

CITY OF SOUTHAVEN

Top of Mississippi



COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2016

Prepared by:
City of Southaven
Department of Finance and Administration

CITY OF SOUTHAVEN, MISSISSIPPI

**Comprehensive Annual Financial Report
For Year Ended September 30, 2016**

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INTRODUCTORY SECTION

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CITY OF SOUTHAVEN

Top of Mississippi

8710 Northwest Drive
Southaven, MS 36867



Phone: 662.393.6939
Fax: 662.393.7294

March 17, 2017

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, 2016. 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 43 through 64).

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, Fortenberry and Ballard, PC. Their report is included on page 16. 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, 2016 are free of material misstatement. The independent auditors have concluded based upon their audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Southaven's financial statements for the year ended September 30, 2016 are fairly presented and conform to GAAP.

Management's Discussion and Analysis ("MD&A") is included on pages 21 through 32. The MD&A is a narrative that introduces the basic financial statements and provides an analytical overview of the City's financial activities. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the auditors' report in the financial section of the report.

CITY PROFILE

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

The City operates under a code charter form of government featuring a Mayor and a seven member Board of Aldermen 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 once again seen healthy growth in the retail sales job market.

With the improvement of the economy nationwide, the City's unemployment rate (4.1%) is below the national average (4.9%) and the state average (5.7%) as of September 2016. Over the last 10 years the City has seen a population increase of 22%.

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 2017 are approximately \$30.5 million higher than in 2016. This is due to an increase in new construction coupled with a very modest increase in property value assessments. New housing permits and business permits have seen an increase in 2016. The City of Southaven maintained its property tax rate of 43.73 for fiscal year 2016.

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 2015 Census estimate puts the City's population at 52,589, a 7.4 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 2009-2014 was \$137,800.

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 Fund, Capital Project Fund, 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 \$506,719,828; therefore, the 15% limitation equals \$76,007,974. After reduction for GO Bonds outstanding of \$58,835,000, the City's remaining margin for further debt issuance is \$17,172,974.

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 has previously taken advantage of the favorable bond rating by restructuring some of the debt in order to reduce future debt service. Southaven does not anticipate issuing any additional bonds nor restructuring any loans in fiscal year 2017.

For more detailed information on the City's debt refer to Note 7 on page 55 of this report.

FUTURE INITIATIVES

Over the course of the next several years, the City plans to continue infrastructure projects including but not limited to the widening of Getwell Road from the Tennessee state line and Stateline Road south to Star Landing Road. Bids on the first phase of this project (Stateline Road to Highway 302) were received and approved in early spring of 2015 and construction is currently underway. The Board has also accepted a bid on the extension of Rasco Road connecting Swinnea and Tchulahoma. This will make Rasco Road continuous from Highway 51 in the west to Getwell Road in the east. Construction began December 2016. The City has also designated over \$1 million annually to the maintenance and repair of existing municipal streets and drainage systems.

Construction was complete on the Outlet Mall of the Mid-South in late fall 2015. This project consists of approximately 330,000 square feet of retail space that houses 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. The City anticipates further growth on the outparcels surrounding the mall in fiscal year 2017 and 2018.

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. The Board has approved significant improvements to the tennis facilities using these proceeds. The expansion includes 8 new tennis courts as well as a pavilion, bathrooms, covered seating, and additional parking. Construction is expected to be complete in the summer of 2017. The municipal tourism tax is going to be voted on by the citizens of the City of Southaven on June 6, 2017. This will determine if there will be any additional funds to continue to improve the park systems throughout the City.

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

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Southaven for its comprehensive annual financial report (CAFR) for fiscal year ended September 30, 2015. This was the first year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 and all others who assisted and contributed to the preparation of this report. Special thanks are extended to the Southaven Mayor and Board of Alderman for their continued support and for maintaining the highest standards of professionalism in the management of the City of Southaven's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Edith W. McIlwain".

Edi McIlwain, CPA
Finance Director

CITY OF SOUTHAVEN, MISSISSIPPI ELECTED OFFICIALS

Mayor

Darren Musselwhite



City Council

William Brooks, At Large



Kristian Kelly, Ward 1



Ronnie Hale, Ward 2



George Payne, Ward 3



Joel Gallagher, Ward 4



Scott Ferguson, Ward 5



Raymond Flores, Ward 6



CITY OF SOUTHAVEN, MISSISSIPPI

Chief Administrative Officer
Chris Wilson

City Clerk
Andrea Mullen

Steve Pirtle, Police Chief
Whitney Choat-Cook, Planning Director
Chris Shelton, IT Director
Bradley Wallace, Operations Director

Roger Thornton, Fire Chief
Ray Humphreys, Utilities Director
Wes Brown, Parks and Recreational Director
Edi McIlwain, Finance Director

City Attorney
Butler Snow, LLC



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Southaven
Mississippi**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

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FINANCIAL SECTION

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FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of 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, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Southaven, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Southaven, Mississippi, as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and of the City's Contributions on pages 21-32 and 65-71 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 Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Southaven, Mississippi's basic financial statements. The introductory section, budgetary schedules, the other schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary schedules, the other schedule, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2017, on our consideration of the City of Southaven, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 City of Southaven, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 17, 2017

Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year End September 30, 2016

CITY OF SOUTHAVEN, MISSISSIPPI

Management's Discussion and Analysis

For the Year Ended September 30, 2016

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, 2016. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflow of resources at the close of the fiscal year by \$56,203,356 (total net position).
- The government's total net position increased by \$5,231,591 due to increases in both the governmental type activities and 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 \$22,852,764 an increase of \$2,833,307 in comparison with the prior year.
- At the end of the current fiscal year, **unassigned fund balance** for the General Fund was \$6,793,553, or 15.9 percent of total general fund expenditures for the fiscal year.
- The City's total debt decreased by \$6,356,060 (6.9%) during the current fiscal year. The key factor in this decrease is no new debt issued in the current year other than a refunding of old debt.

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 required supplementary information, supplementary information and other information, reflected as other schedules that will enhance the reader's understanding of the financial condition of the City.

Basic Financial Statements

The first two statements (Pages 34 and 35) 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 36 and 38) 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; and 2) the proprietary fund statements.

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements.

Required Supplementary Information

After the notes, required supplementary information is provided to show budgetary information required by Governmental Accounting Standards Board for the General Fund and the Tourism and Convention Fund. Additionally, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions are included in this section.

Supplementary Information

Additionally, a Schedule of Revenues, Expenditures and Changes in Fund Balance Budgetary Basis – Budget and Actual are presented for the Bond Funded Capital Project Fund, the Debt Service Fund, and the Enterprise Funds can be found in this report.

CITY OF SOUTHAVEN, MISSISSIPPI

Management's Discussion and Analysis

For the Year Ended September 30, 2016

Other Schedules

Additionally, a Schedule of Surety Bonds for Municipal Officials and a Schedule of Expenditure of Federal Awards can be found in this report.

Government-wide Financial Statements

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

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

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

The government-wide financial statements are on pages 34 and 35 of this report.

Fund Financial Statements

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

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* and are prepared using the flow of current financial resources measurement focus, which 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 basic 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.

CITY OF SOUTHAVEN, MISSISSIPPI

Management's Discussion and Analysis

For the Year Ended September 30, 2016

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 44 of this report.

Government-Wide Financial Analysis

The City of Southaven's Net Position

Figure 1

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS						
Current and other assets	\$ 37,188,536	\$ 37,650,313	\$ 29,629,589	\$ 27,705,812	\$ 66,818,125	\$ 65,356,125
Capital assets, net	102,280,200	98,912,637	46,152,319	47,365,185	148,432,519	146,277,822
Total assets	139,468,736	136,562,950	75,781,908	75,070,997	215,250,644	211,633,947
DEFERRED OUTFLOW OF RESOURCES	11,397,856	8,355,095	1,294,344	457,779	12,692,200	8,812,874
LIABILITIES						
Current Liabilities	4,082,152	4,266,112	1,932,848	2,412,989	6,015,000	6,679,101
Long term debt outstanding	46,439,203	51,989,478	38,739,285	39,545,072	85,178,488	91,534,550
Net pension liability	52,268,524	44,500,465	3,026,978	2,577,115	55,295,502	47,077,580
Total liabilities	102,789,879	100,756,055	43,699,111	44,535,176	146,488,990	145,291,231
DEFERRED INFLOW OF RESOURCES	25,223,949	24,142,533	26,549	41,289	25,250,498	24,183,822
NET POSITION						
Net investment in capital assets	57,726,369	50,729,849	8,097,964	7,880,084	65,824,333	58,609,933
Restricted	103,540	2,877,403	2,494,855	2,320,594	2,598,395	5,197,997
Unrestricted	(34,977,145)	(33,587,795)	22,757,773	20,751,630	(12,219,372)	(12,836,165)
Total net position	\$ 22,852,764	\$ 20,019,457	\$ 33,350,592	\$ 30,952,308	\$ 56,203,356	\$ 50,971,765

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the City of Southaven exceeded liabilities and deferred inflows of resources by \$56,203,356, as of September 30, 2016.

The largest portion of net position, \$65,824,333 is reflected in the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4.6%) represents resources that are subject to external restrictions on how they may be used. There is a deficit of \$12,219,372 in unrestricted net position due to recording of unfunded pension liabilities under GASB 68. Please refer to note 9.

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

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2016

- Increased property tax collections of approximately \$300,000
- Increased sales tax revenues of approximately \$1,100,000 which is in due to the addition of Tanger Outlet sales in the current fiscal year.
- Decreased franchise fee revenues of approximately \$300,000 which is fluctuates annually because of various factors.
- Interest on long term debt decreased approximately \$500,000 due to several bonds being refunded in the prior year.
- Grant money received increased in the current fiscal year causing an increase in that revenue item of approximately \$2 million.
- Continued low cost of debt due to the City's high bond rating.

City of Southaven's Changes in Net Position

Figure 2

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES						
Program Revenues:						
Charges for services	\$ 10,389,676	\$ 10,752,112	\$ 14,757,403	\$ 13,632,810	\$ 25,147,079	\$ 24,384,922
Capital grants	5,324,590	3,421,839	-	-	5,324,590	3,421,839
Total program revenues	15,714,266	14,173,951	14,757,403	13,632,810	30,471,669	27,806,761
General Revenues						
Property taxes	24,512,212	24,205,563	-	-	24,512,212	24,205,563
Sales tax	14,902,262	13,773,583	-	-	14,902,262	13,773,583
Other general revenues	2,111,780	2,589,535	254,073	28,451	2,365,853	2,587,986
Total general revenues	41,526,254	40,538,681	254,073	28,451	41,780,327	40,567,132
Total Revenues	57,240,520	54,712,632	15,011,476	13,661,261	72,251,996	68,373,893
PROGRAM EXPENSES						
General government	20,989,900	17,921,504	-	-	20,989,900	17,921,504
Public safety	19,342,389	21,618,917	-	-	19,342,389	21,618,917
Public works	6,147,583	6,340,767	-	-	6,147,583	6,340,767
Culture and recreation	5,985,644	7,187,714	-	-	5,985,644	7,187,714
Economic development	343,140	327,249	-	-	343,140	327,249
Health and welfare	252,357	269,460	-	-	252,357	269,460
Interest on long term debt	1,416,200	1,888,015	-	-	1,416,200	1,888,015
Water and Sewer	-	-	10,184,877	10,303,539	10,184,877	10,303,539
Sanitation	-	-	2,428,315	2,607,801	2,428,315	2,607,801
Total program expenses	54,407,213	55,553,626	12,613,192	12,911,340	67,020,405	68,464,966
Change in net position	2,833,307	(840,994)	2,398,284	749,921	5,231,591	(91,073)
Net Position-Beginning of Year, as previously reported	20,019,457	53,910,168	30,952,308	31,116,365	50,971,765	85,026,533
Prior period adjustments	-	(33,049,717)	-	(913,978)	-	-
Net Position-Beginning of Year, as restated	20,019,457	20,860,451	30,952,308	30,202,387	50,971,765	71,832,216
Net Position-End of Year	\$ 22,852,764	\$ 20,019,457	\$ 33,350,592	\$ 30,952,308	\$ 56,203,356	\$ 50,971,765

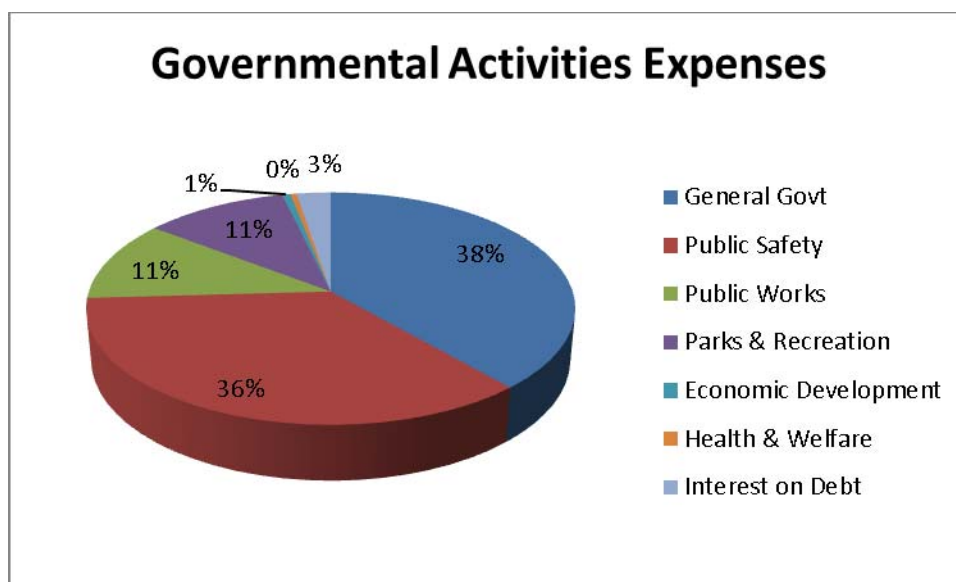
CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
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Governmental activities. Governmental activities increased the City's net position by \$2,833,307. Key elements of this decrease are as follows:

- General government expenses increased due to pension expense related to GASB 68.
- Franchise taxes decreased by approximately \$300,000
- Property and sales taxes were up by approximately \$1,500,000 (3.8%) in total.

Governmental activities expenses are broken out by department as follows

Chart 1



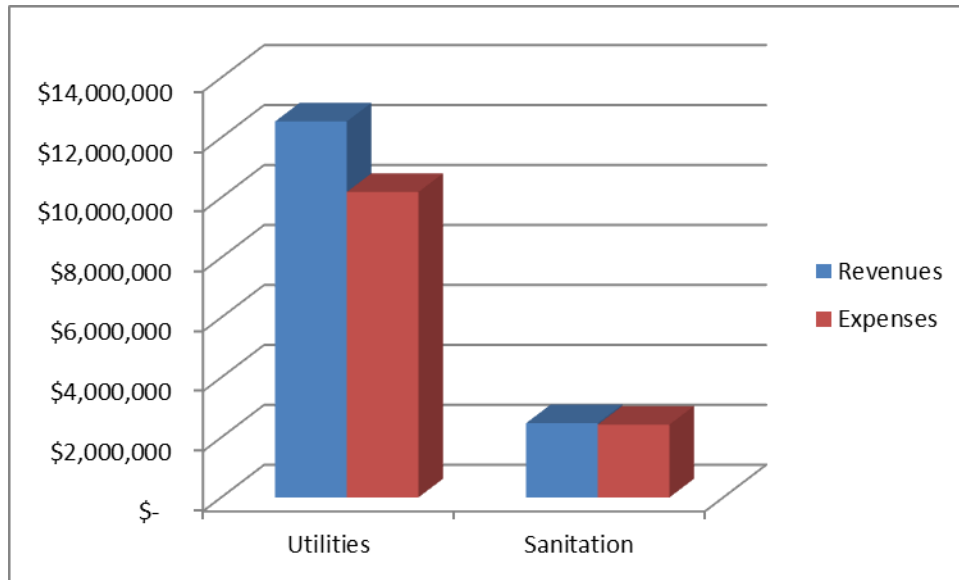
Business-type activities: Business-type activities increased the City's net position by \$2,398,284. Key elements of this increase are as follows:

- Charges for services increased by approximately \$700,000 in the water and sewer fund due to increased usage by customers in the current fiscal year. Charges for services increased approximately \$400,000 in the sanitation fund due to 3 additional months of charges in the current year. The first 3 months of the prior fiscal year were still covered by property taxes.
- Maintenance and servicing expenses decreased approximately \$800,000 in the Water and Sewer Fund and decreased approximately \$100,000 in the Sanitation fund.
- Revenues increased approximately \$1,250,000 and expenses decreased only by approximately \$300,000. The change in net position increased from prior year by approximately \$2,000,000.

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2016

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 \$6,793,553, while total fund balance in the General Fund reached \$7,550,342. 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 15.9 percent of total General Fund expenditures.

At September 30, 2016, the governmental funds of the City reported a combined fund balance of \$8,864,186, a 16 percent decrease over last year. Included in this change in fund balance are increases in fund balance in the General Fund and Debt Service Fund and a decrease in the Bond Funded Capital Projects Fund and the Tourism and Convention Fund.

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

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Revenues were less than the budgeted amounts primarily because parks revenues and ambulance billings received were less than originally budgeted. Expenditures increased from prior fiscal year due to the City spending more money on road overlays, drainage, and city beautification in the current fiscal year. General government expenditures increased approximately \$1,000,000 and capital outlay increased almost \$2,600,000. Public safety expenditures increased approximately \$300,000 due to unexpected overtime pay.

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 \$20,577,278, and for the Sanitation Fund is \$2,180,495. The total growth in net position for the Utility fund was \$2,339,334, and total increase in net position in the Sanitation fund was \$58,950. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for its governmental and business-type activities as of September 30, 2016, totals \$148,432,519 (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 purchased in current fiscal year: \$61,181 for new police cars, \$37,350 for the deputy fire chief vehicle and \$88,058 for an ambulance remount, \$29,832 for building officials, \$50,615 for parks, \$22,723 for animal control.
- Machinery and equipment purchased in the current fiscal year: \$132,775 in lawn equipment, \$218,833 in firefighting equipment, \$89,275 for heavy machinery for the public works department and \$342,887 for heavy machinery for the utility department.
- Emergency services radios for police, approximately \$67,000. Tazers for police, approximately \$27,000.
- Disposal of vehicles, approximately \$150,000.
- Construction in progress of \$6,504,779 in governmental activities and \$1,233,744 in business-type activities for roads/drainage and sewer infrastructure was capitalized in the current year. There was an additional \$9,567,319 and \$503,715 added to CIP in governmental and business type activities, respectively, for similar roads and sewer projects. One large business type activities project was completed and began capitalization in the current year.
- Additional assets that were added were a message board, training center upgrades, golf carts, and new computers and servers.

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2016

The City of Southaven's Capital Assets

Figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 9,376,445	\$ 9,376,445	\$ 579,036	\$ 579,036	\$ 9,955,481	\$ 9,955,481
Construction in progress	10,981,691	7,919,151	-	730,029	10,981,691	8,649,180
Infrastructure	93,149,383	92,557,899	64,702,874	63,278,635	157,852,257	155,836,494
Buildings and improvements	59,477,065	53,482,274	381,573	381,573	59,858,638	53,863,847
Leased equipment	1,199,258	1,220,405	744,057	744,057	1,943,315	1,964,462
Equipment and vehicles	19,331,434	18,352,026	2,992,842	2,568,166	22,324,276	20,920,192
Accumulated depreciation	(91,235,076)	(83,995,523)	(23,248,064)	(20,916,314)	(114,483,140)	(104,911,837)
	<u>\$ 102,280,200</u>	<u>\$ 98,912,637</u>	<u>\$ 46,152,318</u>	<u>\$ 47,365,182</u>	<u>\$ 148,432,518</u>	<u>\$ 146,277,819</u>

Additional information on the City's capital assets can be found in note 4 of the Basic Financial Statements.

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Long-term Debt. As of September 30, 2016, the City had total general obligation bonded debt outstanding of \$58,835,000. 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 Long-Term Debt

Figure 4

	<u>2016</u>	<u>2015</u>
Governmental activities		
General obligation bonds	\$ 40,485,000	\$ 44,840,000
Tax increment bonds	4,115,000	4,835,000
Notes payable	591,975	716,446
Leases payable	-	72,508
Compensated absences	667,893	878,235
Bond premiums	582,130	651,016
Bond discounts	<u>(2,795)</u>	<u>(3,727)</u>
Governmental activities	<u>\$ 46,439,203</u>	<u>\$ 51,989,478</u>
 Business -type activities		
General obligation bonds	\$ 18,350,000	\$ 9,835,000
Revenue bonds payable	305,000	10,725,000
Notes payable	18,094,538	18,596,940
Leases payable	259,310	317,548
Compensated absences	27,184	59,974
Bond premiums	1,747,625	58,673
Bond discounts	<u>(44,370)</u>	<u>(48,063)</u>
Business-type activities	<u>\$ 38,739,287</u>	<u>\$ 39,545,072</u>
 Total Long-Term Debt	<u>\$ 85,178,490</u>	<u>\$ 91,534,550</u>

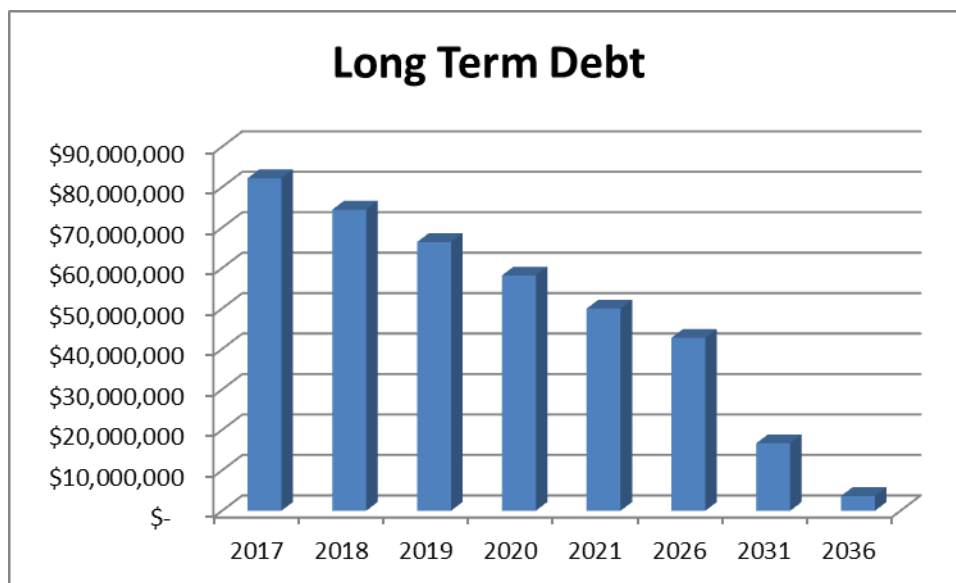
The City's total debt decreased by \$6,356,060 (6.9%) throughout the fiscal year. The 2006, 2007 and 2009 GO Water and Sewer bonds were refunded in the current year. New debt was also issued through loans in the amount of \$512,621 for water and sanitation infrastructure.

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 \$17,172,974.

CITY OF SOUTHAVEN, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2016

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 7 beginning on page 55 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 4.1%, as of September 30, 2016, is well below the National and State averages of 4.9% and 5.7%.
- In 2015, Southaven's population was calculated, according to the United States Census most recent numbers, to be 52,589. 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, 2017

Governmental Activities: Property taxes (benefiting from the economic growth) are expected to remain static with only a small increase. Sales tax is budgeted at an 8.4 percent decrease in fiscal year 2017 due to Tanger Outlet Mall sales tax monies going towards a state program now that the project is certified. The City is being conservative budgeting revenues as the impact on the loss of sales tax from the Tanger Outlet mall is unknown.

The City has budgeted through the bond issuance funds from a previous fiscal year to complete work on 2 major roads in the City, Getwell Road and Rasco Road.

**City of Southaven, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016**

The Tourism tax has revenue of \$1,250,000 budgeted for completion of the tennis courts. The tourism tax has a repealer on it in which the Mississippi legislature must vote on every four years in order for it to continue to be collected. Because the tax has not been approved, the City is being conservative in its budgeting.

Budgeted expenditures in the General Fund are expected to be relatively similar to the current year. Most of the projects in process for fiscal year 2017 are being funded through tourism tax dollars and previous year bond issuances. The City doesn't anticipate any significant increases in expenditures through the general fund.

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 automatic meter readers. The City does not anticipate issuing any more debt in fiscal year 2017.

The Sanitation fund budgeted and actual expenses should remain relatively similar to fiscal year 2016.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Net Position
September 30, 2016

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 7,372,168	\$ 18,577,902	\$ 25,950,070
Accounts receivable, net of allowance for doubtful accounts of \$208,884	604,511	2,156,099	2,760,610
Intergovernmental receivable	1,964,928	-	1,964,928
Franchise tax receivable	436,054	-	436,054
Property tax receivable	24,765,492	-	24,765,492
Other receivable	-	3,710	3,710
Prepaid items	653,249	-	653,249
Total Current Assets	<u>35,796,402</u>	<u>20,737,711</u>	<u>56,534,113</u>
Non-Current Assets			
Restricted assets:			
Cash in bank	1,392,134	-	1,392,134
Bean patch receivable	-	8,026,593	8,026,593
Note receivable - Hernando	-	865,285	865,285
Land and other nondepreciable assets	20,358,136	579,036	20,937,172
Other capital assets, net of accumulated depreciation	81,922,064	45,573,283	127,495,347
Total Non-Current Assets	<u>103,672,334</u>	<u>55,044,197</u>	<u>158,716,531</u>
Total Assets	<u>139,468,736</u>	<u>75,781,908</u>	<u>215,250,644</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows on refunding	405,334	657,746	1,063,080
Deferred outflows - pension	<u>10,992,522</u>	<u>636,598</u>	<u>11,629,120</u>
Total Deferred Outflows of Resources	<u>11,397,856</u>	<u>1,294,344</u>	<u>12,692,200</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	2,722,390	707,807	3,430,197
Accrued payroll	836,469	40,604	877,073
Customer deposits	-	1,068,423	1,068,423
Accrued interest	523,293	116,014	639,307
Total Current Liabilities	<u>4,082,152</u>	<u>1,932,848</u>	<u>6,015,000</u>
Non-Current Liabilities			
Long-term liabilities			
Due within one year:			
Capital debt	5,381,579	2,378,841	7,760,420
Non-capital debt	667,893	27,184	695,077
Due in more than one year:			
Capital debt	40,389,731	36,333,260	76,722,991
Net pension liability	52,268,524	3,026,978	55,295,502
Total Non-Current Liabilities	<u>98,707,727</u>	<u>41,766,263</u>	<u>140,473,990</u>
Total Liabilities	<u>102,789,879</u>	<u>43,699,111</u>	<u>146,488,990</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property tax for future reporting periods	24,765,492	-	24,765,492
Deferred inflows - pension	<u>458,457</u>	<u>26,549</u>	<u>485,006</u>
Total Deferred Inflows of Resources	<u>25,223,949</u>	<u>26,549</u>	<u>25,250,498</u>
<u>NET POSITION</u>			
Net investment in capital assets	57,726,369	8,097,964	65,824,333
Restricted for:			
Debt services	-	2,494,855	2,494,855
Public safety	103,540	-	103,540
Unrestricted	<u>(34,977,145)</u>	<u>22,757,773</u>	<u>(12,219,372)</u>
Total Net Position	<u>\$ 22,852,764</u>	<u>\$ 33,350,592</u>	<u>\$ 56,203,356</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Activities
September 30, 2016

		Program Revenues		Net (Expenses) Revenue and Changes in Net Position		
		Charges for	Capital	Governmental	Business-Type	Total
Primary Government	Expenses	Services	Grants and	Activities	Activities	
<u>Governmental Activities</u>			Contributions			
General government	\$ 20,969,900	\$ 4,448,611	\$ 5,167,304	\$ (11,353,985)	\$ -	\$ (11,353,985)
Public safety	19,342,389	1,700,745	157,286	(17,484,358)	-	(17,484,358)
Public works	6,147,583	-	-	(6,147,583)	-	(6,147,583)
Culture and recreation	5,935,644	4,001,320	-	(1,934,324)	-	(1,934,324)
Economic development	343,140	223,050	-	(120,090)	-	(120,090)
Health and welfare	252,357	15,950	-	(236,407)	-	(236,407)
Interest on long-term debt	1,416,200	-	-	(1,416,200)	-	(1,416,200)
Total governmental activities	<u>54,407,213</u>	<u>10,389,676</u>	<u>5,324,590</u>	<u>(38,692,947)</u>	<u>-</u>	<u>(38,692,947)</u>
<u>Business-Type Activities</u>						
Water and sewer	10,184,877	12,283,204	-	-	2,098,327	2,098,327
Sanitation	2,428,315	2,474,199	-	-	45,884	45,884
Total business-type activities	<u>12,613,192</u>	<u>14,757,403</u>	<u>-</u>	<u>-</u>	<u>2,144,211</u>	<u>2,144,211</u>
Total primary government	<u>\$ 67,020,405</u>	<u>\$ 25,147,079</u>	<u>\$ 5,324,590</u>	<u>(38,692,947)</u>	<u>2,144,211</u>	<u>(36,548,736)</u>
<u>General Revenues</u>						
				24,512,212	-	24,512,212
				14,902,262	-	14,902,262
				1,651,785	-	1,651,785
				23,735	28,292	52,027
				436,260	225,781	662,041
				<u>41,526,254</u>	<u>254,073</u>	<u>41,780,327</u>
				<u>2,833,307</u>	<u>2,398,284</u>	<u>5,231,591</u>
				<u>20,019,457</u>	<u>30,952,308</u>	<u>50,971,765</u>
				<u>\$ 22,852,764</u>	<u>\$ 33,350,592</u>	<u>\$ 56,203,356</u>

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

CITY OF SOUTHAVEN, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2016

	General Fund	Bond Funded Capital Project Fund	Debt Service Fund	Tourism and Convention Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,132,218	\$ -	\$ 375,625	\$ -	\$ 7,507,843
Accounts receivable, net of allowance for doubtful accounts of \$1,874,022	604,511	-	-	-	604,511
Intergovernmental receivable	1,405,279	403,472	-	156,177	1,964,928
Franchise tax receivable	436,054	-	-	-	436,054
Property tax receivable	16,695,328	-	8,070,164	-	24,765,492
Prepaid items	653,249	-	-	-	653,249
Due from other funds	135,674	-	-	-	135,674
Restricted cash	444,315	812,145	-	-	1,256,460
Total Assets	<u>\$ 27,506,628</u>	<u>\$ 1,215,617</u>	<u>\$ 8,445,789</u>	<u>\$ 156,177</u>	<u>\$ 37,324,211</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 2,424,489	\$ 232,778	\$ -	\$ 65,123	\$ 2,722,390
Accrued payroll	836,469	-	-	-	836,469
Due to other funds	-	-	-	135,674	135,674
Total Liabilities	<u>3,260,958</u>	<u>232,778</u>	<u>-</u>	<u>200,797</u>	<u>3,694,533</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue - property taxes	<u>16,695,328</u>	<u>-</u>	<u>8,070,164</u>	<u>-</u>	<u>24,765,492</u>
Total deferred inflows of resources	<u>16,695,328</u>	<u>-</u>	<u>8,070,164</u>	<u>-</u>	<u>24,765,492</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Prepaid items	653,249	-	-	-	653,249
Restricted:					
Debt service	-	-	375,625	-	375,625
Parks and recreation projects	-	-	-	-	-
Capital projects	-	982,839	-	-	982,839
Committed:					
Public Safety	103,540	-	-	-	103,540
Unassigned	<u>6,793,553</u>	<u>-</u>	<u>-</u>	<u>(44,620)</u>	<u>6,748,933</u>
Total Fund Balances	<u>7,550,342</u>	<u>982,839</u>	<u>375,625</u>	<u>(44,620)</u>	<u>8,864,186</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 27,506,628</u>	<u>\$ 1,215,617</u>	<u>\$ 8,445,789</u>	<u>\$ 156,177</u>	<u>\$ 37,324,211</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
For the Year Ended September 30, 2016

Total Fund Balance - Governmental Funds	\$ 8,864,186
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Amounts reported for governmental activities in the Statement
of Net Position are different because:

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

Land	9,376,445	
Buildings and improvements	59,477,065	
Equipment and vehicles	19,331,434	
Infrastructure	93,149,383	
Construction in progress	10,981,691	
Leased equipment	1,199,258	
Accumulated depreciation	<u>(91,235,076)</u>	
		102,280,200

Deferred outflows of resources are not available to pay for current period expenditures and therefore are deferred in the funds	11,397,856
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Net pension liabilities are not due and payable in the current period and not report in t the funds:	
General pension	(52,268,524)

Deferred inflows of resources and related accounts receivable that are not available to pay for current period expenditures and therefore are excluded from the governmental funds	(458,457)
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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	(591,975)	
General obligation and revenue bonds	(44,600,000)	
Accrued expenses	(523,293)	
Bond discount	2,795	
Bond premium	(582,130)	
Compensated absences	<u>(667,893)</u>	
		(46,962,496)

Rounding difference	<u>(1)</u>
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Net Position of Governmental Activities	<u><u>\$ 22,852,764</u></u>
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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 of Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Bond Funded Capital Project Fund	Debt Service Fund	Tourism and Convention Fund	Total Governmental Funds
<u>REVENUES</u>					
General property taxes	\$ 17,735,550	\$ -	\$ 6,776,662	\$ -	\$ 24,512,212
Sales tax	14,902,262	-	-	-	14,902,262
Licenses and permits	739,814	-	-	-	739,814
Intergovernmental	973,342	5,142,877	-	1,896,090	8,012,309
Charges for services	3,478,066	-	-	223,050	3,701,116
Fines	2,428,527	-	-	-	2,428,527
Franchise taxes	1,651,785	-	-	-	1,651,785
Rents	650,788	-	-	-	650,788
Grant proceeds	181,712	-	-	-	181,712
Interest	23,735	-	-	-	23,735
Miscellaneous	436,161	-	-	100	436,261
Total Revenues	<u>43,201,742</u>	<u>5,142,877</u>	<u>6,776,662</u>	<u>2,119,240</u>	<u>57,240,521</u>
<u>EXPENDITURES</u>					
General government	10,481,117	-	-	-	10,481,117
Public safety	20,360,322	-	-	-	20,360,322
Public works	1,829,022	-	-	-	1,829,022
Culture and recreation	4,971,889	-	-	-	4,971,889
Health and welfare	303,638	-	-	-	303,638
Tourism and convention	-	-	-	343,139	343,139
Capital outlay	4,673,273	5,433,809	-	3,773,676	13,880,758
Debt service:					
Principal	-	-	5,271,979	-	5,271,979
Interest	-	-	1,504,220	-	1,504,220
Total Expenditures	<u>42,619,261</u>	<u>5,433,809</u>	<u>6,776,199</u>	<u>4,116,815</u>	<u>58,946,084</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>582,481</u>	<u>(290,932)</u>	<u>463</u>	<u>(1,997,575)</u>	<u>(1,705,563)</u>
<u>OTHER FINANCIAL SOURCES (USES)</u>					
Sale of assets	3,796	-	-	-	3,796
Total Other Financing Sources	<u>3,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,796</u>
Net Change in Fund Balances	<u>586,277</u>	<u>(290,932)</u>	<u>463</u>	<u>(1,997,575)</u>	<u>(1,701,767)</u>
Fund Balances - Beginning of Year	6,964,065	1,273,771	375,162	1,952,955	10,565,953
Fund Balances - End of Year	<u>\$ 7,550,342</u>	<u>\$ 982,839</u>	<u>\$ 375,625</u>	<u>\$ (44,620)</u>	<u>\$ 8,864,186</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 the Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	(1,701,767)
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Amounts reported for governmental activities in the Statement of Activities are different because:

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 \$10,800,983 exceeded depreciation expense of \$7,374,609.		3,426,374
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In the Statement of Activities, only gains or losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$62,607 less the proceeds from the sale of \$3,796 in the current period.		(58,811)
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which repayments of \$5,271,979 exceeded debt proceeds \$0 in the Statement of Activities.		5,271,979
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Some items are reported in the Statement of Activities relating to the continuation of GASB 68 are not reported in the governmental funds. These activities include:		
Recording of pension expense for the current period		(7,419,824)
Recording retirement contributions made during the fiscal year:		
Before the measurement date		2,167,066
Subsequent to the measurement date		827,010

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

Compensated absences payable		210,342
Amortization of bond discounts/(premiums)		67,954
Deferred outflow on refunding		(45,037)
Accrued interest payable		88,021

Change in Net Position of Governmental Activities	\$	2,833,307
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The notes to the financial statements are integral part of this statement.

CITY OF SOUTHAVEN, MISSISSIPPI
Statement of Net Position - Proprietary Funds
September 30, 2016

	Utility Fund	Sanitation Fund	Total
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 16,296,762	\$ 2,281,140	\$ 18,577,902
Accounts receivable, net of allowance for doubtful accounts \$119,737	1,783,589	372,510	2,156,099
Loan receivable	-	-	-
Other receivable	2,878	832	3,710
Due from other funds	-	-	-
Total Current Assets	<u>18,083,229</u>	<u>2,654,482</u>	<u>20,737,711</u>
Noncurrent Assets			
Bean Patch receivable	8,026,593	-	8,026,593
Bond issue cost, net	-	-	-
Notes receivable - Hernando	865,285	-	865,285
Land and other nondepreciable assets	579,036	-	579,036
Other capital assets, net of accumulated depreciation	45,356,693	216,590	45,573,283
Total Noncurrent Assets	<u>54,827,607</u>	<u>216,590</u>	<u>55,044,197</u>
Total Assets	<u>72,910,836</u>	<u>2,871,072</u>	<u>75,781,908</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows on refunding	657,746	-	657,746
Deferred outflows - pension	565,149	71,449	636,598
Total deferred outflows of resources	<u>1,222,895</u>	<u>71,449</u>	<u>1,294,344</u>
<u>LIABILITIES AND NET POSITION</u>			
Current Liabilities			
Accounts payable	510,034	197,773	707,807
Accrued payroll	35,660	4,944	40,604
Accrued interest	116,014	-	116,014
Customer deposits	1,068,423	-	1,068,423
Total Current Liabilities	<u>1,730,131</u>	<u>202,717</u>	<u>1,932,848</u>
Long-term liabilities due within one year:			
Capital debt	2,378,841	-	2,378,841
Non-capital debt	27,184	-	27,184
Long-term liabilities due in more than one year:			
Capital debt	36,333,260	-	36,333,260
Net pension liability	2,687,238	339,740	3,026,978
Total Long-Term Liabilities	<u>41,426,523</u>	<u>339,740</u>	<u>41,766,263</u>
Total Liabilities	<u>43,156,654</u>	<u>542,457</u>	<u>43,699,111</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows - pension	23,570	2,979	26,549
Total Deferred Inflows of Resources	<u>23,570</u>	<u>2,979</u>	<u>26,549</u>
<u>NET POSITION</u>			
Net investment in capital assets	7,881,374	216,590	8,097,964
Restricted for:			
Debt service	2,494,855	-	2,494,855
Unrestricted	20,577,278	2,180,495	22,757,773
Total Net Position	<u>\$ 30,953,507</u>	<u>\$ 2,397,085</u>	<u>\$ 33,350,592</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, 2016

	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<u>OPERATING REVENUES</u>			
Sales	\$ 12,283,204	\$ 2,474,199	\$ 14,757,403
Miscellaneous	<u>214,469</u>	<u>11,312</u>	<u>225,781</u>
Total Operating Revenues	<u>12,497,673</u>	<u>2,485,511</u>	<u>14,983,184</u>
<u>OPERATING EXPENSES</u>			
Personnel	1,659,000	160,540	1,819,540
Supplies	567,049	1,916	568,965
Depreciation and amortization	2,240,405	38,161	2,278,566
Maintenance and other	3,413,089	223	3,413,312
Professional services	<u>989,437</u>	<u>2,227,475</u>	<u>3,216,912</u>
Total Operating Expenses	<u>8,868,980</u>	<u>2,428,315</u>	<u>11,297,295</u>
Operating Income	<u>3,628,693</u>	<u>57,196</u>	<u>3,685,889</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest income	26,538	1,754	28,292
Interest expense	(996,607)	-	(996,607)
Bond issue costs	<u>(319,290)</u>	<u>-</u>	<u>(319,290)</u>
Total Non-Operating Revenues (Expenses)	<u>(1,289,359)</u>	<u>1,754</u>	<u>(1,287,605)</u>
Net Income (Loss)	<u>2,339,334</u>	<u>58,950</u>	<u>2,398,284</u>
Net Position - Beginning of Year	28,614,173	2,338,135	30,952,308
Net Position - End of Year	<u>\$ 30,953,507</u>	<u>\$ 2,397,085</u>	<u>\$ 33,350,592</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, 2016

	Utility Fund	Sanitation Fund	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 12,509,780	\$ 2,437,289	\$ 14,947,069
Cash payments for goods and services	(5,383,871)	(2,415,091)	(7,798,962)
Cash payments to employees	(2,110,930)	(134,901)	(2,245,831)
Net Cash Provided By (Used In) Operating Activities	<u>5,014,979</u>	<u>(112,703)</u>	<u>4,902,276</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Payments for capital acquisitions, net	(1,069,893)	(48,993)	(1,118,886)
Loan proceeds	15,608,450	-	15,608,450
Principal payments on debt	(16,328,261)	-	(16,328,261)
Interest payments on debt	(1,315,900)	-	(1,315,900)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(3,105,604)</u>	<u>(48,993)</u>	<u>(3,154,597)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Payments received on notes, net	420,019	-	420,019
Receipts of interest	26,538	1,754	28,292
Net Cash Provided By (Used In) Investing Activities	<u>446,557</u>	<u>1,754</u>	<u>448,311</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>2,355,932</u>	<u>(159,942)</u>	<u>2,195,990</u>
Cash and Cash Equivalents-Beginning of Year	<u>13,940,830</u>	<u>2,441,082</u>	<u>16,381,912</u>
Cash and Cash Equivalents-End of Year	<u><u>\$ 16,296,762</u></u>	<u><u>\$ 2,281,140</u></u>	<u><u>\$ 18,577,902</u></u>
Reconciliation of Operating Income to Net Cash Provided By (Used In)			
Operating Activities			
Operating Income (Loss)	<u>\$ 3,628,693</u>	<u>\$ 57,196</u>	<u>\$ 3,685,889</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	2,240,405	38,161	2,278,566
Change in assets, deferred outflows, liabilities and deferred inflows:			
(Increase) decrease in customer receivables	(202,646)	(48,222)	(250,868)
(Increase) decrease in other receivables	103,062	-	103,062
(Increase) decrease in deferred outflows	(816,496)	(20,069)	(836,565)
Increase (decrease) in accounts payable	(414,296)	(185,477)	(599,773)
Increase (decrease) in accrued payroll	11,069	(3,128)	7,941
Increase (decrease) in customer deposits	111,691	-	111,691
Increase (decrease) in deferred inflows	(13,085)	(1,655)	(14,740)
Increase (decrease) in net pension liability	399,372	50,491	449,863
Increase (decrease) in compensated absences	(32,790)	-	(32,790)
Total adjustments	<u>1,386,286</u>	<u>(169,899)</u>	<u>1,216,387</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 5,014,979</u></u>	<u><u>\$ (112,703)</u></u>	<u><u>\$ 4,902,276</u></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, 2016

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 principles. 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.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization’s governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government and there is potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board.

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, 2016

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.

Governmental 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.

Tourism and Convention Fund:

This fund is used to account for a tourism tax used to fund parks "growth" (expansion/improvements).

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, deferred outflows of resources, liabilities and deferred inflows of resources 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, 2016

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/expenses 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), deferred outflows of resources and deferred inflows of resources are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net 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, 2016

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. The City uses the consumption method, which means it may initially report prepaid items purchased as an asset and defer the recognition of the expenditure until the period the prepaid items are actually consumed or used.

H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "Due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal balances."

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 land, construction in progress, infrastructure, buildings and improvements, leased equipment, and equipment and vehicles, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are capitalized at estimated fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

	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
Leased equipment	*	*

* Threshold will correspond with the amount for the asset classification as listed above.

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 Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net 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.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

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.”

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, Fund Balance in governmental fund financial statements is classified as non-spendable, restricted, committed, assigned, or unassigned.

The governmental fund type classified fund balances are 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 (Mayor and Board of 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 fund balance. Currently, there is no assigned 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.

CITY OF SOUTHAVEN, MISSISSIPPI
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For the Year Ended September 30, 2016

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 balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as purchase of capital 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 fund balance when expenditures are made.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 February 2015, the GASB issued Statement No. 72, "Fair Value Measurement and Applications". This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68". This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF SOUTHAVEN, MISSISSIPPI
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In June 2015, the GASB issued Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”. This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76, “The Hierarchy of Generally accepted Accounting Principles for State and Local Governments”. This statement will establish the hierarchy of GAAP for state and local governments. The requirement of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In August 2015, the GASB issued Statement No. 77, “Tax Abatement Disclosures”. This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”. This statement will address a practice issue regarding the scope and applicability of Statement No. 68. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants”. This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In January 2016, the GASB issued Statement No. 80, “Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14”. This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements”. This statement will enhance the comparability of financial statements by providing accounting and reporting guidance for irrevocable split-interest agreements in which government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

In March 2016, the GASB issued Statement No. 82, "Pension Issues". This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

NOTE 2 – CASH AND CASH EQUIVALENTS

The collateral for public entities' deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by the institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depositary Insurance Corporation ("FDIC").

Custodial credit risk is the risk that, in the event of a financial institution's failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2016, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2016, the carrying amount of the City's deposits was \$27,342,205 and the bank balances totaled \$25,991,966. Of the bank balances, \$250,000 was insured by the FDIC and \$25,741,966 was covered by pooled and/or pledged collateral

NOTE 3 – NOTES RECEIVABLE

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 a portion of the construction costs. The interest rate on the note is 1.95%. See the amortization schedule below:

Year Ending September 30	Enterprise Fund Debt	
	Principal	Interest
2017	\$ 137,342	\$ 16,873
2018	140,020	14,195
2019	142,751	11,465
2020	145,534	8,681
2021	148,372	5,843
Therafter	<u>151,265</u>	<u>2,950</u>
Total	<u>\$ 865,284</u>	<u>\$ 60,007</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

NOTE 4 – CAPITAL ASSETS

The following is a summary of capital assets activity for the year ended September 30, 2016:

	Balance at 9/30/2015	Additions	Deletions	Adjustments/ Transfers	Balance at 9/30/2016
GOVERNMENTAL ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 9,376,445	\$ -	\$ -	\$ -	\$ 9,376,445
Construction in progress	7,919,151	9,567,319	-	(6,504,779)	10,981,691
Total capital assets, not being depreciated	17,295,596	9,567,319	-	(6,504,779)	20,358,136
Capital assets, being depreciated:					
Buildings and improvements	53,482,274	81,536	-	5,913,255	59,477,065
Equipment and vehicles	18,352,026	1,152,128	(172,720)	-	19,331,434
Infrastructure	92,557,859	-	-	591,524	93,149,383
Leased equipment	1,220,405	-	(21,147)	-	1,199,258
Total capital assets, being depreciated	165,612,564	1,233,664	(193,867)	6,504,779	173,157,140
Less accumulated depreciation for:					
Buildings and improvements	(14,908,144)	(1,401,831)	-	-	(16,309,975)
Equipment and vehicles	(11,980,469)	(1,351,792)	113,909	-	(13,218,352)
Infrastructure	(55,901,811)	(4,605,680)	-	-	(60,507,491)
Leased equipment	(1,205,099)	(15,306)	21,147	-	(1,199,258)
Total accumulated depreciation	(83,995,523)	(7,374,609)	135,056	-	(91,235,076)
Total capital assets, being depreciated, net	81,617,041	(6,140,945)	(58,811)	6,504,779	81,922,064
Governmental activities capital assets, net	\$ 98,912,637	\$ 3,426,374	\$ (58,811)	\$ -	\$ 102,280,200
BUSINESS-TYPE ACTIVITIES					
Capital assets, not being depreciated:					
Land	\$ 579,036	\$ -	\$ -	\$ -	\$ 579,036
Construction in progress	730,029	503,715	-	(1,233,744)	-
Total capital assets, not being depreciated	1,309,065	503,715	-	(1,233,744)	579,036
Capital assets, being depreciated:					
Buildings	381,573	-	-	-	381,573
Infrastructure	63,278,635	190,495	-	1,233,744	64,702,874
Equipment and vehicles	2,568,166	424,676	-	-	2,992,842
Leased equipment	744,057	-	-	-	744,057
Total capital assets, being depreciated	66,972,431	615,171	-	1,233,744	68,821,346
Less accumulated depreciation for:					
Buildings	(537,083)	(12,720)	-	423,671	(126,132)
Infrastructure	(18,390,448)	(2,078,590)	-	(423,671)	(20,892,709)
Equipment and vehicles	(1,750,685)	(210,678)	-	-	(1,961,363)
Leased equipment	(238,098)	(29,762)	-	-	(267,860)
Total accumulated depreciation	(20,916,314)	(2,331,750)	-	-	(23,248,064)
Total capital assets, being depreciated, net	46,056,117	(1,716,579)	-	1,233,744	45,573,282
Business-type activities capital assets, net	\$ 47,365,182	\$ (1,212,864)	\$ -	\$ -	\$ 46,152,318

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 667,869
Public safety	1,250,129
Public works	4,405,303
Culture and recreation	<u>1,051,308</u>
Total depreciation expense, governmental activities	<u>\$ 7,374,609</u>
Business-type activities:	
Water and sewer	<u>\$ 2,331,750</u>
Total depreciation expense, business-type activities	<u>\$ 2,331,750</u>

Commitments under construction contracts at September 30, 2016 are summarized as follows:

Project	Contract Amount	Remaining Balance
Getwell Road Expansion	\$ 6,158,189	\$ 1,556,669
Snowden Grove Baseball Stadiums	\$ 1,785,000	\$ 99,016

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

Description	General Fund
Sales tax	\$ 1,405,279
Capital project	403,472
Tourism tax	156,177
Total	<u>\$ 1,964,928</u>

NOTE 6 – 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	\$ 135,674	\$ -
Tourism and convention fund	-	135,674
Total	<u>\$ 135,674</u>	<u>\$ 135,674</u>

The purpose of the due to / from was money borrowed from General Fund to cover expenses in the Tourism and Convention Fund until taxes are received from the state.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

NOTE 7 – LONG-TERM DEBT

Long-term activity for the year ended September 30, 2016 was as follows:

	Balance at 9/30/2015	Additions	Deletions	Balance at 9/30/2016	Amounts Due Within One Year
Governmental activities:					
General obligation bonds payable	\$ 44,840,000	\$ -	\$ 4,355,000	\$ 40,485,000	\$4,500,000
Tax increment financing bonds payable	4,835,000	-	720,000	4,115,000	755,000
Notes payable	716,446	-	124,471	591,975	126,579
Leases payable	72,508	-	72,508	-	-
Compensated absences	878,235	667,893	878,235	667,893	667,893
Bond premium	651,016	-	68,886	582,130	-
Bond discounts	(3,727)	-	(932)	(2,795)	-
	<u>\$ 51,989,478</u>	<u>\$ 667,893</u>	<u>\$ 6,218,168</u>	<u>\$ 46,439,203</u>	<u>\$6,049,472</u>
Business-type activities:					
General obligation bonds payable	\$ 9,835,000	\$ 13,350,000	\$ 4,835,000	\$ 18,350,000	\$ 895,000
Revenue bonds payable	10,725,000	-	10,420,000	305,000	305,000
Notes payable	18,596,940	512,621	1,015,023	18,094,538	1,118,079
Leases payable	317,548	-	58,238	259,310	60,762
Compensated absences	59,974	27,184	59,974	27,184	27,184
Bond premium	58,673	1,745,829	56,877	1,747,625	-
Bond discounts	(48,063)	-	(3,693)	(44,370)	-
	<u>\$ 39,545,072</u>	<u>\$ 15,635,634</u>	<u>\$ 16,441,419</u>	<u>\$ 38,739,287</u>	<u>\$ 2,406,025</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

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					
2005	3.97%	12/1/2005	12/1/2025	4,500,000	-
2007	4.37-5.50%	7/1/2007	7/1/2027	6,000,000	285,000
2008	3.63-5.00%	7/1/2008	7/1/2028	4,000,000	2,815,000
2008	3.00-5.00%	4/16/2009	11/1/2020	6,665,000	3,190,000
2010	3.125 - 4.00%	2/1/2010	2/1/2020	6,000,000	4,710,000
2010	2.00 - 3.25%	3/23/2010	10/1/2019	3,595,000	1,425,000
2010	2.00 - 3.30%	11/4/2010	11/1/2024	3,225,000	2,195,000
2011	2.00 - 3.50%	1/25/2011	10/1/2021	3,505,000	2,020,000
2012	1.25 - 1.70%	11/6/2013	11/1/2022	2,875,000	2,070,000
2012	1.00 - 2.250%	10/9/2012	12/1/2024	3,015,000	2,630,000
2013	2.50 - 3.50%	11/19/2013	12/1/2033	6,565,000	6,095,000
2014	3.97%	1/31/2014	3/1/2025	2,930,000	2,495,000
2014	2.00 - 5.00%	3/4/2014	3/1/2024	7,945,000	6,155,000
2015	2.00 - 3.00%	3/11/2014	12/1/2025	6,870,000	6,755,000
2009 Water/Sewer	3.00-5.00%	2/1/2009	2/1/2029	6,500,000	570,000
2012 Water/Sewer	1.00 - 2.125%	10/6/2012	12/1/2023	2,735,000	2,075,000
2016 Water/Sewer	2.00 - 5.00%	5/3/2016	2/1/2027	13,350,000	13,350,000
Total general obligation bonds				<u>\$ 90,275,000</u>	<u>\$ 58,835,000</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, 2016 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	\$ 305,000
2007 Water/Sewer	4.12-5.00%	8/1/2007	8/1/2027	5,400,000	-
Total Revenue Bonds				<u>\$ 14,400,000</u>	<u>\$ 305,000</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

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	\$ 120,000
2005A Towne Center	4.07-4.63%	9/30/2006	9/30/2020	5,000,000	2,110,000
2005B Towne Center	5.94-6.64%	9/30/2006	9/30/2020	4,200,000	1,885,000
Total TIF Bonds				<u>\$ 9,760,000</u>	<u>\$ 4,115,000</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 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 \$720,000. 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
MS Dept of Health DWSLRF	3.00%	12/1/2002	9/1/2022	1,400,961	537,325
MS Dept of Health DWSLRF	3.00%	1/1/2003	10/1/2022	1,361,525	517,472
MS Dept of Health DWSLRF	3.00%	7/1/2003	4/1/2023	1,250,436	514,219
MS Dept of Health DWSLRF	4.00%	9/20/2004	7/1/2024	1,425,168	701,698
MS Dept of Health DWSLRF	1.95%	11/2/2007	1/1/2029	807,693	591,887
MS Dept of Health DWSLRF	1.95%	11/2/2007	10/1/2029	2,096,881	1,531,796
MS Dept of Health DWSLRF	1.95%	10/1/2008	6/1/2030	1,082,138	801,763
MS Dept of Health DWSLRF	1.95%	10/1/2008	9/30/2030	1,821,006	1,391,769
MS Development Authority	3.00%	9/1/2010	9/1/2020	683,373	292,268
MS Dept of Environmental Quality WPCRLF	1.75%	9/1/2011	12/31/2033	4,219,481	3,762,387
MS Dept of Environmental Quality WPCRLF	1.75%	1/1/2010	8/31/2035	6,766,517	6,524,524
MS Dept of Environmental Quality WPCRLF	1.75%	9/1/2013	12/31/2035	1,241,824	1,219,698
Bancorpsouth - 2011	2.87%	3/1/2011	3/1/2021	560,000	299,707
Total Notes				<u>\$ 24,717,003</u>	<u>\$ 18,686,513</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

The aggregate principal and interest maturities of general obligation bonds, revenue bonds, tax increment financing, and notes for the years subsequent to September 30, 2016 are as follows:

Year Ending September 30	General Long-Term Debt		Enterprise Fund Debt	
	Principal	Interest	Principal	Interest
2017	\$ 5,381,579	\$ 1,300,353	\$ 2,378,841	\$ 1,029,295
2018	5,566,963	1,123,837	2,378,070	959,144
2019	5,741,177	949,498	2,453,662	902,152
2020	5,605,809	773,996	2,507,386	848,304
2021	4,659,863	608,529	2,574,436	787,974
2022-2026	13,650,000	1,703,111	12,414,944	2,696,457
2027-2031	3,295,000	482,256	9,732,295	830,814
2032-2036	1,291,584	68,775	2,569,214	75,414
Total	<u>\$45,191,975</u>	<u>\$ 7,010,355</u>	<u>\$ 37,008,848</u>	<u>\$ 8,129,554</u>

Leases.

Description of Leasing Arrangements.

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

Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

Year Ending September 30	Business-type Activities	
	Principal	Interest
2017	\$ 60,762	\$ 11,238
2018	63,395	8,605
2019	66,143	5,857
2020	<u>69,010</u>	<u>2,991</u>
Present Value of Minimum Lease Payments	<u>\$ 259,310</u>	<u>\$ 28,691</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 \$22,808,395 (the smaller of the two computed margins) as of September 30, 2016.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

	<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2016:		
\$506,719,828 times applicable percentage	\$ 76,007,794	\$ 101,343,966
Less present debt subject to debt limits as of September 30, 2016:		
Total bonds outstanding (excluding MDB backed bonds)	<u>(58,835,000)</u>	<u>(58,835,000)</u>
Margin for additional debt	<u>\$ 17,172,794</u>	<u>\$ 42,508,966</u>

Advanced Refunding.

On April 6, 2016, The City issued \$13,350,000 in General Obligation Refunding Bonds with interest ranging between 2.0% and 5.0%. The 2016 Bonds were used to refund the 2006 Water and Sewer General Obligation Bonds, the 2007 Water and Sewer General Obligation bonds, and the 2009 Water and Sewer General Obligation Bonds. A portion of the proceeds was remitted directly the 2006, 2007, and 2009 Water and Sewer General Obligation Bond Trustees to hold in United States Government Securities and/or United States Treasury Securities, maturing in amounts and bearing interest at rates sufficient to pay, when due, the interest accruing and due on the refunded bonds from the date of closing through March 1, 2017, August 1, 2016, and February 1, 2018, respectively. As a result, \$6,315,000, \$3,570,000, and \$4,215,000 of the 2006, 2007, and 2009 Series bonds are considered to be defeased and the liability for those bonds has been removed from long term liabilities. At September 30, 2016, \$10,530,000 of defeased bonds remains outstanding.

The City advance refunded the bonds to reduce its total debt service payments over the next 10 years by \$1,668,920 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,419,911.

Prior Year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2016, \$285,000 of bonds outstanding are defeased.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

NOTE 8 – DEFERRED LOSS ON REFUNDING

The unamortized deferred loss on refundings relates to General Obligation Refunding Bonds for governmental activities. Deferred loss on refundings reported in the statement of net position consist of the following:

		Governmental Activities
Series 2005	\$	91,468
Series 2007		313,866
Total	\$	<u>405,334</u>

		Business-type Activities
Series 2006	\$	241,939
Series 2007		75,060
Series 2009		340,747
Total	\$	<u>657,746</u>

NOTE 9 – PENSION OBLIGATIONS

General Information about the Pension Plan

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

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$3,167,469 \$3,079,960, and \$2,863,146, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the City reported a liability of \$55,295,502 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2016, the City's proportion was .309562 percent, which was an increase of .005011 from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$6,974,617. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,636,698	
Net difference between projected and actual earnings on pension plan investments	7,124,042	
Change of assumptions	4,055,573	8,048
Changes in proportion and differences between City contributions and proportionate share of contributions	(2,062,097)	476,958
City's contributions subsequent to the measurement date	874,904	
Total	\$ 11,629,120	485,006

\$874,904 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

Year ended June 30:

2017	\$ 3,780,471
2018	3,366,050
2019	2,030,315
2020	1,092,375
Total	\$ 10,269,211

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 70,901,232	\$ 55,295,502	\$ 42,347,806

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

NOTE 10 – 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 11 – LITIGATION

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

NOTE 12 – EFFECTS OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' net investment in capital assets net position amount of \$57,726,369 includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of the City's debt. The \$405,334, balance of the deferred outflow of resources at September 30, 2016 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$12,219,372) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$10,992,522 and the \$636,598 balance of deferred outflow of resources in governmental and business-type activities, respectively, at September 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

CITY OF SOUTHAVEN, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2016

The unrestricted net position amount of (\$12,219,372) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$458,457 and \$26,549 balance of deferred inflow of resources in governmental and business-type activities, respectively, at September 30, 2016 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

The governmental activities' unrestricted net position amount of (\$34,977,145) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from property tax for future reporting periods. The \$24,765,492 balance of deferred inflow of resources, at September 30, 2016 will be recognized as a revenue and will increase the unrestricted net position.

NOTE 13 – SUBSEQUENT EVENTS

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

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, 2016

	<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>
<u>REVENUES</u>				
General property taxes	\$ 17,630,000	\$ 17,640,000	\$ 17,735,552	\$ 95,552
Licenses and permits	565,500	591,500	739,816	148,316
Intergovernmental	14,199,000	15,749,000	15,800,718	51,718
Charges for services	3,540,000	3,655,000	3,324,882	(330,118)
Fines	2,500,000	2,677,000	2,412,382	(264,618)
Franchise taxes	1,775,000	1,775,000	1,726,607	(48,393)
Interest	13,000	13,000	23,052	10,052
Rents	610,000	610,000	650,788	40,788
Grant proceeds	24,000	172,000	163,731	(8,269)
Miscellaneous	125,000	800,000	956,794	156,794
Total Revenues	40,981,500	43,682,500	43,534,322	(148,178)
<u>EXPENDITURES</u>				
General government				
Personnel services	4,597,835	4,595,435	4,579,877	15,558
Supplies	165,250	131,350	122,286	9,064
Other services and charges	4,931,781	5,877,050	5,867,294	9,756
Total general government	9,694,866	10,603,835	10,569,457	34,378
Public safety:				
Police:				
Personnel services	9,505,292	9,332,293	9,343,097	(10,804)
Supplies	591,000	501,000	472,337	28,663
Other services and charges	982,000	1,172,000	1,091,480	80,520
Fire:				
Personnel services	8,627,940	8,550,240	8,435,267	114,973
Supplies	315,000	296,000	287,757	8,243
Other services and charges	667,000	719,700	694,893	24,807
Total public safety	20,688,232	20,571,233	20,324,831	246,402
Public works				-
Personnel services	611,923	611,923	597,679	14,244
Supplies	128,500	196,500	205,332	(8,832)
Other services and charges	915,500	927,500	1,021,418	(93,918)
Total public works	1,655,923	1,735,923	1,824,429	(88,506)
				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, 2016
(Continued)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Culture and recreation				
Personnel services	2,492,727	2,482,927	2,437,480	45,447
Supplies	581,750	547,250	541,113	6,137
Other services and charges	2,030,000	2,039,475	1,958,590	80,885
Total culture and recreation	5,104,477	5,069,652	4,937,183	132,469
Health and welfare				
Personnel services	218,500	218,500	220,760	(2,260)
Supplies	28,750	28,350	23,820	4,530
Other services and charges	26,250	48,900	57,968	(9,068)
Total health and welfare	273,500	295,750	302,548	(6,798)
Capital outlay	3,586,500	5,421,125	4,672,207	748,918
Total Expenditures	41,003,498	43,697,518	42,630,655	1,066,863
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,998)	(15,018)	903,667	918,685
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of assets	18,500	18,500	1,145	(17,355)
Total Other Financing Sources (Uses)	18,500	18,500	1,145	(17,355)
Net Changes in Fund Balances	(3,498)	3,482	904,812	901,330
Fund Balance - Beginning of Year	-	-	6,964,065	6,964,065
Fund Balance - End of Year	<u>\$ (3,498)</u>	<u>\$ 3,482</u>	7,868,877	<u>\$ 7,865,395</u>
Adjustments to conform with GAAP:				
Revenues			(329,929)	
Expenditures			11,394	
Fund Balance - End of Year (GAAP basis)			<u>\$ 7,550,342</u>	

The notes to the required supplementary information are an integral part of this schedule.

CITY OF SOUTHAVEN, MISSISSIPPI
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis - Budget and Actual - Tourism and Convention Fund
For the Year Ended September 30, 2016

	<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>
<u>REVENUES</u>				
Intergovernmental	\$ 1,500,000	\$ 1,861,000	\$ 1,896,090	\$ 35,090
Charges for services	165,000	228,000	223,050	(4,950)
Miscellaneous	-	2,045,500	100	(2,045,400)
	<u>1,665,000</u>	<u>4,134,500</u>	<u>2,119,240</u>	<u>(2,015,260)</u>
Total Revenues				
<u>EXPENDITURES</u>				
Tourism and convention	330,000	360,500	343,140	17,360
Capital Outlay	<u>1,335,000</u>	<u>3,774,000</u>	<u>3,773,675</u>	<u>325</u>
	<u>1,665,000</u>	<u>4,134,500</u>	<u>4,116,815</u>	<u>17,685</u>
Total Expenditures				
Net Changes in Fund Balances	-	-	(1,997,575)	(1,997,575)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>1,952,955</u>	<u>1,952,955</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,620)</u>	<u>\$ (44,620)</u>

The notes to the required supplementary information are an integral part of this schedule.

City of Southaven, Mississippi

Schedule of the City's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

		2016	2015	2014
City's proportion of the net pension liability (asset)	\$	55,295,502	47,077,580	35,708,308
City's proportionate share of the net pension liability (asset)		0.309562%	0.304551%	0.294182%
City's covered - employee payroll		20,110,914	19,555,302	18,178,705
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		274.95%	240.74%	196.43%
Plan fiduciary net position as a percentage of the total pension liability		57.47%	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

City of Southaven, Mississippi
Schedule of the City's Contributions
PERS
Last 10 Fiscal Years*

	2016	2015	2014
Contractually required contribution	\$ 3,167,469	3,079,960	2,863,146
Contributions in relation to the contractually required contribution	3,167,469	3,079,960	2,863,146
Contribution deficiency (excess)	\$ -	-	-
City's covered - employee payroll	20,110,914	19,555,302	18,178,705
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

City of Southaven, Mississippi

Notes to the Required Supplementary Information For the Year Ended September 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation

The funds budgeted are presented in either this section or in the following schedules presented in the supplementary information section of this report. For comparison purposes, the final, amended budget is utilized, and it is presented on a modified cash basis of accounting as required by the State of Mississippi, which is not consistent with generally accepted accounting principles. All budgetary appropriations lapse at year-end.

(2) Budget amendments and revisions

The budget is adopted and may be amended by the Board of Aldermen. A budgetary comparison is presented for the general fund and each major special revenue fund and is presented on a modified cash basis of accounting.

Pension Schedules

(1) Change of Benefit Terms

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Change of Assumptions

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.

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SUPPLEMENTARY INFORMATION

Supplementary information is presented to provide greater detailed information than reported in the preceding financial statements. This information, in many cases, has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for fair presentation, in order to be in conformity with Generally Accepted Accounting Principles.

CAPITAL PROJECT FUND

The Capital Project Fund Type is used to account for financial resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds. Individual capital project fund is utilized by the municipality to account for its construction projects.

The City maintains only one capital project fund as follows:

1. Bond Funded Capital Project Fund

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
<u>EXPENDITURES</u>				
Capital outlay	\$ 3,500,000	\$ 3,500,000	\$ 5,317,387	\$ 1,817,387
Total Expenditures	3,500,000	3,500,000	5,317,387	1,817,387
<u>OTHER FINANCING SOURCES (USES)</u>				
Prior year bond proceeds	3,500,000	3,500,000	-	(3,500,000)
Grant proceeds	-	-	5,142,877	5,142,877
Total Other Financing Sources (Uses)	3,500,000	3,500,000	5,142,877	1,642,877
Net Changes in Fund Balances	-	-	(174,510)	(174,510)
Fund Balance - Beginning of Year	-	-	1,273,771	1,273,771
Fund Balance - End of Year	\$ -	\$ -	\$ 1,099,261	\$ 1,099,261

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal which are obligated in some manner for payment.

The City maintains only one debt service fund to accomplish the afore stated purpose:

1. Debt Service Fund

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget</u>
<u>REVENUES</u>				
General property taxes	\$ 6,774,000	\$ 6,774,000	\$ 6,776,662	\$ 2,662
Total Revenues	<u>6,774,000</u>	<u>6,774,000</u>	<u>6,776,662</u>	<u>2,662</u>
<u>EXPENDITURES</u>				
Debt service				
Principal	5,227,000	5,282,075	5,282,050	25
Interest	<u>1,547,000</u>	<u>1,491,925</u>	<u>1,494,150</u>	<u>(2,225)</u>
Total Expenditures	<u>6,774,000</u>	<u>6,774,000</u>	<u>6,776,200</u>	<u>(2,200)</u>
Net Changes in Fund Balances	-	-	462	(462)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>375,162</u>	<u>375,162</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,624</u>	<u>\$ 374,700</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the services to the general public on a continuing basis are financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

The City of Southaven, Mississippi operate the following two (2) Enterprise Funds:

1. Utility Fund - is used to account for the provision of water and sewer services to the residents of the City.
2. Sanitation Fund - is used to account for the provision of sanitation services to the residents of the City.

CITY OF SOUTHAVEN, MISSISSIPPI
Schedule of Revenues, Expenditures and Changes in Net Position
Budgetary Basis - Budget and Actual - Utility Fund
For the Year Ended September 30, 2016

	<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>
<u>REVENUES</u>				
Sales	\$ 9,590,000	\$ 10,085,000	\$ 11,694,288	\$ 1,609,288
Miscellaneous	<u>11,000</u>	<u>101,000</u>	<u>110,724</u>	<u>9,724</u>
Total Revenues	<u>9,601,000</u>	<u>10,186,000</u>	<u>11,805,012</u>	<u>1,619,012</u>
<u>EXPENSES</u>				
Personnel services	1,431,160	1,442,661	1,412,671	29,990
Supplies	<u>575,339</u>	<u>625,339</u>	<u>579,285</u>	<u>46,054</u>
Total Expenses	<u>2,006,499</u>	<u>2,068,000</u>	<u>1,991,956</u>	<u>29,990</u>
Operating Income (Loss)	<u>7,594,501</u>	<u>8,118,000</u>	<u>9,813,056</u>	<u>1,649,002</u>
<u>Non-Operating Revenue (Expenses)</u>				
Non-revenue receipts	<u>1,000,000</u>	<u>1,000,000</u>	<u>(8,079)</u>	<u>1,008,079</u>
Total Non-Operating Revenue (Expenses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>(8,079)</u>	<u>1,008,079</u>
Net Changes in Net Position	8,594,501	9,118,000	9,804,977	(686,977)
Net Position - Beginning of Year	<u>-</u>	<u>-</u>	<u>9,930,516</u>	<u>9,930,516</u>
Net Position - End of Year	<u>\$ 8,594,501</u>	<u>\$ 9,118,000</u>	<u>\$ 19,735,493</u>	<u>\$ (10,617,493)</u>

CITY OF SOUTHAVEN, MISSISSIPPI
Schedule of Revenues, Expenditures and Changes in Net Position
Budgetary Basis - Budget and Actual - Sanitation Fund
For the Year Ended September 30, 2016

	<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>
<u>REVENUES</u>				
Charges for services	\$ 2,400,000	\$ 2,400,000	\$ 2,474,199	\$ 74,199
Other	5,000	5,000	13,066	8,066
	<u>2,405,000</u>	<u>2,405,000</u>	<u>2,487,265</u>	<u>82,265</u>
Total Revenues				
<u>EXPENSES</u>				
Personnel services	202,800	202,800	131,773	71,027
Professional services	2,200,000	2,200,000	2,316,115	(116,115)
Other	2,200	2,200	2,139	61
	<u>2,405,000</u>	<u>2,405,000</u>	<u>2,450,027</u>	<u>(45,027)</u>
Total Expenses				
Net Changes in Net Position	-	-	37,238	(37,238)
Net Position - Beginning of Year	-	-	2,442,633	2,442,633
Net Position - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,479,871</u>	<u>\$ (2,479,871)</u>

OTHER SCHEDULES

CITY OF SOUTHAVEN, MISSISSIPPI
Schedule of Surety Bonds for Municipal Officials
September 30, 2016

Name	Position	Insurance Company	Amount	Expiration
Darren L. Musselwhite	Mayor	Clyde C. Scott Insurance Agency	100,000	7/1/2018
Kristian R. K. Kelly	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
Shirley Beshears	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2017
William E. Brooks	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
Raymond V. Flores, Jr.	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
George Payne	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
Joel M. Gallagher	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
Scott R. Ferguson	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
Ronnie Hale	Alderman	Clyde C. Scott Insurance Agency	100,000	7/1/2018
McRee, Janice	City Clerk	Holland Insurance, Inc.	50,000	11/1/2018
Police Officers Bond	Per Officer	Holland Insurance, Inc.	50,000	3/18/2017
William Long	Police Chief	Holland Insurance, Inc.	50,000	11/1/2018
Ron White	Fire Chief	Holland Insurance, Inc.	50,000	11/1/2018
Dispatchers Bonds	Per Dispatcher	Holland Insurance, Inc.	50,000	11/1/2018
Clerks bond	Per Clerk	Holland Insurance, Inc.	50,000	11/1/2018

City of Southaven, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures
U.S. Department of Justice			
Passed-through Mississippi Department of Public Safety <i>Edward Byrne Memorial Justice Assistance Grant Program</i>	16.738	N/A	\$ 23,456
Total U.S. Department of Justice			<u>23,456</u>
U.S. Department of Transportation			
Passed-through Mississippi Department of Transportation <i>Highway Planning and Construction</i>	20.205	STP-1945-00(001)LPA/104574-701000	<u>2,278,683</u>
Total U.S. Department of Transportation			<u>2,278,683</u>
U.S. Environmental Protection Agency			
Passed-through Mississippi Department of Environmental Quality <i>ARRA - Capitalization Grants for Clean Water State Revolving Funds - Recovery Act</i>	66.458	SRF-C280910-03-0	<u>32,302</u>
Total U.S. Environmental Protection Agency			<u>32,302</u>
U.S. Department of Homeland Security			
Passed-through Mississippi Emergency Management Agency <i>Hazard Mitigation Grant</i>	97.039	1604-0500	<u>1,764,081</u>
Total U.S. Department of Homeland Security			<u>1,764,081</u>
Total Expenditures of Federal Awards			<u>\$ 4,098,522</u>

NOTES TO SCHEDULE:

1. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.
2. The pass-through entity did not assign an identifying number to the City in the case of the funds passed through from the Mississippi Department of Public Safety.
3. The City did not elect to use the 10% de minimis indirect cost rate.

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III

STATISTICAL SECTION

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

Financial Trends

These schedules contain financial trends information intended to assist the reader in understanding and assessing how a government's financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its own-source revenues-property and sales taxes.

Debt Capacity

These schedules present information to help the reader 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

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Invested in Capital Assets, net of related debt	\$ 57,726,369	\$ 45,323,310	\$ 42,258,077	\$ 47,426,917	\$ 46,347,370	\$ 44,265,704	\$ 48,298,598	\$ 46,334,933	\$ 42,467,305	\$ 37,605,855
Restricted	103,540	4,651,144	7,610,482	1,295,416	1,484,241	1,123,142	927,139	371,479	-	-
Unrestricted	(34,977,145)	(29,954,997)	4,041,609	3,102,934	2,789,532	4,985,282	857,819	(2,490,302)	1,641,049	4,781,303
Total Governmental Activities Net Assets	\$ 22,852,764	\$ 20,019,457	\$ 53,910,168	\$ 51,825,267	\$ 50,621,143	\$ 50,374,128	\$ 50,083,556	\$ 44,216,110	\$ 44,108,354	\$ 42,387,158
Business-Type Activities										
Invested in Capital Assets, net of related debt	8,097,964	7,880,084	7,765,721	6,564,362	6,619,179	5,964,993	4,608,627	3,720,671	17,499,988	12,091,643
Restricted	2,494,855	2,320,594	2,008,323	1,938,196	1,739,868	1,380,956	1,238,584	1,374,483	-	-
Unrestricted	22,757,773	20,751,630	21,342,321	18,413,663	16,889,175	14,931,077	15,792,572	14,990,386	863,798	4,964,813
Total Business-Type Activities Net Assets	33,350,592	30,952,308	31,116,365	26,916,221	25,248,222	22,277,026	21,639,783	20,085,540	18,363,786	17,056,456
Primary Government										
Invested in Capital Assets, net of related debt	\$ 65,824,333	\$ 53,203,394	\$ 50,023,798	\$ 53,991,279	\$ 52,966,549	\$ 50,230,697	\$ 52,907,225	\$ 50,055,604	\$ 59,967,293	\$ 49,697,498
Restricted	2,598,395	6,971,738	9,618,805	3,233,612	3,224,109	2,504,098	2,165,723	1,745,962	-	-
Unrestricted	(12,219,372)	(9,203,367)	25,383,930	21,516,597	19,678,707	19,916,359	16,650,391	12,500,084	2,504,847	9,746,116
Total Primary Government Net Assets	\$ 56,203,356	\$ 50,971,765	\$ 85,026,533	\$ 78,741,488	\$ 75,869,365	\$ 72,651,154	\$ 71,723,339	\$ 64,301,650	\$ 62,472,140	\$ 59,443,614

NOTE: In 2015, the City implemented GASB 68 and 71

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses					
Governmental Activities:					
General Government	\$ 20,969,900	\$ 17,921,504	\$ 8,911,832	\$ 9,091,210	\$ 10,978,549
Public Safety	19,342,389	21,618,917	21,315,040	21,045,108	20,605,372
Public Works	6,147,583	6,340,767	6,059,971	5,871,360	5,710,930
Culture and Recreation	5,935,644	7,187,714	6,045,661	6,054,011	6,063,410
Economic Development	343,140	327,249	329,337	565,964	828,449
Health and Welfare	252,357	269,460	389,959	397,923	313,035
Interest on Long-Term Debt	1,416,200	1,888,015	2,333,401	2,293,239	2,300,091
Depreciation and Amortization	-	-	-	-	-
Total Governmental Activities Expense	<u>54,407,213</u>	<u>55,553,626</u>	<u>45,385,201</u>	<u>45,318,815</u>	<u>46,799,836</u>
Business-Type Activities					
Water and Sewer	9,188,270	9,122,918	6,732,782	8,034,841	7,422,653
Sanitation	2,428,315	2,607,801	2,941,467	3,283,611	2,982,624
Interest on Long-Term Debt	996,607	1,180,621	1,162,990	1,301,034	1,313,265
Total Business-Type Activities	<u>12,613,192</u>	<u>12,911,340</u>	<u>10,837,239</u>	<u>12,619,486</u>	<u>11,718,542</u>
Total Primary Governmental Expenses	<u>67,020,405</u>	<u>68,464,966</u>	<u>56,222,440</u>	<u>57,938,301</u>	<u>58,518,378</u>
Program Revenue					
Governmental Activities:					
Charges for Services					
General Government	\$ 4,448,611	\$ 4,596,486	\$ 4,356,739	\$ 586,533	\$ 439,389
Public Safety	1,700,745	1,744,440	1,503,267	1,127,296	1,224,827
Culture and Recreation	4,001,320	4,261,062	4,459,621	2,252,037	2,422,049
Economic Development	223,050	135,732	187,948	203,086	182,289
Health and Welfare	15,950	14,392	19,104	18,850	20,702
Operating Grants and Contributions	-	-	-	-	-
Capital Grants and Contributions	5,324,590	3,421,839	91,428	1,137,034	2,877,974
Total Governmental Activities Program Revenues	<u>15,714,266</u>	<u>14,173,951</u>	<u>10,618,107</u>	<u>5,324,836</u>	<u>7,167,230</u>
Business-Type Activities					
Charges for Services	<u>14,757,403</u>	<u>13,632,810</u>	<u>11,833,977</u>	<u>11,442,827</u>	<u>12,474,185</u>
Total Business-Type Activities Program Revenues	<u>14,757,403</u>	<u>13,632,810</u>	<u>11,833,977</u>	<u>11,442,827</u>	<u>12,474,185</u>
Total Primary Government Program Revenues	<u>30,471,669</u>	<u>27,806,761</u>	<u>22,452,084</u>	<u>16,767,663</u>	<u>19,641,415</u>
Net (Expenses)/Revenue					
Governmental Activities	\$ (38,692,947)	\$ (41,379,675)	\$ (34,767,094)	\$ (39,993,979)	\$ (39,632,606)
Business-Type Activities	2,144,211	721,470	996,738	(1,176,659)	755,643
Total Primary Government Net Expense	<u>\$ (36,548,736)</u>	<u>\$ (40,658,205)</u>	<u>\$ (33,770,356)</u>	<u>\$ (41,170,638)</u>	<u>\$ (38,876,963)</u>
General Revenues and Other					
Changes in Net Position					
Governmental activities:					
Taxes					
Property Taxes	24,512,212	24,205,563	21,311,336	20,430,223	\$ 20,197,404
Sales Taxes	14,902,262	13,773,583	13,117,679	12,521,573	12,438,105
Franchise Taxes	1,651,785	1,913,744	2,331,621	1,832,042	1,715,137
Intergovernmental	-	-	-	1,864,386	1,685,781
Fines	-	-	-	3,236,128	3,280,771
Rents	-	-	-	647,471	565,585
Interest	23,735	21,510	15,177	75,108	372,607
Miscellaneous	436,260	624,281	137,480	170,692	548,689
Sale of assets	-	-	(61,298)	15,596	500
Transfer (to) from other funds	-	-	-	-	-
Total governmental activities	<u>41,526,254</u>	<u>40,538,681</u>	<u>36,851,995</u>	<u>40,793,219</u>	<u>40,804,579</u>
Business-type activities:					
Property taxes	-	-	3,122,952	2,723,997	3,005,658
Interest	28,292	7,078	7,446	6,196	13,440
Miscellaneous	225,781	21,373	73,008	81,646	21,600
Transfer (to) from other funds	-	-	-	-	-
Sale of assets	-	-	-	32,819	-
Total business-type activities	<u>254,073</u>	<u>28,451</u>	<u>3,203,406</u>	<u>2,844,658</u>	<u>3,040,698</u>
Total primary government					
Change in Net Position					
Governmental activities	\$ 2,833,307	\$ (840,994)	\$ 2,084,901	\$ 799,240	\$ 1,171,973
Business-type activities	2,398,284	749,921	4,200,144	1,667,999	3,796,341
Total primary governments	<u>\$ 5,231,591</u>	<u>\$ (91,073)</u>	<u>\$ 6,285,045</u>	<u>\$ 2,467,239</u>	<u>\$ 4,968,314</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 10,436,692	\$ 8,568,595	\$ 9,568,773	\$ 8,190,556	\$ 6,673,509
19,414,775	17,614,451	18,009,031	14,996,065	14,060,237
5,928,955	6,190,707	4,135,333	1,404,202	1,166,530
6,151,226	5,649,556	5,601,961	4,783,416	4,540,847
602,828	589,578	533,851	429,143	442,701
302,934	262,735	253,220	258,912	217,135
2,562,392	2,607,710	2,926,357	2,397,162	2,950,093
-	-	-	6,298,132	6,602,562
<u>45,399,802</u>	<u>41,483,332</u>	<u>41,028,526</u>	<u>38,757,588</u>	<u>36,653,614</u>
6,419,682	10,121,450	5,211,427	5,721,568	3,647,283
3,053,597	2,544,396	2,625,094	2,444,251	2,142,672
1,595,352	2,150,898	1,313,931	1,165,363	2,112,607
<u>11,068,631</u>	<u>14,816,744</u>	<u>9,150,452</u>	<u>9,331,182</u>	<u>7,902,562</u>
<u>56,468,433</u>	<u>56,300,076</u>	<u>50,178,978</u>	<u>48,088,770</u>	<u>44,556,176</u>
\$ 327,945	\$ 384,699	\$ 429,215	\$ 612,720	\$ 2,539,887
743,136	965,664	785,740	4,344,165	3,112,346
2,249,319	2,298,352	2,287,409	2,215,537	2,324,925
245,408	220,397	300,226	339,861	351,153
20,930	22,426	30,044	29,871	23,337
-	-	243,392	638,887	-
<u>1,247,811</u>	<u>1,505,312</u>	<u>-</u>	<u>-</u>	<u>11,847,628</u>
<u>4,834,549</u>	<u>5,396,850</u>	<u>4,076,026</u>	<u>8,181,041</u>	<u>20,199,276</u>
10,447,424	9,820,910	7,640,823	8,390,641	8,560,257
<u>10,447,424</u>	<u>9,820,910</u>	<u>7,640,823</u>	<u>8,390,641</u>	<u>8,560,257</u>
<u>15,281,973</u>	<u>15,217,760</u>	<u>11,716,849</u>	<u>16,571,682</u>	<u>28,759,533</u>
\$ (40,565,253)	\$ (36,086,482)	\$ (36,952,500)	\$ (30,576,547)	\$ (16,454,338)
(621,207)	(4,995,834)	(1,509,629)	(940,541)	657,695
<u>\$ (41,186,460)</u>	<u>\$ (41,082,316)</u>	<u>\$ (38,462,129)</u>	<u>\$ (31,517,088)</u>	<u>\$ (15,796,643)</u>
20,372,157	19,161,567	17,555,090	15,500,811	14,433,136
11,735,308	11,343,015	11,177,009	12,657,817	12,479,920
1,844,083	2,310,012	2,168,898	1,596,283	-
1,140,165	993,134	1,045,731	1,063,596	-
3,690,411	3,602,657	3,266,474	-	98,341
659,839	602,051	456,919	-	497,359
288,233	197,773	185,641	264,120	547,817
592,391	2,582,740	463,278	1,142,444	1,585,299
25,652	(258,495)	(55,035)	23,994	(324,520)
(471,797)	-	-	48,678	(88,935)
<u>39,876,442</u>	<u>40,534,454</u>	<u>36,264,005</u>	<u>32,297,743</u>	<u>29,228,417</u>
2,672,406	2,491,907	2,282,117	2,210,446	1,904,571
13,086	5,900	21,783	58,089	40,731
69,166	146,072	34,378	28,014	71,363
471,797	-	-	(48,678)	88,935
-	-	-	-	(213,114)
<u>3,226,455</u>	<u>2,643,879</u>	<u>2,338,278</u>	<u>2,247,871</u>	<u>1,892,486</u>
\$ (688,811)	\$ 4,447,972	\$ (688,495)	\$ 1,721,196	\$ 12,774,079
<u>2,605,248</u>	<u>(2,351,955)</u>	<u>828,649</u>	<u>1,307,330</u>	<u>2,550,181</u>
<u>\$ 1,916,437</u>	<u>\$ 2,096,017</u>	<u>\$ 140,154</u>	<u>\$ 3,028,526</u>	<u>\$ 15,324,260</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund										
Reserved	-	-	-	-	-	-	444,629	336,121	-	-
Unreserved	-	-	-	-	-	-	3,421,047	192,312	4,582,345	5,247,599
Non-Spendable	653,249	549,286	519,474	559,568	524,945	462,122	-	-	-	-
Restricted	-	500,000	359,606	426,048	426,048	418,783	-	-	-	-
Committed	103,540	-	205,566	469,049	465,574	915,479	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	6,793,553	5,914,779	3,751,667	2,463,089	2,418,834	4,444,568	-	-	-	-
Total General Fund	7,550,342	6,964,065	4,836,313	3,917,754	3,835,401	6,240,952	3,865,676	528,433	4,582,345	5,247,599
All Other Governmental Funds										
Bond Funded Capital Fund										
Reserved	-	-	-	-	-	-	-	51,841	-	-
Unreserved	-	-	-	-	-	-	(1,378,463)	(1,468,506)	(1,051,252)	(408,015)
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	982,839	1,273,771	4,179,797	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	98,279	-	-	-	-	-	-
Total Bond Funded Capital Fund	982,839	1,273,771	4,179,797	98,279	-	-	(1,378,463)	(1,416,665)	(1,051,252)	(408,015)
Debt Service Fund										
Reserved	-	-	-	-	-	-	565,464	556,426	-	-
Unreserved	-	-	-	-	-	-	(369,094)	(866,851)	(362,266)	(278,989)
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	375,625	375,162	2,062,566	1,371,809	1,628,105	982,388	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(17,154)	-	-	-	-
Total Debt Service Fund	375,625	375,162	2,062,566	1,371,809	1,628,105	965,234	196,370	(310,425)	(362,266)	(278,989)
Other Governmental Funds										
Reserved	-	-	-	-	-	-	505,640	-	132,888	-
Unreserved	-	-	-	-	-	-	(137,806)	330,608	215,544	207,219
Non-Spendable	-	-	-	-	-	-	-	-	-	-
Restricted	(44,620)	1,952,955	1,286,805	313,063	414,100	217,828	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Other Governmental Funds	(44,620)	1,952,955	1,286,805	313,063	414,100	217,828	367,834	330,608	348,432	207,219

NOTE: The decrease in the Bond Funded Capital Fund and the Other Governmental Funds is due to the spending designated funds on new infrastructure.

City of Southaven, Mississippi
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
General Property Taxes	\$ 24,512,212	\$ 24,205,563	\$ 21,311,337	\$ 20,430,223	\$ 20,197,404	\$ 20,372,157	\$ 19,161,567	\$ 17,555,090	\$ 15,786,667	\$ 14,433,136
Licenses and Permits	739,814	762,822	656,568	586,533	439,389	327,945	384,699	429,215	2,209,003	2,539,887
Intergovernmental	22,914,571	17,173,085	15,698,888	14,385,959	14,123,885	12,875,474	12,336,149	12,222,741	13,296,705	12,479,920
Charges for Services	3,701,116	4,164,357	3,715,831	3,601,269	3,849,867	3,258,794	3,506,839	3,403,419	3,741,465	3,607,436
Fines	2,428,527	2,605,182	2,411,341	3,236,128	3,280,771	3,690,411	3,602,657	3,266,474	3,187,969	2,204,326
Franchise Taxes	1,651,785	1,913,744	2,331,621	1,832,042	1,715,137	1,844,083	2,310,012	2,168,898	-	-
Rents	650,788	591,742	659,007	647,471	565,585	659,839	602,051	456,919	576,915	497,359
Grant Proceeds	181,712	485,319	91,428	1,137,034	2,877,974	1,247,811	1,505,312	243,392	-	1,818,396
Interest	23,735	21,510	15,177	75,108	372,607	288,233	197,773	185,641	264,119	547,816
Miscellaneous	436,261	613,714	137,481	152,298	498,689	592,391	2,582,740	463,278	1,343,271	1,683,640
Total Revenues	57,240,521	52,537,038	47,028,679	46,084,065	47,921,308	45,157,138	46,189,799	40,395,067	40,406,114	39,811,916
Expenditures										
General Government	10,481,117	9,455,797	7,564,746	10,514,328	7,650,605	8,068,212	7,953,761	8,840,748	7,955,277	7,131,424
Public Safety	20,360,322	19,966,943	19,782,725	19,483,184	20,295,589	18,106,522	16,716,154	17,031,909	15,142,142	14,724,778
Public Works	1,829,022	1,947,379	1,764,594	1,579,685	1,418,054	1,410,208	1,453,813	1,306,340	1,403,636	1,170,220
Culture and Recreation	4,971,889	4,607,539	4,677,062	4,978,858	4,936,225	4,924,617	4,552,191	4,515,543	4,491,240	5,430,245
Health and Welfare	303,638	272,910	389,790	397,768	313,441	302,832	262,735	251,806	258,443	216,985
Library	-	-	-	-	-	-	-	-	289,718	255,250
Tourism and Convention	343,139	327,248	329,337	565,964	828,449	602,828	589,578	533,851	429,143	442,701
Capital Outlay	13,880,758	11,305,801	5,203,281	6,812,179	6,597,349	3,203,338	5,131,233	11,566,359	9,531,439	15,503,602
Debt Service:										
Principal	5,271,794	7,927,532	8,291,022	5,660,462	5,783,346	7,234,031	7,666,329	4,759,620	4,348,517	8,137,179
Interest	1,504,405	2,361,820	1,971,481	2,108,642	1,952,024	2,524,747	2,619,645	2,389,428	2,769,868	2,950,093
Issuance Cost	-	206,786	413,535	97,761	-	196,897	113,934	86,249	-	-
Agent Fees	-	1,250	39,227	-	14,363	114,599	-	-	-	-
Total Expenditures	58,946,084	58,381,005	50,426,800	52,198,831	49,789,445	46,688,831	47,059,373	51,281,853	46,619,423	48,831,053
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,705,563)	(5,843,967)	(3,398,121)	(6,114,766)	(1,868,137)	(1,531,693)	(869,574)	(10,886,786)	(6,213,309)	(9,019,137)
Other Financial Sources (uses)										
Sale of Assets	3,796	694,333	45,620	75,550	500	25,652	13,412	77,248	23,994	114,998
Grant Proceeds	-	2,677,520	-	-	-	-	-	-	-	-
Interfund Transfers	-	-	-	-	50,000	(471,797)	-	-	48,678	(88,935)
Loan Proceeds	-	-	-	-	-	774,283	1,402,605	-	-	-
Bond Proceeds	-	-	9,495,000	2,893,395	-	-	6,652,205	9,965,000	4,000,000	10,185,000
Bond Issuance Cost	-	-	-	-	-	-	-	-	-	(390,149)
Refunding Bond Proceeds	-	6,870,000	7,945,000	3,015,000	-	6,730,000	-	-	-	-
Payment to Bond Escrow Agent	-	(6,400,000)	(7,700,000)	(3,010,345)	-	(3,300,000)	(3,535,000)	(6,265,000)	-	-
Loss on Extinguishment of Debt	-	-	-	-	-	-	-	(353,172)	-	-
Premium	-	202,586	277,077	93,107	-	-	-	-	-	23,737
Lease Proceeds	-	-	-	2,871,358	271,229	268,624	255,818	2,755,523	292,633	634,348
Total Other Financing Sources	3,796	4,044,439	10,062,697	5,938,065	321,729	4,026,762	4,789,040	6,179,599	4,365,305	10,478,999
Net Change in Fund Balance	(1,701,767)	(1,799,528)	6,664,576	(176,701)	(1,546,408)	2,495,069	3,919,466	(4,707,187)	(1,848,004)	1,459,862
Fund Balance-Beginning of Year	10,565,953	12,365,481	5,700,905	5,877,606	7,424,014	3,051,417	(868,049)	3,517,259	4,767,813	10,439,376
Equity Transfers	-	-	-	-	-	-	-	321,879	-	-
Prior Period Adjustment	-	-	-	-	-	1,877,528	-	-	597,450	-
Fund Balance-End of Year	8,864,186	10,565,953	12,365,481	5,700,905	5,877,606	7,424,014	3,051,417	(868,049)	3,517,259	11,899,238
Debt service as a percentage of noncapital expenditures	14.07%	20.34%	23.02%	18.07%	18.53%	21.98%	26.10%	17.66%	18.99%	51.69%

CITY OF SOUTHAVEN, MISSISSIPPI
Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (amounts express 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		
2016	360,370	3,003,083	61,519	410,127	13,068	43,560	71,530	238,433	506,487	3,695,203	14%	0.4373
2015	342,002	2,850,017	55,372	369,147	12,356	41,187	66,440	221,467	476,170	3,481,817	14%	0.4373
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

* 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	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	Operating Millage	Debt Millage	Total Millage	
2016	27.67	16.06	-	34.84	6.18	41.02	40.35	13.22	53.57	1.99	2.12	4.11	142.43
2015	27.67	16.06	-	34.84	6.18	41.02	40.35	13.22	53.57	1.99	2.12	4.11	142.43
2014	22.36	15.37	6.00	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	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	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	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	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	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	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	35.44	5.58	41.02	38.13	11.40	49.53	1.99	2.12	4.11	139.39

CITY OF SOUTHAVEN
Principal Property Taxpayers
Current Year and Five Years Ago
(amount expressed in thousands)

Taxpayer	2016			2011		
	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation*	Taxable Assessed Value	Rank	Percentage of Total Assessed Valuation
Personal Property						
HELEN OF TROY LP	5195	1	1.03%	5,344	2	1.03%
MID-SOUTH OUTLET SHOPS LLC	4436	2	0.88%	-	0	0.00%
VISTA-PRO AUTOMOTIVE LLC	3571	3	0.70%	-	0	0.00%
HILLWOOD LIT LP	3571	4	0.70%	3516	4	0.68%
BLENHEIM DESOTO HOLDING LLC	3258	5	0.64%	3,357	5	0.65%
US INDUSTRIAL RIET II	3242	6	0.64%	3,242	7	0.63%
SOMERSET DESOTO HOLDINGS LLC	2967	7	0.59%	2,967	9	0.57%
COMCAST OF AR/FL/LA/MN/MS/TN INC	2455	8	0.48%	-	0	0.00%
SOUTHAVEN TOWNE CENTER II LLC	2248	9	0.44%	-	0	0.00%
WESTERN B SOUTH MS LLC	2150	10	0.42%	-	0	0.00%
Somerset DeSoto Holdings				2,967	9	0.57%
US Industrial REIT III-Midwest				3,704	3	0.71%
LIT Industrial LP				3,334	6	0.64%

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

* The total assessed valuation for 2016 is \$506,719,828

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

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	24,765	23,438	95%	-	23,438	95%
2015	23,430	23,117	99%	29	23,146	99%
2014	22,747	22,186	98%	80	22,266	98%
2013	25,277	22,898	91%	2,204	25,102	99%
2012	23,262	22,573	97%	49	22,622	97%
2011	22,679	21,749	96%	88	21,837	96%
2010	21,089	20,656	98%	130	20,786	99%
2009	18,790	17,928	95%	163	18,091	96%
2008	17,534	16,356	93%	78	16,434	94%

* The information prior to 2008 was not accumulated.

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

Fiscal Year	Property Taxes	Sales Taxes	Franchise Taxes	Other State Shared Taxes	Total
2016	24,515,212	14,902,262	1,651,785	-	41,069,259
2015	24,205,563	13,773,583	1,913,744	-	39,892,890
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

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

Fiscal Year	Governmental Activities			Business-type Activities							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	Total Outstanding Debt	Personal Income *	Population**	Debt Per Capita	
2016	45,179,335	-	591,975	20,358,255	259,310	18,094,538	84,483,413	36,375	52,589	1,606.48	3.05%
2015	50,336,531	72,508	716,446	20,670,610	317,548	18,596,940	90,710,583	36,375	51,824	1,750.36	3.38%
2014	54,485,547	2,336,812	1,604,674	21,680,294	373,367	15,746,180	96,226,874	36,242	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%

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

** U.S. Census Bureau

*** This includes unamortized premiums and discounts

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

Fiscal Year	Estimated Population	Assessed Property Value*	Gross General Obligation Bonds*	Less Debt Service Funds	Net GO Bonded Debt	Percentage of Assessed Taxable Value of Property	Net Bonded Debt Per Capita
2016	52.6	506,720	41,064	375	40,689	8.03%	773.56
2015	51.8	476,170	45,502	375	45,127	9.48%	871.18
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

* This amount includes unamortized premiums and discounts

CITY OF SOUTHAVEN, MISSISSIPPI
Direct and Overlapping Governmental Activities Debt
As of September 30, 2016
(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	45,771	45,771	100%
Overlapping:			
None	<u>0</u>	<u>0</u>	<u>0</u>
Total all	<u>45,771</u>	<u>45,771</u>	<u></u>

CITY OF SOUTHAVEN, MISSISSIPPI

Legal Debt Margin Information

Last Ten Fiscal Years

(amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Debt Limit (15%)	\$ 76,007	\$ 71,426	\$ 69,086	\$ 78,205	\$ 79,792	\$ 77,793	\$ 65,479	\$ 64,497	\$ 57,944	\$ 53,514
Total net GO Debt Applicable to Limit	<u>58,835</u>	<u>47,610</u>	<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>
Legal Debt Margin	<u>\$ 17,172</u>	<u>\$ 23,816</u>	<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>
Total Net Debt Applicable to the Limit as a Percentage of the Debt Limit	77.4%	66.7%	73.7%	61.7%	58.1%	60.9%	83.4%	85.0%	78.9%	82.4%

CITY OF SOUTHAVEN
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
				Debt Service Requirements			
				Principal	Interest	Total	
2016	12,498	6,610.00	5,888	1,260	691	1,951	33%
2015	11,630	7,380	4,250	1,155	830	1,985	47%
2014	11,503	5,154	6,349	1,105	873	1,978	31%
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%

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

<u>Fiscal Year</u>	<u>Estimated Population *</u>	<u>Per Capita Income **</u>	<u>School Enrollment ***</u>	<u>Unemployment Rate City ****</u>	<u>Unemployment Rate State****</u>	<u>Unemployment Rate Nation****</u>
2016	52,589	36,375	33,537	4.10%	5.70%	4.90%
2015	51,824	36,242	33,140	3.50%	5.90%	4.90%
2014	50,997	36,242	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%

* U. S. Census Bureau

** U. S. Bureau of Economic Analysis

***Office of Research and Statistics, Mississippi Department of Education's website

**** United States Department of Labor

CITY OF SOUTHAVEN
Principal Employers
Current and Four Fiscal Years

Employer	2016		2012	
	Employees	Rank	Employees	Rank
Baptist Memorial Hospital	1,850	1	1,627	1
DeSoto County School District	799	2	780	2
Associated Wholesale Grocers	440	3	265	9
Wal-Mart	425	4	600	3
City of Southaven	424	5	403	4
Future Electronics	345	6	300	5
DeSoto County Civic Center	314	7	300	6
Seimens Industry	300	8	300	7
Halyard Health	229	9	-	-
ScanSource	220	10	220	10
Thomas and Betts			300	8

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 Eight Fiscal Years

Department	2009	2010	2011	2012	2013	2014	2015	2016
Arts & Culture	2	2	5	5	3	3	3	3
Court	9	10	15	16	12	13	13	14
City Attorney	2	2	2	*	*	*	*	*
General Administration	7	4	5	5	5	5	6	6
Information Technology	4	4	5	6	5	22	25	25
City Clerk	7	5	5	6	6	6	6	6
Building	6	6	5	4	4	0	*	*
Environmental	3	2	2	2	2	1	*	*
Planning	6	6	7	6	6	9	16	17
Police	136	135	153	144	143	122	132	135
Fire	116	112	120	115	108	123	116	117
Public Works	8	11	11	10	10	14	12	13
Parks	58	55	76	52	52	50	49	54
Municipal Code Enforcement	6	7	8	8	9	5	5	5
Utilities	25	24	30	24	22	27	27	27
Sanitation	4	4	*	*	3	3	3	2
	399	389	449	403	390	403	413	424

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Calls for service	30,870	31,796	32,951	41,534	50,425	61,752	70,260	67,521	79,162	69,343
Tickets issued	18,960	22,442	16,877	19,952	21,417	17,707	17,322	21,894	21,193	16,844
Arrests	4,819	4,930	4,640	3,870	3,400	2,952	2,940	3,611	4,281	4,748
Fire										
Total Incidents	*	1,673	2,091	2,154	2,047	2,152	2,510	2,670	2,853	3,497
Building Fires	*	30	33	42	27	41	44	49	38	20
EMS Transport Calls	*	*	*	*	*	4,433	5,004	5,389	4,130	4,216
Total Inspections	*	2,552	2,399	2,417	3,718	4,095	4,331	4,197	5,194	4,925
Sanitation										
Recycling trailers (pounds)	*	*	*	621,530	469,560	468,030	531,000	401,000	338,000	364,322
Curbside Recycling (tons)	*	*	*	*	1,775	1,501	1,408	1,273	792	639
Municipal Code Enforcement										
Ordinance Violations	*	*	*	839	1,033	1,462	2,234	2,156	3,721	4,449
Water										
Average Daily consumption (gallons)	*	*	*	*	4,400,000	4,400,000	4,500,000	4,530,000	4,590,000	4,495,000
Water storage capacity (gallons)	3,500,000	3,500,000	3,500,000	4,250,000	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000	5,250,000

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

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	68	77	89	99	102	103	100	109	112	120
Other vehicles	19	22	22	21	26	31	45	38	30	31
Fire										
Stations	4	4	4	4	4	4	4	4	4	4
Ladder trucks	2	2	2	2	3	3	3	3	3	3
Fire engines	5	5	5	7	7	7	8	8	8	8
Rescue vehicles	3	5	5	5	5	6	6	6	7	7
Parks and recreations										
Parks	25	25	25	25	25	25	25	25	25	25
Golf Courses	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Baseball/Softball Fields	25	25	25	25	25	25	25	25	25	25

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of 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 of Southaven, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise City of Southaven's basic financial statements, and have issued our report thereon dated March 17, 2017.

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 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 of Southaven'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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 17, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and Board of Aldermen
City of Southaven, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the City of Southaven's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended September 30, 2016. City of Southaven's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Southaven's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Opinion on Its Major Federal Program

In our opinion, the City of Southaven, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the City of Southaven, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 17, 2017

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Southaven, Mississippi as of and for the year ended September 30, 2016, which collectively comprise the City of Southaven's basic financial statements and have issued our report thereon dated March 17, 2017. 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 of America.

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 17, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Southaven, Mississippi

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2016

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant

8. Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Section III: Federal Award Findings and Questioned Costs

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