

**CITY OF OLIVE BRANCH,
MISSISSIPPI**

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2019**

Prepared by:
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INDEPENDENT AUDITORS' REPORT

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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, 2019, 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, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (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 – 59) 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.

Supplementary and 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, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for 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 October 19, 2020, on our consideration of the City of Olive Branch, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City of Olive Branch, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Olive Branch, Mississippi's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
October 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OLIVE BRANCH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the year ended September 30, 2019

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, 2019. 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, 2019. 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 596 residential building permits were issued in Olive Branch in 2019 (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, and 662 in '18). 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 position increased \$20,534,998 which represents a 27.72% increase from the prior fiscal year. The City's ending cash balance increased by \$8,106,394, which represents a 18.05% increase from the prior fiscal year. The City had \$90,693,300 in total revenues. Tax revenues account for \$33,019,803 (or 36.41%) of total revenues. Sales of utilities totaled \$30,209,781 or 33.31% of total revenues.

The City had \$70,158,302 in total expenses. Expenses in the amount of \$53,221,621 were offset by grants, outside contributions or charges for services.

Among major funds, the General Fund had \$36,553,541 in revenues, \$35,050,410 in expenditures, and \$180,827 in other financing uses. As a result, the General Fund's fund balance increased \$1,322,304 over the prior year.

The Combined Water & Sewer System had \$16,068,040 in revenues, \$14,908,851 in expenditures, and \$138,716 in non-operating expenses. As a result, the Combined Water & Sewer System's net position increased by \$1,056,681 over the prior year.

The Natural Gas System had \$13,567,315 in revenues, \$12,111,201 in expenditures, and \$197,586 in non-operating revenues. As a result, the Natural Gas System's net position increased by \$1,653,700 over the prior year.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS – continued

The Airport Fund had \$2,110,973 in revenues, \$3,030,437 in expenditures, and \$15,659,610 in non-operating expenses and capital contributions. As a result, the Airport's Fund balance increased by \$14,741,469 over the prior year.

Capital assets, net of accumulated depreciation increased by \$12,796,476.

Long-term debt decreased by \$3,662,446 (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, and required supplementary information. 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, City of Olive Branch Combined Water & Sewer System, and the Airport Fund.

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.

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

	Fund Statements		
	Government-wide 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 Gas System, and Airport.
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, charges for services, 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, gas, and airport 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 \$94,609,020 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current & Other Assets	\$ 26,501,013	\$ 23,399,695	\$ 35,122,843	\$ 30,042,907	\$ 61,623,856	\$ 53,442,602
Capital Assets	101,628,622	104,113,248	43,325,499	28,044,397	144,954,121	132,157,645
Total Assets	128,129,635	127,512,943	78,448,342	58,087,304	206,577,977	185,600,247
Total Deferred Outflows	1,668,873	1,340,093	331,235	221,719	2,000,108	1,561,812
Current & Other Liabilities	7,135,499	7,582,269	6,200,815	5,592,317	13,336,314	13,174,586
Noncurrent Liabilities	67,500,395	69,759,920	29,479,736	27,293,663	96,980,131	97,053,583
Total Liabilities	74,635,894	77,342,189	35,680,551	32,885,980	110,316,445	110,228,169
Total Deferred Inflows	2,988,508	2,419,889	664,112	439,979	3,652,620	2,859,868
Net Position:						
Net Investment in						
Capital Assets	79,058,992	77,318,891	22,179,170	6,920,092	101,238,162	84,238,983
Restricted	5,600,414	4,071,665	9,304,550	10,010,345	14,904,694	14,082,010
Unrestricted (Deficit)	(32,485,300)	(32,299,598)	10,951,194	8,052,627	(21,534,106)	(24,246,971)
Total Net Position	\$ 52,174,106	\$ 49,090,958	\$ 42,434,914	\$ 24,983,064	\$ 94,609,020	\$ 74,074,022

Unrestricted net position of the City's business-type activities was \$10,951,194 at the end of the current fiscal year. These resources cannot be used to add to the net position deficit 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 5,730,831	\$ 6,110,504	\$ 30,209,781	\$ 27,370,241	\$ 35,940,612	\$ 33,480,745
Operating Grants & Contributions	254,492	97,102	-	-	254,492	97,102
Capital Grants & Contributions	1,221,376	2,335,102	15,805,141	-	17,026,517	2,335,102
General Revenues:						
Property Taxes	19,916,237	18,442,970	-	-	19,916,237	18,442,970
Sales Taxes	11,032,224	10,695,432	-	-	11,032,224	10,695,432
Other Taxes	2,071,342	1,992,721	-	-	2,071,342	1,992,721
Intergovernmental	1,064,943	969,507	-	-	1,064,943	969,507
Investment Income	378,900	194,323	583,557	295,230	962,457	489,553
Gain (Loss) on Disposal of Capital Assets	105,142	44,895	101,289	(871,283)	206,431	(826,387)
Other	681,498	824,214	1,536,547	1,244,824	2,218,045	2,069,038
Total Revenues	42,456,985	41,706,771	48,236,315	28,039,012	90,693,300	69,745,783
Expenses						
General Government	4,854,810	4,614,425	-	-	4,854,810	4,614,425
Public Safety	20,705,096	19,777,727	-	-	20,705,096	19,777,727
Public Works	7,572,727	6,742,916	-	-	7,572,727	6,742,916
Culture & Recreation	2,814,959	2,675,357	-	-	2,814,959	2,675,357
Economic Development	1,598,041	1,574,877	-	-	1,598,041	1,574,877
Capital Projects	-	261,557	-	-	-	261,557
Interest on Long-Term Debt	621,129	787,764	698,121	703,526	1,319,250	1,491,290
Pension Expense	1,169,544	7,598,136	2,334,072	329,927	3,503,616	7,928,063
Water and Sewer	-	-	14,302,644	13,455,029	14,442,644	13,455,029
Gas System	-	-	11,372,212	12,213,180	11,412,212	12,213,180
Airport	-	-	2,114,947	-	2,114,947	-
Total Expenses	39,336,306	44,032,759	30,821,996	26,701,662	70,158,302	70,734,421
Excess of Revenue Over Exp. Transfers	3,120,679 (37,531)	(2,325,988) -	17,414,319 37,531	1,337,350 -	20,534,998 -	(988,638) -
Change in Net Position	3,083,148	(2,325,988)	17,451,850	1,337,350	20,534,998	(988,638)
Net Position—Beginning	49,090,958	51,416,946	24,983,064	23,645,714	74,074,022	75,062,660
Net Position—Ending	\$ 52,174,106	\$ 49,090,958	\$ 42,434,914	\$ 24,983,064	\$ 94,609,020	\$ 74,074,022

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$3,083,148.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax 26%, property taxes 47% and charges for services 14%.

The largest expense categories for the City's governmental activities are public safety 53% and public works 19% and general government 12%.

Business-type Activities

Business-type activities increased the City's net position by \$17,451,850.

Charges for services are the major revenue categories for the enterprise funds, as 63% of total revenues. Total business-type revenues are comprised of \$48,236,315 for water, sewer, gas system, and airport.

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 \$13,289,222 which comprised 95% of total general fund balance. As a measure of the general fund's liquidity, it may be useful to compare both the fund balance, assigned and unassigned, to total fund expenditures. Total fund balance represents 40% of total fund expenditures. The fund balance of the City's general fund increased by \$1,322,304 during the current fiscal year.

Debt Service Fund – The debt service fund has a total fund balance of \$2,299,808, \$2,263,442 of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$670,275.

Non-Major 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 \$5,039,189.

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 \$42,434,914. Changes in net position, which totaled \$17,451,850, were as follows: the water & sewer fund increased by \$1,056,681, and the gas fund increased by \$1,653,700; and, the airport fund increased by \$14,741,469.

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, 2019, amounted to \$144,954,121, 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 7,905,365	\$ 7,905,365	\$ 14,384,217	\$ 211,101	\$ 22,289,582	\$ 8,116,466
Infrastructure	134,909,691	130,887,726	69,227,088	-	204,136,779	130,887,726
Plant, Buildings, Improvements	29,723,622	32,005,813	1,858,368	66,868,115	31,581,990	98,691,928
Machinery & Equipment	15,556,718	12,613,547	6,096,412	5,184,715	21,653,130	17,798,262
Construction in Progress	376,428	2,405,442	161,667	1,245,814	538,095	3,651,256
Accumulated Depreciation	(86,843,202)	(81,704,645)	(48,402,253)	(45,283,348)	(135,245,455)	(126,987,993)
Total	\$ 101,628,622	\$ 104,113,248	\$ 43,325,499	\$ 28,044,397	\$ 144,954,121	\$ 132,157,645

Long-term Debt – At year-end, the City of Olive Branch has \$44,256,216 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, \$5,612,724 is due within one year.

Table A-4

City of Olive Branch's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
General Obligation Bonds	\$ 21,861,098	\$ 25,134,395	\$ 5,285,370	\$ 3,584,593	\$ 27,146,468	\$ 28,718,988
Revenue Bonds	-	-	12,460,000	13,685,000	12,460,000	13,685,000
Loans Payable	1,182,981	1,659,962	2,319,989	2,522,030	3,502,970	4,181,992
Leases Payable	-	-	1,146,778	1,332,682	1,146,778	1,332,682
Total	\$ 23,044,079	\$ 26,794,357	\$ 21,212,137	\$ 21,124,305	\$ 44,256,216	\$ 47,918,662

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 2020 budget. The total budgeted appropriations for the City operations in the general fund are \$38,173,553. This budget reflects an increase of approximately \$1,504,942 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

CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 20,984,238	\$ 29,766,191	\$ 50,750,429
Cash - Fiscal Agents	480,000	-	480,000
Accounts Receivable, net of allowance for uncollectibles of \$9,299,663 and \$1,455,155	1,765,823	2,442,367	4,208,190
Intergovernmental Receivables	2,185,055	346	2,185,401
General Property Taxes Receivable	120,998	-	120,998
Prepaid Expenses	620,496	341,429	961,925
Inventories	-	50,664	50,664
Due From Other Funds	344,403	394,773	739,176
TOTAL CURRENT ASSETS	26,501,013	32,995,770	59,496,783
Noncurrent Assets:			
Restricted Cash	-	1,781,258	1,781,258
Notes Receivable	-	345,815	345,815
Capital Assets:			
Land	7,905,365	14,384,217	22,289,582
Plant, Buildings and Improvements	29,723,622	1,858,368	31,581,990
Machinery and Equipment	15,556,718	6,096,412	21,653,130
Infrastructure	134,909,691	69,227,088	204,136,779
Construction in Progress	376,428	161,667	538,095
Accumulated Depreciation	(86,843,202)	(48,402,253)	(135,245,455)
TOTAL NONCURRENT ASSETS	101,628,622	45,452,572	147,081,194
TOTAL ASSETS	128,129,635	78,448,342	206,577,977
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflows Related to Bond Refunding	474,449	65,808	540,257
Deferred Outflows Related to Pensions	1,194,424	265,427	1,459,851
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 1,668,873	\$ 331,235	\$ 2,000,108

CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION
September 30, 2019
-Continued-

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>LIABILITIES:</u>			
Current Liabilities:			
Accounts Payable	\$ 2,041,139	\$ 627,524	\$ 2,668,663
Accrued Expenses	539,549	90,358	629,907
Accrued Interest Payable	160,542	88,756	249,298
Due to Other Funds	422,592	316,584	739,176
Long-Term Debt: Due Within One Year	3,296,981	2,315,743	5,612,724
Customer and Other Deposits	674,696	2,761,850	3,436,546
TOTAL CURRENT LIABILITIES	7,135,499	6,200,815	13,336,314
Noncurrent Liabilities:			
Net Pension Liability	46,519,574	10,337,683	56,857,257
Capital Long-Term Debt: Due in More Than One Year	19,747,098	18,896,394	38,643,492
Accrued Compensated Absences	1,233,723	245,659	1,479,382
TOTAL NONCURRENT LIABILITIES	67,500,395	29,479,736	96,980,131
TOTAL LIABILITIES	74,635,894	35,680,551	110,316,445
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflows Related to Pensions	2,988,508	664,112	3,652,620
TOTAL DEFERRED INFLOWS OF RESOURCES	2,988,508	664,112	3,652,620
<u>NET POSITION</u>			
Net Investment in Capital Assets	79,058,992	22,179,170	101,238,162
Restricted for:			
Capital Projects	3,170,629	7,523,292	10,693,921
Debt Service	2,263,442	1,781,258	4,044,700
Public Safety	166,343	-	166,343
Unrestricted (Deficit)	(32,485,300)	10,951,194	(21,534,106)
TOTAL NET POSITION	\$ 52,174,106	\$ 42,434,914	\$ 94,609,020
TOTAL LIABILITIES AND NET POSITION	\$ 126,810,000	\$ 78,115,465	\$ 204,925,465

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF ACTIVITIES
For the year ended September 30, 2019

-22-

						Net (Expense) Revenue and Changes in Net Position		
FUNCTIONS/ PROGRAMS	Expenses	PROGRAM REVENUES				PRIMARY GOVERNMENT		
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT								
Government Activities:								
General Government	\$ 4,854,810	\$ 893,252	\$ 122,594	\$ -	\$ 1,015,846	\$ (3,838,964)	\$ -	\$ (3,838,964)
Public Safety	20,705,096	2,946,057	131,898	-	3,077,955	(17,627,141)	-	(17,627,141)
Public Works	7,572,727	1,534,910	-	1,221,376	2,756,286	(4,816,441)	-	(4,816,441)
Culture and Recreation	2,814,959	356,612	-	-	356,612	(2,458,347)	-	(2,458,347)
Economic Development and Assistance	1,598,041	-	-	-	-	(1,598,041)	-	(1,598,041)
Interest on Long-Term Debt	621,129	-	-	-	-	(621,129)	-	(621,129)
Pension Expense	1,169,544	-	-	-	-	(1,169,544)	-	(1,169,544)
TOTAL GOVERNMENTAL ACTIVITIES	39,336,306	5,730,831	254,492	1,221,376	7,206,699	(32,129,607)	-	(32,129,607)
Business-Type Activities:								
Water and Sewer	14,302,644	15,422,911	-	-	15,422,911	-	1,120,267	1,120,267
Gas System	11,372,212	13,103,692	-	-	13,103,692	-	1,731,480	1,731,480
Airport	2,114,947	1,683,178	-	15,805,141	17,488,319	-	15,373,372	15,373,372
Interest on Long-Term Debt	698,121	-	-	-	-	-	(698,121)	(698,121)
Pension Expense	2,334,072	-	-	-	-	-	(2,334,072)	(2,334,072)
TOTAL BUSINESS-TYPE ACTIVITIES	30,821,996	30,209,781	-	15,805,141	46,014,922	-	15,192,926	15,192,926
TOTAL PRIMARY GOVERNMENT	\$ 70,158,302	\$ 35,940,612	\$ 254,492	\$ 17,026,517	\$ 53,221,621	\$ (32,129,607)	\$ 15,192,926	\$ (16,936,681)
GENERAL REVENUES:								
Taxes:								
Property Taxes						\$ 19,916,237	\$ -	\$ 19,916,237
Intergovernmental Revenues						1,064,943	-	1,064,943
Sales Taxes						11,032,224	-	11,032,224
Franchise Taxes						2,071,342	-	2,071,342
Rents						10,000	633,955	643,955
Investment Earnings						378,900	583,557	962,457
Gain (Loss) on Disposal of Assets						105,142	101,289	206,431
Miscellaneous						671,498	902,592	1,574,090
Transfers						(37,531)	37,531	-
TOTAL GENERAL REVENUES AND TRANSFERS						35,212,755	2,258,924	37,471,679
CHANGE IN NET POSITION						3,083,148	17,451,850	20,534,998
NET POSITION--BEGINNING						49,090,958	24,983,064	74,074,022
NET POSITION--ENDING						\$ 52,174,106	\$ 42,434,914	\$ 94,609,020

See accompanying notes to financial statements.

**CITY OF OLIVE BRANCH
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2019**

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 14,265,540	\$ 1,782,114	\$ 4,936,584	\$ 20,984,238
Cash with Fiscal Agents	180,000	300,000	-	480,000
Accounts Receivable, net of allowance for uncollectibles of \$5,840,254	1,041,481	-	-	1,041,481
Intergovernmental Receivables	1,545,142	47,985	-	1,593,127
Due from Other Funds	-	133,343	211,060	344,403
Prepaid Expenses	584,130	36,366	-	620,496
TOTAL ASSETS	\$ 17,616,293	\$ 2,299,808	\$ 5,147,644	\$ 25,063,745
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>LIABILITIES:</u>				
Accounts Payable	\$ 1,932,727	\$ -	\$ 108,412	\$ 2,041,139
Accrued Expenses	539,549	-	-	539,549
Due to Other Funds	422,549	-	43	422,592
Customer and Other Deposits	674,696	-	-	674,696
TOTAL LIABILITIES	3,569,521	-	108,455	3,677,976
<u>FUND BALANCES:</u>				
Nonspendable				
Prepaid Expenses	584,130	36,366	-	620,496
Restricted for				
Debt Service	-	2,263,442	-	2,263,442
Public Safety	166,343	-	-	166,343
Capital Projects	7,077	-	3,163,552	3,170,629
Committed to				
Construction Acquisition of Assets	-	-	1,875,637	1,875,637
Unassigned	13,289,222	-	-	13,289,222
TOTAL FUND BALANCES	14,046,772	2,299,808	5,039,189	21,385,769
TOTAL LIABILITIES AND FUND BALANCES	\$ 17,616,293	\$ 2,299,808	\$ 5,147,644	\$ 25,063,745

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
September 30, 2019

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 21,385,769
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.	101,628,622
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.	(22,730,172)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(1,233,723)
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.	120,998
Other long-term assets not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet.	591,928
Net pension liability are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(46,519,574)
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	1,194,424
Deferred inflows of resources related to defined benefit pension plan	(2,988,508)
Accrual of court fine revenues to qualify as financial resources.	<u>724,342</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 52,174,106</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, 2019

	General Fund	Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES:				
General Property Taxes	\$ 15,400,898	\$ 4,519,759	\$ -	\$ 19,920,657
Intergovernmental Revenues	12,351,659	-	1,221,376	13,573,035
Charges for Services	5,856,317	-	-	5,856,317
Franchise Taxes	2,020,159	-	-	2,020,159
Interest	258,749	32,777	87,374	378,900
Miscellaneous Revenues	665,759	-	5,739	671,498
TOTAL REVENUES	<u>36,553,541</u>	<u>4,552,536</u>	<u>1,314,489</u>	<u>42,420,566</u>
EXPENDITURES:				
Current:				
General Government	3,546,784	-	-	3,546,784
Public Safety	19,824,528	-	-	19,824,528
Public Works	4,805,820	-	-	4,805,820
Culture and Recreation	2,473,395	-	-	2,473,395
Economic Development	1,594,552	-	-	1,594,552
Capital Projects	2,303,376	-	399,052	2,702,428
Debt Service	501,955	3,882,261	-	4,384,216
TOTAL EXPENDITURES	<u>35,050,410</u>	<u>3,882,261</u>	<u>399,052</u>	<u>39,331,723</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,503,131</u>	<u>670,275</u>	<u>915,437</u>	<u>3,088,843</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	59,173	-	-	59,173
Rents	10,000	-	-	10,000
Transfers from (to) Other Funds	(250,000)	-	215,485	(34,515)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(180,827)</u>	<u>-</u>	<u>215,485</u>	<u>34,658</u>
NET CHANGE IN FUND BALANCES	1,322,304	670,275	1,130,922	3,123,501
FUND BALANCES - Beginning	<u>12,724,468</u>	<u>1,629,533</u>	<u>3,908,267</u>	<u>18,262,268</u>
FUND BALANCES - Ending	<u>\$ 14,046,772</u>	<u>\$ 2,299,808</u>	<u>\$ 5,039,189</u>	<u>\$ 21,385,769</u>

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, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,123,501

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. 2,713,691

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. (5,241,270)

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. 42,953

Because some property taxes will not be collected for several months after the City fiscal year ends, they are not considered "available" revenues in the governmental funds. (4,420)

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds. (74,303)

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. (1,169,544)

Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 3,750,278

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	(88,458)
Change in accrued interest payable	101,267
Change in accrual of compensated absences payable.	<u>(70,547)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>3,083,148</u></u>
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See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPES
September 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Airport Fund	Total
ASSETS				
Current Assets:				
Cash	\$ 16,356,304	\$ 12,344,813	\$ 1,065,074	\$ 29,766,191
Accounts Receivable, net of allowance for uncollectibles of \$1,455,155	1,947,708	488,999	5,660	2,442,367
Intergovernmental Receivables	346	-	-	346
Due from Other Funds	394,773	-	-	394,773
Inventories	-	-	50,664	50,664
Prepaid Expenses	225,850	28,021	87,558	341,429
	<u>18,924,981</u>	<u>12,861,833</u>	<u>1,208,956</u>	<u>32,995,770</u>
Total Current Assets				
Noncurrent Assets:				
Restricted Cash	1,781,258	-	-	1,781,258
Notes Receivable	345,815	-	-	345,815
Capital Assets, net accumulated depreciation	21,348,157	4,739,178	17,238,164	43,325,499
	<u>23,475,230</u>	<u>4,739,178</u>	<u>17,238,164</u>	<u>45,452,572</u>
Total Noncurrent Assets				
	<u>42,400,211</u>	<u>17,601,011</u>	<u>18,447,120</u>	<u>78,448,342</u>
Total Assets				
DEFERRED OUTFLOWS OF RESOURCES				
	\$ <u>144,400</u>	\$ <u>162,388</u>	\$ <u>24,447</u>	\$ <u>331,235</u>

CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPES
September 30, 2019

-Continued-

	Water and Sewer Fund	Natural Gas Fund	Airport Fund	Total
LIABILITIES & NET POSITION				
Current Liabilities:				
Accounts Payable	\$ 156,957	\$ 383,646	\$ 86,921	\$ 627,524
Accrued Expenses	46,341	34,292	9,725	90,358
Accrued Interest Payable	73,841	7,167	7,748	88,756
Current Maturities of Long-Term Debt	1,899,743	326,000	90,000	2,315,743
Customer and Other Deposits	905,119	1,856,731	-	2,761,850
Due to Other Funds	-	134,482	182,102	316,584
	<u>3,082,001</u>	<u>2,742,318</u>	<u>376,496</u>	<u>6,200,815</u>
Total Current Liabilities				
Noncurrent Liabilities:				
Net Pension Liability	4,760,775	4,624,753	952,155	10,337,683
Capital Long-Term Debt:				
Due More Than One Year	15,040,325	1,541,069	2,315,000	18,896,394
Accrued Compensated Absences	131,236	89,144	25,279	245,659
	<u>19,932,336</u>	<u>6,254,966</u>	<u>3,292,434</u>	<u>29,479,736</u>
Total Noncurrent Liabilities				
Total Liabilities	<u>23,014,337</u>	<u>8,997,284</u>	<u>3,668,930</u>	<u>35,680,551</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>305,841</u>	<u>297,103</u>	<u>61,168</u>	<u>664,112</u>
Net Position:				
Net Investment in Capital Assets	4,430,253	2,915,753	14,833,164	22,179,170
Restricted for:				
Debt Service	1,781,258	-	-	1,781,258
Capital Projects	7,523,292	-	-	7,523,292
Unrestricted (Deficit)	5,489,630	5,553,259	(91,695)	10,951,194
	<u>19,224,433</u>	<u>8,469,012</u>	<u>14,741,469</u>	<u>42,434,914</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, 2019

	Water and Sewer Fund	Natural Gas Fund	Airport Fund	Total
OPERATING REVENUES				
Charges for Services	\$ 15,422,911	\$ 13,103,692	\$ 1,683,178	\$ 30,209,781
Rents	206,605	-	427,350	633,955
Miscellaneous Revenues	438,524	463,623	445	902,592
Total Operating Revenues	<u>16,068,040</u>	<u>13,567,315</u>	<u>2,110,973</u>	<u>31,746,328</u>
OPERATING EXPENSES				
Costs of Sales	-	6,600,375	1,006,882	7,607,257
Personnel	3,152,867	3,021,155	483,075	6,657,097
Materials and Supplies	855,604	382,859	50,946	1,289,409
Professional Services	6,631,422	36,988	165,236	6,833,646
Amortization and Depreciation	2,159,970	586,551	89,587	2,836,108
Other Expenses	1,502,781	744,284	245,835	2,492,900
Pension Expense	606,207	738,989	988,876	2,334,072
Total Operating Expenses	<u>14,908,851</u>	<u>12,111,201</u>	<u>3,030,437</u>	<u>30,050,489</u>
Operating Income (Loss)	<u>1,159,189</u>	<u>1,456,114</u>	<u>(919,464)</u>	<u>1,695,839</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Income	353,939	210,387	19,231	583,557
Gain (Loss) on Disposal of Fixed Assets	67,308	30,743	3,238	101,289
Bond Issuance Cost	-	-	(73,386)	(73,386)
Interest Expense	(559,963)	(43,544)	(94,614)	(698,121)
Total Non-operating Revenues (Expenses)	<u>(138,716)</u>	<u>197,586</u>	<u>(145,531)</u>	<u>(86,661)</u>
Income (Loss) before Operating Transfers and Capital Contributions	1,020,473	1,653,700	(1,064,995)	1,609,178
Capital Contributions	-	-	15,805,141	15,805,141
Transfers from (to) Other Funds	36,208	-	1,323	37,531
Change in Net Position	1,056,681	1,653,700	14,741,469	17,451,850
TOTAL NET POSITION -				
Beginning of Year	<u>18,167,752</u>	<u>6,815,312</u>	<u>-</u>	<u>24,983,064</u>
TOTAL NET POSITION -				
End of Year	<u>\$ 19,224,433</u>	<u>\$ 8,469,012</u>	<u>\$ 14,741,469</u>	<u>\$ 42,434,914</u>

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Airport Fund	Total
Cash Flows From Operating Activities:				
Receipts from Customers	\$ 15,155,264	\$ 13,221,184	\$ 2,104,868	\$ 30,481,316
Payments to Suppliers	(9,068,060)	(7,665,924)	(1,510,475)	(18,244,459)
Payments to Employees	(3,139,429)	(3,001,372)	(457,796)	(6,598,597)
Other Receipts (Payments)	668,328	463,623	445	1,132,396
Net Cash Provided by (Used in) Operating Activities	3,616,103	3,017,511	137,042	6,770,656
Cash Flows from Noncapital Financing Activities:				
Due To (From) Other Funds	(41,599)	56,644	181,102	196,147
Transfers In (Out)	36,208	-	-	36,208
Net Cash Provided by (Used In) Noncapital Financing Activities	(5,391)	56,644	181,102	232,355
Cash Flows from Capital and Related Financing Activities:				
Capital Contributions	-	-	15,805,141	15,805,141
Purchase of Capital Assets	(663,276)	(221,397)	(17,330,090)	(18,214,763)
Proceeds from Sale of Capital Assets	2,300	30,743	7,900	40,943
Bond Issue Costs	-	-	(73,386)	(73,386)
Proceeds from Issuance of Long-Term Debt	-	-	2,500,000	2,500,000
Principal Payments on Debt	(1,952,946)	(354,957)	(95,000)	(2,402,903)
Interest Paid	(563,304)	(40,492)	(86,866)	(690,662)
Net Cash Provided by (Used In) Capital and Related Financing Activities	(3,177,226)	(586,103)	727,699	(3,035,630)
Cash Flows from Investing Activities:				
Interest Income	353,939	210,387	19,231	583,557
Net Cash Provided by (Used In) Investing Activities	353,939	210,387	19,231	583,557
Net Increase (Decrease) In Cash and Cash Equivalents	787,425	2,698,439	1,065,074	4,550,938
Cash and Cash Equivalents--Beginning	17,350,137	9,646,374	-	26,996,511
Cash and Cash Equivalents--Ending	\$ 18,137,562	\$ 12,344,813	\$ 1,065,074	\$ 31,547,449

CITY OF OLIVE BRANCH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2019

	Water and Sewer Fund	Natural Gas Fund	Airport Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 1,159,189	\$ 1,456,114	\$ (919,464)	\$ 1,695,839
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Depreciation and Amortization	2,159,970	586,551	89,587	2,836,108
Net Pension Expense	606,207	738,989	988,876	2,334,072
Decrease (Increase) in Assets:				
Accounts Receivable	(309,026)	36,022	(5,660)	(278,664)
Inventories	-	-	(50,664)	(50,664)
Prepaid Expenses	(4,893)	(9,981)	(87,558)	(102,432)
Notes Receivable	23,199	-		23,199
Increase (Decrease) in Liabilities:				
Accounts Payable	(73,360)	108,563	86,921	122,124
Accrued Expenses	7,527	9,590	9,725	26,842
Compensated Absences	5,911	10,193	25,279	41,383
Customer and Other Deposits	41,379	81,470	-	122,849
Total Adjustments	2,456,914	1,561,397	1,056,506	5,074,817
Net Cash Provided by (Used in) Operating Activities	\$ 3,616,103	\$ 3,017,511	\$ 137,042	\$ 6,770,656

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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 balances, 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, 2019

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 - The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This is a major fund.

Non-Major Governmental Funds - These funds include Capital Projects Funds that are used to account for financial resources such as proceeds from the sale of bonds, capital notes, transfers from governmental funds, and federal and state grants, all provided for the specific purpose of constructing, reconstructing or acquiring permanent or semi-permanent capital improvements. These are non-major governmental funds.

All proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Water and Sewer Fund - This 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, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Natural Gas Fund - This 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.

Airport Fund - This fund is used to report the operations of the airport.

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:

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

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

At the September board meeting, the budget is legally enacted through passage of an ordinance. The City Clerk is authorized to transfer budgeted amounts between departments within any fund only upon approval by the board.

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

Cash and Cash Equivalents

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

Prepaid Expenses

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

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounts Receivable

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

Interfund Transactions and Balances

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

Restricted Assets

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

Capital Assets and Depreciation

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

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

	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.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

Deferred amounts on pensions - The City has deferred outflows and inflows related to pensions. See Note H for further details.

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.

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, 2019

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, 2019

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.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the net pension liability and the provisions for uncollectible court fines and ambulance fees. It is as least reasonably possible that the significant estimate used will change within the next year.

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, 2019, the City's bank balance was not exposed to custodial credit risk. As of September 30, 2019, the carrying amount of the City's deposits was \$52,531,687 and the bank balances totaled \$53,018,497. Of the bank balances, \$500,000 was insured by the FDIC and \$52,518,497 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, 2019 fund balance was \$1,885,893 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
Public Safety Wireless Fund	\$ 369,520	\$ -	\$ -
Sales Tax	980,156	-	-
Franchise Tax	591,928		
Ad Valorem Tax	167,530	47,985	-
Grant Proceeds	27,936	-	346
Totals	\$ 2,137,070	\$ 47,985	\$ 346

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE D - NOTES 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, 2019, the balance on the note is \$345,815.

NOTE E - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2019:

	<u>Balance Oct. 1, 2018</u>	<u>Acquisitions</u>	<u>Transfers, Adjustments*, Sales, or Retirements</u>	<u>Balance Sept. 30, 2019</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 7,905,365	\$ -	\$ -	\$ 7,905,365
Construction in Progress	<u>2,405,442</u>	<u>404,185</u>	<u>(2,433,199)</u>	<u>376,428</u>
Total Capital Assets, not being Depreciated:	10,310,807	404,185	(2,433,199)	8,281,793
Capital Assets being Depreciated:				
Buildings and Improvements	29,723,622	-	-	29,723,622
Machinery and Equipment	14,895,738	928,606	(267,626)	15,556,718
Infrastructure	<u>130,887,726</u>	<u>4,021,965</u>	<u>-</u>	<u>134,909,691</u>
Total Capital Assets, being Depreciated	175,507,086	4,950,571	(267,626)	180,190,031
Less Accumulated Depreciation for:				
Buildings and Improvements	(8,295,306)	(824,964)	-	(9,120,270)
Machinery and Equipment	(9,271,730)	(1,062,994)	102,713	(10,232,011)
Infrastructure	<u>(64,137,609)</u>	<u>(3,353,312)</u>	<u>-</u>	<u>(67,490,921)</u>
Total Accumulated Depreciation	<u>(81,704,645)</u>	<u>(5,241,270)</u>	<u>102,713</u>	<u>(86,843,202)</u>
Total Governmental Activities				
Capital Assets, net	\$ <u>104,113,248</u>	\$ <u>113,486</u>	\$ <u>(2,598,112)</u>	\$ <u>101,628,622</u>

*Includes adjustments to prior year balances that are considered to be immaterial.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE E - CAPITAL ASSETS – continued

	<u>Balance Oct. 1, 2018</u>	<u>Acquisitions</u>	<u>Transfers, Adjustments*, Sales, or Retirements</u>	<u>Balance Sept. 30, 2019</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 211,101	\$ 14,173,116	\$ -	\$ 14,384,217
Construction in Progress	<u>1,245,814</u>	<u>140,633</u>	<u>(1,224,780)</u>	<u>161,667</u>
Total Capital Assets, not being Depreciated:	1,456,915	14,313,749	(1,224,780)	14,545,884
Capital Assets being Depreciated:				
Buildings and Improvements	460,871	1,397,497	-	1,858,368
Machinery and Equipment	5,184,715	625,820	285,877	6,096,412
Infrastructure	<u>66,225,244</u>	<u>3,001,844</u>	<u>-</u>	<u>69,227,088</u>
Total Capital Assets, being Depreciated	71,870,830	5,025,161	285,877	77,181,868
Less Accumulated Depreciation for:				
Buildings and Improvements	(131,092)	(38,488)	(3,881)	(173,461)
Machinery and Equipment	(3,680,365)	(549,808)	(1,916)	(4,232,089)
Infrastructure	<u>(41,471,891)</u>	<u>(2,237,648)</u>	<u>(287,164)</u>	<u>(43,996,703)</u>
Total Accumulated Depreciation	<u>(45,283,348)</u>	<u>(2,825,944)</u>	<u>(292,961)</u>	<u>(48,402,253)</u>
Total Business-Type Activities				
Capital Assets, net	\$ <u>28,044,397</u>	\$ <u>16,512,966</u>	\$ <u>(1,231,864)</u>	\$ <u>43,325,499</u>

*Includes adjustments to prior year balances that are considered to be immaterial.

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

Governmental Activities:	
General Government	\$ 1,300,266
Public Safety	837,195
Public Works	2,767,656
Culture and Recreation	<u>336,153</u>
Total Depreciation Expense - Governmental Activities	\$ <u>5,241,270</u>
Business-Type Activities:	
Airport	\$ 89,587
Water and Sewer	2,158,052
Natural Gas	<u>578,305</u>
Total Depreciation Expense - Business-Type Activities	\$ <u>2,825,944</u>

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE E - CAPITAL ASSETS – continued

Commitments under construction at September 30, 2019 are summarized as follows:

Project	Contract Amount	Remaining Balance	Fund
Bethel Road Improvements	\$ 109,353	\$ 5,776	General
Bethel Road and Business Center Drive Imp.	81,703	79,435	General
Bethel Road and Business Center Drive Imp.	909,292	909,292	General
Stateline Bridge Replacement	132,274	32	General
Stateline Bridge Replacement - CE & I	97,158	83,156	General
Stateline Bridge Replacement Construction	742,336	677,255	General
Woodland Lake Bridge Project	60,044	787	General
Public Works Facility	318,355	156,688	Enterprise
Total	\$ <u>2,450,515</u>	\$ <u>1,912,421</u>	

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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	\$ 422,549	\$ -
Debt Service Fund	-	133,343
2015 GO Improvements Fund	-	167,066
Other Governmental Funds	43	43,994
Airport Fund	182,102	-
Water and Sewer Fund	-	394,773
Natural Gas Fund	134,482	-
Total Funds	\$ <u>739,176</u>	\$ <u>739,176</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	\$ -	\$ 253,016
2015 GO Improvements Fund	-	24,302
Other Governmental Funds	239,787	-
Airport Fund	1,323	-
Water and Sewer Fund	36,208	-
Total Funds	\$ <u>277,318</u>	\$ <u>277,318</u>

The principal purpose of interfund transfers was to provide funds to pay for debt service and for capital outlay expenses in the governmental 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, 2019

NOTE G - LONG-TERM DEBT

Long-term debt activity for the year-ended September 30, 2019 was as follows:

	<u>Balance at 9/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 9/30/2019</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds Payable	\$ 24,713,070	\$ -	\$ 3,218,070	\$ 21,495,000	\$ 2,820,000
Loans Payable	1,659,962	-	476,981	1,182,981	476,981
Defferred gain (loss) on Bond Refunding	(562,907)	-	(88,458)	(474,449)	-
Bond Premium	421,325	-	55,227	366,098	-
Compensated Absences Payable	1,163,176	70,547	-	1,233,723	-
Governmental Activities Long-Term Liabilities	\$ <u>27,394,626</u>	\$ <u>70,547</u>	\$ <u>3,661,820</u>	\$ <u>23,803,353</u>	\$ <u>3,296,981</u>
Business-Type Activities:					
General Obligation Bonds Payable	\$ 3,523,957	\$ 2,500,000	\$ 789,957	\$ 5,234,000	\$ 701,000
Revenue Bonds Payable	13,685,000	-	1,225,000	12,460,000	1,215,000
Loans Payable	2,522,030	-	202,041	2,319,989	207,247
Leases Payable	1,332,682	-	185,904	1,146,778	192,496
Defferred gain (loss) on Bond Refunding	(80,413)	-	(14,605)	(65,808)	-
Bond Premium	60,636	-	9,266	51,370	-
Compensated Absences Payable	204,276	41,383	-	245,659	-
Business-Type Activities Long-Term Liabilities	\$ <u>21,248,168</u>	\$ <u>2,541,383</u>	\$ <u>2,397,563</u>	\$ <u>21,391,988</u>	\$ <u>2,315,743</u>

CITY OF OLIVE BRANCH
Notes to Financial Statements
September 30, 2019

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, 2019 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>
Governmental Long Term					
2007	4.38%	9/1/2007	9/1/2027	\$ 12,000,000	\$ 875,000
2009	3.00-3.63%	10/1/2009	10/1/2024	4,000,000	2,025,000
2011	2.00-3.13%	6/29/2011	3/1/2022	1,650,000	535,000
2012	1.00-2.75%	4/4/2012	3/1/2023	8,255,000	2,825,000
2014	0.55-2.50%	12/3/2014	9/1/2027	6,000,000	5,615,000
2014	2.00-2.38%	5/1/2015	11/1/2026	4,000,000	2,820,000
2015	2.13-3.00%	5/1/2015	5/1/2035	8,000,000	6,800,000
				<u>\$ 43,905,000</u>	<u>\$ 21,495,000</u>
Enterprise Funds					
2013	2.00%	6/1/2022	6/1/2022	2,905,000	970,000
2018		9/6/2018	6/1/2026	2,191,000	1,859,000
2018	2.80-4.10%	10/4/2018	9/1/2038	2,500,000	2,405,000
				<u>7,596,000</u>	<u>5,234,000</u>
Total				<u>\$ 51,501,000</u>	<u>\$ 26,729,000</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, 2019 are as follows:

Enterprise Funds

Combined Water & Sewer 2005	3.75-5.25%	5/26/2005	3/1/2020	\$ 2,200,000	\$ 195,000
Combined Water & Sewer 2008	3.76-4.36%	9/23/2008	3/1/2020	2,625,000	255,000
Combined Water & Sewer Refund 2010	2.00-3.50%	10/27/2010	3/1/2026	5,260,000	2,040,000
Combined Water & Sewer 2011	3.50-3.63%	7/1/2011	3/1/2031	3,200,000	2,280,000
2017 W/S Combined Revenue Bonds		4/1/2017	4/1/2042	8,000,000	7,690,000
				<u>\$ 21,285,000</u>	<u>\$ 12,460,000</u>

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE G - LONG-TERM DEBT – continued

Loans. The City also uses loans to finance its projects. Loans outstanding as of September 30, 2019 are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amounts	
				Issued	Outstanding
Governmental					
General Obligation Note 2015	1.51%	11/23/2015	8/31/2020	\$ 619,905	\$ 123,981
General Obligation Note 2017	1.69%	5/1/2017	5/1/2022	865,000	519,000
General Obligation Note 2016	1.40%	5/1/2017	10/1/2022	900,000	540,000
				<u>2,384,905</u>	<u>1,182,981</u>
Enterprise Funds					
Quality SRF Loan	2.00%	11/1/2006	6/1/2026	\$ 1,011,918	\$ 392,921
DWSIRLF Loan - DWI	2.00%	6/7/2005	1/1/2016	1,443,899	641,929
Methodist CAP Revolving Loan	3.00%	5/14/2012	3/1/2034	1,667,502	1,285,138
				<u>4,123,319</u>	<u>2,319,988</u>
Total				\$ <u>6,508,224</u>	\$ <u>3,502,969</u>

Annual debt service requirements to maturity of general obligations bonds, revenue bonds, and loans for the years subsequent to September 30, 2019 are as follows:

Year Ending September 30	Govt. Long - Term Debt		Business - Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 3,296,981	570,641	\$ 2,123,247	600,438
2021	2,858,000	484,916	1,664,588	545,109
2022	2,948,000	408,244	1,672,073	497,563
2023	2,485,000	334,556	1,312,701	454,523
2024	1,915,000	245,987	1,159,478	416,692
2025-2029	6,175,000	685,365	4,397,133	1,574,093
2030-2034	2,455,000	287,475	3,499,769	1,009,895
2035-2039	545,000	16,350	2,730,000	521,766
2040-2044	-	-	1,455,000	102,669
Total	<u>\$ 22,677,981</u>	<u>\$ 3,033,534</u>	<u>\$ 20,013,989</u>	<u>\$ 5,722,748</u>

Leases. Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2019 are as follows:

Year Ending September 30	Governmental Activities		Business - Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 192,496	\$ 37,629
2021			199,323	30,803
2022			206,391	23,734
2023			213,710	16,415
2024			221,288	8,837
2025	-	-	113,570	1,493
Present Value of Minimum Lease Payments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,146,778</u>	<u>\$ 118,911</u>

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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% 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% 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% 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% 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	<u>150,687</u>
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, 2019, the current rate is 17.40% 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, 2019, 2018, and 2017 were \$3,474,297, \$3,250,647, and \$3,123,857 respectively, equal to the required contributions for each year.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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, 2019, the City of Olive Branch reported a liability of \$56,587,257 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City of Olive Branch's proportion was 0.323151%, which was a decrease of 0.000162% from its proportion measured as on June 30, 2018.

For the year ended September 30, 2019, the City of Olive Branch recognized pension expense of \$3,503,616. At September 30, 2019, 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	\$ 24,690	\$ 44,924
Net Difference Between Projected and Actual Investment Earnings	-	497,638
City Pension Contributions Subsequent to the Measurement Date	1,025,982	-
Changes of Assumptions	409,179	-
Changes in Proportion and Differences in Actual Earnings on Pension Plan Assets	-	3,110,058
Total	\$ <u>1,459,851</u>	\$ <u>3,652,620</u>

\$1,025,982 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, 2020. 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
2020	\$ 157,199	\$ (1,267,519)	\$(1,110,320)
2021	157,199	(1,267,519)	(1,110,320)
2022	119,471	(993,173)	(873,702)
2023	-	(124,409)	(124,409)
Totals	\$ <u>433,869</u>	\$ <u>(3,652,620)</u>	\$ <u>(3,218,751)</u>

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

NOTE H - DEFINED BENEFIT PENSION PLAN – continued

Actuarial assumptions: the total pension liability in the June 30, 2019 actuarial calculation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.75%
Salary Increases:	3.00 – 18.50%, average, including inflation
Investment rate of return:	7.75%, net of pension investment expense, including inflation

Mortality rates for June 30, 2019 were based on the RP-2014 Healthy Annuitant Blue Collar Table projected Scale BB to 2022, with rates set forward one year for males with adjustments. Mortality rates for June 30, 2018 were based on the RP-2014 Healthy Annuitant Blue Collar Table projected Scale BB to 2022, with rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2019 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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.00 %	4.90 %
International Equity	22.00	4.75
Global Equity	12.00	5.00
Debt Securities	20.00	1.50
Real Estate	10.00	4.00
Private Equity	8.00	6.25
Cash Equivalents	1.00	0.25
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 former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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%	\$ 74,740,834
Current Discount Rate	7.75%	56,857,257
1% Increase	8.75%	42,095,969

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, 2019.

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, 2019

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	\$1,347,891

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, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

NOTE K - CONTINGENT LIABILITIES

Litigation

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

Federal Grants

The City has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the City. No provision for any liability that may result has been recognized in the City's financial statements.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

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)	\$ 615,944
Increase (Decrease)	
Net adjustments for	
revenue	706,360
expenditures	<u>-</u>
GAAP Basis	\$ <u><u>1,322,304</u></u>

NOTE M - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 19, 2020, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2019

	Budget			Variance with Final Budget (Unfavorable)
	Original	Final	Actual	
REVENUES:				
General Property Taxes	\$ 15,499,056	\$ 15,798,062	\$ 15,400,898	\$ (397,164)
Intergovernmental Revenues	11,941,102	12,185,586	11,584,248	(601,338)
Charges for Services	4,425,300	4,732,447	5,584,760	852,313
Franchise Taxes	1,665,000	1,900,000	2,020,159	120,159
Interest	12,000	185,720	258,620	72,900
Miscellaneous Revenues	325,000	609,614	998,496	388,882
TOTAL REVENUES	33,867,458	35,411,429	35,847,181	435,752
EXPENDITURES:				
Current:				
General Government	4,679,706	5,075,012	3,546,784	1,528,228
Public Safety	20,362,041	21,353,242	19,824,528	1,528,714
Public Works	5,125,596	5,358,598	4,805,820	552,778
Culture and Recreation	2,459,523	2,641,279	2,473,395	167,884
Economic Development	1,799,035	1,825,845	1,594,552	231,293
Capital Projects	1,740,158	2,522,165	2,303,376	218,789
Debt Service	502,552	502,552	501,955	597
TOTAL EXPENDITURES	36,668,611	39,278,693	35,050,410	4,228,283
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,801,153)	(3,867,264)	796,771	4,664,035
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Assets	-	-	59,173	59,173
Rents	10,000	10,000	10,000	-
Transfers to Other Funds	(250,000)	(250,000)	(250,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(240,000)	(240,000)	(180,827)	59,173
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES	\$ (3,041,153)	\$ (4,107,264)	\$ 615,944	\$ 4,723,208

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
Schedule of the City's Proportionate
Share of the Net Pension Liability
For the five years ended September 30, 2019*

	2019	2018	2017	2016	2015
City of Olive Branch's proportion of net pension liability (%)	0.32315	0.32331 %	0.30302 %	0.28610 %	0.27590 %
City of Olive Branch's proportionate share of net pension liability	\$ 56,857,257	\$ 53,774,395	\$ 50,372,208	\$ 51,104,603	\$ 42,648,699
City of Olive Branch's covered payroll	\$ 21,442,443	\$ 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 (%)	265.16 %	260.46 %	259.05 %	279.22 %	247.74 %
Plan fiduciary net position as a percentage of total pension liability	61.59 %	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.

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

CITY OF OLIVE BRANCH
Schedule of the City's Contributions
For the five years ended September 30, 2019

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>
Contractually required contributions	\$ 3,474,495	\$	3,249,938	\$	3,125,717	\$	3,038,366	\$	2,750,359
Contributions in relation to contractually required contributions	\$ 3,474,297	\$	3,250,647	\$	3,135,110	\$	2,952,685	\$	2,764,503
Contribution deficiency (excess)	\$ 198	\$	(709)	\$	(9,393)	\$	85,681	\$	(14,144)
City of Olive Branch's covered payroll	\$ 21,442,443	\$	20,634,525	\$	19,845,823	\$	19,291,212	\$	17,454,286
Contributions as a percentage of covered employee payroll	16.20 %		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.

Contribution rate changed to 17.40% on July 1, 2019.

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

CITY OF OLIVE BRANCH
Notes to the Required Supplementary Information
For the year ended September 30, 2019

Changes of Assumptions

2019 The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

- For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
- For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

- For males, 137% of male rates at all ages.
- For females, 115% of female rates at all ages.
- Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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.

CITY OF OLIVE BRANCH
Notes to the Required Supplementary Information
For the year ended September 30, 2019

Changes of Assumptions (continued)

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.

SUPPLEMENTARY INFORMATION

CITY OF OLIVE BRANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2019

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-7895-00(002)LPA/107201-701000	20.205	\$ 2,268
Highway Planning and Construction	STP-0183-00(025)LPA/107295-701000	20.205	189,732
Highway Planning and Construction	STP-7862-00(025)LPA/106264-701000	20.205	2,172
Highway Planning and Construction	STP-7862-001(0005)LPA/107264-701000	20.205	66,683
Subtotal			<u>260,855</u>
Airport Improvement Program*	3-28-0056-019-2018	20.106	15,660,731
Airport Improvement Program*	3-28-0056-020-2019	20.106	23,110
Subtotal			<u>15,683,841</u>
Total U.S. Department of Transportation			<u>\$ 15,944,696</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program		16.607	\$ 4,441
Community Oriented Policing Services (COPS)			
School Resource Officers		16.710	<u>95,000</u>
Total U.S. Department of Justice			<u>\$ 99,441</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 16,044,137</u>

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, 2019. 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 position, 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, 2019

YEAR	MILLAGE RATE	ASSESSED PROPERTY VALUE	
2019	38.5	\$ 445,055,760	*
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, 2019

NAME	POSITION	BOND	INSURANCE COMPANY
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
Scott B. Phillips Jr	Mayor	100,000	Fidelity and Deposit Company of Maryland
Tina Griffith	City Clerk	50,000	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
Don Gammage	Police Chief	50,000	Fidelity and Deposit Company of Maryland
LaWonda Knighten	Director of Finance	50,000	Fidelity and Deposit Company of Maryland
Vickie Damron	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
Shannon Coleman	Associate Planner	50,000	Fidelity and Deposit Company of Maryland
Leslie Shumake	Municipal Court Judge	50,000	Fidelity and Deposit Company of Maryland
Joseph Woods, Jr	Airport Director	50,000	Travelers Casualty and Surety Company
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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Michael Little, CPA

Rudolph Franks, CPA (1933-2019)

**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, 2019, 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 October 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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
October 19, 2020

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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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2019.

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. 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
October 19, 2020

**CITY OF OLIVE BRANCH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2019**

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

20.106 U.S Department of Transportation – Airport Improvement Program

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, 2019, and have issued our report thereon dated October 19, 2020. 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 no material instances of noncompliance with state laws and regulations.

This report is intended for the information and use of management, federal awarding agencies, the Office of the State Auditor, and pass-through entities 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
October 19, 2020