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CITY OF PHILADELPHIA, MISSISSIPPI

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2013

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**ANNUAL FINANCIAL REPORT
CITY OF PHILADELPHIA, MISSISSIPPI
Year Ended September 30, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 50 through 51 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Mississippi's basic financial statements. The combining nonmajor fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statement and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statement and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated December 30, 2013, on my consideration of the City of Philadelphia, Mississippi's internal control over financial reporting and on my 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 my 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 the City of Philadelphia, Mississippi's internal control over financial reporting and compliance.

A. T. Williams

Philadelphia, Mississippi
December 30, 2013

CITY OF PHILADELPHIA

525 Main Street
Philadelphia, MS 39350
Phone 601-656-3612

MAYOR

James Young

CITY CLERK

James M. Johnson

CITY ATTORNEY

Robert Thomas

ALDERMAN

Josh Gamblin

Jim Fulton

Willie Jackson

Cecil Nichols

James Tatum

An overall review of the City's financial activities and performance for the year ending September 30, 2013 is provided in this Discussion and Analysis of the City of Philadelphia. The discussion and analysis looks at the financial performance as a whole, but it is suggested that the basic financial statements be reviewed to help in the understanding.

FINANCIAL HIGHLIGHTS

Total assets decreased by \$333,577 or .7% from 2012.

Total liabilities decreased by \$360,805 or 5% from 2012.

Total net position increased approximately \$27,228 or .6% as a result of this year's operations.

The governmental expenses exceeded revenue by \$547,476 before transfers. The City's business-type revenues exceeded related expenses by \$574,704 before transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (pages 13 through 16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 17. For governmental activities, these financial statements explain the financing of these services, plus they report the City's operations in more detail by providing information on the City's most significant funds.

Reporting the City as a Whole

The City's analysis as a whole will begin on page 6. The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The current year's revenues and expenses are all taken into account regardless of when cash is received or paid.

These statements report the City's net position and any changes to those positions. The change in net position tells the reader whether the City's financial position as a whole has diminished or improved. Non-financial information such as changes in the tax base and the condition of the capital assets will also need to be evaluated.

CITY OF PHILADLEPHIA, MISSISSIPPI

Management's Discussion and Analysis
Year Ended September 30, 2013

The Statement of Net Position and the Statement of Activities are divided into two kinds of activities:

Governmental activities – Basic services are reported here. These include police, fire, street, sanitation, parks departments, and the general administration. These are financed mainly by sales taxes, property taxes, franchise fees and state and federal grants.

Business-type activities – Water and sewer and electric department sales are reported here. These sales will cover most, if not all, of the expenses of these activities.

Reporting the City's Most Significant Funds

On page 7 is a comparative summary of the City's operations by fund type. Some funds are required by state law or bond covenants. Many of the other funds established to control and manage money for particular projects or to meet certain legal responsibilities are set up by the City Board. The two kinds of funds the City uses are governmental and proprietary and do not use the same accounting approaches.

Governmental funds – Most of the City's basic services are reported in this fund type, which show the money flowing in and out of those funds and then the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. These fund statements provide a detailed short-term view of the general government operations and the basic service it provides. This information also helps you determine whether there are more or fewer financial resources available to be used in the near future to finance the City's programs. The differences between governmental activities and governmental funds are described in reconciliations adjacent to the fund financial statements. The detail financial statements for the governmental funds are on pages 17-20.

Proprietary funds – When the customers are charged for the provided services these services are generally reported as proprietary funds. These funds are also known as "business-type activities" or "enterprise funds". These funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows. The detail financial statements for the proprietary funds are on pages 21-25.

CITY OF PHILADELPHIA, MISSISSIPPI

Management's Discussion and Analysis
Year Ended September 30, 2013

THE CITY AS A WHOLE

(Table 1)
CITY OF PHILADELPHIA'S NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Increase (Decrease)</u>
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	
Current and other assets	\$ 6,126,140	\$ 5,770,680	\$ 7,622,076	\$ 7,333,073	\$ 13,748,216	\$ 13,103,753	\$ 644,463
Capital assets	21,207,161	22,206,688	14,822,787	14,801,300	36,029,948	37,007,988	(978,040)
Total Assets	\$ 27,333,301	\$ 27,977,368	\$ 22,444,863	\$ 22,134,373	\$ 49,778,164	\$ 50,111,741	\$ (333,577)
Long-term Liabilities	\$ 2,702,211	\$ 3,622,405	\$ 702,078	\$ 838,270	\$ 3,404,289	\$ 4,460,675	\$ (1,056,386)
Other liabilities	1,743,650	1,120,754	2,237,372	2,164,887	3,981,022	3,285,441	695,581
Total Liabilities	\$ 4,445,861	\$ 4,743,159	\$ 2,939,450	\$ 3,002,957	\$ 7,385,311	\$ 7,746,116	\$ (360,805)
Net Position:							
Invested in capital assets							
net of related debt	\$ 18,101,013	\$ 18,188,446	\$ 14,082,788	\$ 13,956,300	\$ 32,183,801	\$ 32,144,746	\$ 39,055
Restricted	987,968	855,230	148,297	146,861	1,136,265	1,002,091	134,174
Unrestricted	3,798,459	4,190,533	5,274,328	5,028,255	9,072,787	9,218,788	(146,001)
Total Net Position	\$ 22,887,440	\$ 23,234,209	\$ 19,505,413	\$ 19,131,416	\$ 42,392,853	\$ 42,365,625	\$ 27,228

The City's total assets decreased by \$333,577 during 2013 with governmental activities showing a decrease of \$(644,067) and business-type activities an increase of \$310,490. The major changes were a \$290,284 increase in cash and investments primarily by the business-type activities, a \$(978,040) decrease in capital assets, and a \$671,369 increase in accounts and taxes receivable. The City's total liabilities decreased \$(360,805), due mainly to a decrease in notes payable. The City's net position increased by \$27,228 due mainly to business-type activities which increased by \$373,997.

CITY OF PHILADELPHIA, MISSISSIPPI

**Management's Discussion and Analysis
Year Ended September 30, 2013**

Table 2 shows the Changes in Net Position for the September 30, 2013 year-end. A comparative analysis of government-wide data is as follows:

(Table 2)

CITY OF PHILADELPHIA'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program Revenues:						
Charge for services	\$ 1,153,836	\$ 1,174,905	\$ 14,386,781	\$ 14,395,908	\$ 15,540,617	\$ 15,570,813
Operating grants and contributions	498,461	714,096	-	-	498,461	714,096
Capital grants and contributions	690,584	1,136,204	201,925	161,151	892,509	1,297,355
General Revenues:						
Ad valorem tax	593,794	566,890	-	-	593,794	566,890
Franchise tax on utilities	94,728	106,996	-	-	94,728	106,996
Sales Tax	3,906,204	3,795,323	-	-	3,906,204	3,795,323
TVA in lieu tax	183,683	190,156	-	-	183,683	190,156
Investment income (loss)	22,396	38,493	(58,074)	144,210	(35,678)	182,703
Miscellaneous	30,953	32,436	-	-	30,953	32,436
Tourism Tax	106,677	95,248	-	-	106,677	95,248
Total Revenues	<u>7,281,316</u>	<u>7,850,747</u>	<u>14,530,632</u>	<u>14,701,269</u>	<u>21,811,948</u>	<u>22,552,016</u>
Expenses:						
General Government	1,374,624	1,304,554	-	-	1,374,624	1,304,554
Public Safety: Police	1,672,856	1,835,857	-	-	1,672,856	1,835,857
Public Safety: Fire	1,652,206	1,727,105	-	-	1,652,206	1,727,105
Municipal Court	297,003	298,230	-	-	297,003	298,230
Streets	885,965	915,865	-	-	885,965	915,865
Sanitation	583,684	645,196	-	-	583,684	645,196
Cemetery	167,182	179,383	-	-	167,182	179,383
Animal Control	34,877	33,787	-	-	34,877	33,787
Library	55,868	37,455	-	-	55,868	37,455
Parks	634,173	674,907	-	-	634,173	674,907
Airport	227,103	210,232	-	-	227,103	210,232
Tourism	100,209	101,520	-	-	100,209	101,520
Interest on long-term debt	143,042	147,647	-	-	143,042	147,647
Water & Sewer Utilities	-	-	2,434,652	2,444,757	2,434,652	2,444,757
Electric Utilities	-	-	11,521,276	11,479,440	11,521,276	11,479,440
Total Expenses	<u>7,828,792</u>	<u>8,111,738</u>	<u>13,955,928</u>	<u>13,924,197</u>	<u>21,784,720</u>	<u>22,035,935</u>
Increase (decrease) in net position before transfers	<u>(547,476)</u>	<u>(260,991)</u>	<u>574,704</u>	<u>777,072</u>	<u>27,228</u>	<u>516,081</u>
Transfers	<u>200,707</u>	<u>200,707</u>	<u>(200,707)</u>	<u>(200,707)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in Net Position	<u>(346,769)</u>	<u>(60,284)</u>	<u>373,997</u>	<u>576,365</u>	<u>27,228</u>	<u>516,081</u>
Net Position - October 1	<u>23,234,209</u>	<u>23,294,493</u>	<u>19,131,416</u>	<u>18,555,051</u>	<u>42,365,625</u>	<u>41,849,544</u>
Net Position - September 30	<u>\$ 22,887,440</u>	<u>\$ 23,234,209</u>	<u>\$ 19,505,413</u>	<u>\$ 19,131,416</u>	<u>\$ 42,392,853</u>	<u>\$ 42,365,625</u>

CITY OF PHILADLEPHIA, MISSISSIPPI

Management's Discussion and Analysis
Year Ended September 30, 2013

The City's governmental activities continue to be primarily funded by sources other than property taxes, which made up only 7% of the total governmental revenues. The major expenses were for public safety, streets, and sanitation. Providing these services for our residents is our continued commitment.

While business-type activities are accounted for similarly to businesses and are primarily supported by user fees, the City attempts to keep these fees as low as possible.

THE CITY'S FUNDS

As the year ended, the City's governmental funds reported a combined fund balance of \$4,895,037, which is \$256,444 less than last year's total of \$5,151,481. The primary reason for the decrease was current year expenditures exceeded revenues by \$384,017 in the general fund.

General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. One of the most significant budgeted funds is the General Fund. A comparison of budget and actual revenues and expenditures is shown on pages 50 and 51.

During 2013, the City's general fund budget was amended. All recommendations for a change come from the department heads to the City Clerk for review before going to the Mayor and Board of Aldermen for consideration. The City does not allow budget changes that modify line items within any department without Board approval. The General Fund is closely monitored for possible revenue shortfalls or over spending, since it supports so many departments. The General Fund original budgeted revenues were \$7,495,473; with the final budgeted amount being \$7,495,473; and with \$7,397,317 in actual revenue collections. The shortage of \$98,156 was due mainly to state shared revenues. The General Fund's original budgeted expenditures of \$7,592,875 were amended to \$7,842,013, with actual expenditures of \$7,864,635.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Philadelphia's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to \$36,029,948 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year was \$978,040 (\$999,527 decrease in governmental activities and \$21,487 increase in business-type activities).

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CITY OF PHILADLEPHIA, MISSISSIPPI

**Management's Discussion and Analysis
Year Ended September 30, 2013**

Major capital asset events during the current fiscal year included the following:

- Northside log cabin—\$150,729,
- Pecan Avenue paving—\$340,673
- Airport runway & apron—\$300,134, and
- Caterpillar D6K bulldozer—\$159,834

**(Table 3)
GOVERNMENTAL FUND ACTIVITIES**

<u>Asset Classification</u>	<u>Balance 9/30/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2013</u>
Capital Asset Values				
Land	\$ 1,026,220	\$ -	\$ (12,000)	\$ 1,014,220
Buildings	19,930,392	528,922	(782,674)	19,676,640
Machinery and Equipment	6,614,357	271,357	(103,242)	6,782,472
Infrastructure	6,200,131	340,673	-	6,540,804
Total at Historical Cost	<u>33,771,100</u>	<u>1,140,952</u>	<u>(897,916)</u>	<u>34,014,136</u>
Less: Capital Asset Accumulated Depreciation				
Buildings	(4,472,431)	(654,546)	37,503	(5,089,474)
Machinery and Equipment	(4,208,800)	(462,277)	25,651	(4,645,426)
Infrastructure	(2,883,181)	(188,894)	-	(3,072,075)
Total Accumulated Depreciation	<u>(11,564,412)</u>	<u>(1,305,717)</u>	<u>63,154</u>	<u>(12,806,975)</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,206,688</u>	<u>\$ (164,765)</u>	<u>\$ (834,762)</u>	<u>\$ 21,207,161</u>

BUSINESS-TYPE ACTIVITIES

<u>Asset Classification</u>	<u>Balance 9/30/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2013</u>
Capital Asset Values				
Land	\$ 1,350,681	\$ -	\$ -	\$ 1,350,681
Buildings	1,845,747	120,442	-	1,966,189
Other Improvements	12,310,797	642,141	(46,219)	12,906,719
Equipment	12,820,150	165,930	(90,338)	12,895,742
Construction in Progress	105,366	591,730	(559,143)	137,953
Total at Historical Cost	<u>28,432,741</u>	<u>1,520,243</u>	<u>(695,700)</u>	<u>29,257,284</u>
Less: Capital Asset Accumulated Depreciation				
Electric Plant	(6,650,083)	(503,356)	155,968	(6,997,471)
Water and Sewer Plant	(6,981,357)	(462,656)	6,989	(7,437,024)
Total Accumulated Depreciation	<u>(13,631,440)</u>	<u>(966,012)</u>	<u>162,957</u>	<u>(14,434,495)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,801,301</u>	<u>\$ 554,231</u>	<u>\$ (532,743)</u>	<u>\$ 14,822,789</u>

Additional information on the City of Philadelphia's capital assets can be found in Note 4 on pages 39 and 40.

CITY OF PHILADLEPHIA, MISSISSIPPI

**Management's Discussion and Analysis
Year Ended September 30, 2013**

Debt Administration

At the end of the current fiscal year, the City of Philadelphia had a total bonded debt, note payable and compensated absences of \$3,955,000. Of this amount, \$130,000 represents bonds paid by electric revenues, \$610,000 represents bonds paid by water and sewer revenues, \$2,310,000 of tax increment financing bonds issued 10/1/2005, which will be repaid out of increased sales and property taxes and \$796,148 of notes payable. The accrued compensated absences for the governmental activities totaled \$108,610.

**(Table 4)
Outstanding Debt at Year End
Bonds and Compensated Absences**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
G. O. Bonds	\$ -	\$ -	\$ 740,000	\$ 845,000	\$ 740,000	\$ 845,000
Revenue Bonds	2,310,000	2,585,000	-	-	2,310,000	2,585,000
Accrued Compensated Absences	108,610	105,718	-	-	108,610	105,718
CAP Revolving Loans	651,754	1,433,242	-	-	651,754	1,433,242
Lease purchase	144,394	-	-	-	144,394	-
Totals	<u>\$ 3,214,758</u>	<u>\$ 4,123,960</u>	<u>\$ 740,000</u>	<u>\$ 845,000</u>	<u>\$ 3,954,758</u>	<u>\$ 4,968,960</u>

During the fiscal year, the City's total debt decreased by \$1,014,202. A total of \$1,017,094 was repaid on bonds and notes. The City borrowed \$159,834 on a lease purchase contract to finance a Caterpillar D6K bulldozer during the year.

Additional information on the City of Philadelphia's long-term debt can be found in Note 6 on pages 41-44 of this report.

CITY OF PHILADLEPHIA, MISSISSIPPI

Management's Discussion and Analysis
Year Ended September 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2013 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy; it is estimated by city officials that the economy will remain the same or decline slightly in the 2014 year.

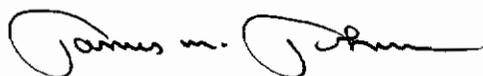
The general fund budget for the year 2014 reflects anticipated revenues of \$7,435,767. There will be an increase in mills from 10 to 20 for the general fund for the coming year. This should approximately double ad valorem taxes collected. The 2014 general fund budget shows anticipated expenditures of \$7,405,575. If these budgeted estimates are realized, the City's budgeted general fund balance is expected to increase by \$30,192 by the close of 2014.

Major projects planned by the City for 2014 include construction of a new airport terminal.

It is likely that water and sewer rates will increase in 2014. Revenue could increase from improved economic conditions. TVA will implement a 1.6% electric rate increase effective October 1, 2013, which will be passed along to electric utility customers. Electric rates will vary as the fuel cost adjustment changes monthly. Although the economy is very slow to grow, some promising business/industrial/retail projects could develop during the coming year, which will provide opportunities for revenue to increase. In general, the weather conditions determine the amount of utility usage.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of the City's finances and to show the City's accountability for the money it received. If you have any questions about this report or need additional financial information, contact the City Clerk's office at 525 Main Street Philadelphia, Mississippi 39350.



James M. Johnson
City Clerk

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BASIC FINANCIAL STATEMENTS

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF NET POSITION
September 30, 2013

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash	\$ 1,675,265	\$ 2,225,909	\$ 3,901,174
Certificates of deposit	2,902,147	-	2,902,147
Investments	-	80,899	80,899
Receivables	1,548,728	1,463,638	3,012,366
Inventory	-	271,245	271,245
Prepaid expenses	-	66,819	66,819
Total Current Assets	<u>6,126,140</u>	<u>4,108,510</u>	<u>10,234,650</u>
Restricted Assets			
Cash	-	735,443	735,443
Investments	-	166,543	166,543
Total Restricted Assets	<u>-</u>	<u>901,986</u>	<u>901,986</u>
Other Assets			
Investments	-	2,503,183	2,503,183
Loan to CSA	-	9,697	9,697
Conservation loans	-	77,079	77,079
Deferred charges	-	21,621	21,621
Total Other Assets	<u>-</u>	<u>2,611,580</u>	<u>2,611,580</u>
Fixed assets, net of depreciation	<u>21,207,161</u>	<u>14,822,787</u>	<u>36,029,948</u>
Total Assets	<u>27,333,301</u>	<u>22,444,863</u>	<u>49,778,164</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF NET POSITION

September 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 179,089	\$ 1,254,126	\$ 1,433,215
Accrued liabilities	4,565	1,049	5,614
Accrued interest payable	-	7,547	7,547
Customer deposits	-	753,689	753,689
Deferred revenue	1,047,449	-	1,047,449
Non-current liabilities due within one year			
Compensated absences	108,610	105,961	214,571
Bonds payable	285,000	115,000	400,000
Note payable	118,937	-	118,937
Due in more than one year			
Bonds payable	2,025,000	625,000	2,650,000
Note payable	677,211	-	677,211
Conservation advances from TVA	-	77,078	77,078
Total Liabilities	4,445,861	2,939,450	7,385,311
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	18,101,013	14,082,788	32,183,801
Restricted for:			
Fire protection	24,565	-	24,565
Tourism	81,004	-	81,004
Debt service	882,399	148,297	1,030,696
Unrestricted	3,798,459	5,274,328	9,072,787
Total Net Position	\$ 22,887,440	\$ 19,505,413	\$ 42,392,853

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See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF ACTIVITIES
Year Ended September 30, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,374,624	\$ 108,358	\$ 185,275	\$ 9,192	\$ (1,071,799)	\$ -	\$ (1,071,799)
Public safety:							
Police	1,672,856	443,832	61,601	-	(1,167,423)	-	(1,167,423)
Fire	1,652,206	-	39,850	-	(1,612,356)	-	(1,612,356)
Municipal Court	297,003	-	-	-	(297,003)	-	(297,003)
Streets	885,965	-	20,909	272,538	(592,518)	-	(592,518)
Sanitation	583,684	391,864	-	-	(191,820)	-	(191,820)
Cemetery	167,182	40,350	-	-	(126,832)	-	(126,832)
Animal control	34,877	1,660	-	-	(33,217)	-	(33,217)
Library	55,868	-	-	-	(55,868)	-	(55,868)
Parks	634,173	149,993	107,463	92,980	(283,737)	-	(283,737)
Airport	227,103	17,779	-	315,874	106,550	-	106,550
Tourism	100,209	-	5,350	-	(94,859)	-	(94,859)
Interest on long-term debt	143,042	-	78,013	-	(65,029)	-	(65,029)
Total Governmental Activities	7,828,792	1,153,836	498,461	690,584	(5,485,911)	-	(5,485,911)
Business-Type Activities:							
Water & Sewer Utilities	2,434,652	2,361,615	-	198,323	-	125,286	125,286
Electric Utilities	11,521,276	12,025,166	-	3,602	-	507,492	507,492
Total Business-type Activities	13,955,928	14,386,781	-	201,925	-	632,778	632,778
Total Government	\$ 21,784,720	\$ 15,540,617	\$ 498,461	\$ 892,509	\$ (5,485,911)	\$ 632,778	\$ (4,853,133)

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF ACTIVITIES

Year Ended September 30, 2013

	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets				
	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:								
Ad valorem tax						\$ 593,794	\$ -	\$ 593,794
Franchise tax on utilities						94,728	-	94,728
Sales tax						3,906,204	-	3,906,204
TVA in lieu tax						183,683	-	183,683
Investment income						22,396	(58,074)	(35,678)
Miscellaneous						30,953	-	30,953
Tourism tax						106,677	-	106,677
Transfer						200,707	(200,707)	-
Total General Revenues and Transfers						<u>5,139,142</u>	<u>(258,781)</u>	<u>4,880,361</u>
Change in Net Position						<u>(346,769)</u>	<u>373,997</u>	<u>27,228</u>
Net Position—Beginning of Year						<u>23,234,209</u>	<u>19,131,416</u>	<u>42,365,625</u>
Net Position—End of Year						<u>\$ 22,887,440</u>	<u>\$ 19,505,413</u>	<u>\$ 42,392,853</u>

CITY OF PHILADELPHIA, MISSISSIPPI

**GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash	\$ 688,802	\$ 786,737	\$ 199,726	\$ 1,675,265
Certificates of deposit	2,902,147	-	-	2,902,147
Receivables:				
Sales tax receivables	317,541	-	-	317,541
Ad valorem taxes receivable	1,047,449	78,013	-	1,125,462
Grants receivable	89,424	-	-	89,424
Due from other funds	2,350	17,649	10,390	30,389
Due from others	13,950	-	-	13,950
Total Assets	<u>\$ 5,061,663</u>	<u>\$ 882,399</u>	<u>\$ 210,116</u>	<u>\$ 6,154,178</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 165,312	\$ -	\$ 13,777	\$ 179,089
Accrued liabilities	4,565	-	-	4,565
Due to other funds	28,038	-	-	28,038
Deferred revenue	1,047,449	-	-	1,047,449
Total Liabilities	<u>1,245,364</u>	<u>-</u>	<u>13,777</u>	<u>1,259,141</u>
<u>FUND BALANCES</u>				
Restricted Funds:				
Debt service	\$ -	\$ 882,399	\$ -	\$ 882,399
Tourism	-	-	81,004	81,004
Fire protection	-	-	24,565	24,565
Assigned - Special revenue funds	-	-	90,770	90,770
Unassigned	3,816,299	-	-	3,816,299
Total Fund Balances	<u>3,816,299</u>	<u>882,399</u>	<u>196,339</u>	<u>4,895,037</u>
Total Liabilities and Fund Balances	<u>\$ 5,061,663</u>	<u>\$ 882,399</u>	<u>\$ 210,116</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$12,806,975	21,207,161
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(2,310,000)
CAP notes payable	(651,754)
Accrued compensated absences	(108,610)
Lease purchase contract	(144,394)

Net Position of Governmental Activities **\$ 22,887,440**

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended September 30, 2013**

	General Fund	Debt Service Funds	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 576,145	\$ 17,649	\$ -	\$ 593,794
Privilege licenses	40,611	-	-	40,611
Franchise tax on utilities	94,728	-	-	94,728
TVA in Lieu tax	183,683	-	-	183,683
Tourism tax	-	-	106,677	106,677
Neshoba County	125,680	78,013	107,463	311,156
State sales tax	3,468,400	437,804	-	3,906,204
State shared revenues	203,103	-	38,585	241,688
Federal shared revenues	626,851	-	-	626,851
Charges for services	455,631	-	111,534	567,165
Fines and forfeits	435,222	-	-	435,222
Rent	54,600	-	56,238	110,838
Interest	21,112	1,004	280	22,396
Miscellaneous	12,824	-	40,754	53,578
Sale of building and equipment	821,487	-	-	821,487
Total Revenues	<u>7,120,077</u>	<u>534,470</u>	<u>461,531</u>	<u>8,116,078</u>
Expenditures:				
General Government	1,147,744	1,551	-	1,149,295
Public Safety:				
Police	1,586,466	-	-	1,586,466
Fire	1,436,440	-	-	1,436,440
Municipal Court	295,389	-	-	295,389
Streets	653,684	-	-	653,684
Sanitation	497,540	-	-	497,540
Cemetery	153,119	-	-	153,119
Animal Control	34,436	-	-	34,436
Library	55,868	-	-	55,868
Park	-	-	389,912	389,912
Airport	-	-	24,783	24,783
Tourism	-	-	100,209	100,209
Debt Service:				
Principal	733,353	275,000	63,575	1,071,928
Interest	24,919	109,833	8,290	143,042
Capital Outlay	1,115,015	-	25,937	1,140,952
Total Expenditures	<u>7,733,973</u>	<u>386,384</u>	<u>612,706</u>	<u>8,733,063</u>

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See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended September 30, 2013**

	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of revenues over (under) expenditures	\$ (613,896)	\$ 148,086	\$ (151,175)	\$ (616,985)
Other Financing Sources (Uses)				
Loan proceeds	159,834	-	-	159,834
Transfers in	200,707	-	130,662	331,369
Transfers out	<u>(130,662)</u>	<u>-</u>	<u>-</u>	<u>(130,662)</u>
Total other financing sources	<u>229,879</u>	<u>-</u>	<u>130,662</u>	<u>360,541</u>
Excess of revenues and other sources over (under) expenditures and other uses	(384,017)	148,086	(20,513)	(256,444)
Fund Balances—Beginning of Year	<u>4,200,316</u>	<u>734,313</u>	<u>216,852</u>	<u>5,151,481</u>
Fund Balances—End of Year	<u>\$ 3,816,299</u>	<u>\$ 882,399</u>	<u>\$ 196,339</u>	<u>\$ 4,895,037</u>

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended September 30, 2013**

Reconciliation of the change in fund balances—total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances—total governmental funds \$ (256,444)

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

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate
those expenditures over the life of the assets:

Capital asset purchases capitalized	1,140,952
Depreciation expense	(1,305,717)
Book value of disposed assets	(834,762)

Additions or repayment of debt principal is a revenue or an
expenditure in the governmental funds, but the borrowing
increases and the repayment reduces long-term liabilities
in the Statement of Net Assets:

New note proceeds	(159,834)
Bond principal payments	275,000
Note principal payments	796,928

Some expenses reported in the Statement of Activities do not
require the use of current financial resources and therefore
are not reported as expenditures in governmental funds:

Accrued compensated absences	<u>(2,892)</u>
------------------------------	----------------

Change in Net Position of Governmental Activities \$ (346,769)

CITY OF PHILADELPHIA, MISSISSIPPI

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013**

	<u>Business-Type Activities</u>		
	<u>Philadelphia Electric Utility</u>	<u>Philadelphia Water & Sewer Utility</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets			
Cash	\$ 1,481,832	\$ 744,077	\$ 2,225,909
Temporary investments	-	80,899	80,899
Accounts receivable - Customer	1,026,528	229,084	1,255,612
Accounts receivable - Municipal	130,624	-	130,624
Accounts receivable - Other	55,945	21,457	77,402
Inventories	139,646	131,599	271,245
Prepaid expenses	-	66,819	66,819
Total Current Assets	<u>2,834,575</u>	<u>1,273,935</u>	<u>4,108,510</u>
Restricted Assets			
Cash	735,443	-	735,443
Investments	-	166,543	166,543
Total Restricted Assets	<u>735,443</u>	<u>166,543</u>	<u>901,986</u>
Other Assets			
Investments	1,033,106	1,470,077	2,503,183
Loan to CSA	9,697	-	9,697
Conservation loans	77,079	-	77,079
Deferred charges	1,714	19,907	21,621
Total Other Assets	<u>1,121,596</u>	<u>1,489,984</u>	<u>2,611,580</u>
Fixed Assets			
Electric plant	12,676,799	-	12,676,799
Water works	-	9,275,061	9,275,061
Sewer plant	-	7,167,471	7,167,471
Accumulated depreciation	(6,997,471)	(7,437,024)	(14,434,495)
Construction work in progress	52,590	85,361	137,951
Fixed Assets Net of Accumulated Depreciation	<u>5,731,918</u>	<u>9,090,869</u>	<u>14,822,787</u>
Total Assets	<u>\$10,423,532</u>	<u>\$12,021,331</u>	<u>\$22,444,863</u>

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

**PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2013**

	<u>Business-Type Activities</u>		
	<u>Philadelphia Electric Utility</u>	<u>Philadelphia Water & Sewer Utility</u>	<u>Total</u>
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 1,085,654	\$ 168,472	\$ 1,254,126
Accrued liabilities	54,309	52,701	107,010
General obligation bonds - current	65,000	50,000	115,000
Accrued interest payable	2,573	4,974	7,547
Total Current Liabilities	<u>1,207,536</u>	<u>276,147</u>	<u>1,483,683</u>
Current Liabilities Payable from Restricted Assets			
Customer deposits payable	<u>587,146</u>	<u>166,543</u>	<u>753,689</u>
Total Current Liabilities Payable from Restricted Assets	<u>587,146</u>	<u>166,543</u>	<u>753,689</u>
Noncurrent Liabilities			
General obligation bonds payable	65,000	560,000	625,000
Conservation advances from TVA	77,078	-	77,078
Total Noncurrent Liabilities	<u>142,078</u>	<u>560,000</u>	<u>702,078</u>
Total Liabilities	<u>1,936,760</u>	<u>1,002,690</u>	<u>2,939,450</u>
<u>NET POSITION</u>			
Net investment in capital assets	5,601,919	8,480,869	14,082,788
Restricted for:			
Debt service	148,297	-	148,297
Unrestricted	<u>2,736,556</u>	<u>2,537,772</u>	<u>5,274,328</u>
Total Net Position	<u>8,486,772</u>	<u>11,018,641</u>	<u>19,505,413</u>
Total Liabilities and Net Position	<u>\$10,423,532</u>	<u>\$12,021,331</u>	<u>\$22,444,863</u>

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CITY OF PHILADELPHIA, MISSISSIPPI

**PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Year Ended September 30, 2013**

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Philadelphia Electric Utility</u>	<u>Philadelphia Water & Sewer Utility</u>	
Operating Revenues			
Charges for services	\$11,813,241	\$ 2,361,615	\$14,174,856
Other income	<u>211,925</u>	<u>-</u>	<u>211,925</u>
Total Operating Revenues	<u>12,025,166</u>	<u>2,361,615</u>	<u>14,386,781</u>
Operating Expenses			
Purchased power	9,631,712	143,995	9,775,707
Distribution expense—operation	255,388	502,882	758,270
Maintenance	340,861	163,721	504,582
Customer accounting	174,128	86,511	260,639
Sales expense—net	8,527	(21,747)	(13,220)
Administrative and general	630,457	522,956	1,153,413
Depreciation	407,622	412,624	820,246
Taxes or equivalent	52,102	66,481	118,583
Miscellaneous	14,066	-	14,066
Pump plant expenses	-	263,650	263,650
Sewer system expenses	-	<u>272,456</u>	<u>272,456</u>
Total Operating Expenses	<u>11,514,863</u>	<u>2,413,529</u>	<u>13,928,392</u>
Income (loss) from Operations	<u>510,303</u>	<u>(51,914)</u>	<u>458,389</u>
Nonoperating revenues (expenses)			
Capital grant income	3,602	198,323	201,925
Investment income (loss)	(14,452)	(43,622)	(58,074)
Interest expense	<u>(6,413)</u>	<u>(21,123)</u>	<u>(27,536)</u>
Total Nonoperating Revenues	<u>(17,263)</u>	<u>133,578</u>	<u>116,315</u>
Income before transfers	493,040	81,664	574,704
Transfers out (In Lieu Taxes)	<u>(200,707)</u>	<u>-</u>	<u>(200,707)</u>
Change in Net Position	292,333	81,664	373,997
Total Net Position—Beginning of Year	<u>8,194,439</u>	<u>10,936,977</u>	<u>19,131,416</u>
Total Net Position—End of Year	<u>\$ 8,486,772</u>	<u>\$11,018,641</u>	<u>\$19,505,413</u>

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2013**

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Philadelphia Electric Utility</u>	<u>Philadelphia Water & Sewer Utility</u>	
Cash Flows from Operating Activities:			
Cash received from customers	\$ 11,894,543	\$ 2,325,477	\$ 14,220,020
Cash payments to suppliers for goods and services	(9,916,226)	(1,024,366)	(10,940,592)
Cash payments to employees for services	(1,088,994)	(948,019)	(2,037,013)
Other operating cash receipts	211,924	8,011	219,935
Net Cash Provided by Operating Activities	<u>1,101,247</u>	<u>361,103</u>	<u>1,462,350</u>
Cash Flows from Noncapital Financing Activities:			
Transfer to general fund	(200,707)	-	(200,707)
Net Cash Used by Noncapital Financing Activities	<u>(200,707)</u>	<u>-</u>	<u>(200,707)</u>
Cash Flows from Capital and Related Financing Activities:			
Capital Grant received	3,602	198,323	201,925
Payment on long-term debt	(60,000)	(45,000)	(105,000)
TVA Conservation advances	(21,192)	-	(21,192)
Interest paid on capital debt	(7,600)	(21,550)	(29,150)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(85,190)</u>	<u>131,773</u>	<u>46,583</u>
Cash Flows from Investing Activities:			
Additions to plant	(409,520)	(551,580)	(961,100)
Removal cost	(32,421)	-	(32,421)
Salvage	39,114	6,021	45,135
Conservation loans receivable	21,192	-	21,192
Purchase of investments	(1,532,488)	(3,365,447)	(4,897,935)
Redemption of investments	1,483,134	3,357,733	4,840,867
Central Services Association loan	209	-	209
Investment income	33,581	16,753	50,334
Net Cash Used by Investing Activities	<u>(397,199)</u>	<u>(536,520)</u>	<u>(933,719)</u>
Net Increase (Decrease) in Cash	418,151	(43,644)	374,507
Cash—Beginning of Year	<u>1,799,124</u>	<u>787,721</u>	<u>2,586,845</u>
Cash—End of Year	<u>\$ 2,217,275</u>	<u>\$ 744,077</u>	<u>\$ 2,961,352</u>

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2013**

	<u>Business-Type Activities</u>		
	<u>Philadelphia Electric Utility</u>	<u>Philadelphia Water & Sewer Utility</u>	<u>Total</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 510,303	\$ (51,914)	\$ 458,389
Adjustments to reconcile income from operations to net cash provided (used) by operating activities:			
Depreciation	464,243	462,656	926,899
Amortization	1,082	4,673	5,755
Change in assets and liabilities:			
Decrease (increase) in accounts receivables	62,673	(36,138)	26,535
Decrease (increase) in inventories	(18,925)	(969)	(19,894)
Decrease in prepayments and other current assets	-	367	367
Increase (decrease) in accounts payable	57,908	(31,424)	26,484
Increase in customer deposits	18,629	8,011	26,640
Increase in accrued liabilities	5,334	5,841	11,175
Net cash provided by operating activities:	<u>\$ 1,101,247</u>	<u>\$ 361,103</u>	<u>\$ 1,462,350</u>
Reconciliation of total cash and cash equivalents:			
Current Assets - cash and cash equivalents	\$ 1,481,832	\$ 744,077	\$ 2,225,909
Restricted Assets - cash and cash equivalents	735,443	-	735,443
Total Cash and Cash Equivalents	<u>\$ 2,217,275</u>	<u>\$ 744,077</u>	<u>\$ 2,961,352</u>

See accompanying notes to basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Philadelphia, Mississippi (City) has been the county seat of Neshoba County since 1837 and has a population of approximately 7,300 living within an area of 15 square miles. The City was incorporated as a municipality in 1927 and operates as a Mayor/Council form of government.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The City does not apply FASB pronouncements or APB opinions issued after November 30, 1989. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

B. Reporting Entity

The City is a Mississippi municipal corporation with a six-member City Council comprised of the Mayor (elected at large) and five aldermen. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the primary government is not financially accountable to determine whether the relationship is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Because of the closeness of their relationship with the primary government (the City), the component units are blended as though they are part of the primary government.

Included within the reporting entity are the following component units:

- City of Philadelphia Water & Sewer and Electric Utilities — The City of Philadelphia Water & Sewer and Electric Utilities are administered by a Utility Board appointed by the government's governing body. The bond issuance authorizations also are approved by the government's governing body and the legal liability for the general obligation portion of the Water & Sewer Utility's debt remains with the government.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- Philadelphia-Neshoba County Park Commission (Park) — The City's governing body appoints the Park Board. The accounting records for the Park are maintained at City Hall. This is a special revenue fund.
- Philadelphia Municipal Airport (Airport) — The Airport Board is appointed by the City's governing body. This is a special revenue fund.
- Philadelphia-Neshoba County Tourism/Economic Council (Tourism Council) — The Council is fiscally dependent upon the City, which levies a 3% tourism tax on hotel and motel room rentals inside the city. This is a special revenue fund.

C. Basis of Presentation

Government Wide Financial Statements:

The basic financial statements include both government-wide (reporting on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts—invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (Police, Fire, etc.), which are otherwise being supported by general government revenues (property and sales taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (Police, Fire, etc.) or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property and sales taxes, intergovernmental revenues, interest income, etc.).

The City does not currently employ an indirect cost allocation system.

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fund Financial Statements:

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

The City has neither internal service nor fiduciary funds.

The City has four (4) major funds:

- General Fund

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

- Debt Service Fund

The Tax Increment Bond Fund accounts for sales and ad valorem taxes received to pay the interest and principal of the Tax Incentive Revenue Bonds issued October 1, 2005.

- Philadelphia Utilities Water and Sewer Department

Water and Sewer Fund is a proprietary fund used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collections activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

- Philadelphia Utilities Electric Department

Electric Department Fund is a proprietary fund used to account for the provision of electric services to the residents and businesses in the City. Activities of the fund include administration, operations and maintenance of the electric system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for electric department debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Special revenue funds of the City consist of the following five (5) non-major funds:

- Fire Protection Fund – accounts for fire protection money received from the State of Mississippi for use by the fire department.
- Municipal Airport Fund – accounts for revenues and expenditures of the municipal airport.
- Park Commission – accounts for revenues and expenditures of the Philadelphia-Neshoba County Parks.
- Tourism/Economic Council – accounts for revenues of tourism tax on hotels and expenditures promoting tourism.
- Unemployment Compensation Fund – accounts for revenues and expenditures of money set aside to pay unemployment compensation claims in lieu of paying state unemployment tax.

D. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the “economic resources” measurement focus as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- All governmental funds utilize a “current financial resources” management focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available". "Measurable" means knowing or being able to reasonably estimate the amount. "Available" means collectible within the current period or within sixty days after year end. Major revenue sources that meet the availability requirement include sales tax, franchise charges, and federal grants. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported when due.

Proprietary funds and the fiduciary fund utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

E. Assets, Liabilities, and Equity

- Cash and Cash Equivalents

The City has defined Cash and Cash Equivalents to include cash on hand, demand deposits, and money market funds. Cash and cash equivalents are stated at cost which approximates fair value.

- Investments

The City may invest in interest bearing time certificates or any bonds or other direct obligations of the United States of America or the State of Mississippi provided certain provisions are met. All investments are stated at fair value, which is either a quoted market price or the best available estimate.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- Receivables

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

- Inventories

Inventories included in the enterprise funds consist of water and sewer and electrical supplies and parts. Inventories are valued at cost.

- Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Historical cost was used to value the majority of the assets. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Prior to October 1, 2002, governmental funds' infrastructure assets were not capitalized. These assets (back to October 1, 1979) have been valued at historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and Improvements	20 - 40 years
Machinery and Equipment	3 - 7 years
Infrastructure	20 - 50 years
Electric Utility	16 - 50 years
Water and Sewer Utility	35 - 50 years

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

- **Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to bond trustee accounts and utility meter deposits.

- **Long-Term Debt**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable, and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

- **Compensated Absences**

The City's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. This debt is all classified as current based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets – Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislations.
3. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested” in capital assets, net of related debt.

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as assigned and unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

The City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, for the year ended September 30, 2011. In accordance with GASB Statement No. 54, the governmental fund financial statements present fund balances based on the extent of the constraints on their use as follows:

1. Nonspendable fund balance – Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The City has no nonspendable fund balances.
2. Restricted fund balance – Consists of amounts for which constraints have been placed on their use: (a) by external groups such as creditors, grantors, contributors, or by laws or regulations of other governments, or (b) by law through constitutional provisions or enabling legislation. The City has restricted fund balances for debt service, fire protection and tourism.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3. Committed fund balance – Consists of amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City's Mayor and Board of Aldermen. The City does not have any committed fund balances.
4. Assigned fund balance – Consists of amounts that are constrained by the City's intent to use them for a specific purpose but that are neither restricted nor committed. Intent can be expressed by an official or body to which the Mayor and Board of Aldermen has delegated the authority. The City has assigned fund balances for the park, the airport and the unemployment compensation fund.
5. Unassigned fund balance – Consists of the residual fund balance for the General Fund.

The City utilizes restricted fund balances first, followed by committed fund balances and then assigned fund balances.

F. Revenues, Expenditures and Expenses

- Property Tax

Property taxes attach as an enforceable lien on property as of the date levied by the City. Taxes are levied annually on or before September 15th for the subsequent fiscal year. Property taxes are recorded as a receivable in the period levied, but the revenue is deferred until the subsequent year in which it is available for use by the City.

- Grant Revenues

Revenues from federal, state, and other grants, the purpose of which is to fund specific City expenditures, are recognized at the time of the specific expenditure.

- Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

- Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to the use of economic resources.

Interfund transactions are reflected as loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets

The City prepares a budget which provides details by department and purpose. In September, the proposed budgets are presented to the Mayor and Board of Aldermen for review. The Board of Aldermen hold public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budgets. The budgets must be adopted on or before September 15th.

Mississippi law requires that municipalities budget on a modified-cash basis. Claims that have been incurred prior to the end of the year and are paid within 30 days after the end of the year are recorded under the accrual basis. Prior year claims that are paid more than 30 days after the end of the year are reflected as expenditures of the year in which they were paid. All revenue is accounted for under the cash basis. The required budgetary basis is therefore not considered to be in accordance with U.S. generally accepted accounting principles.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY *(continued)*

Expenditures other than capital outlay, election, and emergency expenditures may not legally exceed budgeted appropriations at the purpose level (e.g., personal services, supplies, other services and charges, and debt service).

B. Tax Levies

The City levies taxes based on 15% of fair value for real and personal property except for single-family owner-occupied dwellings which are taxed based on 10% of fair value and motor vehicles and public utilities which are based on 30% of fair value.

Annual tax increases are generally limited by state law to 10% of certain preceding years' receipts plus taxes on newly constructed properties, taxes on other properties added to the tax rolls, and an allowance for certain shortfalls in budgeted revenues.

Limitations are imposed on the amount of bonded and floating debt that may be issued based upon assessed valuation of properties.

Real property, personal property (excluding vehicle taxes, which have tax due dates based on the original date of vehicle registration), and public utility taxes are due on or before February 1. The City has an agreement with Neshoba County whereby the County collects these ad valorem taxes for both the City and the Philadelphia Public School District. The agreement allows the County to retain a commission. The millage rate for the City for 2013 is 72 mills of which 62 mills went to the Philadelphia Public School District and 10 mills went to the City.

NOTE 3. DEPOSITS AND INVESTMENTS

• Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Mississippi and its agencies that have a market value of not less than 105% of the principal amount of the deposits.

The collateral for public entities' 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 Depository Insurance Corporation.

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 3. DEPOSITS AND INVESTMENTS *(continued)*

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$7,506,669 and the bank balance was \$7,628,941. Of this amount, \$846,817 was insured by the FDIC, \$6,782,124 was collateralized by securities.

- Investments

State statutes authorize the City's investments. The City is authorized to invest in obligations of the U.S. Government and its agencies, obligations of the State of Mississippi, fully collateralized repurchase agreements and certificates of deposit.

Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, or for which securities are held by the counterpart's trust department or agent in the entity's name. Category 3 includes investments that are uninsured and unregistered, or for which the securities are held by the counterpart, or by its trust department or agent but not in the entity's name.

The City's investments carried at fair value as of September 30, 2013 are:

	<u>Category of Risk</u>	<u>Fair Value</u>
U S Treasury Securities	1	\$ 1,184,950
U S Government Agency	1	1,484,776
Money market funds	1	<u>112,045</u>
Total		<u>\$ 2,781,771</u>

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance October 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance September 30, <u>2013</u>
<i><u>Governmental Activities:</u></i>				
Capital assets				
Land	\$ 1,026,220	\$ -	\$ (12,000)	\$ 1,014,220
Buildings	19,930,392	528,922	(782,674)	19,676,640
Machinery and equipment	6,614,357	271,357	(103,242)	6,782,472
Infrastructure	<u>6,200,131</u>	<u>340,673</u>	<u>-</u>	<u>6,540,804</u>
Total at Historical Cost	<u>33,771,100</u>	<u>1,140,952</u>	<u>(897,916)</u>	<u>34,014,136</u>
Less accumulated depreciation				
Buildings	(4,472,431)	(654,546)	37,503	(5,089,474)
Machinery and equipment	(4,208,800)	(462,277)	25,651	(4,645,426)
Infrastructure	<u>(2,883,181)</u>	<u>(188,894)</u>	<u>-</u>	<u>(3,072,075)</u>
Total accumulated depreciation	<u>(11,564,412)</u>	<u>(1,305,717)</u>	<u>63,154</u>	<u>(12,806,975)</u>
Governmental activities capital assets, net	<u>\$ 22,206,688</u>	<u>\$ (164,765)</u>	<u>\$ (834,762)</u>	<u>\$ 21,207,161</u>
<i><u>Business-type Activities:</u></i>				
Capital assets				
Land	\$ 1,350,681	\$ -	\$ -	\$ 1,350,681
Buildings	1,845,748	120,442	-	1,966,190
Other improvements	12,310,797	642,141	(46,219)	12,906,719
Equipment	12,820,150	165,930	(90,339)	12,895,741
Construction in progress	<u>105,364</u>	<u>591,730</u>	<u>(559,143)</u>	<u>137,951</u>
Total capital assets at Historical Cost	<u>28,432,740</u>	<u>1,520,243</u>	<u>(695,701)</u>	<u>29,257,282</u>
Less accumulated depreciation				
Electric Plant	(6,650,083)	(503,356)	155,968	(6,997,471)
Water and Sewer Plant	<u>(6,981,357)</u>	<u>(462,656)</u>	<u>6,989</u>	<u>(7,437,024)</u>
Total accumulated depreciation	<u>(13,631,440)</u>	<u>(966,012)</u>	<u>162,957</u>	<u>(14,434,495)</u>
Business-type activities capital assets, net	<u>\$ 14,801,300</u>	<u>\$ 554,231</u>	<u>\$ (532,744)</u>	<u>\$ 14,822,787</u>

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 4. CAPITAL ASSETS (continued)

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 222,437
Public Safety	
Police	86,390
Fire	215,766
Municipal Court	1,614
Streets	232,281
Sanitation	86,144
Cemetery	14,063
Animal Control	441
Parks	244,261
Airport	<u>202,320</u>
 Total depreciation expense—governmental activities	 <u>\$ 1,305,717</u>

Business-Type Activities:

Electric Department	\$ 464,243
Water and Sewer Department	<u>462,656</u>
 Total depreciation expense—business-type activities	 <u>\$ 926,899</u>

NOTE 5. RESTRICTED ASSETS:

The amounts reported as restricted assets of the business-type activities at September 30, 2013 and 2012 are as follows:

	<u>September 30, 2013</u>		<u>September 30, 2012</u>	
	<u>Cash</u>	<u>Investments</u>	<u>Cash</u>	<u>Investments</u>
Customer meter fund	\$ 587,146	\$ 166,543	\$ 568,517	\$ 158,532
Bond sinking fund	<u>148,297</u>	<u>-</u>	<u>146,861</u>	<u>-</u>
	<u>\$ 735,443</u>	<u>\$ 166,543</u>	<u>\$ 715,378</u>	<u>\$ 158,532</u>

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 6. LONG-TERM DEBT

The City issues general obligation bonds to finance the acquisition and construction of major capital facilities, both for general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the issuing entity. These bonds are generally issued serial bonds with equal amounts of principal maturing each year.

On January 25, 2013, the City borrowed \$159,834 from BancorpSouth Bank under a lease/purchase contract to purchase a CAT D6K Dozer. Payments are \$2,160.87 per month for 36 months and a balloon payment of \$89,000.00 at an interest rate of 1.81%.

The City borrowed \$323,348 on January 13, 2012 from Mississippi Development Authority under the CAP Loan Revolving Program to purchase a rescue truck. Payments are \$2,975.24 per month for 120 months at an interest rate of 2%.

On February 7, 2011, the City borrowed \$714,928 from Mississippi Development Authority under the CAP Loan Revolving Program to finance a storage facility at the Industrial Park. Payments are \$3,964.97 per month for 240 months beginning November 1, 2011. The interest rate is 3%.

On February 24, 2009, the City borrowed \$650,857 from Mississippi Development Authority under the CAP Loan Revolving Program to purchase an Aerial Fire Truck. Payments are \$5,988.76 per month for 120 months at an interest rate of 2%.

On October 1, 2005, the City issued \$4,000,000 of revenue bonds payable from 2007 to 2020. Interest rates range from 3.3% to 4.5%. A portion of \$2,000,000 of the proceeds was used to expand and improve the existing municipal parks. A portion of the remaining half of the proceeds was used to help fund the commercial development of the Lowe's Home Improvement store. The bonds are to be repaid from incremental sales and ad valorem taxes collected with the tax increment financing district.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 6. LONG-TERM DEBT *(continued)*

Bonds outstanding and notes payable at September 30, 2013 are as follows:

Description	Issue Date	Final Maturity Date	Interest Rate Payable	Governmental activities	Business-type activities
2013 Lease/Purchase Contract \$159,834	1/25/2013	3/6/2016	1.81%	\$ 144,394	\$ -
2012 Cap Revolving Loan \$323,348	1/13/2012	3/1/2022	2%	276,421	-
2009 Cap Revolving Loan \$650,857	3/17/2009	3/1/2019	2%	375,333	-
2005 Tax Increment Financing Revenue Bonds \$4,000,000	10/1/2005	10/1/2020	3.30%-4.50%	2,310,000	-
1999 General Obligation Electric Bonds \$710,000	8/1/1999	8/1/2014	4.375%-6.00%	-	130,000
2003 General Obligation Water & Sewer Bonds \$1,000,000	7/1/2003	1/1/2023	2.8%-4.00%	-	610,000
				3,106,148	740,000
Less current portion				(403,937)	(115,000)
Long-Term Bonds				<u>\$ 2,702,211</u>	<u>\$ 625,000</u>

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 6. LONG-TERM DEBT (continued)

Changes in Long-Term Debt

The following is a summary of changes in the City's long-term debt for the year ended September 30, 2013:

	Balance October 1, 2012	Additions	Retirements	Balance September 30, 2013	Due Within One Year
<u>Governmental Activities</u>					
Accrued compensated absences	\$ 105,718	\$ 154,698	\$ 151,806	\$ 108,610	\$ 108,610
Tax increment financing bonds	2,585,000	-	275,000	2,310,000	285,000
2009 CAP Revolving Loan	438,908	-	63,575	375,333	64,972
2011 CAP Revolving Loan	688,128	-	688,128	-	-
2012 CAP Revolving Loan	306,206	-	29,785	276,421	30,454
2013 Lease purchase	-	159,834	15,440	144,394	23,511
	<u>4,123,960</u>	<u>314,532</u>	<u>1,223,734</u>	<u>3,214,758</u>	<u>512,547</u>
<u>Business-Type Activities</u>					
General obligation electric bonds	190,000	-	60,000	130,000	65,000
General obligation water & sewer bonds	655,000	-	45,000	610,000	50,000
	<u>845,000</u>	<u>-</u>	<u>105,000</u>	<u>740,000</u>	<u>115,000</u>
Total	<u>\$ 4,968,960</u>	<u>\$ 314,532</u>	<u>\$ 1,328,734</u>	<u>\$ 3,954,758</u>	<u>\$ 627,547</u>

Payments of the governmental general obligation bonds are made from the debt service fund from rental revenues. Payments of the electric and water and sewer general obligation bonds are made by the enterprise funds from electric and water and sewer revenues.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 6. LONG-TERM DEBT (continued)

Future Requirements to Maturity

Principal and interest requirements to maturity for the City's bonds and notes outstanding as of September 30, 2013, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 403,937	\$ 113,531	\$ 115,000	\$ 24,471
2015	421,292	99,634	115,000	19,984
2016	511,260	83,929	55,000	16,990
2017	431,322	67,994	55,000	15,340
2018	448,367	51,924	60,000	13,635
2019-2023	889,970	53,972	340,000	36,675
Total	<u>\$ 3,106,148</u>	<u>\$ 470,984</u>	<u>\$ 740,000</u>	<u>\$ 127,095</u>

NOTE 7. INTERFUND TRANSFERS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources. Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and assets acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

The governmental and business type funds financial statements, presented as the Statement of Net Assets and the Statement of Activities generally reflect such transactions as transfers. Balances at September 30, 2013, were:

Fund	Transfers In	Transfers Out
General Fund	\$ 200,707	\$ 130,662
Park Commission Fund	118,593	-
Municipal Airport Fund	6,080	-
Fire Protection Fund	5,989	-
Philadelphia Electric Utilities	-	200,707
	<u>\$ 331,369</u>	<u>\$ 331,369</u>

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 7. INTERFUND TRANSFERS *(continued)*

Individual fund interfund receivable and payable balances at September 30, 2013 arising from these transactions were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 2,350	\$ 28,038
TIF Interest & Sinking Fund	17,648	-
Park Commission Fund	9,883	-
Municipal Airport Fund	507	-
Philadelphia Water & Sewer Utilities	-	2,350
	<u>\$ 30,388</u>	<u>\$ 30,388</u>

The government-wide Statement of Activities eliminate transfers as reported with the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

NOTE 8. PENSION PLAN

City of Philadelphia and Park Employees

Plan Description – The City of Philadelphia and Park 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. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employee Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800 444 PERS.

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the City of Philadelphia and Park is required to contribute at an actuarially determined rate. The current rate is 14.26% of covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City of Philadelphia and Park's contributions to PERS for the years ending September 30, 2013, 2012 and 2011 were \$427,649, \$405,331, and \$385,252, respectively, equal to the required contributions for each year.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 8. PENSION PLAN *(continued)*

Philadelphia Utilities

Plan Description – In essence all Philadelphia Utility full-time employees participate in the Central Service Association Employee Retirement Plan (Plan), a multiple-employer retirement system. The Utility's payroll for employees covered by the Plan for the year ended September 30, 2013 was \$2,016,198 the Utility's total payroll was \$2,042,855.

Funding Policy – Employees can retire at age 65 or at age 62 with 30 years of service with full benefits or at an earlier date (after age 55) with actuarially reduced benefits. Eligible retirees are entitled to an annual benefit payable monthly calculated as follows: 2.25% times the average of the highest 60 months' salary times the number of years in the Plan. The Plan also provides certain death and disability benefits. The employer contribution requirement for the Philadelphia Utilities for the year ended September 30, 2013 was \$274,391.

NOTE 9. DEFERRED COMPENSATION PLAN

The City, through the Mississippi Public Employees' Retirement System (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Municipal employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The assets in the deferred compensation plan are not subject to the general creditors of the City, but are held in trust for plan participants and their beneficiaries. As a result, deferred compensation assets are not shown as assets of the City.

NOTE 10. LEASES

On January 25, 2013, the City entered into a lease/purchase agreement with BancorpSouth Bank of Hattiesburg, MS in the amount of \$159,834 for the lease/purchase of a Caterpillar D6K dozer. The lease term is 36 monthly payments of \$2,160.87. Additionally a balloon payment in the amount of \$89,000 is due one month after the 36th payment.

On December 18, 2009, the City entered an operating lease agreement with Hancock Bank of Gulfport, MS in the amount of \$157,968 for the rental of a Caterpillar D6K dozer. The lease term is 36 monthly payments of \$2,535.93. Additionally, a balloon payment in the amount of \$78,000 is due one month after the 36th payment, should the City accept the purchase option. Rent expense for the year ended September 30, 2013 under this lease agreement was \$7,607.79. This lease agreement was replaced with the BancorpSouth lease purchase.

CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts: theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>	<u>Risk Retained</u>
Torts, errors and omissions	Purchased insurance with Mississippi Municipal Liability Plan	Excess over coverage of \$500,000 per torts claim or \$1,000,000 per federal court claim
Injuries to employees (worker's compensation)	Participates in Mississippi Municipal Workers Compensation Group pool	None
Physical property loss and natural disasters	Purchased commercial insurance with no deductibles.	None
Health and life	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

Risk Entity Pools

The City belongs to the Mississippi Municipal Liability Plan (the plan), which provides liability insurance coverage for most of the municipalities in Mississippi. Under this agreement, the plan has the right to assess the members of the plan group if the assets of the plan are insufficient to cover its obligations. The City management is not aware of any impending assessments by the plan.

The City also belongs to the Mississippi Municipal Workers' Compensation Group which provides workmen's compensation insurance. The City pays premiums to the pool for its workers' compensation coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$350,000 for each accident and completely covers statutory limits set for workers' compensation claims. Risk of loss is remote for claims exceeding the pool's retention liability. The pool has catastrophic reinsurance for statutory limits above the pool's retention. The pool may make an overall supplemental assessment or declare a dividend depending on the loss experience of all the entities it insures.

NOTE 12. ECONOMIC DEPENDENCY

The City relies on sales tax revenues as its major revenue source. Sales tax revenues were \$3,906,204 for the year ended September 30, 2013.

Philadelphia Utilities Electric Department depends upon Tennessee Valley Authority (TVA) as the major supplier of electricity.

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CITY OF PHILADELPHIA, MISSISSIPPI

Notes to Basic Financial Statements
Year Ended September 30, 2013

NOTE 13. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the City to concentrations of credit risk consist principally of cash and Utility accounts receivable. This risk occurs because the Electric and Water & Sewer Utilities grant credit to their customers, all of whom are local businesses and residents.

NOTE 14. COMMITMENTS AND CONTINGENT LIABILITIES

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

The City is periodically exposed to various claims against it, as well as to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance. At September 30, 2013 the City was involved in some legal proceedings, it is City management's opinion that the ultimate disposition of these will not have a materially adverse impact on the City's financial statements.

NOTE 15. NEW ACCOUNTING PRONOUNCEMENTS

In March 2012, GASB issued Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The statement describes which assets and liabilities which are appropriately reported in the new financial elements, deferred outflows of resources and deferred inflows of resources required by GASBS No. 63. It is effective for years beginning after December 15, 2012. The City is in the process of evaluating this statement and its potential impact on the City's financial statements.

In January 2011, GASB issued Statement No. 62 *Codification of Accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* to incorporate guidance that could only be found in certain Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) pronouncements. The statement is effective for periods beginning after December 15, 2011. The City implemented this statement in its financial statements.

In June 2011, GASB issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows Resources, and Net Position* to provide guidance in reporting the consumption or acquisition or net assets in one period that are applicable to future periods. The statement is effective for periods beginning after December 15, 2011. The City implemented this statement in its financial statements.

In June 2011, GASB issued Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions* to provide guidance when dealing with hedging derivative arrangements involving interest rate or commodity SWAP agreements. The statement is effective for periods beginning after June 15, 2011. The adoption of this statement is not felt to have any impact upon the City's financial statements.

*REQUIRED SUPPLEMENTARY
INFORMATION*

CITY OF PHILADELPHIA, MISSISSIPPI

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 Year Ended September 30, 2013

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Revenues:						
Taxes	\$ 590,000	\$ 590,000	\$ 576,145	\$ -	\$ 576,145	\$ (13,855)
Licenses and permits	34,000	34,000	40,611	-	40,611	6,611
Inter-governmental revenues:						
Federal revenues	-	-	626,851	18,812	645,663	645,663
State shared revenues	5,128,673	5,128,673	3,671,503	(97,813)	3,573,690	(1,554,983)
Local shared revenues	228,500	228,500	125,680	-	125,680	(102,820)
Charges for services:						
Animal control	1,800	1,800	1,660	-	1,660	(140)
Sanitation	358,000	358,000	371,474	-	371,474	13,474
Cemetery	16,000	16,000	40,350	-	40,350	24,350
Building inspection	14,500	14,500	13,147	-	13,147	(1,353)
Landfill fees	-	-	20,390	-	20,390	20,390
Fines and forfeitures	599,000	599,000	435,222	-	435,222	(163,778)
Miscellaneous	525,000	525,000	736,098	(4,300)	731,798	206,798
Sale of building and equipment	-	-	821,487	-	821,487	821,487
Total Revenues	7,495,473	7,495,473	7,480,618	(83,301)	7,397,317	(98,156)
Expenditures:						
General Government						
Personnel services	495,712	498,215	478,380	-	478,380	19,835
Supplies	4,000	4,500	4,871	-	4,871	(371)
Other services and charges	1,287,668	1,479,000	1,461,346	-	1,461,346	17,654
Capital outlay	719,975	719,975	857,896	-	857,896	(137,921)
Transfers	124,673	124,673	130,662	-	130,662	(5,989)
Total General Government	2,632,028	2,826,363	2,933,155	-	2,933,155	(106,792)
Police Department						
Personnel services	1,431,336	1,431,336	1,339,505	-	1,339,505	91,831
Supplies	124,000	124,000	118,425	-	118,425	5,575
Other services and charges	152,855	152,855	128,536	-	128,536	24,319
Capital outlay	87,165	87,165	10,913	-	10,913	76,252
Total Police Department	1,795,356	1,795,356	1,597,379	-	1,597,379	197,977
Fire Department						
Personnel services	1,357,916	1,357,916	1,343,087	-	1,343,087	14,829
Supplies	55,000	58,000	69,150	-	69,150	(11,150)
Other services and charges	33,000	46,489	24,203	-	24,203	22,286
Capital outlay	12,500	17,000	6,424	-	6,424	10,576
Total Fire Department	1,458,416	1,479,405	1,442,864	-	1,442,864	36,541
Street Department						
Personnel services	475,691	475,691	473,010	-	473,010	2,681
Supplies	72,320	72,320	72,756	-	72,756	(436)
Other services and charges	138,000	138,000	107,918	-	107,918	30,082
Capital outlay	5,000	5,000	-	-	-	5,000
Total Street Department	691,011	691,011	653,684	-	653,684	37,327

CITY OF PHILADELPHIA, MISSISSIPPI

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 Year Ended September 30, 2013

	Budgeted Amounts		Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget Positive (Negative)
	Original	Final				
Sanitation Department						
Personnel services	\$ 104,481	\$ 104,481	\$ 89,021	\$ -	\$ 89,021	\$ 15,460
Supplies	19,700	28,550	27,908	-	27,908	642
Other services and charges	373,700	378,200	397,898	-	397,898	(19,698)
Capital outlay	32,000	32,000	237,834	-	237,834	(205,834)
Total Sanitation Department	<u>529,881</u>	<u>543,231</u>	<u>752,661</u>	<u>-</u>	<u>752,661</u>	<u>(209,430)</u>
Municipal Court						
Personnel services	112,428	112,428	111,015	-	111,015	1,413
Supplies	2,000	2,300	2,351	-	2,351	(51)
Other services and charges	175,950	192,550	182,023	-	182,023	10,527
Capital outlay	1,000	1,000	860	-	860	140
Total Municipal Court	<u>291,378</u>	<u>308,278</u>	<u>296,249</u>	<u>-</u>	<u>296,249</u>	<u>12,029</u>
Cemetery Department						
Personnel services	143,023	146,471	142,576	-	142,576	3,895
Supplies	8,600	8,716	9,018	-	9,018	(302)
Other services and charges	2,800	2,800	1,525	-	1,525	1,275
Capital outlay	1,000	1,000	325	-	325	675
Total Cemetery Department	<u>155,423</u>	<u>158,987</u>	<u>153,444</u>	<u>-</u>	<u>153,444</u>	<u>5,543</u>
Animal Control						
Personnel services	33,948	33,948	31,527	-	31,527	2,421
Supplies	3,184	3,184	2,138	-	2,138	1,046
Other services and charges	1,250	1,250	771	-	771	479
Capital outlay	1,000	1,000	763	-	763	237
Total Animal Control	<u>39,382</u>	<u>39,382</u>	<u>35,199</u>	<u>-</u>	<u>35,199</u>	<u>4,183</u>
Total Expenditures	<u>7,592,875</u>	<u>7,842,013</u>	<u>7,864,635</u>	<u>-</u>	<u>7,864,635</u>	<u>(22,622)</u>
Excess (deficiency) of revenues over expenditures	(97,402)	(346,540)	(384,017)	(83,301)	(467,318)	(120,778)
Fund Balances—Beginning of Year	<u>4,700,000</u>	<u>4,700,000</u>	<u>4,200,316</u>	<u>(339,964)</u>	<u>3,860,352</u>	<u>(839,648)</u>
Fund Balances—End of Year	<u>\$ 4,602,598</u>	<u>\$ 4,353,460</u>	<u>\$ 3,816,299</u>	<u>\$ (423,265)</u>	<u>\$ 3,393,034</u>	<u>\$ (960,426)</u>

*OTHER SUPPLEMENTARY
INFORMATION*

CITY OF PHILADELPHIA, MISSISSIPPI
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2013

	<u>Special Revenue Funds</u>					Total Nonmajor Governmental Funds
	<u>Fire Protection Fund</u>	<u>Municipal Airport</u>	<u>Park Commission</u>	<u>Tourism/ Economic Council</u>	<u>Unemployment Compensation Fund</u>	
<u>ASSETS</u>						
Cash	\$ 24,565	\$ 3,360	\$ 75,732	\$ 81,004	\$ 15,065	\$ 199,726
Due from General Fund	-	507	9,883	-	-	10,390
Total Assets	<u>\$ 24,565</u>	<u>\$ 3,867</u>	<u>\$ 85,615</u>	<u>\$ 81,004</u>	<u>\$ 15,065</u>	<u>\$ 210,116</u>
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ 2,467	\$ 11,310	\$ -	\$ -	\$ 13,777
<u>FUND BALANCES</u>						
Restricted	\$ 24,565	\$ -	\$ -	\$ 81,004	\$ -	\$ 105,569
Assigned	-	1,400	74,305	-	15,065	90,770
Total Fund Balance	<u>24,565</u>	<u>1,400</u>	<u>74,305</u>	<u>81,004</u>	<u>15,065</u>	<u>198,339</u>
Total Liabilities and Fund Balances	<u>\$ 24,565</u>	<u>\$ 3,867</u>	<u>\$ 85,615</u>	<u>\$ 81,004</u>	<u>\$ 15,065</u>	<u>\$ 210,116</u>

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CITY OF PHILADELPHIA, MISSISSIPPI

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended September 30, 2013**

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Fire Protection Fund	Municipal Airport	Park Commission	Tourism/ Economic Council	Unemployment Compensation Fund	
Revenues:						
Sales tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ad valorem taxes	-	-	-	-	-	-
Tourism tax	-	-	-	106,677	-	106,677
Fire insurance premiums	38,585	-	-	-	-	38,585
Interest income	29	4	133	96	18	280
Rent	-	17,779	38,459	-	-	56,238
Neshoba County	-	-	107,463	-	-	107,463
Operating fees	-	-	111,534	-	-	111,534
Grant	-	-	4,000	5,350	-	9,350
Other revenue	-	-	31,404	-	-	31,404
Total Revenues	<u>38,614</u>	<u>17,783</u>	<u>292,993</u>	<u>112,123</u>	<u>18</u>	<u>461,531</u>
Expenditures:						
Personal services	-	-	227,516	-	-	227,516
Other services	-	24,783	144,595	100,209	-	269,587
Supplies	-	-	17,801	-	-	17,801
Debt service:						
Principal	63,575	-	-	-	-	63,575
Interest	8,290	-	-	-	-	8,290
Capital outlay	-	-	25,937	-	-	25,937
Total Expenditures	<u>71,865</u>	<u>24,783</u>	<u>415,849</u>	<u>100,209</u>	<u>-</u>	<u>612,706</u>
Excess (deficiency) of revenues over expenditures	<u>(33,251)</u>	<u>(7,000)</u>	<u>(122,856)</u>	<u>11,914</u>	<u>18</u>	<u>(151,175)</u>
Other Financing Sources						
Transfers in	5,989	6,080	118,593	-	-	130,662
Total Other Financing Sources	<u>5,989</u>	<u>6,080</u>	<u>118,593</u>	<u>-</u>	<u>-</u>	<u>130,662</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(27,262)</u>	<u>(920)</u>	<u>(4,263)</u>	<u>11,914</u>	<u>18</u>	<u>(20,513)</u>
Fund Balance—Beginning of Year	<u>51,827</u>	<u>2,320</u>	<u>78,588</u>	<u>69,090</u>	<u>15,047</u>	<u>216,852</u>
Fund Balance—End of Year	<u>\$ 24,565</u>	<u>\$ 1,400</u>	<u>\$ 74,305</u>	<u>\$ 81,004</u>	<u>\$ 15,065</u>	<u>\$ 196,339</u>

See accompanying notes to basic financial statements.

CITY OF PHILADELPHIA, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2013

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
James A. Young	Mayor	Travelers Casualty & Surety Company of America	\$ 100,000
Jim Fulton	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
Cecil Nichols	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
Josh Gamblin	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
Willie Jackson	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
James Tatum	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
James M. Johnson	City Clerk	Travelers Casualty & Surety Company of America	\$ 50,000
Kim Wooten	Deputy City Clerk	Travelers Casualty & Surety Company of America	\$ 50,000
Nikki Marie Walton	Deputy City Clerk	Travelers Casualty & Surety Company of America	\$ 50,000
Denise T. Refre	Court Clerk	Travelers Casualty & Surety Company of America	\$ 50,000
Tara Stribling	Deputy Court Clerk	Travelers Casualty & Surety Company of America	\$ 50,000
Marilyn Jackson	Deputy Court Clerk	Travelers Casualty & Surety Company of America	\$ 50,000

SINGLE AUDIT SECTION

CITY OF PHILADELPHIA, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013**

Federal Agency Pass-through entity <u>Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Major Programs:			
<u><i>U. S. Department of Transportation</i></u>			
<i>Federal Aviation Administration</i>			
Direct Programs:			
Airport Improvement Program	20.106		266,438
Airport Improvement Program	20.106		<u>60,375</u>
Total Major Programs			<u>326,813</u>
Non-Major Programs:			
<u><i>U.S. Department of Defense</i></u>			
<i>U.S. Army Corps of Engineers</i>			
Direct Program:			
Mississippi Environmental Infrastructure ARRA	12.124		<u>3,808</u>
 <u><i>U. S. Department of Justice</i></u>			
Pass-through State Department of Public Safety:			
JAG Grant	16.738	2011-DJ-BX-2694	<u>2,431</u>
 <u><i>U. S. Department of Housing and Urban Development</i></u>			
Pass-through Mississippi Development Authority			
Community Development Block Grant:			
Water & Sewer Grant	14.228	1127-10-296-PF-01	189,416
AlphaGen Building Grant	14.228	1127-10-296-ED-01	<u>9,192</u>
			<u>198,608</u>
 <u><i>U. S. Department of Homeland Security</i></u>			
Pass-through Mississippi Emergency Management Agency			
Disaster Grant	97.036	099-00BF0-00 FEMA-1972-DR-MS	<u>8,701</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PHILADELPHIA, MISSISSIPPI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013**

Federal Agency Pass-through entity <u>Program Title</u>	Catalog of Federal Domestic <u>Assistance Number</u>	Pass-through Entity Identifying <u>Number</u>	<u>Federal Expenditures</u>
<i><u>U. S. Department of Transportation</u></i>			
Pass-through State Office of Highway Safety:			
DUI Officer Grant	20.605	13-TA-228-1	\$ 38,933
Occupant Safety Grant	20.600	13-OP-228-1	<u>4,444</u>
			<u>43,377</u>
Pass-through Mississippi Department of Transportation			
American Recovery & Reinvestment Act	20.205	STP-0026-00 (011) LPA 105795-71000	<u>272,539</u>
Total Non-Major Programs			<u>529,464</u>
Total Major and Non-Major Programs			<u>\$ 856,277</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF PHILADELPHIA, MISSISSIPPI

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2013

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Philadelphia, Mississippi, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. A reconciliation to the amounts reported as grants in the Statement of Activities is:

Operating grants and contributions	\$ 498,461
Capital grants and contributions	892,509
Less amounts of contributions	(320,506)
Less amounts of state grants	(241,688)
Amounts spent in 2013 but not reimbursed	60,375
Amounts spent in 2012 but reimbursed in 2013	<u>(32,874)</u>
	<u>\$ 856,277</u>

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CITY OF PHILADELPHIA, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended September 30, 2013

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Philadelphia, Mississippi.
2. The audit of the financial statements did not disclose any significant deficiencies considered to be material weaknesses in internal control.
3. No instances of noncompliance material to the financial statements of the City of Philadelphia, Mississippi, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No instances of deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal award programs for the City of Philadelphia, Mississippi expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was the U.S. Department of Transportation, Federal Aviation Administration, Airport Improvement Grants #20.106.
8. The dollar threshold used to distinguish between Type A and Type B programs were as those terms are defined in OMB Circular A-133 was \$300,000.
9. The City of Philadelphia, Mississippi was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

- The results of my tests did not disclose any findings related to the financial statements, which are required to be reported by *Government Auditing Standards*.

CITY OF PHILADELPHIA, MISSISSIPPI

SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2013

There were no prior findings to report.

A. T. WILLIAMS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Mississippi as of and for the year ended September 30, 2013, which collectively comprise the City of Philadelphia, Mississippi's basic financial statements and have issued my report thereon dated December 30, 2013. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Philadelphia, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia, Mississippi's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Philadelphia, Mississippi's internal control over financial reporting.

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.

My consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Philadelphia, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the mayor and board of aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A. T. Williams

Philadelphia, Mississippi
December 30, 2013

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

Compliance

I have audited the City of Philadelphia, Mississippi'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 City of Philadelphia, Mississippi's major federal programs for the year ended September 30, 2013. The City of Philadelphia, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Philadelphia, Mississippi's management. My responsibility is to express an opinion on the City of Philadelphia, Mississippi's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Philadelphia, Mississippi's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of Philadelphia, Mississippi's compliance with those requirements.

In my opinion, the City of Philadelphia, Mississippi complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Internal Control Over Compliance

Management of the City of Philadelphia, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the City of Philadelphia, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the 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, I do not express an opinion on the effectiveness of the City of Philadelphia, Mississippi's internal control over compliance.

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

My 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 that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the mayor and board of aldermen, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A. T. Williams

Philadelphia, Mississippi
December 30, 2013

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STATE COMPLIANCE SECTION

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of and for the year ended September 30, 2013 which collectively comprise the City of Philadelphia, Mississippi basic financial statements and have issued my report thereon dated December 30, 2013. I have conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of those procedures and my audit of the financial statements disclosed one instance of noncompliance with state laws and regulations.

Condition

Even though the City amended its budget, there were several instances of expenditures exceeding their budgeted amounts as shown on the comparison schedule on pages 50-51.

Criteria

Section 21-35-17, Mississippi Code Annotated (1972) states that expenditures shall not exceed budget estimates with very few exceptions provided.

Auditor recommendation

I recommend that greater care be taken in reviewing operations and amending the budget.

Response

We concur with the finding and we will ensure that greater care will be taken in amending the budget.

This report is intended solely for the use of the City of Philadelphia, Mississippi's management and the Office of the State Auditor, 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.

A. T. Williams

Philadelphia, Mississippi
December 30, 2013