

**CITY OF OLIVE BRANCH,
MISSISSIPPI**

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2024**

Prepared by:
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September 30, 2024**

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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 Audit of the Financial Statements

Opinions

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 as of and for the year ended September 30, 2024, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olive Branch as of September 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Olive Branch and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Olive Branch's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Olive Branch's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Olive Branch's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13, the Budgetary Comparison Schedule on page 53, the schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions on pages 54 through 58 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Olive Branch's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, 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 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. Such information 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. The 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, Schedule of Property Tax Rates and Assessments, and the Schedule of Surety Bonds for Municipal Officials is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2025, on our consideration of the City of Olive Branch'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'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 City of Olive Branch's internal control over financial reporting and compliance.

Franks, Franks, Wilemon & Hagood P.A.

FRANKS, FRANKS, WILEMON & HAGOOD, P.A.
Tupelo, Mississippi
June 27, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the year ended September 30, 2024

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, 2024. Please read it in conjunction with the City of Olive Branch's 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, 2024. 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. 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 mills 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 \$14,480,409 which represents a 9.67% increase from the prior fiscal year. The City's ending cash balance increased by \$28,993,788, which represents a 24.99% increase from the prior fiscal year. The City had \$109,470,252 in total revenues and other financing sources. Tax revenues account for \$54,358,010 (or 49.66%) of total revenues. Sales of utilities totaled \$34,546,225 or 31.56% of total revenues.

The City had \$94,989,843 in total expenses. Expenses in the amount of \$48,525,494 were offset by grants, outside contributions or charges for services.

Among major funds, the General Fund had \$61,571,714 in revenues, \$54,479,931 in expenditures, and \$456,493 in other financing uses. As a result, the General Fund's fund balance increased \$6,635,290 over the prior year.

The Combined Water & Sewer System had \$18,138,791 in revenues, \$16,213,725 in expenditures, \$863,171 in non-operating revenues and \$9,594,432 transfers to other funds. As a result, the Combined Water & Sewer System's net position increased by \$12,382,669 over the prior year.

The Natural Gas System had \$14,985,085 in operating revenues, \$14,977,430 in expenditures, and \$279,825 in non-operating revenues and \$0 transfers to other funds. As a result, the Natural Gas System's net position increased by \$287,480 over the prior year.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS – continued

The Airport Fund had \$3,144,756 in operating revenues, \$3,364,413 in expenditures, \$2,077,262 in non-operating revenues and capital contributions and \$230,000 in transfers from other funds. As a result, the Airport's Fund balance increased by \$2,087,605 over the prior year.

Capital assets, net of accumulated depreciation increased by \$8,606,404.

Long-term debt increased by \$10,123,883 (excluding pension liability).

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three 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.

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

| | <u>Fund Statements</u> | | |
|----------------------------------------|----------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| | 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 and deferred outflows exceeded liabilities and deferred inflows by \$164,279,882 at the close of the most recent fiscal year.

A large portion, 74%, 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>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Current & Other Assets | \$ 82,614,516 | \$ 81,175,528 | \$ 80,495,933 | \$ 49,820,923 | \$ 163,110,449 | \$ 130,996,451 |
| Capital Assets | 109,754,240 | 104,490,917 | 44,788,861 | 41,445,780 | 154,543,101 | 145,936,697 |
| Total Assets | <u>192,368,756</u> | <u>185,666,445</u> | <u>125,284,794</u> | <u>91,266,703</u> | <u>317,653,550</u> | <u>276,933,148</u> |
| Total Deferred Outflows | <u>10,336,356</u> | <u>14,553,233</u> | <u>1,907,414</u> | <u>2,533,885</u> | <u>12,243,770</u> | <u>17,087,118</u> |
| Current & Other Liabilities | 11,120,456 | 9,012,324 | 8,667,590 | 6,232,319 | 19,788,046 | 15,244,643 |
| Noncurrent Liabilities | 97,553,150 | 97,961,909 | 40,147,878 | 25,207,039 | 137,701,028 | 123,168,948 |
| Total Liabilities | <u>108,673,606</u> | <u>106,974,233</u> | <u>48,815,468</u> | <u>31,439,358</u> | <u>157,489,074</u> | <u>138,413,591</u> |
| Total Deferred Inflows | <u>2,307,328</u> | <u>1,620,884</u> | <u>5,821,036</u> | <u>4,563,280</u> | <u>8,128,364</u> | <u>6,184,164</u> |
| Net Position: | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 89,452,062 | 80,659,802 | 32,809,446 | 28,422,604 | 119,158,855 | 109,082,406 |
| Restricted | 3,146,655 | 13,265,968 | 15,536,503 | 10,339,245 | 28,671,102 | 23,605,213 |
| Unrestricted (Deficit) | (874,539) | (2,301,209) | 24,209,755 | 19,036,101 | 16,449,925 | 16,734,892 |
| Total Net Position | <u>\$ 91,724,178</u> | <u>\$ 91,624,561</u> | <u>\$ 72,555,704</u> | <u>\$ 57,797,950</u> | <u>\$ 164,279,882</u> | <u>\$ 149,422,511</u> |

Unrestricted net position of the City's business-type activities was \$24,209,755 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>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 8,470,968 | \$ 7,139,943 | \$ 34,546,225 | \$ 35,343,989 | \$ 43,017,193 | \$ 42,483,932 |
| Operating Grants & Contributions | 864,593 | 635,600 | - | - | 864,593 | 635,600 |
| Capital Grants & Contributions | 1,932,758 | 841,558 | 2,710,950 | 2,069,319 | 4,643,708 | 2,910,877 |
| General Revenues: | | | | | | |
| Property Taxes | 31,352,963 | 28,899,297 | - | - | 31,352,963 | 28,899,297 |
| Sales Taxes | 19,995,619 | 19,366,446 | - | - | 19,995,619 | 19,366,446 |
| Other Taxes | 3,009,428 | 2,657,905 | - | - | 3,009,428 | 2,657,905 |
| Intergovernmental | 1,572,387 | 1,426,137 | - | - | 1,572,387 | 1,426,137 |
| Investment Income | 1,663,501 | 61,262 | 1,361,144 | 43,252 | 3,024,645 | 104,514 |
| Gain (Loss) on Disposal of Capital Assets | (36,242) | 91,308 | (5,225) | 3,210 | (41,467) | 94,518 |
| Other | 733,497 | 954,253 | 1,297,686 | 1,721,909 | 2,031,183 | 2,676,162 |
| Total Revenues | 69,559,472 | 62,073,709 | 39,910,780 | 39,181,679 | 109,470,252 | 101,255,388 |
| Expenses | | | | | | |
| General Government | 7,184,450 | 6,271,505 | - | - | 7,184,450 | 6,271,505 |
| Public Safety | 29,103,397 | 26,660,491 | - | - | 29,103,397 | 26,660,491 |
| Public Works | 9,765,521 | 8,626,729 | - | - | 9,765,521 | 8,626,729 |
| Culture & Recreation | 3,374,963 | 3,089,579 | - | - | 3,374,963 | 3,089,579 |
| Economic Development | 2,234,494 | 2,283,909 | - | - | 2,234,494 | 2,283,909 |
| Interest on Long-Term Debt | 654,716 | 691,828 | 421,890 | 421,459 | 1,076,606 | 1,113,287 |
| Pension Expense | 7,694,844 | 6,971,176 | 2,100,977 | 515,889 | 9,795,821 | 7,487,065 |
| Water and Sewer | - | - | 15,558,845 | 17,137,568 | 15,558,845 | 17,137,568 |
| Gas System | - | - | 13,715,519 | 13,846,991 | 13,715,519 | 13,846,991 |
| Airport | - | - | 3,180,227 | 3,094,191 | 3,180,227 | 3,094,191 |
| Total Expenses | 60,012,385 | 54,595,217 | 34,977,458 | 35,016,098 | 94,989,843 | 89,611,315 |
| Excess of Revenue Over Exp | 9,547,087 | 7,478,492 | 4,933,322 | 4,165,581 | 14,480,409 | 11,644,073 |
| Transfers | (9,824,432) | (77,443) | 9,824,432 | 77,443 | - | - |
| Change in Net Position | (277,345) | 7,401,049 | 14,757,754 | 4,243,024 | 14,480,409 | 11,644,073 |
| Net Position—Beginning, as previously stated | 91,624,561 | 84,223,512 | 57,797,950 | 53,554,926 | 149,422,511 | 137,778,438 |
| Prior Period Adjustment | 376,962 | - | - | - | 376,962 | - |
| Net Position—Beginning, as restated | 92,001,523 | 84,223,512 | 57,797,950 | 53,554,926 | 149,799,473 | 137,778,438 |
| Net Position—Ending | \$ 91,724,178 | \$ 91,624,561 | \$ 72,555,704 | \$ 57,797,950 | \$164,279,882 | \$149,422,511 |

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities decreased the City's net position by \$277,345.

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax 29%, property taxes 45% and charges for services 12%.

The largest expense categories for the City's governmental activities are public safety 49% and public works 16% and general government 12%.

Business-type Activities

Business-type activities increased the City's net position by \$14,757,754.

Charges for services are the major revenue categories for the enterprise funds, as 87% of total revenues. Total business-type revenues are comprised of \$39,916,005 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 \$45,424,766 which comprised 99% 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 84% of total fund expenditures. The fund balance of the City's general fund increased by \$6,635,290 during the current fiscal year.

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 \$26,988,759.

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 \$72,555,704. Changes in net position, which totaled \$14,757,754, were as follows: the water & sewer fund increased by \$12,382,669, the gas fund increased by \$287,480, and the airport fund increased by \$2,087,605.

CITY OF OLIVE BRANCH MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights of Major Funds

Over the course of the year, the City of Olive Branch revised its annual operating budget on several occasions. Budgeted revenues were changed as better estimates became available.

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

CAPITAL 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, 2024, amounted to \$154,543,101, 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>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Land | \$ 8,158,854 | \$ 8,156,418 | \$ 14,381,061 | \$ 14,381,061 | \$ 22,539,915 | \$ 22,537,479 |
| Infrastructure | 153,248,704 | 140,422,791 | 75,934,946 | 75,083,963 | 229,183,650 | 215,506,754 |
| Plant, Buildings, Improvements | 31,619,483 | 31,363,801 | 2,183,547 | 2,128,400 | 33,803,030 | 33,492,201 |
| Machinery & Equipment | 24,017,910 | 20,397,333 | 6,586,087 | 6,362,732 | 30,603,997 | 26,760,065 |
| Construction in Progress | 3,369,984 | 9,897,382 | 6,002,124 | 1,206,281 | 9,372,108 | 11,103,663 |
| Accumulated Depreciation | (110,660,695) | (105,746,808) | (60,298,904) | (57,716,657) | (170,959,599) | (163,463,465) |
| Total | \$ 109,754,240 | \$ 104,490,917 | \$ 44,788,861 | \$ 41,445,780 | \$ 154,543,101 | \$ 145,936,697 |

Long-term Debt – At year-end, the City of Olive Branch had \$47,250,631 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, \$4,429,605 is due within one year.

Table A-4

City of Olive Branch's Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--------------------------|----------------------------|----------------------|-----------------------------|----------------------|-----------------------------|----------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| General Obligation Bonds | \$ 20,369,907 | \$ 23,706,901 | \$ 17,370,732 | \$ 2,794,995 | \$ 37,740,639 | \$ 26,501,896 |
| Revenue Bonds | - | - | 7,937,000 | 8,467,000 | 7,937,000 | 8,467,000 |
| Loans Payable | 263,895 | 395,842 | 1,252,064 | 1,481,752 | 1,515,959 | 1,877,594 |
| Leases Payable | - | - | 57,033 | 280,258 | 57,033 | 280,258 |
| Total | \$ 20,633,802 | \$ 24,102,743 | \$ 26,616,829 | \$ 13,024,005 | \$ 47,250,631 | \$ 37,126,748 |

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 2025 budget. The total budgeted appropriations for the City operations in the general fund are \$60,935,680. This budget reflects an increase of approximately \$497,390 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, 2024

| | Primary Government | | |
|---------------------------------------------------------------------------------------------|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>ASSETS:</u> | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 77,033,333 | \$ 52,560,840 | \$ 129,594,173 |
| Accounts Receivable, net of allowance for uncollectibles of \$11,240,424 and \$1,721,606 | 3,000,964 | 3,778,675 | 6,779,639 |
| Intergovernmental Receivables | 3,209,393 | 559,396 | 3,768,789 |
| Note Receivable: Due Within One Year | - | 26,947 | 26,947 |
| Lease Receivable: Due Within One Year | - | 229,736 | 229,736 |
| General Property Taxes Receivable | 178,009 | - | 178,009 |
| Prepaid Expenses | 455,937 | 389,690 | 845,627 |
| Inventories | - | 69,056 | 69,056 |
| Internal Balances | (1,763,802) | 1,763,802 | - |
| TOTAL CURRENT ASSETS | 82,113,834 | 59,378,142 | 141,491,976 |
| Noncurrent Assets: | | | |
| Restricted Cash | - | 15,432,561 | 15,432,561 |
| Notes Receivable | - | 195,604 | 195,604 |
| Lease Receivable | - | 5,489,626 | 5,489,626 |
| Subscription Based IT Assets, net | 500,682 | - | 500,682 |
| Capital Assets: | | | |
| Land | 8,158,854 | 14,381,061 | 22,539,915 |
| Plant, Buildings and Improvements | 31,619,483 | 2,183,547 | 33,803,030 |
| Machinery and Equipment | 24,017,910 | 6,586,087 | 30,603,997 |
| Infrastructure | 153,248,704 | 75,934,946 | 229,183,650 |
| Construction in Progress | 3,369,984 | 6,002,124 | 9,372,108 |
| Accumulated Depreciation | (110,660,695) | (60,298,904) | (170,959,599) |
| TOTAL NONCURRENT ASSETS | 110,254,922 | 65,906,652 | 176,161,574 |
| TOTAL ASSETS | 192,368,756 | 125,284,794 | 317,653,550 |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Deferred Outflows Related to Bond Refunding | 110,683 | 3,699 | 114,382 |
| Deferred Outflows Related to Pensions | 10,225,673 | 1,903,715 | 12,129,388 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 10,336,356 | \$ 1,907,414 | \$ 12,243,770 |

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

September 30, 2024

-Continued-

| | Primary Government | | |
|---------------------------------------------------|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| <u>LIABILITIES:</u> | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$ 5,367,602 | \$ 3,641,340 | \$ 9,008,942 |
| Accrued Expenses | 1,307,228 | 293,963 | 1,601,191 |
| Accrued Interest Payable | 196,623 | 92,629 | 289,252 |
| SBITA Liabilities: Due Within One Year | 161,183 | - | 161,183 |
| Long-Term Debt: Due Within One Year | 3,126,947 | 1,307,441 | 4,434,388 |
| Customer and Other Deposits | 960,873 | 3,332,217 | 4,293,090 |
| TOTAL CURRENT LIABILITIES | 11,120,456 | 8,667,590 | 19,788,046 |
| Noncurrent Liabilities: | | | |
| Net Pension Liability | 78,445,181 | 14,604,156 | 93,049,337 |
| SBITA Liabilities: Due in More Than One Year | 118,558 | - | 118,558 |
| Capital Long-Term Debt: Due in More Than One Year | 17,506,855 | 25,309,388 | 42,816,243 |
| Accrued Compensated Absences | 1,482,556 | 234,334 | 1,716,890 |
| TOTAL NONCURRENT LIABILITIES | 97,553,150 | 40,147,878 | 137,701,028 |
| TOTAL LIABILITIES | 108,673,606 | 48,815,468 | 157,489,074 |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Deferred Inflows Related to Leases | - | 5,391,480 | 5,391,480 |
| Deferred Inflows Related to Pensions | 2,307,328 | 429,556 | 2,736,884 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,307,328 | 5,821,036 | 8,128,364 |
| <u>NET POSITION</u> | | | |
| Net Investment in Capital Assets | 89,452,062 | 32,809,446 | 122,261,508 |
| Restricted for: | | | |
| Capital Projects | 18,869 | 14,958,737 | 14,977,606 |
| Debt Service | 2,951,905 | 577,766 | 3,529,671 |
| Public Safety | 175,881 | - | 175,881 |
| Unrestricted (Deficit) | (874,539) | 24,209,755 | 23,335,216 |
| TOTAL NET POSITION | \$ 91,724,178 | \$ 72,555,704 | \$ 164,279,882 |

See accompanying notes to financial statements.

**CITY OF OLIVE BRANCH
STATEMENT OF ACTIVITIES
For the year ended September 30, 2024**

| FUNCTIONS/ PROGRAMS | PROGRAM REVENUES | | | | | Net (Expense) Revenue and Changes in Net Position | | |
|------------------------------------------------------|----------------------|------------------------|------------------------------------------|----------------------------------------|----------------------|------------------------------------------------------|-----------------------------|------------------------|
| | Expenses | Charge for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total | PRIMARY GOVERNMENT | | |
| | | | | | | Governmental Activities | Business-Type Activities | Total |
| PRIMARY GOVERNMENT | | | | | | | | |
| Government Activities: | | | | | | | | |
| General Government | \$ 7,184,450 | \$ 620,788 | \$ 36,376 | \$ - | \$ 657,164 | \$ (6,527,286) | \$ - | \$ (6,527,286) |
| Public Safety | 29,103,397 | 4,719,051 | 828,217 | 568,812 | 6,116,080 | (22,987,317) | - | (22,987,317) |
| Public Works | 9,765,521 | 2,728,691 | - | 1,363,946 | 4,092,637 | (5,672,884) | - | (5,672,884) |
| Culture and Recreation | 3,374,963 | 402,438 | - | - | 402,438 | (2,972,525) | - | (2,972,525) |
| Economic Development and Assistance | 2,234,494 | - | - | - | - | (2,234,494) | - | (2,234,494) |
| Interest on Long-Term Debt | 654,716 | - | - | - | - | (654,716) | - | (654,716) |
| Pension Expense | 7,694,844 | - | - | - | - | (7,694,844) | - | (7,694,844) |
| TOTAL GOVERNMENTAL ACTIVITIES | 60,012,385 | 8,470,968 | 864,593 | 1,932,758 | 11,268,319 | (48,744,066) | - | (48,744,066) |
| Business-Type Activities: | | | | | | | | |
| Water and Sewer | 15,558,845 | 17,358,433 | - | 606,379 | 17,964,812 | - | 2,405,967 | 2,405,967 |
| Gas System | 13,715,519 | 14,723,540 | - | - | 14,723,540 | - | 1,008,021 | 1,008,021 |
| Airport | 3,180,227 | 2,464,252 | - | 2,104,571 | 4,568,823 | - | 1,388,596 | 1,388,596 |
| Interest on Long-Term Debt | 421,890 | - | - | - | - | - | (421,890) | (421,890) |
| Pension Expense | 2,100,977 | - | - | - | - | - | (2,100,977) | (2,100,977) |
| TOTAL BUSINESS-TYPE ACTIVITIES | 34,977,458 | 34,546,225 | - | 2,710,950 | 37,257,175 | - | 2,279,717 | 2,279,717 |
| TOTAL PRIMARY GOVERNMENT | \$ 94,989,843 | \$ 43,017,193 | \$ 864,593 | \$ 4,643,708 | \$ 48,525,494 | \$ (48,744,066) | \$ 2,279,717 | \$ (46,464,349) |
| GENERAL REVENUES: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes | | | | | | \$ 31,352,963 | \$ - | \$ 31,352,963 |
| Intergovernmental Revenues | | | | | | 1,572,387 | - | 1,572,387 |
| Sales Taxes | | | | | | 19,995,619 | - | 19,995,619 |
| Franchise Taxes | | | | | | 3,009,428 | - | 3,009,428 |
| Rents/Lease Revenue | | | | | | 10,100 | 851,713 | 861,813 |
| Investment Earnings | | | | | | 1,663,501 | 1,361,144 | 3,024,645 |
| Gain (Loss) on Disposal of Assets | | | | | | (36,242) | (5,225) | (41,467) |
| Miscellaneous | | | | | | 723,397 | 445,973 | 1,169,370 |
| Transfers | | | | | | (9,824,432) | 9,824,432 | - |
| TOTAL GENERAL REVENUES AND TRANSFERS | | | | | | 48,466,721 | 12,478,037 | 60,944,758 |
| CHANGE IN NET POSITION | | | | | | (277,345) | 14,757,754 | 14,480,409 |
| NET POSITION--BEGINNING, as originally stated | | | | | | 91,624,561 | 57,797,950 | 149,422,511 |
| PRIOR PERIOD ADJUSTMENT | | | | | | 376,962 | - | 376,962 |
| NET POSITION--BEGINNING, as restated | | | | | | 92,001,523 | 57,797,950 | 149,799,473 |
| NET POSITION--ENDING | | | | | | \$ 91,724,178 | \$ 72,555,704 | \$ 164,279,882 |

See accompanying notes to financial statements.

**CITY OF OLIVE BRANCH
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2024**

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|----------------------------------------------------------------------------|----------------------|------------------------------------|--------------------------------|
| <u>ASSETS:</u> | | | |
| Cash and Cash Equivalents | \$ 48,916,725 | \$ 28,116,608 | \$ 77,033,333 |
| Accounts Receivable, net of allowance for uncollectibles of \$8,439,581 | 2,488,312 | - | 2,488,312 |
| Intergovernmental Receivables | 2,195,856 | 278,764 | 2,474,620 |
| Due from Other Funds | - | 145,778 | 145,778 |
| Prepaid Expenses | 455,937 | - | 455,937 |
| TOTAL ASSETS | \$ 54,056,830 | \$ 28,541,150 | \$ 82,597,980 |
| <u>LIABILITIES AND FUND BALANCES:</u> | | | |
| <u>LIABILITIES:</u> | | | |
| Accounts Payable | \$ 3,815,211 | \$ 1,552,391 | \$ 5,367,602 |
| Accrued Expenses | 1,307,228 | - | 1,307,228 |
| Due to Other Funds | 1,909,580 | - | 1,909,580 |
| Customer and Other Deposits | 960,873 | - | 960,873 |
| TOTAL LIABILITIES | 7,992,892 | 1,552,391 | 9,545,283 |
| <u>FUND BALANCES:</u> | | | |
| Nonspendable | | | |
| Prepaid Expenses | 455,937 | - | 455,937 |
| Restricted for | | | |
| Debt Service | - | 2,951,905 | 2,951,905 |
| Public Safety | 175,881 | - | 175,881 |
| Capital Projects | 7,354 | 11,515 | 18,869 |
| Committed to | | | |
| Municipal Reserve | - | 4,233,090 | 4,233,090 |
| Construction Acquisition of Assets | - | 19,792,249 | 19,792,249 |
| Unassigned | 45,424,766 | - | 45,424,766 |
| TOTAL FUND BALANCES | 46,063,938 | 26,988,759 | 73,052,697 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 54,056,830 | \$ 28,541,150 | \$ 82,597,980 |

See accompanying notes to financial statements.

**CITY OF OLIVE BRANCH
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
September 30, 2024**

| | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|------------------------------|
| TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$ | 73,052,697 |
| 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. | | 109,754,240 |
| Subscription based IT assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. | | 500,682 |
| Long-term liabilities, including bonds, subscription based IT liabilities, and accrued interest, are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet. | | (21,110,166) |
| Deferred outflows related to bond refunding | | 110,683 |
| Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet. | | (1,482,556) |
| 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. | | 178,009 |
| Other long-term assets not available to pay for current period expenditures and, therefore, are deferred in the governmental funds balance sheet. | | 734,773 |
| Net pension liability are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet. | | (78,445,181) |
| 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 | | 10,225,673 |
| Deferred inflows of resources related to defined benefit pension plan | | (2,307,328) |
| Accrual of court fine revenues to qualify as financial resources. | | <u>512,652</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u><u>91,724,178</u></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, 2024

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|-------------------------------------------------------------------|----------------------|------------------------------------|--------------------------------|
| REVENUES: | | | |
| General Property Taxes | \$ 28,135,195 | \$ 3,340,915 | \$ 31,476,110 |
| Intergovernmental Revenues | 20,084,353 | 4,281,004 | 24,365,357 |
| Charges for Services | 8,511,711 | - | 8,511,711 |
| Franchise Taxes | 3,074,165 | - | 3,074,165 |
| Interest | 1,046,447 | 617,054 | 1,663,501 |
| Miscellaneous Revenues | 719,843 | 3,554 | 723,397 |
| TOTAL REVENUES | <u>61,571,714</u> | <u>8,242,527</u> | <u>69,814,241</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government | 6,117,287 | - | 6,117,287 |
| Public Safety | 28,044,010 | - | 28,044,010 |
| Public Works | 6,991,248 | - | 6,991,248 |
| Culture and Recreation | 3,020,000 | 65,368 | 3,085,368 |
| Economic Development | 2,184,788 | - | 2,184,788 |
| Capital Projects | 7,988,276 | 2,595,863 | 10,584,139 |
| Debt Service | 134,322 | 3,938,965 | 4,073,287 |
| TOTAL EXPENDITURES | <u>54,479,931</u> | <u>6,600,196</u> | <u>61,080,127</u> |
| EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES | <u>7,091,783</u> | <u>1,642,331</u> | <u>8,734,114</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from Sale of Capital Assets | 24,181 | - | 24,181 |
| Rents | 10,100 | - | 10,100 |
| Transfers from (to) Other Funds | (490,774) | (9,331,933) | (9,822,707) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(456,493)</u> | <u>(9,331,933)</u> | <u>(9,788,426)</u> |
| NET CHANGE IN FUND BALANCES | 6,635,290 | (7,689,602) | (1,054,312) |
| FUND BALANCES - Beginning | <u>39,051,686</u> | <u>34,678,361</u> | <u>73,730,047</u> |
| Prior Period Adjustment | <u>376,962</u> | <u>-</u> | <u>376,962</u> |
| FUND BALANCES - Beginning, as restated | <u>39,428,648</u> | <u>34,678,361</u> | <u>74,107,009</u> |
| FUND BALANCES - Ending | <u>\$ 46,063,938</u> | <u>\$ 26,988,759</u> | <u>\$ 73,052,697</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, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,054,312)

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. 10,584,139

Depreciation expense on capital assets is reported in the statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds. (4,913,887)

Amortization expense and repayment of associated liability related to subscription-based information technology arrangements (SBITAs) is reported in the statement of activities but does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds. 109,191

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. (406,929)

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. (123,147)

Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds. (105,480)

Changes to net pension liability, deferred inflows and deferred outflows are reported in pension expense in the statement of activities but do not provide or require the use of current financial resources; therefore, pension expense related to these changes are not reported as expenditures in the governmental funds. (7,694,844)

Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 3,416,947

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 2,799

The proceeds of debt are an other financing source on the governmental funds income statement but are not reported on the statement of activities:

Proceeds from issuance of bonds and notes payable -
Change in accrued interest payable (1,175)
Change in accrual of compensated absences payable. (90,647)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (277,345)

See accompanying notes to financial statements.

**CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPES
September 30, 2024**

| | Water and Sewer Fund | Natural Gas Fund | Airport Fund | Total |
|----------------------------------------------------------------------------|-------------------------|------------------------|-------------------|---------------------|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash | \$ 32,442,649 | \$ 18,047,176 | \$ 2,071,015 | \$ 52,560,840 |
| Accounts Receivable, net of allowance for uncollectibles of \$1,721,606 | 1,967,068 | 872,004 | 939,603 | 3,778,675 |
| Intergovernmental Receivables | 559,396 | - | - | 559,396 |
| Notes Receivable: Due Within One Year | 26,947 | - | - | 26,947 |
| Lease Receivable: Due Within One Year | 95,437 | - | 134,299 | 229,736 |
| Due from Other Funds | 1,053,869 | 537,673 | 172,260 | 1,763,802 |
| Inventories | - | - | 69,056 | 69,056 |
| Prepaid Expenses | 152,675 | 44,360 | 192,655 | 389,690 |
| Total Current Assets | <u>36,298,041</u> | <u>19,501,213</u> | <u>3,578,888</u> | <u>59,378,142</u> |
| Noncurrent Assets: | | | | |
| Restricted Cash | 10,165,372 | 5,046,109 | 221,080 | 15,432,561 |
| Notes Receivable | 195,604 | - | - | 195,604 |
| Lease Receivable | 1,364,892 | - | 4,124,734 | 5,489,626 |
| Capital Assets, net accumulated depreciation | 17,847,992 | 4,667,331 | 22,273,538 | 44,788,861 |
| Total Noncurrent Assets | <u>29,573,860</u> | <u>9,713,440</u> | <u>26,619,352</u> | <u>65,906,652</u> |
| Total Assets | <u>65,871,901</u> | <u>29,214,653</u> | <u>30,198,240</u> | <u>125,284,794</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows Related to Bond Refunding | 3,699 | - | - | 3,699 |
| Deferred Outflows Related to Pensions | 870,270 | 788,682 | 244,763 | 1,903,715 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 873,969</u> | <u>\$ 788,682</u> | <u>\$ 244,763</u> | <u>\$ 1,907,414</u> |

**CITY OF OLIVE BRANCH
STATEMENT OF NET POSITION -
PROPRIETARY FUND TYPES
September 30, 2024**

-Continued-

| | Water and Sewer Fund | Natural Gas Fund | Airport Fund | Total |
|------------------------------------------------|-------------------------|------------------------|----------------------|----------------------|
| LIABILITIES & NET POSITION | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 1,986,985 | \$ 509,186 | \$ 1,145,169 | \$ 3,641,340 |
| Accrued Expenses | 111,456 | 80,063 | 102,444 | 293,963 |
| Accrued Interest Payable | 70,517 | 14,364 | 7,748 | 92,629 |
| Current Maturities of Long-Term Debt | 931,441 | 271,000 | 105,000 | 1,307,441 |
| Customer and Other Deposits | 1,070,656 | 2,261,561 | - | 3,332,217 |
| Total Current Liabilities | <u>4,171,055</u> | <u>3,136,174</u> | <u>1,360,361</u> | <u>8,667,590</u> |
| Noncurrent Liabilities: | | | | |
| Net Pension Liability | 6,676,186 | 6,050,293 | 1,877,677 | 14,604,156 |
| Capital Long-Term Debt: | | | | |
| Due More Than One Year | 18,276,429 | 5,212,959 | 1,820,000 | 25,309,388 |
| Accrued Compensated Absences | 116,594 | 90,109 | 27,631 | 234,334 |
| Total Noncurrent Liabilities | <u>25,069,209</u> | <u>11,353,361</u> | <u>3,725,308</u> | <u>40,147,878</u> |
| Total Liabilities | <u>29,240,264</u> | <u>14,489,535</u> | <u>5,085,669</u> | <u>48,815,468</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows Related to Leases | 1,435,475 | - | 3,956,005 | 5,391,480 |
| Deferred Inflows Related to Pensions | 196,368 | 177,959 | 55,229 | 429,556 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>1,631,843</u> | <u>177,959</u> | <u>4,011,234</u> | <u>5,821,036</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | 8,231,427 | 4,229,481 | 20,348,538 | 32,809,446 |
| Restricted for: | | | | |
| Debt Service | 577,766 | - | - | 577,766 |
| Capital Projects | 9,587,606 | 5,046,109 | 325,022 | 14,958,737 |
| Unrestricted (Deficit) | 17,476,964 | 6,060,251 | 672,540 | 24,209,755 |
| Total Net Position | <u>\$ 35,873,763</u> | <u>\$ 15,335,841</u> | <u>\$ 21,346,100</u> | <u>\$ 72,555,704</u> |

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, 2024

| | Water and Sewer Fund | Natural Gas Fund | Airport Fund | Total |
|-----------------------------------------------------------------------|-------------------------|------------------------|----------------------|----------------------|
| OPERATING REVENUES | | | | |
| Charges for Services | \$ 17,358,433 | \$ 14,723,540 | \$ 2,464,252 | \$ 34,546,225 |
| Rents | - | - | 295,489 | 295,489 |
| Lease Revenue | 171,209 | - | 385,015 | 556,224 |
| Miscellaneous Revenues | 609,149 | 261,545 | - | 870,694 |
| Total Operating Revenues | <u>18,138,791</u> | <u>14,985,085</u> | <u>3,144,756</u> | <u>36,268,632</u> |
| OPERATING EXPENSES | | | | |
| Costs of Sales | - | 8,980,990 | 1,843,972 | 10,824,962 |
| Personnel | 3,452,004 | 2,916,227 | 659,612 | 7,027,843 |
| Materials and Supplies | 1,317,361 | 443,272 | 17,831 | 1,778,464 |
| Professional Services | 6,608,752 | 39,144 | 13,584 | 6,661,480 |
| Depreciation & Amortization Expense | 1,964,441 | 434,410 | 212,020 | 2,610,871 |
| Other Expenses | 2,216,287 | 901,476 | 433,208 | 3,550,971 |
| Pension Expense | 654,880 | 1,261,911 | 184,186 | 2,100,977 |
| Total Operating Expenses | <u>16,213,725</u> | <u>14,977,430</u> | <u>3,364,413</u> | <u>34,555,568</u> |
| Operating Income (Loss) | <u>1,925,066</u> | <u>7,655</u> | <u>(219,657)</u> | <u>1,713,064</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest Income | 857,254 | 450,501 | 53,389 | 1,361,144 |
| Grant Income | 606,379 | - | 2,104,571 | 2,710,950 |
| Gain (Loss) on Disposal of Fixed Assets | (3,958) | (1,267) | - | (5,225) |
| Bond Issuance Cost | (279,656) | (145,065) | - | (424,721) |
| Interest Expense | (316,848) | (24,344) | (80,698) | (421,890) |
| Total Non-operating Revenues (Expenses) | <u>863,171</u> | <u>279,825</u> | <u>2,077,262</u> | <u>3,220,258</u> |
| Income (Loss) before Operating Transfers and Capital Contributions | 2,788,237 | 287,480 | 1,857,605 | 4,933,322 |
| Transfers from (to) Other Funds | 9,594,432 | - | 230,000 | 9,824,432 |
| Change in Net Position | 12,382,669 | 287,480 | 2,087,605 | 14,757,754 |
| TOTAL NET POSITION - | | | | |
| Beginning of Year | <u>23,491,094</u> | <u>15,048,361</u> | <u>19,258,495</u> | <u>57,797,950</u> |
| TOTAL NET POSITION - | | | | |
| End of Year | <u>\$ 35,873,763</u> | <u>\$ 15,335,841</u> | <u>\$ 21,346,100</u> | <u>\$ 72,555,704</u> |

See accompanying notes to financial statements.

CITY OF OLIVE BRANCH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2024

| | Water and Sewer Fund | Natural Gas Fund | Airport Fund | Total |
|----------------------------------------------------------------------------|-------------------------|------------------------|---------------------|----------------------|
| Cash Flows From Operating Activities: | | | | |
| Receipts from Customers | \$ 17,274,740 | \$ 14,615,366 | \$ 1,545,043 | \$ 33,435,149 |
| Payments to Suppliers | (8,943,038) | (10,134,836) | (1,659,595) | (20,737,469) |
| Payments to Employees | (3,411,744) | (2,908,426) | (650,197) | (6,970,367) |
| Other Receipts (Payments) | 265,157 | 261,545 | 594,509 | 1,121,211 |
| Net Cash Provided by (Used in) Operating Activities | <u>5,185,115</u> | <u>1,833,649</u> | <u>(170,240)</u> | <u>6,848,524</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Due To (From) Other Funds | 147,051 | (373,815) | 53,743 | (173,021) |
| Transfers In (Out) | 9,594,432 | - | 230,000 | 9,824,432 |
| Net Cash Provided by (Used In) Noncapital Financing Activities | <u>9,741,483</u> | <u>(373,815)</u> | <u>283,743</u> | <u>9,651,411</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Grant Income | 606,379 | - | 2,104,571 | 2,710,950 |
| Purchase of Capital Assets | (3,658,343) | (87,414) | (2,213,420) | (5,959,177) |
| Bond Premium | 694,778 | 355,959 | - | 1,050,737 |
| Bond Issue Costs | (279,656) | (145,065) | - | (424,721) |
| Proceeds from Issuance of Long-Term Debt | 9,080,000 | 4,790,000 | - | 13,870,000 |
| Principal Payments on Long-Term Debt | (1,062,913) | (165,000) | (100,000) | (1,327,913) |
| Interest Paid | (289,598) | (11,818) | (80,698) | (382,114) |
| Net Cash Provided by (Used In) Capital and Related Financing Activities | <u>5,090,647</u> | <u>4,736,662</u> | <u>(289,547)</u> | <u>9,537,762</u> |
| Cash Flows from Investing Activities: | | | | |
| Interest Income | 857,254 | 450,501 | 53,389 | 1,361,144 |
| Net Cash Provided by (Used In) Investing Activities | <u>857,254</u> | <u>450,501</u> | <u>53,389</u> | <u>1,361,144</u> |
| Net Increase (Decrease) In Cash and Cash Equivalents | <u>20,874,499</u> | <u>6,646,997</u> | <u>(122,655)</u> | <u>27,398,841</u> |
| Cash and Cash Equivalents--Beginning | <u>21,733,522</u> | <u>16,446,288</u> | <u>2,414,750</u> | <u>40,594,560</u> |
| Cash and Cash Equivalents--Ending | <u>\$ 42,608,021</u> | <u>\$ 23,093,285</u> | <u>\$ 2,292,095</u> | <u>\$ 67,993,401</u> |
| Cash | 32,442,649 | 18,047,176 | 2,071,015 | 52,560,840 |
| Restricted Cash | 10,165,372 | 5,046,109 | 221,080 | 15,432,561 |
| Total Cash - Ending | <u>42,608,021</u> | <u>23,093,285</u> | <u>2,292,095</u> | <u>67,993,401</u> |

CITY OF OLIVE BRANCH
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended September 30, 2024

| | 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) | \$ 1,925,066 | \$ 7,655 | \$ (219,657) | \$ 1,713,064 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | |
| Depreciation & Amortization Expense | 1,964,441 | 434,410 | 212,020 | 2,610,871 |
| Net Pension Expense | 654,880 | 1,261,911 | 184,186 | 2,100,977 |
| Decrease (Increase) in Assets: | | | | |
| Accounts Receivable | (111,054) | (166,809) | (919,209) | (1,197,072) |
| Intergovernmental Receivables | (526,705) | - | - | (526,705) |
| Inventories | - | - | 1,829 | 1,829 |
| Prepaid Expenses | 2,005 | (3,342) | (192,655) | (193,992) |
| Notes Receivable | 26,152 | - | - | 26,152 |
| Lease Receivable | (1,183,828) | - | (29,532) | (1,213,360) |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | 1,197,357 | 233,388 | 839,826 | 2,270,571 |
| Accrued Expenses | 34,352 | 22,152 | 6,589 | 63,093 |
| Compensated Absences | 5,908 | (14,351) | 2,826 | (5,617) |
| Customer and Other Deposits | 27,361 | 58,635 | - | 85,996 |
| Deferred Inflows Related to Leases | 1,169,180 | - | (56,463) | 1,112,717 |
| Total Adjustments | 3,260,049 | 1,825,994 | 49,417 | 5,135,460 |
| Net Cash Provided by (Used in) Operating Activities | \$ 5,185,115 | \$ 1,833,649 | \$ (170,240) | \$ 6,848,524 |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

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, sanitation, utilities and airport), 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, 2024

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.

Non-Major Governmental Funds - These funds include Capital Projects and Debt Service 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:

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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.

Inventories

Inventories in the Proprietary Funds are value at cost, which approximates market, using the first-in/first-out method.

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Prepaid Expenses

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

Accounts Receivable

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

Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "Due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "Advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payable between funds within governmental activities are eliminated in the Statement of Net 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 | 5,000 | 40 years |
| Improvements other than buildings | 5,000 | 20 years |
| Mobile equipment | 5,000 | 5-10 years |
| Furniture and equipment | 5,000 | 3-7 years |

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Deferred Outflows/Inflows of Resources

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

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

Deferred amounts on pensions - The City has deferred outflows and inflows related to pensions which represents the City's proportionate share of the deferred outflows and inflows of resources reported by the pension plan in which the City participates. See Note J 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.

Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases (GASB 87), to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

The City uses the incremental borrowing rate to calculate the present value of lease payments when the rate implicit in the lease is not known.

Subscription-Based Information Technology Arrangements

The Governmental Accounts Standards Board (GASB) issued Statement No.96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96) to establish uniform accounting and financial reporting requirements for SBITAs, to improve comparability of financial statements amount governments that have entered into SBITAs, and to enhance understandability, relatability, relevance and consistency of information about SBITAs.

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.

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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.

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 resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted 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.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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, the City's highest level of decision-making authority. 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.

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.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Intergovernmental Revenues in Governmental Funds

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

Use of Estimates

The 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.

Changes in Accounting Standards.

GASB 100, Accounting Changes and Error Corrections, was implemented during the 2024 fiscal year. This statement is an amendment of GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance*. The purpose of the standard is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability.

NOTE B - CASH AND CASH EQUIVALENTS

The carrying amount of the City's total deposits with financial institutions at September 30, 2024, was \$145,026,734, and the bank balance was \$145,703,027. 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 the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk. 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). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the City.

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE B - CASH AND CASH EQUIVALENTS - continued

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, 2024 fund balance was \$4,233,090 and is included in the City's total cash figures.

NOTE C - INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consist of the following:

| <u>Description</u> | <u>Governmental Activities</u> | <u>Business- Type Activities</u> |
|-------------------------|------------------------------------|------------------------------------------|
| Sales Tax | \$ 1,362,637 | |
| Ad Valorem Tax | 258,703 | |
| Grant Proceeds | 853,280 | 559,396 |
| Franchise Tax-Long-term | 734,773 | |
| Totals | <u>\$ 3,209,393</u> | <u>\$ 559,396</u> |

NOTE D - NOTES RECEIVABLE

Methodist LeBonheur Healthcare agreed to pay \$500,000 plus associated interest at a rate of 3.00% 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. Payments are made monthly with a maturity date of March 2032. As of September 30, 2024, the balance on the note is \$222,551.

The annual requirements to amortize the note receivable outstanding as of September 30, 2024 is as follows:

| Fiscal Year Ending September 30, | Principal | Interest |
|----------------------------------|-------------------|------------------|
| 2025 | \$ 26,947 | \$ 6,329 |
| 2026 | 27,767 | 5,509 |
| 2027 | 28,612 | 4,664 |
| 2028 | 29,482 | 3,794 |
| 2029 | 30,358 | 2,917 |
| 2030-2034 | 79,385 | 3,140 |
| Total | <u>\$ 222,551</u> | <u>\$ 26,353</u> |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE E - LEASES

Primary Government as Lessor

The City leases certain towers to communications providers, and building space and hangars to patrons at the airport. The related lease receivable and deferred inflows of resources are presented as amounts equal to the present value of lease payments expected to be received during the lease term. The deferred inflows of resources are amortized as lease revenue on a straight-line basis over the lease term. The terms for various leases range from 24 months to 300 months with variable payment amounts. The incremental borrowing rate of 4.0% was used to calculate the discounted future cash flows of the leases. The total amount of lease revenue and lease related interest revenue recognized in the current year is \$556,224.

Principal and interest payments scheduled to be received from lease receivable are as follows:

| Fiscal Year Ending September 30, | Principal | Interest |
|----------------------------------|---------------------|---------------------|
| 2025 | \$ 229,736 | \$ 139,971 |
| 2026 | 171,259 | 134,067 |
| 2027 | 173,655 | 129,043 |
| 2028 | 162,514 | 123,395 |
| 2029 | 149,747 | 119,628 |
| 2030-2034 | 911,266 | 531,308 |
| 2035-2039 | 1,266,762 | 378,397 |
| 2040-2044 | 1,549,260 | 165,062 |
| 2045-2049 | 682,723 | 21,017 |
| 2050-2054 | 422,440 | 7,487 |
| Total | <u>\$ 5,719,362</u> | <u>\$ 1,749,375</u> |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE F - CAPITAL ASSETS

The following is a summary of capital asset activity as of September 30, 2024:

| | <u>Balance Sept. 30, 2023</u> | <u>Acquisitions</u> | <u>Transfers, Adjustments, Sales, or Retirements</u> | <u>Balance Sept. 30, 2024</u> |
|-------------------------------------------------|-----------------------------------|----------------------------|------------------------------------------------------------------|-----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being Depreciated: | | | | |
| Land | \$ 8,156,418 | \$ 2,436 | - | 8,158,854 |
| Construction in Progress | <u>9,897,382</u> | <u>7,013,686</u> | <u>(13,541,084)</u> | <u>3,369,984</u> |
| Total Capital Assets, not being Depreciated: | 18,053,800 | 7,016,122 | (13,541,084) | 11,528,838 |
| Capital Assets being Depreciated: | | | | |
| Buildings and Improvements | 31,363,801 | 255,952 | (270) | 31,619,483 |
| Machinery and Equipment | 20,397,333 | 3,287,683 | 332,894 | 24,017,910 |
| Infrastructure | <u>140,422,791</u> | <u>24,382</u> | <u>12,801,531</u> | <u>153,248,704</u> |
| Total Capital Assets, being Depreciated | 192,183,925 | 3,568,017 | 13,134,155 | 208,886,097 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (11,714,638) | (685,087) | - | (12,399,725) |
| Machinery and Equipment | (13,457,120) | (1,328,904) | 344,781 | (14,441,243) |
| Infrastructure | <u>(80,575,050)</u> | <u>(3,244,677)</u> | <u>-</u> | <u>(83,819,727)</u> |
| Total Accumulated Depreciation | <u>(105,746,808)</u> | <u>(5,258,668)</u> | <u>344,781</u> | <u>(110,660,695)</u> |
| Total Governmental Activities | | | | |
| Capital Assets, net | \$ <u>104,490,917</u> | \$ <u>5,325,471</u> | <u>(62,148)</u> | <u>109,754,240</u> |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE F - CAPITAL ASSETS – continued

| | <u>Balance</u> <u>Sept. 30, 2023</u> | <u>Acquisitions</u> | <u>Transfers, Adjustments, Sales, or Retirements</u> | <u>Balance</u> <u>Sept. 30, 2024</u> |
|-----------------------------------------------------------|-----------------------------------------|----------------------------|------------------------------------------------------------------|-----------------------------------------|
| Business-Type Activities: | | | | |
| Capital Assets, not being Depreciated: | | | | |
| Land | \$ 14,381,061 | \$ - | - | 14,381,061 |
| Construction in Progress | 1,206,281 | 5,413,637 | (617,794) | 6,002,124 |
| Total Capital Assets, not being Depreciated: | 15,587,342 | 5,413,637 | (617,794) | 20,383,185 |
| Capital Assets being Depreciated: | | | | |
| Buildings and Improvements | 2,128,400 | 55,147 | - | 2,183,547 |
| Machinery and Equipment | 6,362,732 | 258,365 | (35,010) | 6,586,087 |
| Infrastructure | 75,083,963 | 233,189 | 617,794 | 75,934,946 |
| Total Capital Assets, being Depreciated | 83,575,095 | 546,701 | 582,784 | 84,704,580 |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (338,522) | (48,593) | - | (387,115) |
| Machinery and Equipment | (4,721,566) | (260,960) | 31,508 | (4,951,018) |
| Infrastructure | (52,656,569) | (2,304,202) | - | (54,960,771) |
| Total Accumulated Depreciation | (57,716,657) | (2,613,755) | 31,508 | (60,298,904) |
| Total Business-Type Activities Capital Assets, net | \$ <u>41,445,780</u> | \$ <u>3,346,583</u> | <u>(3,502)</u> | <u>44,788,861</u> |

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

| | |
|--------------------------------------------------------------|----------------------------|
| Governmental Activities: | |
| General Government | \$ 1,164,738 |
| Public Safety | 998,746 |
| Public Works | 2,756,253 |
| Culture and Recreation | 301,830 |
| Economic Development | 37,101 |
| Total Depreciation Expense - Governmental Activities | \$ <u>5,258,668</u> |
| Business-Type Activities: | |
| Airport | \$ 212,020 |
| Water and Sewer | 1,967,325 |
| Natural Gas | 434,410 |
| Total Depreciation Expense - Business-Type Activities | \$ <u>2,613,755</u> |

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE F - CAPITAL ASSETS – continued

Commitments under construction at September 30, 2024 are summarized as follows:

| Project | Contract Amount | Remaining Balance | Fund |
|---------------------------------------------------------------------------------------------------------|----------------------------|------------------------------|-------------|
| Pleasant Hill Road Widening Project North Intersection Improvements at Stateline Road and Davidson Road | \$ 922,375 | \$ 813,942 | General |
| Stateline Road and Davidson Intersection Improvements | 107,195 | 53,645 | General |
| Pleasant Hill Road Widening – Preliminary Engineering | 117,975 | 14,420 | General |
| Pleasant Hill Road Widening North of SR 302 | 1,147,255 | 428,266 | General |
| George Harrison Soccer Complex Walking Trail | 205,000 | 101,707 | General |
| Craft-Goodman Traffic Signal Modification | 263,725 | 53,981 | General |
| Public Works Facility | 14,700 | 1,610 | General |
| Pickleball Facility in City Park | 326,200 | 64,338 | General |
| Animal Shelter Project | 40,460 | 17,873 | General |
| Construction of New Fire Station | 186,000 | 21,740 | General |
| High Mast Lighting US-78 at Craft Rd & I-22 | 230,000 | 210,000 | General |
| Lick Creek Interceptor Sewer Project | 1,374,152 | 10,727 | General |
| Craft Road Water Production Facility Project | 1,962,218 | 1,644,806 | General |
| Sanitary Sewer Rehabilitation-Old Towne | 267,600 | 167,877 | Enterprise |
| 2021 Annexed Area-South Projects | 87,760 | 44,810 | Enterprise |
| 2021 Annexed Area-East Area Projects | 6,965,929 | 4,881,509 | Enterprise |
| Extension Upgrade of Gravity Sewer Line North of Lick Creek | 1,171,991 | 567,928 | Enterprise |
| Water Well Design for Fairhaven Water Plant | 142,775 | 16,482 | Enterprise |
| Runway & Taxiway LED Lights & Signs | 32,500 | 16,750 | Enterprise |
| Maywood Water and Gas Improvements | 2,754,110 | 825,624 | Enterprise |
| South Apron Rehabilitation | 90,000 | 86,035 | Enterprise |
| City Owned Hangar | 99,984 | 37,155 | Enterprise |
| ATCT rehabilitation | 127,781 | 77,780 | Enterprise |
| | 144,435 | 59,855 | Enterprise |
| Total | \$ 18,782,119 | \$ 10,218,850 | |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE G - INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

| Funds: | <u>Due To</u> | <u>Due From</u> |
|--------------------------|---------------------|---------------------|
| General Fund | \$ 1,909,580 | \$ - |
| Other Governmental Funds | - | 145,778 |
| Airport Fund | - | 172,260 |
| Water and Sewer Fund | - | 1,053,869 |
| Natural Gas Fund | - | 537,673 |
| Total Funds | <u>\$ 1,909,580</u> | <u>\$ 1,909,580</u> |

NOTE G - INTERFUND TRANSACTIONS AND BALANCES - continued

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

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------|-------------------------|--------------------------|
| General Fund | \$ - | \$ 490,774 |
| Other Governmental Funds | - | 9,331,933 |
| Governmental Activities | - | 1,725 |
| Airport Fund | 230,000 | - |
| Water and Sewer Fund | 9,594,432 | - |
| Natural Gas Fund | - | - |
| Total | <u>\$ 9,824,432</u> | <u>\$ 9,824,432</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
September 30, 2024**

NOTE H - LONG-TERM DEBT

Long-term debt activity for the year-ended September 30, 2024 was as follows:

| | <u>Balance at 9/30/2023</u> | <u>Additions</u> | <u>Retirement</u> | <u>Balance at 9/30/2024</u> | <u>Amounts Due Within One Year</u> |
|-------------------------------------------------------|---------------------------------|-----------------------------|----------------------------|---------------------------------|--------------------------------------------|
| Governmental Activities: | | | | | |
| General Obligation Bonds Payable | \$ 23,230,000 | \$ - | \$ 3,285,000 | \$ 19,945,000 | \$ 2,995,000 |
| Notes Payable | 395,842 | - | 131,947 | 263,895 | 131,947 |
| Deferred gain (loss) on Bond Refunding | (159,878) | - | (49,195) | (110,683) | - |
| Bond Premium | 476,901 | - | 51,994 | 424,907 | - |
| Governmental Activities Long-Term Liabilities | \$ <u>23,942,865</u> | \$ <u>-</u> | \$ <u>3,419,746</u> | \$ <u>20,523,119</u> | \$ <u>3,126,947</u> |
| Business-Type Activities: | | | | | |
| General Obligation Bonds Payable | \$ 2,778,000 | \$ 13,870,000 | \$ 345,000 | \$ 16,303,000 | \$ 461,000 |
| Revenue Bonds Payable | 8,467,000 | - | 530,000 | 7,937,000 | 554,000 |
| Loans from Direct Borrowings | 1,481,752 | - | 229,688 | 1,252,064 | 235,408 |
| Financed Lease Purchases | 280,258 | - | 223,225 | 57,033 | 57,033 |
| Deferred gain (loss) on Bond Refunding | (7,392) | - | (3,693) | (3,699) | - |
| Bond Premium | 16,995 | 1,057,314 | 6,577 | 1,067,732 | - |
| Business-Type Activities Long-Term Liabilities | \$ <u>13,016,613</u> | \$ <u>14,927,314</u> | \$ <u>1,330,797</u> | \$ <u>26,613,130</u> | \$ <u>1,307,441</u> |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE H - LONG-TERM DEBT - continued

General Obligation Bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds are subject to optional redemption at various dates. General obligation bonds currently outstanding as of September 30, 2024 are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amounts | |
|-------------------------------|---------------|------------|---------------|---------------|---------------|
| | | | | Issued | Outstanding |
| Governmental Long Term | | | | | |
| 2014 | 0.55-2.50% | 12/3/2014 | 9/1/2027 | 6,000,000 | 2,595,000 |
| 2014 | 2.00-2.38% | 5/1/2015 | 11/1/2026 | 4,000,000 | 1,140,000 |
| 2015 | 2.13-3.00% | 5/1/2015 | 5/1/2035 | 8,000,000 | 5,065,000 |
| 2022 | 1.75-2.00% | 9/1/2022 | 3/1/2032 | 5,000,000 | 4,000,000 |
| 2023 | 4.00% | 5/31/2023 | 5/1/2033 | 8,000,000 | 7,145,000 |
| | | | | \$ 35,000,000 | \$ 19,945,000 |
| Enterprise Funds | | | | | |
| 2013 | 2.00% | 5/9/2013 | 6/1/2026 | \$ 2,905,000 | \$ 170,000 |
| 2018 | 2.25-2.40% | 9/6/2018 | 6/1/2026 | 2,191,000 | 338,000 |
| 2018 | 2.80-4.10% | 10/4/2018 | 9/1/2038 | 2,500,000 | 1,925,000 |
| 2024 | 4.00-5.00% | 6/1/2024 | 6/1/2044 | 4,790,000 | 4,790,000 |
| 2024 | 4.00-5.00% | 6/1/2024 | 6/1/2044 | 9,080,000 | 9,080,000 |
| | | | | 21,466,000 | 16,303,000 |
| | | | | \$ 56,466,000 | \$ 36,248,000 |

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 are subject to optional redemption at various dates.

Revenue bonds outstanding September 30, 2024 are as follows:

| | | | | | |
|---------------------------------|------------|----------|----------|---------------|--------------|
| Enterprise Funds | | | | | |
| 2017 W/S Combined Revenue Bonds | 2.50-3.50% | 4/1/2017 | 4/1/2042 | \$ 8,000,000 | \$ 6,590,000 |
| 2018 | 1.85-1.93% | 3/5/2020 | 3/1/2030 | 3,065,000 | 1,347,000 |
| | | | | \$ 11,065,000 | \$ 7,937,000 |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE H - LONG-TERM DEBT - continued

Loans. The City also uses loans to finance its projects. Loans outstanding as of September 30, 2024 are as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amounts | |
|-------------------------------------|---------------|------------|---------------|---------------------|---------------------|
| | | | | Issued | Outstanding |
| Governmental Long Term | | | | | |
| General Obligation Note 2021 | 0.30-0.70% | 3/1/2021 | 3/1/2026 | \$ 659,736 | \$ 263,895 |
| | | | | <u>\$ 659,736</u> | <u>\$ 263,895</u> |
| Enterprise Funds | | | | | |
| Loans from Direct Borrowings | | | | | |
| Quality SRF Loan | 2.00% | 11/1/2006 | 6/1/2026 | \$ 1,011,918 | \$ 107,010 |
| DWSIRLF Loan-DWI | 2.00% | 6/7/2005 | 4/1/2027 | 1,443,899 | 232,460 |
| Methodist CAP Revolving Loan | 3.00% | 5/14/2012 | 3/1/2034 | 1,667,502 | 912,594 |
| | | | | <u>4,123,319</u> | <u>1,252,064</u> |
| | | | | <u>\$ 4,783,055</u> | <u>\$ 1,515,959</u> |

The City has a loan owed to Mississippi Department of Environmental Quality under the Water Pollution Control that is secured. The City also has a loan owed to the State of Mississippi Local Governments and Rural Water Systems Improvements Board through the Mississippi State Department of Health, which is secured. The State of Mississippi currently withholds payments from sales tax proceeds to apply to these loans. The outstanding notes from direct borrowings contain a provision in the event of default, outstanding amounts become immediately due. Furthermore, the direct borrowing contains an acceleration clause that allows the lender to accelerate the repayment schedule and increase the interest rate. Also, revenues or tax sharing funds established by the State can be intercepted for the delinquent amount plus ten percent annual penalty interest.

The City has a loan owed to the Mississippi Development Authority in which the proceeds were used for capital acquisitions and improvements. The outstanding notes from direct borrowings contain a provision in the event of default, outstanding amounts become immediately due. Furthermore, the direct borrowing contains an acceleration clause that allows the lender to accelerate the repayment schedule. Also, default can result in the forfeiture of sales tax allocation and/or homestead exemption reimbursements in an amount sufficient to repay obligations due.

Annual debt service requirements to maturity of general obligations bonds, revenue bonds, and loans for the years subsequent to September 30, 2024 as follows:

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE H - LONG-TERM DEBT - continued

| Year Ending September 30 | Govt. Long-Term Debt | | Business-Type Activities | |
|-----------------------------|----------------------|---------------------|--------------------------|----------------------|
| | Principal | Interest | Principal | Interest |
| 2025 | \$ 3,126,947 | \$ 574,978 | \$ 1,250,408 | \$ 899,729 |
| 2026 | 3,221,948 | 487,267 | 1,133,899 | 965,463 |
| 2027 | 3,170,000 | 399,350 | 1,073,659 | 934,629 |
| 2028 | 1,560,000 | 315,125 | 1,064,644 | 898,088 |
| 2029 | 1,610,000 | 271,413 | 1,103,522 | 860,238 |
| 2030-2034 | 6,975,000 | 640,625 | 6,150,932 | 3,652,178 |
| 2035-2039 | 545,000 | 16,350 | 6,940,000 | 2,320,416 |
| 2040-2044 | - | - | 6,775,000 | 789,569 |
| | <u>\$ 20,208,895</u> | <u>\$ 2,705,108</u> | <u>\$ 25,492,064</u> | <u>\$ 11,320,310</u> |

Capital Leases:

On November 17, 2004, the City of Olive Branch entered into a capital lease agreement with North Mississippi Utility Company for the lease of a water and sewer plant. The capital lease stipulated that the lessee would pay approximately \$57,531 per quarter in lease payments commencing April 2005 for a term of 20 years. At the end of the lease term, the City has the option to purchase the plant for \$0.

The City leases the following property with varying terms and options as of September 30, 2024:

| <u>Classes of Property</u> | <u>Amount</u> |
|----------------------------|---------------|
| Infrastructure | \$3,800,000 |

Leases. Future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2024 are as follows:

| Year Ending September 30 | Govt. Long-Term Debt | | Business-Type Activities | |
|-----------------------------|----------------------|-------------|--------------------------|---------------|
| | Principal | Interest | Principal | Interest |
| 2025 | \$ - | \$ - | \$ 57,033 | \$ 499 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 57,033</u> | <u>\$ 499</u> |

NOTE I - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The City has entered into the following subscription-based information technology arrangements. The subscriptions can only be cancelled if both parties agree. There are no options to extend and no variable payments options.

At commencement, the City initially measures the liability at the present value of payments expected to be made during the subscription term. Subsequently, the liability is reduced by the principal portion of payments made. The asset is initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription asset is amortized in amortization expense on a straight-line basis over the shorter of the subscription term or the useful life of the underlying IT asset.

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE I - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) - continued

The City generally uses its estimated incremental borrowing rate as the discount rate unless the rate that the vendor charges is known. The estimated incremental borrowing rate is the rate the City would be charged for borrowing the subscription payment amounts during the subscription term.

The subscription term includes the noncancelable period of the contract plus any additional periods covered by either a City or vendor option to extend for which it is reasonably certain to not be exercised. Periods in which both the City and the vendor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the subscription term.

| Description | Date of Issue | Date of Maturity | Discount Rate | Payment | Amount Outstanding |
|-------------------------|---------------|------------------|---------------|-------------|--------------------|
| Utility LPR | 10/1/2022 | 8/1/2026 | 4.00% | \$44,550/yr | \$ 84,026 |
| Utility Body Worn | 10/1/2022 | 6/15/2026 | 4.00% | \$78,750/yr | \$ 148,530 |
| Incode | 2/1/2023 | 2/1/2026 | 4.00% | \$32,111/yr | \$ 30,875 |
| Chevin | 1/12/2023 | 1/12/2025 | 4.00% | \$16,962/yr | \$ 16,310 |
| Total SBITA liabilities | | | | | <u>\$ 279,741</u> |

SBITA Assets:

Following is a summary of changes in SBITA assets for the year ended September 30, 2024:

| | Beginning Balance 9/30/2023 | Additions | Adjustments | Amortization | Ending Balance 9/30/2024 |
|--------------|--------------------------------|-------------|-------------|---------------------|-----------------------------|
| SBITA assets | \$ 893,241 | \$ - | \$ - | \$ (392,559) | \$ 500,682 |
| Total | <u>\$ 893,241</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (392,559)</u> | <u>\$ 500,682</u> |

Amortization is computed on a straight-line basis over the term of the arrangement.

SBITA Liabilities:

A summary of SBITA liabilities during the year ending September 30, 2024:

| | Beginning Balance 9/30/2023 | Additions | Reductions | Adjustments | Ending Balance 9/30/2024 | Amounts due within one year |
|-------------------|--------------------------------|-------------|---------------------|-------------|-----------------------------|--------------------------------|
| SBITA liabilities | \$ 781,491 | \$ - | \$ (501,750) | \$ - | \$ 279,741 | \$ 161,183 |
| Total | <u>\$ 781,491</u> | <u>\$ -</u> | <u>\$ (501,750)</u> | <u>\$ -</u> | <u>\$ 279,741</u> | <u>\$ 161,183</u> |

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

NOTE I - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs) - continued

The schedule detailing the annual requirements under the SBITA liabilities is as follows:

| | Principal | Interest | Total |
|--------|------------|-----------|------------|
| 2025 | \$ 161,183 | \$ 11,190 | \$ 172,373 |
| 2026 | 118,558 | 4,742 | 123,300 |
| Totals | \$ 279,741 | \$ 15,932 | \$ 295,673 |

Exemptions

Short-term SBITAs: Exempt from capitalization

GASB 96 provides an exemption for short-term SBITAs, defined as a subscription with a maximum possible noncancelable term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Like the treatment of short-term leases under GASB 87, GASB 96 only requires subscription payments for short-term SBITAs to be recognized as outflows of resources when incurred.

Immaterial SBITAs: Exempt from capitalization and disclosure

At the end of Statement No. 96 is a comment which reads “The provisions of this Statement need not be applied to immaterial items.” As with GASB 87, GASB 96 does not provide an explicit materiality threshold for governmental entities to apply to their SBITA portfolio, but it does allow for the exemption of immaterial SBITAs. Governments making policy elections for GASB 96 can adopt methodology and thresholds similar to their determinations for lease or asset capitalization.

CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

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

Contributions - At September 30, 2024, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2024 was 17.90% of annual covered payroll. This rate increased as of July 1, 2024 from 17.40%. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions (employer share only) to PERS for the years ending September 30, 2024, 2023, and 2022 were \$4,879,352, \$4,483,695, and \$4,162,984 respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions - At September 30, 2024, the City reported a liability of \$93,049,337 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2024 net pension liability was 0.358331 percent, which was based on a measurement date of June 30, 2024. This was an increase of 0.004968 percent from its proportionate share used to calculate the September 30, 2023 net pension liability, which was based on a measurement date of June 30, 2023.

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE J - DEFINED BENEFIT PENSION PLAN – continued

For the year ended September 30, 2024, the City recognized pension expense of \$9,795,821. At September 30, 2024, the City 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 |
|---------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$ 5,007,369 | \$ - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 293,919 | - |
| City Pension Contributions Subsequent to the Measurement Date | 1,144,545 | - |
| Changes of Assumptions | 5,683,555 | - |
| Changes in the Proportion and Differences Between the City's Contributions and Proportionate Share of Contributions | - | 2,736,884 |
| Total | \$ 12,129,388 | \$ 2,736,884 |

\$1,144,545 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending September 30, | Amount |
|----------------------------------|---------------------|
| 2025 | \$ 3,273,899 |
| 2026 | 6,101,255 |
| 2027 | (371,306) |
| 2028 | (755,889) |
| Total | \$ 8,247,959 |

Actuarial Assumptions - The total pension liability as of June 30, 2024 was determined by an actuarial valuation prepared as of June 30, 2023 and by the investment experience for the fiscal year ending June 30, 2024. The following actuarial assumptions are applied to all periods included in the measurement:

| | |
|---------------------------|---------------------------------------------------------------------------|
| Inflation | 2.40 percent |
| Salary increases | 2.65 - 17.90 percent, including inflation |
| Investment rate of return | 7.00 percent, net of pension plan investment expense, including inflation |

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE J - DEFINED BENEFIT PENSION PLAN – continued

Mortality rates for service retirees were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022. The experience report is dated April 21, 2023.

The long-term expected rate of return on pension plan investments was determined using a lognormal 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|----------------------------------------|
| Domestic Equity | 25.00% | 5.15% |
| International Equity | 20.00% | 5.00% |
| Global Equity | 12.00% | 5.15% |
| Fixed Income | 18.00% | 2.75% |
| Real Estate | 10.00% | 3.50% |
| Private Equity | 10.00% | 6.25% |
| Infrastructure | 2.00% | 3.85% |
| Private Credit | 2.00% | 4.90% |
| Cash Equivalents | 1.00% | 0.50% |
| Total | 100.00% | |

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. 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 percent) and that employer contributions will be phased in to 19.90 percent over five fiscal years (17.90 percent for FYE 2025, 18.40 percent for FYE 2026, 18.90 percent for FYE 2027, 19.40 percent for FYE 2028, 19.90 percent for FYE 2029 and beyond). 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, 2024**

NOTE J - DEFINED BENEFIT PENSION PLAN – continued

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
- The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

| | Discount Rate | City’s Proportionate Share of Net Pension Liability |
|-----------------------|------------------|--------------------------------------------------------|
| 1% decrease | 6.00% | \$120,605,482 |
| Current discount rate | 7.00% | \$93,049,337 |
| 1% increase | 8.00% | \$70,496,719 |

Pension Plan Fiduciary Net Position - Detailed information about the pension plan’s fiduciary net position is available in the separately issued Public Employees’ Retirement System of Mississippi (PERS) financial report.

NOTE K - TAX ABATEMENTS

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

The City of Olive Branch negotiates property tax abatements on an individual basis. All abatements are for a maximum of ten 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, 2024.

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, 2024**

NOTE K - 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 | \$1,932,292 |

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

NOTE L - 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 M - 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, 2024**

NOTE N - 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) | \$ | 6,223,893 |
| Increase (Decrease) | | |
| Net adjustments for | | |
| Revenue | | 411,397 |
| Expenditures | | <u>-</u> |
| GAAP Basis | \$ | <u><u>6,635,290</u></u> |

NOTE O - EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The governmental activities' unrestricted net deficit amount of \$874,539 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$964,908 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$9,260,765 balance of the deferred outflows of resources related to pensions at September 30, 2024, will be recognized in pension expense over the next four years. The \$2,307,328 balance of the deferred inflows of resources related to pensions at September 30, 2024, will be recognized in pension expense over the next three years.

The governmental activities' unrestricted net deficit amount of \$874,539 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of debt. \$110,683 of the \$10,336,356 balance of deferred outflows of resources at September 30, 2024, will be recognized as an expense and will decrease the unrestricted net position over the next four years.

The business-type activities' unrestricted net position amount of \$24,209,755 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pension in the amount of \$179,637 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. The \$1,724,078 balance of the deferred outflows of resources related to pensions at September 30, 2024, will be recognized in pension expense over the next four years. The \$429,556 balance of the deferred inflows of resources related to pensions at September 30, 2024, will be recognized in pension expense over the next three years.

The business-type activities' unrestricted net position amount of \$24,209,755 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of debt. \$3,699 of the \$1,907,414 balance of deferred outflows of resources at September 30, 2024, will be recognized as an expense and will decrease the unrestricted net position over the next two years.

**CITY OF OLIVE BRANCH
NOTES TO FINANCIAL STATEMENTS
September 30, 2024**

NOTE O - EFFECT OF DEFERRED AMOUNTS ON NET POSITION – continued

The business-type activities' unrestricted net position amount of \$24,209,755 includes the deferring the recognition of revenue resulting from operating leases receivable. The \$5,391,480 balance of deferred inflows of resources at September 30, 2024, will be recognized as revenue and will increase the unrestricted net position over the next thirty years.

NOTE P – ADJUSTMENTS AND RESTATEMENTS OF BEGINNING BALANCES

Prior Period Adjustment to Previously Issued Financial Statements

During the current fiscal year, management identified an error in the previously reported allowance for uncollectibles as of September 30, 2023. The allowance had been overstated due to an error in the estimation methodology applied in the prior year. As a result, accounts receivable, net position, and fund balance were understated in the prior period. In accordance with accounting standards, the prior period financial balances have been restated to correct this error. Management has since revised its estimation methodology to ensure a more accurate and supportable allowance for doubtful accounts.

Adjustments to and Restatements of Beginning Balances

During fiscal year 2024, an error correction resulted in adjustments to and restatements of beginning net position and fund balance, as follows:

| | | Reporting Units Affected by Adjustments to and Restatements of Beginning Balances | |
|------------------------------------|----|-----------------------------------------------------------------------------------------|----------------------------|
| | | Funds | Government- Wide |
| | | General Fund | Governmental Activities |
| 9/30/2023, as previously reported | \$ | 39,051,686 | 91,624,561 |
| Prior Period Adjustment | | 376,962 | 376,962 |
| 9/30/2023, as adjusted or restated | \$ | 39,428,648 | 92,001,523 |

NOTE Q - SUBSEQUENT EVENTS

Date of Management Evaluation

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Olive Branch evaluated the activity of the City through June 27, 2025, (the date the financial statements were available to be issued), and determined the following subsequent event(s) has (have) occurred requiring disclosure in the notes to the financial statements.

In November 2024, the City authorized the issuance of a Special Obligation Bond in a total aggregate principal amount not to exceed \$3,600,000 for the purpose of providing capital projects.

In December 2024, loan proceeds in the amount of \$1,250,000 were received for the purchase of a fire truck that was authorized in April 2024.

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, 2024

| | Budget | | Actual | Variance with Final Budget (Unfavorable) |
|----------------------------------------------------------------------------------------------------|-----------------------|-----------------------|---------------------|------------------------------------------------|
| | Original | Final | | |
| REVENUES: | | | | |
| General Property Taxes | \$ 27,044,392 | \$ 27,044,392 | \$ 28,144,049 | \$ 1,099,657 |
| Intergovernmental Revenues | 21,499,612 | 20,359,608 | 20,675,744 | 316,136 |
| Charges for Services | 5,984,280 | 6,330,846 | 7,502,005 | 1,171,159 |
| Franchise Taxes | 3,200,000 | 3,222,536 | 3,074,165 | (148,371) |
| Interest | 27,000 | 883,920 | 1,046,447 | 162,527 |
| Miscellaneous Revenues | 475,519 | 626,923 | 717,907 | 90,984 |
| TOTAL REVENUES | <u>58,230,803</u> | <u>58,468,225</u> | <u>61,160,317</u> | <u>2,692,092</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government | 5,489,652 | 6,141,323 | 6,117,289 | 24,034 |
| Public Safety | 29,304,226 | 29,813,225 | 28,044,010 | 1,769,215 |
| Public Works | 7,647,585 | 7,943,841 | 6,991,248 | 952,593 |
| Culture and Recreation | 3,229,032 | 3,413,522 | 3,020,000 | 393,522 |
| Economic Development | 2,482,409 | 2,632,286 | 2,184,788 | 447,498 |
| Capital Projects | 11,315,191 | 10,359,771 | 7,988,274 | 2,371,497 |
| Debt Service | 134,322 | 134,322 | 134,322 | - |
| TOTAL EXPENDITURES | <u>59,602,417</u> | <u>60,438,290</u> | <u>54,479,931</u> | <u>5,958,359</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>(1,371,614)</u> | <u>(1,970,065)</u> | <u>6,680,386</u> | <u>8,650,451</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Proceeds from Sale of Capital Assets | - | - | 24,181 | 24,181 |
| Rents | 10,100 | 10,100 | 10,100 | - |
| Transfers from Other Funds | - | - | - | - |
| Transfers to Other Funds | (472,643) | (472,643) | (490,774) | (18,131) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(462,543)</u> | <u>(462,543)</u> | <u>(456,493)</u> | <u>6,050</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER FINANCING AND OTHER USES | <u>\$ (1,834,157)</u> | <u>\$ (2,432,608)</u> | <u>\$ 6,223,893</u> | <u>\$ 8,656,501</u> |

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

**CITY OF OLIVE BRANCH, MISSISSIPPI
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS *
PERS
For the Year Ended September 30, 2024
UNAUDITED**

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|--------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| A. City of Olive Branch's proportion of the net pension liability (%) | 0.358331% | 0.353363% | 0.340367% | 0.329082% | 0.329366% |
| B. City of Olive Branch's proportionate share of the net pension liability | \$ 93,049,337 | \$ 88,875,459 | \$ 70,059,915 | \$ 48,639,757 | \$ 63,768,012 |
| C. City of Olive Branch's covered employee payroll | \$ 27,459,725 | \$ 26,193,991 | \$ 23,431,944 | \$ 21,880,634 | \$ 21,932,799 |
| D. City of Olive Branch's proportionate share of the net pension liability as a percentage of its covered employee payroll (%) | 338.86% | 339.30% | 298.99% | 222.30% | 290.74% |
| E. Plan fiduciary net position as a percentage of total pension liability | 56.30% | 55.70% | 59.93% | 70.44% | 58.97% |
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| A. City of Olive Branch's proportion of the net pension liability (%) | 0.323151% | 0.323310% | 0.303020% | 0.286100% | 0.275900% |
| B. City of Olive Branch's proportionate share of the net pension liability | \$ 56,857,257 | \$ 53,774,395 | \$ 50,372,208 | \$ 51,104,603 | \$ 42,648,699 |
| C. City of Olive Branch's covered employee payroll | \$ 21,046,006 | \$ 20,646,629 | \$ 19,445,068 | \$ 18,302,498 | \$ 17,214,960 |
| D. City of Olive Branch's proportionate share of the net pension liability as a percentage of its covered employee payroll (%) | 270.16% | 260.45% | 259.05% | 279.22% | 247.74% |
| E. Plan fiduciary net position as a percentage of total pension liability | 61.59% | 62.54% | 61.49% | 57.47% | 61.70% |

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

**CITY OF OLIVE BRANCH, MISSISSIPPI
SCHEDULE OF THE CITY'S CONTRIBUTIONS
LAST 10 FISCAL YEARS*
PERS
For the Year Ended September 30, 2024
UNAUDITED**

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|----------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| A. Contractually required contributions | \$ 4,879,352 | \$ 4,483,695 | \$ 4,162,984 | \$ 3,830,701 | \$ 3,798,067 |
| B. Contributions in relation to contractually required contributions | \$ 4,879,352 | \$ 4,483,695 | \$ 4,162,984 | \$ 3,830,701 | \$ 3,798,067 |
| C. Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| D. City of Olive Branch's covered employee payroll | \$ 27,859,336 | \$ 25,768,370 | \$ 23,925,210 | \$ 22,015,532 | \$ 21,827,980 |
| E. Contributions as a percentage of covered employee payroll | ** 17.51% | 17.40% | 17.40% | 17.40% | 17.40% |
| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
| A. Contractually required contributions | \$ 3,474,197 | \$ 3,250,647 | \$ 3,125,717 | \$ 3,038,366 | \$ 2,750,359 |
| B. Contributions in relation to contractually required contributions | \$ 3,474,197 | \$ 3,250,647 | \$ 3,125,717 | \$ 3,038,366 | \$ 2,750,359 |
| C. Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| D. City of Olive Branch's covered employee payroll | \$ 21,442,443 | \$ 20,634,525 | \$ 19,845,823 | \$ 19,291,212 | \$ 17,454,286 |
| E. Contributions as a percentage of covered employee payroll | ** 16.20% | 15.75% | 15.75% | 15.75% | 15.76% |

* This schedule is presented to illustrate the requirement to show information for 10 years. GASB Statement No. 68 was implemented in the fiscal year ended September 30, 2015.

** Until July 1, 2019, the employer's rate was 15.75%. Subsequent to July 1, 2019 the employer's rate was 17.40% through June 30, 2024. The employer's rate at September 30, 2024 was 17.90% of annual covered payroll. This rate increased as of July 1, 2024 from 17.40%.

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, 2024

PENSION SCHEDULES

(1) Changes of assumptions

a. 2023

- The investment rate of return assumption was changed from 7.55% to 7.00%.
- The assumed load for administrative expenses was decreased from 0.28% to 0.26% of payroll
- Withdrawal rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- The percentage of participants assumed to receive a deferred benefit upon attaining the eligibility requirements for retirement was increased from 60% to 65%.
- For married members, the number of years that a male is assumed to be older than his spouse was changed from 3 years to 2 years.
- The assumed amount of unused sick leave at retirement was increased from 0.50 years to 0.55 years.
- The assumed average number of years of military service that participants will have at retirement was decreased from 0.25 years to 0.20 years.

b. 2021

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
 2. For females, 84% of female rates up to age 72, 100% for ages above 76.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:
 1. For males, 134% of male rates at all ages.
 2. For females, 121% of female rates at all ages.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:
 1. For males, 97% of male rates at all ages.
 2. For females, 110% of female rates at all ages.
 3. Projection scale MP-2020 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 2.75% to 2.40%.
- The wage inflation assumption was reduced from 3.00% to 2.65%.
- The investment rate of return assumption was changed from 7.75% to 7.55%.
- The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.
- The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

CITY OF OLIVE BRANCH
Notes to the Required Supplementary Information
For the year ended September 30, 2024

PENSION SCHEDULES (continued)

c. 2019

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 1. For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 2. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 3. 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:
 1. For males, 137% of male rates at all ages.
 2. For females, 115% of female rates at all ages.
 3. 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 adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

d. 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 adjusted to reflect actual experience more closely.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

e. 2016

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

f. 2015

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were adjusted to reflect actual experience more closely.
- Assumed rates of salary increase were adjusted to reflect actual and anticipated experience more closely.
- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

CITY OF OLIVE BRANCH
Notes to the Required Supplementary Information
For the year ended September 30, 2024

PENSION SCHEDULES (continued)

(2) Changes in benefit provisions

a. 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.

(3) ***Method and assumptions used in calculations of actuarially determined contributions.*** The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2022 valuation for the June 30, 2024 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

- | | |
|---------------------------------|---------------------------------------------------------------------------|
| • Actuarial cost method | Entry age |
| • Amortization method | Level percentage of payroll, open |
| • Remaining amortization period | 25.6 years |
| • Asset valuation method | 5-year smoothed market |
| • Price Inflation | 2.40 percent |
| • Salary increase | 2.65 percent to 17.90 percent, including inflation |
| • Investment rate of return | 7.55 percent, net of pension plan investment expense, including inflation |

SUPPLEMENTARY INFORMATION

**City of Olive Branch
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2024**

| <i>Award Information</i> | <i>ALN</i> | <i>Pass-Through Entity #</i> | <i>Passed-through to Subrecipients (\$)</i> | <i>Federal Expenditures (\$)</i> |
|--------------------------------------------------------------------------------------------------------------|------------|-----------------------------------|---------------------------------------------|----------------------------------|
| <i>Other Programs (Treated individually for major program determination)</i> | | | | |
| Department of Defense | | | | |
| Congressionally Directed Assistance | 12.599 | | | \$ 100,610 |
| <i>Total Department of Defense</i> | | | | <u>100,610</u> |
| United States Department of Justice | | | | |
| Passed through Mississippi Department of Public Safety | | | | |
| Bulletproof Vest Partnership Program | 16.607 | | | 8,733 |
| <i>Total United States Department of Justice</i> | | | | <u>8,733</u> |
| Department of Transportation | | | | |
| Passed through Mississippi Department of Transportation | | | | |
| Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | 3-28-0056-026-2023 | | 139,786 |
| Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | 3-28-0056-025-2023 | | 1,480,046 |
| Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | 3-28-0056-027-2024 | | 151,564 |
| Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs | 20.106 | 3-28-0056-028-2024 | | 84,580 |
| Total Passed through Mississippi Department of Transportation | | | 0 | <u>1,855,976</u> |
| Passed Through Mississippi Department of Transportation | | | | |
| Highway Planning and Construction | 20.205 | STP-0183-00(027)LPA/108450-701000 | | 1,058,861 |
| Highway Planning and Construction | 20.205 | STP-0183-00(026)LPA/108449-801000 | | 42,840 |
| Highway Planning and Construction | 20.205 | STP-789-00(001)LPA/108775-711000 | | 262,245 |
| Total Passed Through Mississippi Department of Transportation | | | 0 | <u>1,363,946</u> |
| <i>Total Department of Transportation</i> | | | | 3,219,922 |
| Department of the Treasury | | | | |
| Passed through Mississippi Department of Environmental Quality | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 118-2-CW-5.5 | | 158,706 |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | 184-2-CW-5.5 | | 401,751 |
| Total passed through Mississippi Department of Environmental Quality | | | | <u>560,457</u> |
| Passed through Mississippi Department of Finance | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | SLFRF | | 158,706 |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | SLFRF | | 401,751 |
| Total passed through Mississippi Department of Finance | | | 0 | <u>560,457</u> |
| <i>Total Department of the Treasury</i> | | | * | 1,120,914 |
| Department of Homeland Security | | | | |
| Passed through Mississippi Emergency Management Agency | | | | |
| Hazard Mitigation Grant | 97.039 | MS 4528-6 | | 560,079 |
| Total Passed through Mississippi Emergency Management Agency | | | 0 | <u>560,079</u> |
| <i>Total Department of Homeland Security</i> | | | * | 560,079 |
| <i>Total Other Programs (Treated individually for major program determination)</i> | | | | <u>5,010,258</u> |
| <i>Total Expenditures of Federal Awards</i> | | | <u>\$ 0</u> | <u>\$ 5,010,258</u> |

* - Major Program
The accompanying notes are an integral part of this schedule.

**CITY OF OLIVE BRANCH, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2024**

SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Olive Branch, Mississippi under programs of the federal government for the year ended September 30, 2024. 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-percent de minimis indirect cost rate allowed under the Uniform Guidance.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

CITY OF OLIVE BRANCH
SCHEDULE OF OF PROPERTY TAX RATES AND ASSESSMENTS
September 30, 2024

| YEAR | MILLAGE RATE | ASSESSED PROPERTY VALUE |
|------|--------------|-------------------------------|
| 2024 | 38.5 | \$ 834,666,078 * |
| 2023 | 38.5 | 762,309,605 * |
| 2022 | 38.5 | 734,049,078 * |
| 2021 | 38.5 | 592,758,197 * |
| 2020 | 38.5 | 560,861,714 * |
| 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, 2024

| 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 | Fidelity and Deposit Company of Maryland |
| 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 |
| Kenneth R. Adams | Mayor | 100,000 | Fidelity and Deposit Company of Maryland |
| Tena Stewart | City Clerk | 50,000 | Fidelity and Deposit Company of Maryland |
| Todd Ondra | Chief Operations Officer | 50,000 | Fidelity and Deposit Company of Maryland |
| Pamela Stout | Deputy Clerk | 50,000 | Fidelity and Deposit Company of Maryland |
| William Cox | 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 |
| Karen McNeil | Purchasing Manager | 50,000 | Fidelity and Deposit Company of Maryland |
| Ashely Riles | Court Clerk | 50,000 | Fidelity and Deposit Company of Maryland |
| Johnny Eason | Fire Chief | 50,000 | Fidelity and Deposit Company of Maryland |
| Andy Swims | 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 |
| Venard Asongayi | Assistant Planning Director | 50,000 | Fidelity and Deposit Company of Maryland |
| Hugh Armistead | Municipal Court Judge | 50,000 | Fidelity and Deposit Company of Maryland |
| David Taylor | Airport Director | 50,000 | Fidelity and Deposit Company of Maryland |
| Blanket Bonds | Per Clerk Handling Funds | 50,000 | Travelers Casualty and Surety Company |
| Dishonesty Bonds | Per Police Officer | 50,000 | Western Surety Company |

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

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 (*Government Auditing Standards*), 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, 2024, and the related notes to the financial statements, which collectively comprise the City of Olive Branch's basic financial statements, and have issued our report thereon dated June 27, 2025.

Report on Internal Control Over Financial Reporting

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

Report on 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 statements. 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
June 27, 2025

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL 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 the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Olive Branch's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Olive Branch's major federal programs for the year ended September 30, 2024. The City of Olive Branch's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Olive Branch, 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, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Olive Branch, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City of Olive Branch's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Olive Branch's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Olive Branch's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Olive Branch's compliance with the requirements of the (each) major federal program as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Olive Branch's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Olive Branch's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Olive Branch's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
June 27, 2025

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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 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, 2024, which collectively comprise the City of Olive Branch, Mississippi's basic financial statements and have issued our report thereon dated June 27, 2025. 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 Mississippi 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 financial statements disclosed no material instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the Mayor and Board of Aldermen of the City of Olive Branch, its management, federal awarding agencies, the Mississippi 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
June 27, 2025

**CITY OF OLIVE BRANCH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2024**

SECTION 1 – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards

Internal Control over major programs:
 Material weakness identified? Yes No
 Significant deficiency identified
 not considered to be a material weakness? Yes 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 No

Identification of major program:

| CFDA Number(s) | Name of Federal Program or Cluster |
|----------------|---------------------------------------------------|
| 21.027 | Coronavirus State and Local Fiscal Recovery Funds |
| 97.039 | Hazard Mitigation Grant |

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

Auditee qualified as low-risk auditee? Yes No

SECTION 2 – FINANCIAL STATEMENT FINDINGS:

None

SECTION 3 – FEDERAL AWARD FINDINGS:

None