

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Prepared by:  
City of Southaven  
Department of Finance and Administration

**CITY OF SOUTHAVEN, MISSISSIPPI**

**Comprehensive Annual Financial Report  
For Year Ended September 30, 2014**

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## **INTRODUCTORY SECTION**

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# CITY OF SOUTHAVEN

*Top of Mississippi*

8710 Northwest Drive  
Southaven, MS 368671



Phone: 662.393.6939  
Fax: 662.393.7294

March 31, 2015

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

The Department of Finance and Administration is pleased to submit the Comprehensive Annual Financial Report ("CAFR") of the City of Southaven, Mississippi, for the fiscal year ended September 30, 2014. 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 41).

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, 2014 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, 2014 are fairly presented and conform to GAAP.

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 3<sup>rd</sup> 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 stagnant economic conditions, the impact has not been as great as on other communities as evidenced by the unemployment rate of the City (4.6%) being below the national average (5.9%) and the state average (7.7%) in September 2014. Over the last 10 years the City has seen a population increase of 41%.

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 2015 are approximately \$60 million less than in 2014. This decrease is due to Seven States/Tennessee Valley Authority property being taken off of the assessment roll. Outside of this event, there was a modest increase in property value assessments. New housing permits and business permits have seen a significant increase in 2014. The City of Southaven maintained its property tax rate of 43.73 for fiscal years 2014 and 2015.

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 2013 Census estimate puts the City's population at 50,997, a 4.1 percent growth since 2010. Southaven is a relatively young city with approximately 36% of the population being under 25 and approximately 32% 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 2009-2013 was \$138,500.

## **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 \$460,572,588; therefore, the 15% limitation equals \$69,085,888. After reduction for GO Bonds outstanding of \$50,945,000, the City's remaining margin for further debt issuance is \$18,140,888.

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 looking into the possibility of 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 continue 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. Bids on all of these projects were received and approved in early spring of 2015 and construction is underway.

Construction is also underway on the Outlet Mall of the Mid-South. This project will consist of approximately 330,000 square feet of retail space that will house 90+ stores. 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. The anticipated open date is late fall 2015.

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 renovations of a section of the Sports Complex to convert it into a senior center, renovations of the amphitheater, the extension of Pine Tar Alley, and converting one of the fields in each baseball complex at Snowden Grove into a stadium.

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

# 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

Ray Tarrance, Public Works Director

Whitney Choat-Cook, Planning Director

Ray Humphreys, Utilities Director

Chris Shelton, IT Director

Wes Brown, Parks and Recreational Director

Bradley Wallace, Operations Director

Edi McIlwain, Finance Director

Ronnie White, Fire Chief

City Attorney

Butler Snow, LLC

**FINANCIAL SECTION**

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

2042 MCINGVALE ROAD, SUITE A  
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## 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 year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2014, 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 43 - 45 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 combining and individual nonmajor funds financial statements are the responsibility of management and were derived from and relate 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, based on our audit, the procedures performed as described above, the combining and individual nonmajor fund financial statements are 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 30, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
March 30, 2015



MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year End September 30, 2014

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

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, 2014. 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 \$85,026,533 (total net position).
- The government's total net position increased by \$6,285,045 primarily due to increases in the business type activities net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending net position of \$53,910,168 an increase of \$2,084,901 in comparison with the prior year. Approximately 7.5 percent of this total amount, or \$4,041,609, is available for spending at the government's discretion (**unrestricted net position**).
- At the end of the current fiscal year, **unassigned fund balance** for the General Fund was \$3,751,667, or 10 percent of total general fund expenditures for the fiscal year.
- The City's total debt increased by \$3,237,315 (3.5%) during the current fiscal year. The key factor in this increase was a \$6,565,000 bond issuance and \$3,400,000 in utility loans 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, 2014**

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

The government-wide financial statements are on pages 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 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 begin on page 25 of this report.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

**Government-Wide Financial Analysis**

**The City of Southaven's Net Position**

**Figure 1**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>						
Current and other assets	\$ 37,513,930	\$ 29,750,396	\$ 25,920,619	\$ 26,225,329	\$ 63,434,549	\$ 55,975,725
Capital assets, net	100,685,110	104,183,402	45,565,562	42,696,838	146,250,672	146,880,240
<b>Total assets</b>	<b>138,199,040</b>	<b>133,933,798</b>	<b>71,486,181</b>	<b>68,922,167</b>	<b>209,685,221</b>	<b>202,855,965</b>
<b>LIABILITIES</b>						
Long-term liabilities:						
Due within one year	5,979,147	5,891,418	1,914,543	1,823,738	7,893,690	7,715,156
Payable after one year	52,844,436	51,352,118	35,905,976	34,339,513	88,750,412	85,691,631
Deferred revenues	-	21,809,158	-	3,468,193	-	25,277,351
Other liabilities	2,708,081	3,055,837	2,549,297	2,374,502	5,257,378	5,430,339
<b>Total liabilities</b>	<b>61,531,664</b>	<b>82,108,531</b>	<b>40,369,816</b>	<b>42,005,946</b>	<b>101,901,480</b>	<b>124,114,477</b>
<b>DEFERRED INFLOW OF RESOURCES</b>						
Deferred revenue	22,757,208	-	-	-	22,757,208	-
<b>Total deferred inflow of resources</b>	<b>22,757,208</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,757,208</b>	<b>-</b>
<b>NET POSITION</b>						
Invested in capital asset	42,258,077	47,426,917	7,765,721	6,564,362	50,023,798	53,991,279
Restricted	7,610,482	1,295,416	2,008,323	1,938,196	9,618,805	3,233,612
Unrestricted	4,041,609	3,102,934	21,342,321	18,413,663	25,383,930	21,516,597
<b>Total net position</b>	<b>\$ 53,910,168</b>	<b>\$ 51,825,267</b>	<b>\$ 31,116,365</b>	<b>\$ 26,916,221</b>	<b>\$ 85,026,533</b>	<b>\$ 78,741,488</b>

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 \$85,026,533, as of September 30, 2014.

The largest portion of net position (59%) 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 (11.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$25,383,930 is unrestricted.

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

- Increased property tax collections of approximately \$881,000
- Increased sales tax revenues of approximately \$596,000
- Increased franchise fee revenues of approximately \$500,000
- Expenses remained relatively static.
- Continued low cost of debt due to the City's high bond rating.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

**City of Southaven's Changes in Net Position**

**Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 10,526,679	\$ 4,187,802	\$ 11,833,977	\$ 11,442,827	\$ 22,360,656	\$ 15,630,629
Capital grants	91,428	1,137,034	-	-	91,428	1,137,034
<b>Total program revenues</b>	<b><u>10,618,107</u></b>	<b><u>5,324,836</u></b>	<b><u>11,833,977</u></b>	<b><u>11,442,827</u></b>	<b><u>22,452,084</u></b>	<b><u>16,767,663</u></b>
<b>General Revenues</b>						
Property taxes	21,311,336	20,430,223	3,122,952	2,723,997	24,434,288	23,154,220
Sales tax	13,117,679	12,521,573	-	-	13,117,679	12,521,573
Other general revenues	2,422,980	7,841,423	80,454	120,661	2,503,434	7,962,084
<b>Total general revenues</b>	<b><u>36,851,995</u></b>	<b><u>40,793,219</u></b>	<b><u>3,203,406</u></b>	<b><u>2,844,658</u></b>	<b><u>40,055,401</u></b>	<b><u>43,637,877</u></b>
<b>Total Revenues</b>	<b><u>47,470,102</u></b>	<b><u>46,118,055</u></b>	<b><u>15,037,383</u></b>	<b><u>14,287,485</u></b>	<b><u>62,507,485</u></b>	<b><u>60,405,540</u></b>
<b>PROGRAM EXPENSES</b>						
General government	8,911,832	9,091,210	-	-	8,911,832	9,091,210
Public safety	21,315,040	21,045,108	-	-	21,315,040	21,045,108
Public works	6,059,971	5,871,360	-	-	6,059,971	5,871,360
Culture and recreation	6,045,661	6,054,011	-	-	6,045,661	6,054,011
Economic development	329,337	565,964	-	-	329,337	565,964
Health and welfare	389,959	397,923	-	-	389,959	397,923
Interest on long term debt	2,333,401	2,293,239	1,162,990	1,301,034	3,496,391	3,594,273
Other	-	-	-	-	-	-
Water and Sewer	-	-	6,732,782	8,034,841	6,732,782	8,034,841
Sanitation	-	-	2,941,467	3,283,611	2,941,467	3,283,611
<b>Total program expenses</b>	<b><u>45,385,201</u></b>	<b><u>45,318,815</u></b>	<b><u>10,837,239</u></b>	<b><u>12,619,486</u></b>	<b><u>56,222,440</u></b>	<b><u>57,938,301</u></b>
<b>Change in net assets</b>	<b><u>2,084,901</u></b>	<b><u>799,240</u></b>	<b><u>4,200,144</u></b>	<b><u>1,667,999</u></b>	<b><u>6,285,045</u></b>	<b><u>2,467,239</u></b>
<b>Net Position-Beginning of Year</b>	<b><u>51,825,267</u></b>	<b><u>50,621,143</u></b>	<b><u>26,916,221</u></b>	<b><u>25,248,222</u></b>	<b><u>78,741,488</u></b>	<b><u>75,869,365</u></b>
Prior period Adjustment	\$ -	\$ 404,884	\$ -	\$ -	\$ -	\$ 404,884
<b>Net Position-End of Year</b>	<b><u>\$ 53,910,168</u></b>	<b><u>\$ 51,825,267</u></b>	<b><u>\$ 31,116,365</u></b>	<b><u>\$ 26,916,221</u></b>	<b><u>\$ 85,026,533</u></b>	<b><u>\$ 78,741,488</u></b>

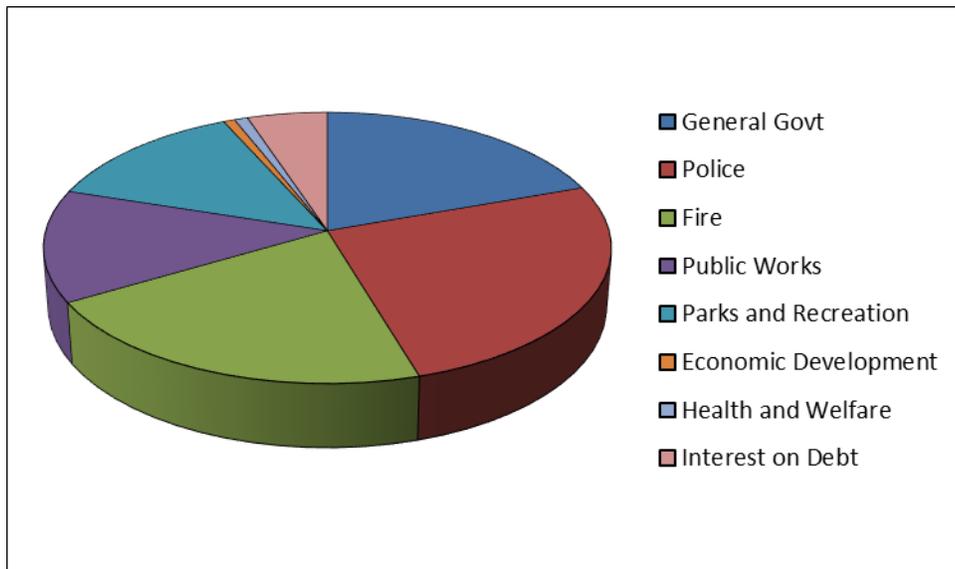
**CITY OF SOUTHAVEN, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014**

**Governmental activities.** Governmental activities increased the City's net position by \$2,084,901. Key elements of this increase are as follows:

- General government and economic development expenses remained relatively static.
- Franchise taxes increased by approximately \$500,000
- Property and sales taxes were up by approximately \$1,100,000 (3.3%).

Governmental Expenditures are broken out by department as follows

**Chart 1**



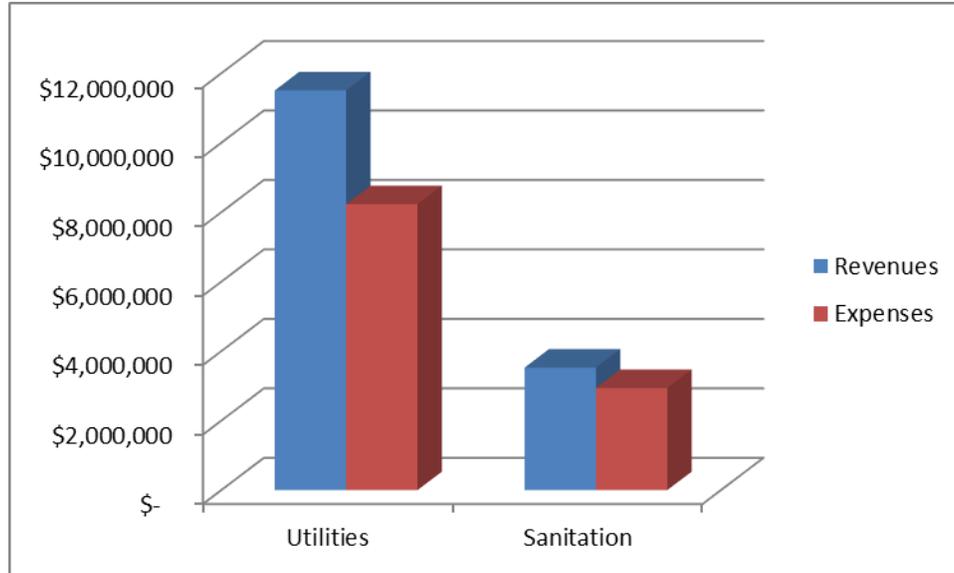
**Business-type activities:** Business-type activities increased the City's net position by \$4,200,144. Key elements of this increase are as follows:

- Charges for services increased by approximately \$390,000. This is mainly attributed to water and sewer sales being up approximately \$565,000 due to the different weather patterns and a slight increase in rates.
- Maintenance and other expenses decreased approximately \$1,000,000
- Revenues increased significantly and expenses decreased approximately \$1,443,000, there was an increase in net position of \$4,200,144. The change in net position increased from prior year by approximately \$2,500,000.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,751,667, while total fund balance reached \$4,836,313. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 10 percent of total General Fund expenditures.

At September 30, 2014, the governmental funds of the City reported a combined fund balance of \$12,365,481, a 118 percent increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund, the Bond Funded Capital Projects Fund, 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  
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Revenues were more than the budgeted amounts primarily because general property taxes, sales taxes, and franchise fees received were more than originally budgeted. Expenditures decreased due to the City funding many of their capital expenditures through a bond issuance rather than through other sources of revenue. General government expenditures decreased approximately \$3,000,000 and capital outlay decreased almost \$2,000,000 while other department expenditures remained relatively flat.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year is \$18,397,788, and for the Sanitation Fund is \$2,944,533. The total growth in net position for both funds was \$3,613,778 and \$586,366 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, 2014, totals \$146,250,672 (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 and disposals:

- Vehicles of \$302,415 in governmental-type activities for new police cars (including leased vehicles).
- Emergency services radios for both police and fire, \$497,595
- Disposal of unused IT equipment related to the former Magnolia Wave service, approximately \$1,700,000.
- Disposal of a police building and several police vehicles that were wrecked or over the mileage maximum according to department policy.
- Construction in progress of \$2,877,953 in government activities and \$4,219,481 in business-type activities for roads/drainage and sewer infrastructure was capitalized in the current year. There was an additional \$2,712,668 and \$4,229,873 added to CIP in government and business type activities for similar roads and sewer projects.
- Additional assets that were added were 2 generators, a pavilion at Greenbrook Park, and new computers and servers.

**The City of Southaven's Capital Assets**

**Figure 3**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 9,376,445	\$ 9,376,445	\$ 579,036	\$ 579,036	\$ 9,955,481	\$ 9,955,481
Construction in progress	\$ 2,715,340	\$ 2,880,625	\$ 9,934,536	\$ 9,924,144	\$ 12,649,876	\$ 12,804,769
Infrastructure	\$ 91,674,842	\$ 88,862,360	\$ 50,928,589	\$ 46,560,084	\$ 142,603,431	\$ 135,422,444
Buildings and improvemen	\$ 55,730,784	\$ 55,878,337	\$ 381,573	\$ 381,573	\$ 56,112,357	\$ 56,259,910
Leased equipment	\$ 1,348,536	\$ 1,518,308	\$ 744,057	\$ 744,057	\$ 2,092,593	\$ 2,262,365
Equipment and vehicles	\$ 17,296,904	\$ 18,030,243	\$ 2,123,792	\$ 2,144,654	\$ 19,420,696	\$ 20,174,897
	<u>\$ 178,142,851</u>	<u>\$ 176,546,318</u>	<u>\$ 64,691,583</u>	<u>\$ 60,333,548</u>	<u>\$ 242,834,434</u>	<u>\$ 236,879,866</u>

**CITY OF SOUTHAVEN, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014**

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, 2014, the City had total bonded debt outstanding of \$58,890,000. 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's Outstanding Debt  
General Obligation and Revenue Bonds**

**Figure 4**

	<u>2014</u>	<u>2013</u>
<b>Governmental activities debt</b>		
General obligation bonds	\$ 48,460,000	\$ 42,715,000
Tax increment bonds	\$ 5,520,000	\$ 6,175,000
Notes payable	\$ 1,604,674	\$ 4,766,994
Leases payable	\$ 2,336,812	\$ 2,815,514
Compensated absences	\$ 396,550	\$ 487,051
Bond premiums	\$ 510,207	\$ 289,570
Bond discounts	\$ <u>(4,660)</u>	\$ <u>(5,593)</u>
<b>Governmental activities liabilities</b>	<b><u>\$ 58,823,583</u></b>	<b><u>\$ 57,243,536</u></b>
 <b>Business -type activities debt</b>		
General obligation bonds	\$ 10,430,000	\$ 11,000,000
Revenue bonds payable	\$ 11,235,000	\$ 11,720,000
Notes payable	\$ 15,746,180	\$ 12,965,628
Leases payable	\$ 373,367	\$ 426,868
Compensated absences	\$ 20,678	\$ 30,776
Bond premiums	\$ 67,053	\$ 75,434
Bond discounts	\$ <u>(51,759)</u>	\$ <u>(55,455)</u>
<b>Business-type liabilities</b>	<b><u>\$ 37,820,519</u></b>	<b><u>\$ 36,163,251</u></b>
 <b>Total Long-Term Obligations</b>	 <b><u>\$ 96,644,102</u></b>	 <b><u>\$ 93,406,787</u></b>

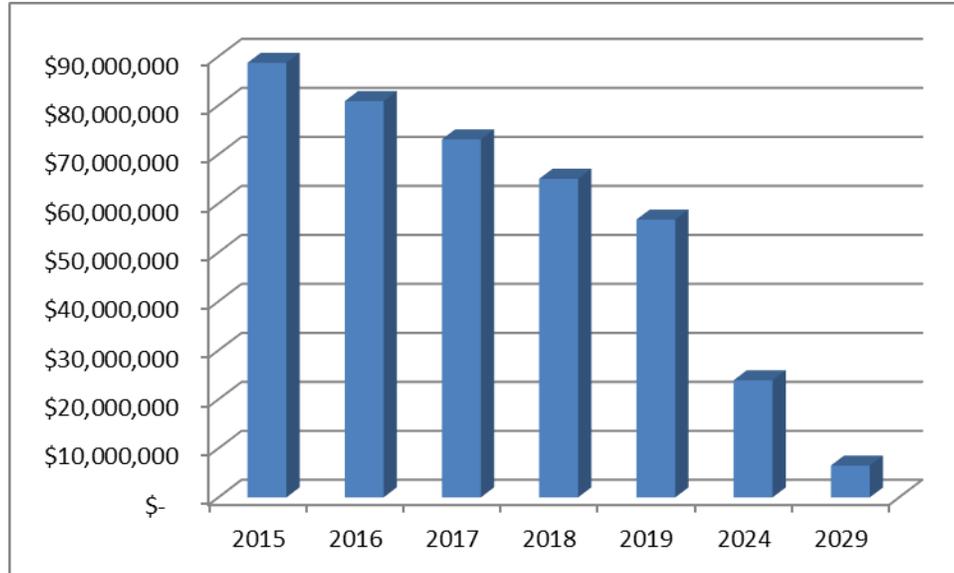
The City's total debt increased by \$3,237,315 (3.4%) over the past fiscal year. There were new bonds issued in the current fiscal year in the amount of \$6,565,000. The 2003, 2004, and 2006 GO bonds were refunded in the current year. The note that financed the Sports Complex was also refinanced in fiscal year 2014. New debt was also issued through loans in the amount of \$3,407,157 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 \$18,140,888.

**CITY OF SOUTHAVEN, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2014**

See the 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 36 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 4.6%, as of September 30, 2014, is well below the National and State averages of 5.9% and 7.7%.
- In 2013, Southaven's population was calculated, according to the United States Census most recent numbers, to be 50,997. 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, 2015**

**Governmental Activities:** Property taxes (benefiting from the economic growth) and revenues Sales Taxes are expected to lead the increase in budgeted revenue by approximately 4 percent. The City will use these increases in revenues to hire new police officers, improve infrastructure, including but not limited to roads, and improve city owned drainage systems.

The City has budgeted through the bond issuance funds from the current fiscal year to begin work on 3 major roads in the City as well as the purchase of a police building.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2014**

The Tourism tax is budgeted to increase approximately 4%. This tax money is budgeted to be expended on items from the master park plan, including a senior center, improvements to the amphitheater, extension of Pine Tar Alley, and building championship stadiums at the Snowden Grove baseball complex.

Budgeted expenditures in the General Fund are expected to rise 9%. The increase in budgeted expenditures is due to salary increases as well as a significant increase in updating infrastructure and drainage systems.

**Business – type Activities:** The water and sewer rates in the City will remain static. General operating expenses will increase due to the budgeting for the purchase of vehicles for the Utility fund as well as increased debt payments related to drainage projects.

The City will begin billing for sanitation which was previously included in property taxes. Sanitation fund income and expenses are anticipated to decrease approximately 30 percent due to the company that provides recycling for the city billing customers directly.

**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.

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statement of Net Position**  
**September 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 5,489,892	\$ 14,755,275	\$ 20,245,167
Accounts receivable, net of allowance for doubtful accounts of \$194,967	421,622	1,389,106	1,810,728
Intergovernmental receivable	1,752,580	-	1,752,580
Franchise tax receivable	503,161	-	503,161
Loan Receivable	-	1,202,688	1,202,688
Property tax receivable	22,757,208	-	22,757,208
Other receivable	-	3,710	3,710
Prepaid items	519,474	-	519,474
Internal balances	-	-	-
Restricted assets:			
Cash in bank	6,069,993	-	6,069,993
Bean patch receivable	-	8,569,840	8,569,840
Capital assets, net of accumulated depreciation	100,685,110	45,565,562	146,250,672
<b>Total Assets</b>	<b>138,199,040</b>	<b>71,486,181</b>	<b>209,685,221</b>
<b><u>LIABILITIES</u></b>			
Accounts payable	1,120,139	1,574,630	2,694,769
Accrued expenses	749,610	23,872	773,482
Customer deposits	-	836,337	836,337
Accrued interest	838,332	114,458	952,790
Long-term liabilities			
Due within one year:			
Capital debt	5,582,597	1,893,865	7,476,462
Non-capital debt	396,550	20,678	417,228
Due in more than one year:			
Capital debt	52,844,436	35,905,976	88,750,412
<b>Total Liabilities</b>	<b>61,531,664</b>	<b>40,369,816</b>	<b>101,901,480</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property tax for future reporting periods	22,757,208	-	22,757,208
<b>Total deferred inflows of resources</b>	<b>22,757,208</b>	<b>-</b>	<b>22,757,208</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	42,258,077	7,765,721	50,023,798
Restricted for:			
Debt services	1,224,234	2,008,323	3,232,557
Public safety	359,606		359,606
Parks and recreation	1,286,805		1,286,805
Capital projects	4,179,797		4,179,797
Public Works	40,566		40,566
General fund	519,474	-	519,474
Unrestricted	4,041,609	21,342,321	25,383,930
<b>Total Net Position</b>	<b>\$ 53,910,168</b>	<b>\$ 31,116,365</b>	<b>\$ 85,026,533</b>

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b><u>Governmental Activities</u></b>							
General government	\$ 8,911,832	\$ 4,356,739	\$ -	\$ 24,426	\$ (4,530,667)	\$ -	\$ (4,530,667)
Public safety	21,315,040	1,503,267	-	67,002	(19,744,771)	-	(19,744,771)
Public works	6,059,971	-	-	-	(6,059,971)	-	(6,059,971)
Culture and recreation	6,045,661	4,459,621	-	-	(1,586,040)	-	(1,586,040)
Economic development	329,337	187,948	-	-	(141,389)	-	(141,389)
Health and welfare	389,959	19,104	-	-	(370,855)	-	(370,855)
Interest on long-term debt	2,333,401	-	-	-	(2,333,401)	-	(2,333,401)
Total governmental activities	<u>45,385,201</u>	<u>10,526,679</u>	<u>-</u>	<u>91,428</u>	<u>(34,767,094)</u>	<u>-</u>	<u>(34,767,094)</u>
<b><u>Business-Type Activities</u></b>							
Water and sewer	6,732,782	11,440,689	-	-	-	4,707,907	4,707,907
Sanitation	2,941,467	393,288	-	-	-	(2,548,179)	(2,548,179)
Interest on long-term debt	1,162,990	-	-	-	-	(1,162,990)	(1,162,990)
Total business-type activities	<u>10,837,239</u>	<u>11,833,977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>996,738</u>	<u>996,738</u>
Total government	<u>\$ 56,222,440</u>	<u>\$ 22,360,656</u>	<u>\$ -</u>	<u>\$ 91,428</u>	<u>(34,767,094)</u>	<u>996,738</u>	<u>(33,770,356)</u>
<b><u>General Revenue</u></b>							
					21,311,336	3,122,952	24,434,288
					13,117,679	-	13,117,679
					2,331,621	-	2,331,621
					15,177	7,446	22,623
					137,480	73,008	210,488
					(61,298)	-	(61,298)
					<u>36,851,995</u>	<u>3,203,406</u>	<u>40,055,401</u>
					2,084,901	4,200,144	6,285,045
					51,825,267	26,916,221	78,741,488
					<u>\$ 53,910,168</u>	<u>\$31,116,365</u>	<u>\$ 85,026,533</u>

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Balance Sheet – Governmental Funds**  
**September 30, 2014**

	<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>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$ 3,424,365	\$ -	\$ 2,062,566	\$ 2,961	\$ 5,489,892
Accounts receivable, net of allowance for doubtful accounts of \$194,966	421,622	-	-	-	421,622
Intergovernmental receivable	1,093,653	-	-	137,435	1,231,088
Franchise tax receivable	503,161	-	-	-	503,161
Property tax receivable	15,338,549	-	7,418,659	-	22,757,208
Prepaid items	519,474	-	-	-	519,474
Due from other funds	86,435	-	-	-	86,435
Restricted cash	503,618	4,346,286	-	1,220,089	6,069,993
	<u>\$ 21,890,877</u>	<u>\$ 4,346,286</u>	<u>\$ 9,481,225</u>	<u>\$ 1,360,485</u>	<u>\$ 37,078,873</u>
<b><u>LIABILITIES</u></b>					
Accounts payable	\$ 966,405	\$ 83,015	\$ -	\$ 70,719	\$ 1,120,139
Accrued expenses	749,610	-	-	-	749,610
Due to other funds	-	83,474	-	2,961	86,435
	<u>1,716,015</u>	<u>166,489</u>	<u>-</u>	<u>73,680</u>	<u>1,956,184</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unavailable revenue - property taxes	15,338,549	-	7,418,659	-	22,757,208
	<u>15,338,549</u>	<u>-</u>	<u>7,418,659</u>	<u>-</u>	<u>22,757,208</u>
<b><u>FUND BALANCES</u></b>					
Nonspendable for prepaid	519,474	-	-	-	519,474
Restricted for:					
Debt service	-	-	2,062,566	-	2,062,566
Parks and recreation	-	-	-	1,286,805	1,286,805
Capital projects	-	4,179,797	-	-	4,179,797
Public safety	359,606	-	-	-	359,606
Public works	40,566	-	-	-	40,566
Committed for:					
Public Safety	165,000	-	-	-	165,000
Assigned	-	-	-	-	-
Unassigned	3,751,667	-	-	-	3,751,667
	<u>4,836,313</u>	<u>4,179,797</u>	<u>2,062,566</u>	<u>1,286,805</u>	<u>12,365,481</u>
Total Fund Balances	<u>\$ 21,890,877</u>	<u>\$ 4,346,286</u>	<u>\$ 9,481,225</u>	<u>\$ 1,360,485</u>	<u>\$ 37,078,873</u>
Total Liabilities and Fund Balances	<u>\$ 21,890,877</u>	<u>\$ 4,346,286</u>	<u>\$ 9,481,225</u>	<u>\$ 1,360,485</u>	<u>\$ 37,078,873</u>

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2014**

Total Fund Balance - Governmental Funds \$ 12,365,481

Amounts reported for governmental activities in the Statement  
of Net Position are different because:

Certain tourism taxes are not available to pay for current period expenditures  
and therefore, are deferred in the funds. 521,492

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	55,730,784	
Equipment and vehicles	17,296,904	
Infrastructure	91,674,842	
Construction in progress	2,715,340	
Leased equipment	1,348,536	
Accumulated depreciation	<u>(77,457,741)</u>	
		100,685,110

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	(1,604,674)	
Leases payable	(2,336,812)	
General obligation and revenue bonds	(53,980,000)	
Accrued expenses	(838,332)	
Bond discount	4,660	
Bond premium	(510,207)	
Compensated absences	<u>(396,550)</u>	
		<u>(59,661,915)</u>

Net Position of Governmental Activities \$ 53,910,168

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2014**

	<b>General Fund</b>	<b>Bond Funded Capital Project Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b><u>REVENUES</u></b>					
General property taxes	\$ 13,311,374	\$ -	\$ 7,999,963	\$ -	\$ 21,311,337
Sales tax	13,117,679	-	-	-	13,117,679
Licenses and permits	656,568	-	-	-	656,568
Intergovernmental	925,865	-	-	1,655,344	2,581,209
Charges for services	3,527,883	-	-	187,948	3,715,831
Fines	2,411,341	-	-	-	2,411,341
Franchise taxes	2,331,621	-	-	-	2,331,621
Rents	659,007	-	-	-	659,007
Grant proceeds	91,428	-	-	-	91,428
Interest	15,177	-	-	-	15,177
Miscellaneous	127,108	9,558	-	815	137,481
Total Revenues	<u>37,175,051</u>	<u>9,558</u>	<u>7,999,963</u>	<u>1,844,107</u>	<u>47,028,679</u>
<b><u>EXPENDITURES</u></b>					
General government	7,564,746	-	-	-	7,564,746
Public safety	19,782,725	-	-	-	19,782,725
Public works	1,764,594	-	-	-	1,764,594
Culture and recreation	4,677,062	-	-	-	4,677,062
Health and welfare	389,790	-	-	-	389,790
Tourism and convention	-	-	-	329,337	329,337
Capital outlay	2,184,515	2,539,058	-	479,708	5,203,281
Debt service:					
Principal	-	-	8,291,022	-	8,291,022
Interest	-	-	1,971,481	-	1,971,481
Bond issue cost	-	84,000	329,535	-	413,535
Agent Fees	-	39,227	-	-	39,227
Total Expenditures	<u>36,363,432</u>	<u>2,662,285</u>	<u>10,592,038</u>	<u>809,045</u>	<u>50,426,800</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>811,619</u>	<u>(2,652,727)</u>	<u>(2,592,075)</u>	<u>1,035,062</u>	<u>(3,398,121)</u>
<b><u>OTHER FINANCIAL SOURCES (USES)</u></b>					
Sale of assets	45,620	-	-	-	45,620
Lease proceeds	-	-	-	-	-
Bond proceeds	-	6,565,000	2,930,000	-	9,495,000
Refunding bonds issued	-	-	7,945,000	-	7,945,000
Premiums on bonds issued	-	169,245	107,832	-	277,077
Payment to bond refunding escrow agent	-	-	(7,700,000)	-	(7,700,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>45,620</u>	<u>6,734,245</u>	<u>3,282,832</u>	<u>-</u>	<u>10,062,697</u>
Net Change in Fund Balances	857,239	4,081,518	690,757	1,035,062	6,664,576
Fund Balances - Beginning of Year	3,917,754	98,279	1,371,809	313,063	5,700,905
Equity Transfers	61,320	-	-	(61,320)	-
Fund Balances - End of Year	<u>\$ 4,836,313</u>	<u>\$4,179,797</u>	<u>\$ 2,062,566</u>	<u>\$ 1,286,805</u>	<u>\$ 12,365,481</u>

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$	6,664,576
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$4,058,529 was exceeded by depreciation of \$7,433,788 in the current period.</p>		(3,375,259)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds</p>		
Sales tax receivable		521,492
<p>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 \$17,440,000 and amortization expense of \$55,507 in the current period exceeded repayments of \$15,991,022.</p>		(1,393,471)
<p>Bond Premiums are reported as an other financing source and are reported as an expenditure on the governmental funds' operating statement, but deferred on the government-wide statement of net assets</p>		(277,077)
<p>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</p>		
Compensated absences payable		90,501
Sale and adjustment of capital assets		(123,033)
Accrued interest payable		(22,828)
		2,084,901
	\$	2,084,901
Change in Net Position of Governmental Activities		

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2014**

	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and cash equivalents	\$ 11,518,455	\$ 3,236,820	\$ 14,755,275
Accounts receivable, net of allowance for doubtful accounts \$119,737	1,361,017	28,089	1,389,106
Loan receivable	1,202,688	-	1,202,688
Other receivable	2,878	832	3,710
Total Current Assets	<u>14,085,038</u>	<u>3,265,741</u>	<u>17,350,779</u>
Noncurrent Assets			
Bean Patch receivable	8,569,840	-	8,569,840
Fixed assets, net of accumulated depreciation	45,373,064	192,498	45,565,562
Total Noncurrent Assets	<u>53,942,904</u>	<u>192,498</u>	<u>54,135,402</u>
Total Assets	<u>\$ 68,027,942</u>	<u>\$ 3,458,239</u>	<u>\$ 71,486,181</u>
<b><u>LIABILITIES AND NET POSITION</u></b>			
Current Liabilities			
Accounts payable	\$ 1,255,722	\$ 318,908	\$ 1,574,630
Accrued expenses	21,572	2,300	23,872
Accrued interest	114,458	-	114,458
Due to other funds	-	-	-
Total Current Liabilities	<u>1,391,752</u>	<u>321,208</u>	<u>1,712,960</u>
Current Liabilities Payable from Restricted Assets			
Customer deposits	836,337	-	836,337
Long-term liabilities due within one year:			
Capital debt	1,893,865	-	1,893,865
Non-capital debt	20,678	-	20,678
Total current liabilities payable from restricted assets	<u>2,750,880</u>	<u>-</u>	<u>2,750,880</u>
Long-term liabilities due in more than one year:			
Capital debt	35,905,976	-	35,905,976
Total Long-Term Liabilities	<u>35,905,976</u>	<u>-</u>	<u>35,905,976</u>
Total Liabilities	<u>40,048,608</u>	<u>321,208</u>	<u>40,369,816</u>
Net Position			
Net investment in capital assets	7,573,223	192,498	7,765,721
Restricted for:			
Debt service	2,008,323	-	2,008,323
Unrestricted	18,397,788	2,944,533	21,342,321
Total Net Position	<u>27,979,334</u>	<u>3,137,031</u>	<u>31,116,365</u>
Total Liabilities and Net Position	<u>\$ 68,027,942</u>	<u>\$ 3,458,239</u>	<u>\$ 71,486,181</u>

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Position – Proprietary Funds**  
**For the Year Ended September 30, 2014**

	Utility	Sanitation	Total
<b><u>OPERATING REVENUES</u></b>			
Sales	\$ 11,440,689	\$ 393,288	\$ 11,833,977
Miscellaneous	63,149	9,859	73,008
	<u>11,503,838</u>	<u>403,147</u>	<u>11,906,985</u>
<b><u>OPERATING EXPENSES</u></b>			
Personnel	1,228,857	150,074	1,378,931
Supplies	591,809	21,250	613,059
Depreciation and amortization	1,578,976	46,838	1,625,814
Maintenance and other	2,632,553	12,843	2,645,396
Professional services	700,587	2,710,462	3,411,049
	<u>6,732,782</u>	<u>2,941,467</u>	<u>9,674,249</u>
Total Operating Expenses	<u>6,732,782</u>	<u>2,941,467</u>	<u>9,674,249</u>
Operating Income	<u>4,771,056</u>	<u>(2,538,320)</u>	<u>2,232,736</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Property taxes	\$ -	\$ 3,122,952	\$ 3,122,952
Interest income	5,712	1,734	7,446
Interest expense	(1,162,990)	-	(1,162,990)
	<u>(1,157,278)</u>	<u>3,124,686</u>	<u>1,967,408</u>
Total Non-Operating Revenues (Expenses)	<u>(1,157,278)</u>	<u>3,124,686</u>	<u>1,967,408</u>
Net Income	<u>3,613,778</u>	<u>586,366</u>	<u>4,200,144</u>
Net Position - Beginning of Year	24,365,556	2,550,665	26,916,221
Net Position - End of Year	<u>\$ 27,979,334</u>	<u>\$ 3,137,031</u>	<u>\$ 31,116,365</u>

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2014**

	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Cash received from customers	\$ 11,379,052	\$ 457,892	\$ 11,836,944
Cash payments for goods and services	(3,901,465)	(2,740,707)	(6,642,172)
Cash payments to employees	(1,238,954)	(150,074)	(1,389,028)
Net Cash Provided By (Used In) Operating Activities	<u>6,238,633</u>	<u>(2,432,889)</u>	<u>3,805,744</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Cash received from Property Taxes	-	3,122,952	3,122,952
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>-</u>	<u>3,122,952</u>	<u>3,122,952</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Payments for capital acquisitions, net	(4,364,304)	(134,918)	(4,499,222)
Customer deposits	147,463	-	147,463
Loan proceeds	3,407,157	-	3,407,157
Principal payments on debt	(1,739,792)	-	(1,739,792)
Interest payments on debt	(1,162,990)	-	(1,162,990)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(3,712,466)</u>	<u>(134,918)</u>	<u>(3,847,384)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Payments received on notes, net	219,268	-	219,268
Receipts of interest	5,712	1,734	7,446
Net Cash Provided By (Used In) Investing Activities	<u>224,980</u>	<u>1,734</u>	<u>226,714</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,751,147	556,879	3,308,026
Cash and Cash Equivalents-Beginning of Year	<u>8,767,308</u>	<u>2,679,941</u>	<u>11,447,249</u>
Cash and Cash Equivalents-End of Year	<u>\$ 11,518,455</u>	<u>\$ 3,236,820</u>	<u>\$ 14,755,275</u>
Reconciliation of Operating Income to Net Cash Provided By (Used In)			
Operating Activities			
Operating Income	<u>\$ 4,771,056</u>	<u>\$ (2,538,320)</u>	<u>\$ 2,232,736</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	1,578,976	46,838	1,625,814
(Increase) decrease in customer receivables	251,158	54,745	305,903
(Increase) decrease in other receivables	(380,627)	-	(380,627)
(Increase) decrease in property tax receivables	-	3,468,193	3,468,193
Increase (decrease) in accounts payable	24,743	3,091	27,834
Increase (decrease) in accrued expenses	3,424	757	4,181
Increase (decrease) in compensated absences	(10,097)	-	(10,097)
Increase (decrease) in deferred revenue	-	(3,468,193)	(3,468,193)
Total adjustments	<u>1,467,577</u>	<u>105,431</u>	<u>1,573,008</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 6,238,633</u>	<u>\$ (2,432,889)</u>	<u>\$ 3,805,744</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

A. General Statement

The City of Southaven (the “City”) was incorporated in 1980. The City operated 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”). The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principals. 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. 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, 2014**

*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 and report financial resources that are restricted, committed, or assigned to expenditure from capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

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.

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 position. 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 measureable 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.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

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.

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 generally three months or less.

G. Prepaid Items

Prepaid items are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year. The nonspendable fund balance 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 nonspendable fund balance account, if applicable, 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

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

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.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

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.

	Capitalization Thresholds	Estimated Useful Life
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 America require accrual of accumulated unpaid employee benefits as 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. Deferred Inflows of Resources**

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

Property tax for future reporting period/unavailable revenue- property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

**M. Equity Classifications**

Net position in government-wide and proprietary fund financial statements are classified in three components:

**NET INVESTMENT IN CAPITAL ASSETS**

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

**RESTRICTED**

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

**UNRESTRICTED**

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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

In February 2009, the GASB issued Statement No. 54, fund Balance Reporting and Governmental Fund Type Definitions (“GASB Statement No. 54”), which became effective in fiscal 2011. Under GASB Statement No. 54, net position in governmental fund financial statements are classified as non-spendable, restricted, committed, assigned, and unassigned.

The governmental fund type classified fund balances 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. The formal action is an order of the Board of Aldermen as approved in the board minutes.

**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. This intent to use funds for specific purpose is approved by the Board of Aldermen in the board minutes. 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. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for a specific purpose has exceeded the amounts restricted, committed, or assigned to the purposes, those amounts are reported as negative unassigned fund balance.

The Board of Aldermen establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as special incentives). Assigned fund balanced is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service, or for other purposes).

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing so, such as a grant agreement requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

N. Property Tax Revenues

Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

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

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.

O. 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.

P. Recent Accounting Pronouncements

In April 2012, GASB issued Statement No. 66, "Technical Corrections – 2012; and amendment of GASB Statement No. 10 and No. 62." This Statement removes the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund type. As a result, governments would base their decisions about governmental fund type usage for risk financing activities on the definitions in Statement No. 54. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. This Statement has no significant impact on the City's financial statements.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25," the objective of which is to improve financial reporting by state and local governmental pension plans. Statement No. 67 replaces the requirement of Statements No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" and No. 50, "Pension Disclosures" for pension plans administered through trust or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. Management is currently evaluating the impact of the Statement.

In June 2012, the GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions, which is intended to improve the usefulness of information in employer and governmental nonemployer contributing entity financial reports and enhance value for assessing accountability by requiring recognition of the entire net pension liability and more comprehensive measure of pension expense. The provisions of Statement No. 68 are effective for fiscal years beginning after June 15, 2014. Management is currently evaluating the impact of this statement on the financial statements.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

In January 2013, the GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations." This Statement establishes accounting and financial reporting standards for mergers, acquisitions, and transfers of operations (i.e., government combinations). This Statement also provides guidance on how to determine the gain or loss on a disposal of government operations. This Statement applies to all state and local governmental entities. The requirements of this Statement should be applied prospectively and are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. This Statement has no significant impact on the City's financial statements.

In April 2013, GASB issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. The requirements for this Statement are effective for financial statements for reporting periods beginning after June 15, 2013. This Statement has no significant impact on the City's financial statements.

In November 2013, the GASB issued Statement No. 71, "Pension Transition for Contributions Made Subsequent of the Measurement Date – An Amendment of GASB Statement No. 68." This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions in the Statement are required to be applied simultaneously with the provisions of Statement 68, which the City will implement in fiscal year 2015

**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 Treasury 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, 2014, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2014, the carrying amount of the City's deposits was \$26,315,160 and the bank balances totaled \$27,468,401. Of the bank balances, \$250,000 was insured by the FDIC and \$26,065,160 was covered by pooled and/or pledged collateral

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of capital assets activity for the year ended September 30, 2014:

	Balance at 9/30/2013	Additions	Deletions	Adjustments/ Transfers	Balance at 9/30/2014
<b>GOVERNMENTAL ACTIVITIES</b>					
Capital assets, not being depreciated:					
Land	\$ 9,376,445	\$ -	\$ -	\$ -	\$ 9,376,445
Construction in progress	2,880,625	2,712,668	-	(2,877,953)	2,715,340
Total capital assets, not being depreciated	<u>12,257,070</u>	<u>2,712,668</u>	<u>-</u>	<u>(2,877,953)</u>	<u>12,091,785</u>
Capital assets, being depreciated:					
Buildings and improvements	55,878,337	109,947	(257,500)	-	55,730,784
Equipment and vehicles	18,030,243	1,202,524	(1,935,863)	-	17,296,904
Infrastructure	88,862,360	33,390	(98,861)	2,877,953	91,674,842
Leased equipment	1,518,308	-	(169,772)	-	1,348,536
Total capital assets, being depreciated	<u>164,289,248</u>	<u>1,345,861</u>	<u>(2,461,996)</u>	<u>2,877,953</u>	<u>166,051,066</u>
Less accumulated depreciation for:					
Buildings and improvements	(12,836,693)	(1,539,199)	219,411	-	(14,156,481)
Equipment and vehicles	(11,033,447)	(1,389,722)	1,884,071	-	(10,539,098)
Infrastructure	(47,118,825)	(4,416,735)	65,709	-	(51,469,851)
Leased equipment	(1,373,951)	(88,132)	169,772	-	(1,292,311)
Total accumulated depreciation	<u>(72,362,916)</u>	<u>(7,433,788)</u>	<u>2,338,963</u>	<u>-</u>	<u>(77,457,741)</u>
Total capital assets, being depreciated, net	<u>91,926,332</u>	<u>(6,087,927)</u>	<u>(123,033)</u>	<u>2,877,953</u>	<u>88,593,325</u>
Governmental activities capital assets, net	<u>\$ 104,183,402</u>	<u>\$ (3,375,259)</u>	<u>\$ (123,033)</u>	<u>\$ -</u>	<u>\$ 100,685,110</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Capital assets, not being depreciated:					
Land	\$ 579,036	\$ -	\$ -	\$ -	\$ 579,036
Construction in progress	9,924,144	4,229,873	-	(4,219,481)	9,934,536
Total capital assets, not being depreciated	<u>10,503,180</u>	<u>4,229,873</u>	<u>-</u>	<u>(4,219,481)</u>	<u>10,513,572</u>
Capital assets, being depreciated:					
Buildings	381,573	-	-	-	381,573
Infrastructure	46,560,084	149,024	-	4,219,481	50,928,589
Equipment and vehicles	2,144,654	120,325	(141,187)	-	2,123,792
Leased equipment	744,057	-	-	-	744,057
Total capital assets, being depreciated	<u>49,830,368</u>	<u>269,349</u>	<u>(141,187)</u>	<u>4,219,481</u>	<u>54,178,011</u>
Less accumulated depreciation for:					
Buildings	(437,425)	(49,829)	-	-	(487,254)
Infrastructure	(15,431,086)	(1,410,903)	-	-	(16,841,989)
Equipment and vehicles	(1,589,625)	(140,004)	141,187	-	(1,588,442)
Leased equipment	(178,574)	(29,762)	-	-	(208,336)
Total accumulated depreciation	<u>(17,636,710)</u>	<u>(1,630,498)</u>	<u>141,187</u>	<u>-</u>	<u>(19,126,021)</u>
Total capital assets, being depreciated, net	<u>32,193,658</u>	<u>(1,361,149)</u>	<u>-</u>	<u>4,219,481</u>	<u>35,051,990</u>
Business-type activities capital assets, net	<u>\$ 42,696,838</u>	<u>\$ 2,868,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,565,562</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, 2014**

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 688,436
Public safety	1,350,274
Public works	4,320,142
Culture and recreation	<u>1,074,936</u>
Total depreciation expense, governmental activities	<u>\$ 7,433,788</u>
Business-type activities:	
Water and sewer	<u>\$ 1,630,498</u>
Total depreciation expense, business-type activities	<u>\$ 1,630,498</u>

Commitments under construction contracts at September 30, 2014 are summarized as follows:

Project	Contract Amount	Remaining Balance
Hurricane Creek	\$ 7,098,700	\$ 3,285,679
MWW Sewer Infrastructure	\$ 1,376,200	\$ 1,277,228

**NOTE 4 – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following:

Description	General Fund
Sales tax	\$ 1,093,653
Tourism tax	<u>658,927</u>
Totals	<u>\$ 1,752,580</u>

**NOTE 5 – INTERFUND TRANSFERS AND BALANCES**

The following is a summary of interfund transactions and balances:

Due to/from other funds:	Due From	Due To
Major funds:		
General fund	\$ 86,435	\$ -
Bond funded capital projects fund	-	83,474
Other governmental funds	-	2,961
Total	<u>\$ 86,435</u>	<u>\$ 86,435</u>

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**NOTE 6 – LONG-TERM DEBT**

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

	Balance at 9/30/2013	Additions	Deletions	Balance at 9/30/2014	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 42,715,000	\$ 17,440,000	\$ 11,695,000	\$ 48,460,000	\$ 4,090,000
Tax increment financing bonds payable	6,175,000	-	655,000	5,520,000	685,000
Notes payable	4,766,994	-	3,162,320	1,604,674	391,260
Leases payable	2,815,514	-	478,702	2,336,812	416,337
Compensated absences	487,051	918,127	1,008,628	396,550	396,550
Bond premium	289,570	277,077	56,440	510,207	-
Bond discounts	(5,593)	-	(933)	(4,660)	-
	<u>57,243,536</u>	<u>18,635,204</u>	<u>17,055,157</u>	<u>58,823,583</u>	<u>5,979,147</u>
Governmental activities long-term liabilities	<u>\$ 57,243,536</u>	<u>\$ 18,635,204</u>	<u>\$ 17,055,157</u>	<u>\$ 58,823,583</u>	<u>\$ 5,979,147</u>
Business-type activities:					
General obligation bonds payable	\$ 11,000,000	\$ -	\$ 570,000	\$ 10,430,000	\$ 595,000
Revenue bonds payable	11,720,000	-	485,000	11,235,000	510,000
Notes payable	12,965,628	3,407,157	626,605	15,746,180	733,046
Leases payable	426,868	-	53,501	373,367	55,819
Compensated absences	30,776	53,096	63,194	20,678	20,678
Bond premium	75,434	-	8,381	67,053	-
Bond discounts	(55,455)	-	(3,696)	(51,759)	-
	<u>36,163,251</u>	<u>3,460,253</u>	<u>1,802,985</u>	<u>37,820,519</u>	<u>1,914,543</u>
Business-type activities long-term liabilities	<u>\$ 36,163,251</u>	<u>\$ 3,460,253</u>	<u>\$ 1,802,985</u>	<u>\$ 37,820,519</u>	<u>\$ 1,914,543</u>

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**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					
2004	4.02%	12/1/2004	12/1/2024	\$ 4,500,000	\$ 210,000
2005	3.97%	12/1/2005	12/1/2025	4,500,000	3,170,000
2007	4.37-5.50%	7/1/2007	7/1/2027	6,000,000	4,460,000
2008	3.63-5.00%	7/1/2008	7/1/2028	4,000,000	3,155,000
2008	3.00-5.00%	4/16/2009	11/1/2020	6,665,000	4,470,000
2010	3.125 - 4.00%	2/1/2010	2/1/2020	6,000,000	5,180,000
2010	2.00 - 3.25%	3/23/2010	10/1/2019	3,595,000	2,195,000
2010	2.00 - 3.30%	11/4/2010	11/1/2024	3,225,000	2,615,000
2011	2.00 - 3.50%	1/25/2011	10/1/2021	3,505,000	2,620,000
2012	1.25 - 1.70%	11/6/2013	11/1/2022	2,875,000	2,615,000
2012	1.00 - 2.250%	10/9/2012	12/1/2024	3,015,000	2,920,000
2013	2.50 - 3.50%	11/19/2013	12/1/2033	6,565,000	6,565,000
2014	3.97%	1/31/2014	3/1/2025	2,930,000	2,930,000
2014	2.00 - 5.00%	3/4/2014	3/1/2024	7,945,000	7,945,000
2009 Water/Sewer	3.00-5.00%	2/1/2009	2/1/2029	6,500,000	5,315,000
2012 Water/Sewer	1.00 - 2.125%	10/6/2012	12/1/2023	2,735,000	2,525,000
Total general obligation bonds				<u>\$ 74,555,000</u>	<u>\$ 58,890,000</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, 2014 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	\$ 7,190,000
2007 Water/Sewer	4.12-5.00%	8/1/2007	8/1/2027	5,400,000	4,045,000
Total Revenue Bonds				<u>\$ 14,400,000</u>	<u>\$ 11,235,000</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	\$ 190,000
2005A Towne Cener	4.07-4.63%	9/30/2006	9/30/2020	5,000,000	2,835,000
2005B Towne Center	5.94-6.64%	9/30/2006	9/30/2020	4,200,000	2,495,000
Total TIF Bonds				<u>\$ 9,760,000</u>	<u>\$ 5,520,000</u>

According to the TIF development agreement (s), the ad valorem tax collected by the City as well as half of the ad valorem taxes collected by DeSoto County for the parcels related to the Southaven Towne Center are allocated to the

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

payment of the related general government TIF bonds. According to the Southlake Center development agreement, the ad valorem tax collected by the City for those parcels are allocated to the payment of the related general government TIF bonds. The ad valorem taxes collected from the parcels at the Southaven Towne Center and the Southlake Center are approximately \$700,000 and \$75,000, respectively. The debt service on these bonds in the current fiscal year was approximately \$980,000. According to the development agreement, the remaining balance on the debt service is paid for through sales tax generated on the businesses located on those parcels of land.

Notes outstanding at year end are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Merchants & Farmers - 2005	4.10%	8/1/2006	8/1/2016	\$ 1,900,000	\$ 444,324
MS Dept of Health DWSLRF	3.00%	12/1/2002	9/1/2022	1,400,961	689,079
MS Dept of Health DWSLRF	3.00%	1/1/2003	10/1/2022	1,361,525	665,785
MS Dept of Health DWSLRF	3.00%	7/1/2003	4/1/2023	1,250,436	647,654
MS Dept of Health DWSLRF	4.00%	9/20/2004	7/1/2024	1,425,168	848,358
MS Dept of Health DWSLRF	1.95%	11/2/2007	1/1/2029	807,693	669,237
MS Dept of Health DWSLRF	1.95%	11/2/2007	10/1/2029	2,096,881	1,725,016
MS Dept of Health DWSLRF	1.95%	10/1/2008	6/1/2030	1,082,138	901,502
MS Dept of Health DWSLRF	1.95%	10/1/2008	9/30/2030	1,821,006	1,557,982
MS Development Authority	2.00%	8/1/2010	7/1/2020	531,753	323,018
MS Development Authority	3.00%	9/1/2010	9/1/2020	683,373	428,793
MS Dept of Environmental Quality WPCRLF	1.75%	9/1/2011	12/31/2033	4,219,481	4,129,654
MS Dept of Environmental Quality WPCRLF	1.75%	1/1/2010	8/31/2035	3,812,941	3,812,941
MS Dept of Environmental Quality WPCRLF	1.75%	9/1/2013	12/31/2035	98,972	98,972
Bancorpsouth - 2011	2.87%	3/1/2011	3/1/2021	560,000	408,539
Total Notes				<u>\$ 23,052,328</u>	<u>\$ 17,350,854</u>

The aggregate maturities of general obligation bonds, revenue bonds, tax increment financing, and notes for the years subsequent to September 30, 2014 are as follows:

Year Ending September 30	General Long-Term Debt		Enterprise Fund Debt	
	Principal	Interest	Principal	Interest
2015	\$ 5,166,260	\$ 1,949,994	\$ 1,838,046	\$ 1,126,496
2016	5,364,953	1,627,144	2,070,950	1,142,392
2017	5,323,048	1,450,037	2,137,165	1,074,228
2018	5,502,957	1,275,902	2,203,840	1,005,734
2019	5,688,300	1,091,155	2,291,259	935,393
2020-2024	19,556,656	3,097,914	12,217,170	3,528,444
2025-2029	6,677,500	900,278	10,618,266	1,527,613
2030-2034	2,305,000	191,075	3,804,798	192,401
2034-2038	-	-	229,686	4,524
Total	<u>\$55,584,674</u>	<u>\$11,583,499</u>	<u>\$ 37,411,180</u>	<u>\$ 10,537,225</u>

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

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.

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 416,336	\$ 49,852	\$ 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	263,693	23,308	66,143	5,857
2020-2024	830,009	30,997	69,010	2,991
2025-2029	-	-	-	-
Present Value of Minimum Lease Payments	<u>\$ 2,336,812</u>	<u>\$ 211,251</u>	<u>\$ 373,367</u>	<u>\$ 58,634</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 \$18,140,888 (the smaller of the two computed margins) as of September 30, 2014.

	15% Test	20% Test
Assessed value as of September 30, 2014:		
\$460,572,588 times applicable percentage	\$ 69,085,888	\$ 92,114,518
Less present debt subject to debt limits as of September 30, 2014:		
Total bonds outstanding (excluding MDB backed bonds)	(50,945,000)	(50,945,000)
Margin for additional debt	<u>\$ 18,140,888</u>	<u>\$ 41,169,518</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, 2014.

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2014**

**NOTE 6 – LONG-TERM DEBT (CONTINUED)**

Advanced Refunding.

On March 4, 2014, the City issued \$7,945,000 in General Obligation Refunding Bonds with interest rates ranging between 2.00% and 5.0%. The 2014 Bonds were used to refund the 2003 General Obligation bonds, the 2004 General Obligation bonds, and the 2006 General Obligation bonds. A portion of the proceeds of the Series 2014 Bonds were remitted directly to the 2003, 2004, and 2006 General Obligation Bond Trustee to hold as uninvested cash until such time as such moneys were used by the Refunded Bank Bonds Trustee to pay interest on and the principal of each series of the Refunded Bank Bonds on May 1, 2014. The City advance refunded the bonds to reduce its total debt service payments over the next 10 years by \$301,432 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$304,548.

Current Refunding.

On January 31, 2014, the City also issued \$2,930,000 in Taxable General Obligation Refunding Bonds (Series 2013B) with interest rates of 3.97%. The City issued the bonds to refund \$2,888,547 of the 2005 Promissory Note by and between the City and BancorpSouth. The City used the net proceeds to directly payoff the promissory note to BancorpSouth via federal funds wire. As a result, the 2005 promissory note is considered paid in full, and the City has removed the liability from its accounts.

**NOTE 7 – RETIREMENT PLAN**

Public Employees' Retirement System

Plan Description and Provisions

The City contributes to the Public Employees' Retirement System of Mississippi ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800- 444-PERS.

Funding Policy.

PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. At September 30, 2014, the current rate is 15.75% of annual covered payroll. Benefit provisions are established by Section 21-11-1 et seq., Mississippi Code Annotated (1972), 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, 2014, 2013, and 2012 were \$2,863,146, \$2,588,755 and \$2,270,533 respectively, equal to the required contributions for each year.

**NOTE 8 – 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 9 – 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, 2014**

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 30, 2015, which is the date the financial statements were available to be issued.

On October 28, 2014, the City sold the Performing Arts Center. This relieved debt of approximately \$444,000 from the debt schedule as well as removed an asset.

Effective January 1, 2015, the City entered into a licensing and naming agreement with Bank Plus, a Banking Association. This agreement grants to Bank Plus the exclusive rights and license to name the amphitheater the “Bank Plus Amphitheater at Snowden Grove”, the sports center the “Bank Plus Sports Center” and the Championship Baseball Field the “Bank Plus Field”. The initial term of this agreement is for ten years commencing on January 1, 2015 and ending on December 31, 2024 with an option to extend the agreement for 5 additional years. Over this period Bank Plus will pay the City \$1,000,000.

On January 21, 2015 the City used funds restricted for debt payments to pay the remaining balance of a lease with Siemens Financial Services in the amount of \$2,050,394.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Basis – Budget and Actual - General Fund**  
**For the Year Ended September 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>				
General property taxes	\$ 12,663,000	\$ 13,038,000	\$ 13,311,374	\$ 273,374
Licenses and permits	496,000	636,000	656,567	20,567
Intergovernmental	12,913,000	13,663,000	13,974,858	311,858
Charges for services	3,222,000	3,442,000	3,599,393	157,393
Fines	3,390,000	2,344,000	2,411,341	67,341
Franchise taxes	1,790,000	2,232,000	2,283,929	51,929
Interest	70,000	12,000	15,177	3,177
Rents	550,000	600,000	659,008	59,008
Grant proceeds	24,000	91,000	91,428	428
Miscellaneous	257,000	257,000	145,878	(111,122)
<b>Total Revenues</b>	<b>35,375,000</b>	<b>36,315,000</b>	<b>37,148,953</b>	<b>833,953</b>
<b><u>EXPENDITURES</u></b>				
General government				
Personnel services	3,016,524	2,999,444	2,945,741	53,703
Supplies	131,100	130,400	120,135	10,265
Other services and charges	5,253,925	4,522,610	4,325,486	197,124
<b>Total general government</b>	<b>8,401,549</b>	<b>7,652,454</b>	<b>7,391,362</b>	<b>261,092</b>
Public safety:				
Police:				
Personnel services	9,132,900	9,289,415	9,289,476	(61)
Supplies	610,000	630,000	637,300	(7,300)
Other services and charges	978,000	933,275	925,549	7,726
Fire:				
Personnel services	8,123,059	8,156,429	8,154,006	2,423
Supplies	373,500	311,460	252,435	59,025
Other services and charges	742,500	634,732	562,944	71,788
<b>Total public safety</b>	<b>19,959,959</b>	<b>19,955,311</b>	<b>19,821,710</b>	<b>133,601</b>
Public works				-
Personnel services	524,072	562,072	564,105	(2,033)
Supplies	96,800	174,800	176,375	(1,575)
Other services and charges	781,000	1,010,720	1,009,406	1,314
<b>Total public works</b>	<b>1,401,872</b>	<b>1,747,592</b>	<b>1,749,886</b>	<b>(2,294)</b>

continued

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Basis – Budget and Actual - General Fund**  
**For the Year Ended September 30, 2014**  
**(Continued)**

	<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>		
Culture and recreation				
Personnel services	2,224,777	2,300,237	2,265,596	34,641
Supplies	495,000	526,700	538,238	(11,538)
Other services and charges	1,752,500	1,857,400	1,857,605	(205)
Total culture and recreation	<u>4,472,277</u>	<u>4,684,337</u>	<u>4,661,439</u>	<u>22,898</u>
Health and welfare				
Personnel services	327,581	334,641	333,114	1,527
Supplies	27,250	27,250	31,198	(3,948)
Other services and charges	30,550	30,550	26,604	3,946
Total health and welfare	<u>385,381</u>	<u>392,441</u>	<u>390,916</u>	<u>1,525</u>
Capital outlay	<u>1,523,962</u>	<u>1,902,865</u>	<u>2,182,883</u>	<u>(280,018)</u>
Total Expenditures	<u>36,145,000</u>	<u>36,335,000</u>	<u>36,198,196</u>	<u>136,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(770,000)</u>	<u>(20,000)</u>	<u>950,757</u>	<u>970,757</u>
Other Financing Sources (Uses)				
Sale of assets	20,000	20,000	45,620	25,620
Interfund transfers	750,000	-	-	-
Total Other Financing Sources (Uses)	<u>770,000</u>	<u>20,000</u>	<u>45,620</u>	<u>25,620</u>
Net Changes in Fund Balances	-	-	996,377	996,377
Fund Balance - Beginning of Year	-	-	3,917,754	3,917,754
Equity Transfers	-	-	61,320	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	4,975,451	<u>\$ 4,914,131</u>
Adjustments to conform with GAAP:				
Revenues			26,098	
Expenditures			<u>(165,236)</u>	
Fund Balance - End of Year (GAAP basis)			<u>\$ 4,836,313</u>	

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2014**

**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 Schedule 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. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual is a part of required supplementary 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 Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Basis – Budget and Actual – Bond Funded Capital Project Fund**  
**For the Year Ended September 30, 2014**

	<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>		
<b><u>EXPENDITURES</u></b>				
Administrative expenses	\$ -	\$ 84,000	\$ 123,227	\$ 39,227
Capital outlay	-	7,085,575	2,539,058	(4,546,517)
Total Expenditures	-	7,169,575	2,662,285	(4,507,290)
Other Financing Sources (Uses)				
Bond proceeds	-	6,704,575	6,565,000	(139,575)
Interest refund	-	-	9,558	9,558
Premium of bond issuance	-	-	169,245	169,245
Street bond	-	465,000	-	(465,000)
Total Other Financing Sources (Uses)	-	7,169,575	6,743,803	(425,772)
Net Changes in Fund Balances	-	-	4,081,518	4,081,518
Fund Balance - Beginning of Year	-	-	98,279	98,279
Fund Balance - End of Year	\$ -	\$ -	\$ 4,179,797	\$ 4,179,797

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budgetary Basis – Budget and Actual – Debt Service Fund**  
**For the Year Ended September 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
<b><u>REVENUES</u></b>				
General property taxes	\$ 7,950,000	\$ 7,950,000	\$ 7,999,963	\$ 49,963
Total Revenues	<u>7,950,000</u>	<u>7,950,000</u>	<u>7,999,963</u>	<u>49,963</u>
<b><u>EXPENDITURES</u></b>				
Debt Service				
Principal	6,011,668	6,011,668	8,291,022	(2,279,354)
Interest	1,938,332	1,938,332	1,971,481	(33,149)
Bond Issue Costs	-	-	329,535	(329,535)
Total Expenditures	<u>7,950,000</u>	<u>7,950,000</u>	<u>10,592,038</u>	<u>(2,642,038)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	-	-	(2,592,075)	(2,592,075)
Other Financing Sources (Uses)				
Rents	-	-	2,930,000	2,930,000
Refunding bonds issued	-	-	7,945,000	7,945,000
Premiums on bonds issued	-	-	107,832	107,832
Payment to bond refunding escrow agent	-	-	(7,700,000)	(7,700,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>3,282,832</u>	<u>3,282,832</u>
Net Changes in Fund Balances	-	-	690,757	690,757
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>1,371,809</u>	<u>1,371,809</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,062,566</u>	<u>\$ 2,062,566</u>

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Non-Major Governmental Funds**  
**Combining Balance Sheet**  
**September 30, 2014**

	<u>Special Revenue</u>			<b>Total Other Governmental Funds</b>
	<b>Library Fund</b>	<b>Tourism and Convention Fund</b>	<b>Universal Hiring Fund</b>	
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ -	\$ 1,220,089	\$ -	\$ 1,220,089
Intergovernmental receivable	-	137,435	-	137,435
Restricted cash	-	-	2,961	2,961
Total Assets	<u>\$ -</u>	<u>\$ 1,357,524</u>	<u>\$ 2,961</u>	<u>\$ 1,360,485</u>
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ -	\$ 70,719	\$ -	\$ 70,719
Accrued expenses	-	-	-	-
Due to other funds	-	-	2,961	2,961
Deferred revenue	-	-	-	-
Total Liabilities	<u>-</u>	<u>70,719</u>	<u>2,961</u>	<u>73,680</u>
<b><u>FUND BALANCES</u></b>				
Restricted for:				
Tourism	-	1,286,805	-	1,286,805
Library	-	-	-	-
Total Fund Balances	<u>-</u>	<u>1,286,805</u>	<u>-</u>	<u>1,286,805</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 1,357,524</u>	<u>\$ 2,961</u>	<u>\$ 1,360,485</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, 2014**

	<u>Special Revenue</u>			<u>Total Other Governmental Funds</u>
	<u>Library Fund</u>	<u>Tourism and Convention Fund</u>	<u>Universal Hiring Fund</u>	
<b><u>REVENUES</u></b>				
Intergovernmental	\$ -	\$ 1,655,344	\$ -	\$ 1,655,344
Charges for services	-	187,948	-	187,948
Miscellaneous	-	815	-	815
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	-	1,844,107	-	1,844,107
<b><u>EXPENDITURES</u></b>				
Park improvements	-	479,708	-	479,708
Tourism and convention	-	329,337	-	329,337
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	-	809,045	-	809,045
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	1,035,062	-	1,035,062
<b><u>OTHER FINANCIAL SOURCES (USES)</u></b>				
Transfer to/from	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	-	1,035,062	-	1,035,062
Fund Balance - Beginning of Year	61,320	251,743	-	313,063
Equity Transfers	(61,320)	-	-	(61,320)
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 1,286,805</u>	<u>\$ -</u>	<u>\$ 1,286,805</u>

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## **OTHER INFORMATION**

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2014**

<b>Name</b>	<b>Position</b>	<b>Insurance Company</b>	<b>Amount</b>	<b>Expiration</b>
Darren L. Musselwhite	Mayor	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
Kristian R. K. Kelly	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
Shirley Beshears	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
William E. Brooks	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/6/2017
Raymond V. Flores, Jr.	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
George Payne	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
Joel M. Gallagher	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
Scott R. Ferguson	Alderman	Clyde C. Scott Insurance Agency	100,000.00	7/1/2017
Sheila Heath	City Clerk	Holland Insurance, Inc.	50,000.00	11/1/2014
Police Officers Bond	Per Officer	Clyde C. Scott Insurance Agency	50,000.00	11/1/2014
Thomas Long	Police Chief	Holland Insurance, Inc.	50,000.00	11/1/2014
Ron White	Fire Chief	Holland Insurance, Inc.	50,000.00	11/1/2014
Dispatchers Bonds	Per Dispatcher	Holland Insurance, Inc.	50,000.00	11/1/2014
Clerks Bond	Per Clerk	Holland Insurance, Inc.	50,000.00	11/1/2014

**STATISTICAL SECTION**

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Statistical Section Summary Page**  
**September 30, 2014**

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 Trends** .....55-59

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

**Revenue Capacity** .....60-64

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 Capacity**.....65-69

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 Information** .....70-71

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

**Operating Information**.....72-74

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>2014</u>	<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>
<b>Governmental Activities</b>										
Invested in Capital Assets, net of related debt	\$ 42,258,077	\$ 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
Restricted	7,610,482	1,295,416	1,484,241	1,123,142	927,139	371,479	-	-	2,562,705	1,082,156
Unrestricted	<u>4,041,609</u>	<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>
Total Governmental Activities Net Assets	<u>\$ 53,910,168</u>	<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>
<b>Business-Type Activities</b>										
Invested in Capital Assets, net of related debt	7,765,721	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
Restricted	2,008,323	1,938,196	1,739,868	1,380,956	1,238,584	1,374,483	-	-	-	-
Unrestricted	<u>21,342,321</u>	<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>
Total Business-Type Activities Net Assets	<u>31,116,365</u>	<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>
<b>Primary Government</b>										
Invested in Capital Assets, net of related debt	\$ 50,023,798	\$ 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
Restricted	9,618,805	3,233,612	3,224,109	2,504,098	2,165,723	1,745,962	-	-	2,562,705	1,082,156
Unrestricted	<u>25,383,930</u>	<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>
Total Primary Government Net Assets	<u>\$ 85,026,533</u>	<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>

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Expenses</b>				
<b>Governmental Activities:</b>				
General Government	\$ 8,911,832	\$ 9,091,210	\$ 10,978,549	\$ 10,436,692
Public Safety	21,315,040	21,045,108	20,605,372	19,414,775
Public Works	6,059,971	5,871,360	5,710,930	5,928,955
Culture and Recreation	6,045,661	6,054,011	6,063,410	6,151,226
Economic Development	329,337	565,964	828,449	602,828
Health and Welfare	389,959	397,923	313,035	302,934
Interest on Long-Term Debt	2,333,401	2,293,239	2,300,091	2,562,392
Depreciation and Amortization	-	-	-	-
<b>Total Governmental Activities Expense</b>	<u>45,385,201</u>	<u>45,318,815</u>	<u>46,799,836</u>	<u>45,399,802</u>
<b>Business-Type Activities</b>				
Water and Sewer	6,732,782	8,034,841	7,422,653	6,419,682
Sanitation	2,941,467	3,283,611	2,982,624	3,053,597
Interest on Long-Term Debt	1,162,990	1,301,034	1,313,265	1,595,352
<b>Total Business-Type Activities</b>	<u>10,837,239</u>	<u>12,619,486</u>	<u>11,718,542</u>	<u>11,068,631</u>
<b>Total Primary Governmental Expenses</b>	<u>56,222,440</u>	<u>57,938,301</u>	<u>58,518,378</u>	<u>56,468,433</u>
<b>Program Revenue</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services</b>				
General Government	\$ 4,356,739	\$ 586,533	\$ 439,389	\$ 327,945
Public Safety	1,503,267	1,127,296	1,224,827	743,136
Culture and Recreation	4,459,621	2,252,037	2,422,049	2,249,319
Economic Development	187,948	203,086	182,289	245,408
Health and Welfare	19,104	18,850	20,702	20,930
Operating Grants and Contributions	-	-	-	-
Capital Grants and Contributions	91,428	1,137,034	2,877,974	1,247,811
<b>Total Governmental Activities Program Revenues</b>	<u>10,618,107</u>	<u>5,324,836</u>	<u>7,167,230</u>	<u>4,834,549</u>
<b>Business-Type Activities</b>				
<b>Charges for Services</b>	<u>11,833,977</u>	<u>11,442,827</u>	<u>12,474,185</u>	<u>10,447,424</u>
<b>Total Business-Type Activities Program Revenues</b>	<u>11,833,977</u>	<u>11,442,827</u>	<u>12,474,185</u>	<u>10,447,424</u>
<b>Total Primary Government Program Revenues</b>	<u>22,452,084</u>	<u>16,767,663</u>	<u>19,641,415</u>	<u>15,281,973</u>
<b>Net (Expenses)/Revenue</b>				
Governmental Activities	\$ (34,767,094)	\$ (39,993,979)	\$ (39,632,606)	\$ (40,565,253)
Business-Type Activities	996,738	(1,176,659)	755,643	(621,207)
<b>Total Primary Government Net Expense</b>	<u>\$ (33,770,356)</u>	<u>\$ (41,170,638)</u>	<u>\$ (38,876,963)</u>	<u>\$ (41,186,460)</u>
<b>General Revenues and Other</b>				
<b>Changes in Net Assets</b>				
<b>Governmental activities:</b>				
<b>Taxes</b>				
Property Taxes	21,311,336	20,430,223	\$ 20,197,404	20,372,157
Sales Taxes	13,117,679	12,521,573	12,438,105	11,735,308
Franchise Taxes	2,331,621	1,832,042	1,715,137	1,844,083
Intergovernmental	-	1,864,386	1,685,781	1,140,165
Fines	-	3,236,128	3,280,771	3,690,411
Rents	-	647,471	565,585	659,839
Interest	15,177	75,108	372,607	288,233
Miscellaneous	137,480	170,692	548,689	592,391
Sale of assets	(61,298)	15,596	500	25,652
Transfer (to) from other funds	-	-	-	(471,797)
<b>Total governmental activities</b>	<u>36,851,995</u>	<u>40,793,219</u>	<u>40,804,579</u>	<u>39,876,442</u>
<b>Business-type activities:</b>				
Property taxes	3,122,952	2,723,997	3,005,658	2,672,406
Interest	7,446	6,196	13,440	13,086
Miscellaneous	73,008	81,646	21,600	69,166
Transfer (to) from other funds	-	-	-	471,797
Sale of assets	-	32,819	-	-
<b>Total business-type activities</b>	<u>3,203,406</u>	<u>2,844,658</u>	<u>3,040,698</u>	<u>3,226,455</u>
<b>Total primary government</b>				
<b>Change in Net Position</b>				
Governmental activities	\$ 2,084,901	\$ 799,240	\$ 1,171,973	\$ (688,811)
Business-type activities	<u>4,200,144</u>	<u>1,667,999</u>	<u>3,796,341</u>	<u>2,605,248</u>
<b>Total primary governments</b>	<u>\$ 6,285,045</u>	<u>\$ 2,467,239</u>	<u>\$ 4,968,314</u>	<u>\$ 1,916,437</u>

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	8,568,595	\$ 9,568,773	\$ 8,190,556	\$ 6,673,509	\$ 6,480,085	\$ 5,916,353
	17,614,451	18,009,031	14,996,065	14,060,237	11,562,185	11,294,050
	6,190,707	4,135,333	1,404,202	1,166,530	1,306,348	1,173,294
	5,649,556	5,601,961	4,783,416	4,540,847	4,387,674	4,149,250
	589,578	533,851	429,143	442,701	428,528	254,857
	262,735	253,220	258,912	217,135	197,406	315,469
	2,607,710	2,926,357	2,397,162	2,950,093	2,561,718	2,239,172
	-	-	6,298,132	6,602,562	5,272,051	4,322,625
	<u>41,483,332</u>	<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>
	10,121,450	5,211,427	5,721,568	3,647,283	5,341,143	4,801,389
	2,544,396	2,625,094	2,444,251	2,142,672	-	-
	<u>2,150,898</u>	<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>14,816,744</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>56,300,076</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>
\$	384,699	\$ 429,215	\$ 612,720	\$ 2,539,887	\$ 3,146,029	\$ 2,902,737
	965,664	785,740	4,344,165	3,112,346	2,406,698	2,132,648
	2,298,352	2,287,409	2,215,537	2,324,925	2,397,366	2,108,911
	220,397	300,226	339,861	351,153	308,137	187,494
	22,426	30,044	29,871	23,337	30,753	25,935
	-	243,392	638,887	-	-	-
	1,505,312	-	-	11,847,628	-	-
	<u>5,396,850</u>	<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>9,820,910</u>	<u>7,640,823</u>	<u>8,390,641</u>	<u>8,560,257</u>	<u>8,279,050</u>	<u>6,315,258</u>
	<u>9,820,910</u>	<u>7,640,823</u>	<u>8,390,641</u>	<u>8,560,257</u>	<u>8,279,050</u>	<u>6,315,258</u>
	<u>15,217,760</u>	<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>
\$	(36,086,482)	\$ (36,952,500)	\$ (30,576,547)	\$ (16,454,338)	\$ (23,907,012)	\$ (22,307,345)
	(4,995,834)	(1,509,629)	(940,541)	657,695	1,424,686	229,846
	<u>\$ (41,082,316)</u>	<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>
	19,161,567	17,555,090	15,500,811	14,433,136	13,097,851	11,155,322
	11,343,015	11,177,009	12,657,817	12,479,920	11,542,658	9,994,926
	2,310,012	2,168,898	1,596,283	-	-	-
	993,134	1,045,731	1,063,596	-	432,885	728,054
	3,602,657	3,266,474	-	98,341	89,498	78,171
	602,051	456,919	-	497,359	424,409	378,147
	197,773	185,641	264,120	547,817	658,306	157,984
	2,582,740	463,278	1,142,444	1,585,299	997,424	426,486
	(258,495)	(55,035)	23,994	(324,520)	(74,908)	278,649
	-	-	48,678	(88,935)	-	-
	<u>40,534,454</u>	<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>
	2,491,907	2,282,117	2,210,446	1,904,571	1,717,028	1,647,963
	5,900	21,783	58,089	40,731	22,582	6,208
	146,072	34,378	28,014	71,363	219,041	37,541
	-	-	(48,678)	88,935	-	-
	-	-	-	(213,114)	(12,372)	-
	<u>2,643,879</u>	<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>
\$	4,447,972	\$ (688,495)	\$ 1,721,196	\$ 12,774,079	\$ 3,261,111	\$ 890,394
	(2,351,955)	828,649	1,307,330	2,550,181	3,370,965	1,921,558
	<u>\$ 2,096,017</u>	<u>\$ 140,154</u>	<u>\$ 3,028,526</u>	<u>\$ 15,324,260</u>	<u>\$ 6,632,076</u>	<u>\$ 2,811,952</u>

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

	<u>2014</u>	<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>
<b>General Fund</b>										
Reserved	-	-	-	-	444,629	336,121	-	-	-	-
Unreserved	-	-	-	-	3,421,047	192,312	4,582,345	5,247,599	6,454,718	5,869,336
Non-Spendable	519,474	559,568	524,945	462,122	-	-	-	-	-	-
Restricted	359,606	426,048	426,048	418,783	-	-	-	-	-	-
Committed	205,566	469,049	465,574	915,479	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	3,751,667	2,463,089	2,418,834	4,444,568	-	-	-	-	-	-
<b>Total General Fund</b>	<b>4,836,313</b>	<b>3,917,754</b>	<b>3,835,401</b>	<b>6,240,952</b>	<b>3,865,676</b>	<b>528,433</b>	<b>4,582,345</b>	<b>5,247,599</b>	<b>6,454,718</b>	<b>5,869,336</b>
<b>All Other Governmental Funds</b>										
<b>Bond Funded Capital Fund</b>										
Reserved	-	-	-	-	-	51,841	-	-	-	-
Unreserved	-	-	-	-	(1,378,463)	(1,468,506)	(1,051,252)	(408,015)	2,562,705	1,082,156
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	4,179,797	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	98,279	-	-	-	-	-	-	-	-
<b>Total Bond Funded Capital Fund</b>	<b>4,179,797</b>	<b>98,279</b>	<b>-</b>	<b>-</b>	<b>(1,378,463)</b>	<b>(1,416,665)</b>	<b>(1,051,252)</b>	<b>(408,015)</b>	<b>2,562,705</b>	<b>1,082,156</b>
<b>Debt Service Fund</b>										
Reserved	-	-	-	-	565,464	556,426	-	-	-	-
Unreserved	-	-	-	-	(369,094)	(866,851)	(362,266)	(278,989)	-	-
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	2,062,566	1,371,809	1,628,105	982,388	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(17,154)	-	-	-	-	-	-
<b>Total Debt Service Fund</b>	<b>2,062,566</b>	<b>1,371,809</b>	<b>1,628,105</b>	<b>965,234</b>	<b>196,370</b>	<b>(310,425)</b>	<b>(362,266)</b>	<b>(278,989)</b>	<b>-</b>	<b>-</b>
<b>Other Governmental Funds</b>										
Reserved	-	-	-	-	505,640	-	132,888	-	-	-
Unreserved	-	-	-	-	(137,806)	330,608	215,544	207,219	1,421,952	(1,201,479)
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	1,286,805	313,063	414,100	217,828	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
<b>Total Other Governmental Funds</b>	<b>1,286,805</b>	<b>313,063</b>	<b>414,100</b>	<b>217,828</b>	<b>367,834</b>	<b>330,608</b>	<b>348,432</b>	<b>207,219</b>	<b>1,421,952</b>	<b>(1,201,479)</b>

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

	<u>2014</u>	<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>
<b>Revenues</b>										
General Property Taxes	\$ 21,311,337	\$ 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
Licenses and Permits	656,568	586,533	439,389	327,945	384,699	429,215	2,209,003	2,539,887	3,146,029	2,902,738
Intergovernmental	15,698,888	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
Charges for Services	3,715,831	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
Fines	2,411,341	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
Franchise Taxes	2,331,621	1,832,042	1,715,137	1,844,083	2,310,012	2,168,898	-	-	-	-
Rents	659,007	647,471	565,585	659,839	602,051	456,919	576,915	497,359	424,409	378,147
Grant Proceeds	91,428	1,137,034	2,877,974	1,247,811	1,505,312	243,392	-	1,818,396	432,885	728,974
Interest	15,177	75,108	372,607	288,233	197,773	185,641	264,119	547,816	658,305	157,983
Miscellaneous	137,481	152,298	498,689	592,391	2,582,740	463,278	1,343,271	1,683,640	1,130,199	1,515,265
<b>Total Revenues</b>	<u>47,028,679</u>	<u>46,084,065</u>	<u>47,921,308</u>	<u>45,157,138</u>	<u>46,189,799</u>	<u>40,395,067</u>	<u>40,406,114</u>	<u>39,811,916</u>	<u>35,575,289</u>	<u>31,288,345</u>
<b>Expenditures</b>										
General Government	7,564,746	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
Public Safety	19,782,725	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
Public Works	1,764,594	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
Culture and Recreation	4,677,062	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
Health and Welfare	389,790	397,768	313,441	302,832	262,735	251,806	258,443	216,985	197,406	317,137
Library	-	-	-	-	-	-	289,718	255,250	231,000	199,000
Tourism and Convention	329,337	565,964	828,449	602,828	589,578	533,851	429,143	442,701	428,528	254,858
Capital Outlay	5,203,281	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
Debt Service:	-	-	-	-	-	-	-	-	-	-
Principal	8,291,022	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
Interest	1,971,481	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
Issuance Cost	413,535	97,761	-	196,897	113,934	86,249	-	-	-	68,459
Agent Fees	39,227	-	14,363	114,599	-	-	-	-	-	-
<b>Total Expenditures</b>	<u>50,426,800</u>	<u>52,198,831</u>	<u>49,789,445</u>	<u>46,688,831</u>	<u>47,059,373</u>	<u>51,281,853</u>	<u>46,619,423</u>	<u>48,831,053</u>	<u>46,491,154</u>	<u>34,373,790</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(3,398,121)</u>	<u>(6,114,766)</u>	<u>(1,868,137)</u>	<u>(1,531,693)</u>	<u>(869,574)</u>	<u>(10,886,786)</u>	<u>(6,213,309)</u>	<u>(9,019,137)</u>	<u>(10,915,865)</u>	<u>(3,085,445)</u>
<b>Other Financial Sources (uses)</b>										
Sale of Assets	45,620	75,550	500	25,652	13,412	77,248	23,994	114,998	5,227	278,649
Interfund Transfers	-	-	50,000	(471,797)	-	-	48,678	(88,935)	-	-
Loan Proceeds	-	-	-	774,283	1,402,605	-	-	-	6,400,000	4,510,057
Bond Proceeds	9,495,000	2,893,395	-	-	6,652,205	9,965,000	4,000,000	10,185,000	9,200,000	-
Bond Issuance Cost	-	-	-	-	-	-	-	(390,149)	-	-
Refunding Bond Proceeds	7,945,000	3,015,000	-	6,730,000	-	-	-	-	-	-
Payment to Bond Escrow Agent	(7,700,000)	(3,010,345)	-	(3,300,000)	(3,535,000)	(6,265,000)	-	-	-	-
Loss on Extinguishment of Debt Premium	277,077	93,107	-	-	-	(353,172)	-	-	-	-
Lease Proceeds	-	2,871,358	271,229	268,624	255,818	2,755,523	292,633	634,348	-	319,470
<b>Total Other Financing Sources</b>	<u>10,062,697</u>	<u>5,938,065</u>	<u>321,729</u>	<u>4,026,762</u>	<u>4,789,040</u>	<u>6,179,599</u>	<u>4,365,305</u>	<u>10,478,999</u>	<u>15,605,227</u>	<u>5,108,176</u>
<b>Net Change in Fund Balance</b>	<u>6,664,576</u>	<u>(176,701)</u>	<u>(1,546,408)</u>	<u>2,495,069</u>	<u>3,919,466</u>	<u>(4,707,187)</u>	<u>(1,848,004)</u>	<u>1,459,862</u>	<u>4,689,362</u>	<u>2,022,731</u>
<b>Fund Balance-Beginning of Year</b>	<u>5,700,905</u>	<u>5,877,606</u>	<u>7,424,014</u>	<u>3,051,417</u>	<u>(868,049)</u>	<u>3,517,259</u>	<u>4,767,813</u>	<u>10,439,376</u>	<u>5,750,013</u>	<u>752,842</u>
<b>Equity Transfers</b>	-	-	-	-	-	321,879	-	-	-	-
<b>Prior Period Adjustment</b>	-	-	-	1,877,528	-	-	597,450	-	-	2,974,440
<b>Fund Balance-End of Year</b>	<u>12,365,481</u>	<u>5,700,905</u>	<u>5,877,606</u>	<u>7,424,014</u>	<u>3,051,417</u>	<u>(868,049)</u>	<u>3,517,259</u>	<u>11,899,238</u>	<u>10,439,375</u>	<u>5,750,013</u>
Debt service as a percentage of noncapital expenditures	29.94%	22.06%	20.86%	28.27%	35.31%	21.45%	23.44%	63.38%	22.32%	20.56%

**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	Total Direct Rate
	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value	Assessed Value	Actual Value		
2014	334,544	2,787,867	51,101	340,673	12,112	40,373	62,618	208,727	460,375	3,377,640	14%	0.4373
2013	321,985	2,683,208	127,387	849,247	11,864	39,547	60,129	200,430	521,365	3,772,432	14%	0.4373
2012	348,545	2,904,542	114,496	763,307	10,822	36,073	59,406	198,020	533,269	3,901,942	14%	0.4373
2011	345,194	2,876,617	106,374	709,160	9,686	32,287	57,638	192,127	518,892	3,810,190	14%	0.4373
2010	341,917	2,849,308	47,880	319,200	8,750	29,167	57,162	190,540	455,709	3,388,215	13%	0.4373
2009	335,817	2,798,475	51,581	343,873	10,911	36,370	58,695	195,650	457,004	3,374,368	14%	0.4373
2008	308,292	2,569,100	49,130	327,533	9,797	32,657	62,769	209,230	429,988	3,138,520	14%	0.4473
2007	278,526	2,321,050	41,804	278,693	9,859	32,863	62,887	209,623	393,076	2,842,230	14%	0.4473
2006	251,208	2,093,400	34,314	228,760	9,809	32,697	61,431	204,770	356,762	2,559,627	14%	0.4473
2005	213,916	1,782,633	28,778	191,853	9,208	30,693	58,499	194,997	310,401	2,200,177	14%	0.4073

\* 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			Northwest Community College			Grand Total Millage
	Operating Millage	Debt Millage	Sanitation Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
2014	22.36	15.37	6.00	43.73	34.84	6.18	41.02	40.35	13.22	53.57	1.99	2.12	4.11	142.43
2013	23.12	14.61	6.00	43.73	35.64	5.38	41.02	39.35	14.22	53.57	1.99	2.12	4.11	142.43
2012	21.13	16.60	6.00	43.73	35.64	5.38	41.02	39.35	14.22	53.57	1.99	2.12	4.11	142.43
2011	21.13	16.60	6.00	43.73	35.44	5.58	41.02	39.35	14.22	53.57	1.99	2.12	4.11	142.43
2010	21.53	16.20	6.00	43.73	35.44	5.58	41.02	39.35	14.22	53.57	1.99	2.12	4.11	142.43
2009	20.53	17.20	6.00	43.73	35.44	5.58	41.02	39.35	13.82	53.17	1.99	2.12	4.11	142.03
2008	21.53	17.20	6.00	44.73	35.44	5.58	41.02	39.35	13.82	53.17	1.99	2.12	4.11	143.03
2007	25.42	13.31	6.00	44.73	35.44	5.58	41.02	38.13	11.40	49.53	1.99	2.12	4.11	139.39
2006	22.42	16.31	6.00	44.73	35.19	5.83	41.02	38.13	11.36	49.49	1.99	2.12	4.11	139.35
2005	22.42	12.31	6.00	40.73	35.19	5.83	41.02	37.13	12.36	49.49	1.99	2.12	4.11	135.35

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

Taxpayer	2014			2011		
	Taxable Assessed	Rank	Percentage of Total Assessed Valuation*	Taxable Assessed	Rank	Percentage of Total Assessed Valuation
	Value			Value		
<b>Personal Property</b>						
Hillwood Lit LP	3,516	1	0.76%	3516	4	0.68%
Blenheim DeSoto Holding LLC	3,258	2	0.71%	3,357	5	0.65%
Helen of Troy LP	5,195	3	1.13%	5,344	2	1.03%
Asics America Corp	2,990	4	0.65%	-		0.00%
Somerset DeSoto Holdings	2,967	5	0.64%	2,967	9	0.57%
Southaven Towne Center	2,248	6	0.49%	-		0.00%
US Industrial REIT III-Midwest	3,605	7	0.78%	3,704	3	0.71%
US Industrial Reit II	3,242	8	0.70%	3,242	7	0.63%
LIT Industrial LP	3,242	9	0.70%	3,334	6	0.64%
COMCAST OF AR/FL/LA/MN/MS/TN INC	1,915	10	0.42%	-		0.00%
Seven States Southaven LLC				51,007	1	9.84%
Grainger Inc.				-	3	
Pancal Southaven Two 128 LLC				3,017	9	0.58%
Associated Wholesale Grocers				2,030	10	0.39%
	32,178		6.99%	81,518		15.72%

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

\* The total assessed valuation for 2014 is \$460,572,588

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

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

<b>Fiscal Year</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collection in Subsequent Years</b>	<b>Total Collections To Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2014	22,747	22,186	98%	-	22,186	98%
2013	25,277	22,898	91%	2,200	25,098	99%
2012	23,262	22,573	97%	48	22,621	97%
2011	22,679	21,749	96%	82	21,831	96%
2010	21,089	20,656	98%	125	20,781	99%
2009	18,790	17,928	95%	162	18,090	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)**

<b>Fiscal Year</b>	<b>Property Taxes</b>	<b>Sales Taxes</b>	<b>Franchise Taxes</b>	<b>Other State Shared Taxes</b>	<b>Total</b>
2014	24,434,288	13,117,679	2,331,621	925,865	40,809,453
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

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Ratios of Outstanding Debt by Type**  
**Last Ten 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***	Capital Leases	Other General Obligation Debt	Water & Sewer Revenue & Tax Bonds & Notes	Capital Leases	State Revolving Loans					
2014	54,485,547	2,336,812	1,604,674	21,680,294	373,367	15,746,180	96,226,874	35,374	50,997	1,886.91	3.70%
2013	49,173,977	2,815,514	4,766,994	22,739,979	426,868	12,965,628	92,888,960	35,374	50,374	1,843.99	3.66%
2012	50,627,574	444,715	5,281,897	23,940,848	478,146	10,412,837	91,186,017	35,772	50,374	1,810.18	3.59%
2011	54,414,653	421,864	6,921,865	25,290,556	527,294	9,602,012	97,178,244	33,651	49,687	1,955.81	3.94%
2010	54,560,916	2,102,878	9,299,809	26,787,122	574,401	10,163,944	103,489,070	31,779	48,982	2,112.80	4.31%
2009	54,584,540	2,459,042	8,724,068	25,158,662	619,551	7,507,530	99,053,393	31,293	45,395	2,182.03	4.81%
2008	54,169,626	468,286	9,508,921	19,749,196	662,826	5,270,343	89,829,198	32,263	44,135	2,035.33	4.61%
2007	53,440,000	592,998	10,340,096	20,980,000	714,179	5,265,949	91,333,222	32,504	42,593	2,144.32	5.03%
2006	50,455,000	477,605	10,758,319	16,405,000	27,234	5,486,161	83,609,319	31,890	41,154	2,031.62	4.94%
2005	39,445,000	630,453	5,227,780	8,015,000	43,502	6,511,553	59,873,288	31,128	38,583	1,551.80	4.02%

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

\*\* U.S. Census Bureau

\*\*\* This includes unamortized premiums and discounts

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

<b>Fiscal Year</b>	<b>Estimated Population</b>	<b>Assessed Property Value*</b>	<b>Gross General Obligation Bonds*</b>	<b>Less Debt Service Funds</b>	<b>Net GO Bonded Debt</b>	<b>Percentage of Assessed Taxable Value of Property</b>	<b>Net Bonded Debt Per Capita</b>
2014	50.9	460,573	48,966	2,062	46,904	10.18%	921.49
2013	50.4	521,365	54,019	1,372	52,647	10.10%	1,044.58
2012	50.4	533,269	52,363	1,628	50,735	9.51%	1,006.65
2011	49.7	518,892	56,494	965	55,529	10.70%	1,117.28
2010	49.0	455,709	56,616	196	56,420	12.38%	1,151.43
2009	45.4	457,004	53,505	(310)	53,815	11.78%	1,185.35
2008	44.1	429,988	45,701	171	45,530	10.59%	1,032.43
2007	42.6	393,076	44,075	254	43,821	11.15%	1,028.66
2006	41.2	356,762	40,390	533	39,857	11.17%	967.40
2005	38.6	310,401	37,445	-	37,445	12.06%	970.08

\* This amount includes unamortized premiums and discounts

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Direct and Overlapping Governmental Activities Debt**  
**As of September 30, 2014**  
(amounts expressed in thousands)

Jurisdiction	<u>Debt Outstanding</u>	<u>Amount Applicable to Government</u>	<u>Percentage Applicable to Government</u>
Direct:			
City of Southaven	57,921	57,921	100%
Overlapping:			
None	<u>0</u>	<u>0</u>	<u>0</u>
Total all	<u>57,921</u>	<u>57,921</u>	<u></u>

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

	<u>2014</u>	<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>
Debt Limit (15%)	\$ 69,086	\$ 78,205	\$ 79,792	\$ 77,793	\$ 65,479	\$ 64,497	\$ 57,944	\$ 53,514	\$ 46,342	\$ 42,592
Total net GO Debt Applicable to Limit	<u>50,945</u>	<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>
Legal Debt Margin	<u>\$ 18,141</u>	<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>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	73.7%	61.7%	58.1%	60.9%	83.4%	85.0%	78.9%	82.4%	87.2%	90.1%

**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	
2014	12,089	9,341	2,748	1,105	873	1,978	72%
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%

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

Note: An improvement fee is collected on services provided that is used to pay revenue backed debt.

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

<b>Fiscal Year</b>	<b>Estimated Population *</b>	<b>Per Capita Income **</b>	<b>School Enrollment ***</b>	<b>Unemployment Rate City ****</b>	<b>Unemployment Rate State ****</b>	<b>Unemployment Rate Nation ****</b>
2014	50,997	35,374	33,054	4.60%	7.70%	5.90%
2013	50,374	35,374	32,759	5.93%	9.05%	7.68%
2012	50,374	35,037	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%

\* U. S. Census Bureau

\*\* U. S. Department of Commerce

\*\*\*Office of Research and Statistics, Mississippi Department of Education's website <http://orshome.mde.k12.ms/maars/>;  
 October 2013

\*\*\*\* United States Department of Labor

**CITY OF SOUTHAVEN, MISSISSIPPI**

**Principal Employers**

**Current and Two Years Ago**

<b>Employer</b>	<b>2014</b>		<b>2012</b>	
	<b>Employees</b>	<b>Rank</b>	<b>Employees</b>	<b>Rank</b>
Baptist Memorial Hospital	1,630	1	1,627	1
DeSoto County School District	797	2	780	2
Wal-Mart	633	3	600	3
City of Southaven	403	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
ScanSource	220	10	220	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 Six Fiscal Years**

<u>Department</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Arts & Culture	2	2	5	5	3	3
Court	9	10	15	16	12	13
City Attorney	2	2	2	*	*	*
General Administration	7	4	5	5	5	5
Information Technology	4	4	5	6	5	22
City Clerk	7	5	5	6	6	6
Building	6	6	5	4	4	0
Environmental	3	2	2	2	2	1
Planning	6	6	7	6	6	9
Police	136	135	153	144	143	122
Fire	116	112	120	115	108	123
Public Works	8	11	11	10	10	14
Parks	58	55	76	52	52	50
Municipal Code Enforcement	6	7	8	8	9	5
Utilities	25	24	30	24	22	27
Sanitation	4	4	*	*	3	3
	399	389	449	403	390	403

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.

Note 3: Beginning in 2004 dispatchers were moved from Police to Information Technology

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

<b>Function/Program</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Police</b>										
Calls for service	27,142	28,717	30,870	31,796	32,951	41,534	50,425	61,752	70,260	67,521
Tickets issued	7,682	16,644	18,960	22,442	16,877	19,952	21,417	17,707	17,322	21,894
Arrests	3,762	4,345	4,819	4,930	4,640	3,870	3,400	2,952	2,940	3,611
<b>Fire</b>										
Total Incidents	*	*	*	1,673	2,091	2,154	2,047	2,152	2,510	2,670
Building Fires	*	*	*	30	33	42	27	41	44	49
EMS Transport Calls	*	*	*	*	*	*	*	4,433	5,004	5,389
Total Inspections	*	*	*	2,552	2,399	2,417	3,718	4,095	4,331	4,197
<b>Sanitation</b>										
Recycling trailers (tons)	*	*	*	*	*	621,530	469,560	468,030	531,000	401,000
Curbside Recycling	*	*	*	*	*	*	1,775	1,501	1,408	1,273
<b>Municipal Code Enforcement</b>										
Ordinance Violations	*	*	*	*	*	839	1,033	1,462	2,234	2,156
<b>Water</b>										
Average Daily consumption (gallons)	*	*	*	*	*	*	4,400,000	4,400,000	4,500,000	4,530,000
Water storage capacity (gallons)	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	4,250,000	5,250,000	5,250,000	5,250,000	5,750,000

\* 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**

<b>Function/Program</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Police</b>										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	60	67	68	77	89	99	102	103	100	109
Other vehicles	14	20	19	22	22	21	26	31	45	38
<b>Fire</b>										
Stations	4	4	4	4	4	4	4	4	4	4
Ladder trucks	2	2	2	2	2	2	3	3	3	3
Fire engines	4	4	5	5	5	7	7	7	8	8
Rescue vehicles	2	3	3	5	5	5	5	6	6	6
<b>Parks and recreations</b>										
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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DANNY L. WILLIAMS | 2042 McINGVALE ROAD, SUITE A  
JERRY W. PITTS | HERNANDO, MISSISSIPPI 38632  
REBECCA A. BEARD | 662-429-4436  
KRISTOPHER A. WHITTEN | 662-429-4438 FAX

**INDEPENDENT AUDITOR'S REPORT ON 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, 2014, 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 30, 2015.

**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 30, 2015

## 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, 2014 and have issued our report thereon dated March 30, 2015. 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 pages 43 and 44 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.

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 30, 2015

**CITY OF SOUTHAVEN, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2014**

Section 1: Summary of Auditor's Results

**Financial Statements:**

1.	Type of auditor's report issued on the financial statements	<u>Unmodified</u>
2.	Material noncompliance relating to the financial statements	<u>No</u>
3.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	<u>No</u>
	b. Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>None Reported</u>

Section 2: Financial Statement Findings

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