



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2015

PHILADELPHIA PUBLIC SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	44
Budgetary Comparison Schedule – General Fund	45
Budgetary Comparison Schedule – School Food Service Fund	46
Budgetary Comparison Schedule – Title I Fund	47
Schedule of the District's Proportionate Share of the Net Pension Liability	48
Schedule of District Contributions	49
Notes to the Required Supplementary Information	50
SUPPLEMENTARY INFORMATION	51
Schedule of Expenditures of Federal Awards	52
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	53
OTHER INFORMATION	54
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	55
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	56
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	57
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 <i>Government Auditing Standards</i>	58
Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	60
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	62
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	66
AUDITEE'S CORRECTIVE ACTION PLAN	69

INDEPENDENT AUDITORS' REPORT



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
 Philadelphia Public School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Philadelphia Public School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions on pages 5-13, 45-47, 48 and 49, respectively, 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 Philadelphia Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the Philadelphia Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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 Philadelphia Public School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
January 29, 2016

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The following discussion and analysis of Philadelphia Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to financial statements to enhance their understanding of the School District's financial performance.

### FINANCIAL HIGHLIGHTS

- Total net position for 2015 decreased \$11,126,236, including a prior period adjustment of (\$11,221,609), which represents a 175.7% decrease from fiscal year 2014. Total net position for 2014 decreased \$196,828, including a prior period adjustment of \$50,994, which represents a 3.0% decrease from fiscal year 2013.
- General revenues amounted to \$8,476,047 and \$8,295,946, or 80% and 79% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,075,847, or 20% of total revenues for 2015, and \$2,217,450, or 21% of total revenues for 2014.
- The District had \$10,456,521 and \$10,761,218 in expenses for fiscal years 2015 and 2014; only \$2,075,847 for 2015 and \$2,217,450 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,476,047 for 2015 were adequate to provide for these programs. General revenues of \$8,295,946 for 2014 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$7,845,607 in revenues and \$8,220,486 in expenditures for 2015, and \$7,626,397 in revenues and \$8,297,437 in expenditures in 2014. The General Fund's fund balance decreased by \$320,110 from 2014 to 2015, and decreased by \$572,705, including a prior period adjustment of (\$79,977), from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$292,727 for 2015 and decreased by \$173,872 for 2014. The decrease for 2015 was due to the increase in accumulated depreciation.
- Long-term debt decreased by \$439,414 for 2015 and decreased by \$402,255 for 2014. This decrease for 2015 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$4,393 for 2015 and increased by \$554 for 2014.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains required supplementary information, supplementary information, and other information.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found immediately following the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,792,062 as of June 30, 2015.

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

Table 1 presents a summary of the District's net position at June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 1**  
**Condensed Statement of Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Current assets	\$ 739,586	\$ 1,104,283	-33.03 %
Restricted assets	1,271,617	1,105,394	15.04 %
Capital assets, net	7,566,283	7,859,010	-3.72 %
<b>Total assets</b>	<b>9,577,486</b>	<b>10,068,687</b>	<b>-4.88 %</b>
<b>Deferred outflows of resources</b>	<b>1,134,560</b>		<b>N/A %</b>
Current liabilities	120,885	159,767	-24.34 %
Long-term debt outstanding	3,135,332	3,574,746	-12.29 %
Net pension liability	10,697,247		N/A %
<b>Total liabilities</b>	<b>13,953,464</b>	<b>3,734,513</b>	<b>273.64 %</b>
<b>Deferred inflows of resources</b>	<b>1,550,644</b>		<b>N/A %</b>
<b>Net position:</b>			
Net investment in capital assets	4,463,870	4,334,678	2.98 %
Restricted	1,440,133	1,254,228	14.82 %
Unrestricted	(10,696,065)	745,268	-1535.20 %
<b>Total net position (deficit)</b>	<b>\$ (4,792,062)</b>	<b>\$ 6,334,174</b>	<b>-175.65 %</b>

Additional information on unrestricted net position:

In connection with the implantation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (10,696,065)
Less unrestricted deficit in net position resulting from recognition of the net pension liability	11,113,331
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 417,266</u>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in net capital assets in the amount of \$292,727.
- The principal retirement of \$443,807 of long-term debt.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$10,551,894 and \$10,513,396, respectively. The total cost of all programs and services was \$10,456,521 for 2015 and \$10,761,218 for 2014.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

**Table 2  
Changes in Net Position**

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Percentage Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 201,108	\$ 309,936	(35.11) %
Operating grants and contributions	1,874,739	1,907,514	(1.72) %
General revenues:			
Property taxes	3,157,972	3,270,425	(3.44) %
Grants and contributions not restricted	5,014,619	4,922,728	1.87 %
Investment earnings	58,341	38,996	49.61 %
Sixteenth section sources	208,066	14,459	1,339.01 %
Other	37,049	49,338	(24.91) %
<b>Total revenues</b>	<b><u>10,551,894</u></b>	<b><u>10,513,396</u></b>	<b>0.37 %</b>
<b>Expenses:</b>			
Instruction	5,305,696	5,960,117	(10.98) %
Support services	3,643,004	3,929,577	(7.29) %
Non-instructional	662,308	776,398	(14.69) %
Pension expense	760,178		N/A %
Interest on long-term liabilities	85,335	95,126	(10.29) %
<b>Total expenses</b>	<b><u>10,456,521</u></b>	<b><u>10,761,218</u></b>	<b>(2.83) %</b>
<b>Increase (Decrease) in net position</b>	<b><u>95,373</u></b>	<b><u>(247,822)</u></b>	<b>138.48 %</b>
<b>Net Position, July 1, as previously reported</b>	<b>6,334,174</b>	<b>6,531,002</b>	(3.01) %
<b>Prior Period Adjustment</b>	<b><u>(11,221,609)</u></b>	<b>50,994</b>	(22,105.74) %
<b>Net Position (Deficit), July 1, as restated</b>	<b><u>(4,887,435)</u></b>	<b>6,581,996</b>	(174.25) %
<b>Net Position (Deficit), June 30</b>	<b><u>\$ (4,792,062)</u></b>	<b><u>\$ 6,334,174</u></b>	<b>(175.65) %</b>

**Governmental activities**

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, pension, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ 5,305,696	\$ 5,960,117	(10.98) %
Support services	3,643,004	3,929,577	(7.29) %
Non-instructional	662,308	776,398	(14.69) %
Pension Expense	760,178		N/A %
Interest on long-term liabilities	85,335	95,126	(10.29) %
<b>Total expenses</b>	<b><u>\$ 10,456,521</u></b>	<b><u>\$ 10,761,218</u></b>	<b>(2.83) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Instruction	\$ (4,425,216)	\$ (4,915,870)	(9.98) %
Support services	(3,136,979)	(3,530,382)	(11.14) %
Non-instructional	27,034	(2,390)	(1,231.13) %
Pension Expense	(760,178)		N/A %
Interest on long-term liabilities	(85,335)	(95,126)	(10.29) %
<b>Total net (expense) revenue</b>	<b><u>\$ (8,380,674)</u></b>	<b><u>\$ (8,543,768)</u></b>	<b>(1.91) %</b>

- Net cost of governmental activities (\$8,380,674 for 2015 and \$8,543,768 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$3,157,972 for 2015 and \$3,270,425 for 2014) and state and federal revenues (\$5,014,619 for 2015 and \$4,922,728 for 2014). In addition, there was \$208,066 and \$14,459 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$58,341 for 2015 and \$38,996 for 2014.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,905,486, a decrease of \$162,271, which includes an increase in inventory of \$5,581. \$450,185, or 24%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,455,301, or 76%, is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$320,110. The fund balance of Other Governmental Funds showed an increase in the amount of \$20,899. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
School Food Service Fund	\$ (27,259)
Title I Fund	no increase or decrease
QZAB Bond Retirement Fund	164,199

### BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

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

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2015, the District's total capital assets were \$13,239,290, including land, school buildings, building improvements, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$7,452 from 2014. Total accumulated depreciation as of June 30, 2015, was \$5,673,007, and total depreciation expense for the year was \$300,179, resulting in total net capital assets of \$7,566,283.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 178,943	\$ 178,943	0.00 %
Buildings	6,630,263	6,827,060	(2.88) %
Improvements other than buildings	343,272	355,188	(3.35) %
Mobile equipment	332,106	388,045	(14.42) %
Furniture and equipment	81,699	109,774	(25.58) %
<b>Total</b>	<b>\$ 7,566,283</b>	<b>\$ 7,859,010</b>	<b>(3.72) %</b>

Additional information on the District's capital assets can be found in Note 5 included in this report.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2015

**Debt Administration.** At June 30, 2015, the District had \$3,135,332 in outstanding long-term debt, of which \$1,782,440 is due within one year. The liability for compensated absences increased \$4,393 from the prior year.

**Table 5  
Outstanding Long-Term Debt**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 605,000	\$ 810,000	(25.31) %
Limited obligation bonds payable	645,000	795,000	(18.87) %
Certificates of participation payable	37,000	72,000	(48.61) %
Three mill notes payable	570,000	580,000	(1.72) %
Shortfall notes payable	45,413	67,332	(32.55) %
Qualified zone academy bonds payable	1,200,000	1,200,000	0.00 %
Other loans payable		21,888	(100.00) %
Compensated absences payable	32,919	28,526	15.40 %
<b>Total</b>	<b><u>\$ 3,135,332</u></b>	<b><u>\$ 3,574,746</u></b>	<b>(12.29) %</b>

Additional information on the District's long-term debt can be found in Note 6 included in this report.

### CURRENT ISSUES

The Philadelphia Public School District is financially stable. The District is proud of its community support of its public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound financial management to meet the challenges of the future.

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Philadelphia Public School District, 248 Byrd Avenue, Philadelphia, MS 39350.

FINANCIAL STATEMENTS

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Statement of Net Position  
June 30, 2015**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 302,921
Due from other governments	396,501
Other receivables, net	17,039
Inventories	23,125
Restricted assets	1,271,617
Capital assets, non-depreciable:	
Land	178,943
Capital assets, net of accumulated depreciation:	
Buildings	6,630,263
Improvements other than buildings	343,272
Mobile equipment	332,106
Furniture and equipment	81,699
Total Assets	<u>9,577,486</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - Pensions	1,134,560
Total deferred outflows of resources	<u>1,134,560</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	105,717
Interest payable on long-term liabilities	15,168
Long-term liabilities, due within one year:	
Capital related liabilities	1,782,440
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,319,973
Non-capital related liabilities	32,919
Net pension liability	10,697,247
Total Liabilities	<u>13,953,464</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - Pensions	1,550,644
Total deferred inflows of resources	<u>1,550,644</u>
<b>Net Position</b>	
Net investment in capital assets	4,463,870
Restricted for:	
Expendable:	
School-based activities	38,351
Debt service	1,376,943
Unemployment benefits	24,839
Unrestricted	(10,696,065)
Total Net Position (Deficit)	<u>\$ (4,792,062)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
Instruction	\$ 5,305,696	\$ 100,817	\$ 779,663		\$ (4,425,216)
Support services	3,643,004		506,025		(3,136,979)
Non-instructional	662,308	100,291	589,051		27,034
Pension expense	760,178				(760,178)
Interest on long-term liabilities	85,335				(85,335)
<b>Total Governmental Activities</b>	<b>\$ 10,456,521</b>	<b>\$ 201,108</b>	<b>\$ 1,874,739</b>		<b>\$ (8,380,674)</b>
<b>General Revenues:</b>					
<b>Taxes:</b>					
					2,741,321
					416,651
<b>Unrestricted grants and contributions:</b>					
					4,962,776
					51,843
					58,341
					208,066
					37,049
					<u>8,476,047</u>
					<u>95,373</u>
					6,334,174
					<u>(11,221,609)</u>
					<u>(4,887,435)</u>
					<u>\$ (4,792,062)</u>

The accompanying notes to financial statements are an integral part of these financial statements.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**  
June 30, 2015

**Exhibit C**

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	QZAB Bond Retirement Fund	Other Governmental Funds	
<b>Assets</b>						
Cash and cash equivalents	\$ 221,864	\$ 23,839			\$ 57,218	\$ 302,921
Cash with fiscal agents				58	84,812	84,870
Investments				1,186,747		1,186,747
Due from other governments	126,553		107,086		162,862	396,501
Other receivables, net	17,039					17,039
Due from other funds	175,440					175,440
Inventories		23,125				23,125
<b>Total assets</b>	<b>540,896</b>	<b>46,964</b>	<b>107,086</b>	<b>1,186,805</b>	<b>304,892</b>	<b>2,186,643</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable and accrued liabilities	\$ 65,324	\$ 11,160	\$ 11,589		\$ 17,644	\$ 105,717
Due to other funds		35,000	95,497		44,943	175,440
<b>Total Liabilities</b>	<b>65,324</b>	<b>46,160</b>	<b>107,086</b>		<b>62,587</b>	<b>281,157</b>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory		23,125				23,125
<b>Restricted:</b>						
Debt service				1,186,805	205,306	1,392,111
Grant activities					12,160	12,160
Unemployment benefits					24,839	24,839
<b>Assigned:</b>						
Activity funds	3,066					3,066
<b>Unassigned</b>						
	472,506	(22,321)				450,185
<b>Total Fund Balances</b>	<b>475,572</b>	<b>804</b>		<b>1,186,805</b>	<b>242,305</b>	<b>1,905,486</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 540,896</b>	<b>\$ 46,964</b>	<b>\$ 107,086</b>	<b>\$ 1,186,805</b>	<b>\$ 304,892</b>	<b>\$ 2,186,643</b>

The accompanying notes to financial statements are an integral part of these financial statements.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2015**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 1,905,486

Amounts reported for governmental activities in the statement of net position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 178,943	
Buildings	10,633,001	
Improvements other than buildings	698,539	
Mobile equipment	1,138,999	
Furniture and equipment	589,808	
Accumulated depreciation	<u>(5,673,007)</u>	7,566,283

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability (10,697,247)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	1,134,560	
Deferred inflows of resources related to pensions	<u>(1,550,644)</u>	(11,113,331)

3. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(605,000)	
Limited obligation bonds	(645,000)	
Certificates of participation	(37,000)	
Three mill notes	(570,000)	
Shortfall notes	(45,413)	
Qualified zone academy bonds	(1,200,000)	
Compensated absences	(32,919)	
Accrued interest payable	<u>(15,168)</u>	(3,150,500)

**Net position (deficit) of governmental activities** \$ (4,792,062)

The accompanying notes to financial statements are an integral part of these financial statements.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Exhibit D**

**For the Year Ended June 30, 2015**

	Major Funds					Total Governmental Funds
	General Fund	School Food Service Fund	Title I Fund	QZAB Bond Retirement Fund	Other Governmental Funds	
<b>Revenues:</b>						
Local sources	\$ 2,727,374	\$ 100,319		\$ 57,878	\$ 568,898	\$ 3,454,469
State sources	4,858,324	7,537			273,670	5,139,531
Federal sources	51,843	631,798	697,544		368,643	1,749,828
Sixteenth section sources	208,066					208,066
<b>Total Revenues</b>	<b>7,845,607</b>	<b>739,654</b>	<b>697,544</b>	<b>57,878</b>	<b>1,211,211</b>	<b>10,551,894</b>
<b>Expenditures:</b>						
Instruction	4,835,788		432,958		406,040	5,674,786
Support services	3,348,579	76,885	232,719		174,558	3,832,741
Noninstructional services	8,567	660,922	10,908			680,397
Debt service:						
Principal	21,888				421,919	443,807
Interest	2,781				80,250	83,031
Other	2,883				2,101	4,984
<b>Total Expenditures</b>	<b>8,220,486</b>	<b>737,807</b>	<b>676,585</b>		<b>1,084,868</b>	<b>10,719,746</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(374,879)	1,847	20,959	57,878	126,343	(167,852)
<b>Other Financing Sources (Uses):</b>						
Payment held by QZAB debt escrow agent				106,321		106,321
Payment to QZAB debt escrow agent				(106,321)		(106,321)
Operating transfers in	70,362	313		106,321	15,593	192,589
Operating transfers out	(15,593)	(35,000)	(20,959)		(121,037)	(192,589)
<b>Total Other Financing Sources (Uses)</b>	<b>54,769</b>	<b>(34,687)</b>	<b>(20,959)</b>	<b>106,321</b>	<b>(105,444)</b>	
<b>Net Change in Fund Balances</b>	<b>(320,110)</b>	<b>(32,840)</b>		<b>164,199</b>	<b>20,899</b>	<b>(167,852)</b>
<b>Fund Balances:</b>						
July 1, 2014	795,682	28,063		1,022,606	221,406	2,067,757
Increase (Decrease) in reserve for inventory		5,581				5,581
June 30, 2015	\$ 475,572	\$ 804		\$ 1,186,805	\$ 242,305	\$ 1,905,486

The accompanying notes to financial statements are an integral part of these financial statements.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2015**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (167,852)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 7,452	
Depreciation expense	<u>(300,179)</u>	(292,727)

2. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Payments of debt principal	443,807	
Accrued interest payable	<u>2,679</u>	446,486

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	(4,393)	
Change in inventory reserve	5,581	
District pension contributions subsequent to measurement date	868,456	
Pension expense	<u>(760,178)</u>	109,466

**Change in net position of governmental activities** **\$ 95,373**

The accompanying notes to financial statements are an integral part of these financial statements.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities  
June 30, 2015

Exhibit E

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 494,375
Total Assets	<u>\$ 494,375</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 458,672
Due to student clubs	35,703
Total Liabilities	<u>\$ 494,375</u>

The accompanying notes to financial statements are an integral part of these financial statements.

# PHILADELPHIA PUBLIC SCHOOL DISTRICT

## Notes to Financial Statements

### Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

#### A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand-alone government." The school district is a related organization of, but not a component unit of, the city of Philadelphia since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Philadelphia Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

#### B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

School Food Service Fund – This is a special revenue fund that accounts for the federal and state revenue received and expenditures incurred related to the school food service operation for the regular school year.

Title I Fund – This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I grants to local education agencies program.

QZAB Bond Retirement Fund – This debt service fund accounts for revenue and expenditures related to the Qualified Zone Academy Bond.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing Fund – This is the District's clearing fund used for payments of payroll and benefits.

Club Fund – This is the District's activity fund to record assets and liabilities of the District's various student clubs.

Accounts Payable Clearing Fund – This is the District's clearing fund used to pay claims of the District.

Additionally, the school district reports the following fund types:

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**E. Assets, liabilities, deferred outflows/inflows, and net position/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(\*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred outflow related to pensions in accordance with GASB 68.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has a deferred inflow related to pensions in accordance with GASB 68.

See Note 9 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Nonspendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and Business Manager pursuant to authorization established by the policy adopted by the school district.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

**Cash and Cash Equivalents**

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$302,921 and \$494,375, respectively.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments  
(Continued)**

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2015, none of the district's bank balance was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$84,870.

Investments

As of June 30, 2015, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
Federal Home Loan Bank	not rated	less than one year	\$ 1,186,747
Total			<u>\$ 1,186,747</u>

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	School Food Service Fund	\$ 35,000
	Title I Fund	95,497
	Other governmental funds	<u>44,943</u>
Total		<u>\$ 175,440</u>

The purpose of the interfund receivables and payables is to close-out federal program funds at year end. All interfund receivables and payables are expected to be repaid within one year.

**B. Inter-fund Transfers**

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 15,593
School Food Service Fund	General Fund	35,000
Title I Fund	General Fund	20,959
Other governmental funds	General Fund	14,403
	School Food Service Fund	313
	QZAB Bond Retirement Fund	<u>106,321</u>
Total		<u>\$ 192,589</u>

The purpose of the interfund transfers is to transfer federal program indirect cost to the General Fund and to close-out federal program funds at year end. A transfer was made from an other governmental fund to QZAB Bond Retirement Fund to make a note payment.

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agents and investment balance, totaling \$58 and \$1,186,747, respectively, of the QZAB Bond Retirement Fund. In addition, the restricted assets represent the cash with fiscal agents balance, totaling \$84,812, of the MAEP Limited Obligation Bond/Note Fund.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 5 – Capital Assets**

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2014	Increases	Decreases	Balance 6/30/2015
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 178,943			\$ 178,943
Total non-depreciable capital assets	178,943			178,943
<u>Depreciable capital assets:</u>				
Buildings	10,633,001			10,633,001
Improvements other than buildings	698,539			698,539
Mobile equipment	1,138,999			1,138,999
Furniture and equipment	582,356	7,452		589,808
Total depreciable capital assets	13,052,895	7,452		13,060,347
<u>Less accumulated depreciation for:</u>				
Buildings	3,805,941	196,797		4,002,738
Improvements other than buildings	343,351	11,916		355,267
Mobile equipment	750,954	55,939		806,893
Furniture and equipment	472,582	35,527		508,109
Total accumulated depreciation	5,372,828	300,179		5,673,007
Total depreciable capital assets, net	7,680,067	(292,727)		7,387,340
Governmental activities capital assets, net	\$ 7,859,010	\$ (292,727)		\$ 7,566,283

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 182,581
Support services	95,755
Non-instructional	21,843
Total depreciation expense - Governmental activities	\$ 300,179

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities**

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amounts due within one year
A. General obligation bonds payable	\$ 810,000		\$ 205,000	\$ 605,000	\$ 215,000
B. Limited obligation bonds payable	795,000		150,000	645,000	155,000
C. Certificates of participation payable	72,000		35,000	37,000	37,000
D. Three mill notes payable	580,000		10,000	570,000	153,000
E. Shortfall notes payable	67,332		21,919	45,413	22,440
F. Qualified zone academy bonds payable	1,200,000			1,200,000	1,200,000
G. Other loans payable	21,888		21,888		
H. Compensated absences payable	28,526	4,393		32,919	
<b>Total</b>	<b>\$ 3,574,746</b>	<b>\$ 4,393</b>	<b>\$ 443,807</b>	<b>\$ 3,135,332</b>	<b>\$ 1,782,440</b>

**A. General obligation bonds payable**

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 1998	4.375- 6.25%	6/1/1998	6/1/2018	\$ 3,000,000	\$ 605,000
<b>Total</b>				<b>\$ 3,000,000</b>	<b>\$ 605,000</b>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 215,000	\$ 28,270	\$ 243,270
2017	225,000	18,165	243,165
2018	165,000	7,590	172,590
<b>Total</b>	<b>\$ 605,000</b>	<b>\$ 54,025</b>	<b>\$ 659,025</b>

This debt will be retired from the Debt Service General Obligation Bond Fund.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities (Continued)**

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2015, the amount of outstanding bonded indebtedness was equal to 1% of property assessments as of October 1, 2014.

**B. Limited obligation bonds payable**

Limited obligation bonds are direct obligations and pledge the full faith and credit of the school district. Limited obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
State Aid Capital Improvement Bonds, Series 2009	1.0-3.8%	7/15/2009	2/1/2018	\$ 1,465,000	\$ 645,000
Total				<u>\$ 1,465,000</u>	<u>\$ 645,000</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 155,000	\$ 19,650	\$ 174,650
2017	160,000	14,685	174,685
2018	330,000	9,157	339,157
Total	<u>\$ 645,000</u>	<u>\$ 43,492</u>	<u>\$ 688,492</u>

This debt will be retired from the MAEP Debt Service Fund.

The state aid capital improvement bonds are secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The state aid capital improvement bonds are not included in the computation of the debt limit percentage.

**C. Certificates of participation payable**

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Philadelphia Public School District trust certificates	6.0-6.75%	9/1/1995	9/1/2015	\$ 433,000	\$ 37,000
Total				<u>\$ 433,000</u>	<u>\$ 37,000</u>

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities (Continued)**

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 37,000	\$ 1,249	\$ 38,249
Total	\$ 37,000	\$ 1,249	\$ 38,249

This debt will be retired from the Debt Service Certificates of Participation Fund.

**D. Three mill notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note	2.14%	5/1/2012	5/1/2019	\$ 600,000	\$ 570,000
Total				\$ 600,000	\$ 570,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 153,000	\$ 12,198	\$ 165,198
2017	155,000	8,924	163,924
2018	160,000	5,607	165,607
2019	102,000	2,183	104,183
Total	\$ 570,000	\$ 28,912	\$ 598,912

This debt will be retired from the 2012 3 Mill 10 Yr Loan Proceed Fund.

**E. Shortfall notes payable**

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Cadence Bank	2.28%	9/25/2013	9/25/2016	67,332	45,413
Total				\$ 67,332	\$ 45,413

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 6 – Long-term Liabilities (Continued)**

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2016	\$ 22,440	\$ 1,035	\$ 23,475
2017	22,973	502	23,475
Total	\$ 45,413	\$ 1,537	\$ 46,950

This debt will be retired from the Shortfall Notes Payable Fund.

**F. Qualified zone academy bonds payable**

As more fully explained in Note 14, debt has been issued by the school district that qualifies as Qualified Zone Academy bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified Zone Academy Bonds	0%	12/29/2005	12/29/2015	\$ 1,200,000	\$ 1,200,000
Total				\$ 1,200,000	\$ 1,200,000

**G. Compensated absences payable**

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

**Note 7 – Short-Term Financing**

During the fiscal year ended June 30, 2015, the school district participated in the following short-term financing for the purpose of easing cash flow constraints:

**A. Bank-financed short term debt.**

The school district issued a revenue anticipation note payable to The Peoples Bank, and the proceeds from such issuance are accounted for as a current liability in the General Fund of the school district. Once the cash flow was available, the district made a payment consisting of principal and interest to the trustee.

All transactions related to participation in this program are accounted for as part of the school district's General Fund.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 7 – Short-Term Financing (Continued)**

B. Changes in short-term debt activity recorded in the governmental activities during fiscal year 2015 are as follows:

Description	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015
Tax anticipation note		\$ 500,000	\$ 500,000	
Total		\$ 500,000	\$ 500,000	

**Note 8 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Postage Meter
2. Driver's Education Car
3. Savin Copiers
4. Kyocera
5. Digital Mobile Radios
6. Canon Copiers

Lease expenditures for the year ended June 30, 2015, amounted to \$31,858.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 28,663
2017	16,276
2018	8,242
2019	794
Total	\$ 53,975

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 9 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. 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.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2015, 2014 and 2013 were \$868,456, \$848,159 and \$759,208, respectively, which equaled the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the school district reported a liability of \$10,697,247 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contributions to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.088129 percent.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 9 – Defined Benefit Pension Plan (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	34	%	5.20	%
International Equity	19		5.00	
Emerging Markets Equity	8		5.45	
Fixed Income	20		0.25	
Real Assets	10		4.00	
Private Equity	8		6.15	
Cash	1		(0.50)	
Total	100	%		

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. 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 District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
District's proportionate share of the net pension liability	\$ 14,583,538	\$ 10,697,247	\$ 7,455,503

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

**Note 10 – Prior Period Adjustments**

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	\$ (12,069,768)
Deferred outflows - contributions made during fiscal year 2014	848,159
Total prior period adjustment related to GASB 68 and 71	(11,221,609)
Total	\$ (11,221,609)

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 11 – Contingencies**

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

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

**Note 12 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 77 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 13 – Trust Certificates**

A trust agreement dated September 1, 1995, was executed by and between the school district and The Citizens Bank of Philadelphia, as trustees.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$433,000. Approximately \$418,328 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$14,672 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 13 – Trust Certificates (Continued)**

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

**Note 14 – Qualified Zone Academy Bonds**

Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the establishment of special academic programs from kindergarten through secondary school, in partnership with the business community. The school district, in agreement with W.G. Yates Construction, Inc., Turner Engineering Services, Barnett Mechanical and Electrical Contractors, Inc., and Wenzel and Associates, P.A., has entered into such an arrangement dated December 29, 2005.

This agreement establishes a method of repayment for a qualified interest-free debt instrument. The agreement requires the school district to deposit funds annually into a sinking fund account on or before March 1. The amount on deposit at June 30, 2015 was \$1,186,805. The amount accumulated in the sinking fund at the end of the ten-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2016	\$ 106,321
Total	\$ 106,321

**Note 15 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated March 26, 1996, creating the Alternative School Program. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Newton Municipal School District, Scott County School District, Forest Municipal School District, Neshoba County School District, Union Public School District, Philadelphia Public School District and Enterprise School District.

Section 37-13-92 (6), Miss. Code Ann. (1972), allows two or more adjacent school districts to enter into a contract to operate an alternative school program. The school board of the school district designated by the agreement as the lead district will serve as the governing board of the alternative school program. Transportation for students attending the alternative school program will be the responsibility of the individual school district sending the students.

The Newton County School District has been designated as the lead school district for the Alternative School Program, and the operations of the consortium are included in its financial statements.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements

**Note 16 – Vocational School Consortium**

The school district entered into a Vocational Educational Agreement dated August 17, 1982, creating the Philadelphia-Neshoba County Vocational-Technical Center. This consortium was created pursuant to the provisions of Section 37-31-73, Miss. Code Ann. (1972), and approved by the Mississippi Department of Education. The consortium includes the East Central Community College, Neshoba County School District, and Philadelphia Public School District.

Section 37-31-73, Miss. Code Ann. (1972), authorizes the above noted entities to enter into an agreement that would provide for the construction or operation of a regional vocational education center. Any such agreement should provide for a designated fiscal agent, providing the method of financing the construction and operation of such facilities, the manner in which such facilities are to be controlled and staffed and detail procedures for student admission and transportation services for those students.

The East Central Community College has been designated as the fiscal agent for the Philadelphia-Neshoba County Vocational-Technical Center, and the operations of the consortium are included in its financial statements.

**Note 17 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$10,696,065) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,134,560 balance of the deferred outflow of resources at June 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$10,696,065) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,550,644 balance of the deferred inflow of resources at June 30, 2015 will be recognized as revenue and increase unrestricted net position over the next 4 years.

**Note 18 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Philadelphia Public School District evaluated the activity of the district through January 29, 2016, and determined that no subsequent event has occurred requiring disclosure in the notes to the financial statements.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 2,868,566	\$ 2,727,374	\$ 2,727,374	\$ (141,192)	
State sources	4,847,168	4,858,324	4,858,324	11,156	
Federal sources	85,600	51,843	51,843	(33,757)	
Sixteenth section sources		208,066	208,066	208,066	
<b>Total Revenues</b>	<b>7,801,334</b>	<b>7,845,607</b>	<b>7,845,607</b>	<b>44,273</b>	
<b>Expenditures:</b>					
Instruction	4,712,065	4,835,788	4,835,788	(123,723)	
Support services	3,262,214	3,348,579	3,348,579	(86,365)	
Noninstructional services	8,950	8,566	8,567	384	(1)
Debt service:					
Principal	21,888	521,888	21,888	(500,000)	500,000
Interest	930	2,781	2,781	(1,851)	
Other		2,883	2,883	(2,883)	
<b>Total Expenditures</b>	<b>8,006,047</b>	<b>8,720,485</b>	<b>8,220,486</b>	<b>(714,438)</b>	<b>499,999</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(204,713)</b>	<b>(874,878)</b>	<b>(374,879)</b>	<b>(670,165)</b>	<b>499,999</b>
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	500	500,000		499,500	(500,000)
Operating transfers in	108,637	311,086	70,362	202,449	(240,724)
Operating transfers out	(14,500)	(256,316)	(15,593)	(241,816)	240,723
<b>Total Other Financing Sources (Uses)</b>	<b>94,637</b>	<b>554,770</b>	<b>54,769</b>	<b>460,133</b>	<b>(500,001)</b>
<b>Net Change in Fund Balances</b>	<b>(110,076)</b>	<b>(320,108)</b>	<b>(320,110)</b>	<b>(210,032)</b>	<b>(2)</b>
<b>Fund Balances:</b>					
July 1, 2014	767,679	767,679	795,682		28,003
June 30, 2015	<b>\$ 657,603</b>	<b>\$ 447,571</b>	<b>\$ 475,572</b>	<b>\$ (210,032)</b>	<b>\$ 28,001</b>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**School Food Service Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 121,550	\$ 100,318	\$ 100,319	\$ (21,232)	\$ 1
State sources	8,000	7,537	7,537	(463)	
Federal sources	666,000	625,440	631,798	(40,560)	6,358
<b>Total Revenues</b>	<b>795,550</b>	<b>733,295</b>	<b>739,654</b>	<b>(62,255)</b>	<b>6,359</b>
<b>Expenditures:</b>					
Support services	66,323	76,884	76,885	(10,561)	(1)
Noninstructional services	700,934	654,564	660,922	46,370	(6,358)
<b>Total Expenditures</b>	<b>767,257</b>	<b>731,448</b>	<b>737,807</b>	<b>35,809</b>	<b>(6,359)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>28,293</b>	<b>1,847</b>	<b>1,847</b>	<b>(26,446)</b>	
<b>Other Financing Sources (Uses):</b>					
Operating transfers in		313	313	313	
Operating transfers out	(35,000)	(35,000)	(35,000)		
<b>Total Other Financing Sources (Uses)</b>	<b>(35,000)</b>	<b>(34,687)</b>	<b>(34,687)</b>	<b>313</b>	
<b>Net Change in Fund Balances</b>	<b>(6,707)</b>	<b>(32,840)</b>	<b>(32,840)</b>	<b>(26,133)</b>	
<b>Fund Balances:</b>					
July 1, 2014	50,832	50,832	28,063		(22,769)
Increase (Decrease) in reserve for inventory		5,581	5,581	5,581	
<b>June 30, 2015</b>	<b>\$ 44,125</b>	<b>\$ 23,573</b>	<b>\$ 804</b>	<b>\$ (20,552)</b>	<b>\$ (22,769)</b>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**Title I Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 792,845	\$ 697,543	\$ 697,544	\$ (95,302)	\$ 1
<b>Total Revenues</b>	<b>792,845</b>	<b>697,543</b>	<b>697,544</b>	<b>(95,302)</b>	<b>1</b>
<b>Expenditures:</b>					
Instruction	504,966	432,958	432,958	72,008	
Support services	215,237	232,718	232,719	(17,481)	(1)
Noninstructional services	39,140	10,908	10,908	28,232	
<b>Total Expenditures</b>	<b>759,343</b>	<b>676,584</b>	<b>676,585</b>	<b>82,759</b>	<b>(1)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>33,502</b>	<b>20,959</b>	<b>20,959</b>	<b>(12,543)</b>	
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(33,502)	(20,959)	(20,959)	12,543	
<b>Total Other Financing Sources (Uses)</b>	<b>(33,502)</b>	<b>(20,959)</b>	<b>(20,959)</b>	<b>12,543</b>	
<b>Net Change in Fund Balances</b>					
<b>Fund Balances:</b>					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

PERS

Last 10 Fiscal Years\*

	<u>2015</u>
District's proportion of the net pension liability (asset)	0.088129%
District's proportionate share of the net pension liability (asset)	\$ 10,697,247
District's covered-employee payroll	5,385,137
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	199%
Plan fiduciary net position as a percentage of the total pension liability	67%

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

\* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 868,456
Contributions in relation to the contractually required contribution	868,456
	<u>          </u>
Contribution deficiency (excess)	<u>\$ -</u>
	<u>          </u>
District's covered-employee payroll	5,514,006
Contributions as a percentage of covered-employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Required Supplementary Information  
For the Year Ended June 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 138,402
National school lunch program	10.555	493,396
Total child nutrition cluster		<u>631,798</u>
Total passed-through Mississippi Department of Education		<u>631,798</u>
<b>Total U.S. Department of Agriculture</b>		<u>631,798</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	22,500
<b>Total Federal Communications Commission</b>		<u>22,500</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	707,731
Rural education	84.358	20,000
Improving teacher quality-State Grants	84.367	68,007
Subtotal		<u>795,738</u>
Special education cluster:		
Special education - grants to states	84.027	244,199
Special education - preschool grants	84.173	26,250
Total special education cluster		<u>270,449</u>
Total passed-through Mississippi Department of Education		<u>1,066,187</u>
<b>Total U.S. Department of Education</b>		<u>1,066,187</u>
 Total for All Federal Awards		 <u>\$ 1,720,485</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds**

**For the Year Ended June 30, 2015**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,715,525	5,623,351	473,240	711,318	907,616
Other	<u>3,004,221</u>	<u>1,214,543</u>	<u>133,331</u>	<u>12,048</u>	<u>1,644,299</u>
Total	<u>\$ 10,719,746</u>	<u>6,837,894</u>	<u>606,571</u>	<u>723,366</u>	<u>2,551,915</u>
Total number of students *	<u>986</u>				
Cost per student	<u>\$ 10,872</u>	<u>6,935</u>	<u>615</u>	<u>734</u>	<u>2,588</u>

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**General Fund**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 2,727,374	\$ 2,815,465	\$ 2,695,976	\$ 2,600,463
State sources	4,858,324	4,748,562	4,917,634	4,976,162
Federal sources	51,843	62,370	96,251	78,153
Sixteenth section sources	208,066			
<b>Total Revenues</b>	<b>7,845,607</b>	<b>7,626,397</b>	<b>7,709,861</b>	<b>7,654,778</b>
<b>Expenditures:</b>				
Instruction	4,835,788	4,841,726	4,671,277	4,230,280
Support services	3,348,579	3,424,055	3,501,176	3,384,802
Noninstructional services	8,567	8,866	237	500
Facilities acquisition and construction			151,403	
Debt service:				
Principal	21,888	20,920	20,081	19,252
Interest	2,781	1,870	2,709	3,539
Other	2,883			
<b>Total Expenditures</b>	<b>8,220,486</b>	<b>8,297,437</b>	<b>8,346,883</b>	<b>7,638,373</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(374,879)</b>	<b>(671,040)</b>	<b>(637,022)</b>	<b>16,405</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued				600,000
Insurance recovery		35,102		
Sale of transportation equipment				1,485
Operating transfers in	70,362	145,158	75,817	70,347
Operating transfers out	(15,593)	(1,948)	(83,939)	(9,154)
<b>Total Other Financing Sources (Uses)</b>	<b>54,769</b>	<b>178,312</b>	<b>(8,122)</b>	<b>662,678</b>
<b>Net Change in Fund Balances</b>	<b>(320,110)</b>	<b>(492,728)</b>	<b>(645,144)</b>	<b>679,083</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	795,682	1,368,387	2,013,531	1,343,206
Prior period adjustments		(79,977)		(8,758)
Beginning of period, as restated	795,682	1,288,410	2,013,531	1,334,448
<b>End of Period</b>	<b>\$ 475,572</b>	<b>\$ 795,682</b>	<b>\$ 1,368,387</b>	<b>\$ 2,013,531</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2015	2014*	2013*	2012*
<b>Revenues:</b>				
Local sources	\$ 3,454,469	\$ 3,639,732	\$ 3,355,708	\$ 3,181,231
State sources	5,139,531	5,032,141	5,195,869	5,241,537
Federal sources	1,749,828	1,798,098	1,859,718	2,292,942
Sixteenth section sources	208,066	14,461	12,635	10,896
<b>Total Revenues</b>	<b>10,551,894</b>	<b>10,484,432</b>	<b>10,423,930</b>	<b>10,726,606</b>
<b>Expenditures:</b>				
Instruction	5,674,786	5,781,681	5,559,160	5,359,197
Support services	3,832,741	3,815,133	3,966,145	4,054,804
Noninstructional services	680,397	759,600	704,941	730,717
Facilities acquisition and construction		15,538	151,403	
Debt service:				
Principal	443,807	469,587	448,117	419,101
Interest	83,031	98,004	115,698	123,978
Other	4,984	2,730	2,547	2,575
<b>Total Expenditures</b>	<b>10,719,746</b>	<b>10,942,273</b>	<b>10,948,011</b>	<b>10,690,372</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(167,852)</b>	<b>(457,841)</b>	<b>(524,081)</b>	<b>36,234</b>
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued		67,332		600,000
Insurance recovery		35,102		
Sale of transportation equipment				1,485
Operating transfers in	192,589	257,854	272,575	266,218
Payment held by QZAB debt escrow agent	106,321	106,321	106,321	107,101
Operating transfers out	(192,589)	(257,854)	(272,575)	(266,218)
Payment to QZAB debt escrow agent	(106,321)	(107,101)	(107,101)	(107,881)
<b>Total Other Financing Sources (Uses)</b>		<b>101,654</b>	<b>(780)</b>	<b>600,705</b>
<b>Net Change in Fund Balances</b>	<b>(167,852)</b>	<b>(356,187)</b>	<b>(524,861)</b>	<b>636,939</b>
<b>Fund Balances:</b>				
Beginning of period, as previously reported	2,067,757	2,498,022	3,023,028	2,395,338
Prior period adjustments		(79,977)		(8,758)
Beginning of period, as restated	2,067,757	2,418,045	3,023,028	2,386,580
<b>Increase (Decrease) in reserve for inventory</b>	<b>5,581</b>	<b>5,899</b>	<b>(145)</b>	<b>(491)</b>
<b>End of Period</b>	<b>\$ 1,905,486</b>	<b>\$ 2,067,757</b>	<b>\$ 2,498,022</b>	<b>\$ 3,023,028</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stiggers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mart Straud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**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**

To the Superintendent and School Board  
 Philadelphia Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Philadelphia Public School District's basic financial statements, and have issued our report thereon dated January 29, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Philadelphia Public School District'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 Philadelphia Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Philadelphia Public School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2015-01).

**Compliance and Other Matters**

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

### **Philadelphia Public School District's Response to Findings**

Philadelphia Public School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Philadelphia Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
January 29, 2016

*Watkins Ward and Stafford, PLLC*



**WATKINS, WARD and STAFFORD**  
 Professional Limited Liability Company  
 Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Stagers, CPA	Stephen D. Flake, CPA
Michael W. McCully, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordle, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
 AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Superintendent and School Board  
 Philadelphia Public School District

**Report on Compliance for Each Major Federal Program**

We have audited the Philadelphia Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Philadelphia Public School District's major federal programs for the year ended June 30, 2015. Philadelphia Public School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Philadelphia Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Philadelphia Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Philadelphia Public School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Philadelphia Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of the Philadelphia Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Philadelphia Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Philadelphia Public School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
January 29, 2016

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



**WATKINS, WARD and STAFFORD**  
Professional Limited Liability Company  
Certified Public Accountants

James L. Stafford, CPA	Kimberly S. Caskey, CPA
Harry W. Stevens, CPA	Susan M. Lummus, CPA
S. Keith Winfield, CPA	Thomas J. Browder, CPA
William B. Staggers, CPA	Stephen D. Flake, CPA
Michael W. McCally, CPA	John N. Russell, CPA
Mort Stroud, CPA	Thomas A. Davis, CPA
R. Steve Sinclair, CPA	Anita L. Goodrum, CPA
Marsha L. McDonald, CPA	Ricky D. Allen, CPA
Wanda S. Holley, CPA	Jason D. Brooks, CPA
Robin Y. McCormick, CPA/PFS	Robert E. Cordis, Jr., CPA
J. Randy Scrivner, CPA	Perry C. Rackley, Jr., CPA

**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board  
Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2015, which collectively comprise Philadelphia Public School District's basic financial statements and have issued our report thereon dated January 29, 2016. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district had no classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed the following instance of noncompliance related to incorrect or inappropriate functional level expenditure coding. The noncompliance is reported in finding number 2 below.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response are as follows:

1. Lump Sum Payment to Employees Should Not Be More than Allowed Amount

Finding

Section 37-7-307, Miss. Code Ann. (1972), states, "Upon retirement from employment, each licensed and nonlicensed employee shall be paid for not more than thirty (30) days of unused accumulated leave earned while employed by the school district in which the employee is last employed. Such payment for licensed employees shall be made by the school district at a rate equal to the amount paid to substitute teachers and for nonlicensed employees, the payment shall be made by the school district at a rate equal to the federal minimum wage."

During our testing of retired or resigned personnel, we noted one instance where a retiring certified employee was paid more for unused accumulated leave than the calculated amount allowed by law.

Recommendation

We recommend the District comply with Section 37-7-307, Miss. Code Ann. (1972), and pay unused accumulated leave to certified and noncertified employees based on amounts calculated in accordance with the law.

School District's Response

The District will comply with Section 37-7-307, Miss. Code Ann. (1972), and will pay unused accumulated leave to certified and noncertified employees based on amounts calculated in accordance with the law.

2. District Expenditures Should Be Coded Properly At the Function Level For Expenditures

Finding

Section 37-9-18, Miss. Code Ann. (1972), requires the District include an attached schedule to the audited financial statements that provides a breakdown of expenditures by functional category to calculate a cost of education per student based on different functional categories. The information from this report is combined with those of all other school districts in the state and the information is provided to the Chairmen of the Education and Appropriations Committee of the House of Representatives and Senate.

During our testing of general disbursements, we noted one instance where an expenditure was not coded properly to the correct functional category.

Recommendation

We recommend the District comply with Section 37-9-18, Miss. Code Ann. (1972), and code all expenditures to the proper functional category so that the report attached to the audited financial statements is correct.

School District's Response

The District will comply with Section 37-9-18, Miss. Code Ann. (1972), which requires all expenditures to be coded to the proper functional category so that the report attached to the audited financial statements is correct.

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

The Philadelphia Public School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Watkins, Ward and Stafford, PLLC  
Philadelphia, Mississippi  
January 29, 2016

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section I: Summary of Auditors' Results

Financial Statements:

- |  |            |
|--|------------|
| 1. Type of auditors' report issued:                      | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weakness(es) identified?                     | No         |
| b. Significant deficiency(ies) identified?               | Yes        |
| 3. Noncompliance material to financial statements noted? | No         |

Federal Awards:

- |   |   |
|---|---|
| 4. Internal control over major programs:  |   |
| a. Material weakness(es) identified?  | No  |
| b. Significant deficiency(ies) identified?  | None reported                             |
| 5. Type of auditors' report issued on compliance for major programs:  | Unmodified                                |
| 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | No  |
| 7. Identification of major programs:  |   |
| <u>CFDA Numbers</u>   | <u>Name of Federal Program or Cluster</u> |
| 10.553, 10.555  | Child Nutrition cluster                   |
| 8. Dollar threshold used to distinguish between type A and type B programs:   | \$300,000                                 |
| 9. Auditee qualified as low-risk auditee?   | Yes                                       |

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015

Section II: Financial Statement Findings

Significant Deficiency Not Considered to be a Material Weakness

**Finding 2015-01: Internal Controls Surrounding Payroll Expenditures and Related Liabilities Should Be Strengthened**

Finding: The school district is charged with developing a control system that will provide safeguards over district assets that will ensure all transactions are properly authorized and that will ensure all transactions are properly classified and accounted for in the appropriate accounting period. Out of a sample of 31 payroll transactions tested, the following deviation from identified controls was noted:

- We noted one instance where an employee was not properly compensated for overtime hours worked.

Recommendation: We recommend that all employees subject to overtime be properly compensated for overtime hours worked.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

AUDITEE'S CORRECTIVE ACTION PLAN

**Philadelphia Public School District**  
248 Byrd Avenue  
Philadelphia, MS 39350

---

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section .315 ( c ) of OMB Circular A-133, the Philadelphia Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2015:

Finding	<u>Corrective Action Plan Details</u>
2015-01	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p style="padding-left: 40px;">Tammy Lantrip, Business Manager, Philadelphia Public School District</p> <p>b. Corrective Action Planned:</p> <p style="padding-left: 40px;">The Philadelphia Public School District will put procedures in place to ensure that employees are properly compensated for overtime hours worked .</p> <p>c. Anticipated Completion Date:</p> <p style="padding-left: 40px;">Immediately.</p>