

**City of Tupelo, Mississippi
Electric Department**

**Financial Statements
Years Ended June 30, 2024 and 2023**

CITY OF TUPELO – ELECTRIC DEPARTMENT
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June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Tupelo, Mississippi

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Tupelo-Electric Department as of and for the years ended June 30, 2024 and 2023, and the related notes to the 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 City of Tupelo-Electric Department as of June 30, 2024 and 2023, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Tupelo-Electric Department 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 Tupelo-Electric Department'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.

Auditors' 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 Tupelo-Electric Department'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 Tupelo-Electric Department'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.

Emphasis of a Matter

As discussed in Note 1, the financial statements of the City of Tupelo-Electric Department are intended to present the financial position and results of operations and the cash flows of the proprietary fund types of only that portion of the financial reporting entity of the City of Tupelo that is attributable to the transactions of the City of Tupelo-Electric Department. The financial statements are not intended to present fairly the financial position of the City of Tupelo and the results of operations and the cash flows of its proprietary fund types in conformity with accounting principles generally accepted in the United States of America.

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 7, the schedule of proportionate share of the net pension liability on page 25, and the schedule of contributions on page 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 28, 2024 on our consideration of the City of Tupelo-Electric Department's internal control over financial reporting and 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 Tupelo-Electric Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tupelo-Electric Department's internal control over financial reporting and compliance.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
October 28, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TUPELO – ELECTRIC DEPARTMENT MANAGEMENT’S DISCUSSION AND ANALYSIS

Required Supplementary Information for the Years Ended June 30, 2024 and 2023

This section of the City of Tupelo - Electric Department’s Financial Report presents our discussion and analysis of the City of Tupelo - Electric Department’s financial performance during the fiscal years ending June 30, 2024 and 2023. Please read it in conjunction with the City of Tupelo - Electric Department’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Tupelo – Electric Department exceeded its liabilities at the close of the June 30, 2024 and 2023 fiscal years by \$33,157,469 and \$32,783,028, respectively. Of this amount, \$3,380,675 and \$3,617,528 may be used to meet the City of Tupelo – Electric Department’s ongoing obligations to citizens and creditors.
- As of the close of the June 30, 2024 and 2023 fiscal years, the City of Tupelo – Electric Department reported net position balances of \$33,157,469 and \$32,783,028, an increase of \$374,441 and an increase of \$783,099 in comparison to the prior years.
- The City of Tupelo – Electric Department’s total long-term debt outstanding at June 30, 2024 and 2023 was \$4,249,366 and \$4,626,181, respectively.
- The City of Tupelo – Electric Department is a Proprietary fund of the City of Tupelo, Mississippi. The management’s discussion and analysis and financial statements contained in this report present only the financial position and financial analysis of the Electric Department. It should not be used to evaluate the entire operation of the City of Tupelo or the total proprietary funds of the City of Tupelo. Proprietary funds are funds in which charges for services from customers in the form of a fee are reported. Proprietary funds provide both long and short-term financial information. 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 and Expenses, Statement of Changes in Net Position, and Statement of Cash Flows are all required statements.

CITY OF TUPELO – ELECTRIC DEPARTMENT MANAGEMENT’S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS

Table A-1 provides a summary of the City of Tupelo – Electric Department’s net position at June 30, 2024 and 2023.

A large portion, 90.0% and 89.0%, of the City of Tupelo – Electric Department’s net position reflects its investment in capital assets (such as land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding for the years ended June 30, 2024 and 2023, respectively. The City of Tupelo – Electric Department uses these capital assets to provide services to citizens; however, these assets are not available for future spending.

Table A-1

City of Tupelo – Electric Department’s Statements of Net Position

	<u>Total 6/30/24</u>	<u>Total 6/30/23</u>
Current and Other Assets	\$ 18,653,712	\$ 18,144,344
Capital Assets	<u>34,026,160</u>	<u>33,791,681</u>
Total Assets	<u>52,679,872</u>	<u>51,936,025</u>
Total Deferred Outflows	<u>1,809,276</u>	<u>1,019,691</u>
Current Liabilities	9,011,430	8,777,667
Noncurrent Liabilities	<u>11,738,428</u>	<u>10,650,830</u>
Total Liabilities	<u>20,749,858</u>	<u>19,428,497</u>
Total Deferred Inflows	<u>581,821</u>	<u>744,191</u>
Net Position		
Net Investment in Capital Assets	29,776,794	29,165,500
Unrestricted	<u>3,380,675</u>	<u>3,617,528</u>
Total Net Position	<u>\$ 33,157,469</u>	<u>\$ 32,783,028</u>

CITY OF TUPELO – ELECTRIC DEPARTMENT MANAGEMENT’S DISCUSSION AND ANALYSIS

Revenues and Expenses. Approximately 99.8% of the City of Tupelo – Electric Department’s revenue comes from fees charged for services. A negligible portion of revenues come from investment earnings.

Table A-2 and the narrative that follows consider the operations of City of Tupelo – Electric Department activities only for June 30, 2024 and 2023.

Table A-2

Revenues and Expenses of the City of Tupelo – Electric Department

	<u>Total</u> <u>6/30/24</u>	<u>Total</u> <u>6/30/23</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 57,665,314	\$ 59,946,871
Investment Income	<u>132,484</u>	<u>4,353</u>
Total Revenues	<u>57,797,798</u>	<u>59,951,224</u>
Expenses		
Power Cost	46,288,721	49,138,519
Distribution Expense – Operating	853,639	791,226
Maintenance – General Plant	720	393
Distribution Expense – Maintenance	1,488,021	1,271,201
Customer Accounting & Collection	495,160	500,583
Customer Service and Information	35,453	40,107
Sales Expense	43,400	43,912
Administrative and General	1,673,071	1,160,057
Depreciation Expense	2,723,539	2,611,406
Loss (Gain) on Disposal of Electric Plant	-	(97,500)
Interest Expense	166,143	177,058
Taxes and Equivalents	<u>3,655,490</u>	<u>3,531,163</u>
Total Expenses	<u>57,423,357</u>	<u>59,168,125</u>
Excess (Deficit) of Revenue		
Over (Under) Expenses	374,441	783,099
Transfers	<u>-</u>	<u>-</u>
Net Income (Loss)	374,441	783,099
Net Position – Beginning	<u>32,783,028</u>	<u>31,999,929</u>
Net Position – Ending	<u>\$ 33,157,469</u>	<u>\$ 32,783,028</u>

Business-Type Activities

The City of Tupelo – Electric Department net position increased by \$374,441 for the fiscal year June 30, 2024 and increased by \$783,099 for the June 30, 2023 fiscal year which was a 1.14% increase and a 2.45% increase, respectfully.

CITY OF TUPELO – ELECTRIC DEPARTMENT MANAGEMENT’S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets—In accordance with GASB 34, the City of Tupelo – Electric Department has recorded depreciation expense associated with all of its capital assets. The City’s Electric Department investment in capital assets as of June 30, 2024 and 2023, amounted to \$34,026,160 and \$33,791,681, respectively, net of accumulated depreciation of \$41,251,489 and \$38,777,409. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, and construction in progress.

Table A-3

City of Tupelo – Electric Department Capital Assets

	<u>Total</u> <u>6/30/24</u>	<u>Total</u> <u>6/30/23</u>
Land	\$ 333,013	\$ 333,013
Distribution Equipment	63,188,389	61,373,733
General Plant	6,841,923	6,681,250
Transmission Equipment	2,733,690	2,733,689
Construction-In-Progress	2,180,634	1,447,405
Accumulated Depreciation	<u>(41,251,489)</u>	<u>(38,777,409)</u>
 Total	 <u>\$ 34,026,160</u>	 <u>\$ 33,791,681</u>

Long-term Debt—Debt—At year-ends June 30, 2024 and 2023, the City of Tupelo – Electric Department had bonds payable in the amount of \$4,249,366 and \$4,626,181, respectively.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The City of Tupelo – Electric Department revenues are dependent upon the customer base in the City of Tupelo, Mississippi and certain surrounding areas. The local economy and weather conditions can have a significant effect on the financial performance of the City of Tupelo – Electric Department. The City of Tupelo – Electric Department has one major customer that accounts for approximately 11.0% of the total revenues of the Electric Department. The City of Tupelo Electric Department anticipates no growth for next year in both revenue and expenditures. It is a practice for the Electric Budget to prepare for extreme weather to handle a larger than normal year without overcommitting to capital projects, therefore the Electric Department’s Budget is higher than actual revenues and expenditures from fiscal year 2024.

CONTACTING THE CITY OF TUPELO 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 Tupelo – Electric Department finances and to demonstrate the City of Tupelo – Electric Department’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Tupelo – Electric Department, P.O. Box 1485 Tupelo, MS 38802-1485.

BASIC FINANCIAL STATEMENTS

CITY OF TUPELO - ELECTRIC DEPARTMENT
TUPELO, MISSISSIPPI
STATEMENTS OF NET POSITION

ASSETS	June 30,	
	2024	2023
ELECTRIC PLANT:		
In Service - at Cost	\$ 75,277,649	\$ 72,569,090
Less: Accumulated Provisions for Depreciation	41,251,489	38,777,409
Net Electric Plant	34,026,160	33,791,681
CURRENT ASSETS:		
Cash and Cash Equivalents	7,299,958	7,448,162
Accounts Receivable - (Net of Provision for Bad Debts of \$68,410 for 2024 and \$102,508 for 2023)	7,503,345	6,896,957
Unbilled Revenue	1,668,471	1,520,067
Other Accounts Receivable	492,069	459,088
Due from Municipality	3,762	-
Materials and Supplies	1,287,814	1,412,373
Prepaid Expenses	92,402	67,692
Other Current Assets	143,841	193,143
Total Current Assets	18,491,662	17,997,482
DEFERRED DEBITS AND OTHER ASSETS:		
Receivable from Customers for Energy Conservation Loans	6,519	25,542
Receivable from Central Service Association (CSA)	155,531	121,320
Total Deferred Debits and Other Assets	162,050	146,862
TOTAL ASSETS	\$ 52,679,872	\$ 51,936,025
DEFERRED OUTFLOWS OF RESOURCES	\$ 1,809,276	\$ 1,019,691

See accompanying notes to the financial statements.

CITY OF TUPELO - ELECTRIC DEPARTMENT
TUPELO, MISSISSIPPI
STATEMENTS OF NET POSITION

LIABILITIES	June 30,	
	2024	2023
CURRENT LIABILITIES:		
Accounts Payable	\$ 4,882,591	\$ 4,571,767
Accrued Expenses	380,487	383,100
Accrued Interest	32,334	35,125
Due to Municipality	8,467	138,209
Customer Deposits	3,357,551	3,314,466
Bonds Payable	350,000	335,000
Total Current Liabilities	9,011,430	8,777,667
NONCURRENT LIABILITIES:		
Net Pension Liability	7,831,429	6,331,820
Advances from TVA - For Energy Conservation Loans	7,633	27,829
Bonds Payable	3,899,366	4,291,181
Total Noncurrent Liabilities	11,738,428	10,650,830
TOTAL LIABILITIES	\$ 20,749,858	\$ 19,428,497
DEFERRED INFLOWS OF RESOURCES	\$ 581,821	\$ 744,191
NET POSITION		
Net Investment in Capital Assets	29,776,794	29,165,500
Unrestricted	3,380,675	3,617,528
TOTAL NET POSITION	\$ 33,157,469	\$ 32,783,028

See accompanying notes to the financial statements.

CITY OF TUPELO - ELECTRIC DEPARTMENT
TUPELO, MISSISSIPPI
STATEMENTS OF REVENUES AND EXPENSES

	For the years ended June 30,	
	2024	2023
OPERATING REVENUES:		
Residential Sales	\$ 14,965,651	\$ 15,240,938
Commercial Sales	9,180,711	9,174,687
Industrial Sales	30,282,329	31,994,818
Street and Athletic Lighting	1,331,036	1,425,838
Outdoor Lighting	855,104	883,645
Total Electric Revenues	56,614,831	58,719,926
Revenue from Late Payments	188,564	195,737
Customer Service Charge	239,633	276,017
Rent from Electric Property	399,485	440,332
Miscellaneous Revenue	222,801	314,859
Total Operating Revenues	57,665,314	59,946,871
OPERATING EXPENSES:		
Power Purchased	46,288,721	49,138,519
Distribution Expense - Operating	853,639	791,226
Maintenance - General Plant	720	393
Distribution Expense - Maintenance	1,488,021	1,271,201
Customer Accounting and Collection	495,160	500,583
Customer Service and Information	35,453	40,107
Sales Expense	43,400	43,912
Administrative and General	1,673,071	1,160,057
Depreciation Expense	2,723,539	2,611,406
Taxes and Equivalents	3,655,490	3,531,163
Total Operating Expenses	57,257,214	59,088,567
OPERATING INCOME (LOSS)	408,100	858,304
OTHER INCOME:		
Gain on Disposal of Electric Plant	-	97,500
Interest Expense	(166,143)	(177,058)
Interest Income	132,484	4,353
Total Other Income	(33,659)	(75,205)
NET INCOME (LOSS)	\$ 374,441	\$ 783,099

See accompanying notes to the financial statements.

CITY OF TUPELO - ELECTRIC DEPARTMENT
TUPELO, MISSISSIPPI
STATEMENTS OF CHANGES IN NET POSITION

	For the years ended June 30,	
	<u>2024</u>	<u>2023</u>
Balance - Beginning of Year	\$ 32,783,028	\$ 31,999,929
Net Income (Loss) for the Years as Shown on Statements of Revenues and Expenses	<u>374,441</u>	<u>783,099</u>
Balance - End of Year	<u>\$ 33,157,469</u>	<u>\$ 32,783,028</u>

See accompanying notes to the financial statements.

CITY OF TUPELO - ELECTRIC DEPARTMENT
TUPELO, MISSISSIPPI
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers	\$ 56,910,464	\$ 60,828,783
Payments to Suppliers	(47,926,924)	(53,390,615)
Payments to Employees	(2,255,254)	(2,261,008)
Payments for Other Services and Charges	(3,352,698)	(1,943,122)
Other Receipts (Payments)	16,379	26,440
Net Cash Provided (Used) by Operating Activities	<u>3,391,967</u>	<u>3,260,478</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Due To (From) Municipality	<u>(133,504)</u>	<u>47,803</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(133,504)</u>	<u>47,803</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	(2,879,496)	(2,959,119)
Cost of Removal of Capital Assets	(137,586)	(100,456)
Salvage Value	59,065	73
Proceeds from Sale of Capital Assets	-	97,500
Principal Paid on Bonds	(335,000)	(325,000)
Interest Paid	(210,750)	(220,500)
Conservation Advances from TVA	(20,196)	(35,361)
Budget Billing Advances	<u>-</u>	<u>(6)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(3,523,963)</u>	<u>(3,542,869)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends	132,484	4,353
Receivable from Customers for Energy Conservation Loans	19,023	34,093
(Increase) Decrease in Receivable from CSA	<u>(34,211)</u>	<u>(24,438)</u>
Net Cash Provided (Used) by Investing Activities	<u>117,296</u>	<u>14,008</u>
Net Increase (Decrease) in Cash Equivalents	(148,204)	(220,580)
Cash and Cash Equivalents - Beginning of Year	<u>7,448,162</u>	<u>7,668,742</u>
Cash and Cash Equivalents - End of Year	<u>\$ 7,299,958</u>	<u>\$ 7,448,162</u>

See accompanying notes to the financial statements.

CITY OF TUPELO - ELECTRIC DEPARTMENT
TUPELO, MISSISSIPPI
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2024	2023
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 408,100	\$ 858,304
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense	2,723,539	2,611,406
Net Pension Expense	547,654	73,811
Provision for Uncollectible Accounts	(34,098)	7,048
Change in Assets and Liabilities:		
Accounts Receivable	(572,290)	362,369
Unbilled Revenue	(148,404)	394,226
Other Accounts Receivable	(32,981)	206,411
Materials and Supplies	124,559	(419,491)
Prepaid Expenses	(24,710)	(958)
Other Current Assets	49,302	(61,702)
Accounts Payable	310,824	(720,274)
Accrued Expenses	(2,613)	(33,159)
Customer Deposits	43,085	(17,513)
Net Cash Provided (Used) by Operating Activities	\$ 3,391,967	\$ 3,260,478

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tupelo, Mississippi - Electric Department is an Enterprise fund of the City of Tupelo. The Department provides electric utility service for customers within the City and in a limited surrounding area.

The accounting policies of the Department conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of significant accounting policies:

Fund Accounting

Governmental basis reports are organized on the basis of funds, each of which is considered to be a separate accounting entity. The transactions of each fund are accounted for with a separate set of self-balancing accounts that include its assets, liabilities, fund balances, revenues, and expenditures/expenses. Resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Proprietary Funds

Proprietary Funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund's activities are included on its balance sheet. The following are the Proprietary Fund types:

Enterprise Funds

The Enterprise Funds are used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Proprietary Fund Types are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, including unbilled water and sewer services which are accrued. Expenses are recorded at the time liabilities are incurred.

CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Electric Plant

The electric plant is carried at cost. Additions to plant are recorded at cost, which includes materials, labor and overhead. Plant retirements including original cost and removal cost less salvage are charged against appropriate accumulated depreciation accounts. The cost of current repairs and maintenance is charged to appropriate operating expenses and clearing accounts. The cost of renewals and replacements are capitalized.

Straight-line depreciation is provided on a composite basis at prescribed rates that approximate the useful life of the assets. Current rates in effect are: transmission plant - 3%, distribution plant - 2.25% to 5% and general plant - 2% to 10%.

Inventories

Inventories are priced at average cost.

Accounts Receivable

The Department's Customer Accounts Receivable balance, net of unbilled receivables, for June 30, 2024 and 2023 was \$7,503,345 and \$6,896,957, respectively. The net provision for bad debts is calculated by comparing actual annual write offs for the past five 5 years to annual sales revenue. When accounts are 90 to 120 days past due, they are turned over to a collection agency. If the agency is unable to collect the account it is written off as a bad debt, after approval of the Council. All bad debts are written off twice a year. If an account that has been previously written off is collected, it is posted to the bad debt reserve account.

Cash Equivalents

For purposes of the statements of cash flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Estimates

Management and the Council use estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the net pension liability, as mentioned in Note 7. It is as least reasonably possible that the significant estimates used will change within the next year.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not used by the Department.

CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Concentrations of Credit Risks

The Department sells electric utility service to local customers with its facilities located in Tupelo, Mississippi. The Department extends credit to customers located within the City and surrounding areas.

Deferred Outflows / Inflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report a separate section for deferred outflows and deferred inflows of resources. These separate financial statement elements, deferred inflows and deferred outflows, represent a consumption of net position that applies to future periods (deferred outflows) or an acquisition of net position that applies to future periods (deferred inflows). The Department has deferred outflows and inflows related to pensions. See Note 7 for further details.

Long-Term Debt and Bond Discounts / Premiums

In the financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a straight-line method.

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 City of Tupelo-Electric Department's participation in the Public Employees' Retirement System of Mississippi (PERS), and additions to/deductions from the City of Tupelo-Electric Department's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement System of Mississippi (PERS). For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employees' Retirement System of Mississippi (PERS). Investments are reported at fair value.

Reclassifications

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

NOTE 2 - CASH, OTHER DEPOSITS AND CASH INVESTMENTS

Deposits - Custodial credit risk: The entity's entire bank balances were covered by federal depository insurance or collateralized in accordance with state law at year end. The collateral for public entities' deposits in financial institutions is now 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 Depository Insurance Corporation.

CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 3 - ELECTRIC PLANT

The following is a summary of the electric plant at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Transmission		
Land and Land Rights	\$ 31,802	\$ 31,802
Poles and Fixtures	2,119,903	2,119,902
Overhead Conductors	<u>613,787</u>	<u>613,787</u>
Total Transmission	<u>2,765,492</u>	<u>2,765,491</u>
Distribution Equipment		
Land & Land Rights	\$ 180,345	\$ 180,345
Station Equipment	12,182,680	12,081,010
Poles, Towers Etc.	9,149,626	9,079,055
Overhead Conductors and Devices	5,735,654	5,717,338
Underground Conductors and Devices	2,152,933	2,032,856
Underground Conduit	5,133,648	4,909,063
Line Transformers	10,130,328	9,754,060
Service	1,503,144	1,119,199
Meters	7,748,261	7,716,193
Installations on Customer's Premises	2,942,949	2,848,881
Street Lights and Signal System	<u>6,509,166</u>	<u>6,116,078</u>
Total Distribution Equipment	<u>63,368,734</u>	<u>61,554,078</u>
General Plant		
Land and Land Rights	120,866	120,866
Structure and Improvements	2,017,245	2,017,245
Office Furniture and Equipment	94,353	88,054
Transportation Equipment	1,567,942	1,417,042
Stores Equipment	8,065	8,065
Tools, Shop and Garage Equipment	193,525	190,959
Power Operated Equipment	2,826,019	2,826,019
Communications Equipment	56,027	55,512
Miscellaneous Equipment	<u>78,747</u>	<u>78,354</u>
Total General Plant	<u>6,962,789</u>	<u>6,802,116</u>
Total Plant In Service	73,097,015	71,121,685
Construction Work In Progress	<u>2,180,634</u>	<u>1,447,405</u>
Total Plant	<u>75,277,649</u>	<u>72,569,090</u>
Less: Accumulated Depreciation	<u>41,251,489</u>	<u>38,777,409</u>
Net Electric Plant	\$ <u>34,026,160</u>	\$ <u>33,791,681</u>

CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 - RECEIVABLE FROM CUSTOMERS FOR ENERGY CONSERVATION LOANS

Receivables from customers for energy conservation loans represent unbilled amounts due from customers as a result of their participation in an energy conservation program sponsored by the Tennessee Valley Authority (TVA) in which the customers install energy conservation measures approved by a TVA energy advisor. The installation charges are paid by the Department and billed to the customer over a period of time on the customer's monthly utility bill. TVA reimburses the Department for amounts paid out under the program. Repayments are made to TVA by the Department as collections are made from the customers.

NOTE 5 - ADVANCES FROM TVA FOR ENERGY CONSERVATION LOANS

Advances from TVA for energy conservation loans represent the amounts advanced by TVA, net of repayments, under the energy conservation loan program referred to in Note 4.

NOTE 6 - RECEIVABLE FROM CENTRAL SERVICE ASSOCIATION

The Department is a member of the Central Service Association. At June 30, 2024 and 2023, the amount loaned to C.S.A. by the Department was \$155,531 and \$121,320. Repayment of the loan will begin upon retirement of the debt for a new building constructed to house the Central Service Association. Interest is payable yearly and the rate at June 30, 2024 and 2023 was 1.25% and 1.25%, respectively. Interest income in the amount of \$334 and \$346 was received for years ended June 30, 2024 and 2023, respectively.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

Plan Description - Employees of the City of Tupelo-Electric Department are provided a defined benefit pension plan through the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing agent multiple-employer pension plan. The Public Employees' Retirement System of Mississippi (PERS) was created with the purpose to provide pension benefits for all state and public education employees, sworn officers of the Mississippi Highway Safety Patrol, other public employees whose employers have elected to participate in the System, and elected members of the State Legislature and the President of the Senate. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits Provided - For the cost-sharing plan 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% 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% 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 (the actuarial reduction for less than 30 years or below age 65 apply only to those who became members on or after July 1, 2011). Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service.

**CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued

A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. 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. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

Employee membership data related to the Plan, as of June 30, 2022 was as follows:

Inactive Members or Beneficiaries Currently Receiving Benefits	114,462
Inactive Members Assumed Eligible for a Benefit at Retirement Date	16,856
Inactive Members Assumed Not to Receive Service Retirement Benefits	74,034
Active Members	144,416
Total	349,768

Contributions - The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. PERS members are required to contribute 9.00% of their annual covered salary and the City of Tupelo-Electric Department is required to contribute at an actuarially determined rate. The current rate is 17.40% of annual covered payroll. The contributions are deducted from the employees' wages or salary and remitted by the City to PERS on a monthly basis. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

For the year ended June 30, 2024, the City of Tupelo-Electric Department's total payroll for all employees was \$2,252,641. Total covered payroll was \$2,252,641. Covered payroll refers to all compensation paid by the Electric Department to active employees covered by the Plan.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions- At June 30, 2024, the City of Tupelo-Electric Department reported a liability of \$7,831,429 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability percentage used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Tupelo-Electric Department's proportion of the net pension liability was based on a projection of the City of Tupelo-Electric Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2024, the City of Tupelo-Electric Department's proportion was 0.031137%.

For the year ended June 30, 2024, the City of Tupelo-Electric Department recognized pension expense of \$547,654. At June 30, 2024, the City of Tupelo-Electric Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 196,087	\$ -
Net Difference Between Projected and Actual Investment Earnings	306,401	-
City Pension Contributions Subsequent to the Measurement Date	387,231	-
Changes of Assumptions	919,557	-
Changes in Proportion and Differences in Actual Earnings on Pension Plan Assets	-	581,821
Total	\$ <u>1,809,276</u>	\$ <u>581,821</u>

The \$387,231 of deferred outflows of resources resulting from the Electric Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	<u>Amount</u>
2025	\$ 195,407
2026	128,846
2027	513,644
2028	<u>2,327</u>
Total	\$ <u>840,224</u>

Actuarial Assumptions -The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates 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 will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

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

**CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2022.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.00 %	4.75 %
International Equity	22.00	4.75
Global Equity	12.00	4.95
Fixed Income	20.00	1.75
Real Estate	10.00	3.25
Private Equity	8.00	6.00
Cash	1.00	0.25
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be phased in to 22.40% over three fiscal years (17.40% for FYE 2024, 19.40% for FYE 2025, 21.40% for FYE 2026, and 22.40% for FYE 2027). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City of Tupelo-Electric Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City of Tupelo-Electric Department's proportionate share of the net pension liability using the discount rate of 7.00 %, as well as what the City of Tupelo-Electric Department'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 %) or 1-percentage-point higher (8.00 %) than the current rate:

	<u>Discount Rate</u>	<u>Electric Department's Proportionate Share of Net Pension Liability</u>
1% Decrease	6.00%	\$ 10,098,827
Current Discount Rate	7.00%	7,831,429
1% Increase	8.00%	5,970,778

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

**CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

NOTE 8 - LONG-TERM DEBT

BONDS PAYABLE

The Department issued series 2018 special obligation bonds during the year to provide financing for the cost of improvement, repair and extension of the electric system of the City of Tupelo. The bonds are dated April 12, 2018, with a maturity date of May 1, 2033. The bonds have a coupon rate ranging from 2% to 5% with principal and interest payments due semiannually commencing November 1, 2018.

During the fiscal year, the following changes occurred in long-term debt:

	Balances		Balances
	July 1,	Additions	Reductions
	June 30,		June 30,
Special Obligation Bonds	\$ 4,215,000	\$ -	\$ 335,000
Premium	627,225	-	627,225
Amortization of Premium	(216,044)	(41,815)	-
	\$ 4,626,181	\$ (41,815)	\$ 335,000
			\$ 4,249,366

The annual debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
Ending			
June 30,			
2025	\$ 350,000	\$ 194,000	\$ 544,000
2026	370,000	176,500	546,500
2027	390,000	158,000	548,000
2028	405,000	138,500	543,500
2029	430,000	118,250	548,250
2030-2033	1,935,000	247,750	2,182,750
Total	\$ 3,880,000	\$ 1,033,000	\$ 4,913,000

NOTE 9 - ECONOMIC DEPENDENCY

Sales to one major customer during the years ended June 30, 2024 and 2023 totaled approximately \$6,412,559 and \$6,787,681, respectively. This represented approximately 11.0% and 11.1% of the Department's total revenues for the years ended June 30, 2024 and 2023, respectively.

**CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023**

NOTE 10 - DUE FROM / TO MUNICIPALITY

The Electric Department is an Enterprise Fund of the City of Tupelo; thus it has certain inter-fund transfers with other Departments. Customers are billed for electric, water, and sanitation services on the same bill. The Electric Department collects the bills and then disburses the fees collected to the respective departments/funds of the City. The City of Tupelo Accounting and Finance Department provides accounting services to the Electric Department for which it reimburses the General Fund for the cost of services provided. The Electric Department also reimburses the City a portion of the Mayor and City Council salaries based on the amount of time their duties were devoted to the Electric Department. The Electric Department makes in lieu property tax payments to the General Fund based on the Electric Department properties located in the City.

The Department has certain quasi-external transactions, which are reported as revenues and receivables as if they involved organizations external to the City that consist of utility billings to the City departments. Thus, the receivable related to the sale of electric power to the City is recorded in accounts receivable.

The balance of Due From Municipality and Due To Municipality at June 30, 2024 and 2023, consist of the following:

	2024	2023
Due To Municipality		
Solid Waste Management	\$ 1,568	\$ 41,541
Water and Sewer Fund	6,899	96,668
Total	\$ 8,467	\$ 138,209

CITY OF TUPELO - ELECTRIC DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 11 - RISK MANAGEMENT

The Department 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, worker's compensation liabilities funded through a public entity risk pool, and catastrophic natural disasters that may exceed insurance coverages for which the City retains the risk of loss.

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

The City Attorney estimates that the amount of actual or potential claims against the City as of June 30, 2024 and 2023, will not materially affect the financial condition of the City. Therefore, no provisions have been made for estimated claims. There have been no material claims paid by the City during the current or prior year.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Under its wholesale power agreement, the Department is committed to purchase its power from the Tennessee Valley Authority. The rates paid for such purchases are subject to review annually.

NOTE 13 - SUBSEQUENT EVENTS

Date of Management Evaluation

Management has evaluated subsequent events through October 28, 2024, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TUPELO - ELECTRIC DEPARTMENT
Schedule of the Department's Proportionate
Share of the Net Pension Liability
For the ten years ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Department's proportion of net pension liability (%)	0.031137 %	0.030761 %	0.031631 %	0.031810 %	0.032781 %	0.032642 %	0.031707 %	0.030491 %	0.030470 %	0.032011 %
Department's proportionate share of net pension liability	\$ 7,831,429	\$ 6,331,820	\$ 4,675,212	\$ 6,158,132	\$ 5,766,823	\$ 5,429,391	\$ 5,270,811	\$ 5,446,490	\$ 4,560,118	\$ 3,580,761
Department's covered payroll	\$ 2,252,641	\$ 2,227,849	\$ 2,187,126	\$ 2,127,897	\$ 2,118,167	\$ 2,104,997	\$ 2,065,238	\$ 2,074,070	\$ 1,967,778	\$ 1,903,784
Department's proportionate share of net pension liability as a % of its covered payroll	347.66 %	284.21 %	213.76 %	289.40 %	272.26 %	257.93 %	255.22 %	262.60 %	231.74 %	188.09 %
Plan fiduciary net position as a % of total pension liability	55.70 %	59.93 %	70.44 %	58.97 %	61.59 %	62.54 %	61.49 %	57.47 %	61.70 %	67.21 %

Schedule is intended to show information for 10 years. Additional years will be available as they become available.
The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

CITY OF TUPELO - ELECTRIC DEPARTMENT
Schedule of the Department's Contributions
For the ten years ended June 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 391,960	\$ 387,645	\$ 380,560	\$ 370,254	\$ 368,561	\$ 331,537	\$ 325,275	\$ 326,666	\$ 309,925	\$ 299,846
Actual contributions	\$ 391,960	\$ 387,645	\$ 380,560	\$ 370,254	\$ 368,561	\$ 331,537	\$ 325,275	\$ 326,666	\$ 309,925	\$ 299,846
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered payroll	\$ 2,252,641	\$ 2,227,849	\$ 2,187,126	\$ 2,127,897	\$ 2,118,167	\$ 2,104,997	\$ 2,065,238	\$ 2,074,070	\$ 1,967,778	\$ 1,903,784
Contributions as a % of covered payroll	17.40 %	17.40 %	17.40 %	17.40 %	17.40 %	15.75 %	15.75 %	15.75 %	15.75 %	15.75 %

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Contribution percentage rate went from 15.75% to 17.40% as of July 1, 2019.

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

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

CITY OF TUPELO – ELECTRIC DEPARTMENT
Notes to the Required Supplementary Information
For the Year Ended September 30, 2023

Changes of Assumptions

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.

2021:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - 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:
 - For males, 134% of male rates at all ages.
 - For females, 121% of female rates at all ages.
 - 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:
 - For males, 97% of male rates at all ages.
 - For females, 110% of female rates at all ages.
 - 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 TUPELO – ELECTRIC DEPARTMENT
Notes to the Required Supplementary Information
For the Year Ended September 30, 2023

Changes of Assumptions (continued)

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 will be used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality rates, and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016:

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

2015:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.
- The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

CITY OF TUPELO – ELECTRIC DEPARTMENT
Notes to the Required Supplementary Information
For the Year Ended September 30, 2023

Changes of Assumptions 2015 (continued)

- The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

Changes of Benefit Provisions

2016:

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

REPORT ON COMPLIANCE AND INTERNAL CONTROL

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 City Council
City of Tupelo, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Tupelo - Electric Department as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Tupelo - Electric Department's basic financial statements, and have issued our report thereon dated October 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tupelo - Electric Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tupelo - Electric Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tupelo - Electric Department'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tupelo - Electric Department'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 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.

Jarrell Group, PLLC

Jarrell Group, PLLC
Tupelo, Mississippi
October 28, 2024