

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2013



CITY OF SOUTHAVEN, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Prepared by:
City of Southaven
Department of Finance and Administration

CITY OF SOUTHAVEN, MISSISSIPPI
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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INTRODUCTORY SECTION

CITY OF SOUTHAVEN

Top of Mississippi

8710 Northwest Drive
Southaven, MS 368671



Phone: 662.393.6939
Fax: 662.393.7294

March 31, 2014

To the Honorable Mayor,
Board of Aldermen and
Citizens of the City of Southaven, MS

The Department of Administration and Finance is pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Southaven, Mississippi, for the fiscal year ended September 30, 2013. The accompanying financial statements are prepared and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These financial statements are also prepared and presented in conformity with Governmental Accounting Standards Board ("GASB") Statement #34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Management. Management believes that the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the City, on a Government-wide and Fund basis. Note disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included (see pages 25 through 31).

Pursuant to Section 21-35-31 of the Mississippi Code of 1972, an audit of the financial statements has been completed by the City's independent Certified Public Accountant, Williams, Pitts, and Beard, PLLC. Their report is included on page 2. The independent auditors' report is presented in the financial section of this report. The audit was designed to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2013 are free of material misstatement. The independent auditors have concluded based upon their audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Southaven's financial statements for the year ended September 30, 2013 are fairly presented and conform to GAAP.

The City of Southaven received federal financial assistance through various federal programs. An audit in accordance with the Single Audit Act of 1984, P.L. 98-502, and Office of Management and Budget (OMB) Circular A-133, "Audits of State and Local Governments and Non-Profit Organizations", and "Government Auditing Standards" issued by the Comptroller of the United States has been performed for the fiscal year ended September 30, 2013. These reports can be found in the compliance section of the independent auditors' report.

Management's Discussion and Analysis ("MD&A") is included on pages 4 through 14. The MD&A is a narrative that introduces the basic financial statements and provides an analytical overview of the City's financial activities. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the auditors' report in the financial section of the report.

CITY PROFILE

The City of Southaven is a Mississippi municipal corporation located in DeSoto County, in the extreme northwest corner of Mississippi. Southaven is a suburban county in the Greater Memphis area and a member of the Memphis Metropolitan Statistical Area. Southaven was incorporated on April 15, 1980, and has an estimated population of over 50,000 living within an area of approximately 41.25 square miles. Southaven is the largest municipality in DeSoto County accounting for roughly 30% of the population and is the 3rd largest municipality in Mississippi.

The City operates under a code charter form of government featuring a Mayor and a seven member Board of Alderman serving as the elected, governing authority. The policy-making and legislative authority as well as budgetary responsibilities are vested with the seven member Board of Aldermen. The Mayor is responsible for the day to day operations of the city government. All officials are elected to a four year term. Terms of office begin on July 1, following the date of election into office.

The City provides a variety of services including police and fire protection; the construction and maintenance of streets and other infrastructure; recreational and cultural activities; wastewater sanitation, storm water management; and solid waste collection.

ECONOMIC CONDITION

The City is home to roughly 2,500 businesses. The leading employers in Southaven include the DeSoto County School system, Baptist Memorial Hospital, Future Electronics, and Associated Wholesale Grocers. Southaven has seen healthy growth in the retail sales job market.

While the City has been impacted by the nationwide economic downturn, the impact has not been as great as on other communities as evidenced by the unemployment rate of the City (6.1%) being significantly below the national average (7.3%) in August 2013. Over the last 10 years the City has seen a population increase of 46.2%.

The City has seen consistent increases in sales tax revenues since 2009. The distribution, warehousing and shipping industry is a growing sector of the City's economy. The industry benefits from close proximity to Memphis and ease of access to the Memphis International Airport as well as to the Mississippi River. Retail also continues to grow at a rapid pace. The City anticipates continued growth in sales tax revenues in the years to come.

Property value assessments for 2014 are approximately \$10 million less than in 2013. New housing permits and business permits have seen a significant increase in 2013. This is a sign of recovery from the housing market decline. This increase will only offset a small portion of the decrease in property tax revenue from declined property tax assessed values. Despite the decline in assessed property value, the City of Southaven maintained its property tax rate of 43.73 for fiscal years 2013 and 2014.

The City of Southaven has seen explosive population growth over the past two decades. Between 1990 and 2010, the number of people living in the area increased by 173 percent. The 2012 Census estimate puts the City's population at 50,374. Southaven is a relatively young city with approximately 36% of the population being under 25 and approximately 34% of the City's population being between the ages of 25-44.

According to the 2010 US Census, the median household income was \$54,751. The median value of owner-occupied homes from 2008-2012 was \$140,900.

FINANCIAL INFORMATION

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the liability is incurred. Proprietary operations are maintained on a full accrual basis.

Internal Control

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the presentation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that: (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The City maintains specific budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and Board of Aldermen. Activities of the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level, except for the General Fund which is at the department level. Any amendments to the total budgeted expenditures of a department require Council approval. The government also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

ENTERPRISE FUNDS

The City's enterprise operations consist of the Utility Fund and Sanitation Fund. The Utility fund accounts for traditional water and sewer revenues and expenditures to construct and maintain the water and sewer system. The Sanitation fund accounts are for rubbish and recycling services, of which both are outsourced to a third party.

DEBT

Mississippi law limits the amount of general obligation debt a municipality may issue to 15% of total assessed valuation. Southaven's total assessed valuation is \$521,364,901; therefore, the 15% limitation equals \$78,204,736. After reduction for GO Bonds outstanding of \$48,290,000, the City's remaining margin for further debt issuance is \$29,914,736.

Southaven has a very solid bond rating of AA-, as rated by Standard & Poor. This rating, which is the equivalent of Aa3, indicates the strong capacity the City has to meet its financial commitments and a stable financial outlook.

Southaven intends to take advantage of the favorable bond rating by restructuring some of the debt in order to reduce future debt service.

For more detailed information on the City's debt refer to Note 6 on page 34 of this report.

FUTURE INITIATIVES

In the next year the City plans to begin several infrastructure projects including but not limited to the widening of Getwell Road between Stateline Road and Highway 302, the extension of Swinnea Road between Nail Road and Church Road, and the widening of Elmore Road between Goodman Road and Church Road.

The City of Southaven also plans to see construction begin on the Outlet Mall of the Mid-South. The site was awarded resort status which will allow the City to participate in a sales tax rebate program approved by the Mississippi Development Authority. This project will also include hotels and restaurants to be built in three phases on a 33 acre parcel of land located at the northwest corner of Interstate 55 and Church Road.

A “Penny for Your Parks” tourism tax was passed in October 2011 which implemented a 1% tax on the gross proceeds of Southaven’s restaurants. Revenues from this tax are allocated to municipal park improvements. There are currently plans for \$750,000 of community park upgrades.

The City has also begun an \$850,000 project to make a walk/bike trail connecting Central Park and Snowden Grove Park. The monies are from a federal grant from Mississippi Department of Transportation. This project will improve the walkability in our city and promote healthy lifestyles.

ACKNOWLEDGEMENTS

We are pleased to present the City’s Comprehensive Annual Financial Report (CAFR), and submit the same to the Government Finance Officers Association (GFOA) for consideration in the Certificate of Achievement for Excellence in Financial Reporting program. We believe our CAFR meets the program’s requirements.

The preparation of this report was made possible by the dedicated service of the entire staff of the Department of Finance and Administration. I also wish to express my appreciation to all other City departments for their cooperation in providing information for this report.

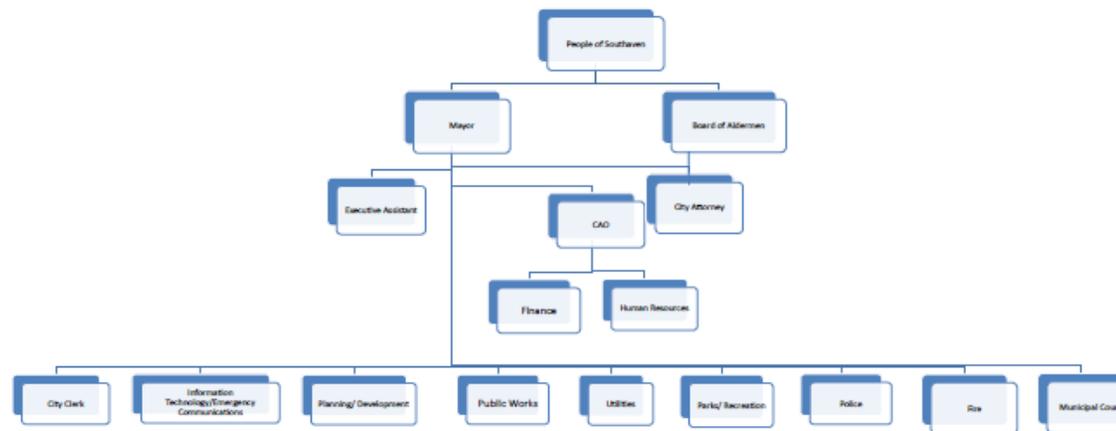
Respectfully submitted,

Edi McIlwain, CPA
Finance Director

City of Southaven



Organizational Structure



ELECTED OFFICIALS

Mayor
Darren Musselwhite



City Council

William Brooks, At Large



Kristian Kelly, Ward 1



Shirley Beshears, Ward 2



George Payne, Ward 3



Joel Gallagher, Ward 4



Scott Ferguson, Ward 5



Raymond Flores, Ward 6



Chief Administrative Officer

Chris Wilson

City Clerk

Sheila Heath

Tom Long, Police Chief

Ronnie White, Fire Chief

Whitney Choat-Cook, Planning Director

Ray Tarrance, Public Works Director

Ron Smith, Engineer

Ray Humphreys, Utilities Director

Chris Shelton, IT Director

Mike Mullins, Parks and Recreational Director

Bradley Wallace, Operations Director

City Attorney

Butler Snow, LLC

FINANCIAL SECTION



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

Mayor and Board of Aldermen
City of Southaven
Southaven, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Southaven (the "City"), as of and for the years ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Southaven, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 14 and 41 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor funds and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections and the schedule of surety bonds of municipal officials have not been subjected to the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
March 28, 2014



MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year End September 30, 2013

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

As management of the City of Southaven (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2013. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$78,741,488 (net position).
- The government's total net position increased by \$2,467,239 primarily due to increases in the business type activities net position.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$51,825,267 an increase of \$1,204,124 in comparison with the prior year. Approximately 5.9 percent of this total amount, or \$3,102,934, is available for spending at the government's discretion (**unrestricted net position**).
- At the end of the current fiscal year, **unreserved fund balance** for the General Fund was \$2,463,089, or 6 percent of total general fund expenditures for the fiscal year.
- The City's total debt increased by \$1,566,126 (1.7%) during the current fiscal year. The key factor in this increase was a \$2.875 million bond issuance and a \$2.5 million lease agreement in the current year.

Overview of the Financial Statements

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

Basic Financial Statements

The first two statements (Pages 16 and 17) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Pages 18 through 24) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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

The government-wide financial statements are on pages 16 and 17 of this report.

Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in Mississippi, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

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

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

Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and for its sanitation operations. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 25 of this report.

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Government-Wide Financial Analysis

The City of Southaven's Net Position

Figure 1

	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Totals	Totals
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
ASSETS						
Current and other assets	\$ 29,750,396	\$ 27,716,254	\$ 26,225,329	\$ 23,481,635	\$ 55,975,725	\$ 51,197,889
Capital assets, net	<u>\$ 104,183,402</u>	<u>\$ 102,701,556</u>	<u>\$ 42,696,838</u>	<u>\$ 41,451,010</u>	<u>\$ 146,880,240</u>	<u>\$ 144,152,566</u>
Total assets	<u>\$ 133,933,798</u>	<u>\$ 130,417,810</u>	<u>\$ 68,922,167</u>	<u>\$ 64,932,645</u>	<u>\$ 202,855,965</u>	<u>\$ 195,350,455</u>
LIABILITIES						
Long-term liabilities:						
Due within one year	\$ 5,891,418	\$ 5,359,623	\$ 1,823,738	\$ 1,589,208	\$ 7,715,156	\$ 6,948,831
Payable after one year	\$ 51,352,118	\$ 51,614,384	\$ 34,339,513	\$ 33,277,446	\$ 85,691,631	\$ 84,891,830
Deferred revenues	\$ 21,809,158	\$ 20,070,346	\$ 3,468,193	\$ 3,191,680	\$ 25,277,351	\$ 23,262,026
Other liabilities	<u>\$ 3,055,837</u>	<u>\$ 2,752,314</u>	<u>\$ 2,374,502</u>	<u>\$ 1,626,089</u>	<u>\$ 5,430,339</u>	<u>\$ 4,378,403</u>
Total liabilities	<u>\$ 82,108,531</u>	<u>\$ 79,796,667</u>	<u>\$ 42,005,946</u>	<u>\$ 39,684,423</u>	<u>\$ 124,114,477</u>	<u>\$ 119,481,090</u>
NET POSITION						
Invested in capital asset	\$ 47,426,917	\$ 46,347,370	\$ 6,564,362	\$ 6,619,179	\$ 53,991,279	\$ 52,966,549
Restricted	\$ 1,295,416	\$ 1,484,241	\$ 1,938,196	\$ 1,739,868	\$ 3,233,612	\$ 3,224,109
Unrestricted	<u>\$ 3,102,934</u>	<u>\$ 2,789,532</u>	<u>\$ 18,413,663</u>	<u>\$ 16,889,175</u>	<u>\$ 21,516,597</u>	<u>\$ 19,678,707</u>
Total net position	<u>\$ 51,825,267</u>	<u>\$ 50,621,143</u>	<u>\$ 26,916,221</u>	<u>\$ 25,248,222</u>	<u>\$ 78,741,488</u>	<u>\$ 75,869,365</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Southaven exceeded liabilities by \$78,741,488 as of September 30, 2013.

The largest portion of net position (70%) is reflected in the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$21,516,597 is unrestricted.

Several particular aspects of the City's financial operations influenced the total unrestricted governmental net position:

- Increased sales tax revenues of approximately \$83,500.
- Decreased expenses of approximately \$580,000.
- Continued low cost of debt due to the City's high bond rating.
- A prior period adjustment to add back \$404,900 to net position.

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

City of Southaven's Changes in Net Position

Figure 2

REVENUES	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Program Revenues:						
Charges for services	\$ 4,187,802	\$ 4,289,256	\$ 11,442,827	\$ 12,474,185	\$ 15,630,629	\$ 16,763,441
Operating grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital grants	\$ 1,137,034	\$ 2,877,974	\$ -	\$ -	\$ -	\$ -
Total program revenues	\$ 5,324,836	\$ 7,167,230	\$ 11,442,827	\$ 12,474,185	\$ 16,767,663	\$ 19,641,415
General Revenues						
Property taxes	\$ 20,430,223	\$ 20,197,404	\$ 2,723,997	\$ 3,005,658	\$ 23,154,220	\$ 23,203,062
Sales tax	\$ 12,521,573	\$ 12,438,105	\$ -	\$ -	\$ 12,521,573	\$ 12,438,105
Other general revenues	\$ 7,841,423	\$ 8,169,070	\$ 120,661	\$ 35,040	\$ 7,962,084	\$ 8,204,110
Total general revenues	\$ 40,793,219	\$ 40,804,579	\$ 2,844,658	\$ 3,040,698	\$ 43,637,877	\$ 43,845,277
Total Revenues	\$ 46,118,055	\$ 47,971,809	\$ 14,287,485	\$ 15,514,883	\$ 60,405,540	\$ 63,486,692
PROGRAM EXPENSES						
General government	\$ 9,091,210	\$ 10,978,549	\$ -	\$ -	\$ 9,091,210	\$ 10,978,549
Public safety	\$ 21,045,108	\$ 20,605,372	\$ -	\$ -	\$ 21,045,108	\$ 20,605,372
Public works	\$ 5,871,360	\$ 5,710,930	\$ -	\$ -	\$ 5,871,360	\$ 5,710,930
Culture and recreation	\$ 6,054,011	\$ 6,063,410	\$ -	\$ -	\$ 6,054,011	\$ 6,063,410
Economic development	\$ 565,964	\$ 828,449	\$ -	\$ -	\$ 565,964	\$ 828,449
Health and welfare	\$ 397,923	\$ 313,035	\$ -	\$ -	\$ 397,923	\$ 313,035
Interest on long term debt	\$ 2,293,239	\$ 2,300,091	\$ 1,301,034	\$ 1,313,265	\$ 3,594,273	\$ 3,613,356
Water and Sewer	\$ -	\$ -	\$ 8,034,841	\$ 7,422,653	\$ 8,034,841	\$ 7,422,653
Sanitation	\$ -	\$ -	\$ 3,283,611	\$ 2,982,624	\$ 3,283,611	\$ 2,982,624
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total program expenses	\$ 45,318,815	\$ 46,799,836	\$ 12,619,486	\$ 11,718,542	\$ 57,938,301	\$ 58,518,378
Change in net position	\$ 799,240	\$ 1,171,973	\$ 1,667,999	\$ 3,796,341	\$ 2,467,239	\$ 4,968,314
Net Position-Beginning of Year	\$ 50,621,143	\$ 50,374,128	\$ 25,248,222	\$ 22,277,026	\$ 75,869,365	\$ 72,651,154
Prior period Adjustment	\$ 404,884	\$ -	\$ -	\$ -	\$ 404,884	\$ -
Change in accounting principle	\$ -	\$ (924,958)	\$ -	\$ (825,145)	\$ -	\$ (1,750,103)
Net Position-End of Year	\$ 51,825,267	\$ 50,621,143	\$ 26,916,221	\$ 25,248,222	\$ 78,741,488	\$ 75,869,365

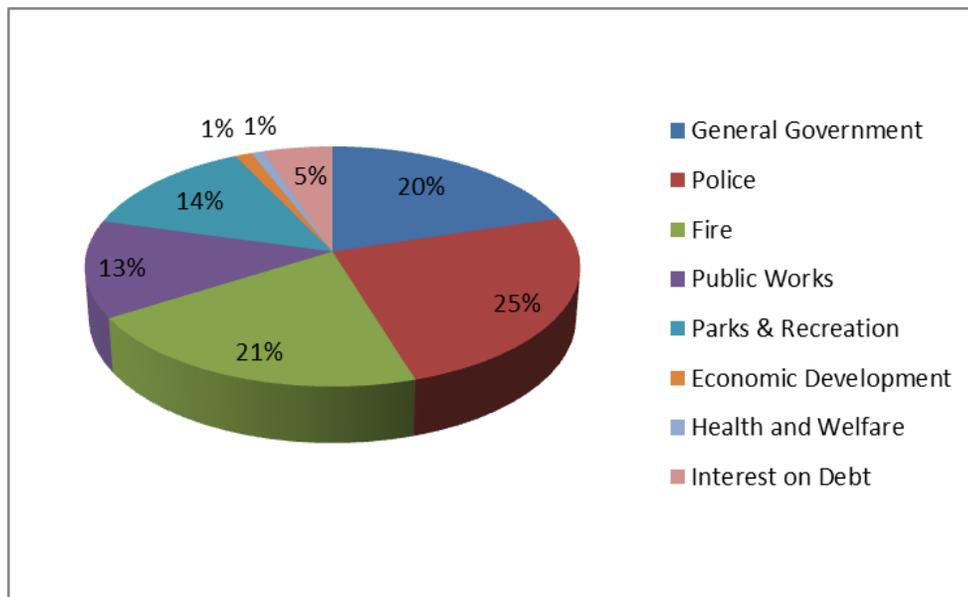
CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Governmental activities. Governmental activities increased the City's net position by \$799,240. Key elements of this increase are as follows:

- General government expenses decreased and public safety expenditures increased which includes expenses related to approximately \$440,000 increase in wages and salaries and purchase of a fleet of vehicles for use by officers.
- There were no transfers of excess funds from the Utility fund to the General fund in the current year.
- Franchise taxes increased by approximately \$117,000.
- Property and sales taxes were up by approximately \$316,000 (1%).

Governmental Expenditures are broken out by department as follows:

Chart 1



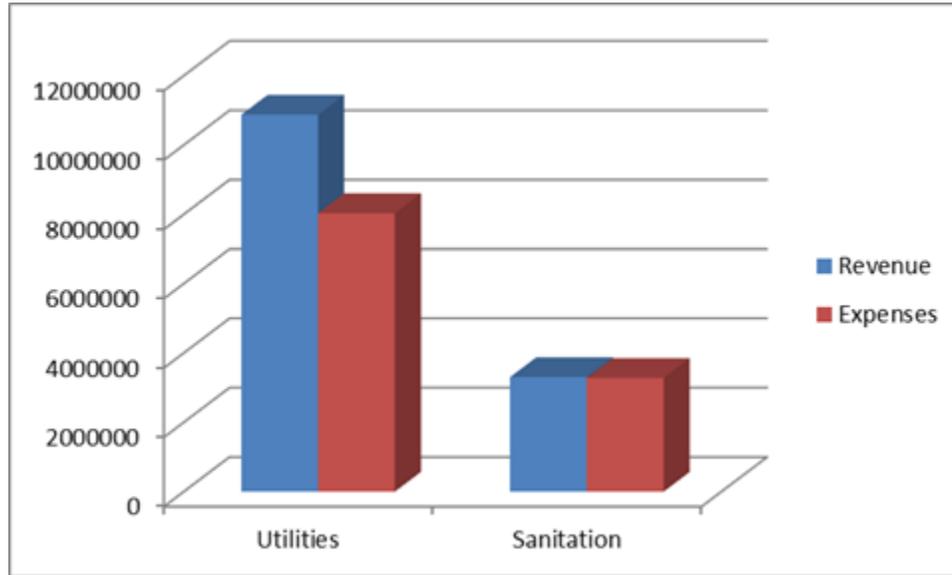
Business-type activities: Business-type activities increased the City's net position by \$1,667,999. Key elements of this increase are as follows:

- Charges for services decreased by approximately \$1,031,000. This is mainly attributed to water and sewer sales being down approximately \$988,000 as a result of the weather patterns.
- Taxes and other miscellaneous income decreased by approximately \$185,700.
- Although revenues decreased significantly and expenses increased approximately \$900,000, there was an increase in net position of \$1,667,999. The change in net position decreased from prior year by approximately \$2,100,000.

**CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Business type revenues compared to expenses are as follows:

Chart 2



Financial Analysis of the City of Southaven's Funds

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

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,463,089, while total fund balance reached \$3,917,754. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 6 percent of total General Fund expenditures.

At September 30, 2013, the governmental funds of the City reported a combined fund balance of \$5,700,905, a 3 percent decrease over last year. Included in this change in fund balance are increases in fund balance in both the General Fund and the Bond Funded Capital Projects Fund, but a small decrease in both the Debt Service Fund and Other Governmental Funds.

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

**CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Revenues were more than the budgeted amounts primarily because general property taxes and sales taxes received were more than originally expected. Expenditures were also increased due to more street and ditch improvements than originally expected.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to \$15,967,416, and those for the Sanitation Fund amounted to \$2,446,247. The total growth in net position for both funds was \$1,611,800 and \$56,199 respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, totals \$146,880,240 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions (there were no significant demolitions or disposals):

- Vehicles of \$321,356 in governmental-type activities for new police cars (including leased vehicles).
- Air conditioning and other energy saving improvements, \$2,550,000.
- Construction in progress of \$2,026,183 in business-type activities for sewer infrastructure being put in place and \$1,730,570 in governmental funds for drainage systems being put into place.
- Fire Station number two, \$3,200,000.

The City of Southaven's Capital Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 9,376,445	\$ 9,376,445	\$ 579,036	\$ 579,036	\$ 9,955,481	\$ 9,955,481
Construction in progress	\$ 2,880,625	\$ 1,260,567	\$ 9,924,144	\$ 8,041,844	\$ 12,804,769	\$ 9,302,411
Infrastructure	\$ 88,862,360	\$ 88,859,335	\$ 46,560,084	\$ 45,896,773	\$ 135,422,444	\$ 134,756,108
Buildings and improvements	\$ 55,878,337	\$ 50,099,357	\$ 381,573	\$ 381,573	\$ 56,259,910	\$ 50,480,930
Leased equipment	\$ 1,518,308	\$ 1,582,803	\$ 744,057	\$ 744,057	\$ 2,262,365	\$ 2,326,860
Equipment and vehicles	\$ 18,030,243	\$ 16,612,679	\$ 2,144,654	\$ 2,116,758	\$ 20,174,897	\$ 18,729,437
	<u>\$ 176,546,318</u>	<u>\$ 167,791,186</u>	<u>\$ 60,333,548</u>	<u>\$ 57,760,041</u>	<u>\$ 236,879,866</u>	<u>\$ 225,551,227</u>

Additional information on the City's capital assets can be found in note 3 of the Basic Financial Statements.

Long-term Debt. As of September 30, 2013, the City had total bonded debt outstanding of \$53,715,000. All of this debt is backed by the full faith and credit of the City. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds), notes payable, and leases payable.

**CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

**City of Southaven's Outstanding Debt
General Obligation and Revenue Bonds**

Figure 4

	<u>2013</u>	<u>2012</u>
Governmental activities debt		
General obligation bonds	\$ 42,715,000	\$ 43,545,000
Tax increment bonds	\$ 6,175,000	\$ 6,855,000
Notes payable	\$ 4,766,994	\$ 5,281,897
Leases payable	\$ 2,815,514	\$ 444,715
Compensated absences	\$ 487,051	\$ 619,821
Bond premiums	\$ 289,570	\$ 234,100
Bond discounts	\$ (5,593)	\$ (6,526)
Governmental activities liabilities	<u>\$ 57,243,536</u>	<u>\$ 56,974,007</u>
Business -type activities debt		
General obligation bonds	\$ 11,000,000	\$ 8,615,000
Revenue bonds payable	\$ 11,720,000	\$ 15,385,000
Notes payable	\$ 12,965,628	\$ 10,412,837
Leases payable	\$ 426,868	\$ 478,146
Compensated absences	\$ 30,776	\$ 34,823
Bond premiums	\$ 75,434	
Bond discounts	\$ (55,455)	\$ (59,152)
Business-type liabilities	<u>\$ 36,163,251</u>	<u>\$ 34,866,654</u>
Total Long-Term Obligations	<u>\$ 93,406,787</u>	<u>\$ 91,840,661</u>

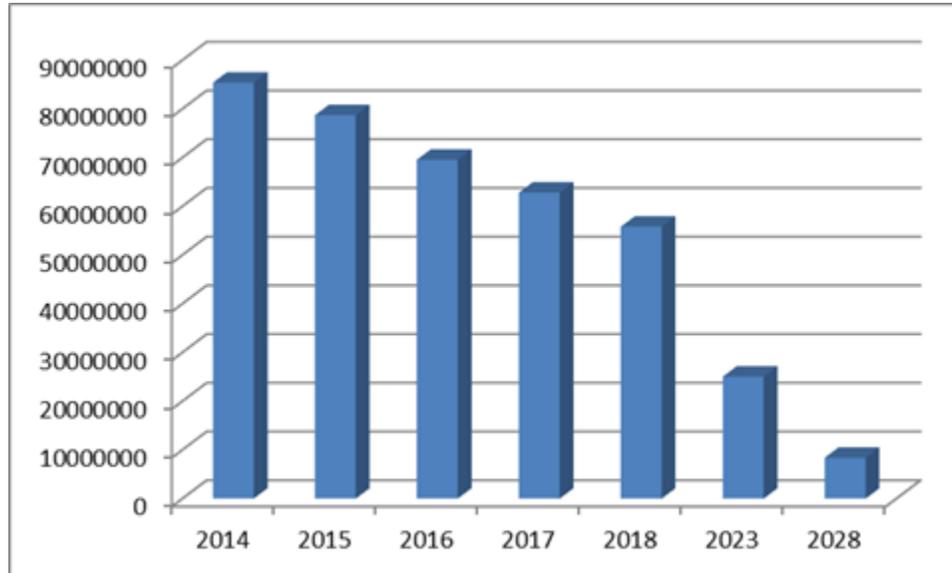
The City's total debt increased by \$1,566,126 (1.7%) during the past fiscal year. There were new bonds issued in the current fiscal year in the amount of \$2,875,000. The 1994 GO bonds and the 2003 Water/Sewer GO Bonds were refunded in the current year. New debt also includes \$321,358 for new police vehicles and \$5,625,720 for infrastructure and assets.

Mississippi general statutes limit the amount of general obligation debt that a unit of government can issue to 15 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for additional debt for the City is \$29,914,736.

**CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

See Chart 3 for the pay down of the current debt.

Chart 3



Additional information regarding the City's long-term debt can be found in Note 6 beginning on page 34 of this report.

Economic Factors and Next Year's Budgets and Rates

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

- Low unemployment. The City's unemployment rate of 6.1%, as of September 30, 2013, is well below the National and State averages of 7.2% and 8.5%.
- In 2012, Southaven's population was calculated, according to the United States Census most recent numbers, to be 50,374. This equates to roughly 30% of the total DeSoto County population and makes Southaven the 3rd largest city in Mississippi.
- Leading employers in Southaven include the DeSoto County School system, Baptist Memorial Hospital, Future Electronics and Associated Wholesale Grocers. Southaven has seen rapid growth in the retail sales job market, and tourism related jobs are continuing to come on line with the growth of Southaven's competitive baseball and softball tournaments held annually.

Budget Highlights for the Fiscal Year Ending September 30, 2013

Governmental Activities: Property taxes (benefiting from the economic growth) and revenues Sales Taxes are expected to lead the increase in budgeted revenue by 1-2 percent. The City will use these increases in revenues to finance programs currently in place.

The City will receive a Hazard Mitigation grant that increases both revenues and expenses. The City will be reimbursed for expenses incurred related to this project.

Budgeted expenditures in the General Fund are expected to rise 3%. The increase in budgeted expenditures is mainly due to salary increases as well as an increased cost of maintenance and material.

**CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2013**

Business – type Activities: The water and sewer rates in the City will increase primarily to cover increased costs of operations. General operating expenses will increase due to the budgeting for the purchase of vehicles for both the Utility and the Sanitation funds as well as increased debt payments related to drainage projects.

Requests for Information

This report is designed to provide an overview of the City of Southaven's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chris Wilson, Chief Administrative Officer/City Administrator or Edi McIlwain, Finance Director at 662-280-2489

BASIC FINANCIAL STATEMENTS

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Net Position
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,429,244	\$ 10,724,650	\$ 15,153,894
Accounts receivable, net of allowance for doubtful accounts of \$189,226	506,391	1,695,009	2,201,400
Intergovernmental receivable	1,099,181	-	1,099,181
Franchise tax receivable	455,469	-	455,469
Loan receivable	-	822,061	822,061
Property tax receivable	21,809,158	3,468,193	25,277,351
Other receivable	-	3,710	3,710
Prepaid expense	559,568	-	559,568
Restricted assets:			
Cash in bank	891,385	722,599	1,613,984
Bean patch receivable	-	8,789,107	8,789,107
Capital assets, net of accumulated depreciation	104,183,402	42,696,838	146,880,240
 Total Assets	 133,933,798	 68,922,167	 202,855,965
<u>LIABILITIES</u>			
Accounts payable	1,527,949	1,551,479	3,079,428
Accrued expenses	712,384	19,691	732,075
Customer deposits	-	688,874	688,874
Accrued interest	815,504	114,458	929,962
Unearned revenue	21,809,158	3,468,193	25,277,351
Long-term liabilities			
Due within one year:			
Capital debt	5,891,418	1,823,738	7,715,156
Due in more than one year:			
Capital debt	50,865,067	34,308,738	85,173,805
Non-capital debt	487,051	30,775	517,826
 Total Liabilities	 82,108,531	 42,005,946	 124,114,477
<u>NET POSITION</u>			
Net investment in capital assets	47,426,917	6,564,362	53,991,279
Restricted for:			
Debt services	556,305	1,938,196	2,494,501
Tourism	251,743		251,743
Library	61,320		61,320
Public safety	426,048		426,048
Unrestricted	3,102,934	18,413,663	21,516,597
 Total Net Position	 \$ 51,825,267	 \$ 26,916,221	 \$ 78,741,488

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

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2013

	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
Governmental Activities							
General government	\$ 9,091,210	\$ 586,533	\$ -	\$ 24,426	\$ (8,480,251)	\$ -	\$ (8,480,251)
Public safety	21,045,108	1,127,296	-	113,415	(19,804,397)	-	(19,804,397)
Public works	5,871,360	-	-	999,193	(4,872,167)	-	(4,872,167)
Culture and recreation	6,054,011	2,252,037	-	-	(3,801,974)	-	(3,801,974)
Economic development	565,964	203,086	-	-	(362,878)	-	(362,878)
Health and welfare	397,923	18,850	-	-	(379,073)	-	(379,073)
Interest on long-term debt	2,293,239	-	-	-	(2,293,239)	-	(2,293,239)
Total governmental activities	<u>45,318,815</u>	<u>4,187,802</u>	<u>-</u>	<u>1,137,034</u>	<u>(39,993,979)</u>	<u>-</u>	<u>(39,993,979)</u>
Business-Type Activities							
Water and sewer	8,034,841	10,875,007	-	-	-	2,840,166	2,840,166
Sanitation	3,283,611	567,820	-	-	-	(2,715,791)	(2,715,791)
Interest on long-term debt	1,301,034	-	-	-	-	(1,301,034)	(1,301,034)
Total business-type activities	<u>12,619,486</u>	<u>11,442,827</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,176,659)</u>	<u>(1,176,659)</u>
Total government	<u>\$ 57,938,301</u>	<u>\$ 15,630,629</u>	<u>\$ -</u>	<u>\$ 1,137,034</u>	<u>(39,993,979)</u>	<u>(1,176,659)</u>	<u>(41,170,638)</u>
General Revenue							
Property taxes					20,430,223	2,723,997	23,154,220
Intergovernmental					1,864,386	-	1,864,386
Sales tax					12,521,573	-	12,521,573
Fines					3,236,128	-	3,236,128
Franchise tax					1,832,042	-	1,832,042
Rents					647,471	-	647,471
Interest					75,108	6,196	81,304
Miscellaneous					170,692	81,646	252,338
Sale of assets					15,596	32,819	48,415
Total General Revenues					<u>40,793,219</u>	<u>2,844,658</u>	<u>43,637,877</u>
Change in Net Position					799,240	1,667,999	2,467,239
Net Position-Beginning of Year					50,621,143	25,248,222	75,869,365
Prior period adjustment					404,884	-	404,884
Net Position-End of Year					<u>\$ 51,825,267</u>	<u>\$ 26,916,221</u>	<u>\$ 78,741,488</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Balance Sheet – Governmental Funds
September 30, 2013

	<u>General Fund</u>	<u>Bond Funded Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 2,623,907	\$ 98,279	\$ 1,371,809	\$ 335,249	\$ 4,429,244
Accounts receivable, net of allowance for doubtful accounts of \$189,226	506,391	-	-	-	506,391
Intergovernmental receivable	1,024,966	-	-	74,215	1,099,181
Franchise tax receivable	455,469	-	-	-	455,469
Property tax receivable	12,924,801	-	8,884,357	-	21,809,158
Prepaid expenses	559,568	-	-	-	559,568
Due from other funds	2,961	-	-	-	2,961
Restricted cash	888,424	-	-	2,961	891,385
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 18,986,487</u>	<u>\$ 98,279</u>	<u>\$ 10,256,166</u>	<u>\$ 412,425</u>	<u>\$ 29,753,357</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 1,431,548	\$ -	\$ -	\$ 96,401	\$ 1,527,949
Accrued expenses	712,384	-	-	-	712,384
Due to other funds	-	-	-	2,961	2,961
Unearned revenue	12,924,801	-	8,884,357	-	21,809,158
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>15,068,733</u>	<u>-</u>	<u>8,884,357</u>	<u>99,362</u>	<u>24,052,452</u>
<u>FUND BALANCES</u>					
Nonspendable for prepaid	559,568	-	-	-	559,568
Restricted for:					
Debt service	-	-	1,371,809	-	1,371,809
Tourism	-	-	-	251,743	251,743
Library	-	-	-	61,320	61,320
Public safety	426,048	-	-	-	426,048
Committed for:					
Public works	465,574	-	-	-	465,574
Parks and recreation	3,475	-	-	-	3,475
Assigned	-	98,279	-	-	98,279
Unassigned	2,463,089	-	-	-	2,463,089
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>3,917,754</u>	<u>98,279</u>	<u>1,371,809</u>	<u>313,063</u>	<u>5,700,905</u>
Total Liabilities and Fund Balances	<u>\$ 18,986,487</u>	<u>\$ 98,279</u>	<u>\$ 10,256,166</u>	<u>\$ 412,425</u>	<u>\$ 29,753,357</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2013

Total Fund Balance - Governmental Funds \$ 5,700,905

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

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds. These assets consist of:

Land	9,376,445	
Buildings and improvements	55,878,337	
Equipment and vehicles	18,030,243	
Infrastructure	88,862,360	
Construction in progress	2,880,625	
Leased equipment	1,518,308	
Accumulated depreciation	<u>(72,362,916)</u>	
		104,183,402

Some liabilities are not due and payable in the current period and therefore
are not reported in the funds. Those liabilities consist of:

Notes payable	(4,766,994)	
Leases payable	(2,815,514)	
General obligation and revenue bonds	(48,890,000)	
Accrued expenses	(815,504)	
Bond discount	5,593	
Bond premium	(289,570)	
Compensated absences	<u>(487,051)</u>	
		<u>(58,059,040)</u>

Net Assets of Governmental Activities \$ 51,825,267

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	General Fund	Bond Funded Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>REVENUES</u>					
General property taxes	\$ 13,007,416	\$ -	\$ 7,422,807	\$ -	\$ 20,430,223
Licenses and permits	586,533	-	-	-	586,533
Intergovernmental	13,438,582	-	-	947,377	14,385,959
Charges for services	3,398,183	-	-	203,086	3,601,269
Fines	3,236,128	-	-	-	3,236,128
Franchise taxes	1,832,042	-	-	-	1,832,042
Interest	75,108	-	-	-	75,108
Miscellaneous	151,598	-	-	700	152,298
	<u>35,725,590</u>	<u>-</u>	<u>7,422,807</u>	<u>1,151,163</u>	<u>44,299,560</u>
<u>EXPENDITURES</u>					
General government	10,514,328	-	-	-	10,514,328
Public safety	19,483,184	-	-	-	19,483,184
Public works	1,579,685	-	-	-	1,579,685
Culture and recreation	4,978,858	-	-	-	4,978,858
Health and welfare	397,768	-	-	-	397,768
Tourism and convention	-	-	-	565,964	565,964
Capital outlay	4,017,063	2,795,116	-	-	6,812,179
Debt service:					
Principal	-	-	5,660,462	-	5,660,462
Interest	-	-	2,108,642	-	2,108,642
Bond issue cost	-	-	97,761	-	97,761
Total Expenditures	<u>40,970,886</u>	<u>2,795,116</u>	<u>7,866,865</u>	<u>565,964</u>	<u>52,198,831</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(5,245,296)</u>	<u>(2,795,116)</u>	<u>(444,058)</u>	<u>585,199</u>	<u>(7,899,271)</u>
<u>OTHER FINANCIAL SOURCES (USES)</u>					
Rents	557,471	-	90,000	-	647,471
Sale of assets	75,550	-	-	-	75,550
Grant proceeds	1,137,034	-	-	-	1,137,034
Lease proceeds	2,871,358	-	-	-	2,871,358
Refunding bonds issued	-	2,893,395	3,015,000	-	5,908,395
Premiums on bonds issued	-	-	93,107	-	93,107
Payment to bond refunding escrow agent	-	-	(3,010,345)	-	(3,010,345)
Transfers (to)/from	686,236	-	-	(686,236)	-
Total Other Financing Sources	<u>5,327,649</u>	<u>2,893,395</u>	<u>187,762</u>	<u>(686,236)</u>	<u>7,722,570</u>
Net Change in Fund Balances	82,353	98,279	(256,296)	(101,037)	(176,701)
Fund Balances - Beginning of Year	<u>3,835,401</u>	<u>-</u>	<u>1,628,105</u>	<u>414,100</u>	<u>5,877,606</u>
Fund Balances - End of Year	<u>\$ 3,917,754</u>	<u>\$ 98,279</u>	<u>\$ 1,371,809</u>	<u>\$ 313,063</u>	<u>\$ 5,700,905</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Reconciliation of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ (176,701)

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 capital outlays of \$8,675,236 exceeded depreciation of \$7,538,320 in the current period. 1,136,916

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which proceeds of \$8,761,358 in the current period exceeded repayments of \$8,415,462. (345,896)

Bond Premiums are reported as an other financing source and are reported as revenue on the governmental funds' operating statement, but deferred on the government-wide statement of net assets (93,107)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the increase/(decrease) is

Compensated absences payable	132,770
Sale of capital assets	(59,954)
Amortization of bond premiums and discounts	36,704
Accrued interest payable	<u>168,508</u>

Change in Net Position of Governmental Activities \$ 799,240

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Net Position – Proprietary Funds
September 30, 2013

	Utility Fund	Sanitation Fund	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 8,044,709	\$ 2,679,941	\$ 10,724,650
Accounts receivable, net of allowance for doubtful accounts \$204,113	1,612,175	82,834	1,695,009
Loan receivable	822,061		822,061
Property tax receivable	-	3,468,193	3,468,193
Other receivable	2,878	832	3,710
Total Current Assets	<u>10,481,823</u>	<u>6,231,800</u>	<u>16,713,623</u>
Noncurrent Assets			
Restricted assets:			
Cash	722,599	-	722,599
Bean Patch receivable	8,789,107	-	8,789,107
Capital assets, net of accumulated depreciation	42,592,420	104,418	42,696,838
Total Noncurrent Assets	<u>52,104,126</u>	<u>104,418</u>	<u>52,208,544</u>
Total Assets	<u>\$ 62,585,949</u>	<u>\$ 6,336,218</u>	<u>\$ 68,922,167</u>
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities			
Accounts payable	\$ 1,235,662	\$ 315,817	\$ 1,551,479
Accrued expense	18,148	1,543	19,691
Accrued interest	114,458	-	114,458
Unearned revenue	-	3,468,193	3,468,193
Total Current Liabilities	<u>1,368,268</u>	<u>3,785,553</u>	<u>5,153,821</u>
Current Liabilities Payable from Restricted Assets			
Customer deposits	688,874	-	688,874
Long-term liabilities due within one year:			
Capital debt	<u>1,823,738</u>	<u>-</u>	<u>1,823,738</u>
Total current liabilities payable from restricted assets	<u>2,512,612</u>	<u>-</u>	<u>2,512,612</u>
Long-term liabilities due in more than one year:			
Capital debt	34,308,738	-	34,308,738
Non-capital debt	30,775	-	30,775
Total Long-Term Liabilities	<u>34,339,513</u>	<u>-</u>	<u>34,339,513</u>
Total Liabilities	<u>38,220,393</u>	<u>3,785,553</u>	<u>42,005,946</u>
Net Position			
Net investment in capital assets	6,459,944	104,418	6,564,362
Restricted for:			
Debt service	1,938,196	-	1,938,196
Unrestricted	<u>15,967,416</u>	<u>2,446,247</u>	<u>18,413,663</u>
Total Net Position	<u>24,365,556</u>	<u>2,550,665</u>	<u>26,916,221</u>
Total Liabilities and Net Position	<u>\$ 62,585,949</u>	<u>\$ 6,336,218</u>	<u>\$ 68,922,167</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Revenues, Expenses, and
Changes in Net Position - Proprietary Funds
For the Year Ended September 30, 2013

	<u>Utility</u>	<u>Sanitation</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Property taxes	\$ -	\$ 2,723,997	\$ 2,723,997
Sales	10,875,007	567,820	11,442,827
Miscellaneous	<u>67,785</u>	<u>13,861</u>	<u>81,646</u>
 Total Operating Revenues	 <u>10,942,792</u>	 <u>3,305,678</u>	 <u>14,248,470</u>
<u>OPERATING EXPENSES</u>			
Personnel	1,160,588	125,655	1,286,243
Supplies	546,286	31,220	577,506
Depreciation and amortization	1,475,957	78,978	1,554,935
Maintenance and other	4,070,879	15,232	4,086,111
Professional services	<u>781,131</u>	<u>3,032,526</u>	<u>3,813,657</u>
 Total Operating Expenses	 <u>8,034,841</u>	 <u>3,283,611</u>	 <u>11,318,452</u>
Operating Income	<u>2,907,951</u>	<u>22,067</u>	<u>2,930,018</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	4,883	1,313	6,196
Interest expense	(1,301,034)	-	(1,301,034)
Sale of assets	<u>-</u>	<u>32,819</u>	<u>32,819</u>
 Total Non-Operating Revenues (Expenses)	 <u>(1,296,151)</u>	 <u>34,132</u>	 <u>(1,262,019)</u>
Net Income	<u>1,611,800</u>	<u>56,199</u>	<u>1,667,999</u>
 Net Position - Beginning of Year	 <u>22,753,756</u>	 <u>2,494,466</u>	 <u>25,248,222</u>
Net Position - End of Year	<u>\$ 24,365,556</u>	<u>\$ 2,550,665</u>	<u>\$ 26,916,221</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2013

	Utility Fund	Sanitation Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 10,123,837	\$ 3,311,308	\$ 13,435,145
Cash payments for goods and services	(4,770,533)	(3,062,725)	(7,833,258)
Cash payments to employees	(1,164,636)	(125,655)	(1,290,291)
Net Cash Provided By (Used In) Operating Activities	<u>4,188,668</u>	<u>122,928</u>	<u>4,311,596</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Interfund activity	(609,586)	609,586	-
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>(609,586)</u>	<u>609,586</u>	<u>-</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payments for capital acquisitions, net	(2,755,547)	(17,081)	(2,772,628)
Customer deposits	104,398	-	104,398
Loan proceeds	5,894,536	-	5,894,536
Principal payments on debt	(4,589,208)	-	(4,589,208)
Interest payments on debt	(1,301,034)	-	(1,301,034)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(2,646,855)</u>	<u>(17,081)</u>	<u>(2,663,936)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Payments received on notes, net	196,004	-	196,004
Receipts of interest	4,883	1,313	6,196
Net Cash Provided By (Used In) Investing Activities	<u>200,887</u>	<u>1,313</u>	<u>202,200</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,133,114	716,746	1,849,860
Cash and Cash Equivalents-Beginning of Year	<u>7,634,194</u>	<u>1,963,195</u>	<u>9,597,389</u>
Cash and Cash Equivalents-End of Year	<u>\$ 8,767,308</u>	<u>\$ 2,679,941</u>	<u>\$ 11,447,249</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In)			
Operating Activities			
Operating Income	<u>\$ 2,907,951</u>	<u>\$ 22,067</u>	<u>\$ 2,930,018</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,475,957	78,978	1,554,935
(Increase) decrease in customer receivables	1,463	6,462	7,925
(Increase) decrease in other receivables	(820,418)	(832)	(821,250)
(Increase) decrease in property tax receivables	-	(276,513)	(276,513)
Increase (decrease) in accounts payable	661,128	14,710	675,838
Increase (decrease) in accrued expenses	(33,365)	1,543	(31,822)
Increase (decrease) in compensated absences	(4,048)	-	(4,048)
Increase (decrease) in unearned revenue	-	276,513	276,513
Total adjustments	<u>1,280,717</u>	<u>100,861</u>	<u>1,381,578</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 4,188,668</u>	<u>\$ 122,928</u>	<u>\$ 4,311,596</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Southaven (the “City”) was incorporated in 1980. The City operates under the Board of Aldermen-Mayor form of government and provides the following services; public safety (police and fire), public works (streets and improvements), culture, recreation, public improvements, planning and zoning, economic development, and general administrative services.

The City complies with accounting principles generally accepted in the United States of America (“GAAP”). GAAP includes all relevant Governmental Accounting Standards Board (“GASB”) pronouncements as well as 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 (“APB”) Opinions, and Accounting Research Bulletins (“ARB”) of the Committee on Accounting Procedure. The City has elected not to apply FASB Statements and Interpretations issued after November 30, 1989 to business type activities, as permitted under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*. The accounting framework and the more significant accounting policies are discussed in subsequent sections of this note.

B. Financial Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City of Southaven has no component units.

C. Basis of Presentation

The government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. They include all funds of the financial reporting entity with the exception of any fiduciary funds. These statements distinguish between governmental and business-type activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-Wide Financial Statements

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Indirect expenses are allocated to general government.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Government Funds

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund:

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Bond Funded Capital Project Fund:

This fund is used to account for the financial resources to be used for the acquisition or construction of major capital projects. Such resources are derived principally from proceeds of general obligation bond issues.

Debt Service Fund:

This is a fund that is used to account for the payment of principal and interest on the City's outstanding governmental debt.

Proprietary Funds

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented 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 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 sanitation services, as well as billing and collection activities.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting, pursuant to GASB Statement No. 33. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A two month availability period is used for recognition of all other Government Fund revenues. Expenditures are recognized when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are generally not measurable or available until actually received.

E. 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 expenditures and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City. At the September board meeting, the budget is legally enacted through passage of the budget 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.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

F. Cash and Cash Equivalents

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

G. Prepaid Expenses

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

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “Due to/from other funds.” Noncurrent portions of interfund receivables and payables are reported as “Advances to/from other funds.” Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account inapplicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “Internal balances.”

I. Restricted Assets

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

J. 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. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Infrastructure	25,000	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

K. 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

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

America requires accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

L. Equity Classifications

Net Position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments.

The governmental fund balances are classified as follows:

NONSPENDABLE

Non-spendable fund balance consists of funds that cannot be spent due to their form (e/g/ inventories and prepaid expenses) or funds that legally or contractually must be maintained intact (e.g. corpus of endowment funds).

RESTRICTED

Restricted fund balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

COMMITTED

Committed fund balance consists of funds that are set aside for a specific purpose by the City's highest level of decision making authority (Board of Mayor and Aldermen). Formal action must be taken by the end of the fiscal year to commit fund balances. The same formal action must be taken to remove or change the limitations placed on the funds.

ASSIGNED

Assigned fund balance consists of funds that are set aside with the intent to be used for a specific purpose by the city's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

UNASSIGNED

Unassigned fund balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

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

M. 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.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes that become a lien are due in the month that coincides with the month of the original purchase.

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.

N. Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts.

NOTE 2 – 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 the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation ("FDIC").

Custodial credit risk is the risk that, in the event of a financial institution's failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2013, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2013, the carrying amount of the City's deposits was \$16,767,878 and the bank balances totaled \$17,021,727. Of the bank balances, \$250,000 was insured by the FDIC and \$16,771,727 was covered by pooled and/or pledged collateral.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 3 – CAPITAL ASSETS

	Balance at 9/30/2012	Additions	Deletions	Adjustments/ Transfers	Balance at 9/30/2013
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 9,376,445	\$ -	\$ -	\$ -	\$ 9,376,445
Construction in progress	1,260,567	1,620,058	-	-	2,880,625
Total capital assets, not being depreciated	<u>10,637,012</u>	<u>1,620,058</u>	<u>-</u>	<u>-</u>	<u>12,257,070</u>
Capital assets, being depreciated:					
Buildings and improvements	50,099,357	5,374,096	-	404,884	55,878,337
Equipment and vehicles	16,612,679	1,678,057	(260,493)	-	18,030,243
Infrastructure	88,859,335	3,025	-	-	88,862,360
Leased equipment	1,582,803	-	(64,495)	-	1,518,308
Total capital assets, being depreciated	<u>157,154,174</u>	<u>7,055,178</u>	<u>(324,988)</u>	<u>404,884</u>	<u>164,289,248</u>
Less accumulated depreciation for:					
Buildings and improvements	(11,309,692)	(1,527,001)	-	-	(12,836,693)
Equipment and vehicles	(9,804,860)	(1,446,508)	217,921	-	(11,033,447)
Infrastructure	(42,728,786)	(4,390,039)	-	-	(47,118,825)
Leased equipment	(1,246,292)	(174,772)	47,113	-	(1,373,951)
Total accumulated depreciation	<u>(65,089,630)</u>	<u>(7,538,320)</u>	<u>265,034</u>	<u>-</u>	<u>(72,362,916)</u>
Total capital assets, being depreciated, net	<u>92,064,544</u>	<u>(483,142)</u>	<u>(59,954)</u>	<u>404,884</u>	<u>91,926,332</u>
Governmental activities capital assets, net	<u>\$ 102,701,556</u>	<u>\$ 1,136,916</u>	<u>\$ (59,954)</u>	<u>\$ 404,884</u>	<u>\$ 104,183,402</u>
BUSINESS-TYPE ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 579,036	\$ -	\$ -	\$ -	\$ 579,036
Construction in progress	8,041,844	2,454,226	-	(571,926)	9,924,144
Total capital assets, not being depreciated	<u>8,620,880</u>	<u>2,454,226</u>	<u>-</u>	<u>(571,926)</u>	<u>10,503,180</u>
Capital assets, being depreciated:					
Buildings	381,573	-	-	-	381,573
Infrastructure	45,896,773	91,385	-	571,926	46,560,084
Equipment and vehicles	2,116,758	277,517	(249,621)	-	2,144,654
Leased equipment	744,057	-	-	-	744,057
Total capital assets, being depreciated	<u>49,139,161</u>	<u>368,902</u>	<u>(249,621)</u>	<u>571,926</u>	<u>49,830,368</u>
Less accumulated depreciation for:					
Buildings	(387,596)	(49,829)	-	-	(437,425)
Infrastructure	(14,085,799)	(1,345,287)	-	-	(15,431,086)
Equipment and vehicles	(1,657,062)	(164,503)	231,940	-	(1,589,625)
Leased equipment	(178,574)	-	-	-	(178,574)
Total accumulated depreciation	<u>(16,309,031)</u>	<u>(1,559,619)</u>	<u>231,940</u>	<u>-</u>	<u>(17,636,710)</u>
Total capital assets, being depreciated, net	<u>32,830,130</u>	<u>(1,190,717)</u>	<u>(17,681)</u>	<u>571,926</u>	<u>32,193,658</u>
Business-type activities capital assets, net	<u>\$ 41,451,010</u>	<u>\$ 1,263,509</u>	<u>\$ (17,681)</u>	<u>\$ -</u>	<u>\$ 42,696,838</u>

No interest was capitalized during the year due to immateriality.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions of the City of Southaven as follows:

Governmental activities:	
General government	\$ 827,163
Public safety	1,351,288
Public works	4,291,279
Culture and recreation	<u>1,068,590</u>
Total depreciation expense, governmental activities	<u>\$ 7,538,320</u>
Business-type activities:	
Water and sewer	<u>\$ 1,559,619</u>
Total depreciation expense, business-type activities	<u>\$ 1,559,619</u>

Commitments under construction contracts at September 30, 2013 are summarized as follows:

Project	Contract Amount	Remaining Balance
Hurricane Creek	\$ 7,098,700	\$ 6,553,806
Getwell Road Project	4,975,651	1,290,770

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

Description	General Fund
Sales tax	\$ 1,024,966
Tourism tax	<u>74,215</u>
Totals	<u>\$ 1,099,181</u>

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

The following is a summary of interfund transactions and balances:

	Due From	Due To
Due to/from other funds:		
Major funds:		
General fund	\$ 2,961	\$ -
Other governmental funds	-	2,961
Total	<u>\$ 2,961</u>	<u>\$ 2,961</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 5 – INTERFUND TRANSFERS AND BALANCES (CONTINUED)

These transactions are performed to transfer funds between each fund as needed. All interfund balances are expected to be repaid within one year.

Transfers In/Out	<u>Transfers In</u>	<u>Transfers Out</u>
Utility Fund	\$ -	\$ 609,586
Sanitation Fund	609,586	-
	<u>\$ 609,586</u>	<u>\$ 609,586</u>

The principal purpose of interfund transfers was to relieve the due to/from between the proprietary funds. All interfund transfers were consistent with the activities of the fund making the transfer.

NOTE 6 – LONG-TERM DEBT

Long-term activity for the year ended September 30, 2013 was as follows:

	<u>Balance at</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u>	<u>Amounts</u>
	9/30/2012			9/30/2013	Due Within
					One Year
Governmental activities:					
General obligation bonds payable	\$ 43,545,000	\$ 5,890,000	\$ 6,720,000	\$ 42,715,000	\$ 4,195,000
Tax increment financing bonds payable	6,855,000	-	680,000	6,175,000	655,000
Notes payable	5,281,897	-	514,903	4,766,994	561,169
Leases payable	444,715	2,871,358	500,559	2,815,514	480,249
Compensated absences	619,821	-	132,770	487,051	-
Bond premium	234,100	93,107	37,637	289,570	-
Bond discounts	(6,526)	-	(933)	(5,593)	-
Governmental activities long-term liabilities	<u>\$ 56,974,007</u>	<u>\$ 8,854,465</u>	<u>\$ 8,584,936</u>	<u>\$ 57,243,536</u>	<u>\$ 5,891,418</u>
Business-type activities:					
General obligation bonds payable	\$ 8,615,000	\$ 2,735,000	\$ 350,000	\$ 11,000,000	\$ 570,000
Revenue bonds payable	15,385,000	-	3,665,000	11,720,000	485,000
Notes payable	10,412,837	3,075,721	522,930	12,965,628	715,237
Leases payable	478,146	-	51,278	426,868	53,501
Compensated absences	34,823	-	4,048	30,775	-
Bond premium	-	83,815	8,381	75,434	-
Bond discounts	(59,152)	-	(3,697)	(55,455)	-
Business-type activities long-term liabilities	<u>\$ 34,866,654</u>	<u>\$ 5,894,536</u>	<u>\$ 4,597,940</u>	<u>\$ 36,163,250</u>	<u>\$ 1,823,738</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 6 – LONG TERM DEBT (CONTINUED)

General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts		
				Issued	Outstanding	
General Long Term						
	2003	3.64%	7/1/2003	7/1/2023	\$ 4,000,000	\$ 2,455,000
	2004	4.24%	3/11/2004	3/11/2024	4,500,000	2,970,000
	2004	4.02%	12/1/2004	12/1/2024	4,500,000	415,000
	2005	3.97%	12/1/2005	12/1/2025	4,500,000	3,365,000
	2006	3.70-4.25%	3/1/2007	9/1/2020	4,185,000	2,855,000
	2007	4.37-5.50%	7/1/2007	7/1/2027	6,000,000	4,710,000
	2008	3.63-5.00%	7/1/2008	7/1/2028	4,000,000	3,315,000
	2008	3.38%	2/1/2009	2/1/2013	3,300,000	720,000
	2008	3.00-5.00%	4/16/2009	11/1/2020	6,665,000	5,080,000
	2010	3.125 - 4.00%	2/1/2010	2/1/2020	6,000,000	5,400,000
	2010	2.00 - 3.25%	3/23/2010	10/1/2019	3,595,000	2,565,000
	2010	2.00 - 3.30%	11/4/2010	11/1/2024	3,225,000	2,820,000
	2011	2.00 - 3.50%	1/25/2011	10/1/2021	3,505,000	2,915,000
	2012	1.25 - 1.70%	11/6/2013	11/1/2022	2,875,000	2,875,000
	2013	1.00 - 2.250%	10/9/2012	12/1/2024	3,015,000	2,955,000
	2009 Water/Sewer	3.00-5.00%	2/1/2009	2/1/2029	6,500,000	5,565,000
	2012 Water/Sewer	1.00 - 2.125%	10/6/2012	12/1/2023	2,735,000	2,735,000
Total general obligation bonds					<u>\$ 73,100,000</u>	<u>\$ 53,715,000</u>

The City also issues revenue bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding as of September 30, 2013 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
2006 Water/Sewer	4.00-5.50%	3/1/2006	3/1/2031	\$ 9,000,000	\$ 7,455,000
2007 Water/Sewer	4.12-5.00%	8/1/2007	8/1/2027	5,400,000	4,265,000
Total Revenue Bonds				<u>\$ 14,400,000</u>	<u>\$ 11,720,000</u>

Tax increment financing (“TIF”) bonds outstanding at year end are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
1999 S Lake Phase I	4.95%	3/2/1999	3/1/2019	\$ 560,000	\$ 220,000
2005A Towne Center	4.07-4.63%	9/30/2006	9/30/2020	5,000,000	3,180,000
2005B Towne Center	5.94-6.64%	9/30/2006	9/30/2020	4,200,000	2,775,000
Total TIF Bonds				<u>\$ 9,760,000</u>	<u>\$ 6,175,000</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 6 – LONG TERM DEBT (CONTINUED)

Notes outstanding at year end are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Bancorsouth - 2005	4.08%	2/1/2006	2/1/2016	\$ 4,000,000	\$ 2,767,636
Merchants & Farmers - 2005	4.10%	8/1/2006	8/1/2016	1,900,000	653,271
MS Dept of Health DWSLRF	3.00%	12/1/2002	9/1/2022	1,400,961	761,613
MS Dept of Health DWSLRF	3.00%	1/1/2003	10/1/2022	1,361,525	736,675
MS Dept of Health DWSLRF	3.00%	7/1/2003	4/1/2023	1,250,436	711,432
MS Dept of Health DWSLRF	4.00%	9/20/2004	7/1/2024	1,425,168	917,411
MS Dept of Health DWSLRF	1.95%	11/2/2007	1/1/2029	807,693	706,796
MS Dept of Health DWSLRF	1.95%	11/2/2007	10/1/2029	2,096,881	1,818,839
MS Dept of Health DWSLRF	1.95%	10/1/2008	6/1/2030	1,082,138	949,933
MS Dept of Health DWSLRF	1.95%	10/1/2008	9/30/2030	1,821,006	1,638,691
MS Development Authority	2.00%	8/1/2010	7/1/2020	531,753	380,905
MS Development Authority	3.00%	9/1/2010	9/1/2020	683,373	504,682
MS Dept of Environmental Quality WPCRLF	1.75%	9/1/2011	12/31/2033	3,833,305	3,833,305
MS Dept of Environmental Quality WPCRLF	1.75%	1/1/2010	8/31/2035	870,416	870,416
MS Dept of Environmental Quality WPCRLF	1.75%	9/1/2013	12/31/2035	20,517	20,517
Bancorsouth - 2011	2.87%	3/1/2011	3/1/2021	560,000	460,500
Total Notes				<u>\$ 23,645,172</u>	<u>\$ 17,732,622</u>

The aggregate maturities of general obligation bonds, revenue bonds, tax increment financing, and notes for the years subsequent to September 30, 2013 are as follows:

Year Ending September 30	General Long-Term Debt		Enterprise Fund Debt	
	Principal	Interest	Principal	Interest
2014	\$ 5,411,169	\$ 1,926,351	\$ 1,770,236	\$ 1,195,881
2015	4,846,960	1,715,439	1,837,600	1,140,839
2016	7,228,491	1,561,537	1,905,426	1,080,472
2017	4,783,048	1,294,507	1,968,718	1,016,429
2018	4,962,957	1,124,192	2,032,519	951,129
2019-2023	19,586,869	3,007,886	11,185,104	3,715,417
2024-2028	6,407,500	624,756	10,023,488	1,837,516
2029-2033	430,000	17,138	4,962,537	371,408
Total	<u>\$ 53,656,994</u>	<u>\$ 11,271,806</u>	<u>\$ 35,685,628</u>	<u>\$ 11,309,091</u>

Leases.

Description of Leasing Arrangements

The City's leasing operations consist principally of the leasing of various police vehicles and utility lines. These leases are classified as capital leases. The vehicle leases expire over the next three years, while the utility lines leases expire over the next 10 years.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 6 – LONG TERM DEBT (CONTINUED)

Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2013 were as follows:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 480,249	\$ 58,562	\$ 53,501	\$ 18,499
2015	414,789	48,582	55,819	16,181
2016	317,940	41,926	58,238	13,762
2017	251,374	35,627	60,762	11,238
2018	257,460	29,541	63,395	8,605
2019-2023	1,093,702	54,306	135,153	8,848
Present Value of Minimum Lease Payments	<u>\$ 2,815,514</u>	<u>\$ 268,544</u>	<u>\$ 426,868</u>	<u>\$ 77,133</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 for 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 \$29,914,736 (the smaller of the two computed margins) as of September 30, 2013.

	15% Test	20% Test
Assessed value as of September 30, 2013:		
\$521,364,907 times applicable percentage	\$ 78,204,736	\$ 104,272,981
Less present debt subject to debt limits as of September 30, 2013:		
Total bonds outstanding (excluding MDB backed bonds)	(48,290,000)	(48,290,000)
Margin for additional debt	<u>\$ 29,914,736</u>	<u>\$ 55,982,981</u>

In December 2007, the City entered into an agreement with the City of Hernando, Mississippi whereby the City of Southaven will design and construct a sewer system (the “Hurricane Creek Project”) by which it will collect and transport wastewater through the City of Hernando to the DeSoto County Regional Authority’s sewer system for treatment and disposal. Upon completion, the City of Hernando will operate and maintain the sewer line. Further, the City of Hernando has agreed to pay the City of Southaven \$1,000,000 over seven years to reimburse the City of Southaven for its portion of the construction costs. The City of Hernando will make the first annual payment to the City of Southaven within sixty days of completion of the project, and then annually on October 1. The project was not yet complete as of September 30, 2013.

Advanced Refunding.

On October 9, 2012, the City issued \$2,735,000 in General Obligation Refunding Bonds with interest rates ranging between 1.00% and 2.125%. The 2012 Bonds together with certain transferred proceeds were used to refund the 2003 Refunded Water and Sewer Bonds. A portion of the proceeds of the Series 2012 Bonds were remitted directly to the 2003 Water and Sewer Paying Agent to effectuate the refunding of the Refunded Water and Sewer Bonds and

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 6 – LONG TERM DEBT (CONTINUED)

the redemption of the Callable Water and Sewer Bonds being refunded on December 1, 2012. The City refunded the bonds to reduce its total debt service payments over the next 12 years by \$736,396 and to obtain an economic gain (difference between the present values of the debt services payments on the old and new debt) of \$314,730.

On October 9, 2012, the City also issued \$3,015,000 in General Obligation Refunding Bonds with interest rates ranging between 1.00% and 2.250%. The City issued the bonds to advance refund \$2,755,000 of the Series 2004 General Obligation Bonds. The City used the net proceeds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the refunded portion of 2004 series bonds through and including December 1, 2014. As a result, the 2004 series bonds are considered defeased, and the City has removed the liability from its accounts. The City refunded the bonds to reduce its total debt service payments over the next 12 years by \$188,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$169,985.

NOTE 7 – 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, 2013, the current rate was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Southaven's contributions to PERS for the years ending September 30, 2013, 2012, and 2011 were \$2,588,755, \$2,270,533 and \$2,048,092 respectively, equal to the required contributions for each year.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

In the current year, the City of Southaven purchased Fire Station number two with bond funds and monies that had been previously recorded as rent expense but were actually a deposit. This deposit of \$404,884 was previously recorded in the financial statements as mentioned in the previous sentence causing an understatement of assets and an understatement of fund balance in the general fund on the governmental and government wide statements.

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – CONTINGENCIES

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.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2013

NOTE 10 – CONTINGENCIES (CONTINUED)

Federal Grants

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

NOTE 11 – CHANGES IN ACCOUNTING STANDARDS

The City adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*, during the fiscal year changing the source of guidance for accounting and financial reporting. They also adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* during the year ended September 30, 2013, Statement No. 63 added new classifications on the statements of position and changed net assets to net position. These standards did not significantly impact any amounts reported in the financial statements.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2014, which is the date the financial statements were available to be issued.

In November 2013, the city issued General Obligation Bonds, Series 2013A in the amount of \$6,565,000 for the purpose of constructing, improving or paving streets, sidewalks, driveways, parkways, walkways, bridges, culverts or public parking facilities, and purchasing land therefor; as well as erecting, repairing, improving, adorning and equipping municipal buildings and purchasing buildings or land.

On March 27, 2014, the City signed a bond issuance in the amount of \$7,945,000, to refinance Special Obligation Bonds, Series 2003; Special Obligations Bonds, Series 2004; and Special Obligation Bonds, 2006.. The original issues were \$4,000,000, \$4,500,000, and \$4,185,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis – Budget and Actual – General Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
General property taxes	\$ 12,822,000	\$ 12,837,000	\$ 13,007,416	\$ 170,416
Licenses and permits	353,500	503,500	586,533	83,033
Intergovernmental	12,712,000	12,912,000	13,438,582	526,582
Charges for services	3,154,500	3,200,500	3,502,520	302,020
Fines	3,215,000	3,545,000	3,236,129	(308,871)
Franchise taxes	1,730,000	1,740,000	1,832,042	92,042
Interest	300,000	70,000	74,991	4,991
Miscellaneous	397,000	207,000	151,598	(55,402)
	<u>34,684,000</u>	<u>35,015,000</u>	<u>35,829,811</u>	<u>814,811</u>
<u>EXPENDITURES</u>				
General government	8,568,825	9,194,082	10,974,112	(1,780,030)
Public safety	19,334,958	19,160,401	19,483,184	(322,783)
Public works	1,342,913	1,532,313	1,579,685	(47,372)
Culture and recreation	4,262,172	4,275,072	4,845,867	(570,795)
Health and welfare	414,132	385,632	397,768	(12,136)
Capital outlay	3,791,000	3,906,500	3,828,738	77,762
	<u>37,714,000</u>	<u>38,454,000</u>	<u>41,109,354</u>	<u>(2,655,354)</u>
Total Expenditures	37,714,000	38,454,000	41,109,354	(2,655,354)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(3,030,000)</u>	<u>(3,439,000)</u>	<u>(5,279,543)</u>	<u>(1,840,543)</u>
Other Financing Sources (Uses)				
Rents	465,000	490,000	557,471	67,471
Grant proceeds	2,165,000	2,034,000	1,149,574	(884,426)
Lease proceeds	-	-	2,871,358	2,871,358
Sale of assets	-	15,000	75,550	60,550
Interfund transfers	400,000	900,000	686,236	(213,764)
Total Other Financing Sources (Uses)	<u>3,030,000</u>	<u>3,439,000</u>	<u>5,340,189</u>	<u>1,901,189</u>
Net Changes in Fund Balances	-	-	60,646	60,646
Fund Balance - Beginning of Year	-	-	3,835,401	3,835,401
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	3,896,047	<u>\$ 3,896,047</u>
Adjustments to conform with GAAP:				
Revenues			(116,761)	
Expenditures			138,468	
Fund Balance - End of Year (GAAP basis)			<u>\$ 3,917,754</u>	

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis – Budget and Actual – Bond Funded Capital Project Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
Capital outlay	-	2,850,000	2,795,116	54,884
Total Expenditures	-	2,850,000	2,795,116	54,884
Other Financing Sources (Uses)				
Bond Proceeds	-	2,850,000	2,893,395	43,395
Total Other Financing Sources (Uses)	-	2,850,000	2,893,395	43,395
Net Changes in Fund Balances	-	-	98,279	(11,489)
Fund Balance - Beginning of Year	-	-	-	-
Equity Transfers	-	-	-	
Prior Period Adjustment	-	-	-	
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,279</u>	<u>\$ (11,489)</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis – Budget and Actual – Debt Service Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
General property taxes	\$ 7,580,000	\$ 7,580,000	\$ 7,422,807	\$ (157,193)
Total Revenues	<u>7,580,000</u>	<u>7,580,000</u>	<u>7,422,807</u>	<u>(157,193)</u>
<u>EXPENDITURES</u>				
Debt Service				
Principal	5,292,179	5,529,362	5,719,721	(190,359)
Interest	2,075,638	2,140,638	2,049,382	91,256
Bond Issue Costs	<u>-</u>	<u>-</u>	<u>97,762</u>	<u>(97,762)</u>
Total Expenditures	7,367,817	7,670,000	7,866,865	(196,865)
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>212,183</u>	<u>(90,000)</u>	<u>(444,058)</u>	<u>(354,058)</u>
Other Financing Sources (Uses)				
Rents	-	90,000	90,000	-
Refunding bonds issued	-	-	3,015,000	3,015,000
Premiums on bonds issued	-	-	93,107	93,107
Payment to bond refunding escrow agent	<u>-</u>	<u>-</u>	<u>(3,010,345)</u>	<u>(3,010,345)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>90,000</u>	<u>187,762</u>	<u>97,762</u>
Net Changes in Fund Balances	212,183	-	(256,296)	(256,296)
Fund Balance - Beginning of Year	-	-	1,628,105	1,628,105
Equity Transfers	-	-	-	-
Prior Period Adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 212,183</u>	<u>\$ -</u>	<u>\$ 1,371,809</u>	<u>\$ 1,371,809</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

Notes to the Required Supplementary Information

(A) Budgetary Information.

Statutory requirements dictate how and when the City's budget is to be prepared as noted in Note 1 E. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Aldermen that budgetary estimates will not be met, they may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

(B) Basis of Presentation.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is a part of required supplemental information.

(C) Budget/GAAP Reconciliation.

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

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

SUPPLEMENTARY INFORMATION

CITY OF SOUTHAVEN, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency			
Passed-through Mississippi Department of Environmental Quality <i>Capitalization Grants for Clear Water State Revolving Funds</i>	66.458	SRF-C280910-01-0	\$ 720,441
	66.458	SRF-C280910-02-0	123,686
	66.458	SRF-C280910-03-0	<u>17,097</u>
Total U.S. Environmental Protection Agency			<u>861,224</u>
U.S. Department of Justice			
Passed-through Mississippi Department of Justice <i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738		<u>17,562</u>
Total U.S. Department of Justice			<u>17,562</u>
U.S. Department of Homeland Security			
Passed-through Mississippi Department of Public Safety <i>Homeland Security Grant Program</i>	97.067	10LE346T	14,299
Passed-through Mississippi Emergency Management Agency <i>Hazard Mitigation Grant</i>	97.039		<u>999,193</u>
Total U.S. Department of Homeland Security			<u>1,013,492</u>
Total Expenditures of Federal Awards			<u>\$ 1,892,278</u>

NOTES TO SCHEDULE:

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.

CITY OF SOUTHAVEN, MISSISSIPPI
Non-Major Governmental Funds
Combining Balance Sheet
September 30, 2013

	<u>Special Revenue</u>			Total Other Governmental Funds
	<u>Library Fund</u>	<u>Tourism and Convention Fund</u>	<u>Universal Hiring Fund</u>	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 61,320	\$ 273,929	\$ -	\$ 335,249
Intergovernmental receivable	-	74,215	-	74,215
Restricted cash	-	-	2,961	2,961
Total Assets	<u>\$ 61,320</u>	<u>\$ 348,144</u>	<u>\$ 2,961</u>	<u>\$ 412,425</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 96,401	\$ -	\$ 96,401
Accrued expenses	-	-	-	-
Due to other funds	-	-	2,961	2,961
Deferred revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>96,401</u>	<u>-</u>	<u>99,362</u>
<u>FUND BALANCES</u>				
Restricted for:				
Tourism	-	251,743	-	251,743
Library	61,320	-	-	61,320
Total Fund Balances	<u>61,320</u>	<u>251,743</u>	<u>-</u>	<u>313,063</u>
Total Liabilities and Fund Balances	<u>\$ 61,320</u>	<u>\$ 348,144</u>	<u>\$ -</u>	<u>\$ 412,425</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2013

	<u>Special Revenue</u>			Total Other Governmental Funds
	Library Fund	Tourism and Convention Fund	Universal Hiring Fund	
<u>REVENUES</u>				
Intergovernmental	-	\$ 947,377	-	\$ 947,377
Charges for services	-	203,086	-	203,086
Miscellaneous	-	700	-	700
 Total Revenues	 -	 1,151,163	 -	 1,151,163
<u>EXPENDITURES</u>				
Tourism and convention	-	565,964	-	565,964
Total Expenditures	-	565,964	-	565,964
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	585,199	-	585,199
<u>OTHER FINANCIAL SOURCES (USES)</u>				
Transfer to/from	-	(686,236)	-	(686,236)
Total Other Financing Sources	-	(686,236)	-	(686,236)
Net Change in Fund Balances	-	(101,037)	-	(101,037)
Fund Balance - Beginning of Year	61,320	352,780	-	414,100
Equity Transfers	-	-	-	-
Fund Balance - End of Year	<u>\$ 61,320</u>	<u>\$ 251,743</u>	<u>\$ -</u>	<u>\$ 313,063</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Budgetary Basis – Budget to Actual – Tourism Fund
For the Year Ended September 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Intergovernmental	750,000	925,000	947,377	22,377
Charges for services	235,000	193,350	203,086	9,736
Miscellaneous	-	-	700	700
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	985,000	1,118,350	1,151,163	32,813
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>				
Tourism and convention	985,000	1,118,350	565,964	552,386
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	985,000	1,118,350	565,964	552,386
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	585,199	585,199
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses)				
Interfund transfers	-	-	(686,236)	(686,236)
Total Other Financing Sources (Uses)	-	-	(686,236)	(686,236)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Changes in Fund Balances	-	-	(101,037)	(101,037)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - Beginning of Year	-	-	414,100	414,100
Equity Transfers	-	-	-	-
Prior Period Adjustment	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 313,063</u>	<u>\$ 313,063</u>

OTHER INFORMATION

CITY OF SOUTHAVEN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2013

<u>Name</u>	<u>Position</u>	<u>Insurance Company</u>	<u>Amount</u>	<u>Expiration</u>
Charles G. Davis	Mayor	Clyde C. Scott Insurance Agency	100,000	7/6/2013
Greg Guy	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013
Lorine Cady	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013
Ronnie Hale	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013
George Payne	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013
William Brooks	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013
Ricky Jobes	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013
Dr. Randy Huling	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2013

Election - July 1, 2013

Darren L. Musselwhite	Mayor	Clyde C. Scott Insurance Agency	100,000	7/1/2017
Kristen R. K. Kelly	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
Shirley Beshears	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
William E. Brooks	Alderman	Clyde C. Scott Insurance Agency	100,000	7/6/2017
Raymond V. Flores, Jr.	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
George Payne	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
Joel M. Gallagher	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
Scott R. Ferguson	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
Sheila Heath	City Clerk	Clyde C. Scott Insurance Agency	50,000	11/1/2013
Police Officers Bond	Per Officer	Clyde C. Scott Insurance Agency	50,000	11/1/2013
Thomas Long	Police Chief	Clyde C. Scott Insurance Agency	50,000	11/1/2013
Ron White	Fire Chief	Clyde C. Scott Insurance Agency	50,000	11/1/2013
Dispatchers Bonds	Per Dispatcher	Clyde C. Scott Insurance Agency	50,000	11/1/2013
Clerks Bond	Per Clerk	Holland Insurance, Inc.	50,000	11/1/2013

STATISTICAL SECTION

**CITY OF SOUTHAVEN, MISSISSIPPI
STATISTICAL SECTION SUMMARY PAGE**

This part of the City Southaven, Mississippi’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, the note disclosures, and the required supplementary information says about the City’s overall financial health.

Contents:

Financial Trends54-58

These schedules contain trend information to help readers understand how the City’s financial performance and financial position have changed over time.

Revenue Capacity59-63

These schedules contain information to help readers assess the City’s revenue sources, including its most significant local tax sources, local sales tax and its property tax.

Debt Capacity64-68

These schedules present information to help readers assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Demographic and Economic Information69-70

These schedules offer demographic and economic indicators to help readers understand the environment within which the City’s financial activities take place.

Operating Information71-73

These schedules contain service and infrastructure data to help readers understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

Except where noted, the information in these schedules is derived from the City of Southaven, Mississippi’s, audited financial statements for the relevant years.

CITY OF SOUTHAVEN, MISSISSIPPI
Net Position by Component
Last Ten Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental Activities										
Invested in Capital Assets, net of related debt	\$ 47,426,917	\$ 46,347,370	\$ 44,265,704	\$ 48,298,598	\$ 46,334,933	\$ 42,467,305	\$ 37,605,855	\$ 21,195,757	\$ 22,646,721	\$ 21,591,815
Restricted	1,295,416	1,484,241	1,123,142	927,139	371,479	-	-	2,562,705	1,082,156	(4,151,130)
Unrestricted	<u>3,102,934</u>	<u>2,789,532</u>	<u>4,985,282</u>	<u>857,819</u>	<u>(2,490,302)</u>	<u>1,641,049</u>	<u>4,781,303</u>	<u>7,037,094</u>	<u>3,967,857</u>	<u>7,878,353</u>
Total Governmental Activities Net Assets	<u>\$ 51,825,267</u>	<u>\$ 50,621,143</u>	<u>\$ 50,374,128</u>	<u>\$ 50,083,556</u>	<u>\$ 44,216,110</u>	<u>\$ 44,108,354</u>	<u>\$ 42,387,158</u>	<u>\$ 30,795,556</u>	<u>\$ 27,696,734</u>	<u>\$ 25,319,038</u>
Business-Type Activities										
Invested in Capital Assets, net of related debt	6,564,362	6,619,179	5,964,993	4,608,627	3,720,671	17,499,988	12,091,643	7,252,931	9,225,818	8,381,712
Restricted	1,938,196	1,739,868	1,380,956	1,238,584	1,374,483	-	-	-	-	-
Unrestricted	<u>18,413,663</u>	<u>16,889,175</u>	<u>14,931,077</u>	<u>15,792,572</u>	<u>14,990,386</u>	<u>863,798</u>	<u>4,964,813</u>	<u>6,390,389</u>	<u>1,046,537</u>	<u>1,849,431</u>
Total Business-Type Activities Net Assets	<u>26,916,221</u>	<u>25,248,222</u>	<u>22,277,026</u>	<u>21,639,783</u>	<u>20,085,540</u>	<u>18,363,786</u>	<u>17,056,456</u>	<u>13,643,320</u>	<u>10,272,355</u>	<u>10,231,143</u>
Primary Government										
Invested in Capital Assets, net of related debt	\$ 53,991,279	\$ 52,966,549	\$ 50,230,697	\$ 52,907,225	\$ 50,055,604	\$ 59,967,293	\$ 49,697,498	\$ 28,448,688	\$ 31,872,539	\$ 29,973,527
Restricted	3,233,612	3,224,109	2,504,098	2,165,723	1,745,962	-	-	2,562,705	1,082,156	(4,151,130)
Unrestricted	<u>21,516,597</u>	<u>19,678,707</u>	<u>19,916,359</u>	<u>16,650,391</u>	<u>12,500,084</u>	<u>2,504,847</u>	<u>9,746,116</u>	<u>13,427,483</u>	<u>5,014,394</u>	<u>9,727,784</u>
Total Primary Government Net Assets	<u>\$ 78,741,488</u>	<u>\$ 75,869,365</u>	<u>\$ 72,651,154</u>	<u>\$ 71,723,339</u>	<u>\$ 64,301,650</u>	<u>\$ 62,472,140</u>	<u>\$ 59,443,614</u>	<u>\$ 44,438,876</u>	<u>\$ 37,969,089</u>	<u>\$ 35,550,181</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Expenses				
Governmental Activities:				
General Government	\$ 9,091,210	\$ 10,978,549	\$ 10,436,692	\$ 8,568,595
Public Safety	21,045,108	20,605,372	19,414,775	17,614,451
Public Works	5,871,360	5,710,930	5,928,955	6,190,707
Culture and Recreation	6,054,011	6,063,410	6,151,226	5,649,556
Economic Development	565,964	828,449	602,828	589,578
Health and Welfare	397,923	313,035	302,934	262,735
Interest on Long-Term Debt	2,293,239	2,300,091	2,562,392	2,607,710
Depreciation and Amortization	-	-	-	-
Total Governmental Activities Expense	<u>45,318,815</u>	<u>46,799,836</u>	<u>45,399,802</u>	<u>41,483,332</u>
Business-Type Activities				
Water and Sewer	8,034,841	7,422,653	6,419,682	10,121,450
Sanitation	3,283,611	2,982,624	3,053,597	2,544,396
Interest on Long-Term Debt	1,301,034	1,313,265	1,595,352	2,150,898
Total Business-Type Activities	<u>12,619,486</u>	<u>11,718,542</u>	<u>11,068,631</u>	<u>14,816,744</u>
Total Primary Governmental Expenses	<u>57,938,301</u>	<u>58,518,378</u>	<u>56,468,433</u>	<u>56,300,076</u>
Program Revenue				
Governmental Activities:				
Charges for Services				
General Government	\$ 586,533	\$ 439,389	\$ 327,945	\$ 384,699
Public Safety	1,127,296	1,224,827	743,136	965,664
Culture and Recreation	2,252,037	2,422,049	2,249,319	2,298,352
Economic Development	203,086	182,289	245,408	220,397
Health and Welfare	18,850	20,702	20,930	22,426
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	1,137,034	2,877,974	1,247,811	1,505,312
Total Governmental Activities Program Revenues	<u>5,324,836</u>	<u>7,167,230</u>	<u>4,834,549</u>	<u>5,396,850</u>
Business-Type Activities				
Charges for Services	11,442,827	12,474,185	10,447,424	9,820,910
Total Business-Type Activities Program Revenues	<u>11,442,827</u>	<u>12,474,185</u>	<u>10,447,424</u>	<u>9,820,910</u>
Total Primary Government Program Revenues	<u>16,767,663</u>	<u>19,641,415</u>	<u>15,281,973</u>	<u>15,217,760</u>
Net (Expenses)/Revenue				
Governmental Activities	\$ (39,993,979)	\$ (39,632,606)	\$ (40,565,253)	\$ (36,086,482)
Business-Type Activities	(1,176,659)	755,643	(621,207)	(4,995,834)
Total Primary Government Net Expense	<u>\$ (41,170,638)</u>	<u>\$ (38,876,963)</u>	<u>\$ (41,186,460)</u>	<u>\$ (41,082,316)</u>
General Revenues and Other				
Changes in Net Assets				
Governmental activities:				
Taxes				
Property Taxes	20,430,223	\$ 20,197,404	20,372,157	19,161,567
Sales Taxes	12,521,573	12,438,105	11,735,308	11,343,015
Franchise Taxes	1,832,042	1,715,137	1,844,083	2,310,012
Intergovernmental	1,864,386	1,685,781	1,140,165	993,134
Fines	3,236,128	3,280,771	3,690,411	3,602,657
Rents	647,471	565,585	659,839	602,051
Interest	75,108	372,607	288,233	197,773
Miscellaneous	170,692	548,689	592,391	2,582,740
Sale of assets	15,596	500	25,652	(258,495)
Transfer (to) from other funds	-	-	(471,797)	-
Total governmental activities	<u>40,793,219</u>	<u>40,804,579</u>	<u>39,876,442</u>	<u>40,534,454</u>
Business-type activities:				
Property taxes	2,723,997	3,005,658	2,672,406	2,491,907
Interest	6,196	13,440	13,086	5,900
Miscellaneous	81,646	21,600	69,166	146,072
Transfer (to) from other funds	-	-	471,797	-
Sale of assets	32,819	-	-	-
Total business-type activities	<u>2,844,658</u>	<u>3,040,698</u>	<u>3,226,455</u>	<u>2,643,879</u>
Total primary government				
Change in Net Position				
Governmental activities	\$ 799,240	\$ 1,171,973	\$ (688,811)	\$ 4,447,972
Business-type activities	1,667,999	3,796,341	2,605,248	(2,351,955)
Total primary governments	<u>\$ 2,467,239</u>	<u>\$ 4,968,314</u>	<u>\$ 1,916,437</u>	<u>\$ 2,096,017</u>

	2009	2008	2007	2006	2005	2004
\$	9,568,773	\$ 8,190,556	\$ 6,673,509	\$ 6,480,085	\$ 5,916,353	\$ 5,814,590
	18,009,031	14,996,065	14,060,237	11,562,185	11,294,050	9,390,843
	4,135,333	1,404,202	1,166,530	1,306,348	1,173,294	1,101,576
	5,601,961	4,783,416	4,540,847	4,387,674	4,149,250	2,051,709
	533,851	429,143	442,701	428,528	254,857	258,636
	253,220	258,912	217,135	197,406	315,469	227,466
	2,926,357	2,397,162	2,950,093	2,561,718	2,239,172	2,040,939
	-	6,298,132	6,602,562	5,272,051	4,322,625	4,120,603
	<u>41,028,526</u>	<u>38,757,588</u>	<u>36,653,614</u>	<u>32,195,995</u>	<u>29,665,070</u>	<u>25,006,362</u>
	5,211,427	5,721,568	3,647,283	5,341,143	4,801,389	4,817,732
	2,625,094	2,444,251	2,142,672	-	-	-
	<u>1,313,931</u>	<u>1,165,363</u>	<u>2,112,607</u>	<u>1,513,221</u>	<u>1,284,023</u>	<u>931,848</u>
	<u>9,150,452</u>	<u>9,331,182</u>	<u>7,902,562</u>	<u>6,854,364</u>	<u>6,085,412</u>	<u>5,749,580</u>
	<u>50,178,978</u>	<u>48,088,770</u>	<u>44,556,176</u>	<u>39,050,359</u>	<u>35,750,482</u>	<u>30,755,942</u>
\$	429,215	\$ 612,720	\$ 2,539,887	\$ 3,146,029	\$ 2,902,737	\$ 2,422,964
	785,740	4,344,165	3,112,346	2,406,698	2,132,648	2,252,262
	2,287,409	2,215,537	2,324,925	2,397,366	2,108,911	500,957
	300,226	339,861	351,153	308,137	187,494	162,970
	30,044	29,871	23,337	30,753	25,935	17,658
	243,392	638,887	-	-	-	-
	-	-	11,847,628	-	-	-
	<u>4,076,026</u>	<u>8,181,041</u>	<u>20,199,276</u>	<u>8,288,983</u>	<u>7,357,725</u>	<u>5,356,811</u>
	7,640,823	8,390,641	8,560,257	8,279,050	6,315,258	5,026,978
	7,640,823	8,390,641	8,560,257	8,279,050	6,315,258	5,026,978
	<u>11,716,849</u>	<u>16,571,682</u>	<u>28,759,533</u>	<u>16,568,033</u>	<u>13,672,983</u>	<u>10,383,789</u>
\$	(36,952,500)	\$ (30,576,547)	\$ (16,454,338)	\$ (23,907,012)	\$ (22,307,345)	\$ (19,649,551)
	(1,509,629)	(940,541)	657,695	1,424,686	229,846	(722,602)
	<u>\$ (38,462,129)</u>	<u>\$ (31,517,088)</u>	<u>\$ (15,796,643)</u>	<u>\$ (22,482,326)</u>	<u>\$ (22,077,499)</u>	<u>\$ (20,372,153)</u>
	17,555,090	15,500,811	14,433,136	13,097,851	11,155,322	9,765,984
	11,177,009	12,657,817	12,479,920	11,542,658	9,994,926	9,350,161
	2,168,898	1,596,283	-	-	-	-
	1,045,731	1,063,596	-	432,885	728,054	1,607,148
	3,266,474	-	98,341	89,498	78,171	55,762
	456,919	-	497,359	424,409	378,147	280,276
	185,641	264,120	547,817	658,306	157,984	129,164
	463,278	1,142,444	1,585,299	997,424	426,486	188,286
	(55,035)	23,994	(324,520)	(74,908)	278,649	449,114
	-	48,678	(88,935)	-	-	111,070
	<u>36,264,005</u>	<u>32,297,743</u>	<u>29,228,417</u>	<u>27,168,123</u>	<u>23,197,739</u>	<u>21,936,965</u>
	2,282,117	2,210,446	1,904,571	1,717,028	1,647,963	1,537,743
	21,783	58,089	40,731	22,582	6,208	5,579
	34,378	28,014	71,363	219,041	37,541	15,936
	-	(48,678)	88,935	-	-	(111,070)
	-	-	(213,114)	(12,372)	-	-
	<u>2,338,278</u>	<u>2,247,871</u>	<u>1,892,486</u>	<u>1,946,279</u>	<u>1,691,712</u>	<u>1,448,188</u>
\$	(688,495)	\$ 1,721,196	\$ 12,774,079	\$ 3,261,111	\$ 890,394	\$ 2,287,414
	828,649	1,307,330	2,550,181	3,370,965	1,921,558	725,586
	<u>\$ 140,154</u>	<u>\$ 3,028,526</u>	<u>\$ 15,324,260</u>	<u>\$ 6,632,076</u>	<u>\$ 2,811,952</u>	<u>\$ 3,013,000</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Fund										
Reserved	-	-	-	444,629	336,121	-	-	-	-	-
Unreserved	-	-	-	3,421,047	192,312	4,582,345	5,247,599	6,454,718	5,869,336	7,628,851
Non-Spendable	559,568	524,945	462,122	-	-	-	-	-	-	-
Restricted	426,048	426,048	418,783	-	-	-	-	-	-	-
Committed	469,049	465,574	915,479	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	2,463,089	2,418,834	4,444,568	-	-	-	-	-	-	-
Total General Fund	3,917,754	3,835,401	6,240,952	3,865,676	528,433	4,582,345	5,247,599	6,454,718	5,869,336	7,628,851
All Other Governmental Funds										
Bond Funded Capital Fund										
Reserved	-	-	-	-	51,841	-	-	-	-	-
Unreserved	-	-	-	(1,378,463)	(1,468,506)	(1,051,252)	(408,015)	2,562,705	1,082,156	(1,176,689)
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	98,279	-	-	-	-	-	-	-	-	-
Total Bond Funded Capital Fund	98,279	-	-	(1,378,463)	(1,416,665)	(1,051,252)	(408,015)	2,562,705	1,082,156	(1,176,689)
Debt Service Fund										
Reserved	-	-	-	565,464	556,426	-	-	-	-	-
Unreserved	-	-	-	(369,094)	(866,851)	(362,266)	(278,989)	-	-	(2,974,441)
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	1,371,809	1,628,105	982,388	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	(17,154)	-	-	-	-	-	-	-
Total Debt Service Fund	1,371,809	1,628,105	965,234	196,370	(310,425)	(362,266)	(278,989)	-	-	(2,974,441)
Other Governmental Funds										
Reserved	-	-	-	505,640	-	132,888	-	-	-	-
Unreserved	-	-	-	(137,806)	330,608	215,544	207,219	1,421,952	(1,201,479)	249,502
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	313,063	414,100	217,828	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Other Governmental Funds	313,063	414,100	217,828	367,834	330,608	348,432	207,219	1,421,952	(1,201,479)	249,502

CITY OF SOUTHAVEN, MISSISSIPPI
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues										
General Property Taxes	\$ 20,430,223	\$ 20,197,404	\$ 20,372,157	\$ 19,161,567	\$ 17,555,090	\$ 15,786,667	\$ 14,433,136	\$ 13,097,850	\$ 11,155,324	\$ 9,765,983
Licenses and Permits	586,533	439,389	327,945	384,699	429,215	2,209,003	2,539,887	3,146,029	2,902,738	2,422,904
Intergovernmental	14,385,959	14,123,885	12,875,474	12,336,149	12,222,741	13,296,705	12,479,920	11,542,658	9,994,926	9,350,161
Charges for Services	3,601,269	3,849,867	3,258,794	3,506,839	3,403,419	3,741,465	3,607,436	3,534,504	3,016,479	1,193,889
Fines	3,236,128	3,280,771	3,690,411	3,602,657	3,266,474	3,187,969	2,204,326	1,608,450	1,438,509	1,739,959
Franchise Taxes	1,832,042	1,715,137	1,844,083	2,310,012	2,168,898	-	-	-	-	-
Interest	75,108	372,607	288,233	197,773	185,641	264,119	547,816	658,305	157,983	129,164
Miscellaneous	152,298	498,689	592,391	2,582,740	463,278	1,343,271	1,683,640	1,130,199	1,515,265	244,108
Total Revenues	44,299,560	44,477,749	43,249,488	44,082,436	39,694,756	39,829,199	37,496,161	34,717,995	30,181,224	24,846,168
Expenditures										
General Government	10,514,328	7,650,605	8,068,212	7,953,761	8,840,748	7,955,277	7,131,424	7,541,365	6,211,195	5,819,035
Public Safety	19,483,184	20,295,589	18,106,522	16,716,154	17,031,909	15,142,142	14,724,778	12,078,242	11,611,864	10,476,301
Public Works	1,579,685	1,418,054	1,410,208	1,453,813	1,306,340	1,403,636	1,170,220	1,304,855	1,170,797	1,122,152
Culture and Recreation	4,978,858	4,936,225	4,924,617	4,552,191	4,515,543	4,491,240	5,430,245	6,025,770	3,981,314	1,966,391
Health and Welfare	397,768	313,441	302,832	262,735	251,806	258,443	216,985	197,406	317,137	226,332
Library	-	-	-	-	-	289,718	255,250	231,000	199,000	192,000
Tourism and Convention	565,964	828,449	602,828	589,578	533,851	429,143	442,701	428,528	254,858	258,636
Capital Outlay	6,812,179	6,597,349	3,203,338	5,131,233	11,566,359	9,531,439	15,503,602	13,169,457	5,613,349	10,341,296
Debt Service:	-	-	-	-	-	-	-	-	-	-
Principal	5,660,462	5,783,346	7,234,031	7,666,329	4,759,620	4,348,517	8,137,179	2,952,813	2,765,047	3,239,713
Interest	2,108,642	1,952,024	2,524,747	2,619,645	2,389,428	2,769,868	2,950,093	2,561,718	2,180,770	1,924,220
Issuance Cost	97,761	-	196,897	113,934	86,249	-	-	-	68,459	161,692
Agent Fees	-	14,363	114,599	-	-	-	-	-	-	-
Total Expenditures	52,198,831	49,789,445	46,688,831	47,059,373	51,281,853	46,619,423	48,831,053	46,491,154	34,373,790	35,727,768
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,899,271)	(5,311,696)	(3,439,343)	(2,976,937)	(11,587,097)	(6,790,224)	(11,334,892)	(11,773,159)	(4,192,566)	(10,881,600)
Other Financial Sources (uses)										
Rents	647,471	565,585	659,839	602,051	456,919	576,915	497,359	424,409	378,147	280,276
Sale of Assets	75,550	500	25,652	13,412	77,248	23,994	114,998	5,227	278,649	449,114
Interfund Transfers	-	50,000	(471,797)	-	-	48,678	(88,935)	-	-	111,070
Grant Proceeds	1,137,034	2,877,974	1,247,811	1,505,312	243,392	-	1,818,396	432,885	728,974	1,607,148
Loan Proceeds	-	-	774,283	1,402,605	-	-	-	6,400,000	4,510,057	2,413,287
Bond Proceeds	2,893,395	-	-	6,652,205	9,965,000	4,000,000	10,185,000	9,200,000	-	4,500,000
Bond Issuance Cost	-	-	-	-	-	-	(390,149)	-	-	-
Refunding Bond Proceeds	3,015,000	-	6,730,000	-	-	-	-	-	-	-
Payment to Bond Escrow Agent	(3,010,345)	-	(3,300,000)	(3,535,000)	(6,265,000)	-	-	-	-	-
Loss on Extinguishment of Debt	-	-	-	-	(353,172)	-	-	-	-	-
Premium	93,107	-	-	-	-	-	23,737	-	-	-
Lease Proceeds	2,871,358	271,229	268,624	255,818	2,755,523	292,633	634,348	-	319,470	435,397
Total Other Financing Sources	7,722,570	3,765,288	5,934,412	6,896,403	6,879,910	4,942,220	12,794,754	16,462,521	6,215,297	9,796,292
Net Change in Fund Balance	(176,701)	(1,546,408)	2,495,069	3,919,466	(4,707,187)	(1,848,004)	1,459,862	4,689,362	2,022,731	(1,085,308)
Fund Balance-Beginning of Year	5,877,606	7,424,014	3,051,417	(868,049)	3,517,259	4,767,813	10,439,376	5,750,013	752,842	4,812,531
Equity Transfers	-	-	-	-	321,879	-	-	-	-	-
Prior Period Adjustment	-	-	1,877,528	-	-	597,450	-	-	2,974,440	-
Fund Balance-End of Year	5,700,905	5,877,606	7,424,014	3,051,417	(868,049)	3,517,259	11,899,238	10,439,375	5,750,013	3,727,223
Debt service as a percentage of capital expenditures	20.97%	21.83%	29.79%	32.99%	22.28%	23.75%	37.75%	19.83%	21.12%	26.55%

CITY OF SOUTHAVEN, MISSISSIPPI
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Real Property*		Personal Property		Utilities		Automobiles		Total		Assessed to Actual
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	
2013	321,985	2,683,208	127,387	849,247	11,864	39,547	60,129	200,430	521,365	3,772,432	14%
2012	348,545	2,904,542	114,496	763,307	10,822	36,073	59,406	198,020	533,269	3,901,942	14%
2011	345,194	2,876,617	106,374	709,160	9,686	32,287	57,638	192,127	518,892	3,810,190	14%
2010	341,917	2,849,308	47,880	319,200	8,750	29,167	57,162	190,540	455,709	3,388,215	13%
2009	335,817	2,798,475	51,581	343,873	10,911	36,370	58,695	195,650	457,004	3,374,368	14%
2008	308,292	2,569,100	49,130	327,533	9,797	32,657	62,769	209,230	429,988	3,138,520	14%
2007	278,526	2,321,050	41,804	278,693	9,859	32,863	62,887	209,623	393,076	2,842,230	14%
2006	251,208	2,093,400	34,314	228,760	9,809	32,697	61,431	204,770	356,762	2,559,627	14%
2005	213,916	1,782,633	28,778	191,853	9,208	30,693	58,499	194,997	310,401	2,200,177	14%
2004	197,432	1,645,267	24,948	166,320	7,874	26,247	55,453	184,843	285,707	2,022,677	14%

* Per the Desoto County Tax Assessor, real property is not separated by class (1 and 2) and therefore the City use the actual value of the real property.

CITY OF SOUTHAVEN, MISSISSIPPI
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year	City of Southaven				DeSoto County			DeSoto County School District			Grand Total Millage
	Operating Millage	Debt Millage	Sanitation Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
2013	23.12	14.61	6.00	43.73	35.64	5.38	41.02	39.35	14.22	53.57	138.32
2012	21.13	16.60	6.00	43.73	35.64	5.38	41.02	39.35	14.22	53.57	138.32
2011	21.13	16.60	6.00	43.73	35.44	5.58	41.02	39.35	14.22	53.57	138.32
2010	21.53	16.20	6.00	43.73	35.44	5.58	41.02	39.35	14.22	53.57	138.32
2009	20.53	17.20	6.00	43.73	35.44	5.58	41.02	39.35	13.82	53.17	137.92
2008	21.53	17.20	6.00	44.73	35.44	5.58	41.02	39.35	13.82	53.17	138.92
2007	25.42	13.31	6.00	44.73	35.44	5.58	41.02	38.13	11.40	49.53	135.28
2006	22.42	16.31	6.00	44.73	35.19	5.83	41.02	38.13	11.36	49.49	135.24
2005	22.42	12.31	6.00	40.73	35.19	5.83	41.02	37.13	12.36	49.49	131.24
2004	22.42	12.31	6.00	40.73	34.30	3.72	38.02	37.13	6.50	43.63	122.38

CITY OF SOUTHAVEN, MISSISSIPPI
Principal Property Taxpayers
Current Year and Two Years Ago
(amounts expressed in thousands)

Taxpayer	2013			2011		
	Taxable Assessed	Rank	Percentage of Total Assessed Valuation*	Taxable Assessed	Rank	Percentage of Total Assessed Valuation**
	Value			Value		
Personal Property						
Seven States Southaven LLC	41,435	1	7.95%	51,007	1	9.84%
Helen of Troy LP	5,195	2	1.00%	5,344	2	1.03%
Grainger Inc.	3,883	3	0.74%	-		
US Industrial REIT III-Midwest	3,605	4	0.69%	3,704	3	0.71%
Hillwood Lit LP	3,516	5	0.67%	3,516	4	0.68%
Blenheim DeSoto Holding LLC	3,258	6	0.62%	3,357	5	0.65%
US Industrial Reit II	3,242	7	0.62%	3,242	7	0.63%
LIT Industrial LP	3,242	8	0.62%	3,334	6	0.64%
Pancal Southaven Two 128 LLC	3,017	9	0.58%	3,017	8	0.58%
Associated Wholesale Grocers	2,903	10	0.56%	2,030	10	0.39%
Somerset DeSoto Holdings	-			2,967	9	0.57%
	73,296		14.06%	81,518		15.72%

NOTE: The City did not accumulate this data prior to 2011

* The total assessed valuation for 2013 is \$521,364,901

** The total assessed valuation for 2011 is \$518,624,300

CITY OF SOUTHAVEN, MISSISSIPPI
Property Tax Levies and Collections
Last Six Years
(amounts expressed in thousands)

Fiscal Year *	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	25,277	22,898	91%	-	22,898	91%
2012	23,262	22,573	97%	28	22,601	97%
2011	22,679	21,749	96%	80	21,829	96%
2010	21,089	20,656	98%	121	20,777	99%
2009	18,790	17,928	95%	159	18,087	96%
2008	17,534	16,356	93%	74	16,430	94%

* The information prior to 2008 was not accumulated.

CITY OF SOUTHAVEN, MISSISSIPPI
Governmental Activities Tax Revenues by Source
Last Ten Years
(prepared using the accrual basis of accounting)

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Other State Shared Taxes	Total
2013	23,154,220	12,521,573	1,832,042	1,864,386	39,372,221
2012	23,203,062	12,438,105	1,715,137	1,685,781	39,042,085
2011	23,044,563	11,735,308	1,844,083	1,140,165	37,764,119
2010	21,653,474	11,343,015	2,310,012	993,134	36,299,635
2009	19,837,207	11,177,009	2,168,898	1,045,731	34,228,845
2008	17,711,257	11,917,221	1,596,283	740,596	31,965,357
2007	16,337,707	11,563,550	1,449,498	916,370	30,267,125
2006	14,814,879	10,542,277	1,600,525	1,000,381	27,958,062
2005	12,803,285	9,078,293	1,204,617	916,633	24,002,828
2004	11,303,727	8,554,091	1,090,444	796,070	21,744,332

CITY OF SOUTHAVEN, MISSISSIPPI
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities		Total Outstanding Debt	Personal Income *	Population**	Debt Per Capita	Percentage Of Personal Income
	General Obligation Bonds Revenue & Tax Bonds & Notes	Capital Leases	Water & Sewer Revenue & Tax Bonds & Notes	Capital Leases					
2013	53,656,994	2,815,514	35,685,628	426,868	92,585,004	35,772	50,374	1,837.95	3.65%
2012	55,681,897	444,715	34,412,837	478,146	91,017,595	35,772	50,374	1,806.84	3.59%
2011	61,216,865	421,864	35,022,012	527,294	97,188,035	33,651	49,687	1,956.01	3.94%
2010	63,939,809	2,102,878	37,123,944	574,401	103,741,032	31,779	48,982	2,117.94	4.32%
2009	63,554,068	2,459,042	32,847,530	619,551	99,480,191	31,293	45,395	2,191.43	4.83%
2008	63,848,921	468,286	25,205,343	662,826	90,185,376	32,263	44,135	2,043.40	4.63%
2007	63,780,096	592,998	26,245,949	714,179	91,333,222	32,504	42,593	2,144.32	5.03%
2006	61,213,319	477,605	21,891,161	27,234	83,609,319	31,890	41,154	2,031.62	4.94%
2005	44,672,780	630,453	14,526,553	43,502	59,873,288	31,128	38,583	1,551.80	4.02%
2004	44,260,499	457,346	14,914,202	-	59,632,047	29,816	36,082	1,652.68	4.58%

* U.S. Bureau of Economic Analysis Statistics for DeSoto County

** U.S. Census Bureau

CITY OF SOUTHAVEN, MISSISSIPPI
Ratio of Net General Obligation Bonded Debt Outstanding
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Estimated Population	Assessed Property Value*	Gross General Obligation Bonds	Less Debt Service Funds	Net GO Bonded Debt	Percentage of Assessed Taxable Value of Property	Net Bonded Debt Per Capita
2013	50.4	521,365	42,715	1,372	41,343	7.93%	820.30
2012	50.4	533,269	43,545	1,628	41,917	7.86%	831.69
2011	49.7	518,892	47,355	965	46,390	8.94%	933.40
2010	49.0	455,709	47,040	196	46,844	10.28%	956.00
2009	45.4	457,004	46,570	(310)	46,880	10.26%	1,032.60
2008	44.1	429,988	45,180	171	45,009	10.47%	1,020.61
2007	42.6	393,076	43,415	254	43,161	10.98%	1,013.17
2006	41.2	356,762	39,590	533	39,057	10.95%	947.99
2005	38.6	310,401	37,445	-	37,445	12.06%	970.08
2004	36.1	285,707	34,605	1,123	33,482	11.72%	927.48

CITY OF SOUTHAVEN, MISSISSIPPI
Direct and Overlapping Governmental Activities Debt
As of September 30, 2013
(amounts expressed in thousands)

Jurisdiction	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Amount Applicable to Government</u>	<u>Percentage Applicable to Government</u>
Direct:			
City of Southaven	42,715	42,715	100%
Overlapping:			
None	<u>0</u>	<u>0</u>	0
Total all	42,715	42,715	

CITY OF SOUTHAVEN, MISSISSIPPI
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Debt Limit (15%)	\$ 78,205	\$ 79,792	\$ 77,793	\$ 65,479	\$ 64,497	\$ 57,944	\$ 53,514	\$ 46,342	\$ 42,592	\$ 42,481
Total net GO Debt Applicable to Limit	<u>48,290</u>	<u>46,350</u>	<u>47,355</u>	<u>54,640</u>	<u>54,830</u>	<u>45,690</u>	<u>44,075</u>	<u>40,390</u>	<u>38,380</u>	<u>35,665</u>
Legal Debt Margin	<u>\$ 29,915</u>	<u>\$ 33,442</u>	<u>\$ 30,438</u>	<u>\$ 10,839</u>	<u>\$ 9,667</u>	<u>\$ 12,254</u>	<u>\$ 9,439</u>	<u>\$ 5,952</u>	<u>\$ 4,212</u>	<u>\$ 6,816</u>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	61.7%	58.1%	60.9%	83.4%	85.0%	78.9%	82.4%	87.2%	90.1%	84.0%

CITY OF SOUTHAVEN, MISSISSIPPI
Pledged Revenue Coverage
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year	Water and Sewer Gross Revenue	Water and Sewer Operating Expenses	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2013	14,248	9,763	4,485	1,015	1,065	2,080	46%
2012	15,501	3,564	11,937	1,469	1,085	2,554	21%
2011	13,189	7,878	5,311	1,587	1,202	2,789	53%
2010	12,459	11,074	1,385	1,425	1,245	2,670	193%
2009	9,957	6,728	3,229	1,138	938	2,076	64%
2008	10,629	6,292	4,337	1,096	790	1,886	43%
2007	10,536	5,202	5,334	842	1,737	2,579	48%
2006	10,215	4,470	5,745	652	1,138	1,790	31%
2005	8,001	4,045	3,956	596	909	1,505	38%
2004	6,581	3,872	2,709	525	557	1,082	40%

NOTE: Principal and interest do not include notes payable that are paid through sales tax.

CITY OF SOUTHAVEN, MISSISSIPPI
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Estimated Population *	Per Capita Income **	School Enrollment ***	Unemployment Rate City ****	Unemployment Rate State (3)	Unemployment Rate Nation (3)
2013	50,374	35,772	32,759	5.93%	9.05%	7.68%
2012	50,374	35,772	32,311	6.14%	9.16%	8.08%
2011	49,687	33,651	31,916	6.78%	10.49%	8.95%
2010	48,982	31,779	31,228	6.87%	10.54%	9.63%
2009	45,395	31,293	30,616	6.07%	9.40%	9.28%
2008	44,135	32,263	29,886	4.27%	6.78%	5.80%
2007	42,593	32,504	28,738	3.54%	6.30%	4.62%
2006	41,154	31,890	27,166	3.76%	6.79%	4.61%
2005	38,583	31,128	25,298	3.95%	7.78%	5.08%
2004	36,082	29,816	23,672	3.40%	6.40%	5.40%

* U. S. Census Bureau

** U. S. Census Bureau - Per capita income is for Desoto County. Southaven

***Office of Research and Statistics, Mississippi Department of Education's website <http://orshome.mde.k12.ms/maars/>;

October 2013

**** Home Facts

CITY OF SOUTHAVEN, MISSISSIPPI
Principal Employers
Current and Last Fiscal Years

Employer	2013		2012	
	Employees	Rank	Employees	Rank
Baptist Memorial Hospital	1,635	1	1,627	1
DeSoto County School District	781	2	780	2
Wal-Mart	602	3	600	3
City of Southaven	390	4	403	4
Future Electronics	315	5	300	5
DeSoto County Civic Center	314	6	300	6
Siemens Industry	300	7	300	7
Thomas and Betts	300	8	300	8
Associated Wholesale Grocers	265	9	265	9
Terex Distribution	225	10	225	10

Source: Mississippi Development Authority, October 2013 and November 2012, DeSoto County Economic Development Council.

NOTE: This information was not accumulated prior to 2012

CITY OF SOUTHAVEN, MISSISSIPPI
Full Time Equivalent City and Government Employees by Department
Last Five Fiscal Years

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Arts & Culture	2	2	5	5	3
Court	9	10	15	16	12
City Attorney	2	2	2	*	*
General Administration	7	4	5	5	5
Information Technology	4	4	5	6	5
City Clerk	7	5	5	6	6
Building	6	6	5	4	4
Environmental	3	2	2	2	2
Planning	6	6	7	6	6
Police	136	135	153	144	143
Fire	116	112	120	115	108
Public Works	8	11	11	10	10
Parks	58	55	76	52	52
Municipal Code Enforcement	6	7	8	8	9
Utilities	25	24	30	24	22
Sanitation	4	4	*	*	3
	399	389	449	403	390

Note 1: The City's 8 elected officials (Mayor and 7 Aldermen) are not included in the number above

Note 2: The City did not accumulate this data prior to 2009.

CITY OF SOUTHAVEN, MISSISSIPPI
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Calls for service	26,967	27,142	28,717	30,870	31,796	32,951	41,534	50,425	61,752	70,260
Tickets issued	8,213	7,682	16,644	18,960	22,442	16,877	19,952	21,417	17,707	17,322
Arrests	4,119	3,762	4,345	4,819	4,930	4,640	3,870	3,400	2,952	2,940
Fire										
Total Incidents	*	*	*	*	1,673	2,091	2,154	2,047	2,152	2,510
Building Fires	*	*	*	*	30	33	42	27	41	44
EMS Transport Calls	*	*	*	*	*	*	*	*	4,433	5,004
Total Inspections	*	*	*	*	2,552	2,399	2,417	3,718	4,095	4,331
Sanitation										
Recycling trailers (tons)	*	*	*	*	*	*	621,530	469,560	468,030	531,000
Curbside Recycling	*	*	*	*	*	*	*	1,775	1,501	1,408
Municipal Code Enforcement										
Ordinance Violations	*	*	*	*	*	*	839	1,033	1,462	2,234
Water										
Average Daily consumption (gallons)	*	*	*	*	*	*	*	4,400,000	4,400,000	4,500,000
Water storage capacity (gallons)	3,500,000	3,500,000	350,000	350,000	350,000	4,250,000	5,250,000	5,250,000	5,250,000	5,250,000

* An asterisk (*) indicates the department had not previously recorded or performed the Function/Program

CITY OF SOUTHAVEN, MISSISSIPPI
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	53	60	67	68	77	89	99	102	103	100
Other vehicles	14	14	20	19	22	22	21	26	31	45
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Ladder trucks	2	2	2	2	2	2	2	3	3	3
Fire engines	4	4	4	5	5	5	7	7	7	8
Rescue vehicles	2	2	3	3	5	5	5	5	6	6
Parks and recreations										
Parks	25	25	25	25	25	25	25	25	25	25
Golf Courses	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Baseball/Softball Fields	25	25	25	25	25	25	25	25	25	25

SPECIAL REPORTS



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**INDEPENDENT AUDITOR'S 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**

Board of Aldermen
City of Southaven
Southaven, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
March 28, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

Board of Aldermen
City of Southaven
Southaven, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Southaven'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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Southaven, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC
Hernando, Mississippi
March 28, 2014



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

Mayor and Board of Aldermen
City of Southaven, 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 Southaven, Mississippi ("the City") as of and for the year ended September 30, 2013 and have issued our report thereon dated March 28, 2014. We have 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*.

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 the following material instance of noncompliance with state laws and regulations. Our finding and recommendation and your response is as follows:

1. Finding- Section 21-35-17, Miss. Code Ann. (1972) requires that the governing authorities shall not approve any claim and the city clerk shall not issue any warrant for any expenditure in excess of said detailed budget appropriations as finally adopted, or as revised under the provisions of this chapter, except upon an order of a court of competent jurisdiction or for an emergency, as provided in this chapter. See the budgetary comparison schedule on page 29 for expenditures in excess of budgeted appropriations.

Recommendation- The governing authorities and City Clerk should ensure no expenditures exceed the final adopted budget as required in Section 21-35-17, Miss. Code Ann. (1972).

Response- The City Administrator and Finance Director will closely monitor the budget to ensure expenditures do not exceed the adopted budget.

2. Finding-Section 31-7-13, Miss. Code Ann. (1972) requires that all agencies and governing authorities follow the State of Mississippi purchase laws. No invoice should be submitted for payment that has not been authorized. In an examination of twenty-seven paid checks, one of these had a purchase order for \$174,378 dated twelve days after the invoice date.

Recommendation- The governing authorities and City Clerk should ensure no expenditures are made that do not comply with State of Mississippi purchase laws as required in Section 31-7-13, Miss. Code Ann. (1972).

Response- The City Clerk will ensure that all purchases or services provided in excess of \$5,000 has a purchase order dated prior to the date of the invoice.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The City's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for the information of 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

March 28, 2014

