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**CITY OF OLIVE BRANCH, MISSISSIPPI  
Audited Financial Statements  
For the Year Ended September 30, 2011**

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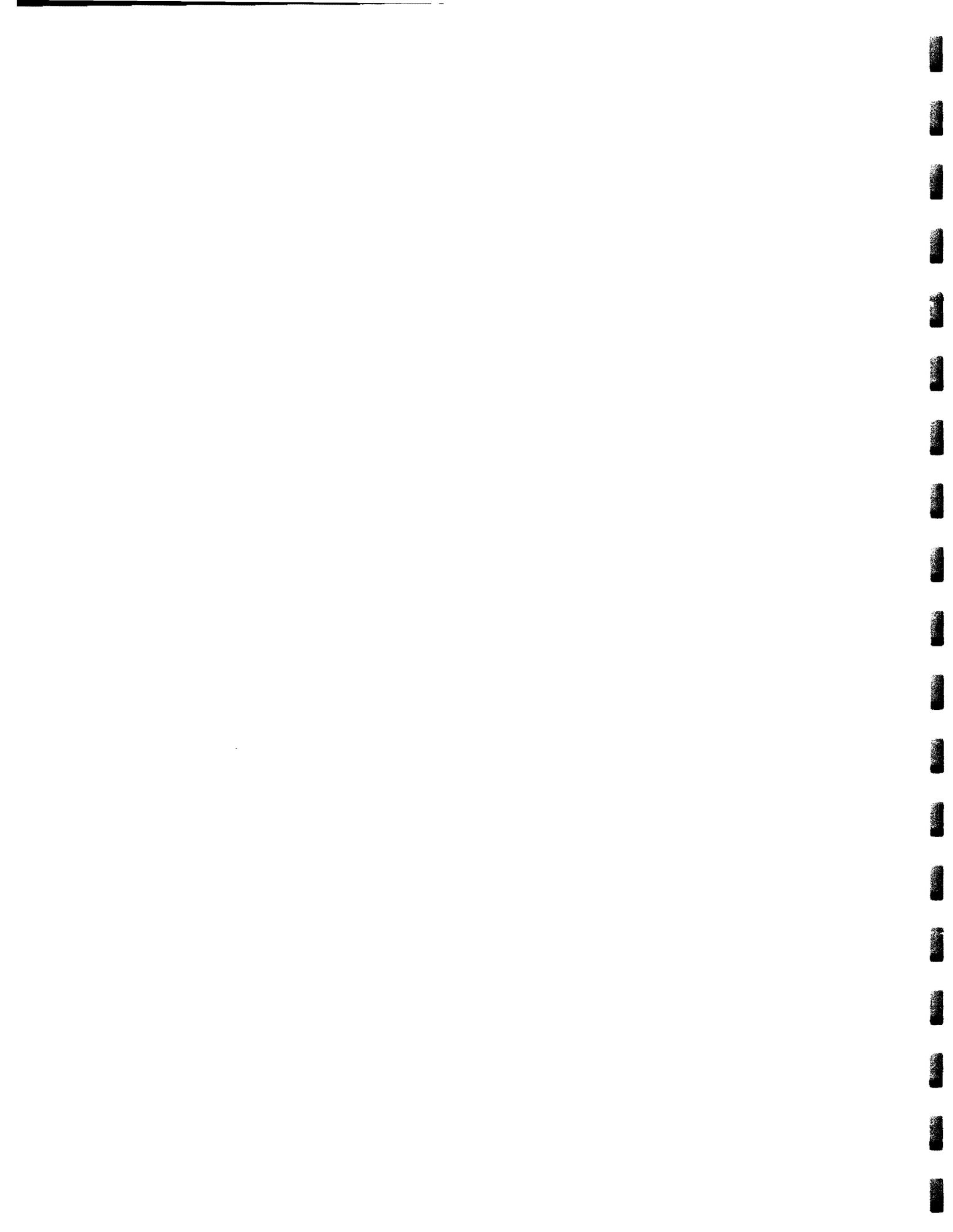




**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2011**

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## INDEPENDENT AUDITORS' REPORT

Mayor and Board of Aldermen  
City of Olive Branch  
Olive Branch, Mississippi

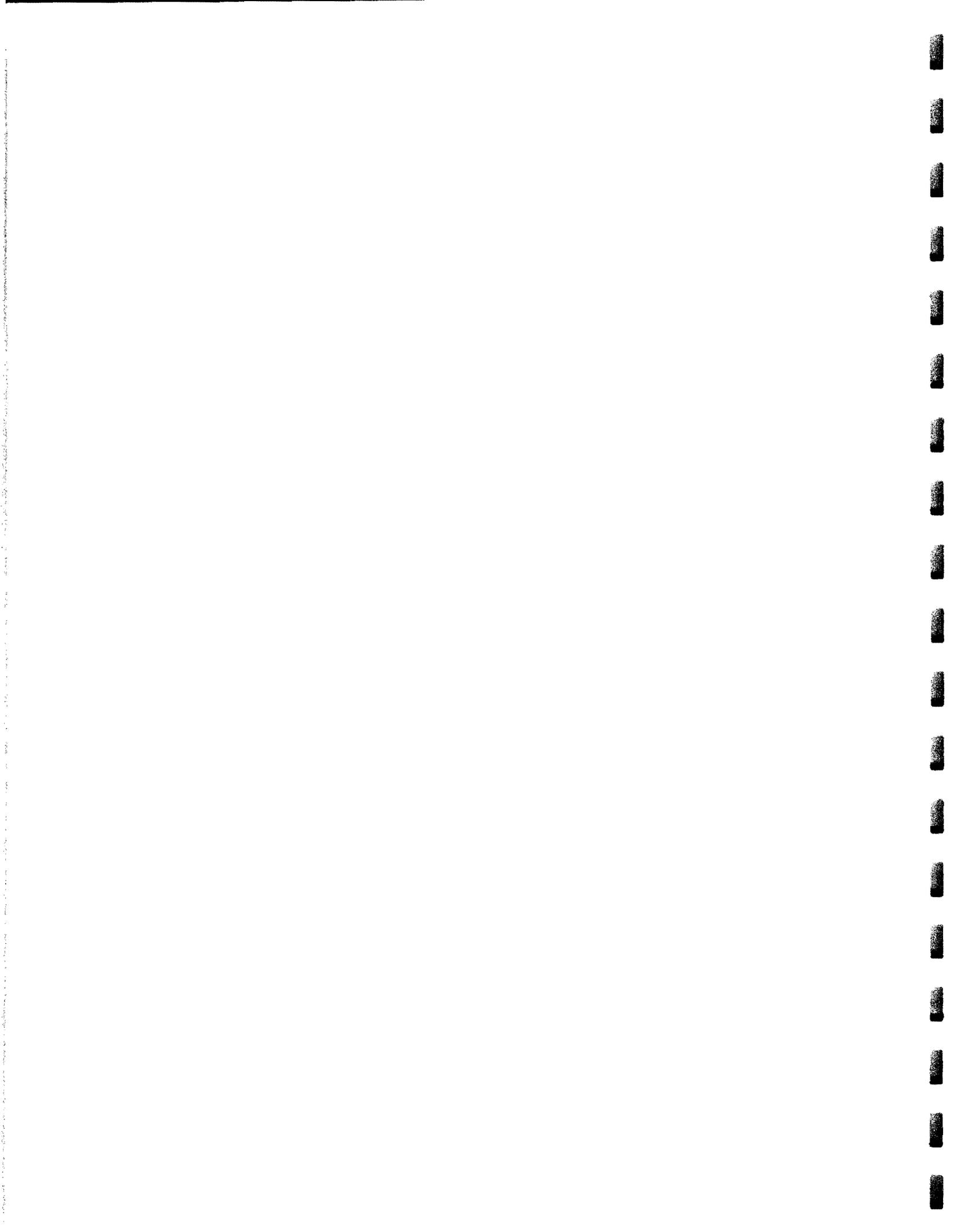
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Olive Branch, Mississippi (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 12 and 40 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

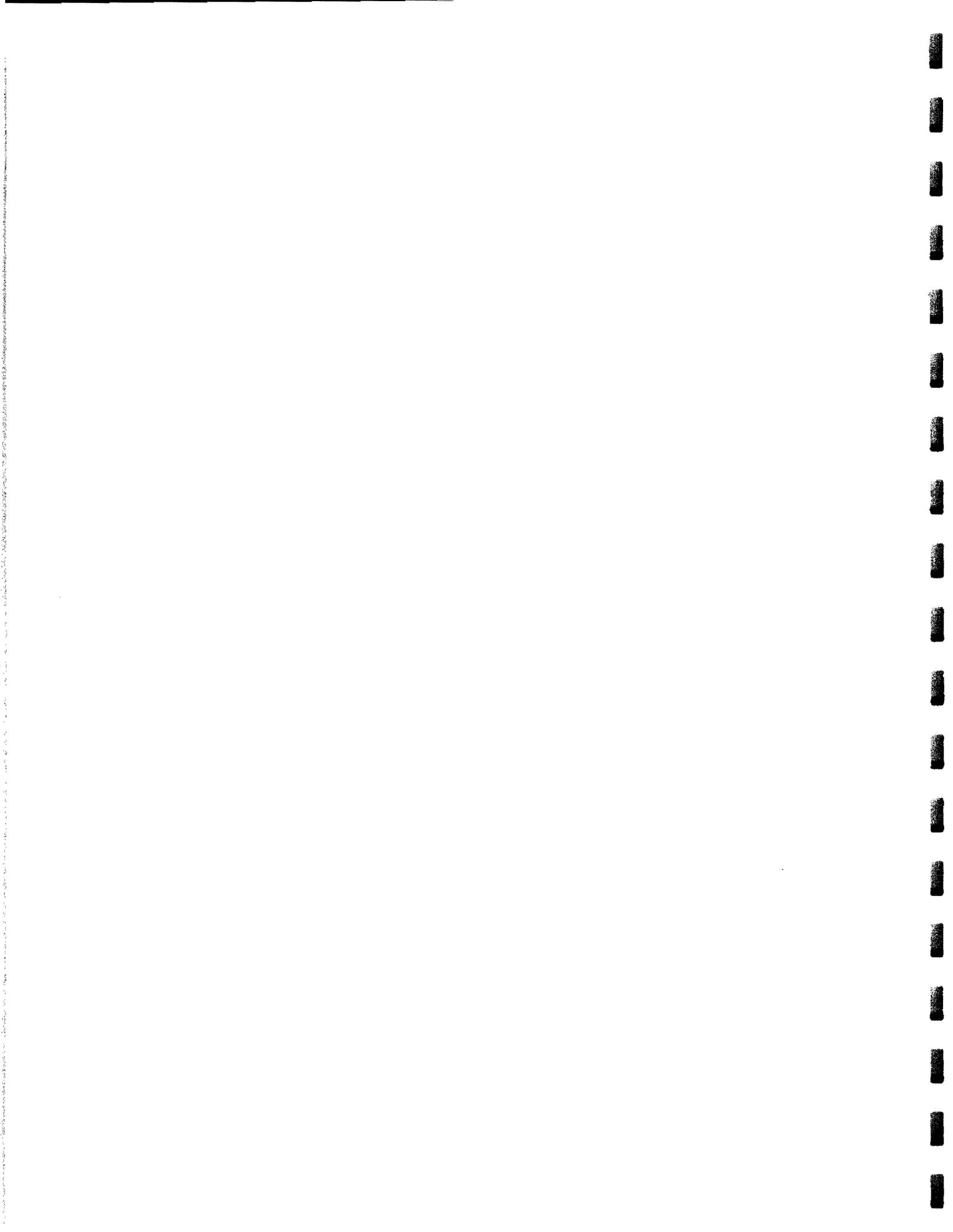


we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 27, 2012



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

**INTRODUCTION**

The discussion and analysis of City of Olive Branch's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2011. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

The City of Olive Branch is located in northwestern Mississippi along MS Highway 78, in northeastern DeSoto County (which borders the State of Tennessee to the north, the Mississippi River and Tunica County to the west and Tate County to the south). The City's population, during the 2010 census, was 33,484 and estimates indicate a population of approximately 33,962 as of 9/30/11. Source – City of Olive Branch Department of Planning and Building.

The local economic base is diverse with a strong contingent of manufacturing and distribution industries. In 2010 the City began recovering from the recession with a slight increase in the number of businesses. As of 9/30/11 the City had approximately 1,265 active businesses (as compared to 1,333 in '07, 1,275 in '08, 1,223 in '09 and 1,342 in '10). Approximately 815 were commercial/industrial businesses and 450 were home businesses. Source – City of Olive Branch, Business Licenses

**FINANCIAL HIGHLIGHTS**

The City of Olive Branch is financially stable and committed to sound fiscal management to meet the challenges of the future.

Over the past few years the City of Olive Branch experienced dramatic growth in economy and in population, but the City is sensitive to national economic trends. In '08 the national recession resulted in a tightening of credit which caused residential building to slow significantly. Reports from the Planning and Building Department indicate 83 residential building permits were issued in Olive Branch in 2011 (down from 378 in '07, 126 in '08, 108 in '09 and 97 in '10). The cost of providing quality services, public safety and infrastructure continues to increase but the City has managed to maintain an attractive tax rate. The City's ad valorem tax rate increased from 31.5 mills to 34.5 mills in September '07 and remains at 34.5 mills today.

The City's financial position is a product of various financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Total net assets increased \$9,068,415, which represents a 10% increase from the prior fiscal year. The City's ending cash balance increased by \$8,333,402, which represents a 97% increase from the prior fiscal year. The City had \$61,806,312 in total revenues. Tax revenues account for \$21,674,612 (or 35%) of total revenues. Sales of utilities totaled \$25,488,591 or 41% of total revenues.

The City had \$50,997,939 in total expenses. Expenses in the amount of \$37,448,756 were offset by grants, outside contributions or charges for services.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

Among major funds, the General Fund had \$27,787,319 in revenues and \$24,549,246 in expenditures. As a result, the General Fund's fund balance increased \$3,238,073 over the prior year.

The Combined Water & Sewer System had \$17,332,254 in revenues and \$11,131,947 in expenditures. As a result the Combined Water & Sewer System's Fund balance increased by \$6,200,307 over the prior year. The increase in the fund balance is attributed to increases in the water and sewer rates following the most recent rate study (which was conducted to determine if rates were adequate to cover the costs of the system, pass on increased costs of wastewater treatment, and for issuance of bonds for various improvements to the system).

The Natural Gas System had \$14,004,733 in revenues and \$12,260,787 in expenditures. As a result the Natural Gas System's Fund balance increased by \$1,743,946 over the prior year. The increase in the fund balance is attributed to a mild winter coupled with lower rates in the natural gas market and more careful review of the gas market when purchasing natural gas, so that gas is purchased when rates are at lower prices and placed in storage for use of the City's natural gas customers.

Capital assets, net of accumulated depreciation increased by \$1,619,881.

Long-term debt decreased by \$879,976.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City finances, in a manner similar to private-sector businesses.

The statement of net assets presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works (roads and bridges); culture and recreation; economic development; and interest on long-term debt. The business-type activities of the City include City of Olive Branch Natural Gas System and City of Olive Branch Combined Water & Sewer System.

The Government-wide Financial Statements can be found on pages 14 and 15 of this report.

**Fund Financial Statements.** 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 uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the City can be divided into two categories: governmental funds, and proprietary funds.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19, respectively.

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

The basic governmental funds financial statements can be found on pages 16 and 18 of this report.

**Proprietary funds** are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The City uses enterprise funds to account for the City of Olive Branch Natural Gas System and City of Olive Branch Combined Water & Sewer System.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City of Olive Branch Natural Gas System and the City of Olive Branch Combined Water & Sewer System are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. The proprietary funds financial statements can be found on pages 20 through 22 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 23 through 38 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on page 39 through 40 of this report.

#### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of City of Olive Branch, assets exceeded liabilities by \$100,872,024 as of September 30, 2011.

The largest portion of the City's net assets (78%) reflects its investment in capital assets (eg., land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

The City's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2011.

	2011		2010	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Current Assets	\$ 23,897,088	\$ 18,954,651	\$ 22,671,335	\$ 14,393,213
Capital Assets, Net	<u>104,632,614</u>	<u>33,630,385</u>	<u>106,752,133</u>	<u>29,890,985</u>
<b>Total Assets</b>	<u><b>128,529,702</b></u>	<u><b>52,585,036</b></u>	<u><b>129,423,468</b></u>	<u><b>44,284,198</b></u>
Current Liabilities	16,210,158	2,638,826	16,213,441	3,416,910
Long-term debt outstanding	<u>33,471,456</u>	<u>27,922,274</u>	<u>35,486,101</u>	<u>26,787,605</u>
<b>Total Liabilities</b>	<u><b>49,681,614</b></u>	<u><b>30,561,100</b></u>	<u><b>51,699,542</b></u>	<u><b>30,204,515</b></u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt	71,895,154	6,401,080	72,256,116	3,908,639
Restricted	2,343,094	4,276,885	3,425,009	6,248,189
Unrestricted	<u>4,609,840</u>	<u>11,345,971</u>	<u>2,042,801</u>	<u>3,922,855</u>
<b>Total Net Assets</b>	<u><b>\$ 78,848,088</b></u>	<u><b>\$ 22,023,936</b></u>	<u><b>\$ 77,723,926</b></u>	<u><b>\$ 14,079,683</b></u>

**Changes in Net Assets** – City of Olive Branch total revenues for the fiscal year ended September 30, 2011 was \$61,806,312. The total cost for all services provided was \$50,997,939. The increase in net assets was \$9,068,415, due to a prior period adjustment of (\$1,739,958).

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2011.

	2011			2010		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Program Revenue:</b>						
Charges for Services	\$ 4,778,275	\$ 25,488,591	\$ 30,266,866	\$ 3,997,430	\$ 25,857,222	\$ 29,854,652
Operating Grant & Contributions	183,026	-	183,026	566,884	-	566,884
Capital Grants & Contributions	2,199,467	4,799,397	6,998,864	792,220	725,879	1,518,099
Transfers from/to other funds	(187,476)	187,476	-	(186,730)	186,730	-
Intergovernmental	801,407	-	801,407	744,114	-	744,114
Taxes	21,674,612	-	21,674,612	20,825,306	-	20,825,306
Other	1,026,520	855,017	1,881,537	664,429	778,318	1,442,747
	<u>30,475,831</u>	<u>31,330,481</u>	<u>61,806,312</u>	<u>27,403,653</u>	<u>27,548,149</u>	<u>54,951,802</u>
<b>Expenses:</b>						
General Government	2,519,374	-	2,519,374	2,751,570	-	2,751,570
Public Safety	12,612,394	-	12,612,394	12,540,418	-	12,540,418
Public Works	7,985,142	-	7,985,142	8,059,881	-	8,059,881
Culture & Recreation	1,861,624	-	1,861,624	2,096,829	-	2,096,829
Economic Development	1,050,931	-	1,050,931	1,068,158	-	1,068,158
Debt Services	1,582,246	1,063,839	2,646,085	1,479,702	1,119,103	2,598,805
Water System	-	10,316,155	10,316,155	-	11,213,160	11,213,160
Gas System	-	12,006,234	12,006,234	-	13,895,364	13,895,364
	<u>27,611,711</u>	<u>23,386,228</u>	<u>50,997,939</u>	<u>27,996,558</u>	<u>26,227,627</u>	<u>54,224,185</u>
<b>Change in Net Assets</b>	<u>\$ 2,864,120</u>	<u>\$ 7,944,253</u>	<u>\$ 10,808,373</u>	<u>\$ (592,905)</u>	<u>\$ 1,320,522</u>	<u>\$ 727,617</u>

Note: The business-type activities consist of the City of Olive Branch Natural Gas System and the City of Olive Branch Combined Water & Sewer System.

**Governmental Activities** – The following table presents the cost of the major functional activities of the City. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

	2011		2010	
	Total Costs	Net (Cost)/Revenues	Total Costs	Net (Cost)/Revenues
General Government	\$ 2,519,374	\$ 75,433	\$ 2,751,570	\$ (1,132,436)
Public Safety	12,612,394	(9,651,739)	12,540,418	(10,289,401)
Public Works	7,985,142	(6,597,879)	8,059,881	(6,723,515)
Culture & Recreation	1,861,624	(1,643,581)	2,096,829	(1,880,529)
Economic Development	1,050,931	(1,050,931)	1,068,158	(1,068,158)
Debt Services	1,582,246	(1,582,246)	1,479,702	(1,479,702)
	<u>\$ 27,611,711</u>	<u>\$ (20,450,943)</u>	<u>\$ 27,996,558</u>	<u>\$ (22,573,741)</u>

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

**Governmental funds** – At the close of the fiscal year, City of Olive Branch governmental funds reported a combined fund balance of \$7,714,650, an increase of \$1,189,387.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$3,238,073, excluding a (\$1,739,958) prior period adjustment.

**Business-type funds** – Operating revenue from the City's Utility Funds decreased by less than 1% to \$26,063,326 and expenses decreased by 1% to \$22,322,389.

**BUDGETARY HIGHLIGHTS (of General Fund only)**

Over the course of the year, City of Olive Branch revised its annual operating budget on several occasions. Significant budget amendments are explained as follows

**Revenues:**

- Revenues were increased by \$572,294 due to receipt of proceeds from a Tax Anticipation Note (for the purpose of covering general fund expenses until receipt of ad valorem taxes in February of 2011). *Said note was paid in full in December 2010*
- Revenues were increased by \$1,240,912 due to receipt of proceeds from a Tax Anticipation Note (for the purpose of covering general fund expenses until receipt of ad valorem taxes in February of 2011). *Said note was paid in full in March 2011*
- Revenues were increased by \$291,896 due to receipts from a G.O. Note issued to cover expense associated with purchase of 2 ladder trucks

**Expenses:**

- Expenses were increased by \$572,294 to cover anticipated payment of the Tax Anticipation Note (which was paid in December 2010).
- Expenses were increased by \$1,240,912 to cover anticipated payment of the Tax Anticipation Note (which was paid in March 2011).
- Expenses in Animal Shelter were increased by \$20,565 to cover expenses related to coil doors around dog compound.
- Expenses were increased by \$547,531 in the Fire Department to cover increased cost in personnel services, other services and charges and for unanticipated purchase of 2 ladder trucks.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2011**

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

**Capital Assets** – As of September 30, 2011, City of Olive Branch total capital assets were \$138,262,999, net of depreciation. This includes land, buildings, mobile equipment, furniture and equipment, leased property under capital lease, construction in progress, and infrastructure. This amount represents an increase from the previous year of \$1,619,881. Total accumulated depreciation as of September 30, 2011 was \$83,787,382 including \$7,668,025 of depreciation expense for the year.

Additional information on City of Olive Branch capital assets can be found in note F on page 30 of this report.

**Debt Administration** – At September 30, 2011, City of Olive Branch had \$61,393,730 in long-term debt outstanding. This includes general obligation bonds, revenue bonds, Mississippi Business Investment Act notes and obligations under capital lease. Of this debt, \$5,425,427 is due within one year.

In October 2010 the City issued \$5,260,000 in Combined Water & Sewer System Revenue Refunding Bonds to refund the city's Water & Sewer System Revenue Bonds, Series 2001 and the Water & Sewer System Revenue Bonds, Series 2002A. These new Bonds were issued at a lower interest rate than the refunded bonds and reduced the City's debt service payments by \$568,669 over the next 15 years.

In June 2011 the City issued \$4,450,000 in G.O. Refunding Bonds to refund the city's G.O. Improvement Bonds, Series 2002 and the G.O. Improvement and Acquisition Bonds, Series 2004. These new Bonds were issued at a lower interest rate than the refunded bonds and reduced the City's debt service payments by \$259,288 over the next 11 years.

In July 2011 the City issued \$3,200,000 in Combined Water & Sewer Bonds, Series 2011 to provide funding for various Water and Sewer improvement projects including rehabilitation of older sewer mains in various residential neighborhoods, rehab to the Metro Wastewater Treatment Facility, movement of utility lines to facilitate the upcoming widening Hwy 305 by MDOT, movement of utility lines to facilitate the upcoming construction of I-269, and others.

***CURRENT/FUTURE ITEMS OF IMPACT***

**General Fund**

In May, 2010 the city entered into agreement with Mississippi Development Authority (acting on behalf of the State of Mississippi), DeSoto County and the McKesson Corporation relative to McKesson Corporation's plans for locating and operating a distribution facility in Olive Branch. McKesson has committed \$115,000,000 in private investment and to bring 306 full time jobs with average annual compensation of \$43,424.00 to Olive Branch. Certain incentives and inducements were negotiated with the State of Mississippi providing MIIF proceeds to McKesson and to the City of Olive Branch for various infrastructure improvements. DeSoto County and the City of Olive Branch also agreed to invest in infrastructure improvements, offer ad valorem tax exemptions and provide various other incentives. Construction of various infrastructure improvements was completed by B&C Construction at a cost of \$2,697,214. Funding for said improvements was provided by Mississippi Development Authority through a Mississippi Industry Incentive Finance (MIIF) grant to the city. Plans for additional improvements such as traffic signalization and improvement to the intersection of Polk Lane and Hwy 302 are in progress with said improvements to be completed in the near future. McKesson anticipates being in operation here in Olive Branch in fall of 2012.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
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**For the Year Ended September 30, 2011**

In July, 2010 the City entered into agreement with Mississippi Development Authority (acting on behalf of the State of Mississippi), DeSoto County and Soladigm, Inc. relative to Soladigm's plans for locating a manufacturing and distribution facility in Olive Branch. Soladigm is the developer of next-generation green building solutions designed to improve energy efficiency. The company has developed glass that switches from clear to tinted on demand, resulting in significant cost savings, environmental benefits and quality of life enhancements. Soladigm has committed investment of \$133 Million dollars in DeSoto County in land, buildings and equipment and to bring 330 new full time jobs with average annual compensation of \$48,000.00 to Olive Branch within 5 years of the start of production. Certain incentives and inducements were negotiated with the State of Mississippi, DeSoto County, and the City of Olive Branch agreeing to invest in infrastructure improvements, offer ad valorem tax exemptions and provide various other incentives. Plans are being developed for improvements to the intersection of Polk and Kirk Roads. Soladigm anticipates beginning commercial production here in Olive Branch in third quarter 2012.

In 2010 The City of Olive Branch was awarded 3 grants totaling \$1,066,351 as a result of the American Recovery and Reinvestment Act. The grant proceeds will cover the expense of making roadway improvements to the intersection of Hwy 305 and Pigeon Roost Road (traffic signalization and intersection improvements), widening of Stateline Road and construction of bike paths. Said grants require no City matching funds. As of 9/30/2011 the project funded through the US Department of Energy was complete and the 2 roadway projects were nearing completion.

As a result of changes in population and increases in registered voters, in 2011 the City began considering redistricting of the Alderman Wards. The City contracted with Slaughter & Associates (of Oxford) to study the matter and develop alternate plans for consideration. In September of 2011 a public hearing was held to inform the citizens of the need for redistricting, to explain the process, and to gain citizen input. The City expects to have the redistricting process completed (including Justice Department approval) by fall of 2012.

**Water & Sewer Fund**

In October of 2009, as a result of increases in the cost of wastewater treatment, the city contracted The Prime Group to conduct a rate study for the Water & Sewer System. It was determined that the existing rates were insufficient to operate the water and sewer system. The city increased Water & Sewer rates in April, 2010. At that time the amended rates were submitted to The Public Service Commission (PSC) for consideration for those customers in the service area more than 1 mile outside the city. The PSC approved the sewer rates for those customers, but asked the city to conduct further review of the water rates due to inconsistencies for a small number of customers in certain areas. After further review the city again revised water rates in December, 2010 to correct and clarify inconsistencies. Those rates were approved by the PSC in early 2011 for the customers in service areas beyond the one mile limit. In July 2011 the City issued \$3,200,000 in Combined Water & Sewer System Revenue Bonds for the purpose of making improvements, repairs and extensions to waterworks, water supply system, sewerage and sewage disposal facilities.

In February 2010 the city entered into agreement with MDOT to relocate Water and Sewer lines to allow the construction of I-269 from I-55 to State Road 305. In May 2010 the agreements were amended. The cost of relocating the water lines is estimated at \$119,699 and \$9,240 for relocating sewer lines. MDOT has agreed to pay 100% of said cost. As of 9/30/11 specifications were being prepared for bidding the work. Said movement of utilities is expected to be complete by fall of 2012 so MDOT can begin their road widening project.

In June 2010, Argo Construction Co was awarded construction of Phase 2 of the Camp Creek Sewer Interceptor which will eventually be used for more efficient transportation of the City's wastewater to the DeSoto County Regional Utility Authority's treatment facility for treatment. The project was complete in September 2011 at a cost of \$5,467,125 with 75% of said cost being covered by 592 proceeds through the US Army Corps of Engineers. The city was responsible for the 25% of the cost.

**CITY OF OLIVE BRANCH, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2011**

**Natural Gas Fund**

In February 2010 the city entered into agreement with MDOT to relocate Natural Gas lines to allow the construction of I-269 from I-55 to State Road 305. The agreement was amended in May, 2010. The cost of relocating the gas lines is estimated at \$725,358, with MDOT to pay 70.755% of said cost (\$513,227) and the city to pay 29.245% of the cost (\$212,131). As of 9/30/2011 the city had secured the necessary easements with property owners and the actual work to move the utilities will be done in 2012.

***CONTACTING THE CITY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the office of the Director of Finance, the office of the Director of Administration, or the office of the City Clerk at 9200 Pigeon Roost, Olive Branch, Mississippi 38654.

**BASIC FINANCIAL STATEMENTS**

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Net Assets**  
**September 30, 2011**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,703,350	\$ 13,217,975	\$ 16,921,325
Cash with fiscal agents	791,854	57,531	849,385
Accounts receivable, net of allowance for doubtful accounts of \$3,062,795	1,481,763	2,261,835	3,743,598
Intergovernmental receivables	760,542	426,111	1,186,653
Property tax receivable	13,468,197	-	13,468,197
Prepaid expenses	393,028	60,054	453,082
Internal balances	150,506	(150,506)	-
Restricted assets	2,834,776	2,368,543	5,203,319
Bond issue costs, net	313,072	713,108	1,026,180
Capital assets, net of accumulated depreciation	<u>104,632,614</u>	<u>33,630,385</u>	<u>138,262,999</u>
<b>Total Assets</b>	<u>128,529,702</u>	<u>52,585,036</u>	<u>181,114,738</u>
<b>Liabilities</b>			
Accounts payable	647,186	605,244	1,252,430
Accrued expenses	814,368	201,912	1,016,280
Customer deposits	-	1,831,670	1,831,670
Deferred revenue	13,475,496	-	13,475,496
Warranty bonds	1,273,108	-	1,273,108
Long-term liabilities			
Due within one year:			
Capital debt	2,859,354	2,566,073	5,425,427
Due in more than one year:			
Capital debt	29,850,386	25,184,228	55,034,614
Non-capital debt	761,716	171,973	933,689
<b>Total Liabilities</b>	<u>49,681,614</u>	<u>30,561,100</u>	<u>80,242,714</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	71,895,154	6,401,080	78,296,234
Restricted for:			
Debt service	2,343,094	4,276,885	6,619,979
Unrestricted	4,609,840	11,345,971	15,955,811
<b>Total Net Assets</b>	<u>\$ 78,848,088</u>	<u>\$ 22,023,936</u>	<u>\$ 100,872,024</u>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Activities**  
**For the Year Ended September 30, 2011**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 2,519,374	\$ 332,523	\$ 82,921	\$ 2,179,363	\$ 75,433	\$ -	\$ 75,433
Public safety	12,612,394	2,876,198	84,457	-	(9,651,739)	-	(9,651,739)
Public works	7,985,142	1,351,511	15,648	20,104	(6,597,879)	-	(6,597,879)
Culture and recreation	1,861,624	218,043	-	-	(1,643,581)	-	(1,643,581)
Economic development	1,050,931	-	-	-	(1,050,931)	-	(1,050,931)
Interest on long-term debt	1,582,246	-	-	-	(1,582,246)	-	(1,582,246)
<b>Total Governmental Activities</b>	<b>27,611,711</b>	<b>4,778,275</b>	<b>183,026</b>	<b>2,199,467</b>	<b>(20,450,943)</b>	<b>-</b>	<b>(20,450,943)</b>
<b>Business-Type Activities</b>							
Water & sewer	10,316,155	11,934,568	-	4,678,293	-	6,296,706	6,296,706
Gas system	12,006,234	13,554,023	-	121,104	-	1,668,893	1,668,893
Interest on long-term debt	1,063,839	-	-	-	-	(1,063,839)	(1,063,839)
<b>Total Business-Type Activities</b>	<b>23,386,228</b>	<b>25,488,591</b>	<b>-</b>	<b>4,799,397</b>	<b>-</b>	<b>6,901,760</b>	<b>6,901,760</b>
<b>Total Government</b>	<b>\$ 50,997,939</b>	<b>\$ 30,266,866</b>	<b>\$ 183,026</b>	<b>\$ 6,998,864</b>	<b>(20,450,943)</b>	<b>6,901,760</b>	<b>(13,549,183)</b>
<b>General Revenues</b>							
Property taxes					12,960,695	-	12,960,695
Intergovernmental					801,407	-	801,407
Sales tax					6,805,623	-	6,805,623
Franchise tax					1,908,294	-	1,908,294
Forfeitures					495,898	-	495,898
Rents					30,825	207,635	238,460
Interest					55,686	79,153	134,839
Miscellaneous					473,381	574,735	1,048,116
Gain (loss) of sale of asset					(29,270)	(6,506)	(35,776)
Transfers					(187,476)	187,476	-
<b>Total General Revenues</b>					<b>23,315,063</b>	<b>1,042,493</b>	<b>24,357,556</b>
<b>Change in Net Assets</b>					<b>2,864,120</b>	<b>7,944,253</b>	<b>10,808,373</b>
<b>Net Assets-Beginning</b>					<b>77,723,926</b>	<b>14,079,683</b>	<b>91,803,609</b>
Prior period adjustment					(1,739,958)	-	(1,739,958)
<b>Net Assets-Beginning, as restated</b>					<b>75,983,968</b>	<b>14,079,683</b>	<b>90,063,651</b>
<b>Net Assets-Ending</b>					<b>\$ 78,848,088</b>	<b>\$ 22,023,936</b>	<b>\$ 100,872,024</b>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Balance Sheet - Governmental Funds**  
**September 30, 2011**

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service</u>		
<b>Assets</b>				
Cash and cash equivalents	\$ 3,703,350	\$ -	\$ -	\$ 3,703,350
Cash with fiscal agents	518,113	273,741	-	791,854
Due from other funds	931,704	-	-	931,704
Accounts receivable, net of allowance for doubtful accounts of \$2,197,908	1,481,763	-	-	1,481,763
Intergovernmental receivables	760,542	-	-	760,542
Property tax receivable	10,126,523	3,341,674	-	13,468,197
Prepaid expenses	393,028	-	-	393,028
Restricted assets	1,445,311	563,264	826,201	2,834,776
<b>Total Assets</b>	<b><u>\$ 19,360,334</u></b>	<b><u>\$ 4,178,679</u></b>	<b><u>\$ 826,201</u></b>	<b><u>\$ 24,365,214</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 635,111	\$ 12,075	\$ -	\$ 647,186
Accrued expenses	473,576	-	-	473,576
Due to other funds	163,422	617,732	44	781,198
Deferred revenue	10,133,822	3,341,674	-	13,475,496
Warranty bonds	1,273,108	-	-	1,273,108
<b>Total Liabilities</b>	<b><u>12,679,039</u></b>	<b><u>3,971,481</u></b>	<b><u>44</u></b>	<b><u>16,650,564</u></b>
<b>Fund Balances</b>				
Nonspendable:				
Prepaid expenses	393,028	-	-	393,028
Restricted for:				
Debt service	2,135,896	207,198	-	2,343,094
Committed for:				
General government	23,872	-	-	23,872
Public safety	67,579	-	-	67,579
Public works	495,898	-	-	495,898
Culture and recreation	3,500	-	-	3,500
Capital projects	242,101	-	826,201	1,068,302
Unassigned	3,319,421	-	(44)	3,319,377
<b>Total Fund Balances</b>	<b><u>6,681,295</u></b>	<b><u>207,198</u></b>	<b><u>826,157</u></b>	<b><u>7,714,650</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 19,360,334</u></b>	<b><u>\$ 4,178,679</u></b>	<b><u>\$ 826,201</u></b>	<b><u>\$ 24,365,214</u></b>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2011**

**Total Fund Balance - Governmental Funds** \$ 7,714,650

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

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

Land	7,690,675	
Buildings and improvements	26,017,183	
Equipment and vehicles	9,653,035	
Infrastructure	112,898,405	
Construction in progress	2,619,138	
Accumulated depreciation	<u>(54,245,822)</u>	
		104,632,614

Deferred charges - bond issuance costs 313,072

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

Leases payable	(182,179)	
Loans payable	(291,896)	
General obligation and revenue bonds	(32,235,665)	
Compensated absences	(761,716)	
Accrued interest	<u>(340,792)</u>	
		<u>(33,812,248)</u>

**Net Assets of Governmental Activities** **\$ 78,848,088**

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2011**

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Debt Service</u>		
<b>Revenues</b>				
General property taxes	\$ 9,705,031	\$ 3,255,664	\$ -	\$ 12,960,695
Intergovernmental	7,607,030	-	-	7,607,030
Charges for services	4,778,275	-	-	4,778,275
Franchise taxes	1,908,294	-	-	1,908,294
Forfeitures	495,898	-	-	495,898
Interest	48,131	359	7,196	55,686
Miscellaneous	456,922	-	16,459	473,381
<b>Total Revenues</b>	<b>24,999,581</b>	<b>3,256,023</b>	<b>23,655</b>	<b>28,279,259</b>
<b>Expenditures</b>				
General government	2,268,348	174	22,705	2,291,227
Public safety	12,156,893	-	-	12,156,893
Public works	3,863,944	-	-	3,863,944
Culture and recreation	1,650,264	-	-	1,650,264
Economic development	1,043,579	-	-	1,043,579
Capital outlay	2,599,574	-	258,712	2,858,286
Debt service:				
Principal	568,597	2,052,999	-	2,621,596
Interest	328,430	1,253,816	-	1,582,246
Bond issue cost	69,617	-	-	69,617
<b>Total Expenditures</b>	<b>24,549,246</b>	<b>3,306,989</b>	<b>281,417</b>	<b>28,137,652</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>450,335</b>	<b>(50,966)</b>	<b>(257,762)</b>	<b>141,607</b>
<b>Other Financial Sources (Uses)</b>				
Rents	30,825	-	-	30,825
Grant revenue	2,382,493	-	-	2,382,493
Interfund transfers	(187,476)	-	-	(187,476)
Bond proceeds - refunding	4,450,000	-	-	4,450,000
Loan proceeds	2,105,102	-	-	2,105,102
Tax anticipation loan payments	(1,813,206)	-	-	(1,813,206)
Payment to bond refunding escrow agent	(4,180,000)	-	-	(4,180,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,787,738</b>	<b>-</b>	<b>-</b>	<b>2,787,738</b>
<b>Net Change in Fund Balances</b>	<b>3,238,073</b>	<b>(50,966)</b>	<b>(257,762)</b>	<b>2,929,345</b>
<b>Fund Balances - Beginning</b>	<b>5,183,180</b>	<b>258,164</b>	<b>1,083,919</b>	<b>6,525,263</b>
<b>Prior period adjustment</b>	<b>(1,739,958)</b>	<b>-</b>	<b>-</b>	<b>(1,739,958)</b>
<b>Fund Balances - Beginning as restated</b>	<b>3,443,222</b>	<b>258,164</b>	<b>1,083,919</b>	<b>4,785,305</b>
<b>Fund Balance - End of Year</b>	<b>\$ 6,681,295</b>	<b>\$ 207,198</b>	<b>\$ 826,157</b>	<b>\$ 7,714,650</b>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2011**

**Net Change in Fund Balances - Total Governmental Funds** \$ 2,929,345

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

Governmental funds report capital outlays as expenditures. However, in the Statements of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation of \$4,974,441 exceeds capital outlays of \$2,882,547 in the current period. (2,091,894)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. This is the amount by which proceeds of \$6,555,102 and amortization of \$29,968 are exceeded by repayments of \$8,614,802 and bond issue cost of \$69,617 in the current period. 2,099,349

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

Compensated absences payable	(45,055)
Sale of capital assets	(29,270)
Transfer of capital assets	1,645
	1,645

**Change in Net Assets of Governmental Activities** \$ 2,864,120

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Net Assets - Proprietary Funds**  
**September 30, 2011**

	<u>Water &amp; Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,658,475	\$ 6,559,500	\$ 13,217,975
Cash with fiscal agents	57,531	-	57,531
Accounts receivable, net of allowance for doubtful accounts \$864,887	1,631,037	630,798	2,261,835
Intergovernmental receivable	421,925	4,186	426,111
Prepaid expenses	47,119	12,935	60,054
Due from other funds	95,205	48,520	143,725
<b>Total Current Assets</b>	<u>8,911,292</u>	<u>7,255,939</u>	<u>16,167,231</u>
<b>Noncurrent Assets</b>			
Restricted assets	1,914,902	453,641	2,368,543
Bond issue cost, net	651,607	61,501	713,108
Capital assets, net of accumulated depreciation	29,271,245	4,359,140	33,630,385
<b>Total Noncurrent Assets</b>	<u>31,837,754</u>	<u>4,874,282</u>	<u>36,712,036</u>
<b>Total Assets</b>	<u>\$ 40,749,046</u>	<u>\$ 12,130,221</u>	<u>\$ 52,879,267</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 289,740	\$ 315,504	\$ 605,244
Accrued expenses	120,751	81,161	201,912
Customer deposits	593,673	1,237,997	1,831,670
Due to other funds	157,326	136,905	294,231
<b>Total Current Liabilities</b>	<u>1,161,490</u>	<u>1,771,567</u>	<u>2,933,057</u>
<b>Current Liabilities Payable from Restricted Assets</b>			
Long-term liabilities due within one year:			
Capital debt	2,271,988	294,085	2,566,073
<b>Total Current Liabilities Payable From Restricted Assets</b>	<u>2,271,988</u>	<u>294,085</u>	<u>2,566,073</u>
Long-term liabilities due in more than one year:			
Capital debt	20,946,887	4,237,341	25,184,228
Non-capital debt	98,027	73,946	171,973
<b>Total Long-Term Liabilities</b>	<u>21,044,914</u>	<u>4,311,287</u>	<u>25,356,201</u>
<b>Total Liabilities</b>	<u>24,478,392</u>	<u>6,376,939</u>	<u>30,855,331</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	6,556,295	(155,215)	6,401,080
Restricted for:			
Debt service	2,815,285	1,461,600	4,276,885
Unrestricted	6,899,074	4,446,897	11,345,971
<b>Total Net Assets</b>	<u>16,270,654</u>	<u>5,753,282</u>	<u>22,023,936</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 40,749,046</u>	<u>\$ 12,130,221</u>	<u>\$ 52,879,267</u>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Revenues, Expenses and**  
**Changes in Net Assets - Proprietary Funds**  
**For the Year Ended September 30, 2011**

	<u>Water &amp; Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
<b>Operating Revenues</b>			
Charges for services	\$ 11,934,568	\$ 13,554,023	\$ 25,488,591
Miscellaneous	307,941	266,794	574,735
<b>Total Operating Revenues</b>	<u>12,242,509</u>	<u>13,820,817</u>	<u>26,063,326</u>
<b>Operating Expenses</b>			
Cost of sales	-	8,710,674	8,710,674
Personnel	2,649,709	2,033,988	4,683,697
Depreciation and amortization	2,260,986	595,946	2,856,932
Material and supplies	548,148	275,135	823,283
Professional services	3,277,152	4,369	3,281,521
Other	1,580,160	386,122	1,966,282
<b>Total Operating Expenses</b>	<u>10,316,155</u>	<u>12,006,234</u>	<u>22,322,389</u>
<b>Operating income</b>	<u>1,926,354</u>	<u>1,814,583</u>	<u>3,740,937</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	31,797	47,356	79,153
Interest expense	(813,546)	(250,293)	(1,063,839)
Rent	207,635	-	207,635
Gain (loss) of sale of asset	(2,246)	(4,260)	(6,506)
Interfund transfers	172,020	15,456	187,476
Grant proceeds	4,678,293	121,104	4,799,397
<b>Total Non-Operating Revenues (Expenses)</b>	<u>4,273,953</u>	<u>(70,637)</u>	<u>4,203,316</u>
<b>Change in Net Assets</b>	6,200,307	1,743,946	7,944,253
<b>Net Assets - Beginning of Year</b>	<u>10,070,347</u>	<u>4,009,336</u>	<u>14,079,683</u>
<b>Net Assets - End of Year</b>	<u>\$ 16,270,654</u>	<u>\$ 5,753,282</u>	<u>\$ 22,023,936</u>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended September 30, 2011**

	<u>Water &amp; Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 12,227,402	\$ 13,976,406	\$ 26,203,808
Cash payments for goods and services	(6,223,063)	(9,324,929)	(15,547,992)
Cash payments to employees	(2,648,746)	(2,023,534)	(4,672,280)
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>3,355,593</u>	<u>2,627,943</u>	<u>5,983,536</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Interfund activity	452,372	64,024	516,396
<b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>	<u>452,372</u>	<u>64,024</u>	<u>516,396</u>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Payments for capital acquisitions	(6,020,954)	(407,621)	(6,428,575)
Proceeds from long-term debt	8,460,000	-	8,460,000
Grant proceeds	5,119,117	132,905	5,252,022
Principal payments and bond issue cost	(7,240,794)	(282,727)	(7,523,521)
Interest payments	(813,546)	(250,293)	(1,063,839)
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<u>(496,177)</u>	<u>(807,736)</u>	<u>(1,303,913)</u>
<b>Cash Flows From Investing Activities</b>			
Rent	207,635	-	207,635
Interest on investments	31,797	47,356	79,153
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>239,432</u>	<u>47,356</u>	<u>286,788</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	3,551,220	1,931,587	5,482,807
<b>Cash and Cash Equivalents-Beginning of Year</b>	<u>5,079,688</u>	<u>5,081,554</u>	<u>10,161,242</u>
<b>Cash and Cash Equivalents-End of Year</b>	<u>\$ 8,630,908</u>	<u>\$ 7,013,141</u>	<u>\$ 15,644,049</u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities</b>			
Operating Income	\$ 1,926,354	\$ 1,814,583	\$ 3,740,937
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,260,986	595,946	2,856,932
(Increase) decrease in customer receivables	(15,107)	155,589	140,482
(Increase) decrease in prepaids	967	(3,710)	(2,743)
Increase (decrease) in accounts payable	(784,086)	31,464	(752,622)
Increase (decrease) in accrued expenses	(34,484)	23,617	(10,867)
Increase (decrease) in compensated absences	963	10,454	11,417
<b>Total adjustments</b>	<u>1,429,239</u>	<u>813,360</u>	<u>2,242,599</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 3,355,593</u>	<u>\$ 2,627,943</u>	<u>\$ 5,983,536</u>

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

The City of Olive Branch ("the City") was incorporated May 1, 1874, and chartered March 6, 1888. The City operates under a Board of Aldermen-Mayor form of government and provides the following services; public safety (police and fire), public works (streets and sanitation), culture, recreation, public improvements, planning and zoning, economic development, and general administrative services.

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

**Financial Reporting Entity**

These financial statements present all the accounts of the City. There are no outside organizations that should be included as component units of the City's reporting entity as defined by GAAP.

**Basis of Presentation**

*Government-wide Financial Statements*

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. 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.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the City at year-end. 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.

*Fund Financial Statements*

Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

**Measurement Focus/Basis of Accounting**

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. "Available" means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. "Measurable" means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for services, interest income and intergovernmental revenues. Sales tax collected and held by the state at year-end on behalf of the government is also recognized as revenue.

The City has presented the following major governmental funds:

**General Fund:**

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.

**Debt Service Funds:**

These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

***Proprietary Funds***

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Assets. FASB pronouncements issued subsequent to November 30, 1989 that conflict with GASB pronouncements have not been followed, as permitted under GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*. The City has presented the following major proprietary funds:

**Water and Sewer Fund:**

Water and Sewer 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 and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

**Natural Gas Fund:**

Natural Gas Fund is used to account for the provision of natural gas service to the residents of the City. Activities of the fund include administration, operations and maintenance of the natural gas system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

payment of, long-term debt principal and interest for natural gas debt. All costs are financed through charges to natural gas customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

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 revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Clerk a budget of estimated expenditures for the ensuing fiscal year after which the City Clerk submits a budget of estimated expenditure and revenues to the Mayor and Board of Aldermen by August 1.

Upon receipt of the budget estimates, the Board of Aldermen holds a public hearing on the proposed budget. Information about the budget ordinance is then published in the official newspaper of the City.

At the September board meeting, the budget is legally enacted through passage of an ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.

The actual receipts and disbursements are accumulated each month and compared to the budgeted amounts and reviewed by the Mayor and Board of Aldermen. Any revisions on the budget during the year are approved by the Board of Aldermen.

**Cash and Cash Equivalents**

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

**Prepaid Expenses**

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

**Accounts Receivable**

Ambulance and Utility receivables are reported net of an allowance for doubtful accounts. The City's policy is to reserve ambulance receivables over 12 months and utility receivables over 120 days as uncollectible.

**Interfund Transactions and Balances**

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

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

**Restricted Assets**

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

**Capital Assets and Depreciation**

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

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

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

**Long-term Liabilities**

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent of long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities and business-type activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Compensated Absences**

The City has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and proprietary fund financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**Equity Classifications**

Government-wide Financial Statements:

Equity is classified as net assets and displayed in the categories:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

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

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the City:

- **Nonspendable** – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted** – Amounts that can be spent only for specific purposes because of the City Charter, the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- **Committed** – Amounts that can be used only specific purposes determined by a formal action by the Board of Aldermen ordinance or resolution.
- **Assigned** – Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by the Board of Aldermen.
- **Unassigned** – All amounts not included in other spendable classifications.

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

**Property Tax Revenues**

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of the original purchase occurs.

**Use of Estimates**

The City uses estimates in preparing the financial statements in accordance with GAAP. Those estimates and assumptions may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

**NOTE B – CHANGES IN ACCOUNTING STANDARDS**

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

**NOTE C – PRIOR PERIOD ADJUSTMENT**

A summary of prior period adjustments is as follows:

<b>Statement of Activities</b>	<b>Amount</b>
To correct ambulance allowance for doubtful accounts	<u><u>\$ (1,739,958)</u></u>
<b>Statements of Revenues, Expenditures and Changes in Net Assets</b>	
To correct ambulance allowance for doubtful accounts	<u><u>\$ (1,739,958)</u></u>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE D – CASH AND CASH EQUIVALENTS**

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

Custodial credit risk is the risk that, in the event of a financial institutions failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2011, the City's bank balance was not exposed to custodial credit risk.

As of September 30, 2011, the carrying amount of the City's deposits was \$22,124,644 and the bank balances totaled \$22,134,283. Of the bank balances, \$515,840 was insured by the FDIC and \$21,618,443 was covered by pooled and/or pledged collateral.

**NOTE E – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following:

<u>Description</u>	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Gas Fund</u>
Court fines assessment	\$ 109,892	\$ -	\$ -
Sales tax	574,208	-	-
Grant proceeds	76,442	421,925	4,186
<b>Totals</b>	<b>\$ 760,542</b>	<b>\$ 421,925</b>	<b>\$ 4,186</b>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE F – CAPITAL ASSETS**

	<u>Balance at 9/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers/ Adjustments</u>	<u>Balance at 9/30/2011</u>
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 7,690,675	\$ -	\$ -	\$ -	\$ 7,690,675
Construction in progress	3,581,112	1,731,873	2,693,847	-	2,619,138
<b>Total capital assets, not being depreciated</b>	<u>11,271,787</u>	<u>1,731,873</u>	<u>2,693,847</u>	<u>-</u>	<u>10,309,813</u>
Capital assets, being depreciated:					
Buildings and improvements	25,943,851	73,332	-	-	26,017,183
Infrastructure	109,726,894	3,171,511	-	-	112,898,405
Equipment and vehicles	9,322,621	599,678	292,709	23,445	9,653,035
<b>Total capital assets, being depreciated</b>	<u>144,993,366</u>	<u>3,844,521</u>	<u>292,709</u>	<u>23,445</u>	<u>148,568,623</u>
Less accumulated depreciation for:					
Buildings and improvements	3,809,561	609,666	-	-	4,419,227
Infrastructure	38,578,339	3,982,529	-	-	42,560,868
Equipment and vehicles	7,125,120	382,246	263,439	21,800	7,265,727
<b>Total accumulated depreciation</b>	<u>49,513,020</u>	<u>4,974,441</u>	<u>263,439</u>	<u>21,800</u>	<u>54,245,822</u>
<b>Total capital assets, being depreciated, net</b>	<u>95,480,346</u>	<u>(1,129,920)</u>	<u>29,270</u>	<u>1,645</u>	<u>94,322,801</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 106,752,133</u>	<u>\$ 601,953</u>	<u>\$ 2,723,117</u>	<u>\$ 1,645</u>	<u>\$ 104,632,614</u>
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 210,101	\$ -	\$ -	\$ -	\$ 210,101
Construction in progress	2,682,701	6,266,255	8,992	-	8,939,964
<b>Total capital assets, not being depreciated</b>	<u>2,892,802</u>	<u>6,266,255</u>	<u>8,992</u>	<u>-</u>	<u>9,150,065</u>
Capital assets, being depreciated:					
Buildings and improvements	324,529	-	-	-	324,529
Infrastructure	50,867,644	20,133	2,246	-	50,885,531
Equipment and vehicles	2,714,124	163,739	42,598	(23,445)	2,811,820
<b>Total capital assets, being depreciated</b>	<u>53,906,297</u>	<u>183,872</u>	<u>44,844</u>	<u>(23,445)</u>	<u>54,021,880</u>
Less accumulated depreciation for:					
Buildings and improvements	67,938	6,378	-	-	74,316
Infrastructure	25,132,589	2,486,758	-	-	27,619,347
Equipment and vehicles	1,707,587	200,448	38,338	(21,800)	1,847,897
<b>Total accumulated depreciation</b>	<u>26,908,114</u>	<u>2,693,584</u>	<u>38,338</u>	<u>(21,800)</u>	<u>29,541,560</u>
<b>Total capital assets, being depreciated, net</b>	<u>26,998,183</u>	<u>(2,509,712)</u>	<u>6,506</u>	<u>(1,645)</u>	<u>24,480,320</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ 29,890,985</u>	<u>\$ 3,756,543</u>	<u>\$ 15,498</u>	<u>\$ (1,645)</u>	<u>\$ 33,630,385</u>

No interest was capitalized during the year due to immateriality.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
General government	\$ 198,179
Public safety	436,352
Public works	4,121,198
Culture and recreation	211,360
Economic development	7,352
<b>Total governmental activities depreciation expense</b>	<b>\$ 4,974,441</b>
Water and Sewer	\$ 2,112,229
Natural Gas	581,355

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

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Balance</u>	<u>Fund</u>
2011 Street Repair	\$ 1,009,812	\$ 1,009,812	General
Craft Road North of 302 Widening	223,118	10,228	General
Polk Lane and Kirk Road Improvements	60,399	29,336	General
McKesson Construction	204,060	28,820	General
Police & Court Building	621,920	68,428	General
Signalization & Intersection Imp - Pigeon Roost/SR 305	339,796	4,164	General
Stateline Road Improvements	603,924	59,578	General
Highway 305 Utility Relocation	25,872	25,872	Enterprise
Engineer Design of Sewer Interceptor (Hampton Inn)	437,637	19,892	Enterprise
Sewer Rehabilitation	633,386	571,914	Enterprise
<b>Total</b>	<b>\$ 4,159,924</b>	<b>\$ 1,828,044</b>	

**NOTE G – INTERFUND TRANSFERS AND BALANCES**

The following is a summary of interfund transactions and balances:

	<u>Due To</u>	<u>Due From</u>
<b>Major Funds:</b>		
General fund	\$ 163,422	\$ 931,704
Debt service	617,732	-
Other Governmental funds	44	-
Water and sewer fund	157,326	95,205
Natural gas fund	136,905	48,520
<b>Total Funds</b>	<b>\$ 1,075,429</b>	<b>\$ 1,075,429</b>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

These are for payment of monthly claims. All interfund balances are expected to be repaid within a year.

	<u>Transfers In</u>	<u>Transfer Out</u>
<b>Major Funds:</b>		
General fund	\$ 187,476	\$ -
Water and sewer fund	-	172,020
Natural gas fund	-	15,456
<b>Total Funds</b>	<u>\$ 187,476</u>	<u>\$ 187,476</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service and for capital outlay expenses in the proprietary funds. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**NOTE H - LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2010 was as follows:

	<u>Balance at 9/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/2011</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds payable	\$ 32,912,064	\$ 4,450,000	\$ 6,422,999	\$ 30,939,065	\$ 2,411,955
Revenue bonds payable	1,588,000	-	291,400	1,296,600	301,700
Loans payable	-	291,896	-	291,896	55,922
Tax anticipation loan	-	1,813,206	1,813,206	-	-
Leases payable	269,376	-	87,197	182,179	89,777
Compensated absences payable	716,661	45,055	-	761,716	-
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 35,486,101</u>	<u>\$ 6,600,157</u>	<u>\$ 8,614,802</u>	<u>\$ 33,471,456</u>	<u>\$ 2,859,354</u>
<b>Business-Type Activities:</b>					
General obligation bonds payable	\$ 1,265,551	\$ -	\$ 284,220	\$ 981,331	\$ 288,759
Revenue bonds payable	16,710,000	8,460,000	6,450,000	18,720,000	1,630,000
Loans payable	6,152,704	-	485,399	5,667,305	501,650
Leases payable	2,608,115	-	140,676	2,467,439	145,664
Deferred loss on bond refunding	(109,321)	-	(23,547)	(85,774)	-
Compensated absences payable	160,556	11,417	-	171,973	-
<b>Business-Type Activities Long-Term Liabilities</b>	<u>\$ 26,787,605</u>	<u>\$ 8,471,417</u>	<u>\$ 7,336,748</u>	<u>\$ 27,922,274</u>	<u>\$ 2,566,073</u>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

General Obligation Bonds. General obligation bonds are direct obligations and pledge full faith and credit of the City. General obligation bonds currently outstanding as of September 30, 2011 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
<b>General Long Term</b>					
2001	2.50%	12/20/2001	9/1/2014	\$ 930,000	\$ 265,000
	4.00%				
2002	4.10%	2/5/2002	3/1/2022	2,500,000	120,000
	5.75%				
2003	3.00%	6/1/2003	6/1/2023	9,000,000	6,305,000
	4.13%				
2004	4.50%	6/9/2004	6/1/2019	4,800,000	315,000
	6.40%				
2004	2.50%	5/12/2004	10/1/2015	1,850,000	955,000
	5.20%				
2004	3.50%	12/14/2004	9/30/2020	2,200,000	1,550,000
	4.00%				
2005	3.50%	3/29/2005	9/30/2020	2,200,000	1,495,000
	4.00%				
2007	4.38%	9/1/2007	9/1/2027	12,000,000	10,400,000
2009	3.00%	10/1/2009	10/1/2024	4,000,000	4,000,000
	3.63%				
2010	2.00%	4/15/2010	8/1/2019	1,610,296	1,084,065
	3.38%				
2011	2.00%	6/29/2011	3/1/2022	1,650,000	1,650,000
	3.13%				
2011	2.00%	6/29/2011	6/1/2019	2,800,000	2,800,000
	3.00%				
				<u>45,540,296</u>	<u>30,939,065</u>
<b>Enterprise Funds</b>					
MBIA - 1995	0.00%	7/5/1995	9/1/2015	750,000	150,000
MBIA - 1998	2.00%	11/1/1998	11/1/2013	2,000,000	545,397
2010	2.00%	4/15/2010	8/1/2019	424,704	285,934
	3.38%				
				<u>3,174,704</u>	<u>981,331</u>
<b>Total</b>				<u>\$ 48,715,000</u>	<u>\$ 31,920,396</u>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

Revenue Bonds. 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 September 30, 2011 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
2001 General Fund	5.68%	8/6/2002	5/1/2017	\$ 94,000	\$ 46,600
2007 General Fund	3.85%	7/1/2007	10/1/2014	2,080,000	1,250,000
				<u>2,174,000</u>	<u>1,296,600</u>
<b>Enterprise Funds</b>					
Natural Gas System 1999	4.90% 6.75%	8/1/1999	9/1/2024	3,000,000	2,035,000
2001A Refunding	2.60% 4.40%	12/1/2001	3/1/2012	1,905,000	230,000
Combined Water & Sewer - 2003	1.10% 3.45%	7/1/2003	3/1/2014	2,100,000	645,000
2004 Refunding	2.35% 4.20%	11/9/2004	3/1/2017	2,410,000	1,445,000
Combined Water & Sewer - 2005	3.75% 5.25%	5/26/2005	3/1/2020	2,200,000	1,495,000
Natural Gas System 2007	4.80% 5.25%	6/1/2007	6/1/2027	2,500,000	2,165,000
Combined Water & Sewer - 2008	3.76% 4.36%	9/23/2008	3/1/2020	2,625,000	2,360,000
Combined Water & Sewer Refunding - 2010	2.00% 3.50%	10/27/2010	3/1/2026	5,260,000	5,145,000
Combined Water & Sewer - 2011	3.63% 3.50%	7/1/2011	3/1/1931	3,200,000	3,200,000
				<u>25,200,000</u>	<u>18,720,000</u>
<b>Total</b>				<u>\$ 27,374,000</u>	<u>\$ 20,016,600</u>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

Loans. The City also uses loans to finance its projects. Loans outstanding as of September 30, 2011 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
First Tennessee	2.15%	5/11/2011	4/30/2016	\$ 291,896	\$ 291,896
<b>Enterprise Funds</b>					
MS Dept. of Environmental Quality SRF Loan	4.50%	8/14/1998	11/15/2019	2,068,909	1,033,445
MS Dept. of Environmental Quality SRF Loan	2.00%	11/1/2006	6/1/2026	1,011,918	794,916
DWSIRLF Loan - DWI-H280007-01	4.50%	4/1/2005	10/1/2016	1,935,359	376,120
DWSIRLF Loan - DWI-H280049-01/02	3.00%	10/1/2001	7/1/2021	1,940,384	1,150,678
DWSIRLF Loan - DWI-H280049-03	4.00%	11/10/2003	9/1/2025	1,350,535	1,112,671
DWSIRLF Loan- DWI-H280049-05	2.00%	6/7/2005	1/1/2026	1,443,899	1,199,475
				<u>9,751,004</u>	<u>5,667,305</u>
<b>Total</b>				<u>\$ 10,042,900</u>	<u>\$ 5,959,201</u>

Annual debt service requirements to maturity of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2011 are as follows:

Year Ending September 30	General Long-Term Debt		Enterprise Fund Debt	
	Principal	Interest	Principal	Interest
2012	\$ 2,769,577	\$ 1,156,168	\$ 2,420,794	\$ 871,797
2013	2,864,093	1,079,809	2,287,952	777,695
2014	2,743,940	986,485	2,260,965	705,962
2015	2,769,650	893,640	1,903,383	639,095
2016	2,526,332	803,328	1,945,087	573,514
2017-2021	11,153,969	2,752,811	8,608,261	1,867,465
2022-2026	6,810,000	941,278	4,593,388	670,023
2027-2031	890,000	38,938	1,348,806	110,481
<b>Total</b>	<u>\$ 32,527,561</u>	<u>\$ 8,652,457</u>	<u>\$ 25,368,636</u>	<u>\$ 6,216,032</u>

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

Leases. Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 89,777	\$ 5,342	\$ 145,663	\$ 84,462
2013	92,402	2,718	150,828	79,297
2014	-	-	156,177	73,948
2015	-	-	161,715	68,410
2016	-	-	167,450	62,675
2017-2021	-	-	930,648	219,979
2022-2025	-	-	754,958	50,480
<b>Present Value of Minimum Lease Payments</b>	<b>\$ 182,179</b>	<b>\$ 8,060</b>	<b>\$ 2,467,439</b>	<b>\$ 639,251</b>

Legal Debt Margin – The City is subject to the limitations of indebtedness prescribed by Section 21-33-303, Miss. Code Ann (1972). No municipality may issue bonds secured by a pledge of its full faith and credit in an amount which, when added to the then outstanding bond indebtedness of such municipality, would exceed the 15% and 20% tests prescribed in Section 21-33-303. These percentages are applied to the assessed value of the taxable property within such municipality, with certain types of bond issues being excluded from the authorized debt limit tests. Presented in the schedule below are the calculations of the applicable statutory debt limitations and the resulting margin for further debt in the amount of \$27,400,973 (the smaller of the two computed margins) as of September 30, 2011.

	<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2011:		
\$397,577,586 times applicable percentage	\$ 59,636,638	\$ 79,515,517
Less present debt subject to debt limits as of September 30, 2011:		
Total bonds outstanding (exclude proprietary)	<u>(32,235,665)</u>	<u>(32,235,665)</u>
Margin for additional debt	<u>\$ 27,400,973</u>	<u>\$ 47,279,852</u>

Advance Refunding – On June 29, 2011, the City issued \$4,450,000 in general obligation refunding bonds with an average interest rate of 2.75% to advance refund \$4,450,000 of the following outstanding bond issues:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
2002 G/O Bond	4.90%	\$ 1,650,000
2004 G/O Bond	5.45%	2,800,000
<b>Total</b>		<b><u>\$ 4,450,000</u></b>

The City advance refunded the above bonds to reduce its total debt service payments over the next 11 years by \$259,288 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$236,366.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

Advance Refunding – On October 27, 2010, the City issued \$5,260,000 in water and sewer revenue refunding bonds with an average interest rate of 2.75% to advance refund \$5,200,000 of the following outstanding bond issues:

Issue	Average Interest Rate	Outstanding Amount Refunded
2001 Revenue Bond	5.12%	\$ 1,975,000
2002A Revenue Bond	3.50%	3,225,000
<b>Total</b>		<b>\$ 5,200,000</b>

The City advance refunded the above bonds to reduce its total debt service payments over the next 15 years by \$568,669 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$396,361.

**NOTE I – DEFINED BENEFIT PENSION PLAN**

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

**Funding Policy.** PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. At September 30, 2011, the current rate is 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Olive Branch's contributions to PERS for the years ending September 30, 2011, 2010, and 2009 were \$1,685,371, \$1,693,798, and \$1,680,105 respectively, equal to the required contributions for each year.

**NOTE J – DEFICIT FUND BALANCE**

A deficit unreserved fund balance of \$44 exists in the McKesson Project Fund.

**NOTE K - 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. This exposure is covered by purchase of commercial insurance.

**NOTE L - LITIGATION**

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

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2011**

**NOTE M - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 27, 2012, which is the date the financial statements were available to be issued.

In October 2011, the City issued \$2,090,000 Series 2011 Gas System Revenue Refunding Bonds to be repaid over 13 years with a variable rate. This issue refunded the \$3,000,000 Gas System Revenue Bonds, Series 1999.

In December 2011, the City also signed a Series 2011 Tax Anticipation Note in the amount of \$2,000,000 with an interest rate of 0.04%, which was repaid in full in March 2012.

In April 2012, the City passed a bond resolution for the issuance of \$8,255,000 Series 2012 General Obligation Public Improvement Refunding Bonds to be repaid over 11 years with a variable rate. This issue refunded the following 3 issues:

- \$9,000,000 General Obligation Public Improvement Bonds, Series 2003
- \$2,200,000 General Obligation Public Improvement Bonds, Series 2004
- \$2,200,000 General Obligation Public Improvement Bonds, Series 2005

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended September 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
General property taxes	\$ 9,826,291	\$ 9,826,291	\$ 9,839,221	\$ 12,930
Intergovernmental	6,918,574	7,035,804	7,561,981	526,177
Charges for services	3,107,845	3,573,850	4,886,829	1,312,979
Franchise taxes	1,000,000	1,416,784	1,908,294	491,510
Interest	80,000	95,833	48,131	(47,702)
Miscellaneous	103,500	2,246,096	459,722	(1,786,374)
<b>Total Revenues</b>	<b>21,036,210</b>	<b>24,194,658</b>	<b>24,704,178</b>	<b>509,520</b>
<b>Expenditures</b>				
General government	2,725,143	2,729,606	2,267,608	461,998
Public safety	12,896,001	13,587,598	12,156,893	1,430,705
Public works	3,117,890	3,807,787	3,684,914	122,873
Culture & recreation	1,679,013	1,726,909	1,351,764	375,145
Economic development	1,160,205	1,221,613	1,043,579	178,034
Capital outlay	2,028,792	5,903,156	2,599,574	3,303,582
Debt service				
Principal	481,258	481,400	568,597	(87,197)
Interest	300,861	300,861	328,430	(27,569)
Bond issue cost	-	-	69,617	69,617
<b>Total Expenditures</b>	<b>24,389,163</b>	<b>29,758,930</b>	<b>24,001,359</b>	<b>5,757,571</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b>(3,352,953)</b>	<b>(5,564,272)</b>	<b>702,819</b>	<b>6,267,091</b>
<b>Other Financing Sources (Uses)</b>				
Grant revenue	995,716	577,891	2,118,884	1,540,993
Rents	48,000	30,825	30,825	-
Bond proceeds	-	-	4,450,000	4,450,000
Loan proceeds	-	2,105,192	2,105,102	(90)
Tax anticipation loan payments	-	-	(1,813,206)	(1,813,206)
Interfund transfers	2,294,495	2,117,526	-	(2,117,526)
Payment to bond refunding escrow agent	-	-	(4,180,000)	(4,180,000)
<b>Total Other Financing Sources (Uses)</b>	<b>3,338,211</b>	<b>4,831,434</b>	<b>2,711,605</b>	<b>(2,119,829)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (14,742)</b>	<b>\$ (732,838)</b>	<b>3,414,424</b>	<b>\$ 4,147,262</b>
<b>Fund Balances - Beginning</b>			5,183,180	
<b>Prior period adjustment</b>			(1,739,958)	
<b>Fund Balances - Beginning as restated</b>			<u>3,443,222</u>	
<b>Fund Balance - End of Year</b>			6,857,646	
<b>Adjustments to conform with GAAP:</b>				
Revenues			559,012	
Expenditures			(735,363)	
<b>Fund Balance - End of Year (GAAP Basis)</b>			<u>\$ 6,681,295</u>	

**Notes to the Required Supplementary Information**

**Basis of Presentation**

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

**SUPPLEMENTARY INFORMATION**

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2011**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures
<b>US Department of Housing and Urban Development</b>			
Passed-through Mississippi Development Authority			
Community Development Block Grant - Sr. Citizen Center	14.228	1123-06-284-ED-01	\$ 2,500
<b>US Department of Justice</b>			
Passed-through Mississippi Development Authority			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2009-DJ-BX-1465	4,335
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2009-SB-B9-2077	12,631
Bulletproof Vest Partnership Program	16.607		4,208
Bulletproof Vest Partnership Program	16.607		1,881
<b>Total US Department of Justice</b>			<u>23,055</u>
<b>US Department of Transportation</b>			
Passed-through Mississippi Department of Transportation			
Highway Planning and Construction Cluster			
ARRA - Highway Planning and Construction	20.205	7904-00(001)	6,596
ARRA - Highway Planning and Construction	20.205	7862-00(003)	186,799
<b>Total Highway Planning and Construction Cluster</b>			<u>193,395</u>
Highway Safety Cluster			
Alcohol Open Container Requirements	20.607	11-TA-318-1	23,867
<b>Total Highway Safety Cluster</b>			<u>23,867</u>
<b>Total US Department of Transportation</b>			<u>217,262</u>
<b>US Environmental Protection Agency</b>			
Passed-through Department of the Army			
Construction Grants for Wastewater Treatment Works (B)	66.418	WRDA Section 592 Funds	3,538,819
<b>US Department of Energy</b>			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		25,160
<b>US Department of Homeland Security</b>			
Passed-through Mississippi Emergency Management			
Homeland Security Grant Program	97.067	FEMA-1972-DR-MS-033-54040-00	53,387
<b>Total Expenditures of Federal Awards</b>			<u>\$ 3,860,183</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City under programs of the federal government for the year ended September 30, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 assets or cash flows of the City.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2011**

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

**Note C – Subrecipients**

There were no subrecipients during the fiscal year.

**Note D - Contingencies**

Federal Grants- the City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability for the City.

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Property Tax Rates and Assessments**  
**September 30, 2011**

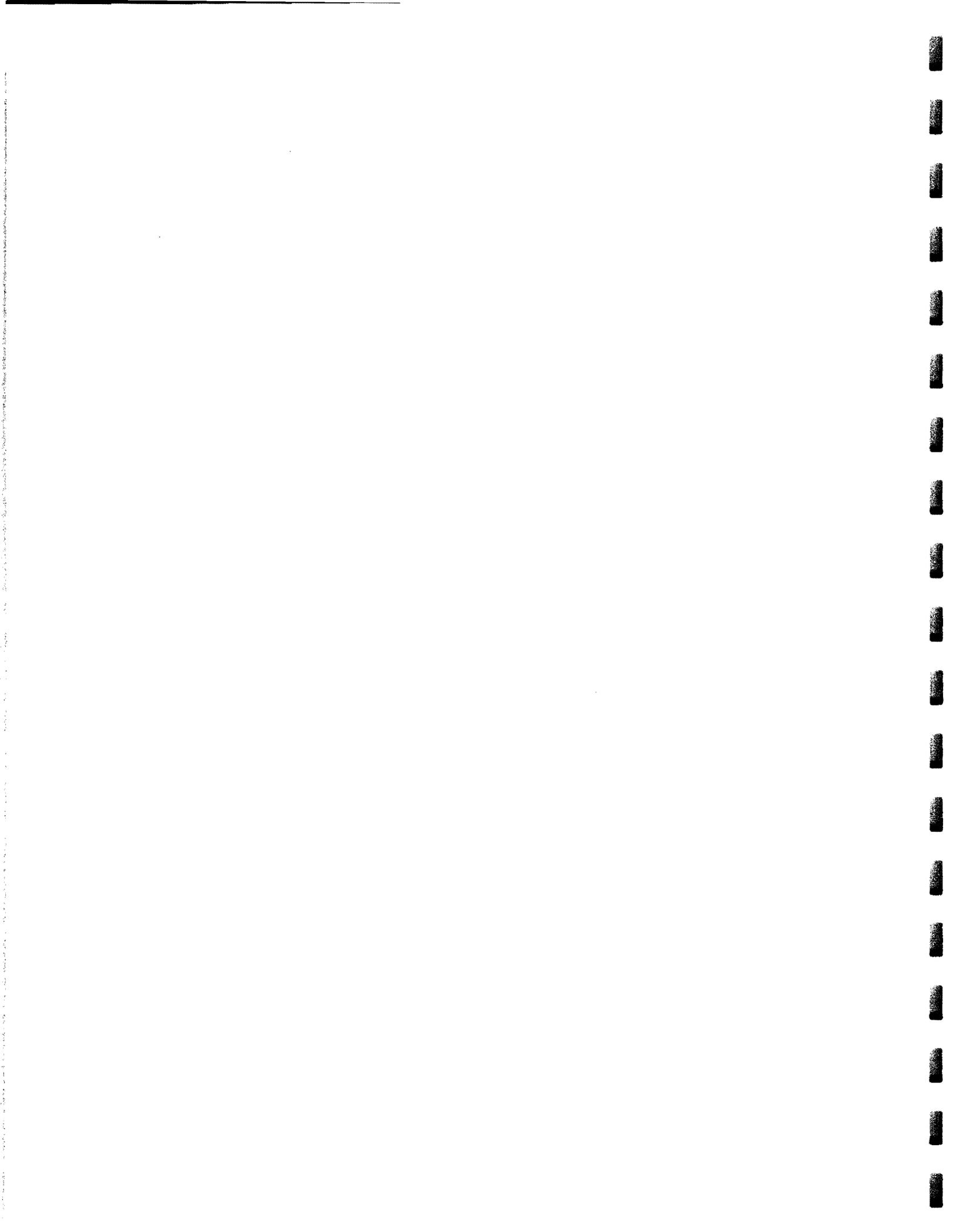
<u>Year</u>	<u>Millage Rate</u>	<u>Assessed Property Value</u>
2011	34.5	\$ 397,577,586
2010	34.5	400,705,276
2009	34.5	375,316,166
2008	34.5	330,046,522
2007	31.5	315,715,112
2006	31.5	277,901,043
2005	31.5	265,699,261
2004	31.5	247,388,808
2003	31.5	207,144,048
2002	31.5	192,444,011
2001	25.5	179,286,323
2000	25.5	158,757,629
1999	25.5	141,061,602
1998	25.5	126,748,604
1997	25.5	98,883,822
1996	25.5	81,250,691
1995	25.5	69,391,164
1994	25.5	62,792,717
1993	25.5	56,350,531
1992	25.5	53,880,245
1991	25.5	20,012,893
1990	25.5	17,618,719
1989	30	13,219,511
1988	30	11,244,420
1987	30	8,379,634
1986	30	9,099,051
1985	30	8,370,366
1984	30	13,790,500

**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2011**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Samuel Rikard	Mayor	Zurich North American Surety	\$ 100,000
Judy Herrington	City Clerk	Zurich North American Surety	50,000
Tina Griffith	Asst. City Clerk	Zurich North American Surety	50,000
<b>Public Employees</b>			
<b>Blanket Bond</b>	Per employee	Zurich North American Surety	250,000
Donald Gammage	Police Chief	Zurich North American Surety	50,000
Dishonesty Bond	Per Police Officer	Zurich North American Surety	50,000
Paula May	City Administrator	Zurich North American Surety	50,000
George Collins	Alderman	Zurich North American Surety	100,000
Dale Dickerson	Alderman	Zurich North American Surety	100,000
David Wallace	Alderman	Zurich North American Surety	100,000
Don Tullos	Alderman	Zurich North American Surety	100,000
Pat Hamilton	Alderman	Zurich North American Surety	100,000
Harold Henderson	Alderman	Zurich North American Surety	100,000
Susan Johnson	Alderman	Zurich North American Surety	100,000
Steve Bigelow	Public Works Director	Zurich North American Surety	50,000
Charlotte Johnson	Director of Finance	Zurich North American Surety	50,000
Johnny Eason	Fire Chief	Zurich North American Surety	50,000
Bryan Dye	City Attorney	Zurich North American Surety	50,000
Timothy Lafleur	Public Works Manager	Zurich North American Surety	50,000
Judy Jeans	Court Clerk	Zurich North American Surety	50,000



**SPECIAL REPORTS**





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CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen  
City of Olive Branch, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

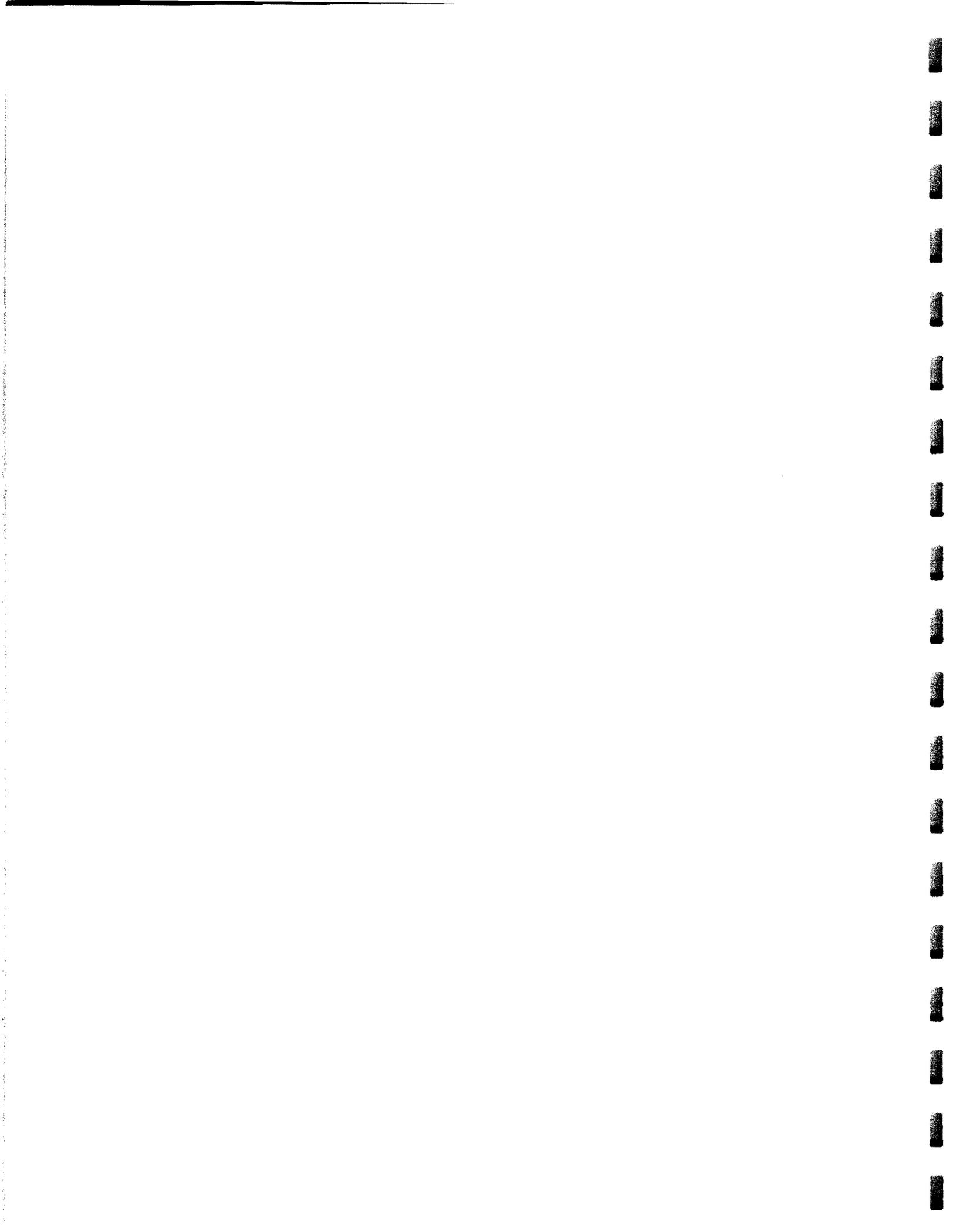
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

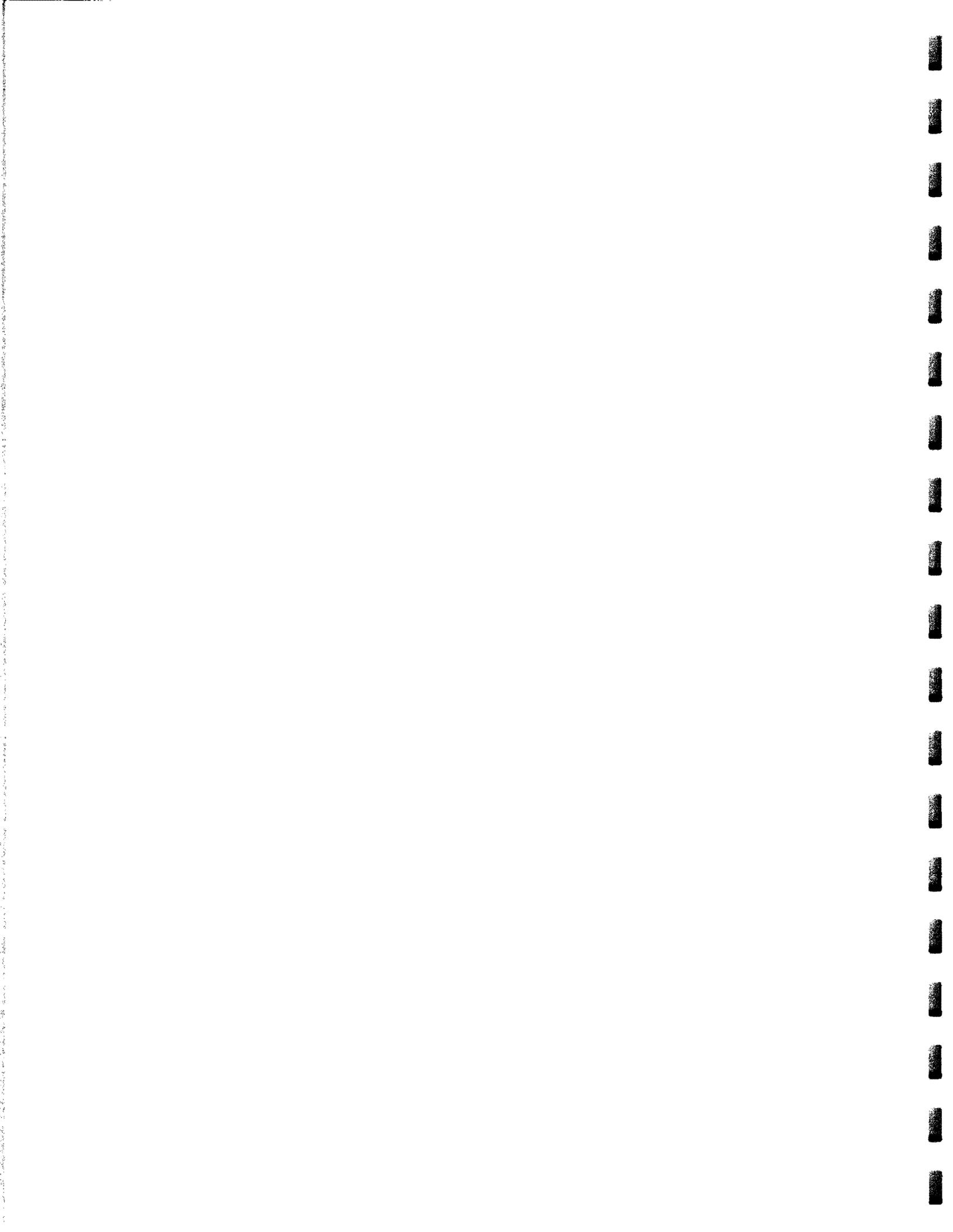
We noted certain matters that we reported to management of the City in a separate letter dated June 27, 2012.



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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 27, 2012





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

Mayor and Board of Aldermen  
City of Olive Branch  
Olive Branch, Mississippi

Compliance

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

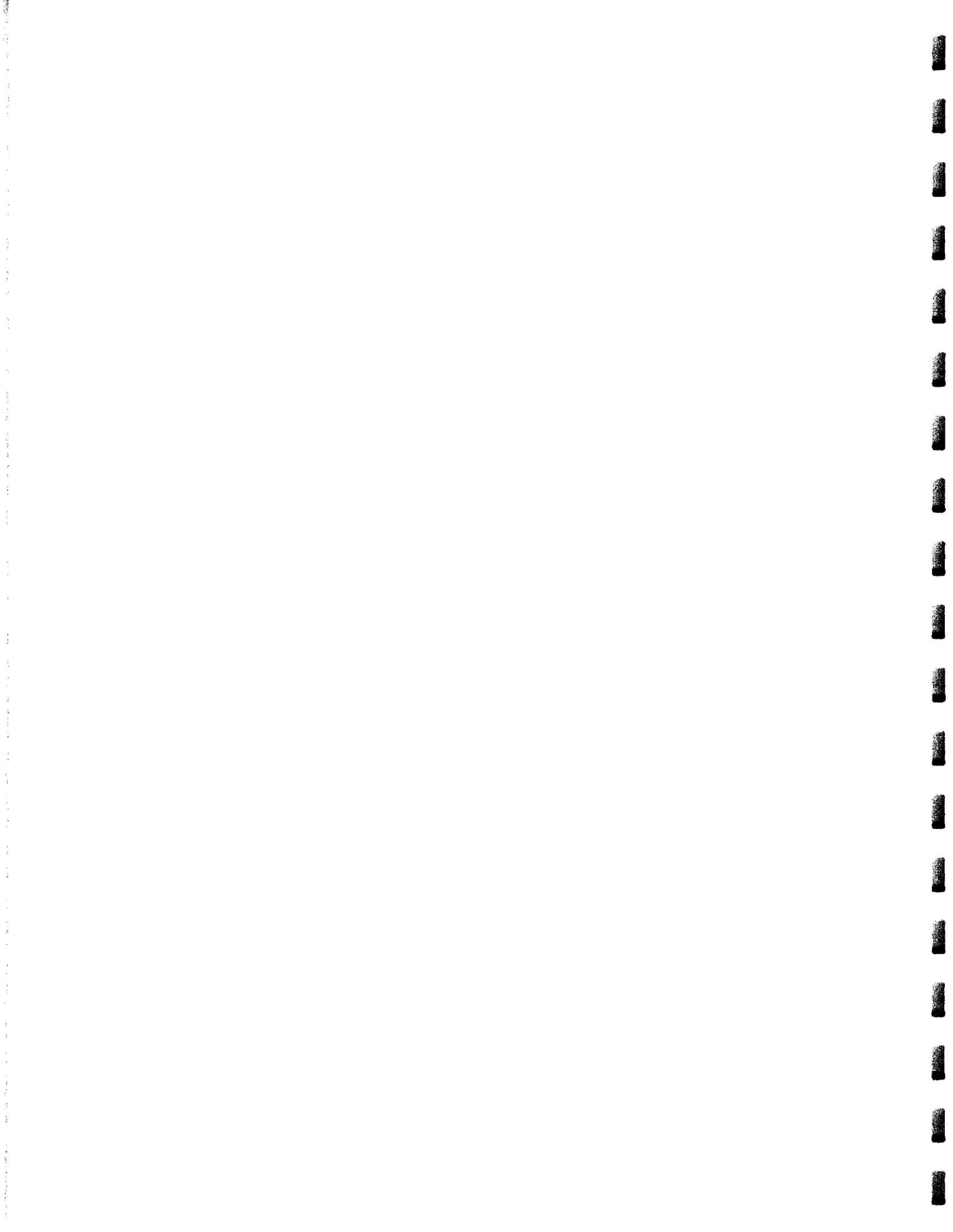
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits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

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

Internal Control Over Compliance

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

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



noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 27, 2012





WILLIAMS • PITTS • BEARD, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

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

2042 McIngvale Road, Suite A  
Hernando, MS 38632

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

Mayor and Board of Aldermen  
City of Olive Branch  
Olive Branch, Mississippi

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi (the "City"), as of and for the year ended September 30, 2011, and have issued our report dated June 27, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*.

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

The results of those procedures and our audit of the general purpose financial statements disclosed no material instance of noncompliance with state laws and regulations.

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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 27, 2012



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2011**

Section 1: Summary of Auditors' Results

Financial Statements:

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

Federal Awards:

- |   |                      |
|---|----------------------|
| 4. Type of auditor's report issued on compliance for major federal programs:                  | <u>Unqualified</u>   |
| 5. Internal control over major programs:  |                      |
| a. Material weakness (es) identified?   | <u>No</u>            |
| b. Significant deficiency (ies) identified that are not considered to be material weaknesses? | <u>None reported</u> |
| 6. Any audit finding(s) reported as required by OMB Circular A-133?                           | <u>No</u>            |
| 7. Federal programs identified as major programs:   |                      |
| Construction Grants for Wastewater Treatment Works  | <u>CFDA # 66.418</u> |
| 8. The dollar threshold used to distinguish between types A and type B programs:              | <u>\$300,000</u>     |
| 9. Auditee qualified as a low-risk auditee?   | <u>No</u>            |



**CITY OF OLIVE BRANCH, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2011**

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

No

**Section 2: Financial Statement Findings**

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

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

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





City of  
Olive Branch

MISSISSIPPI

SAMUEL P. RIKARD, MAYOR

9200 Pigeon Roost - Olive Branch, MS 38654  
Ph: 662 892-9201 E-Mail: srikard@obms.us

September 7, 2012

Office of the State Auditor  
P.O. Box 956  
Jackson, Ms. 39205

Via: FedEx  
501 N West Street, Suite 801  
Jackson, MS 39201

Re: Annual Municipal Audit

Accompanying this letter are two copies of the annual audit of the City of Olive Branch, Mississippi, for the fiscal year ended September 30, 2011. In connection with this audit, a separate management letter was written to the City of Olive Branch. Enclosed you will find a copy of the management letter along with the audit reports.

Sincerely,

Samuel P. Rikard, Mayor

SPR/jh

Enclosure – Two Hard Copies and management letter  
One Electronic Copy has been E-mailed to [kelley.ryan@osa.ms.gov](mailto:kelley.ryan@osa.ms.gov)

RECEIVED  
SEP 10 2012





City Clerk

September 7, 2012

Kelley Ryan  
Office of the State Auditor  
P.O. Box 956  
Jackson, Ms. 39205

Via: FedEx  
501 N West Street, Suite 801  
Jackson, MS 39201

Re: Annual Municipal Compliance Questionnaire

Accompanying this letter is a copy of the Municipal Compliance Questionnaire to accompany the annual audit of the City of Olive Branch, Mississippi, for the fiscal year ended September 30, 2011.

Sincerely,

Judy C. Herrington, City Clerk

JH

Enclosure – One copy of questionnaire



**ORDER OF THE MAYOR AND BOARD OF ALDERMEN  
OF THE CITY OF OLIVE BRANCH, MISSISSIPPI APPROVING  
MUNICIPAL COMPLIANCE QUESTIONNAIRE**

**WHEREAS**, the Mayor and Board of Aldermen are required annually to retain the services of an auditor to audit the books of the City, pursuant to Section 21-35-31 of the Mississippi Code (1972), and

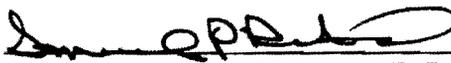
**WHEREAS**, as a part of its audit, the City is required to complete a Municipal Compliance Questionnaire, and

**WHEREAS**, said Questionnaire had been completed and presented to the Mayor and Board of Aldermen for their inspection and approval.

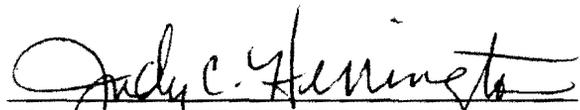
**NOW, THEREFORE, BE IT ORDERED** by the Mayor and Board of Aldermen of the City of Olive Branch, Mississippi as follows, to wit:

1. The Municipal Compliance Questionnaire for fiscal year ending September 30, 2011, a copy of which is attached hereto as Exhibit "A", be, and the same is hereby approved.
2. The Mayor and City Clerk be, and they are hereby authorized and directed to sign the Certification attached to the Municipal Compliance Questionnaire.

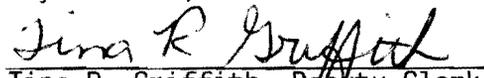
**ORDERED AND DONE**, this 19<sup>th</sup> day of June, 2012.

  
\_\_\_\_\_  
SAMUEL P. RIKARD, MAYOR

**ATTEST:**

  
\_\_\_\_\_  
JUDY C. HERRINGTON, CITY CLERK

I hereby certify that the foregoing is a true copy of the Order adopted in the regular meeting of the Mayor and Board of Aldermen of the City of Olive Branch, Mississippi on the 19th day of June, 2012.

  
\_\_\_\_\_  
Tina R. Griffith, Deputy Clerk  
City of Olive Branch



### **Municipal Compliance Questionnaire**

As part of the municipality's audit, the governing authorities of the municipality must make certain assertions with regard to legal compliance. The municipal compliance questionnaire was developed for this purpose.

The following questionnaire and related certification must be completed at the end of the municipality's fiscal year and entered into the official minutes of the governing authorities at their next regular meeting.

The governing authorities should take care to answer these questions accurately. Incorrect answers could reduce the auditor's reliance on the questionnaire responses, resulting in the need to perform additional audit procedures at added cost.

#### **Information**

*Note: Due to the size of some municipalities, some of the questions may not be applicable. If so, mark N/A in answer blanks. Answers to other questions may require more than "yes" or "no," and, as a result, more information on this questionnaire may be required and/or separate work papers may be needed.*

1. Name and address of municipality:  
City of Olive Branch  
9200 Pigeon Roost Road, Olive Branch, MS 38654-2421
2. List the date and population of the latest official U.S. Census or most recent official census:  
Census of 2010 - 33484
3. Names, addresses and telephone numbers of officials (include elected officials, chief administrative officer, and attorney).  
Refer to Attached List
4. Period of time covered by this questionnaire:  
From: October 01, 2010 To: September 30, 2011
5. Expiration date of current elected officials' term: June 30, 2013



**For year ended 9/30/2011** - Names, addresses and telephone numbers of Officials (include elected officials, chief administrative officer, and attorney).

**Mayor**

Samuel P. Rikard, Mayor, 9056 Roberta Street, Olive Branch, MS 38654  
662/892-9201 (City Hall)

**Board Members**

George Collins, Alderman At-large, 9184 College Street, Olive Branch, MS 38654 662/893-5250 (Office)

Don Tullos, Alderman Ward 1, 8606 Windersgate Drive, Olive Branch, MS 38654 662/892-9216 (Office)

Pat Hamilton, Alderwoman Ward 2, 7410 N. Hamilton Circle, Olive Branch, MS 38654 901/827-1035 (Cell)

Harold Henderson, Alderman Ward 3, 10537 Hwy 178, Olive Branch, MS 38654 662/895-5653 (Home)

David Wallace, Alderman Ward 4, 9055 Roberta Street, Olive Branch, MS 38654 901/619-6992 (Cell)

Susan V. Johnson, Alderwoman Ward 5, 10660 Goodman Road, Olive Branch, MS 38654 901/336-3213 (Cell)

Dale Dickerson, Alderman Ward 6, 9170 Lakeside Drive, Olive Branch, MS 38654 662/895-2543 (Home)

**City Clerk and City Attorney**

Judy Herrington, City Clerk, 1830 Wood Lane Dr. Olive Branch, MS 38654 662/892-9211 (City Hall)

Bryan Dye, City Attorney, 9650 Woolsey Rd., Olive Branch, MS 38654 662/892-9228 (City Hall)



**MUNICIPAL COMPLIANCE QUESTIONNAIRE**  
**Year Ended September 30, 20\_\_**

Answer All Questions: Y - YES, N - NO, N/A - NOT APPLICABLE

**PART I - General**

- |   |              |
|---|--------------|
| 1. Have all ordinances been entered into the ordinance book and included in the minutes? (Section 21-13-13)   | Y<br><hr/>   |
| 2. Do all municipal vehicles have public license plates and proper markings? (Sections 25-1-87 and 27-19-27)  | Y<br><hr/>   |
| 3. Are municipal records open to the public? (Section 25-61-5)  | Y<br><hr/>   |
| 4. Are meetings of the board open to the public?<br>(Section 25-41-5)   | Y<br><hr/>   |
| 5. Are notices of special or recess meetings posted?<br>(Section 25-41-13)  | Y<br><hr/>   |
| 5. Are all required personnel covered by appropriate surety bonds?  | Y<br><hr/>   |
| · Board or council members (Sec. 21-17-5)   |              |
| · Appointed officers and those handling money, see statutes governing the form of government (i.e., Section 21-3-5 for Code Charter)  | Y<br><hr/>   |
| · Municipal clerk (Section 21-15-38)  | Y<br><hr/>   |
| · Deputy clerk (Section 21-15-23)   | Y<br><hr/>   |
| · Chief of police (Section 21-21-1)   | Y<br><hr/>   |
| · Deputy police (Section 45-5-9) (if hired under this law)  | N/A<br><hr/> |
| 7. Are minutes of board meetings prepared to properly reflect the actions of the board? (Sections 21-15-17 and 21-15-19)  | Y<br><hr/>   |
| 8. Are minutes of board meetings signed by the mayor or majority of the board within 30 days of the meeting?<br>(Section 21-15-33)  | Y<br><hr/>   |
| 9. Has the municipality complied with the nepotism law in its employment practices? (Section 25-1-53)   | Y<br><hr/>   |
| 10. Did all officers, employees of the municipality, or their relatives avoid any personal interest in any contracts with the municipality during their term or within one year after their terms of office or employment? (Section 25-4-105) | Y<br><hr/>   |
| 11. Does the municipality contract with a Certified Public Accountant or an auditor approved by the State Auditor for its annual audit within twelve months of the end of each fiscal year? (Section 21-35-31)                                | Y<br><hr/>   |



12. Has the municipality published a synopsis or notice of the annual audit within 30 days of acceptance?  
(Section 21-35-31 or 21-17-19)

Y

**PART II - Cash and Related Records**

1. Where required, is a claims docket maintained?  
(Section 21-39-7)

Y

2. Are all claims paid in the order of their entry in the claims docket? (Section 21-39-9)

Y

3. Does the claims docket identify the claimant, claim number, amount and fund from which each warrant will be issued?  
(Section 21-39-7)

Y

4. Are all warrants approved by the board, signed by the mayor or majority of the board, attested to by the clerk, and bearing the municipal seal? (Section 21-39-13)

Y

5. Are warrants for approved claims held until sufficient cash is available in the fund from which it is drawn?  
(Section 21-39-13)

Y

6. Has the municipality adopted and entered on its minutes a budget in the format prescribed by the Office of the State Auditor? (Sections 21-35-5, 21-35-7 and 21-35-9)

Y

7. Does the municipality operate on a cash basis budget, except for expenditures paid within 30 days of fiscal year end or for construction in progress? (Section 21-35-23)

Y

8. Has the municipality held a public hearing and published its adopted budget? (Sections 21-35-5, 27-39-203, & 27-39-205)

Y

9. Has the municipality complied with legal publication requirements when budgetary changes of 10% or more are made to a department's budget? (Section 21-35-25)

Y

10. If revenues are less than estimated and a deficit is anticipated, did the board revise the budget by its regular July meeting? (Section 21-35-25)

Y



- |  |            |
|--|------------|
| 11. Have financial records been maintained in accordance with the chart of accounts prescribed by the State Auditor?<br>(Section 21-35-11)   | Y<br><hr/> |
| 12. Does the municipal clerk submit to the board a monthly report of expenditures against each budget item for the preceding month and fiscal year to date and the unexpended balances of each budget item? (Section 21-35-13) | Y<br><hr/> |
| 13. Does the board avoid approving claims and the city clerk not issue any warrants which would be in excess of budgeted amounts, except for court-ordered or emergency expenditures? (Section 21-35-17)                       | Y<br><hr/> |
| 14. Has the municipality commissioned municipal depositories?<br>(Sections 27-105-353 and 27-105-363)  | Y<br><hr/> |
| 15. Have investments of funds been restricted to those instruments authorized by law? (Section 21-33-323)  | Y<br><hr/> |
| 16. Are donations restricted to those specifically authorized by law? [Section 21-17-5 (Section 66, Miss. Constitution) -- Sections 21-19-45 through 21-19-59, etc.]   | Y<br><hr/> |
| 17. Are fixed assets properly tagged and accounted for?<br>(Section II - Municipal Audit and Accounting Guide)   | Y<br><hr/> |
| 18. Is all travel authorized in advance and reimbursements made in accordance with Section 25-3-41?  | Y<br><hr/> |
| 19. Are all travel advances made in accordance with the State Auditor's regulations? (Section 25-3-41)   | Y<br><hr/> |
| <b>PART III - Purchasing and Receiving</b>   |            |
| 1. Are bids solicited for purchases, when required by law (written bids and advertising)? [Section 31-7-13(b) and (c)]   | Y<br><hr/> |
| 2. Are all lowest and best bid decisions properly documented? [Section 31-7-13(d)]   | Y<br><hr/> |
| 3. Are all one-source item and emergency purchases documented on the board's minutes? [Section 31-7-13(m) and (k)]   | Y<br><hr/> |
| 4. Do all officers and employees understand and refrain from accepting gifts or kickbacks from suppliers? (Section 31-7-23)  | Y<br><hr/> |

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**PART IV - Bonds and Other Debt**

- |    |  |            |
|----|--|------------|
| 1. | Has the municipality complied with the percentage of taxable property limitation on bonds and other debt issued during the year? (Section 21-33-303)             | Y<br><hr/> |
| 2. | Has the municipality levied and collected taxes, in a sufficient amount for the retirement of general obligation debt principal and interest? (Section 21-33-87) | Y<br><hr/> |
| 3. | Have the required trust funds been established for utility revenue bonds? (Section 21-27-65)   | Y<br><hr/> |
| 4. | Have expenditures of bond proceeds been strictly limited to the purposes for which the bonds were issued? (Section 21-33-317)                                    | Y<br><hr/> |
| 5. | Has the municipality refrained from borrowing, except where it had specific authority? (Section 21-17-5)   | Y<br><hr/> |

**PART V - Taxes and Other Receipts**

- |    |  |            |
|----|--|------------|
| 1. | Has the municipality adopted the county ad valorem tax rolls? (Section 27-35-167)  | Y<br><hr/> |
| 2. | Are interest and penalties being collected on delinquent ad valorem taxes? (Section 21-33-53)  | Y<br><hr/> |
| 3. | Has the municipality conducted an annual land sale for delinquent ad valorem taxes? (Section 21-33-63)                                       | Y<br><hr/> |
| 4. | Have the various ad valorem tax collections been deposited into the appropriate funds? (Separate Funds for Each Tax Levy) (Section 21-33-53) | Y<br><hr/> |
| 5. | Has the increase in ad valorem taxes, if any, been limited to amounts allowed by law? (Sections 27-39-320 and 27-39-321)                     | Y<br><hr/> |
| 6. | Are local privilege taxes collected from all businesses located within the municipality, except those exempted? (Section 27-17-5)            | Y<br><hr/> |
| 7. | Are transient vendor taxes collected from all transient vendors within the municipality, except those exempted? (Section 75-85-1)            | Y<br><hr/> |
| 8. | Is money received from the state's "Municipal Fire Protection Fund" spent only to improve municipal fire departments? (Section 83-1-37)      | Y<br><hr/> |
| 9. | Has the municipality levied or appropriated not less than 1/4  |            |



<p>mill for fire protection and certified to the county it provides its own fire protection or allowed the county to levy such tax? (Sections 83-1-37 and 83-1-39)</p>	<p style="text-align: center;">Y _____</p>
<p>10. Are state-imposed court assessments collected and settled monthly? (Section 99-19-73, 83-39-31, etc.)</p>	<p style="text-align: center;">Y _____</p>
<p>11. Are all fines and forfeitures collected when due and settled immediately to the municipal treasury? (Section 21-15-21)</p>	<p style="text-align: center;">Y _____</p>
<p>12. Are bids solicited by advertisement or, under special circumstances, three appraisals obtained when real property is sold? (Section 21-17-1)</p>	<p style="text-align: center;">N/A _____</p>
<p>13. Has the municipality determined the full and complete cost for solid waste for the previous fiscal year? (Section 17-17-347)</p>	<p style="text-align: center;">Y _____</p>
<p>14. Has the municipality published an itemized report of all revenues, costs and expenses incurred by the municipality during the immediately preceding fiscal year in operating the garbage or rubbish collection or disposal system? (Section 17-17-348)</p>	<p style="text-align: center;">N/A _____</p>
<p>15. Has the municipality conducted an annual inventory of its assets in accordance with guidelines established by the Office of the State Auditor? (MMAAG)</p>	<p style="text-align: center;">Y _____</p>

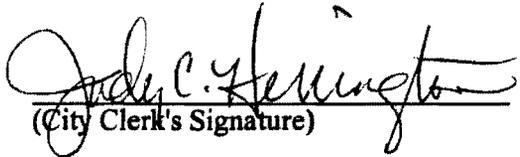


(MUNICIPAL NAME)

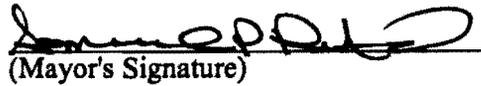
**Certification to Municipal Compliance Questionnaire**

**Year Ended September 30, 2011**

We have reviewed all questions and responses as contained in this Municipal Compliance Questionnaire for the Municipality of OLIVE BRANCH, and, to the best of our knowledge and belief, all responses are accurate.

  
(City Clerk's Signature)

6-20-2012  
(Date)

  
(Mayor's Signature)

6-20-2012  
(Date)

**Minute Book References:**

Book Number 83

Page 124

*(Clerk is to enter minute book references when questionnaire is accepted by board.)*



**ORDER OF THE MAYOR AND BOARD OF ALDERMEN  
OF THE CITY OF OLIVE BRANCH, MISSISSIPPI  
ACCEPTING AND APPROVING AUDIT REPORT  
FOR FISCAL YEAR ENDING SEPTEMBER 30, 2011**

**WHEREAS**, the governing authorities of every municipality in the State are required to have their books audited annually, pursuant to Section 21-35-31 of the Mississippi Code (1972), and

**WHEREAS**, pursuant to such law the City of Olive Branch has employed Williams, Pitts & Beard, PLLC, Hernando, Mississippi, to perform an audit of its books for the year ended September 30, 2011, and

**WHEREAS**, Williams, Pitts & Beard, PLLC has fully performed and delivered a report of their audit, and

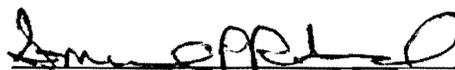
**WHEREAS**, the Mayor and Board of Aldermen have had an opportunity to review the results of the audit from Williams, Pitts & Beard, PLLC, and

**WHEREAS**, having given due consideration to the audit results the Mayor and Board of Aldermen acknowledge their approval of the same.

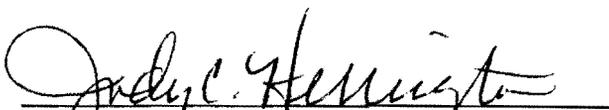
**NOW, THEREFORE, BE IT ORDERED** by the Mayor and Board of Aldermen of the City of Olive Branch, Mississippi as follows, to wit:

1. The financial audit by Williams, Pitts & Beard, PLLC of the books of the City of Olive Branch for the year ended September 30, 2011 be, and the same is hereby approved.

**ORDERED AND DONE** this 3rd day of July, 2012.

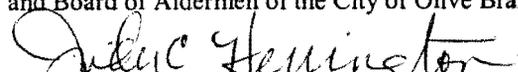
  
\_\_\_\_\_  
SAMUEL P. RIKARD, MAYOR

**ATTEST:**

  
\_\_\_\_\_  
JUDY C. HERRINGTON, CITY CLERK

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I hereby certify that the foregoing is a true copy of the Order adopted in the regular meeting of the Mayor and Board of Aldermen of the City of Olive Branch, Mississippi on the 3<sup>rd</sup> day of July 2012.

  
\_\_\_\_\_  
Judy C. Herrington, City Clerk





**WILLIAMS • PITTS • BEARD, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

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

2042 McIngvale Road, Suite A  
Hernando, MS 38632

(662) 429-4436  
FAX: (662) 429-4438  
www.williamsandpitts.com

June 27, 2012

To the Board of Aldermen  
City of Olive Branch, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Olive Branch, Mississippi for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 30, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Olive Branch, Mississippi are described in Note A to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. As described in Note A to the financial statements, the City of Olive Branch, Mississippi changed accounting policies related to fund balance by adopting Statement of Governmental Accounting Standards (GASB Statement) NO. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in the year ended September 30, 2011. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Balance Sheet – Governmental Funds.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciation expense is based on a straight-line basis over the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

In addition, management's estimate of the allowance for doubtful accounts is based on a number of days the account is outstanding. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects

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are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following material misstatements detected as result of audit procedures were corrected by management:

- The correct deferred revenue
- To record accounts payable in accordance with generally accepted accounting principles

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 27, 2012.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. However during our audit of the City's financial statements, we noted the following issues in internal controls:

- The City failed to use generally accepted accounting principles when recording accounts payable invoices.
- For proper controls over fixed assets recording, the City should reconcile the fixed asset additions to the general ledger.
- The City should implement control procedures to ensure all project expenses and related grant revenue are recorded when the grantor agency withholds these expenses from grant revenue, resulting in a noncash transaction.

#### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Aldermen and management of City of Olive Branch, Mississippi and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Williams, Pitts & Beard, PLLC*

Williams, Pitts, and Beard, PLLC



**ALG-CX-12.2: Audit Difference Evaluation Form**

Governmental Unit: CITY OF OLIVE BRANCH

Financial Statement Date: 9/30/2011

Completed by: \_\_\_\_\_

Date: \_\_\_\_\_

Opinion Unit: General Fund

A Listing of Known Audit Differences Over: \_\_\_\_\_

**Instructions:** This form should be used to accumulate known audit differences (AD). All known and likely misstatements greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1) should be listed. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. The auditor should review the guidance beginning at paragraph 1011.36 before completing this form.

Description (Nature) of Audit Difference (AD)	Known (K) or Likely (L)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/ Net Assets
				Total Assets	Total Liabilities	Working Cap.	Equity	Revenues	Expen.	
Cash in General Fund	K	Adjustments not made to cash	WP 1-1 & 1-1a	-1,332				-1,332		1,332
Performance bond not recorded	K	City lost track of documentation	WP 1-4a & 1-4b	-9,772	-9,772					
Franchise Receivable	K	not accrued in Pys	3-14				-336,971	336,971		-336,971
Accd Int Pay	K	immaterial diff	9-1		5,264				5,264	5,264
Int reasonableness	L	computed diff	9-1						3,786	3,786
Deferred Loss on Refunding Debt	K	not amortized but expensed	9-8		163,675				163,675	163,675
<b>Total</b>				-11,104	159,167	0	-336,971	335,639	172,725	-162,914
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)				-11,104	159,167	0	-336,971	335,639	172,725	-162,914
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)				-11,104	159,167	0	-336,971	335,639	172,725	-162,914
Financial statement caption totals				24,365,214	16,650,564		7,714,650	37,247,679	34,318,334	2,929,345
Current year AD as % of F/S captions (iron curtain method)				-0.05%	0.96%	0.00%	-4.37%	0.90%	0.50%	-5.56%
Current and prior year AD as % of F/S captions (rollover method)				-0.05%	0.96%	0.00%	-4.37%	0.90%	0.50%	-5.56%

X = Reviewed by AIC

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate,  do  do not cause the financial statements of opinion unit taken as a whole to be materially misstated.



**ALG-CX-12.2: Audit Difference Evaluation Form**

Governmental Unit: CITY OF OLIVE BRANCH

Financial Statement Date: 9/30/2011

Completed by:

Date:

Opinion Unit: Enterprise Fund

A Listing of Known Audit Differences Over:

**Instructions:** This form should be used to accumulate known audit differences (AD). All known and likely misstatements greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1) should be listed. This form should not include normal closing entries. At the end of the audit, the auditor should evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. The auditor should review the guidance beginning at paragraph 1011.36 before completing this form.

Description (Nature) of Audit Difference (AD)	Known (K) or Likely (L)	Cause	Work-paper Ref.	Financial Statement Effect—Amount of Over (Under) Statement of:						Change in Fund Balance/ Net Assets
				Total Assets	Total Liabilities	Working Cap.	Equity	Revenues	Expen.	
BIC	K	diff in calculation	9-6	-4,818						
Int Reasonable	L	diff in calculation	9-1						-32,577	-32,577
Subsequent Disburs.	K	recroded wrong period	CM-E		-6,199				-6,199	-6,199
DCRUA Exp. Timing	K	CY Exp. Understated	G/L				263,982		-263,982	0
Allowance for DA	K	Amt not record by client	4-3	61,265				61,265		61,265
<b>Total</b>				<b>56,447</b>	<b>-6,199</b>	<b>0</b>	<b>263,982</b>	<b>61,265</b>	<b>-302,758</b>	<b>22,489</b>
Less audit adjustments subsequently booked										
Net unadjusted AD—current year (iron curtain method)				56,447	-6,199	0	263,982	61,265	-302,758	22,489
Effect of unadjusted AD—prior years										
Combined current year and prior year AD (rollover method)				56,447	-6,199	0	263,982	61,265	-302,758	22,489
<b>Financial statement caption totals</b>				<b>52,585,036</b>	<b>30,561,100</b>		<b>22,023,936</b>	<b>31,330,481</b>	<b>23,386,228</b>	<b>7,944,253</b>
Current year AD as % of F/S captions (iron curtain method)				0.11%	-0.02%	0.00%	1.20%	0.20%	-1.29%	0.28%
Current and prior year AD as % of F/S captions (rollover method)				0.11%	-0.02%	0.00%	1.20%	0.20%	-1.29%	0.28%

X = Reviewed by AIC

**Conclusion:** Based on the results of the evaluation performed above, as well as the consideration of qualitative factors, uncorrected audit differences, individually and in the aggregate,  do  do not cause the financial statements of opinion unit taken as a whole to be materially misstated.



### **Qualitative Considerations in Evaluating Materiality**

The judgment about whether a misstatement is material is influenced by qualitative considerations as well as quantitative considerations. The following are examples of qualitative considerations:

1. The effect of the misstatement on overall trends, for example, a misstatement that changes a decrease in fund balance to an increase in fund balance.
2. The effect of the misstatement on other financial statement components (that is, the pervasiveness of the misstatement).
3. The effect of the misstatement on the government's compliance with legal and contractual provisions, such as revenue misstatements that might affect the entity's compliance with bond covenants.
4. A misstatement that affects management's compensation, for example by satisfying requirements for the award of bonuses or other forms of incentive compensation.
5. The significance of the financial statement element or portion of the entity's activities affected by the misstatement.
6. The effects of misclassifications that could be significant to the financial statement users, for example, misclassification between operating and nonoperating revenues or restricted and nonrestricted assets.
7. The potential effect on future periods.
8. The character of the misstatement (for example, the precision of the audit differences).
9. The sensitivity of the circumstances surrounding the misstatement, for example, the implications of misstatements involving fraud, possible illegal acts, violations of contractual provisions, or conflicts of interest.
10. The motivation of management with respect to the misstatement, for example, (1) an indication of a possible pattern of bias by management when developing and accumulating accounting estimates or (2) a misstatement precipitated by management's continued unwillingness to correct weaknesses in the financial reporting process.
11. The significance of the misstatement or disclosures relative to politically sensitive matters or known user needs.
12. The existence of statutory or regulatory requirements affecting materiality thresholds.
13. Offsetting effects of individually significant matters.
14. Cost of making the correction.
15. Risk of possible additional uncorrected misstatements.

