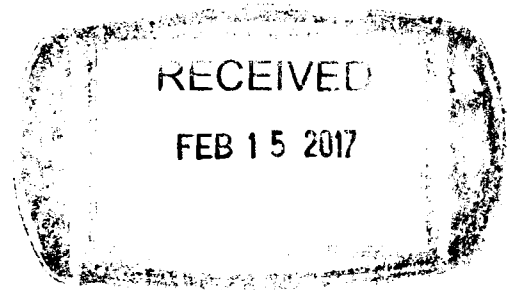




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CITY OF PHILADELPHIA, MISSISSIPPI

**ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2015**



C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	
Required supplementary information	4-11
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of net position	12-13
Statement of activities	14-15
Fund financial statements	
Governmental fund financial statement	
Balance sheet	16
Reconciliation of the balance sheet of governmental funds to the statement of net position	17
Statement of revenues, expenditures, and changes in fund balances	18-19
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	20
Proprietary fund financial statements	
Statement of net position — business-type activities	21-22
Statement of revenues, expenses and changes in fund net assets — business-type activities	23
Statement of cash flows — business-type activities	24-25
Notes to basic financial statements	26-52
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of revenues, expenditures and changes in fund balances - budgetary basis	53-54
Notes to the required supplementary information	55-56
Schedule of the City's proportionate share of the net pension liability	57
Schedule of the City's contributions	58
SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	59

OTHER SUPPLEMENTARY INFORMATION	
Non-major governmental funds	
Combining balance sheets	60
Combining statement of revenues, expenditures and changes in fund balances	61
Schedule of surety bonds for municipal officials	62
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	63-64
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	65-67
STATE COMPLIANCE SECTION	
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	69-70
AUDITEE'S CORRECTIVE ACTION PLAN	71



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of and for the year ended September 30, 2015, 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 Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of September 30, 2015, 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, the Budgetary Comparison Schedule and corresponding notes, the Schedule of the City's Proportionate Share of the New Pension Liability, and Schedule of the County's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Mississippi's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing

procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining non-major 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2017, on our consideration of the City of Philadelphia, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Philadelphia, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rea, Shaw, Giffin & Stuart".

REA, SHAW, GIFFIN & STUART, LLP

CITY OF PHILADELPHIA

*525 Main Street
Philadelphia, MS 39350*

MAYOR

James A. Young

CITY CLERK

James M. Johnson

CITY ATTORNEY

Robert Thomas

ALDERMEN

Jim Fulton

Josh Gamblin

Willie Jackson

Cecil Nichols

James Tatum

An overall review of the City's financial activities and performance for the year ending September 30, 2015, 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 increased by \$747,929 or 3% from 2015.

Total liabilities increased by \$6,430,034 or 161% from 2015. This is due to the addition of net pension liability in the amount of \$7,729,014.

Total net position decreased approximately \$5,320,763 or 23% as a result of this year's operations. This is due to a prior period adjustment in the amount of \$5,570,845 made in relation to the net pension liability.

The governmental revenues exceeded expenditures by \$89,939 before transfers. The City's business-type revenues exceeded related expenses by \$200,667 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 12-15) 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 16. 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 PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2015

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 detailed financial statements for the governmental funds are on pages 16-19.

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 detailed financial statements for the proprietary funds are on pages 21-25.

CITY OF PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

STATEMENT OF NET POSITION

For the Year Ended September 30, 2015

	Governmental Activities		Business-Type Activities		Total		Increase (Decrease)
	2015	2014	2015	2014	2015	2014	
Current and other assets	\$ 6,992,968	\$ 6,855,323	\$ 8,321,057	\$ 8,471,788	\$ 15,314,025	\$ 15,327,111	\$ (13,086)
Capital assets	20,949,103	20,315,710	14,739,818	14,425,509	35,688,921	34,741,219	947,702
Total assets	\$ 27,942,071	\$ 27,171,033	\$ 23,060,875	\$ 22,897,297	\$ 51,002,946	\$ 50,068,330	\$ 934,616
Deferred outflows	\$ 1,388,342	\$ -	\$ 297,519	\$ -	\$ 1,685,861	\$ -	\$ 1,685,861
Long-term liabilities	\$ 9,557,790	\$ 2,281,057	\$ 2,087,523	\$ 568,024	\$ 11,645,313	\$ 2,849,081	\$ 8,796,232
Other liabilities	881,429	1,725,146	2,439,563	2,351,826	3,320,992	4,076,972	(755,980)
Total liabilities	\$ 10,439,219	\$ 4,006,203	\$ 4,527,086	\$ 2,919,850	\$ 14,966,305	\$ 6,926,053	\$ 8,040,252
Deferred inflows	\$ 1,027,000	\$ -	\$ -	\$ -	\$ 1,027,000	\$ -	\$ 1,027,000
Net position							
Net Investment in capital assets	\$ 18,552,752	\$ 17,613,361	\$ 14,229,818	\$ 13,800,510	\$ 32,782,570	\$ 31,413,871	\$ 1,368,699
Restricted	1,255,417	136,532	4,590	115,670	1,260,007	252,202	1,007,805
Unrestricted	(1,943,975)	5,414,937	4,585,609	6,061,267	2,641,634	11,476,204	(8,834,570)
Total net position	\$ 17,864,194	\$ 23,164,830	\$ 18,820,017	\$ 19,977,447	\$ 36,684,211	\$ 43,142,277	\$ (6,458,066)

The City's total assets increased by \$911,507 during 2015 with governmental activities showing an increase of \$747,929 and business-type activities an increase of \$163,578. The major changes were a \$613,266 increase in capital assets by the governmental activities and a \$314,309 increase in capital assets by the business-type activities. The City's total liabilities increased \$8,037,270, due mainly to the addition of the net pension liability. The City's net position decreased by \$6,478,193 due mainly to the recognition of the net pension liability as a prior period adjustment.

CITY OF PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued) STATEMENT OF CHANGES IN NET POSITION For the Year Ended September 30, 2015

Table 2 shows the changes in net position for the September 30, 2015 year-end. A comparative analysis of government-wide data is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 1,255,946	\$ 1,009,288	\$ 14,850,413	\$ 15,116,854	\$ 16,106,359	\$ 16,126,142
Operating grants and contributions	268,800	419,593	-	-	268,800	419,593
Capital grants and contributions	621,216	93,592	-	3,251	621,216	96,843
General Revenues:						
Ad valorem tax	1,374,497	1,215,336	-	-	1,374,497	1,215,336
Franchise tax on utilities	120,787	111,043	-	-	120,787	111,043
Sales Tax	4,329,470	4,093,666	-	-	4,329,470	4,093,666
TVA in lieu tax	142,438	151,627	-	-	142,438	151,627
Investment income (loss)	1,305	971	93,823	60,720	95,128	61,691
Miscellaneous	154,523	33,723	-	-	154,523	33,723
Tourism Tax	105,363	126,465	-	-	105,363	126,465
Gain on sale of assets	10,332	-	-	-	10,332	-
Total revenues	\$ 8,384,677	\$ 7,255,304	\$ 14,944,236	\$ 15,180,825	\$ 23,328,913	\$ 22,436,129
Expenses:						
General Government	\$ 1,309,941	\$ 1,120,165	\$ -	\$ -	\$ 1,309,941	\$ 1,120,165
Public Safety: Police	1,618,122	1,597,781	-	-	1,618,122	1,597,781
Public Safety: Fire	1,719,237	1,695,485	-	-	1,719,237	1,695,485
Municipal court	111,602	129,900	-	-	111,602	129,900
Streets	916,278	850,910	-	-	916,278	850,910
Sanitation	515,691	549,126	-	-	515,691	549,126
Cemetery	172,269	164,836	-	-	172,269	164,836
Animal control	36,160	35,526	-	-	36,160	35,526
Library	-	50,088	-	-	-	50,088
Parks	657,478	638,696	-	-	657,478	638,696
Airport	267,334	233,508	-	-	267,334	233,508
Tourism	109,574	111,211	-	-	109,574	111,211
Interest on long-term debt	60,324	101,389	-	-	60,324	101,389
Pension expense	921,165	-	-	-	921,165	-
Water & Sewer utilities	-	-	2,681,655	2,564,113	2,681,655	2,564,113
Electric utilities	-	-	11,761,207	11,843,971	11,761,207	11,843,971
Total expenses	\$ 8,415,175	\$ 7,278,621	\$ 14,442,862	\$ 14,408,084	\$ 22,858,037	\$ 21,686,705
Increase (decrease) in net position before transfers	\$ (30,498)	\$ (23,317)	\$ 501,374	\$ 772,741	\$ 470,876	\$ 749,424
Transfers	300,707	300,707	(300,707)	(300,707)	-	-
Increase (decrease) in net position	\$ 270,209	\$ 277,390	\$ 200,667	\$ 472,034	\$ 470,876	\$ 749,424

CITY OF PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2015

The City's governmental activities continue to be primarily funded by sources other than property taxes, which made up only 17% 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 \$5,748,349, which is \$89,939 more than last year's total of \$5,658,410. The primary reason for the increase was current year revenues exceeded expenditures by \$200,127 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 53-54.

During 2015, 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 \$7,850,325; with the final budgeted amount being \$7,850,325; and with \$7,625,392 in actual revenue collections. The shortage of \$224,933 was due mainly to state shared revenues. The general fund's original budgeted expenditures of \$7,840,102 were amended to \$7,840,102, with actual expenditures of \$7,101,726.

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, 2015, amounts to \$35,668,794 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and construction in-progress. The total increase in the City's investment in capital assets for the current fiscal year was \$927,575 (\$613,266 increase in governmental activities and \$314,309 increase in business-type activities).

CITY OF PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
GOVERNMENTAL FUND AND BUSINESS-TYPE ACTIVITIES
For the Year Ended September 30, 2015

Asset Classification	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015
Governmental Activities:				
Capital asset values				
Land	\$ 1,209,675	\$ -	\$ -	\$ 1,209,675
Buildings	19,701,185	258,269	-	19,959,454
Machinery and Equipment	6,735,483	530,814	18,658	7,247,639
Infrastructure	6,581,358	1,168,979	-	7,750,337
Total at historical cost	\$ 34,227,701	\$ 1,958,062	\$ 18,658	\$ 36,167,105
Less: Capital asset accumulated depreciation				
Buildings	\$ (5,514,627)	\$ (626,959)	\$ -	\$ (6,141,586)
Machinery and Equipment	(5,129,833)	(470,680)	16,792	(5,583,721)
Infrastructure	(3,267,531)	(225,164)	-	(3,492,695)
Total accumulated depreciation	\$ (13,911,991)	\$ (1,322,803)	\$ 16,792	\$ (15,218,002)
Governmental activities capital assets, net	\$ 20,315,710	\$ 635,259	\$ 1,866	\$ 20,949,103
Asset Classification	Balance 9/30/2014	Additions	Retirements	Balance 9/30/2015
Business-Type Activities:				
Capital asset values				
Land	\$ 1,350,681	\$ -	\$ -	\$ 1,350,681
Buildings	1,966,189	-	-	1,966,189
Other Improvements	13,285,590	-	-	13,285,590
Equipment	12,997,952	1,120,253	196,325	13,921,880
Construction in-progress	105,930	745,779	523,372	328,337
Total at historical cost	\$ 29,706,342	\$ 1,866,032	\$ 719,697	\$ 30,852,677
Less: Capital asset accumulated depreciation				
Electric plant	\$ (7,401,469)	\$ (390,712)	\$ -	\$ (7,792,181)
Water and Sewer plant	(7,879,364)	(472,200)	30,886	(8,320,678)
Total accumulated depreciation	\$ (15,280,833)	\$ (862,912)	\$ 30,886	\$ (16,112,859)
Business-type activities capital assets, net	\$ 14,425,509	\$ 1,003,120	\$ 688,811	\$ 14,739,818

Additional information on the City of Philadelphia's capital assets can be found in Note 4 on pages 38 and 39.

CITY OF PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2015

Debt Administration

At the end of the current fiscal year, the City of Philadelphia had a total bonded debt, notes payable and compensated absences of \$3,002,585. Of this amount, \$510,000 represents bonds paid by water and sewer revenues, \$1,725,000 of tax increment financing bonds issued 10/1/2005, which will be repaid out of increased sales and property taxes, and \$651,223 of notes payable. The accrued compensated absences for the governmental activities totaled \$116,362.

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
G.O. bonds	\$ -	\$ -	\$ 510,000	\$ 625,000	\$ 510,000	\$ 625,000
Revenue bonds	1,725,000	2,025,000	-	-	1,725,000	2,025,000
Accrued compensated absences	116,362	106,941	-	-	116,362	106,941
CAP revolving loans	459,281	556,466	-	-	459,281	556,466
Lease purchase	191,942	120,883	-	-	191,942	120,883
Totals	\$ 2,492,585	\$ 2,809,290	\$ 510,000	\$ 625,000	\$ 3,002,585	\$ 3,434,290

During the fiscal year, the City's total debt decreased by \$431,705. A total of \$551,186 was repaid on bonds and notes.

Additional information on the City of Philadelphia's long-term debt can be found in Note 6 on pages 40-42 of this report.

CITY OF PHILADELPHIA, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

For the Year Ended September 30, 2015

Economic Factors and Next Year's Budgets and Rates

The City's elected and appointed officials considered many factors when setting the fiscal year 2015 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 2016 year.

The general fund budget for the year 2016 reflects anticipated revenues of \$7,603,602. The mills will decrease to 18 from 20 for the general fund for the coming year. The 2016 general fund budget shows anticipated expenditures of \$7,603,602. If these budgeted estimates are realized, the City's budgeted general fund balance is expected to increase by \$0 by the close of 2016.

It is likely that water and sewer rates will remain stable in 2016. Additional revenue could increase from improved economic conditions. 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

CITY OF PHILADELPHIA, MISSISSIPPI
GOVERNMENT-WIDE FINANCIAL STATEMENTS
September 30, 2015

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF NET POSITION

September 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 2,308,575	\$ 1,694,550	\$ 4,003,125
Certificates of deposit	3,152,202	-	3,152,202
Investments	-	66,954	66,954
Receivables	1,532,191	1,436,607	2,968,798
Inventory	-	262,940	262,940
Prepaid expenses	-	70,309	70,309
Total current assets	<u>\$ 6,992,968</u>	<u>\$ 3,531,360</u>	<u>\$ 10,524,328</u>
Restricted assets			
Cash	\$ -	\$ 671,243	\$ 671,243
Investments	-	180,083	180,083
Total restricted assets	<u>\$ -</u>	<u>\$ 851,326</u>	<u>\$ 851,326</u>
Other assets			
Investments	\$ -	\$ 3,877,808	\$ 3,877,808
Loan to CSA	-	10,392	10,392
Conservation loans	-	39,610	39,610
Deferred charges	-	10,561	10,561
Total other assets	<u>\$ -</u>	<u>\$ 3,938,371</u>	<u>\$ 3,938,371</u>
Fixed assets, net of depreciation	<u>\$ 20,949,103</u>	<u>\$ 14,739,818</u>	<u>\$ 35,688,921</u>
Total assets	<u>\$ 27,942,071</u>	<u>\$ 23,060,875</u>	<u>\$ 51,002,946</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pension	\$ 1,388,342	\$ 297,519	\$ 1,685,861
Total deferred outflow of resources	<u>\$ 1,388,342</u>	<u>\$ 297,519</u>	<u>\$ 1,685,861</u>

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	\$ 206,921	\$ 1,344,520	\$ 1,551,441
Accrued liabilities	10,699	188,717	199,416
Customer deposits	-	851,326	851,326
Non-current liabilities due within one year			
Compensated absences	116,362	-	116,362
Bonds payable	315,000	55,000	370,000
Note payable	232,447	-	232,447
Due in more than one year			
Bonds payable	1,410,000	455,000	1,865,000
Note payable	418,776	-	418,776
Net pension liability	7,729,014	1,592,913	9,321,927
Conservation advances from TVA	-	39,610	39,610
Total liabilities	\$ 10,439,219	\$ 4,527,086	\$ 14,966,305
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pension	\$ -	\$ 11,291	\$ 11,291
Deferred revenues - property taxes	1,027,000	-	1,027,000
Total deferred inflow of resources	\$ 1,027,000	\$ 11,291	\$ 1,038,291
NET POSITION			
Net investment in capital assets	\$ 18,552,752	\$ 14,229,818	\$ 32,782,570
Restricted for:			
Fire protection	60,077	-	60,077
Tourism	101,507	-	101,507
Debt service	1,078,752	-	1,078,752
Unemployment taxes	15,081	4,590	19,671
Unrestricted	(1,943,975)	4,585,609	2,641,634
Total net position	\$ 17,864,194	\$ 18,820,017	\$ 36,684,211

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The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental Activities:							
General Government	\$ 1,309,941	\$ 343,847	\$ 71,577	\$ 18,308	\$ (876,209)	\$ -	\$ (876,209)
Public Safety:							
Police	1,618,122	-	65,410	147,098	(1,405,614)	-	(1,405,614)
Fire	1,719,237	-	-	-	(1,719,237)	-	(1,719,237)
Municipal court	111,602	-	-	-	(111,602)	-	(111,602)
Streets	916,278	-	-	455,810	(460,468)	-	(460,468)
Sanitation	515,691	492,898	-	-	(22,793)	-	(22,793)
Cemetery	172,269	43,600	-	-	(128,669)	-	(128,669)
Animal control	36,160	1,793	-	-	(34,367)	-	(34,367)
Library	-	-	-	-	-	-	-
Parks	657,478	309,204	126,813	-	(221,461)	-	(221,461)
Airport	267,334	64,604	-	-	(202,730)	-	(202,730)
Tourism	109,574	-	5,000	-	(104,574)	-	(104,574)
Interest on long-term debt	60,324	-	-	-	(60,324)	-	(60,324)
Pension expense	921,165	-	-	-	(921,165)	-	(921,165)
Total governmental activities	\$ 8,415,175	\$ 1,255,946	\$ 268,800	\$ 621,216	\$ (6,269,213)	\$ -	\$ (6,269,213)
Business-Type Activities:							
Water & Sewer utilities	\$ 2,681,655	\$ 2,802,769	\$ -	\$ -	\$ -	\$ 121,114	\$ 121,114
Electric utilities	11,761,207	12,047,644	-	-	-	286,437	286,437
Total business-type activities	\$ 14,442,862	\$ 14,850,413	\$ -	\$ -	\$ -	\$ 407,551	\$ 407,551
Total government	\$ 22,858,037	\$ 16,106,359	\$ 268,800	\$ 621,216	\$ (6,269,213)	\$ 407,551	\$ (5,861,662)

CITY OF PHILADELPHIA, MISSISSIPPI

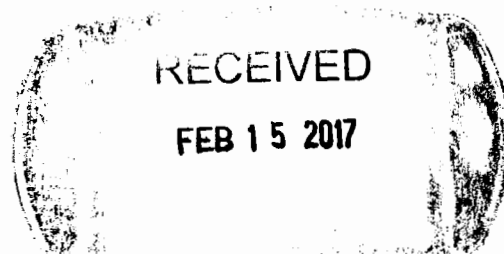
STATEMENT OF ACTIVITIES (continued)

For the Year Ended September 30, 2015

	Governmental Activities	Business- Type Activities	Total
General Revenues:			
Ad valorem tax	\$ 1,374,497	\$ -	\$ 1,374,497
Franchise tax on utilities	120,787	-	120,787
Sales tax	4,329,470	-	4,329,470
TVA in lieu tax	142,438	-	142,438
Investment income	1,305	93,823	95,128
Miscellaneous	154,523	-	154,523
Tourism tax	105,363	-	105,363
Transfer	300,707	(300,707)	-
Gain on sale of assets	10,332	-	10,332
Total general revenues and transfers	\$ 6,539,422	\$ (206,884)	\$ 6,332,538
Change in net position	\$ 270,209	\$ 200,667	\$ 470,876
Net position—beginning of year, as previously reported	23,164,830	19,977,447	43,142,277
Prior period adjustment	<u>(5,570,845)</u>	<u>(1,358,097)</u>	<u>(6,928,942)</u>
Net position—beginning of year, as restated	\$ 17,593,985	\$ 18,619,350	\$ 36,213,335
Net position—end of year	<u>\$ 17,864,194</u>	<u>\$ 18,820,017</u>	<u>\$ 36,684,211</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI
GOVERNMENTAL FUND FINANCIAL STATEMENTS
September 30, 2015



CITY OF PHILADELPHIA, MISSISSIPPI

BALANCE SHEET
September 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 1,137,103	\$ 898,597	\$ 272,875	\$ 2,308,575
Certificates of deposit	3,152,202	-	-	3,152,202
Receivables:				
Sales tax receivables	338,888	-	-	338,888
Ad valorem taxes receivable	1,027,000	(2,498)	-	1,024,502
Due from others	155,810	-	10,494	166,304
Due from other funds	-	34,495	-	34,495
Total assets	<u>\$ 5,811,003</u>	<u>\$ 930,594</u>	<u>\$ 283,369</u>	<u>\$ 7,024,966</u>
LIABILITIES				
Accounts payable	\$ 195,799	\$ -	\$ 11,122	\$ 206,921
Accrued liabilities	11,999	-	(1,300)	10,699
Due to other funds	31,997	-	-	31,997
Deferred revenue	1,027,000	-	-	1,027,000
Total liabilities	<u>\$ 1,266,795</u>	<u>\$ -</u>	<u>\$ 9,822</u>	<u>\$ 1,276,617</u>
FUND BALANCES				
Restricted funds:				
Debt service	\$ -	\$ 930,594	\$ -	\$ 930,594
Tourism	-	-	101,506	101,506
Fire protection	-	-	60,077	60,077
Assigned - special revenue funds	-	-	119,047	119,047
Unassigned	4,544,208	-	(7,083)	4,537,125
Total fund balances	<u>\$ 4,544,208</u>	<u>\$ 930,594</u>	<u>\$ 273,547</u>	<u>\$ 5,748,349</u>
Total liabilities and fund balances	<u>\$ 5,811,003</u>	<u>\$ 930,594</u>	<u>\$ 283,369</u>	<u>\$ 7,024,966</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION**

September 30, 2015

Total fund balance - governmental funds	<u>\$ 5,748,349</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$15,218,002.	20,949,103
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,725,000)
Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(116,362)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,729,014)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	(651,223)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,388,342
Rounding	<u>(1)</u>
Total net position - governmental activities	<u>\$ 17,864,194</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended September 30, 2015

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Ad valorem taxes	\$ 1,342,500	\$ 31,997	\$ -	\$ 1,374,497
Privilege licenses	40,979	-	-	40,979
Franchise tax on utilities	120,787	-	-	120,787
TVA in lieu tax	142,438	-	-	142,438
Tourism tax	-	-	105,363	105,363
Neshoba county	801,096	78,188	112,463	991,747
State sales tax	4,630,177	-	-	4,630,177
State shared revenues	123,946	-	19,350	143,296
Federal shared revenues	96,642	-	-	96,642
Charges for services	393,012	-	373,808	766,820
Fines and forfeits	334,265	-	-	334,265
Interest	-	-	182	182
Miscellaneous	568,826	2,564	84	571,474
Sale of building and equipment	150,000	-	-	150,000
Total revenues	\$ 8,744,668	\$ 112,749	\$ 611,250	\$ 9,468,667
Expenditures:				
General Government	\$ 1,309,544	\$ 465,492	\$ -	\$ 1,775,036
Public Safety:				
Police	1,669,408	-	-	1,669,408
Fire	1,502,740	-	14,404	1,517,144
Municipal court	110,272	-	-	110,272
Streets	644,753	-	-	644,753
Sanitation	436,601	-	-	436,601
Cemetery	158,457	-	-	158,457
Animal control	34,623	-	-	34,623
Park	-	-	429,788	429,788
Airport	-	-	58,628	58,628
Tourism	-	-	109,574	109,574
Debt Service:				
Principal	136,185	300,000	-	436,185
Interest	13,261	47,063	-	60,324
Capital outlay	1,937,620	-	315	1,937,935
Total expenditures	\$ 7,953,464	\$ 812,555	\$ 612,709	\$ 9,378,728

The notes to the financial statements are an integral part of this statement.

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CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

(continued)

For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess of revenues over (under) expenditures	\$ 791,204	\$ (699,806)	\$ (1,459)	\$ 89,939
Other financing sources (uses)				
Transfers in	\$ -	\$ 551,648	\$ 39,429	\$ 591,077
Transfers out	(591,077)	-	-	(591,077)
Total other financing sources	<u>\$ (591,077)</u>	<u>\$ 551,648</u>	<u>\$ 39,429</u>	<u>\$ -</u>
Excess of revenues and other sources over (under) expenditures and other uses	\$ 200,127	\$ (148,158)	\$ 37,970	\$ 89,939
Fund balances—beginning of year	<u>4,344,081</u>	<u>1,078,752</u>	<u>235,577</u>	<u>5,658,410</u>
Fund balances—end of year	<u><u>\$ 4,544,208</u></u>	<u><u>\$ 930,594</u></u>	<u><u>\$ 273,547</u></u>	<u><u>\$ 5,748,349</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2015

Net change in fund balances—total governmental funds	\$	89,939
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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	1,958,062
Depreciation expense	(1,322,803)
Book value of disposed assets	(1,866)

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:

Bond principal payments	300,000
Note principal payments	136,185
Loan proceeds	(110,060)

Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(921,165)
Recording of contributions made subsequent to the measurement date	151,338

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>(9,421)</u>
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Change in net position of governmental activities	\$	<u>270,209</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI
PROPRIETARY FUND FINANCIAL STATEMENTS
September 30, 2015

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES
September 30, 2015

	Philadelphia Electric Utility	Philadelphia Water & Sewer Utility	Total
ASSETS			
Current assets			
Cash	\$ 672,766	\$ 1,021,784	\$ 1,694,550
Temporary investments	-	66,954	66,954
Accounts receivable - customer	949,975	264,048	1,214,023
Accounts receivable - municipal	141,609	-	141,609
Accounts receivable - other	59,615	21,360	80,975
Inventories	155,162	107,778	262,940
Prepaid expenses	-	70,309	70,309
Total current assets	<u>\$ 1,979,127</u>	<u>\$ 1,552,233</u>	<u>\$ 3,531,360</u>
Restricted assets			
Cash	\$ 671,243	\$ -	\$ 671,243
Investments	-	180,083	180,083
Total restricted assets	<u>\$ 671,243</u>	<u>\$ 180,083</u>	<u>\$ 851,326</u>
Other assets			
Investments	\$ 2,343,078	\$ 1,534,730	\$ 3,877,808
Loan to CSA	10,392	-	10,392
Conservation loans	39,610	-	39,610
Deferred charges	-	10,561	10,561
Total other assets	<u>\$ 2,393,080</u>	<u>\$ 1,545,291</u>	<u>\$ 3,938,371</u>
Fixed assets			
Electric plant	\$ 13,469,313	\$ -	\$ 13,469,313
Water works	-	9,672,557	9,672,557
Sewer plant	-	7,498,501	7,498,501
Accumulated depreciation	(7,792,181)	(8,320,678)	(16,112,859)
Construction work in-progress	-	212,306	212,306
Fixed assets, net of accumulated depreciation	<u>\$ 5,677,132</u>	<u>\$ 9,062,686</u>	<u>\$ 14,739,818</u>
Total assets	<u>\$ 10,720,582</u>	<u>\$ 12,340,293</u>	<u>\$ 23,060,875</u>
DEFERRED OUTFLOW OF RESOURCES			
Total deferred outflow of resources	<u>\$ 154,655</u>	<u>\$ 142,864</u>	<u>\$ 297,519</u>

The notes to the financial statements are an integral part of this statement.

	Philadelphia Electric Utility	Philadelphia Water & Sewer Utility	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,132,343	\$ 212,177	\$ 1,344,520
Accrued liabilities	94,023	94,694	188,717
General obligation bonds - current	-	55,000	55,000
Total current liabilities	\$ 1,226,366	\$ 361,871	\$ 1,588,237
Current liabilities payable from restricted assets			
Customer deposits payable	\$ 671,243	\$ 180,083	\$ 851,326
Total current liabilities payable from restricted assets	\$ 671,243	\$ 180,083	\$ 851,326
Noncurrent liabilities			
General obligation bonds payable	\$ -	\$ 455,000	\$ 455,000
Net pension liability	829,108	763,805	1,592,913
Conservation advances from TVA	39,610	-	39,610
Total noncurrent liabilities	\$ 868,718	\$ 1,218,805	\$ 2,087,523
Total liabilities	\$ 2,766,327	\$ 1,760,759	\$ 4,527,086
DEFERRED INFLOW OF RESOURCES			
Total deferred inflow of resources	\$ 5,876	\$ 5,415	\$ 11,291
NET POSITION			
Net investment in capital assets	\$ 5,677,132	\$ 8,552,686	\$ 14,229,818
Restricted for:			
Unemployment taxes	4,590	-	4,590
Unrestricted	2,421,312	2,164,297	4,585,609
Total net position	\$ 8,103,034	\$ 10,716,983	\$ 18,820,017



CITY OF PHILADELPHIA, MISSISSIPPI

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
For the Year Ended September 30, 2015**

	Philadelphia Electric Utility	Philadelphia Water & Sewer Utility	Total
Operating Revenues			
Charges for services	\$ 11,910,920	\$ 2,802,769	\$ 14,713,689
Other income	136,724	-	136,724
Total operating revenues	<u>\$ 12,047,644</u>	<u>\$ 2,802,769</u>	<u>\$ 14,850,413</u>
Operating expenses			
Purchased power	\$ 9,751,751	\$ 147,128	\$ 9,898,879
Distribution expense - operation	273,315	564,976	838,291
Maintenance	366,473	174,466	540,939
Customer accounting	153,182	100,752	253,934
Sales expense - net	19,086	(23,239)	(4,153)
Administrative and general	647,881	657,498	1,305,379
Depreciation	475,320	423,224	898,544
Taxes or equivalent	56,093	73,160	129,253
Miscellaneous	5,781	-	5,781
Customer Service	10,524	-	10,524
Pump plant expenses	-	254,188	254,188
Sewer system expenses	-	291,425	291,425
Total operating expenses	<u>\$ 11,759,406</u>	<u>\$ 2,663,578</u>	<u>\$ 14,422,984</u>
Income from operations	<u>\$ 288,238</u>	<u>\$ 139,191</u>	<u>\$ 427,429</u>
Nonoperating revenues (expenses)			
Investment income	\$ 35,876	\$ 57,947	\$ 93,823
Interest expense	(1,801)	(18,077)	(19,878)
Total nonoperating revenues	<u>\$ 34,075</u>	<u>\$ 39,870</u>	<u>\$ 73,945</u>
Income before transfers	\$ 322,313	\$ 179,061	\$ 501,374
Transfers out (In Lieu Taxes)	<u>\$ (300,707)</u>	<u>\$ -</u>	<u>\$ (300,707)</u>
Change in net position	<u>\$ 21,606</u>	<u>\$ 179,061</u>	<u>\$ 200,667</u>
Net position—beginning of year, as previously reported	8,805,781	11,171,666	19,977,447
Prior period adjustment	(724,353)	(633,744)	(1,358,097)
Net position—beginning of year, as restated	<u>8,081,428</u>	<u>10,537,922</u>	<u>18,619,350</u>
Net position—end of year	<u>\$ 8,103,034</u>	<u>\$ 10,716,983</u>	<u>\$ 18,820,017</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF CASH FLOWS-BUSINESS-TYPE ACTIVITIES
For the Year Ended September 30, 2015

	Philadelphia Electric Utility	Philadelphia Water & Sewer Utility	Total
Cash flows from operating activities:			
Cash received from customers	\$ 11,954,474	\$ 2,811,879	\$ 14,766,353
Cash payments to suppliers for goods and services	(10,432,638)	(1,032,632)	(11,465,270)
Cash payments to employees for services	(1,160,425)	(1,084,368)	(2,244,793)
Other operating cash receipts	178,475	7,255	185,730
Net cash provided by operating activities	<u>\$ 539,886</u>	<u>\$ 702,134</u>	<u>\$ 1,242,020</u>
Cash flows from capital and related financing activities:			
Payment on long-term debt	\$ (65,000)	\$ (50,000.00)	\$ (115,000)
TVA Conservation advances	(18,414)	-	(18,414)
Interest paid on capital debt	<u>(1,170)</u>	<u>(18,440)</u>	<u>(19,610)</u>
Net cash used in capital and related financing activities	<u>\$ (84,584)</u>	<u>\$ (68,440)</u>	<u>\$ (153,024)</u>
Cash flows from investing activities:			
Additions to plant	\$ (564,040)	\$ (673,121)	\$ (1,237,161)
Removal cost	(44,993)	-	(44,993)
Salvage	20,885	(560)	20,325
Purchase of investments	(1,674,411)	(2,480,537)	(4,154,948)
Redemption of investments	1,647,781	2,441,757	4,089,538
Cash receipts from investments net of expenses	36,728	-	36,728
Conservation loans receivable	18,414	-	18,414
Central Services Association loan	214	-	214
Investment income	-	53,957	53,957
Net cash used in investing activities	<u>\$ (559,422)</u>	<u>\$ (658,504)</u>	<u>\$ (1,217,926)</u>
Net decrease in cash	\$ (104,120)	\$ (24,810)	\$ (128,930)
Cash—beginning of year	<u>1,448,129</u>	<u>1,046,594</u>	<u>2,494,723</u>
Cash—end of year	<u><u>\$ 1,344,009</u></u>	<u><u>\$ 1,021,784</u></u>	<u><u>\$ 2,365,793</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI

STATEMENT OF CASH FLOWS-BUSINESS-TYPE ACTIVITIES (continued)
For the Year Ended September 30, 2015

	<u>Electric Utility</u>	<u>Water & Sewer Utility</u>	<u>Total</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ (12,469)	\$ 139,191	\$ 126,722
Adjustments to reconcile income from operations to net cash provided (used) by operating activities:			
Depreciation	475,320	472,200	947,520
Amortization	632	4,673	5,305
Change in assets and liabilities:			
Increase in accounts receivables	64,025	9,109	73,134
Decrease in inventories	(18,162)	7,002	(11,160)
Decrease in prepaid expenses	-	935	935
Increase in deferred outflows of resources	(47,564)	(10,375)	(57,939)
Increase in accounts payable	13,711	34,904	48,615
Increase in customer deposits	21,820	7,255	29,075
Increase in accrued liabilities	36,697	34,253	70,950
Increase in deferred inflows of resources	5,876	5,415	11,291
Decrease in pension liability	-	(2,428)	(2,428)
Net cash provided by operating activities:	<u>\$ 539,886</u>	<u>\$ 702,134</u>	<u>\$ 1,242,020</u>
Reconciliation of total cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 672,766	\$ 1,021,784	\$ 1,694,550
Restricted assets - cash and cash equivalents	<u>671,243</u>	<u>-</u>	<u>671,243</u>
Total cash and cash equivalents	<u>\$ 1,344,009</u>	<u>\$ 1,021,784</u>	<u>\$ 2,365,793</u>

The notes to the financial statements are an integral part of this statement.

CITY OF PHILADELPHIA, MISSISSIPPI
NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.
- 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 (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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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. Non-major 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 non-major funds are combined in a column in the fund financial statements.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

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 non-current) 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.

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.

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Note 1. Summary of Significant Accounting Policies (continued)

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.

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. Non-exchange 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.

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

Equity Classifications

Government-Wide Statements

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

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

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:

- Non-spendable 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 non-spendable fund balances.
- 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

Note 1. Summary of Significant Accounting Policies (continued)

through constitutional provisions or enabling legislation. The City has restricted fund balances for debt service, fire protection and tourism.

- 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.
- 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.
- 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.

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.

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 non-operating

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.

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

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 municipality's 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

Note 2. Stewardship, Compliance, and Accountability (continued)

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.

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).

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 2015 is 81 mills of which 63 mills went to the Philadelphia Public School District and 18 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.

Note 3. Deposits and Investments (continued)

At year end, the carrying amount of the City's demand deposits and certificates of deposit was \$7,823,588 and the bank balance was \$7,926,572. Of this amount, \$1,084,769 was insured by the FDIC, \$6,841,803 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, 2015 are:

	Category of Risk	Fair Value
U.S. Treasury securities	1	\$ 996,500
U.S. Government agency	1	3,061,391
Money market funds	1	66,954
Total		\$ 4,124,845



Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Governmental Activities:				
Capital assets				
Land	\$ 1,209,675	\$ -	\$ -	\$ 1,209,675
Buildings	19,701,185	258,269	-	19,959,454
Machinery and equipment	6,735,483	530,814	18,658	7,247,639
Infrastructure	6,581,358	1,168,979	-	7,750,337
Total at historical cost	\$ 34,227,701	\$ 1,958,062	\$ 18,658	\$ 36,167,105
Less: accumulated depreciation				
Buildings	\$ (5,514,627)	\$ (626,959)	\$ -	\$ (6,141,586)
Machinery and equipment	(5,129,833)	(470,680)	16,792	(5,583,721)
Infrastructure	(3,267,531)	(225,164)	-	(3,492,695)
Total accumulated depreciation	\$ (13,911,991)	\$ (1,322,803)	\$ 16,792	\$ (15,218,002)
Governmental activities capital assets, net	\$ 20,315,710	\$ 635,259	\$ 1,866	\$ 20,949,103
	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015
Business-Type Activities:				
Capital assets				
Land	\$ 1,350,681	\$ -	\$ -	\$ 1,350,681
Buildings	1,966,189	-	-	1,966,189
Other improvements	13,285,590	-	-	13,285,590
Equipment	12,997,952	1,120,253	196,325	13,921,880
Construction in-progress	105,930	745,779	523,372	328,337
Total at historical cost	\$ 29,706,342	\$ 1,866,032	\$ 719,697	\$ 30,852,677
Less: accumulated depreciation				
Electric plant	\$ (7,401,469)	\$ (390,712)	\$ -	\$ (7,792,181)
Water and Sewer plant	(7,879,364)	(472,200)	30,886	(8,320,678)
Total accumulated depreciation	\$ (15,280,833)	\$ (862,912)	\$ 30,886	\$ (16,112,859)
Business-type activities capital assets, net	\$ 14,425,509	\$ 1,003,120	\$ 688,811	\$ 14,739,818

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	\$ 192,092
Police	96,390
Fire	216,553
Municipal court	939
Streets	267,420
Sanitation	79,090
Cemetery	13,812
Animal control	678
Parks	247,123
Airport	<u>208,706</u>

Total depreciation expense—governmental activities \$ 1,322,803

Business-Type Activities

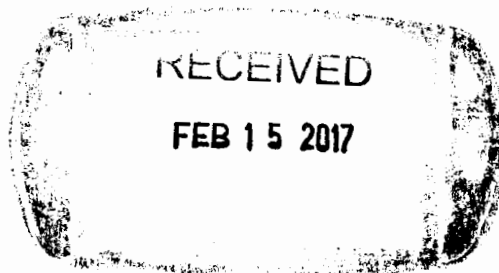
Electric department	\$ 475,320
Water and Sewer department	<u>472,200</u>

Total depreciation expense—business-type activities \$ 947,520

Note 5. Restricted Assets

The amounts reported as restricted assets of the business-type activities at September 30, 2015 and 2014 are as follows:

	September 30, 2015		September 30, 2014	
	Cash	Investments	Cash	Investments
Customer meter fund	\$ 671,243	\$ 180,083	\$ 649,963	\$ 172,828
Bond sinking fund	-	-	111,081	-
	<u>\$ 671,243</u>	<u>\$ 180,083</u>	<u>\$ 761,044</u>	<u>\$ 172,828</u>



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, 2014, 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.

Note 6. Long-term Debt (continued)

Bonds outstanding and notes payable at September 30, 2015 are as follows:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate Payable</u>	<u>Governmental activities</u>	<u>Business-type activities</u>
2013 Lease/Purchase Contract \$159,834	1/25/2013	3/6/2016	1.81%	\$ 96,943	\$ -
2012 Cap Revolving Loan \$323,348	1/13/2012	3/1/2022	2%	215,025	-
2009 Cap Revolving Loan \$650,857	3/17/2009	3/1/2019	2%	244,256	-
2015 Lease/Purchase Contract \$110,060	6/1/2015	6/1/2018	2%	94,999	-
2005 Tax Increment Financing Revenue Bonds \$4,000,000	10/1/2005	10/1/2020	3.30%-4.50%	1,725,000	-
2003 General Obligation Water & Sewer Bonds \$1,000,000	7/1/2003	1/1/2023	2.8%-4.00%	-	510,000
				\$2,376,223	\$ 510,000
Less current portion				(547,447)	(55,000)
Long-term bonds				<u>\$1,828,776</u>	<u>\$ 455,000</u>

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, 2015:

	Balance October 1, 2014	Additions	Retirements	Balance September 30, 2015	Due Within One Year
Governmental Activities					
Accrued compensated absences	\$ 106,941	\$ 9,421	\$ -	\$ 116,362	\$ -
Tax increment financing bonds	2,025,000	-	300,000	1,725,000	315,000
2009 CAP revolving loan	310,440	-	66,184	244,256	67,621
2012 CAP revolving loan	246,026	-	31,001	215,025	31,696
2013 lease purchase	120,883	-	23,940	96,943	96,943
2015 lease purchase	-	110,060	15,061	94,999	36,187
	<u>\$ 2,809,290</u>	<u>\$ 119,481</u>	<u>\$ 436,186</u>	<u>\$ 2,492,585</u>	<u>\$ 547,447</u>
Business-Type Activities					
General obligation electric bonds	\$ 65,000	\$ -	\$ 65,000	\$ -	\$ -
General obligation water & sewer bonds	560,000	-	50,000	510,000	55,000
	<u>\$ 625,000</u>	<u>\$ 119,481</u>	<u>\$ 115,000</u>	<u>\$ 510,000</u>	<u>\$ 55,000</u>
Total	<u>\$ 3,434,290</u>	<u>\$ 238,962</u>	<u>\$ 551,186</u>	<u>\$ 3,002,585</u>	<u>\$ 602,447</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.

Future Requirements to Maturity

Principal and interest requirements to maturity for the City's bonds and notes outstanding as of September 30, 2015, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 547,447	\$ 85,515	\$ 55,000	\$ 16,990
2017	468,247	68,841	55,000	15,340
2018	470,253	52,072	60,000	13,635
2019	430,924	34,977	60,000	11,715
2020	409,333	18,995	65,000	9,735
2021-2025	50,019	15,225	215,000	15,225
Total	<u>\$ 2,376,223</u>	<u>\$ 275,625</u>	<u>\$ 510,000</u>	<u>\$ 82,640</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 position and the statement of activities generally reflect such transactions as transfers. Balances at September 30, 2015, were:

Fund	Transfers In	Transfers Out
General fund	\$ -	\$ 591,077
Fire protection fund	39,429	-
TIF reserve fund	262,205	-
TIF revenue fund	289,443	-
	<u>\$ 591,077</u>	<u>\$ 591,077</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 Obligations

City of Philadelphia and Park Employees

Plan Description – The City of Philadelphia is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan as defined in GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Membership in PERS is a condition of employment and is granted upon hiring for qualifying employees and officials of the City. Code Section 25-11-15, Mississippi Code Ann. (1972) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board). PERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at www.pers.ms.gov.

Benefits Provided – Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65,

Note 8. Pension Obligations (continued)

whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter.

Contributions – Per Chapter 11 of Title 25, Mississippi Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2015, member employees were required to contribute 9.00 percent of their annual pay, while the City's required contribution rate was 15.75 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2015, 2014, and 2013 were \$492,438, \$438,816, and \$427,649, respectively. The contributions for each year met the required contributions.

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

At September 30, 2015, the City reported a liability of \$7,729,014 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's employer contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2015, the City's proportion was 0.05 percent, which was an increase/decrease of 0.003 from its proportion measured as of June 30, 2014.

Note 8. Pension Obligations (continued)

For the year ended September 30, 2015, the City recognized pension expense of \$921,165. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 118,946	\$ -
Net difference between projected and actual earnings on pension plan investments	452,230	-
Changes of assumptions	665,828	-
Changes in proportion and differences between ER contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	151,338	-
Total	<u>\$ 1,388,342</u>	<u>\$ -</u>

\$151,338 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	
2016	\$ 401,577
2017	401,577
2018	320,792
2019	113,058
2020	-
Thereafter	-
	<u>\$ 1,237,004</u>

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary increases	3.75-19.00%, average including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Note 8. Pension Obligations (continued)

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
U.S. Broad	34.0%	5.2%
International equity	19.0%	5.0%
Emerging markets equity	8.0%	5.5%
Fixed income	20.0%	30.0%
Real assets	10.0%	4.0%
Private equity	8.0%	6.2%
Cash	1.0%	-5.0%
	<u>100%</u>	

Discount rate – The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was (continued) projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8. Pension Obligations (continued)

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate – The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ 10,187,549	\$ 7,729,014	\$ 5,688,890

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS Comprehensive Annual Financial Report, publicly available at www.pers.ms.gov.

Philadelphia Utilities

Essentially all Philadelphia Utility's full time-employees participate in the Governmental Pension Plan for Central Service Association (the Plan), an agent-multiple employer retirement plan administered by Central Service Association. Under the Plan's provisions, 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.

Employer contributions were actuarially determined at 18.31% and 18.91% of covered wages for the fiscal years ended September 30, 2015 and 2014, respectively. The Department's contributions made for the year ended September 30, 2015 and 2014 were \$279,283 and \$274,673, respectively.

The following pension related items are recognized in the accompanying 2015 statement of net position:

Total pension liability	\$ 7,637,880
Plan fiduciary net position	<u>6,044,967</u>
Net pension liability	<u>\$ 1,592,913</u>
Total deferred outflow of resources	<u>\$ 297,519</u>
Total deferred inflows of resources	<u>\$ 11,291</u>

Pension expense is included in administrative and general expenses in the accompanying 2015 statement of revenue, expenses, and changes in net position.

Note 8. Pension Obligations (continued)

The components of annual pension expense for the year ended September 30, 2015 are as follows:

Annual pension expense	
Service cost	\$ 115,705
Interest on total pension liability	503,530
Differences between expected and actual experience	7,279
Changes in assumptions	-
Employee contributions	(34,588)
Projected earnings on pension plan investments	(394,435)
Differences between projected and actual investment earnings	(2,823)
Pension plan administrative costs	477
Other	-
	<u>\$ 195,145</u>

The following table reconciles changes in total pension liability, plan fiduciary net position, and net pension liability for the year ended September 30, 2015:

	Pension Liability	Plan Net Position	Net Pension Liability
Balance, beginning of year	\$ 7,231,123	\$ 5,633,446	\$ 1,597,677
Changes			
Service cost	115,705	-	115,705
Interest on total pension liability	503,530	-	503,530
Differences between expected and actual experience	94,620	-	94,620
Employer contributions	-	275,682	(275,682)
Employee contributions	-	34,588	(34,588)
Net investment income	-	408,826	(408,826)
Benefit payments	(307,098)	(307,098)	-
Administrative costs	-	(477)	477
Net changes	<u>\$ 406,757</u>	<u>\$ 411,521</u>	<u>\$ (4,764)</u>
Balance, end of year	<u>\$ 7,637,880</u>	<u>\$ 6,044,967</u>	<u>\$ 1,592,913</u>

Deferred outflows and inflows of resources consists of the following as of September 30, 2015:

	Deferred Outflows	Deferred Inflows
Pension contributions subsequent to the measurement date	\$ 210,178	\$ -
Difference between expected and actual experience	87,341	-
Net difference between projected and actual earnings	<u>-</u>	<u>11,291</u>
	<u>\$ 297,519</u>	<u>\$ 11,291</u>

Note 8. Pension Obligations (continued)

Amounts reported as deferred outflows and inflows of resources in fiscal 2015 related to the pension will be recognized in pension expenses as follows:

Year ended:	
September 30, 2016	\$ 4,456
September 30, 2017	4,456
September 30, 2018	4,456
September 30, 2019	4,456
September 30, 2020	<u>5,925</u>
Thereafter	<u>\$ 52,301</u>

The plan membership is as follows:

Inactive plan members or beneficiaries currently receiving benefits	34
Inactive plan members entitle to, but not yet receiving benefits	16
Active plan members	<u>78</u>
Total plan membership	<u>128</u>

The following are significant actuarial assumptions used in calculating net pension liability:

Measurement date	October 1, 2014
Valuation date	October 1, 2014
Discount rate	7.00%
Mortality	RP-2000 Fully Generational with Scale AA
Salary increases	3.00%
Assumed retirement age	Age 65 with 5 years of service

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and the Department will continue to contribute the actuarially determined contribution in accordance with the Plan's current funding policy on an annual basis. Based on that assumption, the pension plan's fiduciary net position is projected to be available to make all projected future benefit payments. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The net pension liability assuming a +/- 1% incremental change in the discount rate is as follows:

Net pension liability at 6% discount rate	\$ 2,599,098
Net pension liability at 8% discount rate	\$ 704,478

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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, 2014, 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 \$2,161. 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 \$2,536. 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, 2014 under this lease agreement was \$7,608. This lease agreement was replaced with the BancorpSouth lease purchase.

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:

Type of Loss	Method Managed	Risk Retained
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
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

Note 11. Risk Management (continued)

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 \$4,329,470 for the year ended September 30, 2015.

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

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.

Note 14. Commitments and Contingent Liabilities (continued)

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, 2015 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.

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CITY OF PHILADELPHIA, MISSISSIPPI
REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2015

CITY OF PHILADELPHIA, MISSISSIPPI

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGETARY BASIS**

For the Year Ended September 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budget Basis	Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,027,000	\$ 1,027,000	\$ 1,340,003	\$ 313,003
Licenses and permits	34,000	34,000	41,429	7,429
Inter-governmental revenues:				
Federal revenues	-	-	52,488	52,488
State shared revenues	5,300,658	5,300,658	4,272,770	(1,027,888)
Local shared revenues	124,000	124,000	692,342	568,342
Charges for services:				
Animal control	1,800	1,800	1,793	(8)
Sanitation	369,000	369,000	363,492	(5,508)
Cemetery	34,000	34,000	43,600	9,600
Building inspection	18,500	18,500	-	(18,500)
Landfill fees	19,000	19,000	29,520	10,520
Fines and forfeitures	476,000	476,000	294,773	(181,227)
Miscellaneous	446,367	446,367	493,182	46,815
Total revenues	\$ 7,850,325	\$ 7,850,325	\$ 7,625,392	\$ (224,933)
Expenditures:				
General Government				
Personnel services	\$ 527,508	\$ 527,508	\$ 491,678	\$ 35,830
Supplies	4,300	4,300	115,536	(111,236)
Other services and charges	983,768	983,768	1,006,203	(22,435)
Capital outlay	1,500.00	1,500.00	213	1,287
Grants	237,000	237,000	195,455	41,545
Transfers	262,933	262,933	573,133	(310,200)
Total general government	\$ 2,017,009	\$ 2,017,009	\$ 2,382,218	\$ (365,209)
Police Department				
Personnel services	\$ 1,533,673	\$ 1,533,673	\$ 1,269,576	\$ 264,097
Supplies	130,006	130,006	113,567	16,439
Other services and charges	171,773	171,773	136,526	35,247
Capital outlay	90,200	90,200	61,891	28,309
Total police department	\$ 1,925,652	\$ 1,925,652	\$ 1,581,560	\$ 344,092
Fire Department				
Personnel services	\$ 1,445,294	\$ 1,445,294	\$ 1,379,489	\$ 65,805
Supplies	54,200	54,200	51,910	2,290
Other services and charges	50,000	50,000	45,583	4,417
Capital outlay	50,000	50,000	21,510	28,490
Total fire department	\$ 1,599,494	\$ 1,599,494	\$ 1,498,492	\$ 101,002

	Budgeted Amounts		Actual	Final Budget
	Original	Final	Budget	Positive
			Basis	(Negative)
Street Department				
Personnel services	\$ 550,304	\$ 550,304	\$ 451,475	\$ 98,829
Supplies	73,300	73,300	148,326	(75,026)
Other services and charges	420,500	420,500	9,364	411,136
Capital outlay	100,000	100,000	27,161	72,839
Total street department	\$ 1,144,104	\$ 1,144,104	\$ 636,326	\$ 507,778
Sanitation Department				
Personnel services	\$ 105,032	\$ 105,032	\$ 94,918	\$ 10,114
Supplies	28,410	28,410	28,476	(66)
Other services and charges	410,200	410,200	379,129	31,071
Capital outlay	3,000	3,000	3,222	(222)
Total sanitation department	\$ 546,642	\$ 546,642	\$ 505,745	\$ 40,897
Municipal Court				
Personnel services	\$ 139,409	\$ 139,409	\$ 99,990	\$ 39,419
Supplies	2,500	2,500	2,490	10
Other services and charges	200,350	200,350	205,449	(5,099)
Capital outlay	2,000	2,000	806	1,194
Total municipal court	\$ 344,259	\$ 344,259	\$ 308,735	\$ 35,524
Cemetery Department				
Personnel services	\$ 160,557	\$ 160,557	\$ 140,299	\$ 20,258
Supplies	10,000	10,000	11,089	(1,089)
Other services and charges	3,000	3,000	563	2,437
Capital outlay	2,500	2,500	1,681	819
Total cemetery department	\$ 176,057	\$ 176,057	\$ 153,632	\$ 22,425
Animal Control				
Personnel services	\$ 34,729	\$ 34,729	\$ 31,899	\$ 2,830
Supplies	2,656	2,656	2,617	39
Other services and charges	1,250	1,250	405	845
Capital outlay	48,250	48,250	97	48,153
Total animal control	\$ 86,885	\$ 86,885	\$ 35,018	\$ 51,867
Total expenditures	\$ 7,840,102	\$ 7,840,102	\$ 7,101,726	\$ 738,376
Excess (deficiency) of revenues over expenditures	\$ 10,223	\$ 10,223	\$ 523,666	\$ 513,443
Fund balances—beginning of year	4,344,081	1,078,752	235,577	(843,175)
Fund balances—end of year	\$ 4,354,304	\$ 1,088,975	\$ 759,243	\$ (329,732)

CITY OF PHILADELPHIA, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Information

Statutory requirements dictate how and when the City's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Alderman of the City, using historical and anticipated fiscal data, prepares an original budget for each of the governmental funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Alderman that budgetary estimates will not be met, it may make revisions to the budget.

The City's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

Basis of Presentation

The budgetary comparison schedule - budget and actual (non-GAAP basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non-GAAP basis) and variances between the final budget and the actual amounts. The schedule is presented for the general fund. The budgetary comparison schedule - budget and actual (non-GAAP basis) is a part of required supplemental information.

Budget/GAAP Reconciliation

The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

CITY OF PHILADELPHIA, MISSISSIPPI

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the general fund:

	<u>General Fund</u>
Budget (cash basis)	\$ 523,666
Increase (decrease)	
Net adjustments for revenue accruals	1,119,273
Net adjustments for expenditure accruals	<u>(1,442,815)</u>
GAAP basis	<u>\$ 200,124</u>

CITY OF PHILADELPHIA, MISSISSIPPI

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Year Ended September 30, 2015**

City's proportion of the total net pension liability	\$ 20,182,292
City's proportion of the plan net pension	<u>12,453,278</u>
City's proportionate share of the net pension liability	<u>\$ 7,729,014</u>
City's covered-employee payroll	\$ 3,126,588
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	247.20%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

CITY OF PHILADELPHIA, MISSISSIPPI

**SCHEDULE OF THE CITY'S CONTRIBUTIONS
For the Year Ended September 30, 2015**

Contractually required contribution	\$ 492,438
Contributions in relation to the contractually required contribution	<u>492,438</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered-employee payroll	\$3,126,588
Contributions as a percentage of covered-employee payroll	15.75%

CITY OF PHILADELPHIA, MISSISSIPPI

SUPPLEMENTARY INFORMATION
September 30, 2015

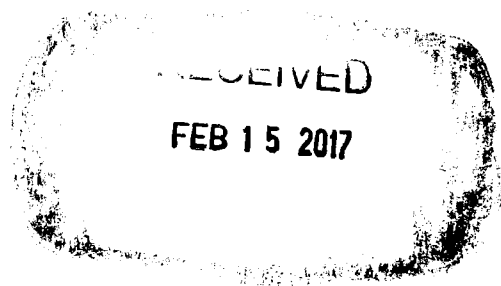
CITY OF PHILADELPHIA, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2015

<u>Federal Agency</u> <u>Pass-through entity</u> <u>Program Title</u>	<u>Catalog of</u> <u>Federal Domestic</u> <u>Assistance Number</u>	<u>Pass-through</u> <u>Entity</u> <u>Identifying</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
Major Programs:			
<u>U. S. Department of Transportation</u>			
Pass-through Mississippi Department of Transportation			
Highway Planning and Construction Grant	20.205	STP-0390-00 (010) LPA 106824-701000	\$ 453,833
Total Major Programs			\$ 453,833
Non-Major Programs:			
<u>U. S. Department of Justice</u>			
Pass-through State Department of Public Safety:			
Bulletproof Vest Grant	16.607		\$ 1,064
JAG Grant	16.738	2013-MU-BX-0062	3,000
			\$ 4,064
<u>U. S. Department of Housing and Urban Development</u>			
Pass-through Mississippi Development Authority			
Community Development Block Grant:			
Alphagen Grant	14.228		\$ 15,508
<u>U. S. Department of Homeland Security</u>			
Pass-through Mississippi Emergency Management Agency			
Task Force Grant	97.036		\$ 99,886
<u>U. S. Department of Transportation</u>			
Pass-through State Office of Highway Safety:			
DUI Officer Grant	20.605	15-MD-228-1	\$ 45,023
Occupant Safety Grant	20.600	15-OP-228-1	1,511
			\$ 46,534
Total Non-Major Programs			\$ 165,992
Total Major and Non-Major Programs			\$ 619,825

Note A - Significant Accounting Policies

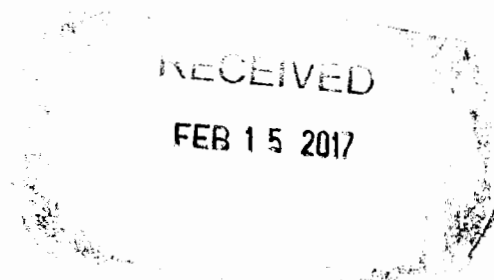
The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

CITY OF PHILADELPHIA, MISSISSIPPI
OTHER SUPPLEMENTARY INFORMATION
September 30, 2015



CITY OF PHILADELPHIA, MISSISSIPPI
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
September 30, 2015

	Special Revenue Funds					Total Non-major Governmental Funds
	Fire Protection Fund	Municipal Airport	Park Commission	Tourism/ Economic Council	Unemployment Compensation Fund	
ASSETS						
Cash	\$ 60,077	\$ 11,832	\$ 80,951	\$ 101,506	\$ 15,081	\$ 269,447
Due from general fund	-	-	9,883	-	-	9,883
Total assets	<u>\$ 60,077</u>	<u>\$ 11,832</u>	<u>\$ 90,834</u>	<u>\$ 101,506</u>	<u>\$ 15,081</u>	<u>\$ 279,330</u>
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ (1,300)	\$ -	\$ -	\$ (1,300)
FUND BALANCES						
Restricted	\$ 60,077	\$ -	\$ -	\$ 101,506	\$ -	\$ 161,583
Assigned	-	11,832	92,134	-	15,081	119,047
Total fund balance	<u>\$ 60,077</u>	<u>\$ 11,832</u>	<u>\$ 92,134</u>	<u>\$ 101,506</u>	<u>\$ 15,081</u>	<u>\$ 280,630</u>
Total liabilities and fund balances	<u>\$ 60,077</u>	<u>\$ 11,832</u>	<u>\$ 90,834</u>	<u>\$ 101,506</u>	<u>\$ 15,081</u>	<u>\$ 279,330</u>



CITY OF PHILADELPHIA, MISSISSIPPI

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND

BALANCES

For the Year Ended September 30, 2015

	Special Revenue Funds					
	Fire Protection Fund	Municipal Airport	Park Commission	Tourism/ Economic Council	Unemployment Compensation Fund	Total Non-major Governmental Funds
Revenues:						
Tourism tax	\$ -	\$ -	\$ -	\$ 126,465	\$ -	\$ 126,465
Fire insurance premiums	39,429	-	-	-	-	39,429
Interest income	27	4	89	89	8	217
Rent	-	5,804	58,914	-	-	64,718
Neshoba County	-	-	112,463	-	-	112,463
Operating fees	-	-	124,312	-	-	124,312
Grant	-	-	14,350	5,000	-	19,350
Other revenue	-	-	45	160	-	205
Total revenues	\$ 39,456	\$ 5,808	\$ 310,173	\$ 131,714	\$ 8	\$ 487,159
Expenditures:						
Personal services	\$ -	\$ -	\$ 235,094	\$ -	\$ -	\$ 235,094
Other services	-	54,712	150,838	111,212	-	316,762
Supplies	-	-	15,110	-	-	15,110
Capital outlay	14,404	-	20,439	-	-	34,843
Total expenditures	\$ 14,404	\$ 54,712	\$ 421,481	\$ 111,212	\$ -	\$ 601,809
Excess (deficiency) of revenues over expenditures	\$ 25,052	\$ (48,904)	\$ (111,308)	\$ 20,502	\$ 8	\$ (114,650)
Other financing sources						
Transfers in	\$ -	\$ 58,800	\$ 125,321	\$ -	\$ -	\$ 184,121
Total other financing sources	\$ -	\$ 58,800	\$ 125,321	\$ -	\$ -	\$ 184,121
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ 25,052	\$ 9,896	\$ 14,013	\$ 20,502	\$ 8	\$ 69,471
Fund balance—beginning of year	35,025	1,936	78,121	81,004	15,073	211,159
Fund balance—end of year	\$ 60,077	\$ 11,832	\$ 92,134	\$ 101,506	\$ 15,081	\$ 280,630

CITY OF PHILADELPHIA, MISSISSIPPI

**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS
September 30, 2015**

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
James A. Young	Mayor	Travelers Casualty & Surety Company of America	\$ 50,000
Jim Fulton	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
Cecil Nichols	Alderman	Travelers Casualty & Surety Company of America	\$ 100,000
Joe Tullos	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
Crystal Dawkins	Deputy Court Clerk	Travelers Casualty & Surety Company of America	\$ 50,000
Marilyn Jackson	Deputy Court Clerk	Travelers Casualty & Surety Company of America	\$ 50,000

CITY OF PHILADELPHIA, MISSISSIPPI

SPECIAL REPORTS
September 30, 2015



REA, SHAW, GIFFIN & STUART, LLP
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Philadelphia, Mississippi's basic financial statements and have issued our report thereon dated February 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Philadelphia, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia, Mississippi's internal control over financial reporting. Accordingly, we 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or, significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

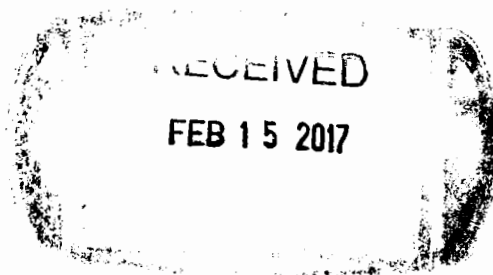
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea, Shaw, Giffin & Stuart

REA, SHAW, GIFFIN & STUART LLP

Philadelphia, Mississippi
February 9, 2017





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

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

Report on Compliance for the Major Federal Program

We have audited City of Philadelphia, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on City of Philadelphia, Mississippi's major federal program for the year ended September 30, 2015. City of Philadelphia, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, City of Philadelphia, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2015-01. Our opinion on the major federal program is not modified with respect to these matters.

City of Philadelphia, Mississippi's response to the noncompliance finding identified in our audit is described in the accompanying auditee's corrective action plan. City of Philadelphia, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-01 that we consider to be a significant deficiency.

City of Philadelphia, Mississippi's response to the internal control over compliance finding identified in our audit is described in the accompanying auditee's corrective action plan. City of Philadelphia, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Honorable Mayor and Board of Aldermen
City of Philadelphia, Mississippi

We 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, 2015 which collectively comprise the City of Philadelphia, Mississippi basic financial statements and have issued our report thereon dated February 9, 2017, we have conducted our 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, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements disclosed no instances of noncompliance with state laws and regulations.

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.

REA, SHAW, GIFFIN & STUART LLP

Philadelphia, Mississippi
February 9, 2017

CITY OF PHILADELPHIA, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified | No |
| b. | Significant deficiency identified | No |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|---|------------|
| 4. | Internal control over major federal programs: | |
| a. | Material weakness identified | Yes |
| b. | Significant deficiency identified | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Identification of major federal programs: | |
| a. | 20.205, American Recovery & Reinvestment Act | |
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee? | Yes |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section 3: Federal Award Findings and Questioned Costs

Material Weakness

2015-01 Internal controls over cash management should be strengthened.

Finding

Program: U.S. Department of Transportation, CFDA#20.205
Highway Planning and Construction Grant

Compliance Requirement: Cash Management

OMB Circular A-110 (2 CFR section 215.22) states payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205. Internal controls were not in place to ensure that federal funds were expended timely.

Audit procedures indicated that more than three months elapsed between the receipt and disbursement of some Highway Planning and Construction grant funds.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Alderman' should implement procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

Board of Alderman Response

See Corrective Action Plan

CITY OF PHILADELPHIA

525 Main Street
Philadelphia, MS 39350

MAYOR

James A. Young

CITY CLERK

James M. Johnson

CITY ATTORNEY

Robert Thomas

ALDERMEN

Jim Fulton

Josh Gamblin

Willie Jackson

Cecil Nichols

James Tatum

February 9, 2017

Mississippi State Auditor's Office
P.O. Box 956
Jackson, MS 39205

Dear Sir or Madame:

The City of Philadelphia respectfully submits the following Corrective Action Plan for the year ended September 30, 2015. The finding from the Schedule of Findings and Questioned Costs is discussed below. Section 1: Summary of Auditor's Results and Section 2: Financial Statement Findings do not include findings and are not addressed.

Section 3: Federal Award Findings and Questioned Costs

2015-01 Internal controls will be implemented to insure grant receipts are dispersed within (3) days of receiving grant money. The City Clerk and Deputy City Clerk will monitor all receipts to insure the disbursement in a timely manner.



