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City Clerk

June 28, 2019

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

Re: Annual Municipal Audit 2018

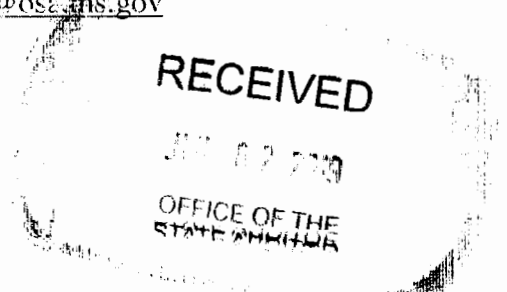
Accompanying this letter are two copies of the annual audit of the City of Olive Branch, Mississippi, for the fiscal year ended September 30, 2018. In connection with this audit, a separate management letter was written to the City of Olive Branch. Enclosed you will find a copy of this management letter along with the audit reports.

Sincerely,

Scott B. Phillips, Mayor

trg

Enclosure – Two Hard Copies and management letter
One Electronic Copy has been E-mailed to tech@osa.ms.gov





City of Olive Branch
MISSISSIPPI

SCOTT B. PHILLIPS, JR., MAYOR

9200 Pigeon Roost - Olive Branch, MS 38654
(662) 892-9201 - Email: sphillips@obms.us

June 17, 2019

Franks, Franks, Wilemon & Hagood, P.A.
P.O. Box 731
Tupelo, Mississippi 38802

This representation letter is provided in connection with your audit(s) of the financial statements of the City of Olive Branch, Mississippi, which comprise the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of June 17, 2019, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 13, 2018, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements [or in the schedule of findings and questioned costs].
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

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OFFICE OF THE
CITY MANAGER

- 9) Guarantees, whether written or oral, under which the City of Olive Branch, Mississippi is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10) We have provided you with:

- a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
- b) Additional information that you have requested from us for the purpose of the audit.
- c) Unrestricted access to persons within the City of Olive Branch, Mississippi from whom you determined it necessary to obtain audit evidence.
- d) Minutes of the meetings of the City of Olive Branch, Mississippi or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements [and the schedule of expenditures of federal awards].

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the City of Olive Branch, Mississippi and involves—

- Management,
- Employees who have significant roles in internal control, or
- Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the City of Olive Branch, Mississippi's financial statements communicated by employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the identity of the City of Olive Branch, Mississippi's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.

20) We have a process to track the status of audit findings and recommendations.

21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

22) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.

23) The City of Olive Branch, Mississippi has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

24) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.

- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 27) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 28) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 29) As part of your audit, you assisted with preparation of the financial statements and related notes [and schedule of expenditures of federal awards]. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes [and schedule of expenditures of federal awards].
- 30) The City of Olive Branch, Mississippi has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The City of Olive Branch, Mississippi has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34 .
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Special and extraordinary items are appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 43) We have appropriately disclosed the City of Olive Branch, Mississippi's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

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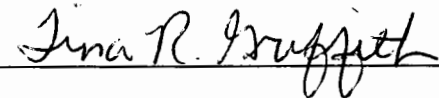
- 44) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 45) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 46) With respect to federal award programs:
- a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
 - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
 - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
 - f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - g) We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
 - h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
 - i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and [have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards OR confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards].
 - j) We have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.

- k) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- l) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- m) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- n) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- o) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- p) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- q) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- r) We have charged costs to federal awards in accordance with applicable cost principles.
- s) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- t) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

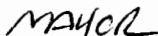
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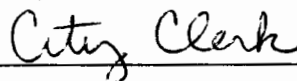
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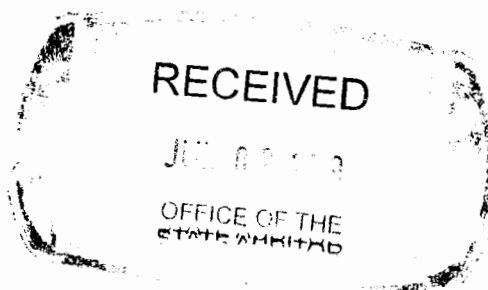


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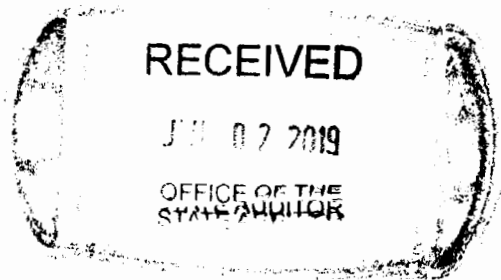




**CITY OF OLIVE BRANCH,
MISSISSIPPI**

FINANCIAL STATEMENTS

September 30, 2018



Prepared by:
Franks, Franks, Wilemon & Hagood, PA
Certified Public Accountants
Tupelo, Mississippi – Fulton, Mississippi

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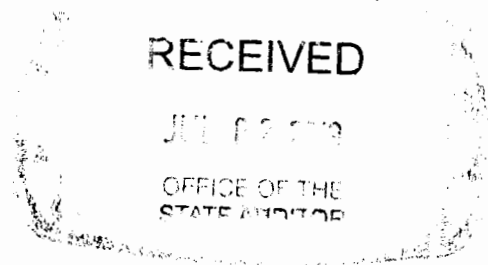
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INDEPENDENT AUDITORS' REPORT



P.O. Box 731
Tupelo, MS 38802
(662) 844-5226

P.O. Box 355
Fulton, MS 38843
(662) 862-4967



Partners

Gary Franks, CPA

Bryon Wilemon, CPA

Jonathan Hagood, CPA

Rudolph Franks, CPA (emeritus)

INDEPENDENT AUDITORS' REPORT

Honorable 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Olive Branch'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.

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

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

Opinions

In our opinion, the financial statements referred 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, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity 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 (pages 9 – 18), budgetary comparison information, the schedule of the City's proportionate share of the net pension liability, the schedule of City contributions, and the notes to the required supplementary information (pages 55 – 58) 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.

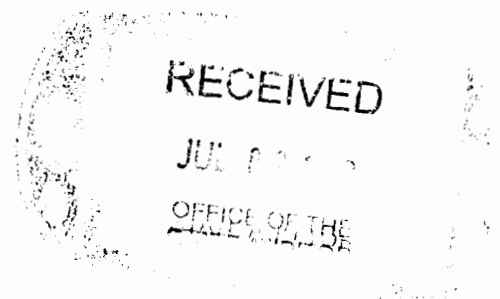
Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019 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 grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Olive Branch's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
June 17, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF OLIVE BRANCH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the year ended September 30, 2018

This section of the City of Olive Branch's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2018. Please read it in conjunction with the City of Olive Branch financial statements, which follow this section.

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, 2018. 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.

FINANCIAL HIGHLIGHTS

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 662 residential building permits were issued in Olive Branch in 2018 (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, 313 in '16, and 301 in '17). The cost of providing quality services, public safety and infrastructure continues to increase but the City has managed to maintain an attractive tax rate. The City's ad valorem tax rate increased from 31.5 mills to 34.5 mills in September '07, and increased from 34.5 to 38.5 in September '14. It remains at 38.5 mills today.

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

Total net assets position decreased \$988,368 which represents a 1.32% decrease from the prior fiscal year. The City's ending cash balance increased by \$1,611,085, which represents a 3.3% increase from the prior fiscal year. The City had \$69,745,783 in total revenues. Tax revenues account for \$31,131,123 (or 45%) of total revenues. Sales of utilities totaled \$27,370,241 or 39% of total revenues.

The City had \$70,734,421 in total expenses. Expenses in the amount of \$35,912,949 were offset by grants, outside contributions or charges for services.

Among major funds, the General Fund had \$34,709,882 in revenues and \$33,184,421 in expenditures. As a result, the General Fund's fund balance increased \$1,582,138 over the prior year.

The Combined Water & Sewer System had \$15,119,102 in revenues and \$13,701,417 in expenditures. As a result, the Combined Water & Sewer System's Fund balance increased by \$343,058 over the prior year.

The Natural Gas System had \$13,300,127 in revenues and \$12,296,719 in expenditures. As a result, the Natural Gas System's Fund balance increased by \$994,292 over the prior year.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS – continued

Capital assets, net of accumulated depreciation decreased by \$1,579,743.

Long-term debt decreased by \$6,246,525 (excluding pension liability).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts—management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an optional section that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the City.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services such as public safety were financed in the short-term as well as what remains for future spending. The City of Olive Branch has three Governmental Fund types: the General Fund, Debt Service Fund and Capital Projects Fund.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates in a similar manner as businesses, and include the City of Olive Branch Natural Gas System and City of Olive Branch Combined Water & Sewer System.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. In addition to these required elements, we have included a section with combining statements that provide details about our non-major governmental funds, each of which are added together and are presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Figure A-1

Major Features of the City of Olive Branch's Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, public works, and parks and recreation	Activities the City operates similar to private businesses: Water, Sewer and Gas System.
Required financial statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position Statement of Net Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

CITY OF OLIVE BRANCH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, and deferred inflows / outflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

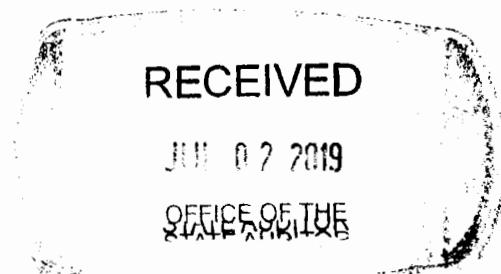
The two government-wide statements report the City of Olive Branch's net position and how they have changed. Net position – the difference between the City of Olive Branch's assets and liabilities - is one way to measure the City of Olive Branch's financial health, or position.

- Over time, increases or decreases in the City of Olive Branch's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City of Olive Branch, the reader should consider additional non-financial factors such as changes in the City of Olive Branch's property tax base.
- *Governmental activities* – Most of the City of Olive Branch's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type Activities* – The City of Olive Branch charges fees to customers to help it cover the costs of certain services it provides. The City of Olive Branch's water, sewer, and gas systems services are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds—not the City as a whole. The "fund" level is where the basic unit of financial organization and operation within the City of Olive Branch exists. Funds are accounting tools that are used to keep track of specific sources of funding and spending for particular purposes. They are the basic budgetary and accounting entities.

- Some funds are required by State law and by bond covenants.
- The Board of Aldermen establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.



CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Olive Branch has two types of funds:

- **Governmental funds** – most of the City of Olive Branch's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the City of Olive Branch's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them. The measurement focus of governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income determination. These funds are maintained on a modified accrual basis of accounting (explained further in the notes to the financial statements under "Summary of Significant Accounting Policies"). The basic financial statements for governmental funds are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance. The City of Olive Branch utilizes three types of governmental funds: the General Fund, Capital Projects Funds, and Debt Service Funds.
- **Proprietary Funds** – Services for which the City of Olive Branch charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information. The City has only one type of proprietary funds – Enterprise funds. The City of Olive Branch's enterprise funds are the same as business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City of Olive Branch's assets exceeded liabilities by \$74,074,022 at the close of the most recent fiscal year.

A large portion, 100%, of the City's net position reflects its investment in capital assets (such as land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; however, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-1

City of Olive Branch's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current & Other Assets	\$ 23,399,695	\$ 39,871,864	\$ 30,042,907	\$ 28,145,762	\$ 53,442,602	\$ 68,017,626
Capital Assets	104,113,248	102,990,251	28,044,397	30,747,137	132,157,645	133,737,388
Total Assets	127,512,943	142,862,115	58,087,304	58,892,899	185,600,247	201,755,014
Total Deferred Outflows	1,340,093	6,717,840	221,719	1,395,763	1,561,812	8,113,603
Current & Other Liabilities	7,582,269	3,774,276	5,592,317	3,156,493	13,174,586	6,930,769
Noncurrent Liabilities	69,759,920	73,206,424	27,293,663	32,698,423	97,053,583	105,904,847
Total Liabilities	77,342,189	76,980,700	32,885,980	35,854,916	110,228,169	112,835,616
Total Deferred Inflows	2,419,889	21,902,219	439,979	854,381	2,859,868	22,756,600
Net Position:						
Net Investment in						
Capital Assets	77,318,891	73,193,008	6,920,092	7,185,119	84,238,983	80,378,127
Restricted	4,071,665	7,268,344	10,010,345	9,973,415	14,082,010	17,241,759
Unrestricted (Deficit)	(32,299,598)	(29,764,316)	8,052,627	6,420,831	(24,246,971)	(23,343,485)
Total Net Position	\$ 49,090,958	\$ 50,697,036	\$ 24,983,064	\$ 23,579,365	\$ 74,074,022	\$ 74,276,401

Unrestricted net position of the City's business-type activities was \$8,052,627 at the end of the current fiscal year. These resources cannot be used to add to the net position surplus in governmental activities. The City of Olive Branch generally can only use this net position to finance the continuing operations of the business-type activities.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2

Changes in the City of Olive Branch's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 6,110,504	\$ 5,848,867	\$ 27,370,241	\$ 24,215,306	\$ 33,480,745	\$ 30,064,173
Operating Grants & Contributions	97,102	125,751	-	-	97,102	125,751
Capital Grants & Contributions	2,335,102	3,781,280	-	-	2,335,102	3,781,280
General Revenues:						
Intergovernmental Taxes	969,507	961,491	-	-	969,507	961,491
Other Taxes	31,131,123	29,796,209	-	-	31,131,123	29,796,209
Investment Income	194,323	-	295,230	-	489,553	-
Other	869,110	1,101,310	373,541	1,350,422	1,242,651	2,451,732
Total Revenues	41,706,771	41,614,908	28,039,012	25,565,728	69,745,783	67,180,636
Expenses						
General Government	4,614,425	4,487,122	-	-	4,614,425	4,487,122
Public Safety	19,777,727	18,515,294	-	-	19,777,727	18,515,294
Public Works	6,742,916	7,238,332	-	-	6,742,916	7,238,332
Culture & Recreation	2,675,357	2,486,455	-	-	2,675,357	2,486,455
Economic Development	1,574,877	-	-	-	1,574,877	-
Capital Projects	261,557	1,359,603	-	-	261,557	1,359,603
Interest on Long-Term Debt	787,764	864,636	703,526	753,599	1,491,290	1,618,235
Pension Expense	7,598,136	5,525,895	329,927	1,157,341	7,928,063	6,683,236
Gas System	-	-	12,213,180	10,604,037	12,213,180	10,604,037
Water System	-	-	13,455,029	13,446,001	13,455,029	13,446,001
Total Expenses	44,032,759	40,477,337	26,701,662	25,960,978	70,734,421	66,438,315
Excess of Revenue Over Exp. Transfers	(2,325,988)	1,137,571	1,337,350	(395,250)	(988,638)	742,321
Change in Net Position	(2,325,988)	1,137,571	1,337,350	(395,250)	(988,638)	742,321
Net Position—Beginning	51,416,946	49,559,465	23,645,714	23,974,615	75,062,660	73,534,080
Net Position—Ending	\$ 49,090,958	\$ 50,697,036	\$ 24,983,064	\$ 23,579,365	\$ 74,074,022	\$ 74,276,401

CITY OF OLIVE BRANCH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities decreased the City's net position by \$2,325,988.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax 26%, property taxes 44% and charges for services 15%.

The largest expense categories for the City's governmental activities are public safety 45% and public works 16% and general government 10%.

Business-type Activities

Business-type activities increased the City's net position by \$1,337,350.

Charges for services are the major revenue categories for the enterprise funds, as 98% of total revenues. Total business-type revenues are comprised of \$28,039,012 for water, sewer, and gas system.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

General Fund – The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,037,334 which comprised 95% of total general fund balance. As a measure of the general fund's liquidity, it may useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. The fund balance of the City's general fund increased by \$1,582,138 during the current fiscal year.

Debt Service Fund – The debt service fund has a total fund balance of \$1,629,533, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$325,772.

Capital Projects Funds - The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$2,294,975.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the proprietary funds at the end of the current fiscal year totaled \$24,983,064. Changes in net position, which totaled \$1,337,350 were as follows: the water & sewer fund increased by \$343,058, and the gas fund increased by \$994,292.

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CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – In accordance with GASB 34, the City has recorded depreciation expense associated with all of its capital assets, including infrastructure. The city's investment in capital assets for its governmental; and business-type activities as of September 30, 2018, amounted to \$132,157,645, net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Olive Branch's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 7,905,365	\$ 7,703,675	\$ 211,101	\$ 212,867	\$ 8,116,466	\$ 7,916,542
Infrastructure	130,887,726	126,603,893	-	-	130,887,726	126,603,893
Plant, Buildings, Improvements	32,005,813	27,400,378	66,686,115	67,856,413	98,691,928	95,256,791
Machinery & Equipment	12,613,547	14,157,446	5,184,715	5,353,065	17,798,262	19,510,511
Construction in Progress	2,405,442	4,522,220	1,245,814	918,315	3,651,256	5,440,535
Accumulated Depreciation	(81,704,645)	(77,397,361)	(45,283,348)	(43,593,523)	(126,987,993)	(120,990,884)
Total	\$ 104,113,248	\$ 102,990,251	\$ 28,044,397	\$ 30,747,137	\$ 132,157,645	\$ 133,737,388

Long-term Debt – At year-end, the City of Olive Branch has \$47,918,662 in bonds and notes outstanding. More detailed information about the City of Olive Branch's long-term liabilities is presented in the notes to the financial statements. This includes general obligation bonds, revenue bonds, Mississippi Business Investment Act notes and obligations under capital lease. Of this debt, \$6,006,926 is due within one year.

Table A-4

City of Olive Branch's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General Obligation Bonds	\$ 25,134,395	\$ 27,835,113	\$ 3,584,593	\$ 1,685,914	\$ 28,718,988	\$ 29,521,027
Revenue Bonds	-	-	13,685,000	17,670,000	13,685,000	17,670,000
Loans Payable	1,659,962	2,136,943	2,522,030	2,719,000	4,181,992	4,855,943
Leases Payable	-	-	1,332,682	1,725,938	1,332,682	1,725,938
Total	\$ 26,794,357	\$ 29,972,056	\$ 21,124,305	\$ 23,800,852	\$ 47,918,662	\$ 53,772,908

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Olive Branch considered current year operational expenses and estimated increases based on economic factors when establishing the fiscal year 2019 budget. The total budgeted appropriations for the City operations in the general fund are \$36,668,611. This budget reflects a decrease of approximately \$659,583 over the prior year budget.

CONTACTING THE CITY OF OLIVE BRANCH FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City of Olive Branch's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, 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, MS 38654.

BASIC FINANCIAL STATEMENTS

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CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 17,443,782	\$ 24,799,067	\$ 42,242,849
Cash - Fiscal Agents	465,000	-	465,000
Accounts Receivable, net of allowance for uncollectibles of \$9,985,250 and \$1,391,952	1,869,181	2,163,703	4,032,884
Intergovernmental Receivables	1,965,427	346	1,965,773
General Property Taxes Receivable	125,418	-	125,418
Notes Receivable	-	369,014	369,014
Prepaid Expenses	555,097	238,997	794,094
Due From Other Funds	975,790	274,336	1,250,126
TOTAL CURRENT ASSETS	23,399,695	27,845,463	51,245,158
Noncurrent Assets:			
Restricted Cash	-	2,197,444	2,197,444
Capital Assets:			
Land	7,905,365	211,101	8,116,466
Plant, Buildings and Improvements	32,005,813	66,686,115	98,691,928
Machinery and Equipment	12,613,547	5,184,715	17,798,262
Infrastructure	130,887,726	-	130,887,726
Construction in Progress	2,405,442	1,245,814	3,651,256
Accumulated Depreciation	(81,704,645)	(45,283,348)	(126,987,993)
TOTAL NONCURRENT ASSETS	104,113,248	30,241,841	134,355,089
TOTAL ASSETS	127,512,943	58,087,304	185,600,247
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Bond Refunding	562,907	80,413	643,320
Deferred Outflows Related to Pensions	777,186	141,306	918,492
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,340,093	\$ 221,719	\$ 1,561,812

**CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION**

September 30, 2018

-Continued-

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 1,219,988	\$ 505,400	\$ 1,725,388
Accrued Expenses	714,811	140,014	854,825
Due to Other Funds	1,250,126	-	1,250,126
Warranty Bonds	698,320	-	698,320
Long-Term Debt: Due Within One Year	3,699,024	2,307,902	6,006,926
Customer and Event Deposits	-	2,639,001	2,639,001
TOTAL CURRENT LIABILITIES	7,582,269	5,592,317	13,174,586
Noncurrent Liabilities:			
Net Pension Liability	45,501,411	8,272,984	53,774,395
Capital Long-Term Debt: Due in More Than One Year	23,095,333	18,816,403	41,911,736
Accrued Compensated Absences	1,163,176	204,276	1,367,452
TOTAL NONCURRENT LIABILITIES	69,759,920	27,293,663	97,053,583
TOTAL LIABILITIES	77,342,189	32,885,980	110,228,169
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	2,419,889	439,979	2,859,868
TOTAL DEFERRED INFLOWS OF RESOURCES	2,419,889	439,979	2,859,868
<u>NET POSITION</u>			
Net Investment in Capital Assets	77,318,891	6,920,092	84,238,983
Restricted for:			
Capital Projects	2,317,172	7,812,901	10,130,073
Debt Service	1,588,150	2,197,444	3,785,594
Special Revenue	166,343	-	166,343
Unrestricted (Deficit)	(32,299,598)	8,052,627	(24,246,971)
TOTAL NET POSITION	\$ 49,090,958	\$ 24,983,064	\$ 74,074,022
TOTAL LIABILITIES AND NET POSITION	\$ 126,433,147	\$ 57,869,044	\$ 184,302,191

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

						Net (Expense) Revenue and Changes in Net Position		
						PRIMARY GOVERNMENT		
		PROGRAM REVENUES						
FUNCTIONS/ PROGRAMS	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 4,614,425	\$ 815,652	\$ 34,342	\$ -	\$ 849,994	\$ (3,764,431)	\$ -	\$ (3,764,431)
Public Safety	19,777,727	3,341,368	57,509	-	3,398,877	(16,378,850)	-	(16,378,850)
Public Works	6,742,916	1,599,535	5,251	2,335,102	3,939,888	(2,803,028)	-	(2,803,028)
Culture and Recreation	2,675,357	353,949	-	-	353,949	(2,321,408)	-	(2,321,408)
Economic Development and Assistance	1,574,877	-	-	-	-	(1,574,877)	-	(1,574,877)
Capital Projects	261,557	-	-	-	-	(261,557)	-	(261,557)
Interest on Long-Term Debt	787,764	-	-	-	-	(787,764)	-	(787,764)
Pension Expense	7,598,136	-	-	-	-	(7,598,136)	-	(7,598,136)
TOTAL GOVERNMENTAL ACTIVITIES	44,032,759	6,110,504	97,102	2,335,102	8,542,708	(35,490,051)	-	(35,490,051)
Business-Type Activities:								
Water and Sewer	13,455,029	14,586,300	-	-	14,586,300	-	1,131,271	1,131,271
Gas System	12,213,180	12,783,941	-	-	12,783,941	-	570,761	570,761
Interest on Long-Term Debt	703,526	-	-	-	-	-	(703,526)	(703,526)
Pension Expense	329,927	-	-	-	-	-	(329,927)	(329,927)
TOTAL BUSINESS-TYPE ACTIVITIES	26,701,662	27,370,241	-	-	27,370,241	-	668,579	668,579
TOTAL PRIMARY GOVERNMENT	\$ 70,734,421	\$ 33,480,745	\$ 97,102	\$ 2,335,102	\$ 35,912,949	\$ (35,490,051)	\$ 668,579	\$ (34,821,472)

GENERAL REVENUES:

Taxes:			
Property Taxes	\$ 18,442,970	\$ -	\$ 18,442,970
Intergovernmental Revenues	969,507	-	969,507
Sales Taxes	10,695,432	-	10,695,432
Franchise Taxes	1,992,721	-	1,992,721
Rents	10,100	195,836	205,936
Investment Earnings	194,323	295,230	489,553
Gain (Loss) on Disposal of Assets	44,896	(871,283)	(826,387)
Miscellaneous	814,114	1,048,988	1,863,102
Transfers	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS	33,164,063	668,771	33,832,834
CHANGE IN NET POSITION	(2,325,988)	1,337,350	(988,638)
NET POSITION--BEGINNING, as previously stated	50,697,036	23,579,365	74,276,401
PRIOR PERIOD ADJUSTMENTS	719,910	66,349	786,259
NET POSITION--BEGINNING, as restated	51,416,946	23,645,714	75,062,660
NET POSITION--ENDING	\$ 49,090,958	\$ 24,983,064	\$ 74,074,022

See accompanying notes to financial statements.

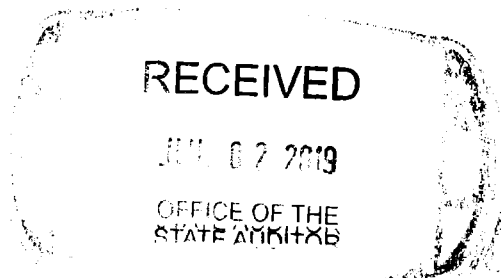
**CITY OF OLIVE BRANCH
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018**

	General Fund	Debt Service Fund	2015 GO Improvements Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	\$ 13,178,222	\$ 947,697	\$ 1,707,396	\$ 1,610,467	\$ 17,443,782
Cash with Fiscal Agents	180,000	285,000	-	-	465,000
Accounts Receivable, net of allowance for uncollectibles of \$5,342,268	1,019,353	-	-	-	1,019,353
Intergovernmental Receivables	1,383,805	40,877	-	-	1,424,682
Due from Other Funds	-	314,576	652,674	8,540	975,790
Prepaid Expenses	513,714	41,383	-	-	555,097
TOTAL ASSETS	\$ 16,275,094	\$ 1,629,533	2,360,070	\$ 1,619,007	\$ 21,883,704
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts Payable	\$ 1,149,178	\$ -	65,095	\$ 5,715	\$ 1,219,988
Accrued Expenses	453,002	-	-	-	453,002
Due to Other Funds	1,250,126	-	-	-	1,250,126
Warranty Bonds	698,320	-	-	-	698,320
TOTAL LIABILITIES	3,550,626	-	65,095	5,715	3,621,436
FUND BALANCES:					
Nonspendable					
Prepaid Expenses	513,714	41,383	-	-	555,097
Restricted for					
Debt Service	-	1,588,150	-	-	1,588,150
Public Safety	166,343	-	-	-	166,343
Capital Projects	7,077	-	2,294,975	15,120	2,317,172
Committed to					
Construction Acquisition of Assets	-	-	-	1,598,172	1,598,172
Unassigned	12,037,334	-	-	-	12,037,334
TOTAL FUND BALANCES	12,724,468	1,629,533	2,294,975	1,613,292	18,262,268
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,275,094	\$ 1,629,533	\$ 2,360,070	\$ 1,619,007	\$ 21,883,704

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
September 30, 2018

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 18,262,268
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	104,113,248
Long-term liabilities, including bonds and accrued interest, are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(26,493,259)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(1,163,176)
Deferred revenues for delinquent property taxes deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	125,418
Other long-term assets not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.	540,745
Net pension liability are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(45,501,411)
Deferred outflows and inflows related to pensions are applicable to future periods and, therefore are not reported in the Governmental Funds Balance Sheet:	
Deferred outflows of resources related to defined benefit pension plan	777,186
Deferred inflows of resources related to defined benefit pension plan	(2,419,889)
Accrual of court fine revenues to qualify as financial resources.	<u>849,828</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 49,090,958</u>



See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
For the year ended September 30, 2018

	General Fund	Debt Service Fund	2015 GO Improvements Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:					
General Property Taxes	\$ 14,270,321	\$ 4,172,820	\$ -	\$ -	\$ 18,443,141
Intergovernmental Revenues	11,664,939	-	-	-	11,664,939
Charges for Services	5,854,997	-	-	-	5,854,997
Franchise Taxes	1,972,645	-	-	-	1,972,645
Interest	135,722	19,075	23,221	16,305	194,323
Miscellaneous Revenues	811,258	-	-	2,856	814,114
TOTAL REVENUES	34,709,882	4,191,895	23,221	19,161	38,944,159
EXPENDITURES:					
Current:					
General Government	3,337,369	-	22	1,522	3,338,913
Public Safety	19,065,139	-	-	-	19,065,139
Public Works	4,441,370	-	-	-	4,441,370
Culture and Recreation	2,423,586	-	-	-	2,423,586
Economic Development	1,577,123	-	-	-	1,577,123
Capital Projects	1,830,164	-	3,852,747	272,560	5,955,471
Debt Service	509,670	3,866,123	-	-	4,375,793
TOTAL EXPENDITURES	33,184,421	3,866,123	3,852,769	274,082	41,177,395
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	1,525,461	325,772	(3,829,548)	(254,921)	(2,233,236)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Assets	32,710	-	-	-	32,710
Rents	10,100	-	-	-	10,100
Grant Revenues	97,102	-	2,175,285	159,817	2,432,204
Interfund Transfers	(83,235)	-	-	83,235	-
TOTAL OTHER FINANCING SOURCES (USES)	56,677	-	2,175,285	243,052	2,475,014
NET CHANGE IN FUND BALANCES	1,582,138	325,772	(1,654,263)	(11,869)	241,778
FUND BALANCES - Beginning	11,142,330	1,303,761	3,949,238	1,625,161	18,020,490
FUND BALANCES - Ending	\$ 12,724,468	\$ 1,629,533	\$ 2,294,975	\$ 1,613,292	\$ 18,262,268

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the year ended September 30, 2018

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 241,778

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 5,693,914

Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (4,583,103)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the remaining basis of the capital assets sold. 12,186

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds. 275,412

Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds. (7,598,136)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 3,599,024

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:

Amortization of bond premiums and deferred gains	(33,231)
Change in accrued interest payable	22,236
Change in accrual of compensated absences payable.	<u>43,932</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (2,325,988)

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPES
September 30, 2018

	Water and Sewer Fund	Natural Gas Fund	Non-Major Fund Airport Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 15,568,880	\$ 9,230,187	\$ -	\$ 24,799,067
Accounts Receivables, net of allowance for uncollectibles of \$1,391,952	1,638,682	525,021	-	2,163,703
Intergovernmental Receivables	346	-	-	346
Due from Other Funds	353,174	-	-	353,174
Prepaid Expenses	220,957	18,040	-	238,997
	<u>17,782,039</u>	<u>9,773,248</u>	<u>-</u>	<u>27,555,287</u>
Noncurrent Assets:				
Restricted Cash	1,781,258	416,186	-	2,197,444
Notes Receivable	369,014	-	-	369,014
Capital Assets, net accumulated depreciation	<u>22,863,835</u>	<u>5,179,562</u>	<u>1,000</u>	<u>28,044,397</u>
Total Noncurrent Assets	<u>25,014,107</u>	<u>5,595,748</u>	<u>1,000</u>	<u>30,610,855</u>
Total Assets	<u>42,796,146</u>	<u>15,368,996</u>	<u>1,000</u>	<u>58,166,142</u>
DEFERRED OUTFLOWS OF RESOURCES				
	\$ <u>98,789</u>	\$ <u>122,930</u>	\$ <u>-</u>	\$ <u>221,719</u>

CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPES
September 30, 2018

-Continued-

	Water and Sewer Fund	Natural Gas Fund	Non-Major Fund Airport Fund	Total
LIABILITIES & NET POSITION				
Current Liabilities:				
Accounts Payable	\$ 230,317	\$ 275,083	\$ -	\$ 505,400
Accrued Expenses	111,197	28,817	-	140,014
Current Maturities of Long-Term Debt	1,952,945	354,957	-	2,307,902
Customer and Other Deposits	863,740	1,775,261	-	2,639,001
Due to Other Funds	-	77,838	1,000	78,838
	<u>3,158,199</u>	<u>2,511,956</u>	<u>1,000</u>	<u>5,671,155</u>
Total Current Liabilities				
Noncurrent Liabilities:				
Net Pension Liability	4,269,927	4,003,057	-	8,272,984
Capital Long-Term Debt: Due More Than O	16,946,645	1,869,758	-	18,816,403
Accrued Compensated Absences	125,325	78,951	-	204,276
	<u>21,341,897</u>	<u>5,951,766</u>	<u>-</u>	<u>27,293,663</u>
Total Noncurrent Liabilities				
Total Liabilities	<u>24,500,096</u>	<u>8,463,722</u>	<u>1,000</u>	<u>32,964,818</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>227,086</u>	<u>212,893</u>	<u>-</u>	<u>439,979</u>
Net Position:				
Net Investment in Capital Assets	3,964,245	2,954,847	-	6,919,092
Restricted for:				
Debt Service	1,781,258	416,186	-	2,197,444
Capital Projects	7,812,901	-	-	7,812,901
Unrestricted (Deficit)	4,609,349	3,444,278	-	8,053,627
	<u>18,167,753</u>	<u>6,815,311</u>	<u>-</u>	<u>24,983,064</u>
Total Net Position				

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For the year ended September 30, 2018

	Water and Sewer Fund	Natural Gas Fund	Non-Major Fund Airport Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 14,586,300	\$ 12,783,941	\$ -	\$ 27,370,241
Miscellaneous Revenues	532,802	516,186	-	1,048,988
Total Operating Revenues	15,119,102	13,300,127	-	28,419,229
OPERATING EXPENSES				
Costs of Sales	-	6,993,591	-	6,993,591
Personnel	3,347,869	3,176,471	-	6,524,340
Materials and Supplies	994,168	413,711	-	1,407,879
Professional Services	5,087,001	40,618	-	5,127,619
Amortization and Depreciation	2,233,205	544,807	-	2,778,012
Other Expenses	1,792,786	1,043,982	-	2,836,768
Pension Expense	246,388	83,539	-	329,927
Total Operating Expenses	13,701,417	12,296,719	-	25,998,136
Net Operating Income	1,417,685	1,003,408	-	2,421,093
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	189,993	105,237	-	295,230
Gain(Loss) on Disposal of Fixed Assets	(871,283)	-	-	(871,283)
Rent	195,836	-	-	195,836
Interest Expense	(589,173)	(114,353)	-	(703,526)
Total Non-operating Revenues (Expenses)	(1,074,627)	(9,116)	-	(1,083,743)
Change in Net Position	343,058	994,292	-	1,337,350
TOTAL NET POSITION -				
Beginning of Year, as previously stated	17,766,963	5,812,402	-	23,579,365
PRIOR PERIOD ADJUSTMENT	57,731	8,618	-	66,349
TOTAL NET POSITION -				
Beginning of Year, as restated	17,824,694	5,821,020	-	23,645,714
TOTAL NET POSITION -				
End of Year	\$ 18,167,752	\$ 6,815,312	\$ -	\$ 24,983,064

See accompanying notes to financial statements.

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STATE AUDITOR

CITY OF OLIVE BRANCH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2018

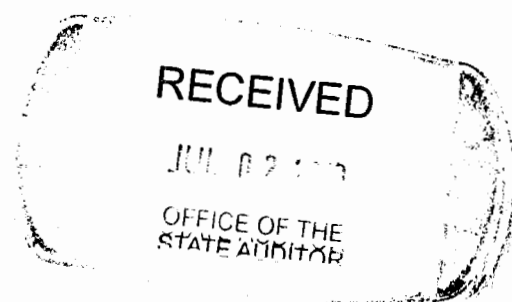
	Water and Sewer Fund	Natural Gas Fund	Non-Major Fund Airport Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers	\$ 14,573,413	\$ 12,832,209	\$ -	\$ 27,405,622
Payments to Suppliers	(7,986,959)	(8,431,722)	-	(16,418,681)
Payments to Employees	(3,346,323)	(3,188,728)	-	(6,535,051)
Other Receipts (Payments)	532,666	514,926	-	1,047,592
Net Cash Provided by (Used in) Operating Activities	3,772,797	1,726,685	-	5,499,482
Cash Flows from Noncapital Financing Activities:				
Transfers In (Out)	(288,682)	(220,889)	-	(509,571)
Net Cash Provided by (Used In) Noncapital Financing Activities	(288,682)	(220,889)	-	(509,571)
Cash Flows from Capital and Related Financing Activities:				
Purchase of Capital Assets	(1,104,339)	(3,309)	-	(1,107,648)
Proceeds from Sale of Capital Assets	100,375	-	-	100,375
Proceeds from Issuance of Long-Term Debt	2,191,000	-	-	2,191,000
Principal Payments on Debt	(4,072,507)	(641,957)	-	(4,714,464)
Interest Paid	(634,116)	(133,709)	-	(767,825)
Proceeds from Notes Receivable	21,848	-	-	21,848
Net Cash Provided by (Used In) Capital and Related Financing Activities	(3,497,739)	(778,975)	-	(4,276,714)
Cash Flows from Investing Activities:				
Rent	195,836	-	-	195,836
Interest on Investments	189,993	105,237	-	295,230
Net Cash Provided by (Used In) Investing Activities	385,829	105,237	-	491,066
Net Increase (Decrease) In Cash and Cash Equivalents	372,205	832,058	-	1,204,263
Cash and Cash Equivalents--Beginning	16,977,932	8,814,316	-	25,792,248
Cash and Cash Equivalents--Ending	\$ 17,350,137	\$ 9,646,374	\$ -	\$ 26,996,511

CITY OF OLIVE BRANCH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2018

	Water and Sewer Fund	Natural Gas Fund	Non-Major Fund Airport Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,417,685	\$ 1,003,408	\$ -	\$ 2,421,093
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	2,233,205	544,807	-	2,778,012
Net Pension Expense	246,388	83,539	-	329,927
Decrease (Increase) in Assets:				
Accounts Receivable	(56,233)	(39,067)	-	(95,300)
Increase (Decrease) in Liabilities:				
Accounts Payable	3,327	54,709	-	58,036
Accrued Expenses	3,961	(457)	-	3,504
Compensated Absences	(2,551)	(13,060)	-	(15,611)
Customer and Other Deposits	43,346	87,335	-	130,681
Total Adjustments	2,355,112	723,277	-	3,078,389
Net Cash Provided by (Used in) Operating Activities	\$ 3,772,797	\$ 1,726,685	\$ -	\$ 5,499,482

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS



CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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, and 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
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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	\$ 0	N/A
Infrastructure	0	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
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, granters, 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:

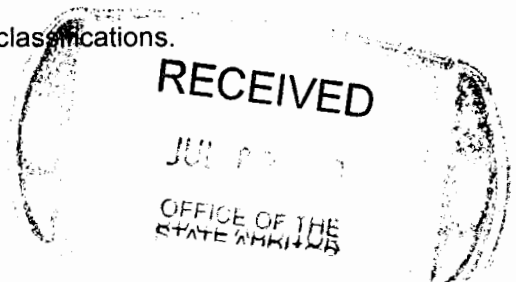
When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and 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
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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, 2018, the City's bank balance was not exposed to custodial credit risk. As of September 30, 2018, the carrying amount of the City's deposits was \$44,440,293 and the bank balances totaled \$44,940,278. Of the bank balances, \$500,000 was insured by the FDIC and \$44,940,278 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, 2018 fund balance was \$1,598,172 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	\$ 330,688	\$ -	\$ -
Sales Tax	882,440	-	-
Ad valorem tax	142,493	40,877	-
Grant proceeds	28,184	-	346
Totals	\$ 1,383,805	\$ 40,877	\$ 346

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE D - LOANS RECEIVABLE

Methodist LeBonheur Healthcare agreed to pay \$500,000 plus associated interest to the City of Olive Branch as reimbursement of debt service requirements for the \$1,700,000 Capital Improvement Revolving Loan issued by MDA to the City of Olive Branch. As of September 30, 2018, the balance on the note is \$369,014.

NOTE E - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2018:

	<u>Balance Oct. 1, 2017</u>	<u>Acquisitions</u>	<u>Capitalized Construction, Sales, or Retirements</u>	<u>Balance Sept. 30, 2018</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 7,703,675	\$ 201,690	\$ -	\$ 7,905,365
Construction in Progress	4,522,220	4,289,173	(6,405,951)	2,405,442
Total Capital Assets, not being Depreciated:	12,225,895	4,490,863	(6,405,951)	10,310,807
Capital Assets being Depreciated:				
Buildings and Improvements	27,400,378	2,323,244	-	29,723,622
Machinery and Equipment	14,157,446	1,001,925	(263,633)	14,895,738
Infrastructure	126,603,893	4,283,833	-	130,887,726
Total Capital Assets, being Depreciated	168,161,717	7,609,002	(263,633)	175,507,086
Less Accumulated Depreciation for:				
Buildings and Improvements	(7,690,483)	(604,823)	-	(8,295,306)
Machinery and Equipment	(8,467,031)	(1,080,518)	275,819	(9,271,730)
Infrastructure	(61,239,847)	(2,897,762)	-	(64,137,609)
Total Accumulated Depreciation	(77,397,361)	(4,583,103)	275,819	(81,704,645)
Total Governmental Activities				
Capital Assets, net	<u>\$ 102,990,251</u>	<u>\$ 7,516,762</u>	<u>\$ (6,393,765)</u>	<u>\$ 104,113,248</u>

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE E - CAPITAL ASSETS – continued

	<u>Balance</u> <u>Oct. 1, 2017</u>	<u>Acquisitions</u>	<u>Capitalized</u> <u>Construction,</u> <u>Sales, or</u> <u>Retirements</u>	<u>Balance</u> <u>Sept. 30, 2018</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 212,867	\$ 1,000	\$ (2,766)	\$ 211,101
Construction in Progress	918,315	690,861	(363,362)	1,245,814
Total Capital Assets, not being Depreciated:	1,131,182	691,861	(366,128)	1,456,915
Capital Assets being Depreciated:				
Buildings and Improvements	460,871	-	-	460,871
Machinery and Equipment	5,353,065	206,531	(374,881)	5,184,715
Infrastructure	67,395,542	593,999	(1,764,297)	66,225,244
Total Capital Assets, being Depreciated	73,209,478	800,530	(2,139,178)	71,870,830
Less Accumulated Depreciation for:				
Buildings and Improvements	(120,553)	(10,539)	-	(131,092)
Machinery and Equipment	(3,201,577)	(545,677)	66,889	(3,680,365)
Infrastructure	(40,271,393)	(2,130,216)	929,718	(41,471,891)
Total Accumulated Depreciation	(43,593,523)	(2,686,432)	996,607	(45,283,348)
Total Business-Type Activities				
Capital Assets, net	\$ 30,747,137	\$ (1,194,041)	\$ (1,508,699)	\$ 28,044,397

Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental Activities:

General Government	\$ 1,280,267
Public Safety	739,741
Public Works	2,307,872
Culture and Recreation	255,223

Total Depreciation Expense - Governmental Activities

\$ 4,583,103

Business-Type Activities:

Water and Sewer	\$ 2,158,466
Natural Gas	527,966

Total Depreciation Expense - Business-Type Activities

\$ 2,686,432

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CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE E - CAPITAL ASSETS – continued

Commitments under construction at September 30, 2018 are summarized as follows:

Project	Contract Amount	Remaining Balance	Fund
Complex A Baseball Improvements	\$ 91,000	\$ 1	General
Utility Relocation Hwy 305 Old Goodman	2,033,858	37,500	Enterprise
Craft Widening Construction	514,787	31	General
Bethel Road Improvements	99,895	9,638	General
Stateline Bridge Replacement	132,274	5,348	General
Widen Craft Road North of 302	4,067,404	-	General
2018 Street Paving Project	702,616	55,208	General
Overlay Hacks Cross from SR 302 to Stateline Rd	108,801	16,581	General
Overlay Hacks Cross from SR 302 to Stateline	2,290,425	633,928	General
Public Works Facility	203,355	182,322	Enterprise
Metro WWTP Expansion	195,000	42,097	Enterprise
Alexander Road Relief Sewer Project	1,216,934	-	Enterprise
City Park Complex A Improvements	2,093,753	-	General
Tennis Complex & Complex A existing City Park	31,940	1,911	General
Hummingbird Box Culvert	85,981	-	General
Total	\$ 13,868,023	\$ 984,565	

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE F – INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

Funds:	<u>Due To</u>	<u>Due From</u>
General Fund	\$ -	\$ 1,057,528
Debt Service Fund	124,496	-
2015 GO Improvements Fund	652,674	-
Other Governmental Funds	8,540	-
Airport Fund	-	1,000
Water and Sewer Fund	350,656	-
Natural Gas Fund	-	77,838
Total Funds	\$ <u>1,136,366</u>	\$ <u>1,136,366</u>

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

Funds:	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 83,235
Other Governmental Funds	83,235	-
Debt Service Fund	-	-
Water and Sewer Fund	-	-
Natural Gas Fund	-	-
Total Funds	\$ <u>83,235</u>	\$ <u>83,235</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.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
Septemebr 30, 2018

NOTE G - LONG-TERM DEBT

Long-term debt activity for the year-ended September 30, 2018 was as follows:

	<u>Balance at 9/30/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/2018</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 27,835,113	\$ -	\$ 3,122,043	\$ 24,713,070	\$ 3,222,043
Loans Payable	2,136,943	-	476,981	1,659,962	476,981
Defferred gain (loss) on Bond Refunding	(651,365)	-	(88,458)	(562,907)	-
Bond Premium	476,552	-	55,227	421,325	-
Compensated Absences Payable	1,207,108	-	43,932	1,163,176	-
Governmental Activities Long-Term Liabilities	\$ <u>31,004,351</u>	\$ -	\$ <u>3,609,725</u>	\$ <u>27,394,626</u>	\$ <u>3,699,024</u>
Business-Type Activities:					
General Obligation Bonds Payable	\$ 1,685,914	\$ 2,191,000	\$ 352,957	\$ 3,523,957	\$ 694,957
Revenue Bonds Payable	17,670,000	-	3,985,000	13,685,000	1,225,000
Loans Payable	2,719,000	-	196,970	2,522,030	202,041
Leases Payable	1,512,219	-	179,537	1,332,682	185,904
Defferred gain (loss) on Bond Refunding	(95,018)	-	(14,605)	(80,413)	-
Bond Premium	69,904	-	9,268	60,636	-
Compensated Absences Payable	219,887	-	15,611	204,276	-
Business-Type Activities Long-Term Liabilities	\$ <u>23,781,906</u>	\$ <u>2,191,000</u>	\$ <u>4,724,738</u>	\$ <u>21,248,168</u>	\$ <u>2,307,902</u>

CITY OF OLIVE BRANCH
Notes to Financial Statements
September 30, 2018

NOTE G - LONG-TERM DEBT – continued

General Obligation Bonds. General obligation bonds are direct obligations and pledge full of the City. General obligation bonds currently outstanding as of faith and credit September 30, 2018 are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amounts</u>	
				<u>Issued</u>	<u>Outstanding</u>
General Long Term					
2007	4.38%	9/1/2007	9/1/2027	\$ 12,000,000	\$ 1,495,000
2009	3.00-3.63%	10/1/2009	10/1/2024	4,000,000	2,310,000
2010	2.00-3.38%	4/15/2010	8/1/2019	1,610,296	83,070
2011	2.00-3.13%	6/29/2011	3/1/2022	1,650,000	705,000
2011	2.00-3.00%	6/29/2011	6/1/2019	2,800,000	410,000
2012	1.00-2.75%	4/4/2012	3/1/2023	8,255,000	3,780,000
2014	0.55-2.50%	12/3/2014	9/1/2027	6,000,000	5,685,000
2014	2.00-2.38%	5/1/2015	11/1/2026	4,000,000	3,130,000
2015	2.13-3.00%	5/1/2015	5/1/2035	8,000,000	7,115,000
				<u>\$ 48,315,296</u>	<u>\$ 24,713,070</u>
Enterprise Funds					
2010	2.00-3.38%	4/15/2010	8/1/2019	\$ 424,704	\$ 22,957
2013	2.00%	6/1/2022	6/1/2022	2,905,000	1,310,000
2018		9/6/2018	6/1/2026	2,191,000	2,191,000
				<u>5,520,704</u>	<u>3,523,957</u>
Total				<u>\$ 53,836,000</u>	<u>\$ 28,237,027</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, 2018 are as follows:

Enterprise Funds

Combined Water & Sewer 2005	3.75-5.25%	5/26/2005	3/1/2020	\$ 2,200,000	\$ 385,000
Combined Water & Sewer 2008	3.76-4.36%	9/23/2008	3/1/2020	2,625,000	565,000
Combined Water & Sewer Refund 2010	2.00-3.50%	10/27/2010	3/1/2026	5,260,000	2,470,000
Combined Water & Sewer 2011	3.50-3.63%	7/1/2011	3/1/1931	3,200,000	2,415,000
2017 W/S Combined Revenue Bonds		4/1/2017	4/1/2042	8,000,000	7,850,000
				<u>\$ 21,285,000</u>	<u>\$ 13,685,000</u>

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE G - LONG-TERM DEBT – continued

Loans. The City also uses loans to finance its projects. Loans outstanding as of September 30, 2018 are as follows

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
General					
General Obligation Note 2015	1.51%	11/23/2015	8/31/2020	\$ 619,905	\$ 247,962
General Obligation Note 2017	1.69%	5/1/2017	5/1/2022	865,000	692,000
General Obligation Note 2016	1.40%	5/1/2017	10/1/2022	900,000	720,000
				<u>2,384,905</u>	<u>1,659,962</u>
Enterprise Funds					
MS Dept. of Environmental					
Quality SRF Loan	2.00%	11/1/2006	6/1/2026	\$ 1,011,918	\$ 446,755
DWSIRLF Loan - DWI	2.00%	6/7/2005	1/1/2016	1,443,899	717,864
Methodist CAP Revolving Loan	3.00%	5/14/2012	3/1/2034	1,667,502	1,357,411
				<u>4,123,319</u>	<u>2,522,030</u>
Total				\$ <u>6,508,224</u>	\$ <u>4,181,992</u>

Annual debt service requirements to maturity of general obligations bonds, revenue bonds, and loans for the years subsequent to September 30, 2018 as follows:

Year Ending September 30	General Long - Term Debt		Business - Type	
	Principal	Interest	Principal	Interest
2019-2023	\$ 8,052,043	\$ 692,738	\$ 10,129,608	\$ 2,682,403
2024-2028	735,000	35,422	5,389,088	1,471,894
2029-2033	-	-	2,828,190	845,345
2034-2038	-	-	2,036,789	513,808
2039-2042	-	-	1,900,000	167,475
Total	<u>\$ 8,787,043</u>	<u>\$ 728,160</u>	<u>\$ 22,283,675</u>	<u>\$ 5,680,925</u>

Leases. Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2018 are as follows:

Year Ending September 30	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ -	\$ 185,904	\$ 44,222
2020-2024	-	-	1,033,207	117,418
2025-2029	-	-	113,571	1,493
Present Value of Minimum Lease Payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,332,682</u>	<u>\$ 163,133</u>

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CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN

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

Benefits Provided – Membership in PERS is a condition of employment granted upon hiring for qualifying employees. Participating members who are vested and retire at or after age 60 or those 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 an 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 years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS 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.

Employee membership data related to the Plan, as of June 30, 2018 was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	104,973
Inactive Members Assumed Eligible for a Benefit at Retirement Date	16,578
Inactive Members Assumed Not to Receive Service Retirement Benefits	52,763
Active Members	150,687
Total	<u>325,001</u>

Contributions – PERS members are required to contribute 9% of their annual covered salary and the City is required to contribute at an actuarially determined rate. At September 30, 2018, the current rate is 15.75% of annual covered payroll. The contribution of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Olive Branch's contributions to PERS for the years ending September 30, 2018, 2017, and 2016 were \$3,250,646.80, \$3,123,856.55, and \$3,038,882.13 respectively, equal to the required contributions for each year.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN – continued

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2018, the City of Olive Branch reported a liability of \$53,774,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Olive Branch's proportion of the net pension liability was based on a projection of the city's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2018, the City of Olive Branch's proportion was 0.323313 percent, which was an increase of 0.020293% from its proportion measured as on June 30, 2017.

For the year ended September 30, 2018, the City of Olive Branch recognized pension expense of \$7,598,136. At June 30, 2018, the City of Olive Branch reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 51,352	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	967,311
City Pension Contributions Subsequent to the Measurement Date	867,140	-
Changes in City's proportion and differences between the City's contributions and proportionate share of contributions	-	1,892,557
Total	\$ 918,492	\$ 2,859,868

\$867,140 reported as deferred outflows of resources related to pensions resulting from City of Olive Branch 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:

Year ended September 30:	Deferred Outflows	Deferred Inflows	Total
2019	\$ 17,708	\$ (894,434)	\$ (876,726)
2020	17,708	(894,434)	(876,726)
2021	15,936	(829,173)	(813,237)
2022	-	(241,827)	(241,827)
Totals	\$ 51,352	\$ (2,859,868)	\$ (2,808,516)

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CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - continued

Actuarial assumptions: the total pension liability in the June 30, 2018 actuarial calculation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.00%
Salary Increases:	3.25 – 18.50%, average, including inflation
Investment rate of return:	7.75%, net of pension investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with male rates set forward one year.

The actuarial assumptions used in June 30, 2018 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.

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 arithmetical real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Assets	10.00		4.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	100.00			

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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - continued

Sensitivity of City of Olive Branch's proportionate share of the net pension liability to changes in the discount rate. The following table presents the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75%) or one percentage-point higher (8.75%) than the current rate (amounts in thousands):

	Discount Rate	City of Olive Branch's Proportionate Share of Net Pension Liability
1% Decrease	6.75%	\$ 70,805,448
Current Discount Rate	7.75%	53,774,395
1% Increase	8.75%	39,619

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

NOTE I - 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 years and are for economic development purposes. The City has one-hundred and eight tax abatement agreements with sixty-one entities as of September 30, 2018.

The City had three 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 levies associated with Parks, Library, and Public Safety from entities receiving abatements.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE I - TAX ABATEMENTS - continued

All sixty-one companies have tax abatements listed under the above statutes.

Category	Amount of Taxes Abated During the Fiscal Year
New and Expanded Industrial Enterprises	\$976,221

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 J - RISK MANAGEMENT

The City of Olive Branch is exposed to various risks of losses related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs of the City except for certain employment practices liabilities, certain environmental liabilities, workers' compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

Risk of loss related to workers compensation for injuries to City employees is covered through the Mississippi Municipal Workers Compensation Group, a public entity risk pool. The pool was formed on March 28, 1989, by the Mississippi Nonprofit Corporation Act, pursuant to Section 71-3-75, Mississippi Code Annotated (1972), to provide public entities within the State of Mississippi workers compensation and employers liability coverage. The City pays premiums to the pool for its workers' compensation insurance coverage based on total payroll. The participation agreement provides that the pool will be self-sustaining through member premiums. The risk of loss is remote for claims exceeding the pool's retention liability. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE K - CONTINGENT LIABILITIES

Litigation

The City is a defendant in various litigations arising out of normal business activities. Although the City carries commercial insurance to protect itself against damage claims, it is possible that the ultimate resolution of cases may exceed the City's insured limits. Management, with the advice of legal counsel, is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the financial statements.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE K - CONTINGENT LIABILITIES - continued

Federally Assisted Programs – Compliance Audits

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE L - BUDGET / GAAP RECONCILIATION

The major difference between the budgetary basis and the GAAP basis is:

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund.

	<u>General Fund</u>
Budget (Cash Basis)	\$ 1,038,556
Increase (Decrease)	
Net adjustments for	
revenue	1,189,979
expenditures	<u>(646,397)</u>
GAAP Basis	<u>\$ 1,582,138</u>

NOTE M - PRIOR PERIOD ADJUSTMENT

The prior year financial statements did not have an accrual for delinquent property taxes and court fines receivable. The result of this omission was a \$719,910 understatement of accounts receivable and general property taxes receivable on the government-wide statement of net position. The beginning receivables and the net position have been restated in the government-wide statement of activities to correct this omission. Also, a prior period adjustment of \$57,731 for the Water and Sewer Fund and \$8,618 for the Gas Fund was recorded related to the disposal of capital assets and reflected on the statement of revenues, expenses, and changes in fund net position – proprietary funds.

NOTE N - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through June 17, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF OLIVE BRANCH
GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-BUDGET AND ACTUAL -
BUDGETARY BASIS
For the year ended September 30, 2018

	Budget			Variance with
	Original	Final	Actual	Final Budget (Unfavorable)
REVENUES:				
General Property Taxes	\$ 14,124,690	\$ 14,188,315	\$ 14,270,321	\$ 82,006
Intergovernmental Revenues	10,511,872	10,560,385	10,907,830	347,445
Charges for Services	4,142,500	4,235,915	4,508,284	272,369
Franchise Taxes	1,600,000	1,600,000	1,972,645	372,645
Interest	72,000	157,600	224,397	66,797
Miscellaneous Revenues	1,476,000	1,880,873	1,636,426	(244,447)
TOTAL REVENUES	31,927,062	32,623,088	33,519,903	896,815
EXPENDITURES:				
Current:				
General Government	4,875,976	5,018,298	4,391,375	626,923
Public Safety	20,063,256	20,984,630	20,016,758	967,872
Public Works	4,959,582	5,129,886	4,744,955	384,931
Culture and Recreation	2,511,850	2,615,922	2,436,320	179,602
Economic Development	1,701,495	1,760,488	1,703,413	57,075
Capital Projects	1,050,799	2,256,264	1,908,164	348,100
Debt Service	509,825	509,675	509,670	5
TOTAL EXPENDITURES	35,672,783	38,275,163	35,710,655	2,564,508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,745,721)	(5,652,075)	(2,190,752)	3,461,323
OTHER FINANCING SOURCES (USES):				
Grant Revenue	32,000	75,500	75,502	2
Rents	10,000	10,000	10,100	100
Transfers from Other Funds	3,703,721	3,226,941	3,226,941	-
Transfers to Other Funds	-	(83,235)	(83,235)	-
TOTAL OTHER FINANCING SOURCES (USES)	3,745,721	3,229,206	3,229,308	102
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ -	\$ (2,422,869)	\$ 1,038,556	\$ 3,461,425

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
Schedule of the City's Proportionate
Share of the Net Pension Liability
For the four years ended September 30, 2018*

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
City of Olive Branch's proportion of net pension liability (%)	0.32331	%	0.30302	%	0.28610	%	0.27590 %
City of Olive Branch's proportionate share of net pension liability	\$ 53,774,395		\$ 50,372,208		\$ 51,104,603		\$ 42,648,699
City of Olive Branch's covered employee payroll	\$ 20,634,525		\$ 19,445,068		\$ 18,302,498		\$ 17,214,960
City of Olive Branch's proportionate share of net pension liability as a percentage of its covered employee payroll (%)	260.46	%	259.05	%	279.22	%	247.74 %
Plan fiduciary net position as a percentage of total pension liability	62.54	%	61.49	%	57.47	%	61.70 %

Schedule is intended to show information for 10 years. Additional years will be available as they become available.

* The amounts presented have a measurement date of June 30.

CITY OF OLIVE BRANCH
Schedule of the City's Contributions
For the five years ended September 30, 2018*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 3,249,938	\$ 3,125,717	\$ 3,038,366	\$ 2,750,359
Contributions in relation to statutorily required contributions	\$ 3,250,647	\$ 3,135,110	\$ 2,952,685	\$ 2,764,503
Contribution deficiency (excess)	\$ (709)	\$ (9,393)	\$ 85,681	\$ (14,144)
City of Olive Branch's covered employee payroll	\$ 20,634,525	\$ 19,845,823	\$ 19,291,212	\$ 17,454,286
Contributions as a percentage of covered employee payroll	15.75 %	15.75 %	15.75 %	15.75 %

Schedule is intended to show information for 10 years. Additional years will be available as they become available.

* The amounts presented have a measurement date of June 30.

CITY OF OLIVE BRANCH
Notes to the Required Supplementary Information
For the year ended September 30, 2018

Changes of Assumptions

- 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.

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%.

- 2016 The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

- 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.

Changes of 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.

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OTHER SUPPLEMENTAL INFORMATION

CITY OF OLIVE BRANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	Grantor Agency ID Number	Federal CFDA Number	Federal Expenditures
PRIMARY GOVERNMENT:			
U. S. Department of Transportation			
Passed through State Office of:			
Mississippi Department of Transportation:			
Highway Planning and Construction*	STP-7903-00(001)/104919701	20.205	\$ 963,492
Highway Planning and Construction*	STP-7903-00(001)LPA/104949-701000	20.205	148,840
Highway Planning and Construction*	STP-0183-00(025)LPA/107295-701000	20.205	1,748,717
Highway Planning and Construction*	STP-7862-00(025)LPA/106264-701000	20.205	37,232
Total U.S. Department of Transportation			\$ 2,898,281
U.S. Department of Justice			
Bulletproof Vest Partnership Program		16.607	\$ 3,949
Community Oriented Policing Services (COPS)			
School Resource Officers		16.710	32,000
Total U.S. Department of Justice			\$ 35,949
Federal Aviation Administration			
Passed through State Office of:			
Mississippi Department of Transportation:			
Airport Improvement Program	3-28-0056-019-2018	20.106	\$ 53,635
Total Federal Aviation Administration			\$ 53,635
TOTAL FEDERAL EXPENDITURES			\$ 2,987,865

SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of expenditures of federal awards includes the federal award activity of the City of Olive Branch, Mississippi under programs of the federal government for the year ended September 30, 2018. 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.

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.

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

* - Major Program

CITY OF OLIVE BRANCH
SCHEDULE OF OF PROPERTY TAX RATES AND ASSESSMENTS
September 30, 2018

YEAR	MILLAGE RATE	ASSESSED PROPERTY VALUE	
2018	38.5	\$ 422,174,058	*
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
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2018

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NAME	POSITION	BOND	INSURANCE COMPANY
Scott Phillips Jr.	Mayor	\$ 100,000	Fidelity and Deposit Company of Maryland
Tina Griffith	City Clerk	50,000	Fidelity and Deposit Company of Maryland
Don Gammage	Chief of Police	50,000	Fidelity and Deposit Company of Maryland
John Gilbert Earhart II	Alderman	100,000	Fidelity and Deposit Company of Maryland
George Collins	Alderman	100,000	Fidelity and Deposit Company of Maryland
Janet Aldridge	Alderwoman	100,000	Travelers Casualty and Surety Company
Patricia Hamilton	Alderwoman	100,000	Fidelity and Deposit Company of Maryland
Dale Dickerson	Alderman	100,000	Fidelity and Deposit Company of Maryland
Dorothy Henderson	Alderwoman	100,000	Fidelity and Deposit Company of Maryland
David Wallace	Alderman	100,000	Fidelity and Deposit Company of Maryland
Jason May	City Administrator	50,000	Fidelity and Deposit Company of Maryland
Tena Stewart	Deputy Clerk	50,000	Fidelity and Deposit Company of Maryland
LaWonda Knighten	Director of Finance	50,000	Fidelity and Deposit Company of Maryland
Alesia Hise	Human Resource Director	50,000	Fidelity and Deposit Company of Maryland
Judy Jeans	Court Clerk	50,000	Fidelity and Deposit Company of Maryland
Johnny Eason	Fire Chief	50,000	Fidelity and Deposit Company of Maryland
Steve Bigelow	Engineer	50,000	Fidelity and Deposit Company of Maryland
Cole Fesmire	Public Works Director	50,000	Fidelity and Deposit Company of Maryland
Bryan Dye	Attorney	50,000	Fidelity and Deposit Company of Maryland
Jason Gambone	Director of Planning	50,000	Fidelity and Deposit Company of Maryland
B.J. Page	Assistant Director of Planning	50,000	Fidelity and Deposit Company of Maryland
Joy Kirch-Kelling	Associate Planner	50,000	Fidelity and Deposit Company of Maryland
Leslie Shumake	Municipal Court Judge	50,000	Fidelity and Deposit Company of Maryland
Blanket Bonds	Per Clerk Handling Funds	50,000	Travelers Casualty and Surety Company
Dishonesty Bonds	Per Police Officer	50,000	Western Surety Company

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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Rudolph Franks, CPA (emeritus)

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

Honorable 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, 2018, 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 17, 2019.

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

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.

Franks, Franks, Wilemon & Hagood P.A.

Franks, Franks, Wilemon & Hagood, P.A.
Tupelo, Mississippi
June 17, 2019



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

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

Report on Compliance for Each Major Federal Program

We have audited the 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 the City of Olive Branch, Mississippi's major federal programs for the year ended September 30, 2018. The 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the City of Olive Branch, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2018.

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Report on Internal Control Over Compliance

Management of the 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 the 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 the 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 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.

Franks, Franks, Wilemon & Hagood P.A.

Franks, Franks, Wilemon & Hagood, P.A.
Tupelo, Mississippi
June 17, 2019

CITY OF OLIVE BRANCH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2018

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
 Material weakness identified? Yes X No
 Significant deficiency identified
 not considered to be a material weakness? Yes X None reported
Noncompliance material to financial statements
 noted? Yes X No

Federal Awards

Internal Control over major programs:
 Material weakness identified? Yes X No
 Significant deficiency identified
 not considered to be a material weakness? Yes X None reported

Type of auditors' report issued on compliance
 for major programs: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with
 2 CFR 200.516(a)? Yes X No

Identification of major program:

CFDA Number(s) Name of Federal Program or Cluster

20.205 U.S Department of Transportation Highway Planning and Construction

Dollar threshold used to distinguish
 between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

None

SECTION 3 – FEDERAL AWARD FINDINGS:

None

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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

We have audited the financial statements of the City of Olive Branch, Mississippi, as of and for the year ended September 30, 2018, and have issued our report thereon dated June 17, 2019. 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 the *Government 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 the following material instance of noncompliance with state laws and regulations. The City did not prepare a budget for a capital project fund used to account for the \$8,000,000 2015 GO Bond proceeds.

The Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

This report is intended for the information of 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.

Franks, Franks, Wilemon & Hagood P.A.

Franks, Franks, Wilemon & Hagood, P.A.
Tupelo, Mississippi
June 17, 2019

