502	1,387,085
Construction in Progress	983,263	297,894	1,556,607	56,494
Infrastructure	26,295,429	19,155,845	24,893,857	18,901,780
Accumulated Depreciation	<u>(16,259,735)</u>	<u>(7,207,375)</u>	<u>(14,535,674)</u>	<u>(6,451,845)</u>
<b>Total Capital Assets, net</b>	<b><u>\$ 29,449,086</u></b>	<b><u>\$ 13,986,265</u></b>	<b><u>\$ 30,155,631</u></b>	<b><u>\$ 14,140,287</u></b>

In 2011, several street construction projects were completed, resulting in an increase to the Infrastructure asset line, along with a corresponding decrease to the Construction in Progress asset line.

**City of Horn Lake, Mississippi  
Management's Discussion and Analysis  
For Year Ended September 30, 2011  
Unaudited**

**Long-Term Obligations**

**Table 4**

**Outstanding Notes and Long-Term Obligations at Year End**

	<u>2011</u>	<u>2010</u>
<b>Governmental Activities:</b>		
General obligation bonds	\$ 11,500,000	\$ 12,090,000
Special assessment bonds	10,740,000	11,570,000
Loans Payable	-	1,050,244
Leases payable	192,227	446,798
Bond premium	165,318	184,394
Bond discount	(60,128)	(65,594)
Deferred loss	(354,848)	(397,474)
Compensated absences	<u>227,276</u>	<u>476,590</u>
Total	<u>\$ 22,409,845</u>	<u>\$ 25,354,958</u>
<b>Business-type Activities:</b>		
Bonds and notes payable	\$ 11,320,000	\$ 11,635,000
Loans payable	2,262,189	2,417,330
Leases payable	72,697	144,018
Bond premium	346,445	346,061
Compensated absences	<u>49,897</u>	<u>106,118</u>
Total	<u>\$ 14,051,228</u>	<u>\$ 14,648,527</u>

At year-end, the City had \$36,461,073 in bonds and notes outstanding. 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 Administrator or the Finance Director at 662-342-3496.

**BASIC FINANCIAL STATEMENTS**

**City of Horn Lake, Mississippi**  
**Statement of Net Assets**  
**September 30, 2011**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,173,900	\$ 912,005	\$ 2,085,905
Investments	45,680	-	45,680
Accounts receivable, net	422,211	433,795	856,006
Intergovernmental receivable	888,228	-	888,228
Property tax receivable	7,229,707	-	7,229,707
Prepaid items	547,136	57,647	604,783
Inventories	-	2,195	2,195
Internal balances	(344,393)	344,393	-
Restricted assets			
Cash in bank	-	1,304,355	1,304,355
Customer deposits	-	271,580	271,580
Bond issue costs, net	294,919	473,371	768,290
Capital assets, net	29,449,086	13,986,265	43,435,351
<b>Total Assets</b>	<u>39,706,474</u>	<u>17,785,606</u>	<u>57,492,080</u>
<b>Liabilities</b>			
Accounts payable	1,735,843	174,168	1,910,011
Intergovernmental payables	10,139	-	10,139
Accrued expenses	352,560	63,876	416,436
Customer deposits	-	633,438	633,438
Other deposits	138,204	-	138,204
Deferred revenue	6,690,098	-	6,690,098
Accrued interest	422,463	191,122	613,585
Long-term liabilities			
Due within one year:			
Capital debt	1,670,089	568,299	2,238,388
Due in more than one year:			
Capital debt	20,512,480	13,433,032	33,945,512
Non-capital debt	227,276	49,897	277,173
<b>Total Liabilities</b>	<u>31,759,152</u>	<u>15,113,832</u>	<u>46,872,984</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	7,561,436	458,305	8,019,741
Restricted for:			
Culture and recreation	26,969	-	26,969
Debt service	-	1,304,355	1,304,355
Unrestricted	358,917	909,114	1,268,031
<b>Total Net Assets</b>	<u>\$ 7,947,322</u>	<u>\$ 2,671,774</u>	<u>\$ 10,619,096</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, 2011**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,357,347	\$ -	\$ -	\$ -	\$ (2,357,347)	\$ -	\$ (2,357,347)
Public safety	7,264,043	308,881	865,208	-	(6,089,954)	-	(6,089,954)
Public works	1,428,278	-	-	-	(1,428,278)	-	(1,428,278)
Culture and recreation	1,311,742	554,545	-	-	(757,197)	-	(757,197)
Economic development	171,886	-	-	-	(171,886)	-	(171,886)
Interest on long-term debt	972,499	-	-	-	(972,499)	-	(972,499)
<b>Total Governmental Activities</b>	<b>13,505,795</b>	<b>863,426</b>	<b>865,208</b>	<b>-</b>	<b>(11,777,161)</b>	<b>-</b>	<b>(11,777,161)</b>
<b>Business-type Activities</b>							
Water and sewer	3,238,510	3,975,471	-	109,672	-	846,633	846,633
Sanitation	1,251,367	1,335,002	-	-	-	83,635	83,635
<b>Total Business-type Activities</b>	<b>\$ 4,489,877</b>	<b>\$ 5,310,473</b>	<b>\$ -</b>	<b>\$ 109,672</b>	<b>-</b>	<b>930,268</b>	<b>930,268</b>
<b>General Revenues</b>							
Property taxes					6,198,661	-	6,198,661
Franchise taxes					562,987	-	562,987
Sales taxes					3,904,014	-	3,904,014
Intergovernmental					175,602	-	175,602
License & permits					153,977	-	153,977
Fines					942,747	-	942,747
Penalty and interest					245,027	-	245,027
Unrestricted investment earnings					26,386	6,383	32,769
Miscellaneous					563,964	25,816	589,780
Transfers					602,643	(602,643)	-
Gain (loss) on sale of asset					90,543	-	90,543
<b>Total General Revenues</b>					<b>13,466,551</b>	<b>(570,444)</b>	<b>12,896,107</b>
<b>Change in Net Assets</b>					<b>1,689,390</b>	<b>359,824</b>	<b>2,049,214</b>
<b>Net Assets-Beginning of Year</b>					<b>6,257,932</b>	<b>2,311,950</b>	<b>8,569,882</b>
<b>Net Assets-End of Year</b>					<b>\$ 7,947,322</b>	<b>\$ 2,671,774</b>	<b>\$ 10,619,096</b>

The accompanying notes are an integral part of the financial statements

**CITY OF HORN LAKE, MISSISSIPPI**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 271,311	\$ -	\$ 902,589	\$ 1,173,900
Investments	45,680	-	-	45,680
Due from other funds	-	-	388,764	388,764
Accounts receivable, net	422,211	-	-	422,211
Intergovernmental receivable	315,653	-	572,575	888,228
Prepaid items	-	547,136	-	547,136
Property tax receivable	3,790,800	2,760,073	139,225	6,690,098
<b>Total Assets</b>	<u>\$ 4,845,655</u>	<u>\$ 3,307,209</u>	<u>\$ 2,003,153</u>	<u>\$ 10,156,017</u>
<b>Liabilities</b>				
Accounts payable	\$ 248,242	\$ 916,837	\$ 570,764	\$ 1,735,843
Intergovernmental payables	10,139	-	-	10,139
Accrued expenses	352,560	-	-	352,560
Other deposits	138,204	-	-	138,204
Due to other funds	207,051	187,286	338,820	733,157
Deferred revenue	3,790,800	2,760,073	139,225	6,690,098
<b>Total Liabilities</b>	<u>4,746,996</u>	<u>3,864,196</u>	<u>1,048,809</u>	<u>9,660,001</u>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid items	-	547,136	-	547,136
Restricted				
Culture and recreation	-	-	26,969	26,969
Assigned:				
Capital projects	-	-	623,403	623,403
Public safety	-	-	116,009	116,009
Culture and recreation	-	-	35,278	35,278
Economic development	-	-	62,219	62,219
General government	-	-	90,466	90,466
Unassigned	98,659	(1,104,123)	-	(1,005,464)
<b>Total Fund Balances</b>	<u>98,659</u>	<u>(556,987)</u>	<u>954,344</u>	<u>496,016</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 4,845,655</u>	<u>\$ 3,307,209</u>	<u>\$ 2,003,153</u>	<u>\$ 10,156,017</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 Assets  
 September 30, 2011**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 496,016</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$16,259,735.	29,449,086
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:	
Bond issue cost	294,919
Property tax receivable	539,609
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(22,409,845)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds	<u>(422,463)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 7,947,322</u></b>

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, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 8,375,628	\$ 2,300,375	234,686	\$ 10,910,689
Licenses and permits	153,977	-	-	153,977
Intergovernmental	175,602	-	-	175,602
Charges for services	863,426	-	-	863,426
Fines	942,747	-	-	942,747
Interest	14,669	-	11,717	26,386
Miscellaneous	695,576	-	-	695,576
<b>Total Revenues</b>	<u>11,221,625</u>	<u>2,300,375</u>	<u>246,403</u>	<u>13,768,403</u>
<b>Expenditures</b>				
General government	2,176,772	-	-	2,176,772
Public safety	7,343,108	-	-	7,343,108
Public works	621,829	-	-	621,829
Culture and recreation	996,845	-	112,170	1,109,015
Economic development	94,887	-	81,657	176,544
Debt service		-	-	
Principal	1,050,244	1,687,853	-	2,738,097
Interest	10,577	1,050,314	-	1,060,891
Capital outlay	308,745	-	310,916	619,661
<b>Total Expenditures</b>	<u>12,603,007</u>	<u>2,738,167</u>	<u>504,743</u>	<u>15,845,917</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(1,381,382)</u>	<u>(437,792)</u>	<u>(258,340)</u>	<u>(2,077,514)</u>
<b>Other Financing Sources (Uses)</b>				
Grant revenue	277,360	-	587,848	865,208
Loan proceeds	-	1,200,000	-	1,200,000
Loan payment	-	(1,200,000)	-	(1,200,000)
Proceeds from sale of fixed assets	1,200,065	-	-	1,200,065
Interfund transfers	86,369	174,168	342,106	602,643
<b>Total Other Financing Sources (Uses)</b>	<u>1,563,794</u>	<u>174,168</u>	<u>929,954</u>	<u>2,667,916</u>
<b>Net Change in Fund Balances</b>	182,412	(263,624)	671,614	590,402
<b>Fund Balance - Beginning of Year</b>	<u>(83,753)</u>	<u>(293,363)</u>	<u>282,730</u>	<u>(94,386)</u>
<b>Fund Balance - End of Year</b>	<u>\$ 98,659</u>	<u>\$ (556,987)</u>	<u>\$ 954,344</u>	<u>\$ 496,016</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, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ 590,402

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. This is the amount by which depreciation (\$1,779,172) exceeded capital outlays (\$1,043,491) net of adjustments. (735,681)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments (\$2,724,815) exceeded debt proceeds of (\$0). 2,724,815

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 assets differs from the change in fund balances by a combination of the following items:

Accrued interest on debt	166,963
Compensated absences	249,314
Bond issue costs amortization	(65,284)
Prepaid items	(131,617)
Sale of assets	<u>(1,109,522)</u>

**Change in Net Assets of Governmental Activities** \$ 1,689,390

**City of Horn Lake, Mississippi**  
**Statement of Net Assets**  
**Proprietary Funds**  
**September 30, 2011**

	Utility Fund	Sanitation Fund	Total
<b>Current Assets</b>			
Cash and cash equivalents	\$ 587,794	\$ 324,211	\$ 912,005
Accounts receivable, net	287,434	146,361	433,795
Inventory	2,195	-	2,195
Prepaid items	57,647	-	57,647
Due from other funds	378,492	-	378,492
<b>Total Current Assets</b>	<u>1,313,562</u>	<u>470,572</u>	<u>1,784,134</u>
Restricted assets:			
Cash	1,304,355	-	1,304,355
Customer deposits	215,619	55,961	271,580
<b>Total Restricted Assets</b>	<u>1,519,974</u>	<u>55,961</u>	<u>1,575,935</u>
<b>Other Assets</b>			
Bond issue cost, net	473,371	-	473,371
<b>Total Other Assets</b>	<u>473,371</u>	<u>-</u>	<u>473,371</u>
<b>Fixed Assets</b>			
Land	28,225	-	28,225
Buildings and improvements	151,001	67,547	218,548
Infrastructure	19,155,845	-	19,155,845
Machinery and equipment	220,269	718,048	938,317
Vehicles	56,122	498,689	554,811
Construction in progress	297,894	-	297,894
Accumulated depreciation	(6,218,655)	(988,720)	(7,207,375)
<b>Total Fixed Assets</b>	<u>13,690,701</u>	<u>295,564</u>	<u>13,986,265</u>
<b>Total Assets</b>	<u>\$ 16,997,608</u>	<u>\$ 822,097</u>	<u>\$ 17,819,705</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 169,361	\$ 4,807	\$ 174,168
Accrued expenses	29,777	34,099	63,876
Accrued interest payable	191,122	-	191,122
Due to other funds	20,018	14,081	34,099
<b>Total Current Liabilities</b>	<u>410,278</u>	<u>52,987</u>	<u>463,265</u>
<b>Current Liabilities Payable from Restricted Assets</b>			
Customer deposits	358,459	274,979	633,438
Long-term liabilities due within one year:			
Capital debt	509,409	58,890	568,299
<b>Total Current Liabilities Payable from Restricted Assets</b>	<u>867,868</u>	<u>333,869</u>	<u>1,201,737</u>
Long-term liabilities due in more than one year:			
Capital debt	13,433,032	-	13,433,032
Non-capital debt	15,762	34,135	49,897
Total long-term liabilities	13,448,794	34,135	13,482,929
<b>Total Liabilities</b>	<u>14,726,940</u>	<u>420,991</u>	<u>15,147,931</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	221,631	236,674	458,305
Restricted for:			
Debt service	1,304,355	-	1,304,355
Unrestricted	744,682	164,432	909,114
<b>Total Net Assets</b>	<u>2,270,668</u>	<u>401,106</u>	<u>2,671,774</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 16,997,608</u>	<u>\$ 822,097</u>	<u>\$ 17,819,705</u>

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

**City of Horn Lake, Mississippi**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended September 30, 2011**

	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>Operating Revenues</b>			
Sales	\$ 3,975,471	\$ 1,335,002	\$ 5,310,473
Miscellaneous	22,956	2,860	25,816
<b>Total Operating Revenues</b>	<u>3,998,427</u>	<u>1,337,862</u>	<u>5,336,289</u>
<b>Operating Expenses</b>			
Personnel	722,059	948,306	1,670,365
Supplies	63,220	176,550	239,770
Depreciation and amortization	704,843	67,310	772,153
Maintenance and other	295,845	56,178	352,023
Water & sewer system management	910,794	-	910,794
<b>Total Operating Expenses</b>	<u>2,696,761</u>	<u>1,248,344</u>	<u>3,945,105</u>
<b>Operating Income</b>	<u>1,301,666</u>	<u>89,518</u>	<u>1,391,184</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest revenue	5,582	801	6,383
Interest expense	(541,749)	(3,023)	(544,772)
Grant proceeds	109,672	-	109,672
Interfund transfers	(377,416)	(225,227)	(602,643)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(803,911)</u>	<u>(227,449)</u>	<u>(1,031,360)</u>
<b>Net Income</b>	497,755	(137,931)	359,824
<b>Net Assets - Beginning of Year</b>	<u>1,772,913</u>	<u>539,037</u>	<u>2,311,950</u>
<b>Net Assets - End of Year</b>	<u>\$ 2,270,668</u>	<u>\$ 401,106</u>	<u>\$ 2,671,774</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, 2011**

	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>			
Cash received from customers	\$ 3,985,171	\$ 1,330,740	\$ 5,315,911
Cash payments for goods and services	(1,314,966)	(248,475)	(1,563,441)
Cash payments to employees	(756,074)	(970,512)	(1,726,586)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>1,914,131</u>	<u>111,753</u>	<u>2,025,884</u>
<b>Cash Flows from Non-capital Financing Activities</b>			
Interfund transfers	(349,420)	(191,128)	(540,548)
<b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>	<u>(349,420)</u>	<u>(191,128)</u>	<u>(540,548)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments for capital acquisitions	(583,345)	(18,162)	(601,507)
Customer deposits	39,663	44,240	83,903
Grant proceeds	109,672	-	109,672
Principal payments on debt	(483,512)	(57,949)	(541,461)
Interest payments on debt	(547,149)	(3,023)	(550,172)
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<u>(1,464,671)</u>	<u>(34,894)</u>	<u>(1,499,565)</u>
<b>Cash Flows from Investing Activities</b>			
Interest revenue	5,582	801	6,383
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	105,622	(113,468)	(7,846)
<b>Cash and Cash Equivalents-Beginning of Year</b>	<u>2,002,146</u>	<u>493,640</u>	<u>2,495,786</u>
<b>Cash and Cash Equivalents-End of Year</b>	<u>\$ 2,107,768</u>	<u>\$ 380,172</u>	<u>\$ 2,487,940</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 1,301,666	\$ 89,518	\$ 1,391,184
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation and amortization	704,843	67,310	772,153
(Increase) decrease in customer receivables	(13,256)	(7,122)	(20,378)
(Increase) decrease in prepaid expenses	5,714	-	5,714
Increase (decrease) in accounts payable	(63,901)	(28,750)	(92,651)
Increase (decrease) in accrued expenses	13,080	13,003	26,083
Increase (decrease) in compensated absences	(34,015)	(22,206)	(56,221)
Total adjustments	<u>612,465</u>	<u>22,235</u>	<u>634,700</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 1,914,131</u>	<u>\$ 111,753</u>	<u>\$ 2,025,884</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, 2011**

**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 Assets 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 Assets 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 Assets 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, 2011**

**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 City's Proprietary Funds apply all applicable GASB pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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.

**Sanitation Fund:**

The Sanitation Fund is used to account for the provision of sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sanitation services, as

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

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 sanitation debt. All costs are financed through charges to sanitation 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.

**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 Assets, "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, which is valued at fair market value using quoted prices in an actively traded market. The City also held real estate held as investment under a lease

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

purchase agreement with America Contract Bridge League, Inc. American Contract Bridge League, Inc. exercised their option to purchase the real estate on December 10, 2010. The real estate was held at historical cost, which approximates fair market value.

**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.

**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 Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

**Restricted Assets**

Priority 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	*	*



**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**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 Assets.

**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 assets and displayed in three components:

Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

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.

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

*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.

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 Alderman, 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.

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.

**Changes in Accounting Standards**

For the fiscal year ended September 30, 2011, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance With GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE B - 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, 2011, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2011, the carrying amount of the City's deposits with financial institutions was \$3,661,784 and the bank balances totaled \$3,344,808. 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 C - INVESTMENTS**

The following is a summary of changes in investments:

<u>Investments</u>	<u>Fund</u>	<u>Balance at 9/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/2011</u>
Capital stock	General	\$ 55,191	\$ -	\$ 9,511	\$ 45,680
Real estate held for investment	Governmental SNA	1,138,658	-	1,138,658	-
<b>Total</b>		<u>\$ 1,193,849</u>	<u>\$ -</u>	<u>\$ 1,148,169</u>	<u>\$ 45,680</u>

**NOTE D - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following.

<u>Description</u>	<u>General Fund</u>	<u>Other Governmental</u>
Sales tax	\$ 291,856	\$ -
Grant proceeds	23,797	572,575
<b>Totals</b>	<u>\$ 315,653</u>	<u>\$ 572,575</u>

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE E - CAPITAL ASSETS**

The following is a summary of changes in capital assets:

	Balance at 9/30/2010	Additions	Deletions	Balance at 9/30/2011
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,632,643	\$ -	\$ -	\$ 3,632,643
Construction in progress	1,556,607	828,228	1,401,572	983,263
<b>Total Capital Assets, Not Being Depreciated:</b>	<u>5,189,250</u>	<u>828,228</u>	<u>1,401,572</u>	<u>4,615,906</u>
<b>Capital Assets, Being Depreciated:</b>				
Buildings and improvements	8,683,696	121,522	-	8,805,218
Equipment and machinery	1,609,642	93,741	25,975	1,677,408
Infrastructure	24,893,857	1,401,572	-	26,295,429
Vehicles	4,314,860	-	-	4,314,860
<b>Total Capital Assets, Being Depreciated:</b>	<u>39,502,055</u>	<u>1,616,835</u>	<u>25,975</u>	<u>41,092,915</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,551,929)	(207,494)	(36,402)	(1,723,021)
Equipment and machinery	(1,825,509)	(207,270)	(18,709)	(2,014,070)
Infrastructure	(8,513,646)	(970,277)	-	(9,483,923)
Vehicles	(2,644,590)	(394,131)	-	(3,038,721)
<b>Total Accumulated Depreciation</b>	<u>(14,535,674)</u>	<u>(1,779,172)</u>	<u>(55,111)</u>	<u>(16,259,735)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>24,966,381</u>	<u>(162,337)</u>	<u>(29,136)</u>	<u>24,833,180</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 30,155,631</u>	<u>\$ 665,891</u>	<u>\$ 1,372,436</u>	<u>\$ 29,449,086</u>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 28,225	\$ -	\$ -	\$ 28,225
Construction in progress	56,494	402,041	160,641	297,894
<b>Total Capital Assets, Not Being Depreciated:</b>	<u>84,719</u>	<u>402,041</u>	<u>160,641</u>	<u>326,119</u>
Capital assets, being depreciated:				
Buildings and improvements	218,548	-	-	218,548
Equipment and machinery	847,274	91,043	-	938,317
Infrastructure	18,901,780	254,065	-	19,155,845
Vehicles	539,811	15,000	-	554,811
<b>Total Capital Assets, Being Depreciated:</b>	<u>20,507,413</u>	<u>360,108</u>	<u>-</u>	<u>20,867,521</u>
Less accumulated depreciation for:				
Buildings and improvements	(41,740)	(4,371)	-	(46,111)
Equipment and machinery	(294,913)	(58,594)	-	(353,507)
Infrastructure	(5,361,358)	(624,309)	-	(5,985,667)
Vehicles	(753,834)	(68,256)	-	(822,090)
<b>Total Accumulated Depreciation</b>	<u>(6,451,845)</u>	<u>(755,530)</u>	<u>-</u>	<u>(7,207,375)</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>14,055,568</u>	<u>(395,422)</u>	<u>-</u>	<u>13,660,146</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 14,140,287</u>	<u>\$ 6,619</u>	<u>\$ 160,641</u>	<u>\$ 13,986,265</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, 2011**

Depreciation was charged to functions of the City as follows:

**Governmental Activities**

General government	\$ 202,699
Public safety	551,638
Public works	814,249
Cultural and recreational	<u>210,586</u>
<b>Total Depreciation Expense, Governmental Activities</b>	<b>\$ <u>1,779,172</u></b>

**Business-type Activities**

Water and sewer	\$ 67,309
Sanitation	<u>688,221</u>
<b>Total Depreciation Expense, Business-type Activities</b>	<b>\$ <u>755,530</u></b>

Commitments under construction contracts at September 30, 2011 are summarized as follows:

Project	Contract Amount	Remaining Balance	Fund
Newly Weds Foods Railroad Spur	\$ 1,241,633	\$ 71,968	Other Governmental
Jeffries Hills Sanitary Sewer Extension	84,901	2,460	Utility
Tulane Road Bridge Rehab	48,000	48,000	Other Governmental
Pin Oak Waterline/Fire Hydrant Addition	126,459	6,485	Other Governmental
Arbor Lakes Street Repairs	14,922	14,922	General
Animal Shelter Access	<u>131,162</u>	<u>2,047</u>	General
	<b>\$ <u>1,647,077</u></b>	<b>\$ <u>145,882</u></b>	

**NOTE F - 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, and all interfund balances are expected to be repaid within a year. The following is a summary of interfund transactions and balances as of September 30, 2011:

	Transfers In	Transfers Out
Major		
General Fund	\$ 86,369	\$ -
Debt Service Fund	174,168	-
Non Major		
Other Governmental Funds	342,106	-
Major		
Utility Fund	-	377,416
Sanitation Fund	-	<u>225,227</u>
Total	<b>\$ <u>602,643</u></b>	<b>\$ <u>602,643</u></b>

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

	<u>Due From</u>	<u>Due To</u>
Major		
General Fund	\$ -	\$ 207,051
Debt Service Fund	-	187,286
Non Major		
Other Governmental Funds	388,764	338,820
Major		
Utility Fund	378,492	20,018
Sanitation Fund	-	14,081
Total	<u>\$ 767,256</u>	<u>\$ 767,256</u>

**NOTE G - LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2011 was as follows:

	<u>Balance at</u> <u>9/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>9/30/2011</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds payable	\$ 12,090,000	\$ -	\$ 590,000	\$ 11,500,000	\$ 605,000
Special assessment bonds payable	11,570,000	-	830,000	10,740,000	875,000
Loans payable	1,050,244	1,200,000	2,250,244	-	-
Leases payable	446,798	-	254,571	192,227	190,089
Bond premium	184,394	-	19,076	165,318	-
Bond discount	(65,594)	-	(5,466)	(60,128)	-
Deferred loss	(397,474)	-	(42,626)	(354,848)	-
Compensated absences	476,590	-	249,314	227,276	-
<b>Total Governmental Activities</b>	<u>\$ 25,354,958</u>	<u>\$ 1,200,000</u>	<u>\$ 4,145,113</u>	<u>\$ 22,409,845</u>	<u>\$ 1,670,089</u>
<b>Business-type Activities:</b>					
Revenue bonds payable	\$ 11,635,000	\$ -	\$ 315,000	\$ 11,320,000	\$ 335,000
Loans payable	2,417,330	-	155,141	2,262,189	160,602
Leases payable	144,018	-	71,321	72,697	72,697
Bond premium	346,061	384	-	346,445	-
Compensated absences	106,118	-	56,221	49,897	-
<b>Total Business-type Activities</b>	<u>\$ 14,648,527</u>	<u>\$ 384</u>	<u>\$ 597,683</u>	<u>\$ 14,051,228</u>	<u>\$ 568,299</u>

General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds outstanding as of September 30, 2011 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>
2004	3.70% - 5.00%	8/11/2004	8/1/2024	\$ 4,500,000	\$ 3,390,000
2008	3.25% - 4.63%	4/1/2008	4/1/2023	4,410,000	3,905,000
2008	2.75% - 5.00%	11/1/2008	11/1/2028	4,500,000	4,205,000
<b>Total General Obligation Bonds</b>				<u>\$ 13,410,000</u>	<u>\$ 11,500,000</u>

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

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:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
2005 Special Assessment Refunding	2.75% - 5.00%	5/18/2005	4/15/2020	\$ 8,540,000	\$ 5,740,000
2001 Special Obligation Recreation Facilities Project	4.10% - 5.00%	10/1/2001	4/1/2022	7,000,000	5,000,000
<b>Total Special Assessment Bonds</b>				<u>\$ 15,540,000</u>	<u>\$ 10,740,000</u>

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	\$ 11,320,000
<b>Total Revenue Bonds</b>				<u>\$ 12,750,000</u>	<u>\$ 11,320,000</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
<b>Governmental</b>					
Urban Renewal Note, Series 2009	2.00%	7/1/2009	7/1/2014	\$ 1,300,000	\$ -
<b>Enterprise</b>					
Drinking Water System					
Improvements Revolving Loan	4.00%	3/1/2001	11/1/2020	1,509,556	850,545
Drinking Water System					
Improvements Revolving Loan (Water Treatment Plant)	3.50%	11/13/2002	10/2/2023	773,901	534,715
Cap Loan (Water Treatment Plant)	2.00%	11/20/2002	10/2/2023	476,333	375,590
Cap Loan (Water Treatment Plant)	3.00%	2/1/2005	10/1/2027	587,905	501,339
<b>Total Loans</b>				<u>\$ 4,647,695</u>	<u>\$ 2,262,189</u>

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

The aggregate maturities of general obligation, special assessment bonds, revenue bonds and loans for the years subsequent to September 30, 2011 are as follows:

<b>Year Ending September 30</b>	<b>General Obligation Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2012	605,000	501,700
2013	635,000	475,100
2014	660,000	449,275
2015	690,000	422,534
2016	720,000	394,029
2017-2021	4,135,000	1,471,932
2022-2026	3,105,000	529,789
2027-2031	950,000	68,875
<b>Total</b>	<b>\$ 11,500,000</b>	<b>\$ 4,313,234</b>

<b>Year Ending September 30</b>	<b>Special Assessment Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2012	875,000	495,463
2013	915,000	461,426
2014	960,000	425,194
2015	1,005,000	385,926
2016	1,050,000	343,904
2017-2021	5,355,000	891,813
2022-2026	580,000	29,000
<b>Total</b>	<b>\$ 10,740,000</b>	<b>\$ 3,032,726</b>

<b>Year Ending September 30</b>	<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>
2012	335,000	546,165
2013	350,000	529,040
2014	370,000	511,040
2015	390,000	492,040
2016	410,000	472,040
2017-2021	1,360,000	2,118,367
2022-2026	4,120,000	1,466,437
2027-2031	3,985,000	624,432
2032-2036		
<b>Total</b>	<b>\$ 11,320,000</b>	<b>\$ 6,759,561</b>

<b>Year Ending September 30</b>	<b>Loans</b>	
	<b>Principal</b>	<b>Interest</b>
2012	160,602	72,758
2013	166,264	67,098
2014	172,131	61,230
2015	178,215	55,147
2016	184,520	48,841
2017-2021	931,728	142,589
2022-2026	421,460	31,939
2027-2031	47,269	757
<b>Total</b>	<b>\$ 2,262,189</b>	<b>\$ 480,359</b>



**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

Future minimum capital lease payments and the net present value of these minimum lease payments as of September 30, 2011 were as follows:

Year Ending September 30	Governmental Fund		Enterprise Fund	
	Principal	Interest	Principal	Interest
2012	\$ 190,089	\$ 4,992	\$ 72,697	\$ 2,207
2013	2,138	15	-	-
<b>Total</b>	<u>\$ 192,227</u>	<u>\$ 5,007</u>	<u>\$ 72,697</u>	<u>\$ 2,207</u>

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 \$10,503,177 (the smaller of the two computed margins) as of September 30, 2011.

	<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2011:		
\$146,687,848 times applicable percentage	\$ 22,003,177	\$ 29,337,570
Less present debt subject to debt limits as of September 30, 2010:		
Total bonds outstanding (exclude proprietary)	<u>(11,500,000)</u>	<u>(11,500,000)</u>
Margin for additional debt	<u>\$ 10,503,177</u>	<u>\$ 17,837,570</u>

**NOTE H - 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, 2011, the current rate is 12% 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, 2011, 2010, and 2009 were \$931,295, \$981,811 and \$907,066 respectively, equal to the required contribution for each year.

**NOTE I - 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.

**City of Horn Lake, Mississippi**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE J - LITIGATION**

The City is subject to various legal proceedings in various stages of litigation, the outcome of which is not determinable at this time. Management of the City and its legal counsel do not anticipate that there will be a material effect on the financial statements as a result of the cases presently in progress.

**NOTE K - SUBSEQUENT EVENTS**

The City issued a \$1,200,000 tax anticipation loan on October 28, 2011 at 1.80% due March 15, 2012 which was paid in full on February 29, 2012.

In December 2011, the City issued General Obligation Refunding Bonds in the amount of \$3,395,000 to prepay certain maturities of the City's General Obligation Bonds, Series 2004 dated August 1, 2004. The bonds are payable over 12 years, with interest rates of 2.00%-3.125%.

On March 28, 2012, the City entered into a loan agreement with Mississippi Development Bank in the amount of \$5,185,000 in order to refund the outstanding principal of the City's \$7,000,000 Promissory Note (Recreation Facilities Project) dated October 1, 2001. The loan is payable over 9 years, with interest rates of 2.00%-3.00%.

A lease-purchase agreement with Covenant Bank on January 9, 2012 provides financing for police vehicles and park and fire department equipment in the amount of \$321,276. Annual payments of \$109,721.63 are due for 3 years with an interest rate of 1.85%.

A grant-anticipation loan of \$425,000 was obtained on January 26, 2012 and repaid in full on March 28, 2012.

On June 12, 2012 the City was approved to receive a Capital Improvements Revolving Loan Program of \$403,679 from Mississippi Development Authority for sewer improvements. The loan is payable over 20 years with an interest rate of 2.00%.

In May of 2013, the City entered into a lease-purchase agreement in the amount of \$ 222,584 with Bancorpsouth to finance police department vehicles. The agreement calls for annual payments of \$76,568.70 at an interest rate of 1.58% for 3 years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**City of Horn Lake, Mississippi**  
**Budgetary Comparison Schedule**  
**General Fund**  
**September 30, 2011**

	<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>
<b>Revenues</b>					
Taxes	\$ 8,396,500	\$ 8,508,800	\$ 8,345,585	\$ 112,300	\$ (163,215)
Licenses and permits	262,500	154,000	153,977	(108,500)	(23)
Intergovernmental	174,800	175,700	175,602	900	(98)
Charges for services	1,036,000	919,700	863,426	(116,300)	(56,274)
Fines	891,000	892,500	942,747	1,500	50,247
Interest	15,000	15,000	14,669	-	(331)
Miscellaneous	394,000	401,760	695,576	7,760	293,816
<b>Total Revenues</b>	<u>11,169,800</u>	<u>11,067,460</u>	<u>11,191,582</u>	<u>(102,340)</u>	<u>124,122</u>
<b>Expenditures</b>					
General government	2,209,355	2,288,190	2,212,533	(78,835)	75,657
Public safety	8,198,440	8,022,630	7,546,327	175,810	476,303
Public works	686,015	672,750	625,174	13,265	47,576
Culture & recreation	1,061,500	1,193,120	1,063,265	(131,620)	129,855
Economic development	125,905	101,455	94,887	24,450	6,568
Debt service	-	-	1,060,821	-	(1,060,821)
<b>Total Expenditures</b>	<u>12,281,215</u>	<u>12,278,145</u>	<u>12,603,007</u>	<u>3,070</u>	<u>(324,862)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,111,415)</u>	<u>(1,210,685)</u>	<u>(1,411,425)</u>	<u>(99,270)</u>	<u>(200,740)</u>
<b>Other Financing Sources (Uses)</b>					
Grant revenue	284,850	384,120	253,563	99,270	(130,557)
Lease proceeds	-	-	-	-	-
Interfund transfers	826,565	826,565	86,369	-	(740,196)
Sale of assets	-	-	1,200,065	-	1,200,065
<b>Total Other Financing Sources (Uses)</b>	<u>1,111,415</u>	<u>1,210,685</u>	<u>1,539,997</u>	<u>99,270</u>	<u>329,312</u>
<b>Net Changes in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>128,572</u>	<u>\$ -</u>	<u>\$ 128,572</u>
<b>Fund Balance - Beginning of Year</b>			<u>(83,753)</u>		
<b>Fund Balance - End of Year</b>			44,819		
<b>Adjustments to Conform with GAAP:</b>					
Revenues			53,840		
Expenditures			-		
<b>Fund Balance - End of Year (GAAP Basis)</b>			<u>\$ 98,659</u>		

**SUPPLEMENTARY INFORMATION**

**City of Horn Lake, Mississippi**  
**Schedule of Expenditures of Federal Awards**  
**September 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures
<b>US Department of Commerce</b>			
Direct Award			
Investments for Public Works and Economic Development Facilities	11.300	04-79-06272	300,755
Total US Department of Commerce			<u>300,755</u>
<b>Department of Housing and Urban Development</b>			
Passed-through Mississippi Development Authority			
Community Development Block grant State's Program	14.228	1126-09-396-ED-01	163,333
Total Department of Housing and Urban Development			<u>163,333</u>
<b>US Department of Justice</b>			
Passed-through Mississippi Development Authority			
Bulletproof Vest Partnership Program	16.607		2,351
Total US Department of Justice			<u>2,351</u>
<b>US Department of Transportation</b>			
Passed-through Mississippi Department of Transportation			
Highway Planning and Construction	20.205	STP-9999-00(915)/106227-107000	34,322
Passed-through Mississippi Department of Public Safety			
Alcohol Open Container Requirements	20.607	11-TA-218-1	124,572
Total US Department of Transportation			<u>158,894</u>
<b>Delta Regional Authority</b>			
Direct Award			
Delta Area Economic Development	90.201	MS-5458	40,315
Delta Area Economic Development	90.201	MS-5394	49,620
Delta Area Economic Development	90.201	MS-5395	61,484
Total Delta Regional Authority			<u>151,419</u>
<b>Department of Health and Human Services</b>			
Passed-through Mississippi Department of Health			
Injury Prevention and Control Research and State and Community Based Programs	93.136	11000HPO	800
Total Department of Health and Human Services			<u>800</u>
<b>Department Homeland Security</b>			
Direct Award			
Assistance to Firefighters Grant	97.044		79,050
Passed-through Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially declared Disasters)	97.036	00117-0	3,168
Homeland Security Grant Program	97.067	08HS396T	2,500
Total Department of Homeland Security			<u>84,718</u>
Total Expenditures of Federal Awards			<u>\$ 862,270</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

**City of Horn Lake, Mississippi**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2011**

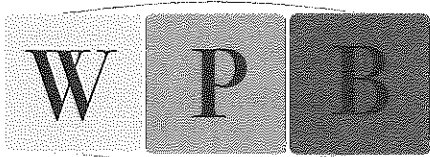
<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Amount</u>
Nat Baker	Mayor	Fidelity	\$ 50,000
Andrea Freeze	Administrator/City Clerk	Fidelity	100,000
Tara Warran	Court Clerk	Fidelity	50,000
Frances Williams	Deputy City Clerk	Zurich	50,000
Darryl Whaley	Police Chief	Fidelity	50,000
Arianne Linville	Human Resources Director	Fidelity	50,000
Tonya Ann Gronke	Cash Control	Fidelity	50,000
Melinda Poag	Finance Director	Fidelity	50,000
Pamela Pyle	Accounts Payable	Fidelity	50,000
Leslie Chung	Concession Coordinator	Fidelity	50,000
	Aldermen (each)	Fidelity	50,000

**(This page left blank intentionally)**



**SPECIAL REPORTS**





WILLIAMS - PITTS - BEARD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS | 2042 MCINGVALE ROAD, SUITE A  
JERRY W. PITTS | HERMANO, MISSISSIPPI 38632  
REBECCA A. BEARD | 662-429-4436  
KRISTOPHER A. WHITTEN | 662-429-4438 FAX

**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**

Mayor and Board of Aldermen  
City of Horn Lake, Mississippi

We have audited 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 ("the City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 26, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

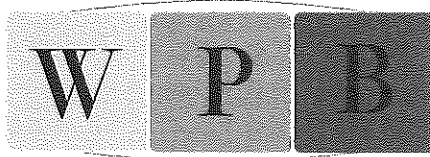


This report is intended solely for the information and use of the Board of Aldermen, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 26, 2013





WILLIAMS - PITTS - BEARD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS | 2042 MCINGVALE ROAD, SUITE A  
JERRY W. PITTS | HERNANDO, MISSISSIPPI 38632  
REBECCA A. BEARD | 662-429-4436  
KRISTOPHER A. WHITTEN | 662-429-4438 FAX

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Mayor and Board of Aldermen  
City of Horn Lake, Mississippi

Compliance

We have audited City of Horn Lake, Mississippi's ("the City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of





deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

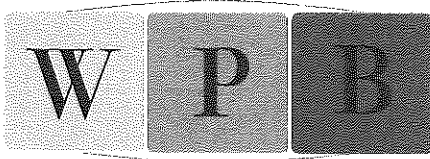
*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC

Hernando, Mississippi

June 26, 2013





WILLIAMS - PITTS - BEARD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

DANNY L. WILLIAMS  
JERRY W. PITTS  
REBECCA A. BEARD  
KRISTOPHER A. WHITTEN

2042 MCINGVALE ROAD, SUITE A  
HERNANDO, MISSISSIPPI 38632  
662-429-4436  
662-429-4438 FAX

**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, 2011, and have issued our report dated June 26, 2013. 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 with state laws and regulations.

The instances of noncompliance of the prior year have been corrected by management

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  
June 26, 2013



**City of Horn Lake, Mississippi  
Schedule of Findings and Questioned Costs  
September 30, 2011**

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

**Financial Statements:**

(1) Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
General Fund	Unqualified
Debt Service Fund	Unqualified
Aggregate remaining fund information	Unqualified

(2) Internal Control over financial reporting:

(a) Material weaknesses identified?	No
(b) Significant deficiency identified that are not considered to be a material weaknesses?	None Reported

(3) Noncompliance material to the financial statements noted:

	No
--	----

**Federal Awards:**

(4) Internal control over major programs:

(a) Material weakness identified?	No
(b) Significant deficiency identified that is not considered to be a material weakness?	None Reported

(5) Type of auditors' report issued on compliance for major federal programs

	Unqualified
--	-------------

(6) Any audit finding(s) disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

	No
--	----

(7) Federal program identified as major program:

(a) Investments for Public Works and Economic Development  
Facilities CFDA# 11.300

(b) Delta Area Economic Development CFDA# 90.201

(8) The dollar threshold used to distinguish between type A and B programs

	\$300,000
--	-----------



**City of Horn Lake, Mississippi**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2011**

(9) Auditee qualified as a low risk auditee?

\_\_\_\_\_  
No

(10) Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section \_\_\_\_ .315(b) of OMB Circular A-133?

\_\_\_\_\_  
No

**Section 2: Financial Statements 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.

**Section 3: Federal Award Findings and Questioned Costs**

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

