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WILLIAMS • PITTS • BEARD, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Aldermen and Management
City of Olive Branch, Mississippi
9200 Pigeon Roost Road
Olive Branch, MS 38654

In planning and performing our audit of 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, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Olive Branch, Mississippi's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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.

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

Williams, Pitts & Beard, PLLC

Williams, Pitts, and Beard, PLLC
Hernando, Mississippi
June 19, 2018

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WILLIAMS • PELTZ • BEARD • PELTZ
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June 19, 2018

Board of Aldermen
City of Olive Branch, Mississippi
920 Pigeon Roost
Olive Branch, MS 38654

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch, Mississippi for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Olive Branch, Mississippi are described in Note A to the financial statements. The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. We noted no transactions entered into by the City of Olive Branch, Mississippi during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Also, the amounts recorded for net pension liability, and deferred inflows and outflows for pensions are based on audits of the Mississippi Public Employees' Retirement System and are estimates of the expected costs to the City in the future if the PERS funds are exhausted.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The attached Adjusting Journal Entries were detected as a result of audit procedures or were post-closing entries prepared by client and will be posted by management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 19, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Olive Branch, Mississippi's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled

the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Schedule of Property Tax Rates and Assessments and Schedule of Surety Bonds for Municipal Officials, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours,

Williams, Pitts & Beard, PLLC

Williams, Pitts, and Beard, PLLC

Opinion Unit:

Govt Wide Financial Statements

A Listing of Known Audit Differences Over:

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should *not* include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

| Description (Nature) of Audit Difference (AD) | Factual (F), Judgmental (J), or Projected (P) | Cause | Work-paper Ref. | Financial Statement Effect—Amount of Over- (Under-) statement of: | | | | | | |
|--|---|---|-----------------|---|-------------------|--------------|---------------------------|------------|------------|--------------------------------------|
| | | | | Total Assets | Total Liabilities | Working Cap. | Fund Balance/Net Position | Revenues | Expen. | Change in Fund Balance/ Net Position |
| Compensated Absenses | Factual (F), | GL not balanced to WP Confirmations not balance to WP | 8-5 | | 88,381 | | -88,381 | | 88,381 | -88,381 |
| Franchise Tax | Factual (F), | | 3-8 | -13,977 | | | -13,977 | -13,977 | | -13,977 |
| Total | | | | -13,977 | 88,381 | 0 | -102,358 | -13,977 | 88,381 | -102,358 |
| Less audit adjustments subsequently booked | | | | | | | | | | |
| Net unadjusted AD—current year (iron curtain method) | | | | -13,977 | 88,381 | 0 | -102,358 | -13,977 | 88,381 | -102,358 |
| Effect of unadjusted AD—prior years | | | | | | | | | | |
| Combined current year and prior year AD (rollover method) | | | | -13,977 | 88,381 | 0 | -102,358 | -13,977 | 88,381 | -102,358 |
| Financial statement caption totals | | | | 149,579,955 | 98,882,916 | | 50,697,036 | 41,614,908 | 40,477,337 | 1,137,571 |
| Current year AD as % of F/S captions (iron curtain method) | | | | -0.01% | 0.09% | 0.00% | -0.20% | -0.03% | 0.22% | -9.00% |
| Current and prior year AD as % of F/S captions (rollover method) | | | | -0.01% | 0.09% | 0.00% | -0.20% | -0.03% | 0.22% | -9.00% |

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

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

JUL 05 2018

ALG-CX-12.2: Audit Difference Evaluation Form

Governmental Unit: City of Olive Branch

Financial Statement Date: 9/30/2017

Completed by:

Date:

Opinion Unit: Business Activities TM= \$150,000

A Listing of Known Audit Differences Over: \$4,000

Instructions: This form may be used to accumulate audit differences (AD) greater than the amount considered trivial (documented at Step 5 of ALG-CX-2.1). This form should *not* include normal closing entries. At the end of the audit, evaluate all uncorrected audit differences, individually and in the aggregate, in the context of individual opinion units and conclude on whether they materially misstate the financial statements of an opinion unit taken as a whole. Thus, a separate "Audit Difference Evaluation Form" should be prepared for each opinion unit. Before evaluating the effect of uncorrected misstatements, reassess whether materiality is still appropriate based on the entity's actual financial results. The notes following the table provide explanations and a listing of qualitative considerations in evaluating materiality. The form allows for quantifying the effect of misstatements, using both the rollover and iron curtain methods, as appropriate. You need to be familiar with the guidance in section 1010 before completing this form.

| Description (Nature) of Audit Difference (AD) | Factual (F), Judgmental (J), or Projected (P) | Cause | Work-paper Ref. | Financial Statement Effect—Amount of Over- (Under-) statement of: | | | | | | Change in Fund Balance/ Net Position |
|--|---|------------------------|-----------------|---|-------------------|--------------|---------------------------|------------|------------|--------------------------------------|
| | | | | Total Assets | Total Liabilities | Working Cap. | Fund Balance/Net Position | Revenues | Expen. | |
| x Cust deposits-gas | F | Must make manual entry | 7-7 | | -5,190 | | 5,190 | 5,190 | | 5,190 |
| x Compensated abs 400 | F | Not balanced to W/P | 8-5 | | 24,575 | | -24,575 | | 24,575 | -24,575 |
| x Compensated abs 400 | F | Not balanced to W/P | 8-5 | | -8,434 | | 8,434 | | -8,434 | 8,434 |
| x Possible capital interest | P | Entry not made | 9-1 | -82,921 | | | -82,921 | | 82,921 | -82,921 |
| X - Checked by CM | | | | | | | | | | |
| Total | | | | -82,921 | 10,951 | 0 | -93,872 | 5,190 | 99,062 | -93,872 |
| Less audit adjustments subsequently booked | | | | | | | | | | |
| Net unadjusted AD—current year (iron curtain method) | | | | -82,921 | 10,951 | 0 | -93,872 | 5,190 | 99,062 | -93,872 |
| Effect of unadjusted AD—prior years | | | | | | | | | | |
| Combined current year and prior year AD (rollover method) | | | | -82,921 | 10,951 | 0 | -93,872 | 5,190 | 99,062 | -93,872 |
| Financial statement caption totals | | | | 60,288,662 | 36,709,297 | | 23,579,365 | 25,565,729 | 25,960,979 | -395,250 |
| Current year AD as % of F/S captions (iron curtain method) | | | | -0.14% | 0.03% | 0.00% | -0.40% | 0.02% | 0.38% | 23.75% |
| Current and prior year AD as % of F/S captions (rollover method) | | | | -0.14% | 0.03% | 0.00% | -0.40% | 0.02% | 0.38% | 23.75% |

Qualitative Factors: Describe qualitative factors that entered into your evaluation of whether uncorrected accumulated misstatements are material, individually or in the aggregate, in relation to specific accounts and disclosures and to the financial statements as a whole, and the reasons why.

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

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Qualitative Considerations in Evaluating Materiality

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

1. The effect of the misstatement on overall trends, for example, a misstatement that changes a decrease in fund balance to an increase in fund balance.
2. The effect of the misstatement on other financial statement components (that is, the pervasiveness of the misstatement).
3. The effect of the misstatement on the government's compliance with legal and contractual provisions, such as revenue misstatements that might affect the entity's compliance with bond covenants.
4. A misstatement that affects management's compensation, for example by satisfying requirements for the award of bonuses or other forms of incentive compensation.
5. The significance of the financial statement element or portion of the entity's activities affected by the misstatement.
6. The effects of misclassifications that could be significant to the financial statement users, for example, misclassification between operating and nonoperating revenues or restricted and unrestricted assets.
7. The potential effect on future periods.
8. The character of the misstatement (for example, the precision of the audit differences).
9. The sensitivity of the circumstances surrounding the misstatement, for example, the implications of misstatements involving fraud, possible violations of laws and regulations, violations of contractual provisions, or conflicts of interest.
10. The motivation of management with respect to the misstatement, for example, (1) an indication of a possible pattern of bias by management when developing and accumulating accounting estimates or (2) a misstatement precipitated by management's continued unwillingness to correct weaknesses in the financial reporting process.
11. The significance of the misstatement or disclosures relative to politically sensitive matters or known user needs.
12. The existence of statutory or regulatory requirements affecting materiality thresholds.
13. Offsetting effects of individually significant matters.
14. Cost of making the correction.
15. Risk of possible additional uncorrected misstatements.
16. Other issues such as public interest, accountability, integrity, and ensuring effective legislative oversight, including particularly issues related to compliance with laws or regulations.
17. A misstatement that may alter key ratios that are used to evaluate the governmental unit's financial position, results of operations, or cash flows.
18. Misstatements that relate to transactions involving particular parties (for example, transactions with related parties).

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Prepared by _____

**City of Olive Branch
Adjusting Journal Entries**

OLIVEBRANCH

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06/19/18

Reviewed by _____

| Reference | Type | Date Account Number | Description | Detailed Description | Debit | Credit | Net Income Effect | Worksheet |
|-----------|-----------|----------------------------------|---|-------------------------------------|--------------|--------------|----------------------|-----------|
| AJE01 | Adjusting | 09/30/17 | | | | | | |
| | | 400-00-000-000-000-000-00-319000 | FUND BALANCE | To reverse client entry to fund bal | 54,533.00 | | | |
| | | 400-40-650-651-000-000-00-571300 | AMORTIZATION | To reverse client entry to fund bal | | 54,533.00 | | |
| | | 393-00-000-000-000-000-00-319000 | FUND BALANCE | To reverse client entry to fund bal | 1,918.00 | | | |
| | | 393-00-000-000-000-000-00-571300 | AMORTIZATION | To reverse client entry to fund bal | | 1,918.00 | | |
| | | 450-00-000-000-000-000-00-319000 | FUND BALANCE | To reverse client entry to fund bal | 8,611.00 | | | |
| | | 450-40-650-653-000-000-00-571300 | AMORTIZATION | To reverse client entry to fund bal | | 8,618.00 | | |
| | | 450-40-650-653-000-000-00-551040 | SUPPLIES-MAINTENANCE | To reverse client entry to fund bal | 7.00 | | | |
| | | 400-00-000-000-000-000-00-319000 | FUND BALANCE | To reverse client entry to fund bal | | 4.00 | | |
| | | 400-40-650-651-000-000-00-551040 | SUPPLIES-MAINTENANCE | To reverse client entry to fund bal | 4.00 | | | |
| | | 001-00-000-000-000-000-00-319000 | FUND BALANCE | To reverse client entry to fund bal | 95,179.00 | | | |
| | | 001-30-100-000-000-000-00-551000 | SUPPLIES | To reverse client entry to fund bal | 377.00 | | | |
| | | 001-00-000-000-000-000-00-202123 | METHODIST CAP LOAN PAYM | To reverse client entry to fund bal | | 95,556.00 | | |
| | | | | | | | 160,237.00 | |
| | | | To reverse client entry to fund balance & balance FB | | | | | |
| AJE02 | Adjusting | 09/30/17 | | | | | | |
| | | 400-00-000-000-000-000-00-202123 | METHODIST CAP LOAN PAYM | Post closing entries by Client | 33,276.00 | | | |
| | | 400-00-000-000-000-000-00-102019 | METHODIST NOTE RECEIVAB | Post closing entries by Client | | 21,404.00 | | |
| | | 400-00-000-000-410-000-00-434000 | INTEREST INCOME | Post closing entries by Client | | 11,872.00 | | |
| | | 400-00-000-000-000-000-00-111000 | BOND ISSUE COST | Post closing entries by Client | 14,772.00 | | | |
| | | 400-40-650-651-000-000-00-581100 | INTEREST ON BONDS | Post closing entries by Client | | 14,772.00 | | |
| | | 800-40-201-000-000-000-00-570500 | CAPITAL OUTLAY | Post closing entries by Client | | 4,466,736.00 | | |
| | | 800-00-000-000-000-000-00-319000 | FUND BALANCE | Post closing entries by Client | 4,466,736.00 | | | |
| | | 800-00-000-000-000-000-00-319000 | FUND BALANCE | Post closing entries by Client | | 94,835.00 | | |
| | | 800-40-201-000-000-000-00-570500 | CAPITAL OUTLAY | Post closing entries by Client | 94,835.00 | | | |
| | | | | | | | 4,398,545.00 | |
| | | | Post closing entries by Client | | | | | |

Prepared by_____

Reviewed by_____

City of Olive Branch Adjusting Journal Entries

OLIVEBRANCH

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06/19/18

| Reference | Type | Date Account Number | Description | Detailed Description | Debit | Credit | Net Income Effect | Worksheet |
|-----------|-----------|----------------------------------|---|----------------------------------|------------|------------|----------------------|-----------|
| AJE03 | Adjusting | 09/30/17 | | | | | | |
| | | 400-00-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 Adjusting en | | 148,601.00 | | 8-1a |
| | | 400-00-000-000-000-00-239500 | NET PENSION LIABILITY | To record GASB 68 Adjusting en | 148,601.00 | | | 8-1a |
| | | 400-00-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 Adjusting en | 150,525.00 | | | 8-1a |
| | | 400-00-650-650-000-000-00-546100 | DUMMY ACCT FOR PENSION I | To record GASB 68 Adjusting en | | 150,525.00 | | 8-1a |
| | | 400-00-000-000-000-00-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 Adjusting en | 140,885.00 | | | 8-1a |
| | | 400-00-000-000-000-00-00-239500 | NET PENSION LIABILITY | To record GASB 68 Adjusting en | | 140,885.00 | | 8-1a |
| | | 400-00-000-000-000-00-00-239400 | DEFERRED INFLOWS-PENSIOI | To record GASB 68 Adjusting en | | 932,988.00 | | 8-1a |
| | | 400-00-000-000-000-00-00-239500 | NET PENSION LIABILITY | To record GASB 68 Adjusting en | 932,988.00 | | | 8-1a |
| | | 400-00-000-000-000-00-00-239500 | NET PENSION LIABILITY | To record GASB 68 Adjusting en | | 804,868.00 | | 8-1a |
| | | 400-40-650-651-000-000-00-560520 | PENSION EXPENSE | To record GASB 68 Adjusting en | 804,868.00 | | | 8-1a |
| | | 400-00-000-000-000-00-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 Adjusting en | | 41,806.00 | | 8-1a |
| | | 400-00-000-000-000-00-00-239400 | DEFERRED INFLOWS-PENSIOI | To record GASB 68 Adjusting en | 195,353.00 | | | 8-1a |
| | | 400-40-650-651-000-000-00-560520 | PENSION EXPENSE | To record GASB 68 Adjusting en | | 153,547.00 | | 8-1a |
| | | 400-00-000-000-000-00-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 Adjusting en | | 617,428.00 | | 8-1a |
| | | 400-00-000-000-000-00-00-239400 | DEFERRED INFLOWS-PENSIOI | To record GASB 68 Adjusting en | 111,408.00 | | | 8-1a |
| | | 400-40-650-651-000-000-00-560520 | PENSION EXPENSE | To record GASB 68 Adjusting en | 506,020.00 | | | 8-1a |
| | | | | | | | (1,006,816.00) | |
| | | | To record GASB 68 Adjusting entries | | | | | 8-1a |
| AJE04 | Adjusting | 09/30/17 | | | | | | |
| | | 400-00-000-000-000-00-00-111200 | DEFERRED OUTFLOW-PENSIC | To allocate GASB 68 Utility to N | 200,138.00 | | | |
| | | 450-00-000-000-000-00-00-111200 | DEFERRED OUTFLOW-PENSIC | To allocate GASB 68 Utility to N | | 200,138.00 | | |
| | | 400-00-000-000-000-00-00-239400 | DEFERRED INFLOWS-PENSIOI | To allocate GASB 68 Utility to N | 315,537.00 | | | |
| | | 450-00-000-000-000-00-00-239400 | DEFERRED INFLOWS-PENSIOI | To allocate GASB 68 Utility to N | | 315,537.00 | | |
| | | 400-00-000-000-000-00-00-239500 | NET PENSION LIABILITY | To allocate GASB 68 Utility to N | 201,380.00 | | | |
| | | 450-00-000-000-000-00-00-239500 | NET PENSION LIABILITY | To allocate GASB 68 Utility to N | | 201,380.00 | | |
| | | 400-40-650-651-000-000-00-560520 | PENSION EXPENSE | To allocate GASB 68 Utility to N | | 570,520.00 | | |
| | | 450-40-650-653-000-000-00-560520 | PENSION EXPENSE | To allocate GASB 68 Utility to N | 570,520.00 | | | |
| | | 400-00-650-650-000-000-00-546100 | DUMMY ACCT FOR PENSION I | To allocate GASB 68 Utility to N | 74,202.00 | | | |
| | | 450-00-650-650-000-000-00-546100 | DUMMY ACCT FOR PENSION I | To allocate GASB 68 Utility to N | | 74,202.00 | | |
| | | 400-00-000-000-410-000-00-431700 | OPERATING TRANSFERS IN | To allocate GASB 68 Utility to N | | 220,737.00 | | |
| | | 450-00-000-000-410-000-00-431800 | OPERATING TRANSFERS OUT | To allocate GASB 68 Utility to N | 220,737.00 | | | |
| | | | | | | | 0.00 | |
| | | | To allocate GASB 68 Utility to Natural Gas accounts | | | | | |

Prepared by _____

**City of Olive Branch
Adjusting Journal Entries**

OLIVEBRANCH

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06/19/18

Reviewed by _____

| Reference | Type | Date Account Number | Description | Detailed Description | Debit | Credit | Net Income Effect | Worksheet |
|-----------|-----------|----------------------------------|--|-----------------------------------|---------------|---------------|----------------------|-----------|
| AJE05 | Adjusting | 09/30/17 | | | | | | |
| | | 001-00-000-000-450-000-00-428000 | AMBULANCE FEES | To correct ambulance allowance ` | | 379,471.00 | | |
| | | 001-00-000-000-000-000-00-102022 | AMBULANCE RECEIVABLES | To correct ambulance allowance ` | 379,471.00 | | | |
| | | | | | | | 379,471.00 | |
| | | | To correct ambulance allowance YE journal entry | | | | | |
| AJE05 | Adjusting | 09/30/17 | | | | | | |
| | | 001-00-000-000-000-000-00-210610 | DUE TO ACCOUNTS PAYABLE | To balance DT&DF through Cash | | 13,531.00 | | |
| | | 000-00-000-000-000-000-00-100107 | ACCOUNTS PAYABLE BANK F | To balance DT&DF through Cash | 13,531.00 | | | |
| | | | | | | | 0.00 | |
| | | | To balance DT&DF through Cash. Reverse next year? | | | | | |
| OJE01 | Other | 09/30/17 | | | | | | |
| | | 001-00-000-000-100-000-00-422100 | FRANCHISE TAXES | To reverse py Franch tax receivat | 547,743.00 | | | |
| | | 001-00-000-000-000-000-00-319000 | FUND BALANCE | To reverse py Franch tax receivat | | 547,743.00 | | |
| | | | | | | | (547,743.00) | |
| | | | To reverse py Franch tax receivable - client doesn't make | | | | | |
| OJE02 | Other | 09/30/17 | | | | | | |
| | | 001-00-000-000-000-000-00-239400 | DEFERRED INFLOWS-PENSIO | Add beginning balances of Pensic | | 1,071,731.00 | | |
| | | 001-00-000-000-000-000-00-239500 | NET PENSION LIABILITY | Add beginning balances of Pensic | | 42,147,267.00 | | |
| | | 001-00-000-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | Add beginning balances of Pensic | 8,480,214.00 | | | |
| | | 900-00-000-000-000-000-00-319010 | PENSION FUND BALANCE | Add beginning balances of Pensic | 34,738,784.00 | | | |
| | | | | | | | 0.00 | |
| | | | Add beginning balances of Pension Related | | | | | |

Prepared by _____

**City of Olive Branch
Adjusting Journal Entries**

OLIVEBRANCH

Page 4

06/19/18

Reviewed by _____

| Reference | Type | Date Account Number | Description | Detailed Description | Debit | Credit | Net Income Effect | Workpaper |
|-----------|-------|----------------------------------|--|---------------------------------|--------------|--------------|----------------------|-----------|
| OJE03 | Other | 09/30/17 | | | | | | |
| | | 900-00-000-000-000-000-571300 | AMORTIZATION | Reclass various | | 76,551.00 | | |
| | | 900-00-000-000-000-000-319000 | FUND BALANCE | Reclass various | 76,551.00 | | | |
| | | 900-00-000-000-000-000-319000 | FUND BALANCE | Reclass various | | 865,000.00 | | |
| | | 900-00-000-000-000-000-319000 | FUND BALANCE | Reclass various | | 900,000.00 | | |
| | | 001-00-000-000-450-000-00-439915 | GARBAGE LOAN | Reclass various | 900,000.00 | | | |
| | | 001-00-000-000-450-000-00-439920 | NOTE - SERIES 2017 | Reclass various | 865,000.00 | | | |
| | | | | | | | (1,688,449.00) | |
| | | | Reclass various | | | | | |
| OJE04 | Other | 09/30/17 | | | | | | |
| | | 800-40-201-000-000-000-00-570500 | CAPITAL OUTLAY | To balance FA FB to PY Ending 1 | | 4,007,073.00 | | |
| | | 800-00-000-000-000-000-319400 | GASB EQUITY - SPECIAL | To balance FA FB to PY Ending 1 | 4,007,073.00 | | | |
| | | | | | | | 4,007,073.00 | |
| | | | To balance FA FB to PY Ending Bal. | | | | | |
| OJE05 | Other | 09/30/17 | | | | | | |
| | | 001-00-000-000-000-000-102013 | ACCOUNTS REC OTHER | To record TVA AR more than 60 | 520,669.00 | | | 3-10c |
| | | 001-00-000-000-100-000-00-422100 | FRANCHISE TAXES | To record TVA AR more than 60 | | 520,669.00 | | 3-10c |
| | | | | | | | 520,669.00 | |
| | | | To record TVA AR more than 60 days old | | | | | 3-10c |

Prepared by_____

City of Olive Branch Adjusting Journal Entries

OLIVEBRANCH

Page 5

06/19/18

Reviewed by_____

| Reference | Type | Date Account Number | Description | Detailed Description | Debit | Credit | Net Income Effect | Worksheet |
|-----------|-------|----------------------------------|---------------------------------|---------------------------------|----------------------|----------------------|----------------------|-----------|
| OJE07 | Other | 09/30/17 | | | | | | |
| | | 001-00-000-000-000-000-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 other entries | | 657,506.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-239500 | NET PENSION LIABILITY | To record GASB 68 other entries | 657,506.00 | | | 8-1a |
| | | 001-00-000-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 other entries | 718,701.00 | | | 8-1a |
| | | 001-10-040-000-000-000-00-546000 | STATE RETIREMENT | To record GASB 68 other entries | | 718,701.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 other entries | 672,675.00 | | | 8-1a |
| | | 001-00-000-000-000-000-00-239500 | NET PENSION LIABILITY | To record GASB 68 other entries | | 672,675.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-239400 | DEFERRED INFLOWS-PENSIO | To record GASB 68 other entries | | 4,454,687.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-239500 | NET PENSION LIABILITY | To record GASB 68 other entries | 4,454,687.00 | | | 8-1a |
| | | 001-00-000-000-000-000-00-239500 | NET PENSION LIABILITY | To record GASB 68 other entries | | 3,842,959.00 | | 8-1a |
| | | 001-10-040-000-000-000-00-560520 | PENSION EXPENSE | To record GASB 68 other entries | 3,842,959.00 | | | 8-1a |
| | | 001-00-000-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 other entries | | 199,607.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-239400 | DEFERRED INFLOWS-PENSIO | To record GASB 68 other entries | 932,740.00 | | | 8-1a |
| | | 001-10-040-000-000-000-00-560520 | PENSION EXPENSE | To record GASB 68 other entries | | 733,133.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-111200 | DEFERRED OUTFLOW-PENSIC | To record GASB 68 other entries | | 2,948,002.00 | | 8-1a |
| | | 001-00-000-000-000-000-00-239400 | DEFERRED INFLOWS-PENSIO | To record GASB 68 other entries | 531,933.00 | | | 8-1a |
| | | 001-10-040-000-000-000-00-560520 | PENSION EXPENSE | To record GASB 68 other entries | 2,416,069.00 | | | 8-1a |
| | | | | | | | (4,807,194.00) | |
| | | | To record GASB 68 other entries | | | | | 8-1a |
| | | TOTAL | | | <u>74,099,716.00</u> | <u>74,099,716.00</u> | <u>1,415,793.00</u> | |

Range to print is All.
 Include Other Entry types
 Separate debit/credit columns
 Net income effect
 Sort option is reference number.
 Report title size is 11.
 Report header size is 9.
 Column heading size is 8.
 Report body size is 8.

Include Adjusting Entry types
 Account description
 Worksheet reference
 Details
 Report title font is Arial.
 Report header font is Arial.
 Column header font is Times New Roman.
 Report body font is Times New Roman.

**City of Olive Branch, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2017**



WILLIAM P. B. & CO.
CERTIFIED PUBLIC ACCOUNTANTS

RECEIVED
JUL 05 2018

City of Olive Branch, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2017

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WILLIAMS & PILES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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662-429-1430
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INDEPENDENT AUDITOR'S REPORT

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JUL 05 2018

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, 2017, 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, 2017, 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 33 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 expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The 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 19, 2018, 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.

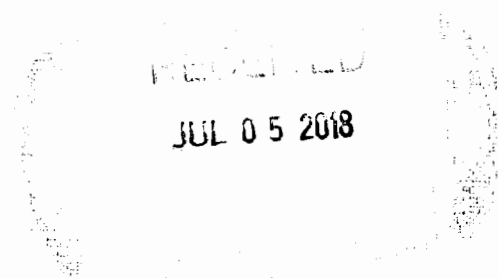
Williams, Pitts & Beard, PLLC

Williams, Pitts & Beard, PLLC

Hernando, Mississippi

June 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



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City of Olive Branch, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

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, 2017. 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 39,915.88 as of 9/30/17. 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 9/30/17 the City had approximately 1567 active businesses (as compared to 1342 in '10, 1265 in '11, 1280 in '12, 1320 in '13, 1380 in '14, 1576 in '15, and 1559 in '16). Approximately 1,029 were commercial/industrial businesses and 538 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 301 residential building permits were issued in Olive Branch in 2017 (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, 280 in '15, and 313 in '16). 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 increased \$742,321 which represents a 1% increase from the prior fiscal year. The City's ending cash balance increased by \$8,068,082, which represents a 25% increase from the prior fiscal year. The City had \$67,180,636 in total revenues. Tax revenues account for \$29,796,209 (or 44%) of total revenues. Sales of utilities totaled \$24,215,306 or 36% of total revenues.

The City had \$66,438,315 in total expenses. Expenses in the amount of \$33,971,204 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, 2017

Among major funds, the General Fund had \$35,188,473 in revenues and \$32,988,546 in expenditures. As a result, the General Fund's fund balance increased \$2,199,927 over the prior year.

The Combined Water & Sewer System had \$15,291,058 in revenues and \$14,667,181 in expenditures. As a result the Combined Water & Sewer System's Fund balance increased by \$623,877 over the prior year.

The Natural Gas System had \$10,495,408 in revenues and \$11,514,535 in expenditures. As a result the Natural Gas System's Fund balance decreased by \$1,019,127 over the prior year. The decrease in the fund balance is attributed to a mild winter coupled with lower rates in the natural gas market and more careful review of the gas market when purchasing natural gas. Gas is purchased when rates are at lower prices and placed in storage for use of the City's natural gas customers.

Capital assets, net of accumulated depreciation increased by \$2,294,052.

Long-term debt increased by \$4,478,819.

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, 2017**

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 6 and 8, 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 31 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 33 of this report.

City of Olive Branch, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

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 \$74,276,401 as of September 30, 2017. The largest portion of the City's net position (108.2%) 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, 2017.

| | 2017 | | 2016 | |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|
| | Government Activities | Business-type Activities | Government Activities | Business-type Activities |
| Current Assets | \$39,871,864 | \$28,145,762 | \$38,337,235 | \$19,715,446 |
| Capital Assets, Net | 102,990,251 | 30,747,137 | 98,953,603 | 32,489,733 |
| Total Assets | 142,862,115 | 58,892,899 | 137,290,838 | 52,265,179 |
| Deferred amount on refunding | 651,365 | 95,018 | 739,823 | 109,623 |
| Deferred outflows-Pension | 6,066,475 | 1,300,745 | 8,480,214 | 1,817,170 |
| Total Deferred Outflows of Resources | 6,717,840 | 1,395,763 | 9,220,037 | 1,926,793 |
| Current Liabilities | 3,774,276 | 3,156,493 | 3,439,241 | 2,888,586 |
| Long-term debt outstanding | 73,206,424 | 32,698,423 | 75,160,868 | 27,100,617 |
| Total Liabilities | 76,980,700 | 35,854,916 | 78,600,109 | 29,989,203 |
| Property Tax for future reporting period | 17,840,474 | | 17,279,570 | |
| Deferred inflows-Pension | 4,061,745 | 854,381 | 1,071,731 | 228,154 |
| Total Deferred Inflows of Resources | 21,902,219 | 854,381 | 18,351,301 | 228,154 |
| Net Position: | | | | |
| Net investment in capital assets, net of related debt | 73,193,008 | 7,185,119 | 67,785,710 | 14,670,154 |
| Restricted | 7,268,344 | 9,973,415 | 8,710,541 | 1,915,769 |
| Unrestricted | (29,764,316) | 6,420,831 | (26,936,786) | 7,388,692 |
| Total Net Position | \$50,697,036 | \$23,579,365 | \$49,559,465 | \$23,974,615 |

**City of Olive Branch, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017**

Changes in Net Position— City of Olive Branch total revenues for the fiscal year ended September 30, 2017 was \$67,180,636. The total cost for all services provided was \$66,438,315. The increase in net position was \$742,321.

The following table presents a summary of the changes in net position or the fiscal year ended September 30, 2017.

| | 2017 | | | 2016 | | |
|--|---------------------|-----------------------------|---------------------|-------------------|-----------------------------|-------------------|
| | General Fund | Business-type Activities | Totals | General Fund | Business-type Activities | Totals |
| Program Revenue: | | | | | | |
| Charges for Services | \$5,848,867 | \$24,215,306 | \$30,064,173 | \$5,786,228 | \$23,515,517 | \$29,301,745 |
| Operating Grants & Contributions | \$125,751 | | \$125,751 | 208,658 | | 208,658 |
| Capital Grants & Contributions | \$3,781,280 | | \$3,781,280 | 800 | | 800 |
| Transfers from/to other funds | | | \$0 | (47,778) | 47,778 | |
| Fee in Lieu of Tax Intergovernmental Taxes | 961,491 | | \$961,491 | 994,493 | | 994,493 |
| Contributed Capital | \$29,796,209 | | \$29,796,209 | 28,507,869 | | 28,507,869 |
| Other | \$1,101,310 | \$1,350,422 | \$2,451,732 | 867,951 | 1,044,523 | 1,912,474 |
| | \$41,614,908 | \$25,565,728 | \$67,180,636 | 36,318,221 | 24,607,818 | 60,926,039 |
| Expenses: | | | | | | |
| General Government | \$4,487,122 | | \$4,487,122 | 4,454,659 | | 4,454,659 |
| Public Safety | \$18,515,294 | | \$18,515,294 | 17,501,644 | | 17,501,644 |
| Public Works | \$7,238,332 | | \$7,238,332 | 6,534,942 | | 6,534,942 |
| Culture & Recreation | \$2,486,455 | | \$2,486,455 | 2,575,535 | | 2,575,535 |
| Economic Development | \$1,359,603 | | \$1,359,603 | 1,192,000 | | 1,192,000 |
| Debt Services | 864,636 | \$753,599 | \$1,618,235 | 1,025,528 | 603,282 | 1,628,810 |
| Bond issue cost | | | | | | |
| Pension expense | \$5,525,895 | | \$5,525,895 | 5,450,823 | | 5,450,823 |
| Water System | | \$13,446,001 | \$13,446,001 | | 13,557,584 | 13,557,584 |
| Gas System | | \$10,604,037 | \$10,604,037 | | 9,736,195 | 9,736,195 |
| Pension expense | | \$1,157,341 | \$1,157,341 | | 1,231,920 | 1,231,920 |
| | \$40,477,337 | \$25,960,978 | \$66,438,315 | 38,735,131 | 25,128,981 | 63,864,112 |
| Change in Net Position | \$1,137,571 | (395,250) | \$742,321 | \$ (2,416,910) | \$(521,163) | \$ (2,938,073) |

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, 2017

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.

| | 2017 | | 2016 | |
|----------------------|------------------------|--------------------------------|------------------------|--------------------------------|
| | Total Costs | Net (Cost)/Revenues | Total Costs | Net (Cost)/Revenues |
| General Government | \$4,487,122 | (\$3,566,296) | \$4,454,659 | \$ (3,685,568) |
| Public Safety | \$18,515,294 | (\$15,338,143) | 17,501,644 | (14,249,791) |
| Public Works | \$7,238,332 | (\$1,921,963) | 6,534,942 | (4,947,949) |
| Culture & Recreation | \$2,486,455 | (\$2,144,903) | 2,575,535 | (2,187,786) |
| Economic Development | \$1,359,603 | (\$1,359,603) | 1,192,000 | (1,192,000) |
| Pension Expense | \$5,525,895 | (\$5,525,895) | 5,450,823 | (5,450,823) |
| Debt Service | \$864,636 | (\$864,636) | 1,025,528 | (1,025,528) |
| - | <u>\$40,477,337</u> | <u>(\$30,721,439)</u> | <u>\$38,735,131</u> | <u>\$ (32,739,445)</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 \$18,020,490; an increase of \$649,876.

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 \$2,199,927.

Business-type funds – Revenue from the City's Utility Funds increased by 3.9% to \$25,565,729 and expenses increased by 3.3% to \$25,960,979.

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:

- Building permits increased by \$52,575 due to higher than anticipated receipts.
- Insurance Claims increased by \$34,115 due to higher than anticipated receipts.
- Sale of Fixed Assets increased \$20,600 due to higher than anticipated fixed assets sold by City.

**City of Olive Branch, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017**

Expenses:

- Personnel expense in Police Department increased by \$128,679 due to 3% COL a correction of original headcount.
- Police Department categories increased \$224,208 due to 3 additional patrol officers being added to budget.
- Capital outlay increased \$65,000 in Sanitation due to wash bay under estimation of cost.

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, 2017, City of Olive Branch total capital assets were \$133,737,388 net of depreciation. This includes land, buildings, mobile equipment, furniture and equipment, leased property under capital lease, construction in progress, and infrastructure. This amount represents an increase from the previous year of \$2,294,052. Total accumulated depreciation as of September 30, 2017 was \$120,990,884 including \$7,033,054 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, 2017, City of Olive Branch had \$105,904,847 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, \$5,798,488 is due within one year. Also, \$50,372,208 is from the addition of net pension liability due to the implementation of GASB 68 which would be reduced by \$2,451,094 in pension deferred inflows and outflows.

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.

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FINANCIAL STATEMENTS

City of Olive Branch, Mississippi
Statement of Net Position
September 30, 2017

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 16,746,960 | \$ 23,594,804 | \$ 40,341,764 |
| Cash with fiscal agents | 755,000 | - | 755,000 |
| Accounts receivable, net of allowance for uncollectibles of \$4,789,126 and \$1,331,849 | 1,525,165 | 2,068,402 | 3,593,567 |
| Intergovernmental receivables | 2,102,082 | 346 | 2,102,428 |
| Property tax receivable | 17,836,459 | - | 17,836,459 |
| Note receivable | - | 390,862 | 390,862 |
| Prepaid expenses | 671,965 | 128,137 | 800,102 |
| Internal balances | 234,233 | (234,233) | - |
| Restricted assets | - | 2,197,444 | 2,197,444 |
| Capital assets, net of accumulated depreciation | 102,990,251 | 30,747,137 | 133,737,388 |
| Total Assets | <u>142,862,115</u> | <u>58,892,899</u> | <u>201,755,014</u> |
| Deferred Outflows of Resources | | | |
| Deferred amount on refunding | 651,365 | 95,018 | 746,383 |
| Deferred outflows - pensions | 6,066,475 | 1,300,745 | 7,367,220 |
| Total Deferred Outflows of Resources | <u>6,717,840</u> | <u>1,395,763</u> | <u>8,113,603</u> |
| Liabilities | | | |
| Accounts payable | 2,355,433 | 447,364 | 2,802,797 |
| Accrued expenses | 669,931 | 200,809 | 870,740 |
| Customer deposits | - | 2,508,320 | 2,508,320 |
| Warranty bonds | 748,912 | - | 748,912 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Capital debt | 3,599,024 | 2,199,464 | 5,798,488 |
| Due in more than one year: | | | |
| Capital debt | 26,849,584 | 21,457,572 | 48,307,156 |
| Non-capital debt | 1,207,108 | 219,887 | 1,426,995 |
| Net pension liability | 41,550,708 | 8,821,500 | 50,372,208 |
| Total Liabilities | <u>76,980,700</u> | <u>35,854,916</u> | <u>112,835,616</u> |
| Deferred Inflows of Resources | | | |
| Property tax for future reporting period | 17,840,474 | - | 17,840,474 |
| Deferred inflows - pensions | 4,061,745 | 854,381 | 4,916,126 |
| Total Deferred Inflows of Resources | <u>21,902,219</u> | <u>854,381</u> | <u>22,756,600</u> |
| Net Position | | | |
| Net investment in capital assets | 73,193,008 | 7,185,119 | 80,378,127 |
| Restricted for: | | | |
| Expendable: | | | |
| Debt service | 839,791 | 2,197,444 | 3,037,235 |
| Public safety | 175,140 | - | 175,140 |
| Capital projects | 5,581,448 | 7,775,971 | 13,357,419 |
| Nonexpendable | 671,965 | - | 671,965 |
| Unrestricted | (29,764,316) | 6,420,831 | (23,343,485) |
| Total Net Position | <u>\$ 50,697,036</u> | <u>\$ 23,579,365</u> | <u>\$ 74,276,401</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, 2017

| | 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 |
| Governmental Activities | | | | | | | |
| General government | \$ 4,487,122 | \$ 865,142 | \$ 55,684 | \$ - | \$ (3,566,296) | \$ - | \$ (3,566,296) |
| Public safety | 18,515,294 | 3,107,084 | 70,067 | - | (15,338,143) | - | (15,338,143) |
| Public works | 7,238,332 | 1,535,089 | - | 3,781,280 | (1,921,963) | - | (1,921,963) |
| Culture and recreation | 2,486,455 | 341,552 | - | - | (2,144,903) | - | (2,144,903) |
| Economic development and assistance | 1,359,603 | - | - | - | (1,359,603) | - | (1,359,603) |
| Interest on long-term debt | 864,636 | - | - | - | (864,636) | - | (864,636) |
| Pension expense | 5,525,895 | - | - | - | (5,525,895) | - | (5,525,895) |
| Total Governmental Activities | 40,477,337 | 5,848,867 | 125,751 | 3,781,280 | (30,721,439) | - | (30,721,439) |
| Business-Type Activities | | | | | | | |
| Water & sewer | 13,446,001 | 14,183,696 | - | - | - | 737,695 | 737,695 |
| Gas system | 10,604,037 | 10,031,610 | - | - | - | (572,427) | (572,427) |
| Interest on long-term debt | 753,599 | - | - | - | - | (753,599) | (753,599) |
| Pension expense | 1,157,341 | - | - | - | - | (1,157,341) | (1,157,341) |
| Total Business-Type Activities | 25,960,978 | 24,215,306 | - | - | - | (1,745,672) | (1,745,672) |
| Total Government | \$ 66,438,315 | \$ 30,064,173 | \$ 125,751 | \$ 3,781,280 | (30,721,439) | (1,745,672) | (32,467,111) |
| General Revenues | | | | | | | |
| Property taxes | | | | | 17,684,740 | - | 17,684,740 |
| Intergovernmental | | | | | 961,491 | - | 961,491 |
| Sales tax | | | | | 10,195,511 | - | 10,195,511 |
| Franchise tax | | | | | 1,915,958 | - | 1,915,958 |
| Rents | | | | | 10,100 | 192,380 | 202,480 |
| Interest | | | | | 42,581 | 74,712 | 117,293 |
| Miscellaneous | | | | | 919,335 | 1,061,544 | 1,980,879 |
| Disposal of capital assets | | | | | 129,294 | 21,786 | 151,080 |
| Transfers | | | | | - | - | - |
| Total General Revenues | | | | | 31,859,010 | 1,350,422 | 33,209,432 |
| Change in Net Position | | | | | 1,137,571 | (395,250) | 742,321 |
| Net Position-Beginning | | | | | 49,559,465 | 23,974,615 | 73,534,080 |
| Net Position-Ending | | | | | \$ 50,697,036 | \$ 23,579,365 | \$ 74,276,401 |

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

City of Olive Branch, Mississippi
Balance Sheet - Governmental Funds
September 30, 2017

| | <u>General Fund</u> | <u>Debt Service</u> | <u>2015 GO Improvements Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|-------------------------|--|---|---|
| Assets | | | | | |
| Cash and cash equivalents | \$ 10,759,422 | \$ 823,419 | \$ 3,667,822 | \$ 1,496,297 | \$ 16,746,960 |
| Cash with fiscal agents | 180,000 | 575,000 | - | - | 755,000 |
| Due from other funds | - | 130,427 | 1,358,399 | 219,471 | 1,708,297 |
| Accounts receivable, net of allowance for uncollectibles of \$4,789,126 | 1,004,496 | - | - | - | 1,004,496 |
| Intergovernmental receivables | 2,059,607 | 42,475 | - | - | 2,102,082 |
| Property tax receivable | 14,344,367 | 3,492,092 | - | - | 17,836,459 |
| Prepaid expenses | 492,040 | 179,925 | - | - | 671,965 |
| Total Assets | <u>\$ 28,839,932</u> | <u>\$ 5,243,338</u> | <u>\$ 5,026,221</u> | <u>\$ 1,715,768</u> | <u>\$ 40,825,259</u> |
| Liabilities | | | | | |
| Accounts payable | \$ 740,358 | \$ 447,485 | \$ 1,076,983 | \$ 90,607 | \$ 2,355,433 |
| Accrued expenses | 385,886 | - | - | - | 385,886 |
| Due to other funds | 1,474,064 | - | - | - | 1,474,064 |
| Warranty bonds | 748,912 | - | - | - | 748,912 |
| Total Liabilities | <u>3,349,220</u> | <u>447,485</u> | <u>1,076,983</u> | <u>90,607</u> | <u>4,964,295</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenue - property taxes | <u>14,348,382</u> | <u>3,492,092</u> | <u>-</u> | <u>-</u> | <u>17,840,474</u> |
| Total deferred inflows of resources | <u>14,348,382</u> | <u>3,492,092</u> | <u>-</u> | <u>-</u> | <u>17,840,474</u> |
| Fund Balances | | | | | |
| Nonspendable: | | | | | |
| Prepaid expenses | 492,040 | 179,925 | - | - | 671,965 |
| Restricted for: | | | | | |
| Debt service | - | 1,123,836 | - | - | 1,123,836 |
| Public safety | 175,140 | - | - | - | 175,140 |
| Capital projects | 7,006 | - | 3,949,238 | 128,916 | 4,085,160 |
| Committed | - | - | - | 1,496,245 | 1,496,245 |
| Unassigned | <u>10,468,144</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,468,144</u> |
| Total Fund Balances | <u>11,142,330</u> | <u>1,303,761</u> | <u>3,949,238</u> | <u>1,625,161</u> | <u>18,020,490</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 28,839,932</u> | <u>\$ 5,243,338</u> | <u>\$ 5,026,221</u> | <u>\$ 1,715,768</u> | <u>\$ 40,825,259</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, 2017

Total Fund Balance - Governmental Funds **\$ 18,020,490**

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 | | 27,400,377 | |
| Equipment and vehicles | | 14,157,446 | |
| Infrastructure | | 126,603,893 | |
| Construction in progress | | 4,522,221 | |
| Accumulated depreciation | | <u>(77,397,361)</u> | |
| | | | 102,990,251 |

Other long-term assets are not available to pay for
current period expenditures and, therefore, are deferred in the funds. 520,669

Deferred outflows of resources related to pension reported in governmental
activities is not a financial resource and therefore is not reported in the funds. 6,066,475

Deferred inflows of resources related to pension are not due and payable
in the current period and therefore are not reported in the funds. (4,061,745)

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 | | (41,550,708) | |
| Bonds and loans payable | | (29,797,243) | |
| Compensated absences | | (1,207,108) | |
| Accrued interest | | <u>(284,045)</u> | |
| | | | <u>(72,839,104)</u> |

Net Position of Governmental Activities **\$ 50,697,036**

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City of Olive Branch, Mississippi
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2017

| | Major Funds | | | | |
|---|----------------------|---------------------|---------------------------|--------------------------|--------------------------|
| | General Fund | Debt Service | 2015 GO Improvements Fund | Other Governmental Funds | Total Governmental Funds |
| Revenues | | | | | |
| General property taxes | \$ 13,682,767 | \$ 4,001,973 | \$ - | \$ - | \$ 17,684,740 |
| Intergovernmental | 11,083,200 | - | - | 73,802 | 11,157,002 |
| Charges for services | 5,848,867 | - | - | - | 5,848,867 |
| Franchise taxes | 1,943,032 | - | - | - | 1,943,032 |
| Interest | 23,713 | 2,723 | 12,764 | 3,379 | 42,579 |
| Miscellaneous | 813,918 | - | - | 105,418 | 919,336 |
| Total Revenues | 33,395,497 | 4,004,696 | 12,764 | 182,599 | 37,595,556 |
| Expenditures | | | | | |
| General government | 3,204,825 | - | - | - | 3,204,825 |
| Public safety | 17,859,256 | - | - | - | 17,859,256 |
| Public works | 5,002,951 | - | - | - | 5,002,951 |
| Culture and recreation | 2,299,270 | - | - | - | 2,299,270 |
| Economic development | 1,359,603 | - | - | - | 1,359,603 |
| Capital outlay | 3,114,162 | - | 5,292,848 | 608,017 | 9,015,027 |
| Debt service: | | | | | |
| Principal | 132,881 | 3,036,000 | - | - | 3,168,881 |
| Interest | 15,598 | 831,694 | - | - | 847,292 |
| Total Expenditures | 32,988,546 | 3,867,694 | 5,292,848 | 608,017 | 42,757,105 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | 406,951 | 137,002 | (5,280,084) | (425,418) | (5,161,549) |
| Other Financial Sources (Uses) | | | | | |
| Long-term capital debt issued | 1,765,000 | - | - | - | 1,765,000 |
| Proceeds from sale of capital assets | 129,294 | - | - | - | 129,294 |
| Rents | 10,100 | - | - | - | 10,100 |
| Grant revenue | 138,582 | - | 3,123,507 | 644,942 | 3,907,031 |
| Interfund transfers | (250,000) | - | - | 250,000 | - |
| Total Other Financing Sources (Uses) | 1,792,976 | - | 3,123,507 | 894,942 | 5,811,425 |
| Net Change in Fund Balances | 2,199,927 | 137,002 | (2,156,577) | 469,524 | 649,876 |
| Fund Balances - Beginning | 8,942,403 | 1,166,759 | 6,105,815 | 1,155,637 | 17,370,614 |
| Fund Balance - End of Year | \$ 11,142,330 | \$ 1,303,761 | \$ 3,949,238 | \$ 1,625,161 | \$ 18,020,490 |

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, 2017

| | | |
|---|----|---------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 649,876 |
|---|----|---------|

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 | | 8,473,808 |
| Depreciation expense | | (4,342,325) |

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 | | (1,765,000) |
| Payments of debt principal | | 3,168,881 |
| Accrued interest payable | | 15,887 |

| | | |
|--|--|----------|
| 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. | | (27,074) |
|--|--|----------|

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 | | (101,223) |
| Pension expense | | (5,525,895) |
| Retirement contributions subsequent to measurement date | | 718,702 |
| Disposal of capital assets and transfers | | (94,835) |
| Amortization of premiums and deferred gains | | (33,231) |

| | | |
|--|-----------|-------------------------|
| Change in Net Position of Governmental Activities | \$ | <u>1,137,571</u> |
|--|-----------|-------------------------|

City of Olive Branch, Mississippi
Statement of Net Position - Proprietary Funds
September 30, 2017

| | Water & Sewer | Natural Gas | Total |
|---|------------------------------|------------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | \$ 15,196,674 | \$ 8,398,130 | \$ 23,594,804 |
| Accounts receivable, net of allowance for uncollectibles \$1,331,849 | 1,582,449 | 485,953 | 2,068,402 |
| Intergovernmental receivable | 346 | - | 346 |
| Prepaid expenses | 104,626 | 23,511 | 128,137 |
| Due from other funds | 64,492 | (298,725) | (234,233) |
| Total Current Assets | 16,948,587 | 8,608,869 | 25,557,456 |
| Noncurrent Assets | | | |
| Note receivable | 390,862 | - | 390,862 |
| Restricted assets | 1,781,258 | 416,186 | 2,197,444 |
| Capital assets, net of accumulated depreciation | 24,978,368 | 5,768,769 | 30,747,137 |
| Total Noncurrent Assets | 27,150,488 | 6,184,955 | 33,335,443 |
| Total Assets | 44,099,075 | 14,793,824 | 58,892,899 |
| Deferred Outflows of Resources | | | |
| Deferred amount on refunding | 29,550 | 65,468 | 95,018 |
| Deferred outflows - pensions | 659,533 | 641,212 | 1,300,745 |
| Total Deferred Outflows of Resources | 689,083 | 706,680 | 1,395,763 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable | 226,990 | 220,374 | 447,364 |
| Accrued expenses | 152,179 | 48,630 | 200,809 |
| Customer deposits | 820,394 | 1,687,926 | 2,508,320 |
| Capital debt | 1,881,507 | 317,957 | 2,199,464 |
| Total Current Liabilities | 3,081,070 | 2,274,887 | 5,355,957 |
| Noncurrent liabilities: | | | |
| Capital debt | 18,906,168 | 2,551,404 | 21,457,572 |
| Non-capital debt | 127,876 | 92,011 | 219,887 |
| Net pension liability | 4,472,873 | 4,348,627 | 8,821,500 |
| Total Noncurrent Liabilities | 23,506,917 | 6,992,042 | 30,498,959 |
| Total Liabilities | 26,587,987 | 9,266,929 | 35,854,916 |
| Deferred Inflows of Resources | | | |
| Deferred inflows - pensions | 433,208 | 421,173 | 854,381 |
| Net Position | | | |
| Net investment in capital assets | 4,220,243 | 2,964,876 | 7,185,119 |
| Restricted for: | | | |
| Debt service | 1,781,258 | 416,186 | 2,197,444 |
| Capital projects | 7,775,971 | | 7,775,971 |
| Unrestricted | 3,989,491 | 2,431,340 | 6,420,831 |
| Total Net Position | \$ 17,766,963 | \$ 5,812,402 | \$ 23,579,365 |

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, 2017

| | <u>Water & Sewer</u> | <u>Natural Gas</u> | <u>Total</u> |
|--|------------------------------|------------------------|----------------------|
| Operating Revenues | | | |
| Charges for services | \$ 14,183,696 | \$ 10,031,610 | \$ 24,215,306 |
| Miscellaneous | <u>625,244</u> | <u>436,300</u> | <u>1,061,544</u> |
| Total Operating Revenues | <u>14,808,940</u> | <u>10,467,910</u> | <u>25,276,850</u> |
| Operating Expenses | | | |
| Cost of sales | - | 5,254,714 | 5,254,714 |
| Personnel | 3,418,977 | 3,447,361 | 6,866,338 |
| Pension expense | 586,821 | 570,520 | 1,157,341 |
| Depreciation and amortization | 2,191,652 | 519,188 | 2,710,840 |
| Material and supplies | 915,007 | 432,721 | 1,347,728 |
| Professional services | 4,933,548 | 71,673 | 5,005,221 |
| Other | <u>1,986,817</u> | <u>878,381</u> | <u>2,865,198</u> |
| Total Operating Expenses | <u>14,032,822</u> | <u>11,174,558</u> | <u>25,207,380</u> |
| Operating Income | <u>776,118</u> | <u>(706,648)</u> | <u>69,470</u> |
| Non-Operating Revenues (Expenses) | | | |
| Interest income | 50,775 | 23,938 | 74,713 |
| Interest expense | (634,359) | (119,240) | (753,599) |
| Rent | 192,380 | - | 192,380 |
| Gain (loss) on sale of capital assets | <u>18,226</u> | <u>3,560</u> | <u>21,786</u> |
| Total Non-Operating Revenues (Expenses) | <u>(372,978)</u> | <u>(91,742)</u> | <u>(464,720)</u> |
| Net Income Before Capital Contributions and Transfers | 403,140 | (798,390) | (395,250) |
| Interfund transfers | <u>220,737</u> | <u>(220,737)</u> | <u>-</u> |
| Change in Net Position | 623,877 | (1,019,127) | (395,250) |
| Net Position - Beginning | <u>17,143,086</u> | <u>6,831,529</u> | <u>23,974,615</u> |
| Net Position -Ending | <u>\$ 17,766,963</u> | <u>\$ 5,812,402</u> | <u>\$ 23,579,365</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, 2017

| | Water & Sewer | Natural Gas | Total |
|--|------------------------------|------------------------|----------------------|
| Cash Flows From Operating Activities | | | |
| Cash received from customers | \$ 14,341,366 | \$ 10,118,487 | \$ 24,459,853 |
| Cash payments for goods and services | (7,764,935) | (6,648,488) | (14,413,423) |
| Cash payments to employees | (3,706,579) | (3,297,159) | (7,003,738) |
| Other operating cash receipts | 625,244 | 436,300 | 1,061,544 |
| Net Cash Provided By (Used In) Operating Activities | <u>3,495,096</u> | <u>609,140</u> | <u>4,104,236</u> |
| Cash Flows From Non-Capital Financing Activities | | | |
| Interfund activity | 284,411 | (97,204) | 187,207 |
| Net Cash Provided By (Used In) Non-Capital Financing Activities | <u>284,411</u> | <u>(97,204)</u> | <u>187,207</u> |
| Cash Flows From Capital And Related Financing Activities | | | |
| Payments for capital acquisitions | (694,149) | (377,833) | (1,071,982) |
| Proceeds from sale of capital assets | 101,349 | 44,286 | 145,635 |
| Proceeds from long-term debt | 8,000,000 | - | - |
| Principal payments | (1,973,671) | (304,001) | (2,277,672) |
| Interest payments | (555,699) | (121,160) | (676,859) |
| Proceeds from note receivable | 21,404 | - | 21,404 |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>4,899,234</u> | <u>(758,708)</u> | <u>(3,859,474)</u> |
| Cash Flows From Investing Activities | | | |
| Rent | 192,380 | - | 192,380 |
| Interest on investments | 50,775 | 23,938 | 74,713 |
| Net Cash Provided By (Used In) Investing Activities | <u>243,155</u> | <u>23,938</u> | <u>267,093</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 8,921,896 | (222,834) | 699,062 |
| Cash and Cash Equivalents-Beginning of Year | 8,056,036 | 9,037,150 | 17,093,186 |
| Cash and Cash Equivalents-End of Year | <u>\$ 16,977,932</u> | <u>\$ 8,814,316</u> | <u>\$ 17,792,248</u> |
| Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities | | | |
| Operating Income | \$ 776,118 | \$ (706,648) | \$ 69,470 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 2,191,652 | 519,188 | 2,710,840 |
| (Increase) decrease in customer receivables | 111,824 | 8,576 | 120,400 |
| (Increase) decrease in prepaids | 265 | 1,390 | 1,655 |
| (Increase) decrease in deferred outflows | 316,287 | 200,138 | 516,425 |
| Increase (decrease) in accounts payable | 70,172 | (10,469) | 59,703 |
| Increase (decrease) in accrued expenses | 3,158 | 2,239 | 5,397 |
| Increase (decrease) in compensated absences | 6,300 | (492) | 5,808 |
| Increase (decrease) in customer deposits | 45,846 | 78,301 | 124,147 |
| Increase (decrease) in net pension liability | (337,216) | 201,380 | (135,836) |
| Increase (decrease) in deferred inflows | 310,690 | 315,537 | 626,227 |
| Total adjustments | <u>2,718,978</u> | <u>1,315,788</u> | <u>4,034,766</u> |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ 3,495,096</u> | <u>\$ 609,140</u> | <u>\$ 4,104,236</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, 2017

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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, 2017

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 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.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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.

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.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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:

| | Capitalization Thresholds | Estimated Useful Life |
|-----------------------------------|--------------------------------------|----------------------------------|
| 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, 2017

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.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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, 2017

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.

Changes in Accounting Standards

The City implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. The provisions of these standards have been incorporated into the financial statements and notes.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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, 2017, the City's bank balance was not exposed to custodial credit risk. As of September 30, 2017, the carrying amount of the City's deposits was \$42,539,208 and the bank balances totaled \$43,445,933. Of the bank balances, \$500,000 was insured by the FDIC and \$42,945,933 was covered by pooled and/or pledged collateral.

Municipal Reserve Fund

The City has established a reserve fund pursuant to the provisions of Miss. Code Ann. Section 21-35-22. The funds to be deposited must be specifically designated by the Board of Aldermen, and the expenditures can only be made with the approval of the Board of Aldermen spread upon the minutes and signed by the mayor. The September 30, 2017 fund balance was \$1,496,245 and is included in the City's total cash figures.

NOTE C – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

| Description | General Fund | Debt Service Fund | Water and Sewer Fund |
|------------------------|---------------------|--------------------------|-----------------------------|
| Court fines assessment | \$ 279,062 | \$ - | \$ - |
| Sales tax | 830,385 | - | - |
| Ad valorem tax | 147,924 | 42,475 | - |
| Grant proceeds | 802,236 | - | 346 |
| Totals | \$ 2,059,607 | \$ 42,475 | \$ 346 |

NOTE D – NOTE 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, 2017, the balance on the note receivable is \$390,862.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

NOTE E – CAPITAL ASSETS

| | <u>Balance at 9/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 9/30/2017</u> |
|---|---------------------------------|-----------------------|-------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 7,703,675 | \$ - | \$ - | \$ 7,703,675 |
| Construction in progress | <u>1,067,028</u> | <u>3,790,446</u> | <u>335,254</u> | <u>4,522,220</u> |
| Total capital assets, not being depreciated | <u>8,770,703</u> | <u>3,790,446</u> | <u>335,254</u> | <u>12,225,895</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 26,591,965 | 808,413 | - | 27,400,378 |
| Infrastructure | 124,709,810 | 1,894,083 | - | 126,603,893 |
| Equipment and vehicles | <u>12,467,964</u> | <u>2,316,120</u> | <u>626,638</u> | <u>14,157,446</u> |
| Total capital assets, being depreciated | <u>163,769,739</u> | <u>5,018,616</u> | <u>626,638</u> | <u>168,161,717</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 7,152,981 | 537,502 | - | 7,690,483 |
| Infrastructure | 58,406,710 | 2,833,137 | - | 61,239,847 |
| Equipment and vehicles | <u>8,027,148</u> | <u>971,686</u> | <u>531,803</u> | <u>8,467,031</u> |
| Total accumulated depreciation | <u>73,586,839</u> | <u>4,342,325</u> | <u>531,803</u> | <u>77,397,361</u> |
| Total capital assets, being depreciated, net | <u>90,182,900</u> | <u>676,291</u> | <u>94,835</u> | <u>90,764,356</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 98,953,603</u> | <u>\$ 4,466,737</u> | <u>\$ 430,089</u> | <u>\$ 102,990,251</u> |
| | <u>Balance at 9/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 9/30/2017</u> |
| Business-Type Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 212,867 | \$ - | \$ - | \$ 212,867 |
| Construction in progress | <u>376,815</u> | <u>541,500</u> | <u>-</u> | <u>918,315</u> |
| Total capital assets, not being depreciated | <u>589,682</u> | <u>541,500</u> | <u>-</u> | <u>1,131,182</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 341,256 | 119,615 | - | 460,871 |
| Infrastructure | 67,232,043 | 163,499 | - | 67,395,542 |
| Equipment and vehicles | <u>5,282,071</u> | <u>247,370</u> | <u>176,376</u> | <u>5,353,065</u> |
| Total capital assets, being depreciated | <u>72,855,370</u> | <u>530,484</u> | <u>176,376</u> | <u>73,209,478</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 112,008 | 8,545 | - | 120,553 |
| Infrastructure | 38,144,180 | 2,127,213 | - | 40,271,393 |
| Equipment and vehicles | <u>2,699,131</u> | <u>554,971</u> | <u>52,525</u> | <u>3,201,577</u> |
| Total accumulated depreciation | <u>40,955,319</u> | <u>2,690,729</u> | <u>52,525</u> | <u>43,593,523</u> |
| Total capital assets, being depreciated, net | <u>31,900,051</u> | <u>(2,160,245)</u> | <u>123,851</u> | <u>29,615,955</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 32,489,733</u> | <u>\$ (1,618,745)</u> | <u>\$ 123,851</u> | <u>\$ 30,747,137</u> |

No interest was capitalized during the year due to immateriality.

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City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

Depreciation expense was charged to the following functions:

Governmental Activities:

| | |
|---|----------------------------|
| General government | \$ 1,257,672 |
| Public safety | 656,038 |
| Public works | 2,235,383 |
| Culture and recreation | 193,232 |
| Total governmental activities depreciation expense | <u>\$ 4,342,325</u> |

| | |
|--|----------------------------|
| Water and Sewer | \$ 2,179,764 |
| Natural Gas | 510,965 |
| Total business-type activities depreciation expense | <u>\$ 2,690,729</u> |

Commitments under construction contracts at September 30, 2017 are summarized as follows:

| <u>Project</u> | <u>Contract Amount</u> | <u>Remaining Balance</u> | <u>Fund</u> |
|-------------------------------------|----------------------------|------------------------------|-------------|
| Complex A Baseball Improvements | \$ 91,000 | \$ 10,573 | General |
| City Park Playground Upgrade | 54,000 | 6,000 | General |
| Craft Widening Construction | 425,833 | 57,088 | General |
| Bethel Road Improvements | 99,895 | 9,638 | General |
| Stateline Bridge Replacement | 132,274 | 42,580 | General |
| Widen Craft Road North of 302 | 4,120,769 | 1,016,857 | General |
| Public Works Facility | 203,355 | 182,322 | Enterprise |
| Metro WWTP Expansion | 195,000 | 73,963 | Enterprise |
| Alexander Road Relief Sewer Project | 1,241,969 | 715,896 | Enterprise |
| City Park Complex A Improvements | 2,067,532 | 968,790 | General |
| Total | <u>\$ 8,631,627</u> | <u>\$ 3,083,707</u> | |

NOTE F – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

| | <u>Due From</u> | <u>Due To</u> |
|---------------------------|----------------------------|----------------------------|
| Major Funds: | | |
| General fund | \$ - | \$ 1,474,064 |
| Debt service | 130,427 | - |
| 2015 GO Improvements fund | 1,358,399 | - |
| Other Governmental funds | 219,471 | - |
| Water and sewer fund | 64,492 | - |
| Natural gas fund | - | 298,725 |
| Total Funds | <u>\$ 1,772,789</u> | <u>\$ 1,772,789</u> |

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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> |
|--------------------------|---------------------|---------------------|
| Major Funds: | | |
| General fund | \$ - | \$ 250,000 |
| Other governmental funds | 250,000 | - |
| Water and sewer fund | 220,737 | - |
| Natural gas | - | 220,737 |
| Total Funds | <u>\$ 470,737</u> | <u>\$ 470,737</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, 2017 was as follows:

| | <u>Balance at 9/30/2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance at 9/30/2017</u> | <u>Amounts Due Within One Year</u> |
|---|---------------------------------|---------------------|---------------------|---------------------------------|--|
| Governmental Activities: | | | | | |
| General obligation bonds payable | \$ 30,871,113 | \$ - | \$ 3,036,000 | \$ 27,835,113 | \$ 3,122,043 |
| Revenue bonds payable | 8,900 | - | 8,900 | - | - |
| Loans payable | 495,924 | 1,765,000 | 123,981 | 2,136,943 | 476,981 |
| Deferred gain (loss) on bond refunding | (739,823) | - | (88,458) | (651,365) | - |
| Bond premium | 531,779 | - | 55,227 | 476,552 | - |
| Compensated absences payable | 1,105,885 | 101,223 | - | 1,207,108 | - |
| Governmental Activities Long-Term Liabilities | <u>\$ 32,273,778</u> | <u>\$ 1,866,223</u> | <u>\$ 3,135,650</u> | <u>\$ 31,004,351</u> | <u>\$ 3,599,024</u> |
| Business-Type Activities: | | | | | |
| General obligation bonds payable | \$ 2,034,915 | \$ - | \$ 349,001 | \$ 1,685,914 | \$ 352,957 |
| Revenue bonds payable | 11,215,000 | 8,000,000 | 1,545,000 | 17,670,000 | 1,470,000 |
| Loans payable | 2,914,512 | - | 195,512 | 2,719,000 | 196,970 |
| Leases payable | 1,685,605 | - | 173,388 | 1,512,217 | 179,537 |
| Deferred loss on bond refunding | (109,623) | - | (14,605) | (95,018) | - |
| Bond premium | 79,170 | - | 9,266 | 69,904 | - |
| Compensated absences payable | 214,079 | 5,808 | - | 219,887 | - |
| Business-Type Activities Long-Term Liabilities | <u>\$ 18,033,658</u> | <u>\$ 8,005,808</u> | <u>\$ 2,257,562</u> | <u>\$ 23,781,904</u> | <u>\$ 2,199,464</u> |

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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, 2017 are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amounts | |
|-------------------|---------------|------------|---------------|----------------------|----------------------|
| | | | | Issued | Outstanding |
| General Long Term | | | | | |
| 2007 | 4.38% | 9/1/2007 | 9/1/2027 | \$ 12,000,000 | \$ 2,090,000 |
| 2009 | 3.00-3.63% | 10/1/2009 | 10/1/2024 | 4,000,000 | 2,585,000 |
| 2010 | 2.00-3.38% | 4/15/2010 | 8/1/2019 | 1,610,296 | 170,113 |
| 2011 | 2.00-3.13% | 6/29/2011 | 3/1/2022 | 1,650,000 | 865,000 |
| 2011 | 2.00-3.00% | 6/29/2011 | 6/1/2019 | 2,800,000 | 815,000 |
| 2012 | 1.00-2.75% | 4/4/2012 | 3/1/2023 | 8,255,000 | 4,705,000 |
| 2014 | 0.55-2.50% | 12/3/2014 | 9/1/2027 | 6,000,000 | 5,755,000 |
| 2014 | 2.00-2.38% | 5/1/2015 | 11/1/2026 | 4,000,000 | 3,430,000 |
| 2015 | 2.13-3.00% | 5/1/2015 | 5/1/2035 | 8,000,000 | 7,420,000 |
| | | | | <u>48,315,296</u> | <u>27,835,113</u> |
| Enterprise Funds | | | | | |
| 2010 | 2.00-3.38% | 4/15/2010 | 8/1/2019 | 424,704 | 45,914 |
| 2013 | 2.00% | 6/1/2013 | 6/1/2022 | 2,905,000 | 1,640,000 |
| | | | | <u>3,329,704</u> | <u>1,685,914</u> |
| Total | | | | <u>\$ 51,645,000</u> | <u>\$ 29,521,027</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, 2017 are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amounts | |
|------------------------------------|---------------|------------|---------------|---------------|---------------|
| | | | | Issued | Outstanding |
| Enterprise Funds | | | | | |
| Combined Water & Sewer 2005 | 3.75-5.25% | 5/26/2005 | 3/1/2020 | \$ 2,200,000 | \$ 565,000 |
| Natural Gas System 2007 | 4.80-5.25% | 6/1/2007 | 6/1/2027 | 2,500,000 | 1,535,000 |
| Combined Water & Sewer 2008 | 3.76-4.36% | 9/23/2008 | 3/1/2020 | 2,625,000 | 865,000 |
| Combined Water & Sewer Refund 2010 | 2.00-3.50% | 10/27/2010 | 3/1/2026 | 5,260,000 | 2,885,000 |
| Combined Water & Sewer 2011 | 3.50-3.63% | 7/1/2011 | 3/1/1931 | 3,200,000 | 2,545,000 |
| Natural Gas System 2011 | 2.00-3.38% | 10/27/2011 | 9/1/2024 | 2,090,000 | 1,275,000 |
| 2017 W/S Combined Revenue Bonds | 2.00-3.38% | 4/1/2017 | 4/1/2042 | 8,000,000 | 8,000,000 |
| Total | | | | \$ 25,875,000 | \$ 17,670,000 |

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

Loans. The City also uses loans to finance its projects. Loans outstanding as of September 30, 2017 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 | \$ 371,943 |
| General Obligation Note 2016 | 1.40% | 10/3/2016 | 10/1/2021 | 900,000 | 900,000 |
| General Obligation Note 2017 | 1.69% | 5/1/2017 | 5/1/2022 | 865,000 | 865,000 |
| | | | | <u>2,384,905</u> | <u>2,136,943</u> |
| Enterprise Funds | | | | | |
| MS Dept. of Environmental Quality SRF Loan | 2.00% | 11/1/2006 | 6/1/2026 | 1,011,918 | 499,523 |
| DWSIRLF Loan- DWI-H280049-05 | 2.00% | 6/7/2005 | 1/1/2026 | 1,443,899 | 791,926 |
| Methodist CAP Revolving Loan | 3.00% | 5/14/2012 | 3/1/2034 | 1,667,502 | 1,427,551 |
| Total | | | | <u>4,123,319</u> | <u>2,719,000</u> |
| | | | | <u>\$ 6,508,224</u> | <u>\$ 4,855,943</u> |

Annual debt service requirements to maturity of general obligation bonds, revenue bonds, and loans for the years subsequent to September 30, 2017 are as follows:

| Year Ending September 30 | General Long-Term Debt | | Business-Type | |
|-----------------------------|------------------------|---------------------|----------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ 3,599,024 | \$ 719,254 | \$ 2,019,927 | \$ 682,905 |
| 2019 | 3,695,051 | 634,548 | 2,089,998 | 618,276 |
| 2020 | 3,296,981 | 593,573 | 2,017,247 | 552,639 |
| 2021 | 2,858,000 | 504,912 | 1,557,589 | 496,349 |
| 2022 | 2,948,000 | 419,134 | 1,568,073 | 448,227 |
| 2023-2027 | 9,710,000 | 1,170,785 | 5,505,146 | 1,629,172 |
| 2028-2032 | 2,290,000 | 400,824 | 2,962,894 | 931,310 |
| 2033-2037 | 1,575,000 | 94,437 | 2,024,040 | 573,294 |
| 2038-2042 | - | - | 2,330,000 | 246,256 |
| Total | <u>\$ 29,972,056</u> | <u>\$ 4,537,467</u> | <u>\$ 22,074,914</u> | <u>\$ 6,178,428</u> |

Leases. Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2017 are as follows:

| Year Ending September 30 | Governmental Activities | | Business-Type Activities | |
|--|-------------------------|-------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2018 | \$ - | \$ - | 179,537 | 50,588 |
| 2019 | - | - | 185,904 | 44,222 |
| 2020 | - | - | 192,496 | 37,629 |
| 2021 | - | - | 199,323 | 30,803 |
| 2022 | - | - | 206,391 | 23,734 |
| 2023-2025 | - | - | 548,566 | 26,745 |
| Present Value of Minimum Lease Payments | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,512,217</u> | <u>\$ 213,721</u> |

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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 were 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 \$35,500,241 (the smaller of the two computed margins) as of September 30, 2017.

| | <u>15% Test</u> | <u>20% Test</u> |
|--|----------------------|----------------------|
| Assessed value as of September 30, 2016: | | |
| \$422,235,693 times applicable percentage | \$ 63,335,354 | \$ 84,447,139 |
| Less present debt subject to debt limits as of September 30, 2017: | | |
| Total bonds outstanding | <u>(27,835,113)</u> | <u>(47,191,027)</u> |
| Margin for additional debt | <u>\$ 35,500,241</u> | <u>\$ 37,256,112</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, 2017

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, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$3,125,717, \$3,038,366 and \$2,750,359, 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, 2017, the City reported a liability of \$50,372,208 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was .30302 percent, which was based on a measurement date of June 30, 2017. This was an increase of .0169 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

For the year ended September 30, 2017, the City recognized pension expense of \$6,683,236. At September 30, 2017 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 | \$ 676,855 | \$ 367,552 |
| Net difference between projected and actual earnings on pension plan investments | 4,276,452 | 3,892,030 |
| Changes of assumptions | 1,023,985 | 81,043 |
| Changes in the City's proportion and differences between the City's contributions and proportionate share of contributions | 520,702 | 575,501 |
| City contributions subsequent to the measurement date | 869,226 | - |
| Total | <u>\$ 7,367,220</u> | <u>\$ 4,916,126</u> |

\$869,226 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, 2018. 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> |
|----------------------------------|--------------------------|-------------------------|---------------------|
| 2018 | \$ 3,361,068 | \$ (1,662,528) | \$ 1,698,540 |
| 2019 | 2,038,019 | (1,250,201) | 787,818 |
| 2020 | 1,098,905 | (1,030,389) | 68,516 |
| 2021 | - | (973,008) | (973,008) |
| Totals | <u>\$ 6,497,992</u> | <u>\$ (4,916,126)</u> | <u>\$ 1,581,866</u> |

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.00% |
| Salary increases | 3.75 – 18.50%, 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 2022, with males' rates set forward one year.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|--------------------------|---|
| U.S. Broad | 27% | 4.60% |
| International Equity | 18% | 4.50% |
| Emerging Markets Equity | 4% | 4.75% |
| Global | 12% | 4.75% |
| Fixed Income | 18% | 0.75% |
| Real Assets | 10% | 3.50% |
| Private Equity | 8% | 5.10% |
| Emerging Debt | 2% | 2.25% |
| Cash | 1% | 0.00% |
| 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 to the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.

The following presents the City'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:

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|----------------------------|--|----------------------------|
| City's proportionate share of the net pension liability | \$ 66,066,514 | \$ 50,372,208 | \$ 37,342,524 |

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, 2017

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 – TAX ABATEMENTS

For the year beginning October 1, 2016, the Governmental Accounting Standards Board (GASB) implemented Statement 77, Tax Abatement Disclosures. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments and the citizens of those governments.

The City of Olive Branch negotiates property tax abatements on an individual basis. All abatements are for a maximum of ten (10) years and are for economic development purposes. The City had eighty-three (83) tax abatement agreements with fifty-five (55) entities as of September 30, 2017.

The City had three (3) types of abatements, none of which provided for the abatement of school or state tax levies:

Section 27-31-101 New Enterprise Exemptions
Section 27-31-105 Expanded Enterprise Exemptions
Section 27-31-104 Fee in Lieu of Tax Agreements

The City continues to collect the levies associated with Parks, Library, and Public Safety from entities receiving abatements.

All fifty-five (55) companies have tax abatements listed under the above listed statutes.

| Category | Amount of Taxes Abated During the Fiscal Year |
|--|---|
| New and Expanded Industrial Enterprises | \$1,169,338 |

The City made no commitments as part of the agreements other than to reduce taxes. Companies met specified investment and job creation criteria in order to apply for an abatement. Abatements may be voided pursuant to state law in the event of a cessation of company operations.

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

City of Olive Branch, Mississippi
Notes to Financial Statements
For the Year Ended September 30, 2017

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 19, 2018, (the date the financial statements were available to be issued), and determined that the following have occurred requiring disclosure in the notes to the financial statements:

The City signed an asset purchase agreement dated March 1, 2018 to purchase the Olive Branch Airport for \$15,960,839, subject to several contingencies.

On April 17, 2018, a resolution was approved to issue General Obligation Bonds, Series 2018, in the amount of \$2,500,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of Olive Branch, Mississippi
Budgetary Comparison Schedule Budget and Actual (Non-GAAP Basis) - General Fund
For the Year Ended September 30, 2017

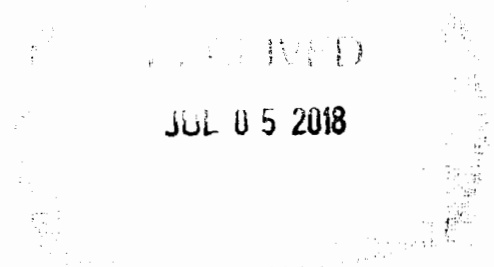
| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------------|-----------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| Revenues | | | | |
| General property taxes | \$ 13,562,383 | \$ 13,552,492 | \$ 13,682,767 | \$ 130,275 |
| Intergovernmental | 10,814,348 | 10,846,125 | 11,112,000 | 265,875 |
| Charges for services | 2,703,180 | 2,546,000 | 2,299,063 | (246,937) |
| Franchise taxes | 1,598,960 | 1,650,000 | 1,943,032 | 293,032 |
| Fines & forfeits | 1,016,000 | 1,255,525 | 1,484,174 | 228,649 |
| Licenses & permits | 666,500 | 796,385 | 881,227 | 84,842 |
| Interest | 43,000 | 70,000 | 102,838 | 32,838 |
| Miscellaneous | 260,800 | 651,001 | 798,047 | 147,046 |
| Total Revenues | 30,665,171 | 31,367,528 | 32,303,148 | 935,620 |
| Expenditures | | | | |
| General government | 4,562,852 | 5,115,067 | 4,440,713 | 674,354 |
| Public safety | 18,608,817 | 20,191,872 | 19,174,133 | 1,017,739 |
| Public works | 4,421,726 | 5,822,533 | 5,366,892 | 455,641 |
| Culture & recreation | 2,476,793 | 2,562,909 | 2,312,291 | 250,618 |
| Economic development | 1,540,895 | 1,650,756 | 1,538,412 | 112,344 |
| Capital outlay | 4,358,981 | 3,304,385 | 3,114,161 | 190,224 |
| Debt service | | | | |
| Principal | 132,881 | 132,881 | 132,881 | - |
| Interest | 8,098 | 15,598 | 15,598 | - |
| Total Expenditures | 36,111,043 | 38,796,001 | 36,095,081 | 2,700,920 |
| Excess (Deficiency) of Revenues | | | | |
| Over (Under) Expenditures | (5,445,872) | (7,428,473) | (3,791,933) | 3,636,540 |
| Other Financing Sources (Uses) | | | | |
| Grant revenue | 49,600 | 107,800 | 133,046 | 25,246 |
| Rents | 10,000 | 10,000 | 10,100 | 100 |
| Loan proceeds | 1,755,920 | 1,765,000 | 1,765,000 | - |
| Interfund transfers - net with expense | 3,638,887 | 4,319,658 | 3,692,292 | (627,366) |
| Total Other Financing Sources (Uses) | 5,454,407 | 6,202,458 | 5,600,438 | (602,020) |
| Net Change in Fund Balances | \$ 8,535 | \$ (1,226,015) | 1,808,505 | \$ 3,034,520 |
| Fund Balances - Beginning | | | 8,942,403 | |
| Fund Balance - End of Year | | | 10,750,908 | |
| Adjustments to conform with GAAP: | | | | |
| Revenues | | | 977,179 | |
| Expenditures | | | (585,757) | |
| Fund Balance - End of Year (GAAP Basis) | | | \$ 11,142,330 | |

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

City of Olive Branch, Mississippi
Schedule of City's Proportionate Share of Net Pension Liability
For the Year Ended September 30, 2017

| Last 10 Fiscal Years* | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|
| City's proportion of the net pension liability | 0.30302% | 0.28610% | 0.27590% |
| City's proportionate share of the net pension liability | \$ 50,372,208 | \$ 51,104,603 | \$ 42,648,699 |
| City's covered-employee payroll | \$ 19,445,068 | \$ 18,302,498 | \$ 17,214,960 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 259.05% | 279.22% | 247.74% |
| Plan Fiduciary net position as a percentage of the total pension liability | 61.49% | 57.47% | 61.70% |

*The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date as of June 30th of 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.



City of Olive Branch, Mississippi
Schedule of City's Contributions
For the Year Ended September 30, 2017

| Last 10 Fiscal Years* | 2017 | 2016 | 2015 |
|--|-------------------|------------------|--------------------|
| Contractually required contribution | \$ 3,125,717 | \$ 3,038,366 | \$ 2,750,359 |
| Contributions in relation to the contractually required contribution | <u>3,135,110</u> | <u>2,952,685</u> | <u>2,764,503</u> |
| Contribution deficiency (excess) | <u>\$ (9,393)</u> | <u>\$ 85,681</u> | <u>\$ (14,144)</u> |
| City's covered-employee payroll | \$ 19,845,823 | \$ 19,291,212 | \$ 17,454,286 |
| Contributions as a percentage of covered-employee payroll | 15.75% | 15.75% | 15.76% |

*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, 2017

A. Budgetary Information.

Note A in Notes to Financial Statements describes the City's budgetary procedures.

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

City of Olive Branch, Mississippi
Notes to the Required Supplementary Information
For the Year Ended September 30, 2017

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

B. Changes in benefit provisions.

2016

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

SUPPLEMENTARY INFORMATION

City of Olive Branch, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017

| Federal Grantor/ Pass-through Grantor/ Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|------------------------------------|---|---------------------------------|
| US Department of Justice | | | |
| Direct Program | | | |
| Bulletproof Vest Partnership Program | 16.610 | | \$ 7,207 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.740 | 2015-DJ-BX-0770 | 6,952 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.740 | 2016-DJ-BX-0074 | 12,035 |
| Total US Department of Justice | | | <u>26,194</u> |
| US Department of Transportation | | | |
| Passed-through Mississippi Department of Transportation | | | |
| Highway Planning and Construction | 20.210 | STP-7903-00(001)/104919701 | 2,183,246 |
| Highway Planning and Construction | 20.210 | STP-7903-00(001)LPA/104949-701000 | 271,715 |
| Highway Planning and Construction | 20.210 | STP-0183-00(025)LPA/107295-701000 | 46,635 |
| Highway Planning and Construction | 20.210 | STP-7862-00(025)LPA/106264-701000 | 71,755 |
| Highway Planning and Construction | 20.210 | STP-7895-00(002)LPA/107201-701000 | 67,490 |
| Total US Department of Transportation | | | <u>2,640,841</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,667,035</u> |

Notes to the Schedule of Expenditures of Federal Awards:

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of Olive Branch, Mississippi under programs of the federal government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Loan or loan guarantee programs

The federal award programs of the City had no outstanding loan balances nor were there any loan guarantees as of September 30, 2017.

OTHER INFORMATION

JUL 05 2013

City of Olive Branch, Mississippi
Schedule of Property Tax Rates and Assessments
September 30, 2017

| <u>Year</u> | <u>Millage Rate</u> | <u>Assessed Property Value</u> |
|-------------|-------------------------|--|
| 2017 | 38.5 | \$422,235,693* |
| 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, 2017

| Name | Position | Company | Bond |
|-------------------------|--------------------------------|------------------------------|-------------|
| Scott B. Phillips, Jr | Mayor | Zurich North American Surety | \$ 100,000 |
| Tina Griffith | City Clerk | Zurich North American Surety | 50,000 |
| Jason May | City Administrator | Zurich North American Surety | 50,000 |
| Sheryl Jones | Deputy Clerk | Zurich North American Surety | 50,000 |
| Public Employees | | | |
| 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 |
| Jason Gambone | Director of Planning | Zurich North American Surety | 50,000 |
| B.J. Page | Assistant Director of Planning | Zurich North American Surety | 50,000 |
| Joy Kirch-Kelling | Associate Planner | 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 |
| Alesia Hise | Director of Human Resources | 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 |
| Leslie Shumake | Municipal Court Judge | 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, 2017, 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 19, 2018.

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 19, 2019



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

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

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Report on Compliance for Each Major Federal Program

We have audited City of Olive Branch, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Olive Branch, Mississippi's major federal programs for the year ended September 30, 2017. City of Olive Branch, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, City of Olive Branch, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of City of Olive Branch, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Olive Branch, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance

in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Olive Branch, Mississippi's internal control over compliance.

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

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

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

Williams, Pitts & Beard, PLLC

Williams, Pitts, & Beard, PLLC

Hernando, Mississippi

June 19, 2018

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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, 2017, and have issued our report dated June 19, 2018. 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 19, 2018

City of Olive Branch, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section 1: Summary of Auditors' Results

Financial Statements:

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

| | |
|--------------------------|-------------------|
| Governmental activities | <u>Unmodified</u> |
| Business-type activities | <u>Unmodified</u> |
| Each major fund | <u>Unmodified</u> |
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

Federal Awards:

4. Type of auditor's report issued on compliance for
major federal programs: Unmodified
5. Internal control over major programs:
 - a. Material weakness (es) identified? No
 - b. Significant deficiency(ies) identified that are
not considered to be material weaknesses? None reported
6. Any audit finding(s) disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)? No
7. Federal programs identified as major programs
Highway Planning and Construction CFDA #20.205
8. The dollar threshold used to distinguish between types
A and type B programs: \$750,000
9. Auditee qualified as a low-risk auditee No

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City of Olive Branch, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b)?

_____ No _____

Section 2: Financial Statement Findings

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

Section 3: Federal Award Findings and Questioned Costs.

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