

**CITY OF TUPELO,
MISSISSIPPI**

FINANCIAL STATEMENTS

September 30, 2016

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

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Tupelo, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tupelo, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Tupelo's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Northeast Mississippi Regional Water Supply District, which represent approximately 32 percent and 4 percent, respectively of the assets and revenues of the Proprietary Fund. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Northeast Mississippi Regional Water Supply District, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

The Electric Department's fiscal year ends on June 30th as required by regulatory bodies. Therefore, all statements and information relating to the Electric Department in this report are for the fiscal year beginning July 1, 2015 and ending June 30, 2016.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Tupelo, Mississippi, as of September 30, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tupelo, Mississippi's basic financial statements. The combining and individual fund financial statements and other supplemental information, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 March 22, 2017 on our consideration of the City of Tupelo, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tupelo's internal control over financial reporting and compliance.

Franks, Franks, Jarrell & Wilemon, P.A.

FRANKS, FRANKS, JARRELL & WILEMON, P.A.
Tupelo, Mississippi
March 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF TUPELO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Required Supplemental Information for the year ended September 30, 2016

This section of the City of Tupelo's Financial Report presents our discussion and analysis of the City's financial performance during the fiscal year ending September 30, 2016. Please read it in conjunction with the City of Tupelo financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$251,920,945. This compares to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows by \$248,132,274.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$51,074,913, a decrease of \$4,519,615 in comparison to the prior year. Approximately 40% of the combined fund balances, \$20,361,489 is considered unassigned and is available for spending at the City's discretion.
- The City's total debt is \$97,943,185. Debt in the amount of \$31,799,199 was issued in the current fiscal year; all of which was used for capital acquisition or capital projects. Debt in the amount of \$20,704,157 was repaid during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services such as public safety were financed in the short-term as well as what remains for future spending. The City has four Governmental Fund types: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

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 Electric, Water & Sewer, Solid Waste funds and the Northeast Mississippi Regional Water Supply District.

CITY OF TUPELO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Figure A-1

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City Government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, public works, parks and recreation, debt service, and capital projects	Activities the City operates similar to private businesses: Electric Department, Water & Sewer, and Solid Waste
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 TUPELO, MISSISSIPPI

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's net position and how they have changed. Net position—the difference between the City's assets, liabilities, and deferred inflows / outflows—is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, the reader should consider additional non-financial factors such as changes in the City's property tax base, as well as, economic activities and trends at local and regional levels.
- *Governmental activities* – Most of the City's basic services are included here, such as the police, fire, public works, and parks and recreation departments, and general administration. Property taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities* – The City charges fees to customers to help it cover the costs of certain services it provides. The City's garbage pickup, water and sewer systems and electric department services are included here along with the Northeast Mississippi Water Supply District (a blended component unit).
- *Component Unit* – The government-wide financial statements include not only the City itself (known as the primary government), but also the following legally separate entity for which the City is financially accountable: Tupelo Airport Authority. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The Tupelo Airport Authority issue separately audited financial statements and may be obtained from the City's Budget and Accounting Department.

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 Tupelo 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 City Council 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 TUPELO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Tupelo has two types of funds:

- **Governmental funds**—most of the City'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'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 utilizes four types of governmental funds: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

- **Proprietary funds**—Services for which the City 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's enterprise funds are the same as its 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 Fund Net Position, and Statement of Cash Flows are all required statements.

Government-wide Financial Analysis

As year-to-year financial information is accumulated on a consistent basis, changes in the net position may be observed and used to discuss the changing financial position of the City as a whole.

The City's assets and deferred outflows exceeded liabilities and deferred inflows by \$251,920,945 at the close of the most recent fiscal year. This is a \$3,788,671 increase over last year's net position of \$248,132,274. Tables A-1 and A-2 provide a summary of the City's net position at September 30, 2016 and 2015.

CITY OF TUPELO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

A large portion, 80.5% and 76.4%, 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 for the years ended September 30, 2016 and 2015, respectively. 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.

Table A-1

City of Tupelo's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current & Other Assets	\$ 56,660,197	\$ 60,465,337	\$ 32,088,800	\$ 34,865,891	\$ 88,748,997	\$ 95,331,228
Noncurrent Assets	173,367,512	156,608,974	159,007,894	147,899,544	332,375,406	304,508,518
Total Assets	230,027,709	217,074,311	191,096,694	182,765,435	421,124,403	399,839,746
Total Deferred Outflows	7,397,820	6,918,801	1,790,451	1,032,552	9,188,271	7,951,353
Other Liabilities	9,394,906	8,238,197	14,952,204	15,283,309	24,347,110	23,521,506
Noncurrent Liabilities	105,217,793	92,700,650	46,937,272	40,545,761	152,155,065	133,246,411
Total Liabilities	114,612,699	100,938,847	61,889,476	55,829,070	176,502,175	156,767,917
Total Deferred Inflows	1,303,278	2,079,230	586,276	811,678	1,889,554	2,890,908
Net Position:						
Net Investment in						
Capital Assets	107,745,008	97,420,389	95,005,001	92,026,913	202,750,009	189,447,302
Restricted	24,076,994	29,029,725	33,288,372	30,321,639	57,365,366	59,531,364
Unrestricted (Deficit)	(10,312,450)	(5,475,079)	2,118,020	4,808,687	(8,194,430)	(666,392)
Total Net Position	\$ 121,509,552	\$ 120,975,035	\$ 130,411,393	\$ 127,157,239	\$ 251,920,945	\$ 248,132,274

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of our business-type activities is \$2,118,020. These resources cannot be used to add to the net position surplus in governmental activities. The City generally can only use this net position to finance the continuing operations of the business type activities.

Changes in net position: Approximately 11.0% of the City's total revenues come from property taxes, with 35.6% of all revenue coming from some type of tax. (See Table A-2.) This compares to 11.0% and 34.6% for the fiscal year ended September 30, 2015. Another 57.4% comes from fees charged for services, and the balance is from operating and capital grants and contributions and investment earnings.

CITY OF TUPELO, MISSISSIPPI 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 Tupelo's Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 5,537,126	\$ 5,592,916	\$ 73,490,015	\$ 73,632,391	\$ 79,027,141	\$ 79,225,307
Operating Grants & Contributions	275,665	594,604	-	-	275,665	594,604
Capital Grants & Contributions	3,123,782	3,569,241	3,446,869	3,258,763	6,570,651	6,828,004
General Revenues:						
Property Taxes	15,099,340	14,892,861	-	-	15,099,340	14,892,861
Other Taxes	33,861,584	32,153,370	-	-	33,861,584	32,153,370
Investment Income	347,320	334,223	38,975	22,943	386,295	357,166
Other	2,169,196	1,796,465	259,088	21,150	2,428,284	1,817,615
Total Revenues	60,414,013	58,933,680	77,234,947	76,935,247	137,648,960	135,868,927
Expenses						
General Government	6,036,886	5,555,352	-	-	6,036,886	5,555,352
Public Safety	20,199,113	18,987,834	-	-	20,199,113	18,987,834
Public Works	9,528,988	9,362,147	-	-	9,528,988	9,362,147
Culture & Recreation	10,586,645	8,740,533	-	-	10,586,645	8,740,533
Other Functions	4,501,362	4,396,967	-	-	4,501,362	4,396,967
Capital Projects	2,941,294	790,527	-	-	2,941,294	790,527
Debt Service	2,255,697	1,941,269	-	-	2,255,697	1,941,269
Water & Sewer	-	-	10,097,127	9,630,259	10,097,127	9,630,259
Electric	-	-	55,940,109	56,925,024	55,940,109	56,925,024
Solid Waste Management	-	-	3,197,215	3,210,667	3,197,215	3,210,667
N. MS Reg. Water Supp. Dist.	-	-	3,537,239	3,708,796	3,537,239	3,708,796
Total Expenses	56,049,985	49,774,629	72,771,690	73,474,746	128,821,675	123,249,375
Excess of Revenue Over Exp.	4,364,028	9,159,051	4,463,257	3,460,501	8,827,285	12,619,552
Transfers	(3,829,511)	(4,551,002)	(1,209,103)	(1,238,509)	(5,038,614)	(5,789,511)
Change in Net Position	534,517	4,608,049	3,254,154	2,221,992	3,788,671	6,830,041
Net Position—Beginning	120,975,035	116,366,986	127,157,239	124,935,247	248,132,274	241,302,233
Net Position—Ending	\$121,509,552	\$120,975,035	\$130,411,393	\$127,157,239	\$251,920,945	\$248,132,274

CITY OF TUPELO, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the City's net position by \$534,517, thereby accounting for 14.1% of the total growth in the net position of the City. Key elements of this increase are as follows:

The largest funding sources for the City's governmental activities, as a percent of total revenues, are sales tax 46%, property taxes 25% and charges for services 9%.

The largest expense categories for the City's governmental activities are public safety 36% and culture and recreation 19%.

Business-type Activities

Business-type activities increased the City's net position by \$3,254,154 accounting for 85.9% of the growth in the City's net position.

Charges for services are the major revenue categories for the enterprise funds. Total business-type revenues are comprised of \$11,408,912 for water and sewer, \$55,689,798 for electric, \$3,303,799 for solid waste management and \$3,087,506 for the Northeast Mississippi Regional Water Supply District.

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 \$20,361,489, which comprised 90.7% 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 73.0% of total fund expenditures. The fund balance of the City's general fund increased by \$522,654 during the current fiscal year.

Debt Service Fund—The debt service fund has a total fund balance of \$15,360,756, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year was \$1,049,821.

Capital Projects Fund—The capital projects fund accounts for the construction and reconstruction of general public improvements, excluding projects related to business-type activities, which are accounted for elsewhere. At the end of the current fiscal year, the fund balance was \$5,502,982.

CITY OF TUPELO, MISSISSIPPI MANAGEMENT'S DISCUSSION AND ANALYSIS

Special Revenue Fund—The special revenue fund is used to account for the programs and projects primarily funded by grants or taxes from the federal and state governments. At the end of the current fiscal year, the fund balance was \$7,765,202, which will be used for future expenditures.

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 \$130,411,393. Changes in net position, which totaled \$3,254,154, were as follows: the electric fund increased by \$26,143, the water & sewer fund increased by \$118,622, the solid waste management fund increased by \$107,878 and Northeast Mississippi Regional Water Supply District increased by \$3,001,511.

Budgetary Highlights

The City's annual budget, which is prepared on an operating basis, includes estimated revenues and annual appropriations for the proprietary funds as well as the governmental funds.

The City's 2015 – 2016 general fund budget increased by \$869,068 and an overall operating budget increase of \$3,260,050.

CAPITAL ASSET AND DEBT ADMINISTRATION

The City anticipates spending \$30,000,000 in capital projects from fiscal years 2018 – 2022. The sources of revenues include federal grants, G.O. bonds, and general fund revenues.

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, 2016, amounted to \$303,014,848, net of accumulated depreciation of \$199,044,042. This investment in capital assets includes land, buildings, improvements other than buildings, machinery & equipment, infrastructure, and construction in progress.

Table A-3

City of Tupelo's Capital Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 12,261,202	\$ 11,586,188	\$ 1,764,752	\$ 1,764,752	\$ 14,025,954	\$ 13,350,940
Infrastructure Plant, Buildings, Improvements	127,832,578	115,757,518	-	-	127,832,578	115,757,518
Sanitary & Sewer Lagoons	-	-	6,896,810	6,896,810	6,896,810	6,896,810
Machinery & Equipment	24,296,995	23,486,349	15,644,315	15,545,948	39,941,310	39,032,297
Construction in Progress	20,722,561	18,608,336	11,250,457	14,355,429	31,973,018	32,963,765
Accumulated Depreciation	(104,424,973)	(97,566,444)	(94,619,069)	(90,076,513)	(199,044,042)	(187,642,957)
Total	\$171,434,437	\$154,473,672	\$ 131,580,411	\$123,598,025	\$303,014,848	\$ 278,071,697

Long-term Debt—At year-end, the City had \$97,943,185 in bonds and notes outstanding. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

**CITY OF TUPELO, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Table A-4

City of Tupelo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
General Obligation Bonds	\$ 54,532,081	\$ 42,988,185	\$ 917,919	\$ 41,815	\$ 55,450,000	\$ 43,030,000
Special Assessment Bonds	130,000	180,000	-	-	130,000	180,000
Special Obligation Bonds	-	10,036,775	-	1,103,225	-	11,140,000
Tax Increment Bonds	505,000	595,000	-	-	505,000	595,000
State Revolving Loans	-	-	869,667	1,021,187	869,667	1,021,187
Notes Payable	6,960,793	2,786,976	34,027,725	28,094,980	40,988,518	30,881,956
Total	\$ 62,127,874	\$ 56,586,936	\$ 35,815,311	\$ 30,261,207	\$ 97,943,185	\$ 86,848,143

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Key assumptions for revenue forecasts for fiscal year 2017 are summarized as follows:

1. Sales tax revenues will remain flat.
2. Property tax revenue will increase 7.31% due to a county-wide reappraisal.
3. Interest rates will remain the same until fiscal year 2018.

This contributed to the following projections:

1. Property tax revenue will increase.
2. Millage rates remained the same at 32.47 for the City's 2017 fiscal year budget. This includes an increase from 12.90 to 12.94 mills for the General Fund, 10 mills for the Thoroughfare Fund, a decrease from 1.01 to .97 mills for the Library fund, 1.61 mills for the Fire and Police Retirement Fund, and 6.95 mills for the City Bond and Interest Fund.
3. Personnel cost will increase in fiscal year 2017 due to cost-of-living raises.

**CONTACTING THE CITY OF TUPELO
FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Tupelo's Finance Department, P.O. Drawer 1485 Tupelo, MS 38802.

BASIC FINANCIAL STATEMENTS

CITY OF TUPELO, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tupelo Airport Authority
ASSETS:				
Current Assets:				
Cash	\$ 34,525,403	\$ 11,589,686	\$ 46,115,089	\$ 258,762
Cash - Restricted	-	2,994,596	2,994,596	86,005
Investments	12,994,871	-	12,994,871	-
General Property Taxes Receivable	657,189	-	657,189	-
Other Receivables	606,437	341,528	947,965	-
Lease Receivable	200,000	-	200,000	-
Accounts Receivable, Net	1,714,546	6,344,204	8,058,750	79,084
Accounts Receivable - Restricted	-	313,769	313,769	2,625
Accrued Interest Receivable - Restricted	-	6,603	6,603	-
Unbilled Revenue	-	1,894,259	1,894,259	-
Due from Other Funds	2,458,824	3,615	2,462,439	-
Due from Other Governmental Units	2,226,600	-	2,226,600	133,901
Due from Other Governmental Units - Restricted	-	790,914	790,914	-
Due from Custodian	-	-	-	446,420
Due from Trustee - Restricted	-	6,580,988	6,580,988	-
Due from Component Units	734,675	-	734,675	-
Inventories	54,442	1,001,145	1,055,587	49,624
Prepaid Expenses	487,210	119,152	606,362	14,408
Other Current Assets	-	108,341	108,341	-
TOTAL CURRENT ASSETS	56,660,197	32,088,800	88,748,997	1,070,829
Noncurrent Assets:				
Cash - Restricted	-	26,878,272	26,878,272	-
Notes Receivable	113,075	496,250	609,325	-
Home Grant Receivable	465,000	-	465,000	-
Other Receivables	-	45,041	45,041	-
Lease Receivable	1,355,000	-	1,355,000	-
Intangible Asset - Goodwill	-	-	-	586,930
Other Assets	-	7,920	7,920	-
Capital Assets:	-	-	-	-
Land	12,261,202	1,764,752	14,025,954	6,099,049
Plant, Buildings and Improvements	90,746,074	190,643,146	281,389,220	47,755,138
Sanitary and Sewer Lagoons	-	6,896,810	6,896,810	-
Machinery and Equipment	24,296,995	15,644,315	39,941,310	1,719,897
Infrastructure	127,832,578	-	127,832,578	-
Construction in Progress	20,722,561	11,250,457	31,973,018	1,560,550
Accumulated Depreciation	(104,424,973)	(94,619,069)	(199,044,042)	(24,703,761)
TOTAL NONCURRENT ASSETS	173,367,512	159,007,894	332,375,406	33,017,803
TOTAL ASSETS	230,027,709	191,096,694	421,124,403	34,088,632
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows Related to Pensions	7,397,820	1,790,451	9,188,271	132,163
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 7,397,820	\$ 1,790,451	\$ 9,188,271	\$ 132,163

CITY OF TUPELO, MISSISSIPPI
STATEMENT OF NET POSITION
September 30, 2016

-Continued-

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tupelo Airport Authority
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 845,176	\$ 6,467,820	\$ 7,312,996	\$ 411,851
Equity in Pooled Cash Deficit	555	-	555	-
Accrued Expenses	779,281	91,645	870,926	25,405
Accrued Interest Payable	559,021	5,317	564,338	-
Due to Other Funds	235,746	2,636,644	2,872,390	-
Due to Other Governmental Units and Entities	1,178,874	-	1,178,874	485,468
Unearned Revenues	1,165,513	-	1,165,513	23,800
Current Portion of Capital Lease	-	-	-	5,885
Long-Term Debt: Due Within One Year	4,587,072	2,447,712	7,034,784	126,854
Customer and Event Deposits	43,668	3,303,066	3,346,734	-
TOTAL CURRENT LIABILITIES	9,394,906	14,952,204	24,347,110	1,079,263
Noncurrent Liabilities:				
Advances TVA - Home Insulation Loans	-	504,709	504,709	-
Accrued Compensated Absences	941,287	100,317	1,041,604	12,379
Due to Other Funds	-	3,870,833	3,870,833	-
Net Pension Liability	45,733,170	9,004,273	54,737,443	818,460
Long-Term Obligation under Capital Lease	-	-	-	3,433
Long-Term Debt: Due in More Than One Year	58,543,336	33,457,140	92,000,476	702,125
General Obligation Bonds, net of current maturities	-	-	-	-
TOTAL NONCURRENT LIABILITIES	105,217,793	46,937,272	152,155,065	1,536,397
TOTAL LIABILITIES	114,612,699	61,889,476	176,502,175	2,615,660
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows Related to Pensions	1,303,278	586,276	1,889,554	94,833
TOTAL DEFERRED INFLOWS OF RESOURCES	1,303,278	586,276	1,889,554	94,833
NET POSITION				
Net Investment in Capital Assets	107,745,008	95,005,001	202,750,009	31,404,252
Restricted for:				
Capital Projects	2,086,178	30,225,591	32,311,769	88,630
Debt Service	15,360,756	3,062,781	18,423,537	-
Special Revenue	6,081,308	-	6,081,308	-
Water Reserve	548,752	-	548,752	-
Unrestricted (Deficit)	(10,312,450)	2,118,020	(8,194,430)	17,420
TOTAL NET POSITION	\$ 121,509,552	\$ 130,411,393	\$ 251,920,945	\$ 31,510,302
TOTAL LIABILITIES AND NET POSITION	\$ 236,122,251	\$ 192,300,869	\$ 428,423,120	\$ 34,125,962

See accompanying notes to financial statements.

CITY OF TUPELO, MISSISSIPPI
STATEMENT OF ACTIVITIES
For the year ended September 30, 2016

FUNCTIONS/ PROGRAMS	Expenses	PROGRAM REVENUES				Net (Expense) Revenue and Changes in Net Position			COMPONENT
		Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	PRIMARY GOVERNMENT			UNIT
						Governmental Activities	Business-Type Activities	Total	Tupelo Airport Authority
PRIMARY GOVERNMENT									
Government Activities:									
General Government	\$ 6,036,886	\$ 592,407	\$ 65,278	\$ -	\$ 657,685	\$ (5,379,201)	\$ -	\$ (5,379,201)	\$ -
Public Safety	20,199,113	1,415,351	190,387	117,497	1,723,235	(18,475,878)	-	(18,475,878)	-
Public Works	9,528,988	-	20,000	-	20,000	(9,508,988)	-	(9,508,988)	-
Culture and Recreation	10,586,645	3,529,368	-	-	3,529,368	(7,057,277)	-	(7,057,277)	-
Other Functions	4,501,362	-	-	-	-	(4,501,362)	-	(4,501,362)	-
Capital Projects	2,941,294	-	-	3,006,285	3,006,285	64,991	-	64,991	-
Debt Service	2,255,697	-	-	-	-	(2,255,697)	-	(2,255,697)	-
TOTAL GOVERNMENTAL ACTIVITIES	56,049,985	5,537,126	275,665	3,123,782	8,936,573	(47,113,412)	-	(47,113,412)	-
Business-Type Activities:									
Water and Sewer	10,097,127	11,408,912	-	8,000	11,416,912	-	1,319,785	1,319,785	-
Electric	55,940,109	55,689,798	-	-	55,689,798	-	(250,311)	(250,311)	-
Northeast MS Regional Water Supply Dist.	3,537,239	3,087,506	-	3,438,869	6,526,375	-	2,989,136	2,989,136	-
Solid Waste Management	3,197,215	3,303,799	-	-	3,303,799	-	106,584	106,584	-
TOTAL BUSINESS-TYPE ACTIVITIES	72,771,690	73,490,015	-	3,446,869	76,936,884	-	4,165,194	4,165,194	-
TOTAL PRIMARY GOVERNMENT	\$ 128,821,675	\$ 79,027,141	\$ 275,665	\$ 6,570,651	\$ 85,873,457	\$ (47,113,412)	\$ 4,165,194	\$ (42,948,218)	\$ -
COMPONENT UNITS									
Tupelo Airport Authority	\$ 3,230,432	\$ 1,787,812	\$ -	\$ 1,649,470	\$ 3,437,282	\$ -	\$ -	\$ -	\$ 206,850
GENERAL REVENUES:									
Taxes:									
Property Taxes, Levied for General Purposes						\$ 5,869,199	\$ -	\$ 5,869,199	\$ -
Property Taxes, Levied for Capital Outlay						4,549,476	-	4,549,476	-
Property Taxes, Levied for Special Revenue						1,191,682	-	1,191,682	-
Property Taxes, Levied for Debt Service						3,488,983	-	3,488,983	-
Sales Taxes						27,980,364	-	27,980,364	-
County Pro Rata Taxes						1,126,793	-	1,126,793	-
Franchise Taxes						371,216	-	371,216	-
In Lieu Taxes						4,132,298	-	4,132,298	-
Gasoline Taxes & Other Taxes						250,913	-	250,913	-
Homestead Reimbursement						520,141	-	520,141	-
Fire Protection Allocation						221,562	-	221,562	-
Investment Earnings						347,320	38,975	386,295	989
Gain (Loss) on Disposal of Assets						(36,117)	258,742	222,625	(19,054)
Miscellaneous						1,463,610	346	1,463,956	21,803
Transfers (to) from Component Units						(3,829,511)	(1,209,103)	(5,038,614)	-
Transfers						-	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS						47,647,929	(911,040)	46,736,889	3,738
CHANGE IN NET POSITION						534,517	3,254,154	3,788,671	210,588
NET POSITION--BEGINNING						120,975,035	127,157,239	248,132,274	31,299,714
NET POSITION--ENDING						\$ 121,509,552	\$ 130,411,393	\$ 251,920,945	\$ 31,510,302

See accompanying notes to financial statements.

**CITY OF TUPELO, MISSISSIPPI
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016**

	General Fund	City Bond and Interest Fund	Water G. O. Bonds Fund	City Infrastructure Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:						
Cash	\$ 18,652,635	\$ 1,318,188	\$ 270,144	\$ 3,462,078	\$ 10,822,358	\$ 34,525,403
Investments	-	-	12,950,106	-	44,765	12,994,871
General Property Taxes Receivable	280,908	133,471	-	-	242,810	657,189
Other Receivable	176,226	-	-	61,653	368,558	606,437
Home Grant Receivable	465,000	-	-	-	-	465,000
Notes Receivable	-	-	-	-	113,075	113,075
Due from Other Funds	2,458,824	-	-	-	-	2,458,824
Due from Other Government Units	1,741,005	-	-	150,000	335,595	2,226,600
Due from Component Units	734,675	-	-	-	-	734,675
Prepaid Expenses	447,383	-	-	-	39,827	487,210
Inventories	31,657	-	-	-	22,785	54,442
TOTAL ASSETS	\$ 24,988,313	\$ 1,451,659	\$ 13,220,250	\$ 3,673,731	\$ 11,989,773	\$ 55,323,726
LIABILITIES AND FUND BALANCES:						
LIABILITIES:						
Accounts Payable	\$ 448,579	\$ 2,000	\$ -	\$ 241,898	\$ 152,699	\$ 845,176
Equity in Pooled Cash Deficit	-	-	-	-	555	555
Accrued Expenses	747,541	-	-	-	31,740	779,281
Due to Other Entities	1,178,874	-	-	-	-	1,178,874
Due to Other Funds	-	-	-	209,260	26,486	235,746
Unearned Revenues	167,346	-	-	902	997,265	1,165,513
Event Deposits	-	-	-	-	43,668	43,668
TOTAL LIABILITIES	2,542,340	2,000	-	452,060	1,252,413	4,248,813
FUND BALANCES:						
Nonspendable						
Prepaid Expenses	447,383	-	-	-	-	447,383
Inventory	31,657	-	-	-	22,785	54,442
Long-Term Receivables	1,056,692	-	-	-	-	1,056,692
Restricted for						
Library	-	-	-	-	50,497	50,497
Tourism Promotion	-	-	-	-	4,206,757	4,206,757
Public Safety Retirement	-	-	-	-	42,983	42,983
Law Enforcement	-	-	-	-	1,781,071	1,781,071
Construction Acquisition of Capital Assets	-	-	-	2,944,602	1,861,653	4,806,255
Public Safety Equipment	-	-	-	-	224,525	224,525
Debt Service	-	1,449,659	13,220,250	-	690,847	15,360,756
Water Reserve	548,752	-	-	-	-	548,752
Committed to						
Rental Rehabilitation	-	-	-	-	118,179	118,179
Fairpark Infrastructure	-	-	-	-	23,148	23,148
Construction Acquisition of Capital Assets	-	-	-	277,069	171,985	449,054
Assigned to						
Coliseum Projects	-	-	-	-	955,138	955,138
Coliseum Operations	-	-	-	-	587,792	587,792
Unassigned	20,361,489	-	-	-	-	20,361,489
TOTAL FUND BALANCES	22,445,973	1,449,659	13,220,250	3,221,671	10,737,360	51,074,913
TOTAL LIABILITIES AND FUND BALANCES	\$ 24,988,313	\$ 1,451,659	\$ 13,220,250	\$ 3,673,731	\$ 11,989,773	\$ 55,323,726

See accompanying notes to financial statements.

**CITY OF TUPELO, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO THE STATEMENT OF NET POSITION
For the year ended September 30, 2016**

TOTAL FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 51,074,913
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.	171,434,437
Long-term liabilities, including bonds and accrued interest, are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(62,686,895)
Accrued compensated absences are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(941,287)
Deferred revenues for capital lease receivables deferred in the governmental funds because they will not be received within sixty days of the Consolidated Government's year end.	1,555,000
Net pension liability are not due and payable in the current period and therefore they are not reported in the governmental funds balance sheet.	(45,733,170)
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	7,397,820
Deferred inflows of resources related to defined benefit pension plan	(1,303,278)
Accrual of court fine revenues to qualify as financial resources.	1,714,546
Premium on bonds issued are deferred and amortized on the statement of net position.	<u>(1,002,534)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 121,509,552</u>

See accompanying notes to financial statements.