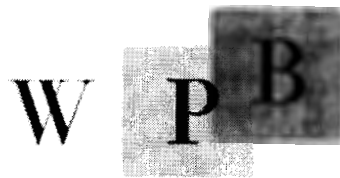
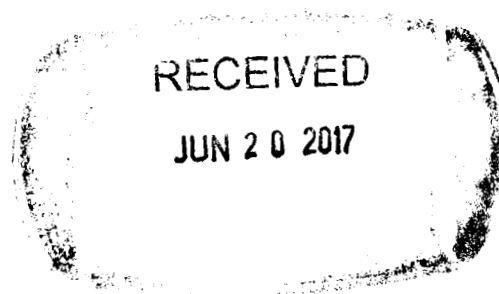




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**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2016**



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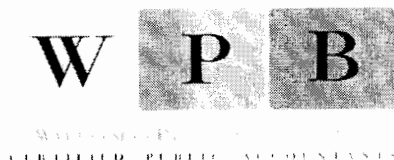


**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Audited Financial Statements**  
**For the Year Ended September 30, 2016**

**TABLE OF CONTENTS**

<b>Independent Auditors' Report</b> .....	<b>1</b>
<b>Management's Discussion and Analysis</b> .....	<b>i-x</b>
<b>Financial Statements</b> .....	<b>3</b>
Statement of Net Position .....	<b>4</b>
Statement of Activities .....	<b>5</b>
Balance Sheet – Governmental Funds .....	<b>6</b>
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	<b>7</b>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	<b>8</b>
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	<b>9</b>
Statement of Net Position – Proprietary Funds .....	<b>10</b>
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	<b>11</b>
Statement of Cash Flows – Proprietary Funds .....	<b>12</b>
Notes to Financial Statements .....	<b>13</b>
<b>Required Supplementary Information</b> .....	<b>31</b>
Budgetary Comparison Schedule Budget and Actual (Non-GAAP Basis) - General Fund.....	<b>32</b>
Schedule of City's Proportionate Share of Net Pension Liability.....	<b>33</b>
Schedule of City's Contributions .....	<b>34</b>
Notes to the Required Supplementary Information .....	<b>35</b>
<b>Other Information</b> .....	<b>37</b>
Schedule of Property Tax Rates and Assessments .....	<b>38</b>
Schedule of Surety Bonds for Municipal Officials .....	<b>39</b>
<b>Special Reports</b> .....	<b>41</b>
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	<b>43</b>
Independent Auditors' Report on Compliance with State Laws and Regulations.....	<b>45</b>
<b>Schedule of Findings and Responses</b> .....	<b>46</b>





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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Olive Branch, Mississippi's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

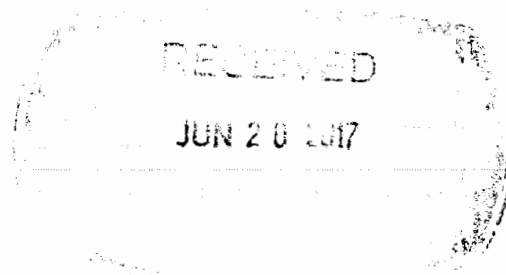
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi, as of September 30, 2016, and





the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Other Matters***

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the city's proportionate share of the net pension liability and the schedule of city contributions on pages i-x and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Olive Branch, Mississippi's basic financial statements. The schedule of property tax rates and assessments and schedule of surety bonds for municipal officials are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of property tax rates and assessments and schedule of surety bonds for municipal officials have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

##### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2017, on our consideration of the City of Olive Branch, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Olive Branch, Mississippi's internal control over financial reporting and compliance.

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 5, 2017



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

**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, 2016. 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 37,192 as of 9/30/16. 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 9/30/16 the City had approximately 1559 active businesses (as compared to 1223 in '09, 1342 in '10, 1265 in '11, 1280 in '12, 1320 in '13, 1380 in '14, and 1576 in '15). Approximately 1,002 were commercial/industrial businesses and 557 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 313 residential building permits were issued in Olive Branch in 2016 (as compared to 378 in '07, 126 in '08, 108 in '09, 97 in '10, 83 in '11, 140 in '12, 149 in '13, 224 in '14, and 280 in '15). 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 increased from 34.5 to 38.5 in September '14. It remains at 38.5 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 position decreased \$1,780,340 which represents a 2% decrease from the prior fiscal year. The City's ending cash balance decreased by \$118,233, which represents a 0.36% decrease from the prior fiscal year. The City had \$60,926,039 in total revenues. Tax revenues account for \$28,507,869 (or 47%) of total revenues. Sales of utilities totaled \$23,515,517 or 39% of total revenues.

The City had \$63,864,112 in total expenses. Expenses in the amount of \$29,511,203 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, 2016**

Among major funds, the General Fund had \$32,493,347 in revenues and \$30,600,130 in expenditures. As a result, the General Fund's fund balance increased \$1,893,217 over the prior year.

The Combined Water & Sewer System had \$14,538,061 in revenues and \$14,693,128 in expenditures. As a result the Combined Water & Sewer System's Fund balance decreased by \$155,067 over the prior year. The increase in the fund balance is attributed to prior period adjustment to customer's deposits.

The Natural Gas System had \$10,114,474 in revenues and \$10,480,570 in expenditures. As a result the Natural Gas System's Fund balance decreased by \$366,096 over the prior year. The increase in the fund balance is attributed to a prior period adjustment to customer deposits.

Capital assets, net of accumulated depreciation decreased by \$2,668,883.

Long-term debt decreased by \$4,766,320 (excluding pension liability).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

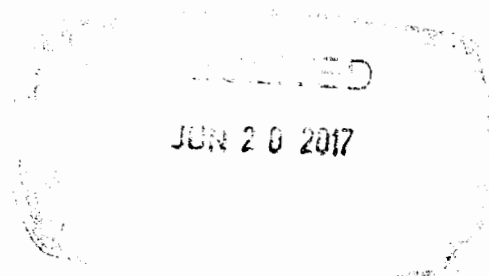
This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required 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 position** presents information on all City assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 4 and 5 of this report.





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

**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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 7 and 9, respectively.

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

The basic governmental funds financial statements can be found on pages 6 and 8 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 10 through 12 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 13 through 30 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 32 of this report.



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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**— Net position 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 \$73,534,080 as of September 30, 2016. The largest portion of the City's net position (89.1%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

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 position for the fiscal year ended September 30, 2016.

	<b>2016</b>		<b>2015</b>	
	<b>Government Activities</b>	<b>Business-type Activities</b>	<b>Government Activities</b>	<b>Business-type Activities</b>
Current Assets	\$38,337,235	\$19,715,446	\$37,177,823	\$19,724,301
Capital Assets, Net	98,953,603	32,489,733	99,665,557	34,446,662
<b>Total Assets</b>	<b>137,290,838</b>	<b>52,265,179</b>	<b>136,843,380</b>	<b>54,170,963</b>
Deferred amount on refunding	739,823	109,623	828,281	126,739
Deferred outflows- Pension	8,480,214	1,817,170	6,179,074	1,297,097
<b>Total Deferred Outflows of Resources</b>	<b>9,220,037</b>	<b>1,926,793</b>	<b>7,007,355</b>	<b>1,423,836</b>
Current Liabilities	3,439,241	2,888,586	3,450,184	4,330,780
Long-term debt outstanding	75,160,868	27,100,617	70,935,055	27,742,422
<b>Total Liabilities</b>	<b>78,600,109</b>	<b>29,989,203</b>	<b>74,385,239</b>	<b>32,073,202</b>
Property Tax for future reporting period	17,279,570	-	16,614,735	-
Deferred inflows- Pension	1,071,731	228,154	874,386	183,552
<b>Total Deferred Inflows of Resources</b>	<b>18,351,301</b>	<b>228,154</b>	<b>17,489,121</b>	<b>183,552</b>
<b>Net Position:</b>				
Net investment in capital assets, net of related debt	67,785,710	14,670,154	65,866,376	14,428,703
Restricted	8,710,541	1,915,769	10,355,642	1,915,769
Unrestricted	(26,936,786)	7,388,692	(24,245,643)	6,993,573
<b>Total Net Position</b>	<b>\$49,559,465</b>	<b>\$23,974,615</b>	<b>\$51,976,375</b>	<b>\$23,338,045</b>

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

**Changes in Net Position**— City of Olive Branch's total revenues for the fiscal year ended September 30, 2016 were \$60,926,039. The total cost for all services provided was \$63,864,112. The decrease in net position was \$2,938,073.

The following table presents a summary of the changes in net position for the fiscal year ended September 30, 2016.

	2016			2015		
	General Fund	Business-type Activities	Totals	General Fund	Business-type Activities	Totals
Program Revenue:						
Charges for Services	\$5,786,228	\$23,515,517	\$29,406,377	\$5,276,285	\$26,886,314	\$32,162,599
Operating Grants & Contributions	208,658	-	208,658	352,546	-	352,546
Capital Grants & Contributions	\$800	-	800	25,000	-	25,000
Transfers from/to other funds	(47,778)	47,778	-	8,769	(8,769)	-
Fee in Lieu of Tax Intergovernmental	994,493	-	\$994,493	914,760	-	914,760
Taxes	28,507,869	-	\$28,507,869	26,871,278	-	26,871,278
Contributed Capital						
Other	867,951	1,044,523	\$1,912,474	1,192,731	909,217	2,101,948
	<u>\$36,318,221</u>	<u>\$24,607,818</u>	<u>\$60,926,039</u>	<u>\$34,641,369</u>	<u>27,786,762</u>	<u>62,428,131</u>
Expenses:						
General						
Government	4,454,659	-	4,454,659	4,628,767	-	4,628,767
Public Safety	17,501,644	-	17,501,644	15,566,363	-	15,566,363
Public Works	6,534,942	-	6,534,942	6,943,927	-	6,943,927
Culture & Recreation	2,575,535	-	2,575,535	2,157,031	-	2,157,031
Economic Development	1,192,000	-	1,192,000	1,164,529	-	1,164,529
Debt Services	1,025,528	603,282	1,628,810	817,875	682,523	1,500,398
Bond issue cost	-	-	-	373,351	-	373,351
Pension expense	5,450,823	-	5,450,823	3,879,624	-	3,879,624
Water System	-	13,557,584	13,557,584	-	13,134,992	13,134,992
Gas System	-	9,736,195	9,736,195	-	12,384,461	12,384,461
Pension expense	-	1,231,920	1,231,920	-	814,416	814,416
	<u>\$38,735,131</u>	<u>\$25,128,981</u>	<u>\$63,864,112</u>	<u>\$35,531,467</u>	<u>\$27,016,392</u>	<u>\$62,547,859</u>
Change in Net Position	(\$2,416,910)	(521,163)	(\$2,938,073)	\$ (890,098)	\$ 770,370	\$ (119,728)

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.



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

**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.

	2016		2015	
	Total Costs	Net (Cost)/Revenues	Total Costs	Net (Cost)/Revenues
General Government	\$ 4,454,659	\$ (3,685,568)	\$ 4,628,767	\$ (3,726,576)
Public Safety	17,501,644	(14,249,791)	15,566,363	(12,577,350)
Public Works	6,534,942	(4,947,949)	6,943,927	(5,405,025)
Culture & Recreation	2,575,535	(2,187,786)	2,157,031	(1,933,306)
Economic Development	1,192,000	(1,192,000)	1,164,529	(1,164,529)
Pension Expense	5,450,823	(5,450,823)	3,879,624	(3,879,624)
Debt Service	1,025,528	(1,025,528)	817,875	(817,875)
	<u>\$38,735,131</u>	<u>\$(32,739,445)</u>	<u>\$35,531,467</u>	<u>\$(29,877,636)</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 \$17,370,614; an increase of \$346,966.

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 \$1,893,217.

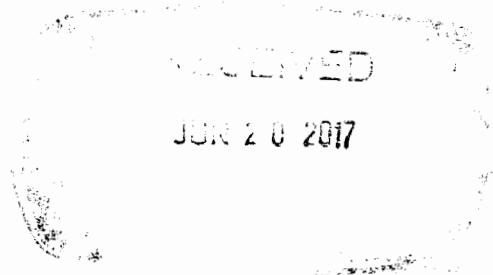
**Business-type funds** – Revenue from the City's Utility Funds decreased by 11.5% to \$24,607,818 and expenses decreased by 7.0% to \$25,128,981.

**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:**

- Miscellaneous Revenues increased by \$619, 605 due to a loan to purchase and finance one fire pumper.
- 
- Miscellaneous Revenues increased by \$179,500 due to revenue from Park concessions.
- 
- Sales Tax increased by \$306,932 due to higher than anticipated receipts.
- 
- Fines and forfeits increased by \$153,210 due to higher than anticipated court fines.





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

**Expenses:**

- Capital Outlay increased by \$619,905 due to purchase of fire truck.
- Capital Outlay increased by \$115,950 due to construction of Bark Park.
- Capital Outlay increased by \$150,000 due to trailers for Park concessions.
- Professional Services increased by \$195,000 for Metro Design for plant expansion.

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, 2016, City of Olive Branch total capital assets were \$131,443,336 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 a decrease from the previous year of \$2,668,883. Total accumulated depreciation as of September 30, 2016 was \$114,542,158 including \$6,792,738 of depreciation expense for the year.

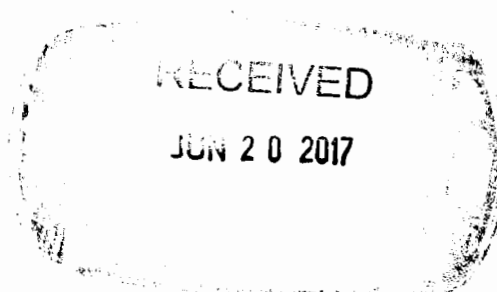
Additional information on City of Olive Branch capital assets can be found in Note E on page 21 of this report.

**Debt Administration** – At September 30, 2016, City of Olive Branch had \$101,412,039 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, \$5,431,782 is due within one year. Also, \$51,104,603 is from the addition of net pension liability due to the implementation of GASB 68 which would be reduced by \$8,997,499 in pension deferred inflows and outflows.

***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 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. Funding for said improvements was provided by Mississippi Development Authority through a Mississippi Industry Incentive Finance (MIIF) grant to the city. McKesson began operation here in Olive Branch in August of 2012. Plans for additional improvements such as traffic signalization and improvement to the intersection of Polk Lane and Hwy 302 which were anticipated to be completed in 2012 were completed in May 2015.





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

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 manufactures a glass that changes from clear to tint on demand, resulting in significant cost savings, environmental benefits and quality of life enhancements. Soladigm 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. Soladigm began commercial production here in Olive Branch in November of 2012. Plans for improvements to the intersection of Polk and Kirk Roads have been delayed as the county seeks the necessary easements. Anticipated date for completion is currently unavailable but is expected to be in the near future.

**Water & Sewer Fund**

In 2011 the city entered into agreement for MDOT to relocate Utility lines to allow the widening of MS Highway 305. The initial construction contract amount for relocating all utility lines was \$1,787,914. MDOT contracted to pay 14.956 % of the Water expenses and 34.971 % of the Sewer Expenses. Work on the project completed in October of 2012, but the Board of Aldermen has not accepted the project as complete and a balance of \$37,500 remains in dispute. Construction expense paid to date for the project is \$1,996,358. The total water expense was \$767,178, with the cost to MDOT being \$114,739 and the cost to the City being \$652,439. The total sewer expense was \$364,297, with the cost to MDOT being \$127,398 and the cost to the city being \$236,898. *(Refer to Water & Sewer Fund for more detail on this project)*

**Natural Gas Fund**

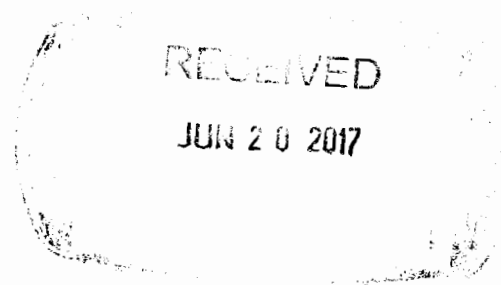
In 2011 the city entered into agreement for MDOT to relocate Utility lines to allow the widening of MS Highway 305. The initial construction contract amount for relocating all utility lines was \$1,787,914. MDOT contracted to pay 17.88% of the gas expenses with the city to pay 82.12% of the cost. Work on the project completed in October of 2012 but the Board of Aldermen has not accepted the project as complete and a balance of \$37,500 remains in dispute. Construction expense paid to date for the project is \$1,996,358. The total gas expense paid to date is \$864,883 with the cost to MDOT being \$154,641 and the cost to the City being \$710,242. *(Refer to Natural Gas Fund for more detail on this project)*

**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.



**FINANCIAL STATEMENTS**





**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Net Position**  
**September 30, 2016**

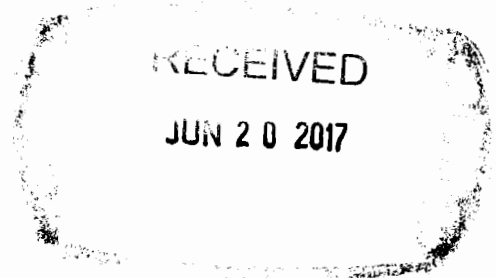
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 17,096,265	\$ 15,177,417	\$ 32,273,682
Cash with fiscal agents	555,000	-	555,000
Accounts receivable, net of allowance for uncollectibles of \$4,408,707 and \$1,289,483	1,553,810	2,188,802	3,742,612
Intergovernmental receivables	1,200,401	346	1,200,747
Property tax receivable	17,279,570	-	17,279,570
Note receivable	-	412,266	412,266
Prepaid expenses	605,163	127,872	733,035
Internal balances	47,026	(47,026)	-
Restricted assets	-	1,915,769	1,915,769
Capital assets, net of accumulated depreciation	98,953,603	32,489,733	131,443,336
<b>Total Assets</b>	<u>137,290,838</u>	<u>52,265,179</u>	<u>189,556,017</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on refunding	739,823	109,623	849,446
Deferred outflows - pensions	8,480,214	1,817,170	10,297,384
<b>Total Deferred Outflows of Resources</b>	<u>9,220,037</u>	<u>1,926,793</u>	<u>11,146,830</u>
<b>Liabilities</b>			
Accounts payable	1,842,532	387,661	2,230,193
Accrued expenses	599,054	116,752	715,806
Customer deposits	-	2,384,173	2,384,173
Warranty bonds	997,655	-	997,655
Long-term liabilities			
Due within one year:			
Capital debt	3,168,881	2,262,901	5,431,782
Due in more than one year:			
Capital debt	28,738,835	15,666,301	44,405,136
Non-capital debt	1,105,885	214,079	1,319,964
Net pension liability	42,147,267	8,957,336	51,104,603
<b>Total Liabilities</b>	<u>78,600,109</u>	<u>29,989,203</u>	<u>108,589,312</u>
<b>Deferred Inflows of Resources</b>			
Property tax for future reporting period	17,279,570	-	17,279,570
Deferred inflows - pensions	1,071,731	228,154	1,299,885
<b>Total Deferred Inflows of Resources</b>	<u>18,351,301</u>	<u>228,154</u>	<u>18,579,455</u>
<b>Net Position</b>			
Net investment in capital assets	67,785,710	14,670,154	82,455,864
Restricted for:			
Expendable:			
Debt service	676,352	1,915,769	2,592,121
Public safety	160,541	-	160,541
Capital projects	7,268,485	-	7,268,485
Nonexpendable	605,163	-	605,163
Unrestricted	(26,936,786)	7,388,692	(19,548,094)
<b>Total Net Position</b>	<u>\$ 49,559,465</u>	<u>\$ 23,974,615</u>	<u>\$ 73,534,080</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, 2016**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 4,454,659	\$ 729,630	\$ 38,661	\$ 800	\$ (3,685,568)	\$ -	\$ (3,685,568)
Public safety	17,501,644	3,177,845	74,008	-	(14,249,791)	-	(14,249,791)
Public works	6,534,942	1,491,004	95,989	-	(4,947,949)	-	(4,947,949)
Culture and recreation	2,575,535	387,749	-	-	(2,187,786)	-	(2,187,786)
Economic development and assistance	1,192,000	-	-	-	(1,192,000)	-	(1,192,000)
Interest on long-term debt	1,025,528	-	-	-	(1,025,528)	-	(1,025,528)
Pension expense	5,450,823	-	-	-	(5,450,823)	-	(5,450,823)
<b>Total Governmental Activities</b>	<b>38,735,131</b>	<b>5,786,228</b>	<b>208,658</b>	<b>800</b>	<b>(32,739,445)</b>	<b>-</b>	<b>(32,739,445)</b>
<b>Business-Type Activities</b>							
Water & sewer	13,557,584	13,738,744	-	-	-	181,160	181,160
Gas system	9,736,195	9,776,773	-	-	-	40,578	40,578
Interest on long-term debt	603,282	-	-	-	-	(603,282)	(603,282)
Pension expense	1,231,920	-	-	-	-	(1,231,920)	(1,231,920)
<b>Total Business-Type Activities</b>	<b>25,128,981</b>	<b>23,515,517</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,613,464)</b>	<b>(1,613,464)</b>
<b>Total Government</b>	<b>\$ 63,864,112</b>	<b>\$ 29,301,745</b>	<b>\$ 208,658</b>	<b>\$ 800</b>	<b>(32,739,445)</b>	<b>(1,613,464)</b>	<b>(34,352,909)</b>
<b>General Revenues</b>							
Property taxes					16,964,851	-	16,964,851
Intergovernmental					994,493	-	994,493
Sales tax					9,653,405	-	9,653,405
Franchise tax					1,889,613	-	1,889,613
Rents					10,100	219,970	230,070
Interest					34,293	50,006	84,299
Miscellaneous					699,690	715,336	1,415,026
Disposal of capital assets					123,868	59,211	183,079
Transfers					(47,778)	47,778	-
<b>Total General Revenues</b>					<b>30,322,535</b>	<b>1,092,301</b>	<b>31,414,836</b>
<b>Change in Net Position</b>					<b>(2,416,910)</b>	<b>(521,163)</b>	<b>(2,938,073)</b>
<b>Net Position-Beginning, as previously reported</b>					<b>51,976,375</b>	<b>23,338,045</b>	<b>75,314,420</b>
<b>Prior period adjustment</b>					<b>-</b>	<b>1,157,733</b>	<b>1,157,733</b>
<b>Net Position-Beginning, as restated</b>					<b>51,976,375</b>	<b>24,495,778</b>	<b>76,472,153</b>
<b>Net Position-Ending</b>					<b>\$ 49,559,465</b>	<b>\$ 23,974,615</b>	<b>\$ 73,534,080</b>



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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Balance Sheet - Governmental Funds**  
**September 30, 2016**

	General Fund	Debt Service	2015 GO Improvements Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 8,887,626	\$ 694,599	\$ 6,319,967	\$ 1,194,073	\$ 17,096,265
Cash with fiscal agents	-	555,000	-	-	555,000
Due from other funds	-	130,769	4,571	19,023	154,363
Accounts receivable, net of allowance for uncollectibles of \$4,408,707	1,006,067	-	-	-	1,006,067
Intergovernmental receivables	1,160,175	40,226	-	-	1,200,401
Property tax receivable	13,820,251	3,459,319	-	-	17,279,570
Prepaid expenses	414,688	190,475	-	-	605,163
<b>Total Assets</b>	<u>\$ 25,288,807</u>	<u>\$ 5,070,388</u>	<u>\$ 6,324,538</u>	<u>\$ 1,213,096</u>	<u>\$ 37,896,829</u>
<b>Liabilities</b>					
Accounts payable	\$ 1,122,039	\$ 444,310	\$ 218,723	\$ 57,459	\$ 1,842,531
Accrued expenses	299,122	-	-	-	299,122
Due to other funds	107,337	-	-	-	107,337
Warranty bonds	997,655	-	-	-	997,655
<b>Total Liabilities</b>	<u>2,526,153</u>	<u>444,310</u>	<u>218,723</u>	<u>57,459</u>	<u>3,246,645</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	13,820,251	3,459,319	-	-	17,279,570
<b>Total deferred inflows of resources</b>	<u>13,820,251</u>	<u>3,459,319</u>	<u>-</u>	<u>-</u>	<u>17,279,570</u>
<b>Fund Balances</b>					
Nonspendable:					
Prepaid expenses	414,688	190,475	-	-	605,163
Restricted for:					
Debt service	-	976,284	-	-	976,284
Public safety	160,541	-	-	-	160,541
Capital projects	6,990	-	6,105,815	1,155,637	7,268,442
Committed	1,063,848	-	-	-	1,063,848
Unassigned	7,296,336	-	-	-	7,296,336
<b>Total Fund Balances</b>	<u>8,942,403</u>	<u>1,166,759</u>	<u>6,105,815</u>	<u>1,155,637</u>	<u>17,370,614</u>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<u>\$ 25,288,807</u>	<u>\$ 5,070,388</u>	<u>\$ 6,324,538</u>	<u>\$ 1,213,096</u>	<u>\$ 37,896,829</u>

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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**September 30, 2016**

**Total Fund Balance - Governmental Funds** \$ 17,370,614

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

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

Land	\$	7,703,675	
Buildings and improvements		26,591,965	
Equipment and vehicles		12,467,964	
Infrastructure		124,709,810	
Construction in progress		1,067,028	
Accumulated depreciation		<u>(73,586,839)</u>	
			98,953,603

Other long-term assets are not available to pay for  
current period expenditures and, therefore, are deferred in the funds. 547,743

Deferred outflows of resources related to pension reported in governmental  
activities is not a financial resource and therefore is not reported in the funds. 8,480,214

Deferred inflows of resources related to pension are not due and payable  
in the current period and therefore are not reported in the funds. (1,071,731)

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

Net pension liability	(42,147,267)		
Bonds and loans payable	(31,167,893)		
Compensated absences	(1,105,885)		
Accrued interest	<u>(299,933)</u>		
			<u>(74,720,978)</u>

**Net Position of Governmental Activities** \$ 49,559,465



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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended September 30, 2016**

	Major Funds			Other	Total
	General Fund	Debt Service	2015 GO Improvements Fund	Governmental Funds	Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 13,134,011	\$ 3,830,840	\$ -	\$ -	\$ 16,964,851
Intergovernmental	10,647,898	-	-	-	10,647,898
Charges for services	5,786,228	-	-	-	5,786,228
Franchise taxes	1,665,320	-	-	-	1,665,320
Interest	17,430	2,251	12,344	2,268	34,293
Miscellaneous	660,329	-	-	39,361	699,690
<b>Total Revenues</b>	<b>31,911,216</b>	<b>3,833,091</b>	<b>12,344</b>	<b>41,629</b>	<b>35,798,280</b>
<b>Expenditures</b>					
General government	3,175,092	-	36,334	17	3,211,443
Public safety	16,941,895	-	-	-	16,941,895
Public works	4,371,016	-	-	-	4,371,016
Culture and recreation	2,370,600	-	-	-	2,370,600
Economic development	1,192,000	-	-	-	1,192,000
Capital outlay	2,193,042	-	1,193,791	682,098	4,068,931
Debt service:					
Principal	342,381	2,942,043	-	-	3,284,424
Interest	14,104	912,454	-	-	926,558
<b>Total Expenditures</b>	<b>30,600,130</b>	<b>3,854,497</b>	<b>1,230,125</b>	<b>682,115</b>	<b>36,366,867</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>1,311,086</b>	<b>(21,406)</b>	<b>(1,217,781)</b>	<b>(640,486)</b>	<b>(568,587)</b>
<b>Other Financial Sources (Uses)</b>					
Long-term capital debt issued	619,905	-	-	-	619,905
Capital contributions	800	-	-	-	800
Proceeds from sale of capital assets	123,868	-	-	-	123,868
Rents	10,100	-	-	-	10,100
Grant revenue	112,669	-	4,091	91,898	208,658
Interfund transfers	(285,211)	-	-	237,433	(47,778)
<b>Total Other Financing Sources (Uses)</b>	<b>582,131</b>	<b>-</b>	<b>4,091</b>	<b>329,331</b>	<b>915,553</b>
<b>Net Change in Fund Balances</b>	<b>1,893,217</b>	<b>(21,406)</b>	<b>(1,213,690)</b>	<b>(311,155)</b>	<b>346,966</b>
<b>Fund Balances - Beginning</b>	<b>7,049,186</b>	<b>1,188,165</b>	<b>7,319,505</b>	<b>1,466,792</b>	<b>17,023,648</b>
<b>Fund Balance - End of Year</b>	<b>\$ 8,942,403</b>	<b>\$ 1,166,759</b>	<b>\$ 6,105,815</b>	<b>\$ 1,155,637</b>	<b>\$ 17,370,614</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, 2016**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 346,966**

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. In the current period, these amounts are:

Capital outlay	3,567,218
Depreciation expense	(4,165,141)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

Long-term debt issued	(619,905)
Payments of debt principal	3,284,424
Accrued interest payable	(65,739)

Franchise tax revenue recognized on the modified accrual basis in the funds during the current year is recognized in the Statement of Activities using the full accrual basis of accounting. 224,293

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	(48,447)
Pension expense	(4,793,315)
Disposal of capital assets and transfers	(114,031)
Amortization of premiums and deferred gains	(33,231)

**Change in Net Position of Governmental Activities** **\$ (2,416,908)**



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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Statement of Net Position - Proprietary Funds**  
**September 30, 2016**

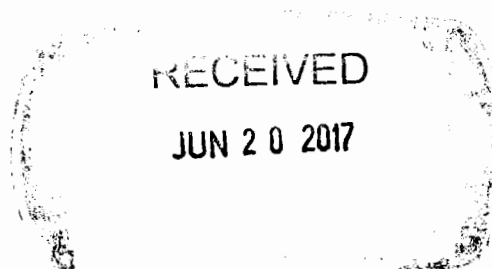
	Water & Sewer	Natural Gas	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,556,453	\$ 8,620,964	\$ 15,177,417
Accounts receivable, net of allowance for uncollectibles \$1,289,483	1,694,273	494,529	2,188,802
Intergovernmental receivable	346	-	346
Prepaid expenses	104,891	22,981	127,872
Due from other funds	128,166	(175,192)	(47,026)
<b>Total Current Assets</b>	<u>8,484,129</u>	<u>8,963,282</u>	<u>17,447,411</u>
<b>Noncurrent Assets</b>			
Note receivable	412,266	-	412,266
Restricted assets	1,499,583	416,186	1,915,769
Capital assets, net of accumulated depreciation	26,547,106	5,942,627	32,489,733
<b>Total Noncurrent Assets</b>	<u>28,458,955</u>	<u>6,358,813</u>	<u>34,817,768</u>
<b>Total Assets</b>	<u>36,943,084</u>	<u>15,322,095</u>	<u>52,265,179</u>
<b>Deferred Outflows of Resources</b>			
Deferred amount on refunding	33,243	76,380	109,623
Deferred outflows - pensions	975,820	841,350	1,817,170
<b>Total Deferred Outflows of Resources</b>	<u>1,009,063</u>	<u>917,730</u>	<u>1,926,793</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	156,818	230,843	387,661
Accrued expenses	70,361	46,391	116,752
Customer deposits	774,548	1,609,625	2,384,173
Capital debt	1,958,900	304,001	2,262,901
<b>Total Current Liabilities</b>	<u>2,960,627</u>	<u>2,190,860</u>	<u>5,151,487</u>
<b>Noncurrent liabilities:</b>			
Capital debt	12,794,251	2,872,050	15,666,301
Non-capital debt	121,576	92,503	214,079
Net pension liability	4,810,089	4,147,247	8,957,336
<b>Total Noncurrent Liabilities</b>	<u>17,725,916</u>	<u>7,111,800</u>	<u>24,837,716</u>
<b>Total Liabilities</b>	<u>20,686,543</u>	<u>9,302,660</u>	<u>29,989,203</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pensions	122,518	105,636	228,154
<b>Net Position</b>			
Net investment in capital assets	11,793,955	2,766,576	14,560,531
Restricted for:			
Debt service	1,499,583	416,186	1,915,769
Unrestricted	3,849,548	3,648,767	7,498,315
<b>Total Net Position</b>	<u>\$ 17,143,086</u>	<u>\$ 6,831,529</u>	<u>\$ 23,974,615</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 Position - Proprietary Funds**  
**For the Year Ended September 30, 2016**

	Water & Sewer	Natural Gas	Total
<b>Operating Revenues</b>			
Charges for services	\$ 13,738,744	\$ 9,776,773	\$ 23,515,517
Miscellaneous	399,141	316,195	715,336
<b>Total Operating Revenues</b>	<u>14,137,885</u>	<u>10,092,968</u>	<u>24,230,853</u>
<b>Operating Expenses</b>			
Cost of sales	-	4,592,094	4,592,094
Personnel	3,367,128	3,169,657	6,536,785
Pension expense	661,541	570,379	1,231,920
Depreciation and amortization	2,169,564	473,457	2,643,021
Material and supplies	1,120,205	762,669	1,882,874
Professional services	4,938,416	8,695	4,947,111
Other	1,962,270	729,624	2,691,894
<b>Total Operating Expenses</b>	<u>14,219,124</u>	<u>10,306,575</u>	<u>24,525,699</u>
<b>Operating Income</b>	<u>(81,239)</u>	<u>(213,607)</u>	<u>(294,846)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	31,700	18,306	50,006
Interest expense	(474,004)	(129,278)	(603,282)
Rent	219,970	-	219,970
Gain (loss) on sale of capital assets	56,011	3,200	59,211
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(166,323)</u>	<u>(107,772)</u>	<u>(274,095)</u>
<b>Net Income Before Capital Contributions and Transfers</b>	<u>(247,562)</u>	<u>(321,379)</u>	<u>(568,941)</u>
Interfund transfers	92,495	(44,717)	47,778
<b>Change in Net Position</b>	<u>(155,067)</u>	<u>(366,096)</u>	<u>(521,163)</u>
<b>Net Position - Beginning, as previously reported</b>	16,894,265	6,443,780	23,338,045
Prior period adjustment	403,888	753,845	1,157,733
<b>Net Position - Beginning, as restated</b>	<u>17,298,153</u>	<u>7,197,625</u>	<u>24,495,778</u>
<b>Net Position - End of Year</b>	<u>\$ 17,143,086</u>	<u>\$ 6,831,529</u>	<u>\$ 23,974,615</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, 2016**

	<u>Water &amp; Sewer</u>	<u>Natural Gas</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 13,702,217	\$ 9,939,307	\$ 23,641,524
Cash payments for goods and services	(8,226,349)	(6,311,057)	(14,537,406)
Cash payments to employees	(3,550,994)	(3,249,450)	(6,800,444)
Other operating cash receipts	399,141	316,195	715,336
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>2,324,015</u>	<u>694,995</u>	<u>3,019,010</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Interfund activity	259,215	240,464	499,679
<b>Net Cash Provided By (Used In) Non-Capital Financing Activities</b>	<u>259,215</u>	<u>240,464</u>	<u>499,679</u>
<b>Cash Flows From Capital And Related Financing Activities</b>			
Payments for capital acquisitions	(111,843)	(561,279)	(673,122)
Proceeds from sale of capital assets	56,011	3,200	59,211
Principal payments	(1,960,011)	(297,486)	(2,257,497)
Interest payments	(513,621)	(131,043)	(644,664)
Proceeds from note receivable	20,578	3,200	23,778
<b>Net Cash Provided By (Used In) Capital and Related Financing Activities</b>	<u>(2,508,886)</u>	<u>(983,408)</u>	<u>(3,492,294)</u>
<b>Cash Flows From Investing Activities</b>			
Rent	219,970	-	219,970
Interest on investments	31,700	18,306	50,006
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>251,670</u>	<u>18,306</u>	<u>269,976</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	326,014	(29,643)	296,371
<b>Cash and Cash Equivalents-Beginning of Year</b>	<u>7,730,022</u>	<u>9,066,793</u>	<u>16,796,815</u>
<b>Cash and Cash Equivalents-End of Year</b>	<u>\$ 8,056,036</u>	<u>\$ 9,037,150</u>	<u>\$ 17,093,186</u>
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities</b>			
Operating Income	<u>\$ (81,239)</u>	<u>\$ (213,607)</u>	<u>\$ (294,846)</u>
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	2,169,564	473,457	2,643,021
(Increase) decrease in customer receivables	(36,527)	162,534	126,007
(Increase) decrease in prepaids	-	(16,399)	(16,399)
Increase (decrease) in accounts payable	(211,772)	(201,576)	(413,348)
Increase (decrease) in accrued expenses	474,673	485,001	959,674
Increase (decrease) in compensated absences	9,316	5,585	14,901
Total adjustments	<u>2,405,254</u>	<u>908,602</u>	<u>3,313,856</u>
<b>Net Cash Provided By (Used In) Operating Activities</b>	<u>\$ 2,324,015</u>	<u>\$ 694,995</u>	<u>\$ 3,019,010</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, 2016**

**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 Position 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 Position 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 and 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.



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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 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.

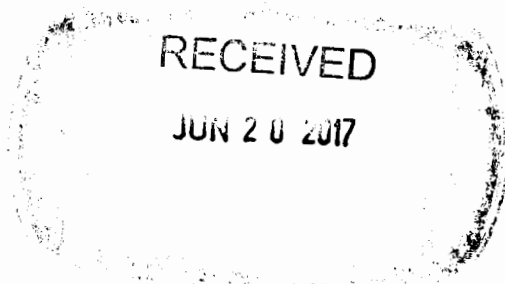
**2015 GO Improvements Fund**

This fund is used to account for the \$8,000,000 2015 GO Bond proceeds and the spending of those funds in accordance with the bond agreement.

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 Position. 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





**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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 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 only upon approval by the board.

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 Position, "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.



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**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 Position. Any 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:

	<b>Capitalization Thresholds</b>	<b>Estimated Useful Life</b>
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

**Deferred Outflows/Inflows of Resources**

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

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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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

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

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Long-term Liabilities**

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

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities and business-type activities statement of net position. Bond premiums and discounts 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Equity Classifications**

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

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

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

**Unrestricted net position** – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

**Net Position Flow Assumption:**

When an 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 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.

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 for specific purposes determined by a formal action by the Board of Aldermen ordinance or resolution. A municipal reserve fund was established by board order on November 5, 2013. These funds are to be spent only upon approval by the board.
- **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. There were no amounts assigned at year end.
- **Unassigned** – All amounts not included in other spendable classifications.



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Fund Balance Flow Assumption:**

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

**Property Tax Revenues**

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

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

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

**Intergovernmental Revenues in Governmental Funds**

Intergovernmental revenues, consisting of grants, entitlements, and shared revenues, are usually recorded in governmental funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**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.



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE B – CASH AND CASH EQUIVALENTS**

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

Custodial credit risk is the risk that, in the event of a financial institutions failure, the City's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of September 30, 2016, the City's bank balance was not exposed to custodial credit risk. As of September 30, 2016, the carrying amount of the City's deposits was \$34,307,684 and the bank balances totaled \$34,189,451. Of the bank balances, \$500,000 was insured by the FDIC and \$33,693,662 was covered by pooled and/or pledged collateral.

**NOTE C – INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables consist of the following:

<u>Description</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Water and Sewer Fund</u>
Court fines assessment	\$ 218,174	\$ -	\$ -
Sales tax	802,183	-	-
Ad valorem tax	139,818	40,226	-
Grant proceeds	-	-	346
<b>Totals</b>	<u>\$ 1,160,175</u>	<u>\$ 40,226</u>	<u>\$ 346</u>

**NOTE D – LOANS RECEIVABLE**

Methodist LeBonheur Healthcare agreed to pay \$500,000 plus associated interest to the City of Olive Branch as reimbursement of debt service requirements for the \$1,700,000 Capital Improvement Revolving Loan issued by MDA to the City of Olive Branch. As of September 30, 2016, the balance on the note is \$412,266.

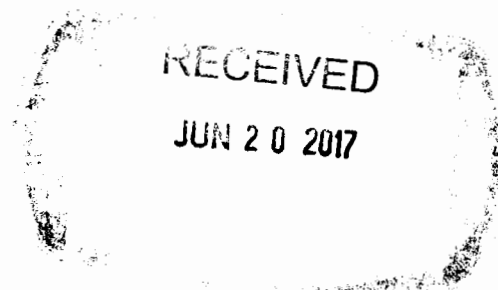


**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE E – CAPITAL ASSETS**

	Balance at 9/30/2015	Additions	Deletions	Transfers/ Adjustments	Balance at 9/30/2016
<b>Governmental Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 7,703,675	\$ -	\$ -	\$ -	\$ 7,703,675
Construction in progress	4,070,499	1,387,089	4,390,560	-	1,067,028
<b>Total capital assets, not being depreciated</b>	<b>11,774,174</b>	<b>1,387,089</b>	<b>4,390,560</b>	<b>-</b>	<b>8,770,703</b>
Capital assets, being depreciated:					
Buildings and improvements	26,458,168	133,797	-	-	26,591,965
Infrastructure	119,821,395	4,888,415	-	-	124,709,810
Equipment and vehicles	11,537,510	1,548,477	618,023	-	12,467,964
<b>Total capital assets, being depreciated</b>	<b>157,817,073</b>	<b>6,570,689</b>	<b>618,023</b>	<b>-</b>	<b>163,769,739</b>
Less accumulated depreciation for:					
Buildings and improvements	6,596,095	556,886	-	-	7,152,981
Infrastructure	55,638,698	2,768,012	-	-	58,406,710
Equipment and vehicles	7,690,897	840,243	503,992	-	8,027,148
<b>Total accumulated depreciation</b>	<b>69,925,690</b>	<b>4,165,141</b>	<b>503,992</b>	<b>-</b>	<b>73,586,839</b>
<b>Total capital assets, being depreciated, net</b>	<b>87,891,383</b>	<b>2,405,548</b>	<b>114,031</b>	<b>-</b>	<b>90,182,900</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 99,665,557</b>	<b>\$ 3,792,637</b>	<b>\$ 4,504,591</b>	<b>\$ -</b>	<b>\$ 98,953,603</b>
	Balance at 9/30/2015	Additions	Deletions	Transfers/ Adjustments	Balance at 9/30/2016
<b>Business-Type Activities</b>					
Capital assets, not being depreciated:					
Land	\$ 210,101	\$ 2,766	\$ -	\$ -	\$ 212,867
Construction in progress	307,269	69,546	-	-	376,815
<b>Total capital assets, not being depreciated</b>	<b>517,370</b>	<b>72,312</b>	<b>-</b>	<b>-</b>	<b>589,682</b>
Capital assets, being depreciated:					
Buildings and improvements	334,503	6,753	-	-	341,256
Infrastructure	67,186,227	45,816	-	-	67,232,043
Equipment and vehicles	4,905,646	580,882	204,457	-	5,282,071
<b>Total capital assets, being depreciated</b>	<b>72,426,376</b>	<b>633,451</b>	<b>204,457</b>	<b>-</b>	<b>72,855,370</b>
Less accumulated depreciation for:					
Buildings and improvements	104,024	7,984	-	-	112,008
Infrastructure	36,016,708	2,127,472	-	-	38,144,180
Equipment and vehicles	2,376,352	492,141	169,362	-	2,699,131
<b>Total accumulated depreciation</b>	<b>38,497,084</b>	<b>2,627,597</b>	<b>169,362</b>	<b>-</b>	<b>40,955,319</b>
<b>Total capital assets, being depreciated, net</b>	<b>33,929,292</b>	<b>(1,994,146)</b>	<b>35,095</b>	<b>-</b>	<b>31,900,051</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 34,446,662</b>	<b>\$ (1,921,834)</b>	<b>\$ 35,095</b>	<b>\$ -</b>	<b>\$ 32,489,733</b>

No interest was capitalized during the year due to immaturity.





**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
General government	\$ 1,225,469
Public safety	559,749
Public works	2,163,926
Culture and recreation	215,997
<b>Total governmental activities depreciation expense</b>	<b><u>\$ 4,165,141</u></b>
Water and Sewer	\$ 2,169,937
Natural Gas	457,660
<b>Total business-type activities depreciation expense</b>	<b><u>\$ 2,627,597</u></b>

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

Project	Contract Amount	Remaining Balance	Fund
2016 Street Paving	\$ 497,269	\$ -	General
Complex A & Tennis Facility	7,620	3,705	General
Complex A Baseball Improvements	85,000	21,251	General
City Park Playground Upgrade	30,000	7,500	General
Tennis Park	109,200	91,728	General
Tennis Park - additional services	10,000	9,000	General
Tennis Park - Site Layout North of Lick Creek	10,000	8,000	General
Traffic Signal Stateline & Polk	25,000	8,500	General
Craft Widening Construction	425,833	330,692	General
Kirk & Forest Hill	48,150	8,000	General
Bethel Road Improvements	92,300	83,762	General
OB City Park & Tennis Complex	5,250	-	General
Olive Bark Park	104,347	-	General
Widen Craft Road North of 302	4,005,772	3,406,484	General
Fox Run Drainage Improvements	301,390	201,786	General
Public Works Facility	203,355	197,724	Enterprise
Metro WWTP Expansion	195,000	177,874	Enterprise
<b>Total</b>	<b><u>\$ 6,155,486</u></b>	<b><u>\$ 4,556,006</u></b>	

**NOTE F – INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund transactions and balances:

	Due From	Due To
<b>Major Funds:</b>		
General fund	\$ -	\$ 107,337
Debt service	130,769	-
2015 GO Improvements fund	4,571	-
Other Governmental funds	19,023	-
Water and sewer fund	128,166	-
Natural gas fund	-	175,192
<b>Total Funds</b>	<b><u>\$ 282,529</u></b>	<b><u>\$ 282,529</u></b>



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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	\$ -	\$ 285,211
Other governmental funds	237,433	-
Water and sewer fund	92,495	-
Natural gas	-	44,717
<b>Total Funds</b>	<u>\$ 329,928</u>	<u>\$ 329,928</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 G - LONG-TERM DEBT**

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

	<u>Balance at 9/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/2016</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds payable	\$ 34,023,156	\$ -	\$ 3,152,043	\$ 30,871,113	\$ 3,036,000
Revenue bonds payable	17,300	-	8,400	8,900	8,900
Loans payable		619,905	123,981	495,924	123,981
Deferred gain (loss) on bond refunding	(828,281)		(88,458)	(739,823)	-
Bond premium	587,006		55,227	531,779	-
Compensated absences payable	1,057,438	48,447	-	1,105,885	-
<b>Governmental Activities Long-Term Liabilities</b>	<u>\$ 34,856,619</u>	<u>\$ 668,352</u>	<u>\$ 3,251,193</u>	<u>\$ 32,273,778</u>	<u>\$ 3,168,881</u>
<b>Business-Type Activities:</b>					
General obligation bonds payable	\$ 2,374,827	\$ -	\$ 339,912	\$ 2,034,915	\$ 349,001
Revenue bonds payable	12,690,000	-	1,475,000	11,215,000	1,545,000
Loans payable	3,138,378	-	223,866	2,914,512	195,512
Leases payable	1,853,057	-	167,452	1,685,605	173,388
Deferred loss on bond refunding	(126,739)	-	(17,116)	(109,623)	-
Bond premium	88,436	-	9,266	79,170	-
Compensated absences payable	199,178	14,901	-	214,079	-
<b>Business-Type Activities Long-Term Liabilities</b>	<u>\$ 20,217,137</u>	<u>\$ 14,901</u>	<u>\$ 2,198,380</u>	<u>\$ 18,033,658</u>	<u>\$ 2,262,901</u>

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**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**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, 2016 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
General Long Term					
2004	2.50-5.20%	5/12/2004	10/1/2015	\$ 1,850,000	\$ -
2007	4.38%	9/1/2007	9/1/2027	12,000,000	2,655,000
2009	3.00-3.63%	10/1/2009	10/1/2024	4,000,000	2,850,000
2010	2.00-3.38%	4/15/2010	8/1/2019	1,610,296	261,113
2011	2.00-3.13%	6/29/2011	3/1/2022	1,650,000	1,025,000
2011	2.00-3.00%	6/29/2011	6/1/2019	2,800,000	1,210,000
2012	1.00-2.75%	4/4/2012	3/1/2023	8,255,000	5,610,000
2014	0.55-2.50%	12/3/2014	9/1/2027	6,000,000	5,825,000
2014	2.00-2.38%	5/1/2015	11/1/2026	4,000,000	3,720,000
2015	2.13-3.00%	5/1/2015	5/1/2035	8,000,000	7,715,000
				<u>50,165,296</u>	<u>30,871,113</u>
Enterprise Funds					
2010	2.00-3.38%	4/15/2010	8/1/2019	424,704	69,915
2013	2.00%	6/1/2013	6/1/2022	2,905,000	1,965,000
				<u>3,329,704</u>	<u>2,034,915</u>
Total				<u>\$ 53,495,000</u>	<u>\$ 32,906,028</u>

**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, 2016 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
2001 TIF Flying J Bond	5.68%	8/6/2002	5/1/2007	\$ 94,000	\$ 8,900
				<u>94,000</u>	<u>8,900</u>
<b>Enterprise Funds</b>					
2004 Refunding	2.35-4.20%	11/9/2004	3/1/2017	2,410,000	275,000
Combined Water & Sewer 2005	3.75-5.25%	5/26/2005	3/1/2020	2,200,000	735,000
Natural Gas System 2007	4.80-5.25%	6/1/2007	6/1/2027	2,500,000	1,655,000
Combined Water & Sewer 2008	3.76-4.36%	9/23/2008	3/1/2020	2,625,000	1,155,000
Combined Water & Sewer Refund 2010	2.00-3.50%	10/27/2010	3/1/2026	5,260,000	3,290,000
Combined Water & Sewer 2011	3.50-3.63%	7/1/2011	3/1/1931	3,200,000	2,670,000
Natural Gas System 2011	2.00-3.38%	10/27/2011	9/1/2024	2,090,000	1,435,000
				<u>20,285,000</u>	<u>11,215,000</u>
<b>Total</b>				<u>\$ 20,379,000</u>	<u>\$ 11,223,900</u>



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Loans.** The City also uses loans to finance its projects. Loans outstanding as of September 30, 2016 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
General Obligation Note 2015	1.51%	11/23/2015	8/31/2020	\$ 619,905	\$ 495,924
				<u>619,905</u>	<u>495,924</u>
<b>Enterprise Funds</b>					
MS Dept. of Environmental Quality SRF Loan	2.00%	11/1/2006	6/1/2026	1,011,918	551,247
DWSIRLF Loan - DWI-H280007-01	4.50%	4/1/2005	10/1/2016	1,935,359	3,483
DWSIRLF Loan- DWI-H280049-05	2.00%	6/7/2005	1/1/2026	1,443,899	864,161
Methodist CAP Revolving Loan	3.00%	5/14/2012	3/1/2034	1,667,502	1,495,621
<b>Total</b>				<u>6,058,678</u>	<u>2,914,512</u>
				<u>\$ 6,678,583</u>	<u>\$ 3,410,436</u>

Annual debt service requirements to maturity of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2016 are as follows:

Year Ending September 30	General Long-Term Debt		Business-Type	
	Principal	Interest	Principal	Interest
2017	\$ 3,168,881	\$ 826,890	\$ 2,089,513	\$ 495,224
2018	3,246,024	692,105	1,869,927	434,144
2019	3,342,051	612,773	1,926,953	374,763
2020	2,943,981	577,241	1,847,247	314,526
2021	2,505,000	494,025	1,347,589	263,762
2022-2026	10,620,000	1,453,970	5,020,888	774,806
2027-2031	3,485,000	478,537	1,836,576	188,404
2032-2035	2,065,000	152,674	225,734	9,990
<b>Total</b>	<u>\$ 31,375,937</u>	<u>\$ 5,288,215</u>	<u>\$ 16,164,427</u>	<u>\$ 2,855,619</u>

**Leases.** Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2016 are as follows:

Year Ending September 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ 173,388	\$ 56,737
2018	-	-	179,537	50,588
2019	-	-	185,904	44,222
2020	-	-	192,496	37,629
2021	-	-	199,323	30,803
2022-2025	-	-	754,958	50,478
<b>Present Value of</b>				
<b>Minimum Lease Payments</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685,606</u>	<u>\$ 270,457</u>



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**Prior Year Defeasance of Debt** - In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On September 30, 2016, \$5,270,000 of bonds outstanding were considered defeased. These bonds are scheduled to be redeemed on September 1, 2017.

**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 \$30,587,267 (the smaller of the two computed margins) as of September 30, 2016.

	<u>15% Test</u>	<u>20% Test</u>
Assessed value as of September 30, 2016:		
\$409,781,865 times applicable percentage	\$ 61,467,280	\$ 81,956,373
Less present debt subject to debt limits as of September 30, 2016:		
Total bonds outstanding	<u>(30,880,013)</u>	<u>(44,129,928)</u>
Margin for additional debt	<u>\$ 30,587,267</u>	<u>\$ 37,826,445</u>

**NOTE H- 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 grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

**Litigation** - The city is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the City with respect to the various proceedings. However, the City's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

**NOTE I- DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

*Benefits Provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the Bureau is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2016, 2015 and 2014 were \$3,038,366, \$2,750,359 and \$2,636,152, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the City reported a liability of \$51,104,603 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2016 net pension liability was .2861 percent, which was based on a measurement date of June 30, 2016. This was an increase of .0102 percent from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2015.

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**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

For the year ended September 30, 2016, the City recognized pension expense of \$6,682,743. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,258,102	\$ -
Net difference between projected and actual earnings on pension plan investments	5,909,885	-
Changes of assumptions	2,323,290	135,803
Changes in the City's proportion and differences between the City's contributions and proportionate share of contributions	-	1,164,082
City contributions subsequent to the measurement date	806,107	-
<b>Total</b>	<u><u>\$ 10,297,384</u></u>	<u><u>\$ 1,299,885</u></u>

\$806,107 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending September 30</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Total</u>
2017	\$ 3,565,430	\$ (643,340)	\$ 2,922,090
2018	3,119,656	(534,435)	2,585,221
2019	1,796,607	(122,110)	1,674,497
2020	1,009,584	-	1,009,584
<b>Totals</b>	<u><u>\$ 9,491,277</u></u>	<u><u>\$ (1,299,885)</u></u>	<u><u>\$ 8,191,392</u></u>

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

Inflation	3.00%
Salary increases	3.75 – 19.00%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

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

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



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

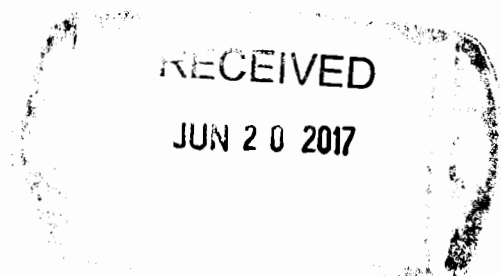
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	(0.50%)
Total	100%	

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

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 65,527,560	\$ 51,104,603	\$ 39,138,225

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Financial Report.





**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2016**

**NOTE J - 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 K – PRIOR PERIOD ADJUSTMENT**

A summary of the significant fund equity adjustments are as follows:

<b>Statement of Activities.</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<u>Explanation</u>			
To correct overstatement of customer deposits	\$ -	\$ 1,157,733	\$ 1,157,733
Total prior period adjustment	<u>\$ -</u>	<u>\$ 1,157,733</u>	<u>\$ 1,157,733</u>

<b>Statement of Revenues, Expenses and Changes in Net Position--Proprietary Funds.</b>	<b>Water &amp; Sewer</b>	<b>Natural Gas</b>	<b>Total</b>
<u>Explanation</u>			
To correct overstatement of customer deposits	\$ 403,888	\$ 753,845	\$ 1,157,733
Total prior period adjustment	<u>\$ 403,888</u>	<u>\$ 753,845</u>	<u>\$ 1,157,733</u>

**NOTE L - SUBSEQUENT EVENTS**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in accompanying notes. Management of the City evaluated the activity of the City through June 5, 2017, (the date the financial statements were available to be issued), and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

On April 10, 2017, the City of Olive Branch issued a Combined Water & Sewer Revenue Bond in the amount of \$8,000,000 with maturity date April 1, 2042.



## REQUIRED SUPPLEMENTARY INFORMATION



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Budgetary Comparison Schedule Budget and Actual (Non-GAAP Basis) - General Fund**  
**For the Year Ended September 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Final Budget</b>
<b>Revenues</b>				
General property taxes	\$ 12,960,501	\$ 12,956,567	\$ 13,134,012	\$ 177,445
Intergovernmental	10,127,005	10,588,291	10,664,550	76,259
Charges for services	2,397,700	2,493,075	2,554,228	61,153
Franchise taxes	1,300,000	1,246,132	1,665,320	419,188
Fines & forfeits	1,190,520	1,395,239	1,523,070	127,831
Licenses & permits	632,300	707,900	745,944	38,044
Interest	56,250	60,190	93,484	33,294
Miscellaneous	276,500	611,154	664,130	52,976
<b>Total Revenues</b>	<b>28,940,776</b>	<b>30,058,548</b>	<b>31,044,738</b>	<b>986,190</b>
<b>Expenditures</b>				
General government	4,002,895	4,415,664	2,594,230	1,821,434
Public safety	17,945,490	18,678,547	17,098,542	1,580,005
Public works	4,635,874	4,926,177	4,371,015	555,162
Culture & recreation	2,098,648	2,478,864	2,383,864	95,000
Economic development	1,350,853	1,434,545	910,392	524,153
Capital outlay	2,046,344	2,874,969	2,176,569	698,400
Debt service				
Principal	218,400	342,381	342,381	-
Interest	6,773	14,106	14,104	2
<b>Total Expenditures</b>	<b>32,305,277</b>	<b>35,165,253</b>	<b>29,891,097</b>	<b>5,274,156</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,364,501)	(5,106,705)	1,153,641	6,260,346
<b>Other Financing Sources (Uses)</b>				
Grant revenue	22,062	214,940	215,569	629
Rents	10,000	10,000	10,100	100
Loan proceeds	-	619,905	619,905	-
Interfund transfers	3,597,275	3,219,612	(237,433)	(3,457,045)
<b>Total Other Financing Sources (Uses)</b>	<b>3,629,337</b>	<b>4,064,457</b>	<b>608,141</b>	<b>(3,456,316)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 264,836</b>	<b>\$ (1,042,248)</b>	<b>1,761,782</b>	<b>\$ 2,804,030</b>
<b>Fund Balances - Beginning</b>			<b>7,049,186</b>	
<b>Fund Balance - End of Year</b>			<b>8,810,968</b>	
<b>Adjustments to conform with GAAP:</b>				
Revenues			840,468	
Expenditures			(709,033)	
<b>Fund Balance - End of Year (GAAP Basis)</b>			<b>\$ 8,942,403</b>	

**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. The major differences between budgetary basis and GAAP basis are revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP); expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of City's Proportionate Share of Net Pension Liability**  
**For the Year Ended September 30, 2016**

<b>Last 10 Fiscal Years*</b>	<b>2016</b>	<b>2015</b>
City's proportion of the net pension liability	0.2861%	0.2759%
City's proportionate share of the net pension liability	\$ 51,104,603	\$ 42,648,699
City's covered-employee payroll	\$ 18,302,498	\$ 17,214,960
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	279.22%	247.74%
Plan Fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

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

\*The amounts presented for each year were determined as of June 30<sup>th</sup> of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 68 was implemented in the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.

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**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of City's Contributions**  
**For the Year Ended September 30, 2016**

<b>Last 10 Fiscal Years*</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
Contractually required contribution	\$ 3,038,366	\$ 2,750,359
Contributions in relation to the contractually required contribution	<u>2,952,685</u>	<u>2,764,503</u>
Contribution deficiency (excess)	<u>\$ 85,681</u>	<u>\$ (14,144)</u>
City's covered-employee payroll	\$ 19,291,212	\$ 17,454,286
Contributions as a percentage of covered-employee payroll	15.31%	15.84%

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

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB No. 68 was implemented in the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Notes to the Required Supplementary Information**  
**For the Year Ended September 30, 2016**

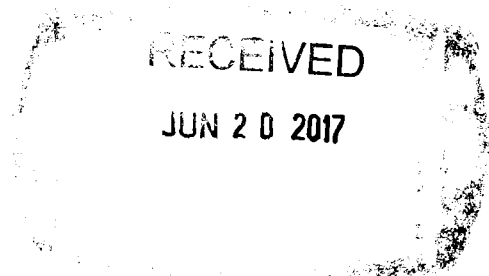
**Pension Schedules**

**1) Change of benefit terms --**

There were no changes of benefit terms in 2016

**2) Change of assumptions –**

There were no changes of assumptions in 2016





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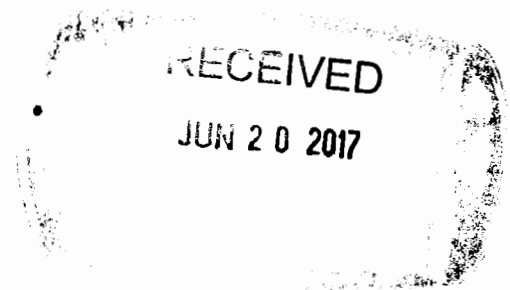
## OTHER INFORMATION



**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Property Tax Rates and Assessments**  
**September 30, 2016**

<u>Year</u>	<u>Millage Rate</u>	<u>Assessed Property Value</u>
2016	38.5	\$409,781,865*
2015	38.5	393,298,345*
2014	34.5	386,719,471*
2013	34.5	409,413,849
2012	34.5	407,056,492
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	30.0	13,219,511
1988	30.0	11,244,420
1987	30.0	8,379,634
1986	30.0	9,099,051
1985	30.0	8,370,366
1984	30.0	13,790,500

\* Some taxing districts are not taxed at the 38.5 millage rate.



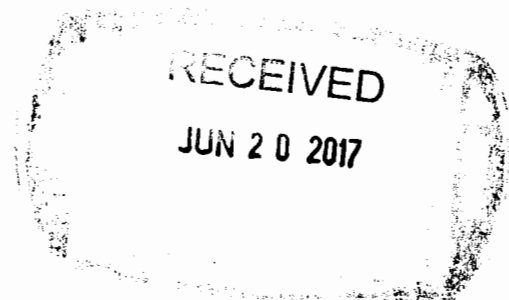


**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Surety Bonds for Municipal Officials**  
**September 30, 2016**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Scott B. Phillips, Jr	Mayor	Zurich North American Surety	\$ 100,000
Tina Griffith	City Clerk	Zurich North American Surety	50,000
Sheryl Jones	Deputy Clerk	Zurich North American Surety	50,000
<b>Public Employees</b>			
Mark Aldridge	Alderman	Zurich North American Surety	100,000
George Collins	Alderman	Zurich North American Surety	100,000
Dale Dickerson	Alderman	Zurich North American Surety	100,000
John Gilbert Earhart II	Alderman	Zurich North American Surety	100,000
Patricia Hamilton	Alderman	Zurich North American Surety	100,000
Joy Henderson	Alderman	Zurich North American Surety	100,000
David Wallace	Alderman	Zurich North American Surety	100,000
Paula May	Director of Admin Services	Zurich North American Surety	50,000
B.J. Page	Director of Planning	Zurich North American Surety	50,000
Cole Fesmire	Director of Public Works	Zurich North American Surety	50,000
LaWonda Knighten	Director of Finance	Zurich North American Surety	50,000
Bryan Dye	Attorney	Zurich North American Surety	50,000
Steve Bigelow	Engineer	Zurich North American Surety	50,000
Johnny Eason	Fire Chief	Zurich North American Surety	50,000
Don Gammage	Police Chief	Zurich North American Surety	50,000
Judy Jeans	Court Clerk	Zurich North American Surety	50,000
Blanket Bond	Clerks Handling Funds	Zurich North American Surety	50,000 each
Dishonesty Bond	Police Officers	Zurich North American Surety	50,000 each



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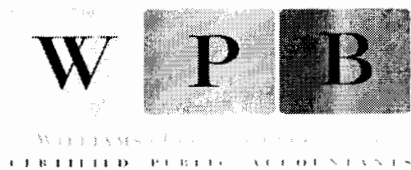


## **SPECIAL REPORTS**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Olive Branch, Mississippi's basic financial statements and have issued our report thereon dated June 5, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Olive Branch, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect



on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

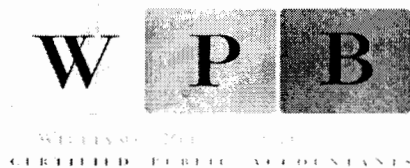
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

*Williams, Pitts & Beard, PLLC*

Williams, Pitts & Beard, PLLC  
Hernando, Mississippi  
June 5, 2017







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

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

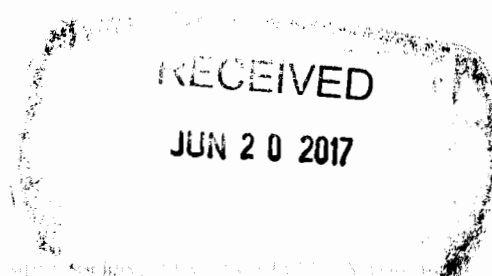
We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi (the "City"), as of and for the year ended September 30, 2016, and have issued our report dated June 5, 2017. 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 5 2017





**CITY OF OLIVE BRANCH, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

1. Type of auditor's report issued on the general purpose  
Financial statements:

Governmental activities  
Business-type activities  
Each major fund

Unmodified

Unmodified

Unmodified

2. Material noncompliance relating to the general purpose  
Financial statements?

No

3. Internal control over financial reporting:

- a. Material weakness identified:

No

- b. Significant deficiencies identified that are  
not considered to be material weaknesses:

None Reported

