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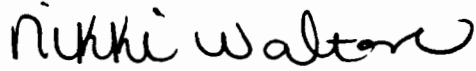
**Mayor**  
James A. Young  
**City Clerk**  
Nikki M. Walton  
**City Attorney**  
Robert Thomas

**Alderman**  
Leroy Clemons  
Jim Fulton  
Cassie Henson  
Ronnie Jenkins  
Joe Tullos

To Whom It May Concern:

We apologize for the delay in the information. Please let us know if you are in need of anything further.

Sincerely



Nikki Walton  
City Clerk



**CITY OF PHILADELPHIA, MISSISSIPPI**  
**ANNUAL FINANCIAL REPORT**  
**For the Year Ended September 30, 2016**

REA, SHAW, GREEN & STUART, LLP

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REA, SHAW, GIFFIN & STUART, LLP  
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ACCOUNTANTS

## 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, 2016, 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, 2016, 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 August 18, 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.

*Rea, Shaw, Giffin & Stuart*

REA, SHAW, GIFFIN & STUART, LLP



Philadelphia, Mississippi  
August 18, 2017

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, 2016, 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 \$1,411,745 or 5% from 2015.

Total liabilities increased by \$3,661,759 or 26% from 2015. This is due to the increase of net pension liability and the issuance of new debt.

Total net position decreased approximately \$2,333,247 or 15% as a result of this year's operations. This is due to primarily due to pension expense of \$1,166,681 in the current year.

The governmental revenues exceeded expenditures by \$402,791 before transfers. The City's business-type revenues exceeded related expenses by \$326,943 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, 2016

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 16-20.

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

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**STATEMENT OF NET POSITION**  
For the Year Ended September 30, 2016

	Governmental Activities		Business-Type Activities		Total		Increase (decrease)
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ 7,442,055	\$ 6,992,968	\$ 8,041,859	\$ 8,321,057	\$ 15,483,914	\$ 15,314,025	\$ 169,889
Capital assets	21,911,761	20,949,103	15,169,155	14,739,818	37,080,916	35,688,921	1,391,995
<b>Total assets</b>	<b>\$ 29,353,816</b>	<b>\$ 27,942,071</b>	<b>\$ 23,211,014</b>	<b>\$ 23,060,875</b>	<b>\$ 52,564,830</b>	<b>\$ 51,002,946</b>	<b>\$ 1,561,884</b>
Deferred outflows	\$ 1,804,745	\$ 1,388,342	\$ 590,099	\$ 297,519	\$ 2,394,844	\$ 1,685,861	\$ 708,983
Long-term liabilities	\$ 13,214,998	\$ 9,557,790	\$ 2,298,806	\$ 2,087,523	\$ 15,513,804	\$ 11,645,313	\$ 3,868,491
Other liabilities	885,980	881,429	2,647,584	2,439,563	3,533,564	3,320,992	212,572
<b>Total liabilities</b>	<b>\$ 14,100,978</b>	<b>\$ 10,439,219</b>	<b>\$ 4,946,390</b>	<b>\$ 4,527,086</b>	<b>\$ 19,047,368</b>	<b>\$ 14,966,305</b>	<b>\$ 4,081,063</b>
Deferred inflows	\$ 1,526,636	\$ 1,027,000	\$ 8,470	\$ 11,291	\$ 1,535,106	\$ 1,038,291	\$ 496,815
<b>Net position</b>							
Net investment in capital assets	\$ 19,804,976	\$ 18,552,752	\$ 14,714,155	\$ 14,229,818	\$ 34,519,131	\$ 32,782,570	\$ 1,736,561
Restricted	1,255,417	1,255,417	5,283	4,590	1,260,700	1,260,007	693
Unrestricted	(5,529,446)	(1,943,975)	4,126,815	4,585,609	(1,402,631)	2,641,634	(4,044,265)
<b>Total net position</b>	<b>\$ 15,530,947</b>	<b>\$ 17,864,194</b>	<b>\$ 18,846,253</b>	<b>\$ 18,820,017</b>	<b>\$ 34,377,200</b>	<b>\$ 36,684,211</b>	<b>\$ (2,307,011)</b>

The City's total assets increased by \$1,561,884 during 2016 with governmental activities showing an increase of \$1,411,745 and business-type activities showing an increase of \$150,139. The major changes were a \$962,658 increase in capital assets by the governmental activities and a \$429,337 increase in capital assets by the business-type activities. The City's total liabilities increased by \$4,081,063, due mainly to the increase of the net pension liability and issuance of new debt in the governmental activities. The City's net position decreased by \$2,307,011 due mainly to the recording of current year pension expense.

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**STATEMENT OF CHANGES IN NET POSITION**  
For the Year Ended September 30, 2016

Table 2 shows the changes in net position for the September 30, 2016 year end. A comparative analysis of government-wide data is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 1,330,836	\$ 1,255,946	\$ 14,783,388	\$ 14,850,413	\$ 16,114,224	\$ 16,106,359
Operating grants and contributions	274,044	268,800	-	-	274,044	268,800
Capital grants and contributions	40,795	621,216	-	-	40,795	621,216
General revenues:						
Ad valorem tax	1,165,652	1,374,497	-	-	1,165,652	1,374,497
Franchise tax on utilities	118,184	120,787	-	-	118,184	120,787
Sales tax	4,669,613	4,329,470	-	-	4,669,613	4,329,470
TVA in lieu tax	81,501	142,438	-	-	81,501	142,438
Investment income (loss)	919	1,305	113,816	93,823	114,735	95,128
Miscellaneous	328,877	154,523	-	-	328,877	154,523
Tourism tax	101,455	105,363	-	-	101,455	105,363
Gain on sale of assets	64,550	10,332	-	-	64,550	10,332
<b>Total revenues</b>	<b>\$ 8,176,426</b>	<b>\$ 8,384,677</b>	<b>\$ 14,897,204</b>	<b>\$ 14,944,236</b>	<b>\$ 23,073,630</b>	<b>\$ 23,328,913</b>
<b>Expenses</b>						
General government	\$ 3,195,417	\$ 1,309,941	\$ -	\$ -	\$ 3,195,417	\$ 1,309,941
Public safety: police	1,624,839	1,618,122	-	-	1,624,839	1,618,122
Public safety: fire	1,713,333	1,719,237	-	-	1,713,333	1,719,237
Municipal court	160,507	111,602	-	-	160,507	111,602
Streets	1,078,112	916,278	-	-	1,078,112	916,278
Sanitation	567,951	515,691	-	-	567,951	515,691
Cemetery	179,065	172,269	-	-	179,065	172,269
Animal control	36,781	36,160	-	-	36,781	36,160
Parks	685,153	657,478	-	-	685,153	657,478
Airport	266,650	267,334	-	-	266,650	267,334
Tourism	92,978	109,574	-	-	92,978	109,574
Interest on long-term debt	42,913	60,324	-	-	42,913	60,324
Pension expense	1,166,681	921,165	-	-	1,166,681	921,165
Water and Sewer utilities	-	-	2,881,293	2,681,655	2,881,293	2,681,655
Electric utilities	-	-	11,688,968	11,761,207	11,688,968	11,761,207
<b>Total expenses</b>	<b>\$ 10,810,380</b>	<b>\$ 8,415,175</b>	<b>\$ 14,570,261</b>	<b>\$ 14,442,862</b>	<b>\$ 25,380,641</b>	<b>\$ 22,858,037</b>
Increase (decrease) in net position before transfers	\$ (2,633,954)	\$ (30,498)	\$ 326,943	\$ 501,374	\$ (2,307,011)	\$ 470,876
Transfers	300,707	300,707	(300,707)	(300,707)	-	-
<b>Increase (decrease) in net position</b>	<b>\$ (2,333,247)</b>	<b>\$ 270,209</b>	<b>\$ 26,236</b>	<b>\$ 200,667</b>	<b>\$ (2,307,011)</b>	<b>\$ 470,876</b>

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2016

The City's governmental activities continue to be primarily funded by sources other than property taxes, which made up only 12% 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 \$6,151,140, which is \$402,791 more than last year's total of \$5,748,349. The primary reason for the increase was proceeds of long-term debt totaling \$3,301,166 in the governmental funds.

**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 52-53.

During 2016, 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 \$7,379,121; with the final budgeted amount being \$7,379,121 and with \$7,347,504 in actual revenue collections. The shortage of \$31,617 was due mainly to fines and forfeitures. The general fund's original budgeted expenditures of \$7,338,668 were amended to \$9,865,365, with actual expenditures of \$9,000,956.

**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, 2016, amounts to \$34,519,131 (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 \$1,736,561 (\$1,252,224 increase in governmental activities and \$484,337 increase in business-type activities).

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**GOVERNMENTAL FUND AND BUSINESS-TYPE ACTIVITIES**  
For the Year Ended September 30, 2016

<b>Asset Classification</b>	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 9/30/2016</b>
<b>Governmental activities:</b>				
<b>Capital asset values</b>				
Land	\$ 1,209,675	\$ -	\$ -	\$ 1,209,675
Buildings	19,959,454	475,501	-	20,434,955
Machinery and equipment	7,247,639	548,025	466,707	7,328,957
Infrastructure	7,750,337	1,300,973	-	9,051,310
<b>Total at historical cost</b>	<b>\$ 36,167,105</b>	<b>\$ 2,324,499</b>	<b>\$ 466,707</b>	<b>\$ 38,024,897</b>
<b>Less: capital asset accumulated depreciation</b>				
Buildings	\$ (6,141,586)	\$ (638,721)	\$ -	\$ (6,780,307)
Machinery and equipment	(5,583,721)	(443,599)	462,534	(5,564,786)
Infrastructure	(3,492,695)	(275,348)	-	(3,768,043)
<b>Total accumulated depreciation</b>	<b>\$(15,218,002)</b>	<b>\$ (1,357,668)</b>	<b>\$ 462,534</b>	<b>\$(16,113,136)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 20,949,103</b>	<b>\$ 966,831</b>	<b>\$ 4,173</b>	<b>\$ 21,911,761</b>

<b>Asset Classification</b>	<b>Balance 9/30/2015</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 9/30/2016</b>
<b>Business-type activities:</b>				
<b>Capital asset values</b>				
Land	\$ 1,350,681	\$ -	\$ -	\$ 1,350,681
Buildings	1,966,189	-	-	1,966,189
Other Improvements	13,285,590	707,704	8,241	13,985,053
Equipment	13,921,880	668,499	109,134	14,481,245
Construction in-progress	328,337	881,252	814,402	395,187
<b>Total at historical cost</b>	<b>\$ 30,852,677</b>	<b>\$ 2,257,455</b>	<b>\$ 931,777</b>	<b>\$ 32,178,355</b>
<b>Less: capital asset accumulated depreciation</b>				
Electric plant	\$ (7,792,181)	\$ (507,581)	\$ 100,975	\$ (8,198,787)
Water and Sewer plant	(8,320,678)	(497,282)	7,547	(8,810,413)
<b>Total accumulated depreciation</b>	<b>\$(16,112,859)</b>	<b>\$ (1,004,863)</b>	<b>\$ 108,522</b>	<b>\$(17,009,200)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,739,818</b>	<b>\$ 1,252,592</b>	<b>\$ 823,255</b>	<b>\$ 15,169,155</b>

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**  
For the Year Ended September 30, 2016

**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 \$5,612,889. Of this amount, \$455,000 represents bonds paid by water and sewer revenues, \$2,930,000 of tax increment financing bonds, which will be repaid out of increased sales and property taxes, and \$2,106,785 of notes payable. The accrued compensated absences for the governmental activities totaled \$121,104.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
G.O. bonds	\$ -	\$ -	\$ 455,000	\$ 510,000	\$ 455,000	\$ 510,000
Revenue bonds	2,930,000	1,725,000	-	-	2,930,000	1,725,000
Accrued compensated absences	121,104	116,362	-	-	121,104	116,362
CAP revolving loans	1,911,705	459,281	-	-	1,911,705	459,281
Lease purchase	195,080	191,942	-	-	195,080	191,942
<b>Totals</b>	<b>\$ 5,157,889</b>	<b>\$ 2,492,585</b>	<b>\$ 455,000</b>	<b>\$ 510,000</b>	<b>\$ 5,612,889</b>	<b>\$ 3,002,585</b>

During the fiscal year, the City's total debt increased by \$2,610,304. A total of \$2,340,604 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 39-42 of this report.

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2016

**Economic Factors and Next Year's Budgets and Rates**

The City's elected and appointed officials considered many factors when setting the fiscal year 2016 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 2017 reflects anticipated revenues of \$7,602,866. The mills will remain the same at 18 for the general fund for the coming year. The 2017 general fund budget shows anticipated expenditures of \$7,525,008. If these budgeted estimates are realized, the City's budgeted general fund balance is expected to increase by \$77,858 by the close of 2016.

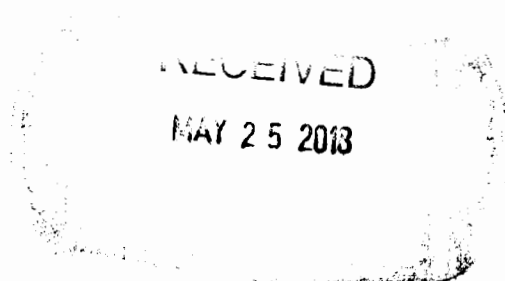
It is likely that water and sewer rates will remain stable in 2017. Additional revenue could increase from improved economic conditions. Electric rates will vary as the fuel cost adjustment changes monthly. Although the economy is very slow to grow, some promising business/industrial/retail projects 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

Philadelphia, Mississippi  
August 18, 2017



REA, SHAW, GIFFIN & SWEART, LLP



**CITY OF PHILADELPHIA, MISSISSIPPI**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS**  
**September 30, 2016**

**CITY OF PHILADELPHIA, MISSISSIPPI**

**STATEMENT OF NET POSITION**

**September 30, 2016**

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,844,035	\$ 1,204,274	\$ 4,048,309
Certificates of deposit	3,157,010	-	3,157,010
Investments	-	44,685	44,685
Receivables	1,441,010	1,533,535	2,974,545
Inventory	-	270,264	270,264
Prepaid expenses	-	96,898	96,898
<b>Total current assets</b>	<b>\$ 7,442,055</b>	<b>\$ 3,149,656</b>	<b>\$ 10,591,711</b>
Restricted assets			
Cash	\$ -	\$ 697,021	\$ 697,021
Investments	-	185,583	185,583
<b>Total restricted assets</b>	<b>\$ -</b>	<b>\$ 882,604</b>	<b>\$ 882,604</b>
Other assets			
Investments	\$ -	\$ 3,970,516	\$ 3,970,516
Loan to CSA	-	11,511	11,511
Conservation loans	-	21,385	21,385
Deferred charges	-	5,887	5,887
<b>Total other assets</b>	<b>\$ -</b>	<b>\$ 4,009,599</b>	<b>\$ 4,009,599</b>
Fixed assets, net of depreciation	\$ 21,911,761	\$ 15,169,155	\$ 37,080,916
<b>Total assets</b>	<b>\$ 29,353,816</b>	<b>\$ 23,211,014</b>	<b>\$ 52,564,830</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflows related to pension	\$ 1,804,745	\$ 590,099	\$ 2,394,844
<b>Total deferred outflow of resources</b>	<b>\$ 1,804,745</b>	<b>\$ 590,099</b>	<b>\$ 2,394,844</b>

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	Governmental Activities	Business-Type Activities	Total
<b>LIABILITIES</b>			
Accounts payable	\$ 180,394	\$ 1,528,772	\$ 1,709,166
Accrued liabilities	10,072	181,208	191,280
Customer deposits	-	882,604	882,604
Non-current liabilities due within one year			
Compensated absences	121,104	-	121,104
Bonds payable	405,000	55,000	460,000
Note payable	169,410	-	169,410
Due in more than one year			
Bonds payable	2,525,000	400,000	2,925,000
Note payable	1,937,375	-	1,937,375
Net pension liability	8,752,623	1,877,421	10,630,044
Conservation advances from TVA	-	21,385	21,385
<b>Total liabilities</b>	<b>\$ 14,100,978</b>	<b>\$ 4,946,390</b>	<b>\$ 19,047,368</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflows related to pension	\$ 426,187	\$ 8,470	\$ 434,657
Deferred revenues - property taxes	1,100,449	-	1,100,449
<b>Total deferred inflow of resources</b>	<b>\$ 1,526,636</b>	<b>\$ 8,470</b>	<b>\$ 1,535,106</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 19,804,976	\$ 14,714,155	\$ 34,519,131
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	5,283	20,364
Unrestricted	(5,529,446)	4,126,815	(1,402,631)
<b>Total net position</b>	<b>\$ 15,530,947</b>	<b>\$ 18,846,253</b>	<b>\$ 34,377,200</b>



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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 3,195,417	\$ 332,535	\$ 69,526	\$ -	\$ (2,793,356)	\$ -	\$ (2,793,356)
Public safety:							
Police	1,624,839	-	51,737	24,977	(1,548,125)	-	(1,548,125)
Fire	1,713,333	-	-	-	(1,713,333)	-	(1,713,333)
Municipal court	160,507	-	-	-	(160,507)	-	(160,507)
Streets	1,078,112	205	-	15,818	(1,062,089)	-	(1,062,089)
Sanitation	567,951	479,344	-	-	(88,607)	-	(88,607)
Cemetery	179,065	55,150	-	-	(123,915)	-	(123,915)
Animal control	36,781	2,550	-	-	(34,231)	-	(34,231)
Library	-	-	-	-	-	-	-
Parks	685,153	386,723	152,781	-	(145,649)	-	(145,649)
Airport	266,650	74,329	-	-	(192,321)	-	(192,321)
Tourism	92,978	-	-	-	(92,978)	-	(92,978)
Interest on long-term debt	42,913	-	-	-	(42,913)	-	(42,913)
Pension expense	1,166,681	-	-	-	(1,166,681)	-	(1,166,681)
<b>Total governmental activities</b>	<b>\$ 10,810,380</b>	<b>\$ 1,330,836</b>	<b>\$ 274,044</b>	<b>\$ 40,795</b>	<b>\$ (9,164,705)</b>	<b>\$ -</b>	<b>\$ (9,164,705)</b>
<b>Business-type activities:</b>							
Water and Sewer utilities	\$ 2,881,293	\$ 2,764,320	\$ -	\$ -	\$ -	\$ (116,973)	\$ (116,973)
Electric utilities	11,688,968	12,019,068	-	-	-	330,100	330,100
<b>Total business-type activities</b>	<b>\$ 14,570,261</b>	<b>\$ 14,783,388</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,127</b>	<b>\$ 213,127</b>
<b>Total government</b>	<b>\$ 25,380,641</b>	<b>\$ 16,114,224</b>	<b>\$ 274,044</b>	<b>\$ 40,795</b>	<b>\$ (9,164,705)</b>	<b>\$ 213,127</b>	<b>\$ (8,951,578)</b>

**CITY OF PHILADELPHIA, MISSISSIPPI**

**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended September 30, 2016

	Governmental Activities	Business-Type Activities	Total
General revenues and transfers:			
Ad valorem tax	\$ 1,165,652	\$ -	\$ 1,165,652
Franchise tax on utilities	118,184	-	118,184
Sales tax	4,669,613	-	4,669,613
TVA in lieu tax	81,501	-	81,501
Investment income	919	113,816	114,735
Miscellaneous	328,877	-	328,877
Tourism tax	101,455	-	101,455
Transfer	300,707	(300,707)	-
Gain on sale of assets	64,550	-	64,550
<b>Total general revenues and transfers</b>	<b>\$ 6,831,458</b>	<b>\$ (186,891)</b>	<b>\$ 6,644,567</b>
<b>Change in net position</b>	<b>\$ (2,333,247)</b>	<b>\$ 26,236</b>	<b>\$ (2,307,011)</b>
<b>Net position—beginning of year</b>	<b>17,864,194</b>	<b>18,820,017</b>	<b>36,684,211</b>
<b>Net position—end of year</b>	<b><u>\$ 15,530,947</u></b>	<b><u>\$ 18,846,253</u></b>	<b><u>\$ 34,377,200</u></b>

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

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**GOVERNMENTAL FUND FINANCIAL STATEMENTS**  
**September 30, 2016**

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**REX, SHAW, GULIN & STUART LLP**

# CITY OF PHILADELPHIA, MISSISSIPPI

## BALANCE SHEET September 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,565,171	\$ 945,408	\$ 333,456	\$ 2,844,035
Certificates of deposit	3,157,010	-	-	3,157,010
Receivables:				
Sales tax receivables	323,926	-	-	323,926
Ad valorem taxes receivable	1,100,449	-	-	1,100,449
Due from other funds	516	65,919	-	66,435
Due from others	6,141	-	10,494	16,635
<b>Total assets</b>	<b>\$ 6,153,213</b>	<b>\$ 1,011,327</b>	<b>\$ 343,950</b>	<b>\$ 7,508,490</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 166,177	\$ -	\$ 14,217	\$ 180,394
Accrued liabilities	11,497	-	(1,425)	10,072
Due to other funds	65,919	516	-	66,435
Deferred revenue	1,100,449	-	-	1,100,449
<b>Total liabilities</b>	<b>\$ 1,344,042</b>	<b>\$ 516</b>	<b>\$ 12,792</b>	<b>\$ 1,357,350</b>
<b>FUND BALANCES</b>				
Restricted funds:				
Debt service	\$ -	\$ 1,010,811	\$ -	\$ 1,010,811
Tourism	-	-	110,999	110,999
Fire protection	-	-	87,984	87,984
Assigned - special revenue funds	-	-	132,175	132,175
Unassigned	4,809,171	-	-	4,809,171
<b>Total fund balances</b>	<b>\$ 4,809,171</b>	<b>\$ 1,010,811</b>	<b>\$ 331,158</b>	<b>\$ 6,151,140</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,153,213</b>	<b>\$ 1,011,327</b>	<b>\$ 343,950</b>	<b>\$ 7,508,490</b>

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, 2016

Total fund balance - governmental funds \$ 6,151,140

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 \$16,099,423. 21,911,761

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (2,930,000)

Accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (121,104)

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. (8,752,623)

Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds. (2,106,785)

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 1,378,558

**Total net position - governmental activities** \$ 15,530,947

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, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,131,729	\$ 33,923	\$ -	\$ 1,165,652
Privilege licenses	39,977	-	-	39,977
Franchise tax on utilities	118,184	-	-	118,184
TVA in lieu tax	81,501	-	-	81,501
Tourism tax	-	-	101,455	101,455
Neshoba county	321,855	78,152	110,000	510,007
State sales tax	4,653,398	316,922	-	4,970,320
State shared revenues	132,320	-	5,000	137,320
Federal shared revenues	46,417	-	-	46,417
Charges for services	379,771	-	498,833	878,604
Fines and forfeits	329,904	-	-	329,904
Interest	-	567	190	757
Miscellaneous	201,116	191	53	201,360
<b>Total revenues</b>	<b>\$ 7,436,172</b>	<b>\$ 429,755</b>	<b>\$ 715,531</b>	<b>\$ 8,581,458</b>
<b>Expenditures:</b>				
General government	\$ 1,610,853	\$ 59,623	\$ -	\$ 1,670,476
Public safety:				
Police	1,643,909	-	-	1,643,909
Fire	1,573,128	-	-	1,573,128
Municipal court	158,529	-	-	158,529
Streets	726,662	-	-	726,662
Sanitation	599,549	-	-	599,549
Cemetery	161,584	-	-	161,584
Animal control	34,044	-	-	34,044
Park	-	-	506,418	506,418
Airport	-	-	57,944	57,944
Tourism	-	-	92,978	92,978
Debt service:				
Principal	135,328	1,856,500	-	1,991,828
Interest	10,013	32,900	-	42,913
Capital outlay	2,198,289	-	52,484	2,250,773
<b>Total expenditures</b>	<b>\$ 8,851,888</b>	<b>\$ 1,949,023</b>	<b>\$ 709,824</b>	<b>\$ 11,510,735</b>

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**  
 (continued)  
 For the Year Ended September 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Excess of revenues over (under) expenditures	\$ (1,415,716)	\$ (1,519,268)	\$ 5,707	\$ (2,929,277)
Other financing sources (uses)				
Proceeds of long-term debt	\$ 1,701,166	\$ 1,600,000	\$ -	\$ 3,301,166
Sale of equipment	25,700	-	5,202	30,902
Transfers in	515	-	46,702	47,217
Transfers out	(46,702)	(515)	-	(47,217)
<b>Total other financing sources</b>	<u>\$ 1,680,679</u>	<u>\$ 1,599,485</u>	<u>\$ 51,904</u>	<u>\$ 3,332,068</u>
Excess of revenues and other sources over expenditures and other uses	\$ 264,963	\$ 80,217	\$ 57,611	\$ 402,791
<b>Fund balances—beginning of year</b>	<u>4,544,208</u>	<u>930,594</u>	<u>273,547</u>	<u>5,748,349</u>
<b>Fund balances—end of year</b>	<u>\$ 4,809,171</u>	<u>\$ 1,010,811</u>	<u>\$ 331,158</u>	<u>\$ 6,151,140</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, 2016

Net change in fund balances—total governmental funds \$ 402,791

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	2,324,499
Depreciation expense	(1,357,668)
Book value of disposed assets	(4,173)

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	315,000
Note principal payments	325,605
Loan proceeds	(3,301,166)

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	(765,104)
Recording of contributions made subsequent to the measurement date	133,288
Recording of prior year amortization	(401,577)

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>(4,742)</u>
------------------------------	----------------

**Change in net position of governmental activities** **\$ (2,333,247)**

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

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**PROPRIETARY FUND FINANCIAL STATEMENTS**  
**September 30, 2016**

**CITY OF PHILADELPHIA, MISSISSIPPI**

**STATEMENT OF NET POSITION – BUSINESS-TYPE ACTIVITIES**

September 30, 2016

	Philadelphia Electric Utility	Philadelphia Water and Sewer Utility	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	\$ 519,812	\$ 684,462	\$ 1,204,274
Temporary investments	-	44,685	44,685
Accounts receivable - customer	1,006,076	255,314	1,261,390
Accounts receivable - municipal	158,029	-	158,029
Accounts receivable - other	78,229	35,887	114,116
Inventories	160,289	109,975	270,264
Prepaid expenses	-	96,898	96,898
<b>Total current assets</b>	<b>\$ 1,922,435</b>	<b>\$ 1,227,221</b>	<b>\$ 3,149,656</b>
<b>Restricted assets</b>			
Cash	\$ 697,021	\$ -	\$ 697,021
Investments	-	185,583	185,583
<b>Total restricted assets</b>	<b>\$ 697,021</b>	<b>\$ 185,583</b>	<b>\$ 882,604</b>
<b>Other assets</b>			
Investments	\$ 2,385,509	\$ 1,585,307	\$ 3,970,816
Loan to CSA	11,511	-	11,511
Conservation loans	21,385	-	21,385
Deferred charges	-	5,887	5,887
<b>Total other assets</b>	<b>\$ 2,418,405</b>	<b>\$ 1,591,194</b>	<b>\$ 4,009,599</b>
<b>Fixed assets</b>			
Electric plant	\$ 13,852,715	\$ -	\$ 13,852,715
Water works	-	10,148,274	10,148,274
Sewer plant	-	7,782,179	7,782,179
Accumulated depreciation	(8,198,787)	(8,810,413)	(17,009,200)
Construction work in-progress	114,857	280,330	395,187
<b>Fixed assets, net of accumulated depreciation</b>	<b>\$ 5,768,785</b>	<b>\$ 9,400,370</b>	<b>\$ 15,169,155</b>
<b>Total assets</b>	<b>\$ 10,806,646</b>	<b>\$ 12,404,368</b>	<b>\$ 23,211,014</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
<b>Total deferred outflow of resources</b>	<b>\$ 306,665</b>	<b>\$ 283,434</b>	<b>\$ 590,099</b>

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

	Philadelphia Electric Utility	Philadelphia Water and Sewer Utility	Total
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 1,122,951	\$ 405,821	\$ 1,528,772
Accrued liabilities	91,110	90,098	181,208
General obligation bonds - current	-	55,000	55,000
<b>Total current liabilities</b>	<b>\$ 1,214,061</b>	<b>\$ 550,919</b>	<b>\$ 1,764,980</b>
Current liabilities payable from restricted assets			
Customer deposits payable	\$ 697,021	\$ 185,583	\$ 882,604
<b>Total current liabilities payable from restricted assets</b>	<b>\$ 697,021</b>	<b>\$ 185,583</b>	<b>\$ 882,604</b>
Non-current liabilities			
General obligation bonds payable	\$ -	\$ 400,000	\$ 400,000
Net pension liability	977,025	900,396	1,877,421
Conservation advances from TVA	21,385	-	21,385
<b>Total non-current liabilities</b>	<b>\$ 998,410</b>	<b>\$ 1,300,396</b>	<b>\$ 2,298,806</b>
<b>Total liabilities</b>	<b>\$ 2,909,492</b>	<b>\$ 2,036,898</b>	<b>\$ 4,946,390</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
<b>Total deferred inflow of resources</b>	<b>\$ 4,408</b>	<b>\$ 4,062</b>	<b>\$ 8,470</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,768,785	\$ 8,945,370	\$ 14,714,155
Restricted for:			
Unemployment taxes	5,283	-	5,283
Unrestricted	2,425,343	1,701,472	4,126,815
<b>Total net position</b>	<b>\$ 8,199,411</b>	<b>\$ 10,646,842</b>	<b>\$ 18,846,253</b>

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# CITY OF PHILADELPHIA, MISSISSIPPI

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - BUSINESS-TYPE ACTIVITIES

For the Year Ended September 30, 2016

	Philadelphia Electric Utility	Philadelphia Water and Sewer Utility	Total
<b>Operating Revenues</b>			
Charges for services	\$ 11,823,671	\$ 2,764,320	\$ 14,587,991
Other income	195,397	-	195,397
<b>Total operating revenues</b>	<u>\$ 12,019,068</u>	<u>\$ 2,764,320</u>	<u>\$ 14,783,388</u>
<b>Operating expenses</b>			
Purchased power	\$ 9,617,496	\$ 153,646	\$ 9,771,142
Distribution expense - operation	293,732	646,689	940,421
Maintenance	399,104	228,308	627,412
Customer accounting	173,170	116,521	289,691
Sales expense - net	18,274	(53,445)	(35,171)
Administrative and general	664,807	660,751	1,325,558
Depreciation	450,604	433,971	884,575
Taxes or equivalent	58,670	79,238	137,908
Miscellaneous	5,329	-	5,329
Customer Service	7,782	-	7,782
Pump plant expenses	-	303,915	303,915
Sewer system expenses	-	295,122	295,122
<b>Total operating expenses</b>	<u>\$ 11,688,968</u>	<u>\$ 2,864,716</u>	<u>\$ 14,553,684</u>
Income (loss) from operations	<u>\$ 330,100</u>	<u>\$ (100,396)</u>	<u>\$ 229,704</u>
<b>Non-operating revenues (expenses)</b>			
Investment income	\$ 66,984	\$ 46,832	\$ 113,816
Interest expense	-	(16,577)	(16,577)
<b>Total non-operating revenues</b>	<u>\$ 66,984</u>	<u>\$ 30,255</u>	<u>\$ 97,239</u>
Income (loss) before transfers	<u>\$ 397,084</u>	<u>\$ (70,141)</u>	<u>\$ 326,943</u>
Transfers out (in lieu taxes)	<u>(300,707)</u>	<u>-</u>	<u>(300,707)</u>
<b>Change in net position</b>	<u>\$ 96,377</u>	<u>\$ (70,141)</u>	<u>\$ 26,236</u>
<b>Net position—beginning of year</b>	<u>8,103,034</u>	<u>10,716,983</u>	<u>18,820,017</u>
<b>Net position—end of year</b>	<u>\$ 8,199,411</u>	<u>\$ 10,646,842</u>	<u>\$ 18,846,253</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, 2016

	Philadelphia Electric Utility	Philadelphia Water and Sewer Utility	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 11,793,347	\$ 2,758,229	\$ 14,551,576
Cash payments to suppliers for goods and services	(10,285,801)	(1,008,158)	(11,293,959)
Cash payments to employees for services	(1,219,286)	(1,199,262)	(2,418,548)
Other operating cash receipts	160,084	5,500	165,584
<b>Net cash provided by operating activities</b>	<b>\$ 448,344</b>	<b>\$ 556,309</b>	<b>\$ 1,004,653</b>
<b>Cash flows from capital and related financing activities:</b>			
Payment on long-term debt	\$ -	\$ (55,000)	\$ (55,000)
Interest paid on capital debt	(18,225)	(16,990)	(35,215)
<b>Net cash used in capital and related financing activities</b>	<b>\$ (18,225)</b>	<b>\$ (71,990)</b>	<b>\$ (90,215)</b>
<b>Cash flows from investing activities:</b>			
Additions to plant	\$ (602,053)	\$ (842,173)	\$ (1,444,226)
Removal cost	(32,957)	-	(32,957)
Salvage	35,776	7,209	42,985
Purchase of investments	(2,112,039)	(2,176,963)	(4,289,002)
Redemption of investments	2,082,562	2,139,491	4,222,053
Cash receipts from investments net of expenses	54,310	-	54,310
Conservation loans receivable	18,225	-	18,225
Central Services Association loan	(1,119)	-	(1,119)
Investment income	-	50,795	50,795
<b>Net cash used in investing activities</b>	<b>\$ (557,295)</b>	<b>\$ (821,641)</b>	<b>\$ (1,378,936)</b>
<b>Net decrease in cash</b>	<b>\$ (127,176)</b>	<b>\$ (337,322)</b>	<b>\$ (464,498)</b>
<b>Cash—beginning of year</b>	<b>1,344,009</b>	<b>1,021,784</b>	<b>2,365,793</b>
<b>Cash—end of year</b>	<b>\$ 1,216,833</b>	<b>\$ 684,462</b>	<b>\$ 1,901,295</b>

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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, 2016

	Philadelphia Electric Utility	Philadelphia Water and Sewer Utility	Total
Reconciliation of income (loss) from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 29,393	\$ (100,396)	\$ (71,003)
Adjustments to reconcile income from operations to net cash provided (used) by operating activities:			
Depreciation	507,581	497,282	1,004,863
Amortization	-	4,673	4,673
Change in assets and liabilities:			
Increase in accounts receivables	(91,415)	(6,091)	(97,506)
Increase in inventories	(5,127)	(2,197)	(7,324)
Increase in prepaid expenses	(152,010)	(26,590)	(178,600)
Increase in deferred outflows of resources	-	(140,571)	(140,571)
Increase in accounts payable	(9,392)	193,644	184,252
Increase in customer deposits	25,778	5,500	31,278
Decrease in accrued liabilities	(2,913)	(4,183)	(7,096)
Decrease in deferred inflows of resources	(1,468)	(1,353)	(2,821)
Increase in pension liability	147,917	136,591	284,508
Net cash provided by operating activities:	<u>\$ 448,344</u>	<u>\$ 556,309</u>	<u>\$ 1,004,653</u>
Reconciliation of total cash and cash equivalents:			
Current assets - cash and cash equivalents	\$ 519,812	\$ 684,462	\$ 1,204,274
Restricted assets - cash and cash equivalents	<u>697,021</u>	<u>-</u>	<u>697,021</u>
<b>Total cash and cash equivalents</b>	<u><b>\$ 1,216,833</b></u>	<u><b>\$ 684,462</b></u>	<u><b>\$ 1,901,295</b></u>

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

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**NOTES TO BASIC 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 and Sewer and Electric Utilities — The City of Philadelphia Water and 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.

**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 15<sup>th</sup> 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 15<sup>th</sup>.

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.

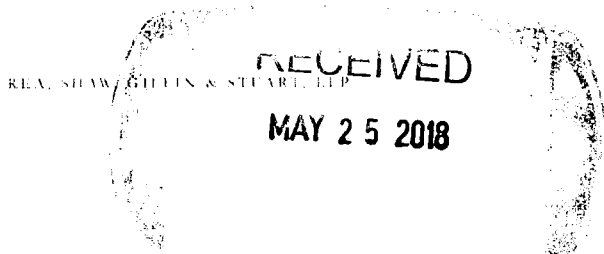
Real property, personal property (excluding vehicle taxes, which have tax due dates based on the original date of vehicle registration), and public utility taxes are due on or before February 1. The City has an agreement with Neshoba County whereby the County collects these ad valorem taxes for both the City and the Philadelphia Public School District. The agreement allows the county to retain a commission. The millage rate for the City for 2016 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 \$7,902,340 and the bank balance was \$8,128,974. Of this amount, \$1,095,373 was insured by the FDIC, \$7,033,601 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, 2016 are:

	Category of Risk	Fair Value
U.S. Treasury securities	1	\$ 646,530
U.S. Government agency	1	3,509,869
Money market funds	1	<u>44,685</u>
<b>Total</b>		<b><u>\$ 4,201,084</u></b>

#### Note 4. Capital Assets

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance October 1, 2015	Additions	Retirements	Balance September 30, 2016
<b>Governmental Activities:</b>				
Capital assets				
Land	\$ 1,209,675	\$ -	\$ -	\$ 1,209,675
Buildings	19,959,454	475,501	-	20,434,955
Machinery and equipment	7,247,639	548,025	466,707	7,328,957
Infrastructure	7,750,337	1,300,973	-	9,051,310
<b>Total at historical cost</b>	<b>\$ 36,167,105</b>	<b>\$ 2,324,499</b>	<b>\$ 466,707</b>	<b>\$ 38,024,897</b>
Less: accumulated depreciation				
Buildings	\$ (6,141,586)	\$ (638,721)	\$ -	\$ (6,780,307)
Machinery and equipment	(5,583,721)	(443,599)	462,534	(5,564,786)
Infrastructure	(3,492,695)	(275,348)	-	(3,768,043)
<b>Total accumulated depreciation</b>	<b>\$ (15,218,002)</b>	<b>\$ (1,357,668)</b>	<b>\$ 462,534</b>	<b>\$ (16,113,136)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 20,949,103</b>	<b>\$ 966,831</b>	<b>\$ 4,173</b>	<b>\$ 21,911,761</b>
<b>Business-Type Activities:</b>				
Capital assets				
Land	\$ 1,350,681	\$ -	\$ -	\$ 1,350,681
Buildings	1,966,189	-	-	1,966,189
Other improvements	13,285,590	707,704	8,241	13,985,053
Equipment	13,921,880	668,499	109,134	14,481,245
Construction in-progress	328,337	881,252	814,402	395,187
<b>Total at historical cost</b>	<b>\$ 30,852,677</b>	<b>\$ 2,257,455</b>	<b>\$ 931,777</b>	<b>\$ 32,178,355</b>
Less: accumulated depreciation				
Electric plant	\$ (7,792,181)	\$ (507,581)	\$ 100,975	\$ (8,198,787)
Water and Sewer plant	(8,320,678)	(497,282)	7,547	(8,810,413)
<b>Total accumulated depreciation</b>	<b>\$ (16,112,859)</b>	<b>\$ (1,004,863)</b>	<b>\$ 108,522</b>	<b>\$ (17,009,200)</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,739,818</b>	<b>\$ 1,252,592</b>	<b>\$ 823,255</b>	<b>\$ 15,169,155</b>

#### 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	\$ 193,901
Police	119,841
Fire	134,859
Municipal court	1,015
Streets	352,568
Sanitation	78,678
Cemetery	17,481
Animal control	2,677
Parks	247,942
Airport	<u>208,706</u>

<b>Total depreciation expense—governmental activities</b>	<b><u>\$ 1,357,668</u></b>
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##### Business-Type Activities:

Electric department	\$ 507,581
Water and Sewer department	<u>497,282</u>

<b>Total depreciation expense—business-type activities</b>	<b><u>\$ 1,004,863</u></b>
--	----------------------------

#### Note 5. Restricted Assets

The amounts reported as restricted assets of the business-type activities at September 30, 2016 and 2015 are as follows:

	<u>September 30, 2016</u>		<u>September 30, 2015</u>	
	<u>Cash</u>	<u>Investments</u>	<u>Cash</u>	<u>Investments</u>
Customer meter fund	<u>\$ 697,021</u>	<u>\$ 185,583</u>	<u>\$ 671,243</u>	<u>\$ 180,083</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.

**Note 6. Long-Term Debt (continued)**

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, 2015, the City borrowed \$159,834 from BancorpSouth Bank under a lease/purchase contract to purchase a CAT D6K Dozer. Payments are \$2,160 per month for 36 months and a balloon payment of \$89,000 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 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 \$3,965 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 \$5,989 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.

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**Note 6. Long-term Debt (continued)**

Bonds outstanding and notes payable at September 30, 2016 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>
2012 Cap Revolving Loan \$323,348	1/13/2012	3/1/2022	2%	\$ 183,403	\$ -
2009 Cap Revolving Loan \$650,857	3/17/2009	3/1/2019	2%	176,737	-
2015 Cap Revolving Loan \$1,551,565	3/2/2015	2/2/2037	3%	1,551,565	-
2015 Lease/Purchase Contract \$110,060	6/1/2015	5/1/2018	2%	58,813	-
2016 Lease/Purchase Contract \$149,601	1/11/2016	6/1/2018	1.78%	136,267	-
2015 Tax Increment Financing Revenue Bonds \$1,945,000	8/1/2015	10/1/2020	2%	1,330,000	-
2016 Tax Increment Financing Revenue Bonds \$1,600,000	9/1/2016	10/1/2020	3.30%-4.50%	1,600,000	-
2003 General Obligation Water and Sewer Bonds \$1,000,000	7/1/2003	1/1/2023	2.8%-4.00%	-	455,000
				\$5,036,785	\$ 455,000
Less current portion				(574,410)	(55,000)
<b>Long-term bonds</b>				<b><u>\$4,462,375</u></b>	<b><u>\$ 400,000</u></b>

## 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, 2016:

	Balance 10/1/2015	Additions	Retirements	Balance 9/30/2016	Due Within One Year
<b>Governmental Activities:</b>					
Accrued compensated absences	\$ 116,362	\$ 4,742	\$ -	\$ 121,104	\$ -
Tax increment financing bonds	1,725,000	-	1,725,000	-	-
Tax increment financing bonds	-	1,645,000	315,000	1,330,000	325,000
Tax increment financing bonds	-	1,600,000	-	1,600,000	80,000
2009 CAP revolving loan	244,256	-	67,520	176,736	68,986
2012 CAP revolving loan	215,025	-	31,621	183,404	32,335
2015 CAP revolving loan	-	1,551,565	-	1,551,565	16,149
2013 lease purchase	96,943	-	96,943	-	-
2015 lease purchase	94,999	-	36,186	58,813	33,882
2016 lease purchase	-	149,601	13,334	136,267	18,058
	<u>\$ 2,492,585</u>	<u>\$ 4,950,908</u>	<u>\$ 2,285,604</u>	<u>\$ 5,157,889</u>	<u>\$ 574,410</u>
<b>Business-Type Activities:</b>					
General obligation water and sewer bonds	\$ 510,000	\$ -	\$ 55,000	\$ 455,000	\$ 55,000
<b>Total</b>	<u>\$ 3,002,585</u>	<u>\$ 4,950,908</u>	<u>\$ 2,340,604</u>	<u>\$ 5,612,889</u>	<u>\$ 629,410</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, 2016, are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 574,410	\$ 111,198	\$ 55,000	\$ 15,340
2018	627,498	138,704	60,000	13,635
2019	577,559	124,286	60,000	11,715
2020	615,335	110,073	65,000	9,735
2021	202,036	96,387	70,000	7,525
2022-2026	934,334	385,409	145,000	7,700
2027-2031	1,097,989	207,615	-	-
2032-2036	407,624	54,596	-	-
<b>Total</b>	<u>\$ 5,036,785</u>	<u>\$ 1,228,268</u>	<u>\$ 455,000</u>	<u>\$ 65,650</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, 2016, were:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 515	\$ 46,702
Fire protection fund	46,702	-
TIF Bond Interest and Sinking fund	-	515
	<u>\$ 47,217</u>	<u>\$ 47,217</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](http://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% 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% 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, 2016, member employees were required to contribute 9% of their annual pay, while the City's required contribution rate was 15.75% of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2016, 2015, and 2014 were \$497,230, \$492,438, and \$438,816, 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, 2016, the City reported a liability of \$8,752,623 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, the City's proportion was 0.049%, which was a decrease of 0.001 from its proportion measured as of June 30, 2015.

**Note 8. Pension Obligations (continued)**

For the year ended September 30, 2016, the City recognized pension expense of \$1,166,681. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,606	\$ -
Net difference between projected and actual earnings on pension plan investments	1,030,813	-
Changes of assumptions	421,038	23,259
Changes in proportion and differences between ER contributions and proportionate share of contributions	-	402,928
District contributions subsequent to the measurement date	133,288	-
Total	<u>\$ 1,804,745</u>	<u>\$ 426,187</u>

\$133,288 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, 2017. 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,	
2017	\$ 522,599
2018	441,814
2019	208,681
2020	72,176
	<u>\$ 1,245,270</u>

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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**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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. The experience report is dated May 4, 2016.

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, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
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	\$ 11,222,826	\$ 8,752,623	\$ 6,703,156

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](http://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, 2016 and 2015, respectively. The Department's contributions made for the years ended September 30, 2016 and 2015 were \$279,283 and \$274,673, respectively.

The following pension related items are recognized in the accompanying 2016 statement of net position:

Total pension liability	\$ 7,960,537
Plan fiduciary net position	<u>6,083,116</u>
Net pension liability	<u>\$ 1,877,421</u>
Total deferred outflows of resources	<u>\$ 590,099</u>
Total deferred inflows of resources	<u>\$ 8,470</u>

Pension expense is included in administrative and general expenses in the accompanying 2016 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, 2016 are as follows:

Annual pension expense	
Service cost	\$ 120,179
Interest on total pension liability	531,513
Differences between expected and actual experience	7,362
Changes in assumptions	-
Employee contributions	(36,702)
Projected earnings on pension plan investments	(422,686)
Differences between projected and actual investment earnings	71,502
Pension plan administrative costs	27
Other	-
	<u>\$ 271,195</u>

The following table reconciles changes in total pension liability, plan fiduciary net position, and net pension liability for the year ended September 30, 2016:

	<u>Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance, beginning of year	\$ 7,637,880	\$ 6,044,967	\$ 1,592,913
Changes			
Service cost	120,179	-	120,179
Interest on total pension liability	531,513	-	531,513
Differences between expected and actual experience	1,000	-	1,000
Employer contributions	-	280,722	(280,722)
Employee contributions	-	36,702	(36,702)
Net investment income	-	51,062	(51,062)
Benefit payments	(330,035)	(330,035)	-
Administrative costs	-	(302)	302
Net changes	<u>\$ 322,657</u>	<u>\$ 38,149</u>	<u>\$ 284,508</u>
Balance, end of year	<u>\$ 7,960,537</u>	<u>\$ 6,083,116</u>	<u>\$ 1,877,421</u>

Deferred outflows and inflows of resources consists of the following as of September 30, 2016:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension contributions subsequent to the measurement date	\$ 211,820	\$ -
Difference between expected and actual experience	223,562	-
Net difference between projected and actual earnings	154,717	8,470
	<u>\$ 590,099</u>	<u>\$ 8,470</u>

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**Note 8. Pension Obligations (continued)**

Amounts reported as deferred outflows and inflows of resources in fiscal 2016 related to the pension will be recognized in pension expenses as follows:

Year ended:	
September 30, 2017	\$ 43,178
September 30, 2018	43,178
September 30, 2019	43,178
September 30, 2020	44,647
September 30, 2021	5,968
Thereafter	46,639

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	10
Active plan members	<u>80</u>
Total plan membership	<u>124</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	\$ 2,986,347
Net pension liability at 8% discount rate	\$ 969,702

#### **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 11, 2016, the City entered into a lease/purchase agreement with BancorpSouth Bank of Hattiesburg, MS in the amount of \$149,601 for the lease/purchase of a Caterpillar Excavator Trackhoe. The lease term is 36 monthly payments of \$1,695. Additionally a balloon payment in the amount of \$89,000 is due one month after the 36<sup>th</sup> payment.

#### **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

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.

**Note 11. Risk Management (continued)**

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 \$4,669,613 for the year ended September 30, 2016.

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 and Sewer Utilities grant credit to their customers, all of whom are local businesses and residents.

**Note 14. Commitments and Contingent Liabilities**

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

The City is periodically exposed to various claims against it, as well as to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance. At September 30, 2016 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.

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**September 30, 2016**

**CITY OF PHILADELPHIA, MISSISSIPPI**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
BUDGETARY BASIS  
For the Year Ended September 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Budget	Final Budget
			Basis	Positive
				(Negative)
<b>Revenues:</b>				
Taxes	\$ 1,027,000	\$ 1,027,000	\$ 1,131,157	\$ 104,157
Licenses and permits	34,000	34,000	39,461	5,461
Inter-governmental revenues:				
Federal revenues	-	-	72,162	72,162
State shared revenues	4,701,521	4,701,521	4,750,169	48,648
Local shared revenues	216,000	216,000	441,275	225,275
Charges for services:				
Animal control	1,400	1,400	2,550	1,150
Sanitation	368,000	368,000	360,301	(7,699)
Cemetery	36,500	36,500	55,150	18,650
Building inspection	20,000	20,000	-	(20,000)
Landfill fees	22,000	22,000	19,290	(2,710)
Fines and forfeitures	480,000	480,000	329,904	(150,096)
Miscellaneous	472,700	472,700	146,085	(326,615)
<b>Total revenues</b>	<b>\$ 7,379,121</b>	<b>\$ 7,379,121</b>	<b>\$ 7,347,504</b>	<b>\$ (31,617)</b>
<b>Expenditures:</b>				
General Government				
Personnel services	\$ 489,347	\$ 502,179	\$ 471,096	\$ 31,083
Supplies	4,500	4,500	153,792	(149,292)
Other services and charges	1,096,359	3,329,905	1,334,416	1,995,489
Capital outlay	1,500	39,000	37,691	1,309
Grants	-	-	1,262,397	(1,262,397)
Transfers	275,933	275,933	363,624	(87,691)
<b>Total general government</b>	<b>\$ 1,867,639</b>	<b>\$ 4,151,517</b>	<b>\$ 3,623,016</b>	<b>\$ 528,501</b>
Police Department				
Personnel services	\$ 1,510,400	\$ 1,510,400	\$ 1,415,354	\$ 95,046
Supplies	114,006	114,006	86,827	27,179
Other services and charges	174,070	174,070	142,661	31,409
Capital outlay	30,000	48,000	48,839	(839)
<b>Total police department</b>	<b>\$ 1,828,476</b>	<b>\$ 1,846,476</b>	<b>\$ 1,693,681</b>	<b>\$ 152,795</b>
Fire Department				
Personnel services	\$ 1,434,020	\$ 1,434,020	\$ 1,370,686	\$ 63,334
Supplies	51,000	51,000	42,369	8,631
Other services and charges	58,000	131,729	108,726	23,003
Capital outlay	30,000	30,000	53,388	(23,388)
<b>Total fire department</b>	<b>\$ 1,573,020</b>	<b>\$ 1,646,749</b>	<b>\$ 1,575,169</b>	<b>\$ 71,580</b>

	Budgeted Amounts		Actual	Final Budget
	Original	Final	Budget	Positive
			Basis	(Negative)
Street Department				
Personnel services	\$ 550,304	\$ 556,834	\$ 560,686	\$ (3,852)
Supplies	73,300	73,300	277,521	(204,221)
Other services and charges	333,500	275,500	15,349	260,151
Capital outlay	7,000	142,000	138,829	3,171
<b>Total street department</b>	<b>\$ 964,104</b>	<b>\$ 1,047,634</b>	<b>\$ 992,387</b>	<b>\$ 55,247</b>
Sanitation Department				
Personnel services	\$ 108,486	\$ 111,022	\$ 109,261	\$ 1,761
Supplies	20,200	20,200	14,764	5,436
Other services and charges	420,526	475,400	447,877	27,523
Capital outlay	2,000	2,000	-	2,000
<b>Total sanitation department</b>	<b>\$ 551,212</b>	<b>\$ 608,622</b>	<b>\$ 571,902</b>	<b>\$ 36,720</b>
Municipal Court				
Personnel services	\$ 131,730	\$ 131,730	\$ 128,017	\$ 3,713
Supplies	2,900	3,400	3,122	278
Other services and charges	200,350	210,000	211,231	(1,231)
Capital outlay	2,000	2,000	1,010	990
<b>Total municipal court</b>	<b>\$ 336,980</b>	<b>\$ 347,130</b>	<b>\$ 343,379</b>	<b>\$ 3,751</b>
Cemetery Department				
Personnel services	\$ 159,708	\$ 159,708	\$ 151,164	\$ 8,544
Supplies	7,900	7,900	8,383	(483)
Other services and charges	3,454	3,454	552	2,902
Capital outlay	3,000	3,000	2,144	856
<b>Total cemetery department</b>	<b>\$ 174,062</b>	<b>\$ 174,062</b>	<b>\$ 162,244</b>	<b>\$ 11,818</b>
Animal Control				
Personnel services	\$ 34,569	\$ 34,569	\$ 32,837	\$ 1,732
Supplies	2,556	2,556	1,128	1,428
Other services and charges	1,150	1,150	79	1,071
Capital outlay	4,900	4,900	5,135	(235)
<b>Total animal control</b>	<b>\$ 43,175</b>	<b>\$ 43,175</b>	<b>\$ 39,179</b>	<b>\$ 3,996</b>
<b>Total expenditures</b>	<b>\$ 7,338,668</b>	<b>\$ 9,865,365</b>	<b>\$ 9,000,956</b>	<b>\$ 864,409</b>
Excess (deficiency) of revenues over expenditures	\$ 40,453	\$ (2,486,244)	\$ (1,653,452)	\$ 832,792
<b>Fund balances—beginning of year</b>	<b>4,354,304</b>	<b>1,088,975</b>	<b>759,243</b>	<b>(329,732)</b>
<b>Fund balances—end of year</b>	<b>\$ 4,394,757</b>	<b>\$ (1,397,269)</b>	<b>\$ (894,209)</b>	<b>\$ 503,060</b>

**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).

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)	\$ (1,653,452)
Increase (decrease)	
Net adjustments for revenue accruals	88,668
Net adjustments for expenditure accruals	<u>149,068</u>
GAAP basis	<u>\$ (1,415,716)</u>

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**CITY OF PHILADELPHIA, MISSISSIPPI**

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Last 10 Fiscal Years\***

**For the Year Ended September 30, 2016**

	2016	2015
City's proportion of the net pension liability	0.049%	0.050%
City's proportion of the total net pension liability	\$ 20,578,781	\$ 20,182,292
City's proportion of the plan net pension	<u>11,826,158</u>	<u>12,453,278</u>
City's proportionate share of the net pension liability	<u>\$ 8,752,623</u>	<u>\$ 7,729,014</u>
City's covered-employee payroll	\$ 3,157,018	\$ 3,126,588
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	277.24%	247.20%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.



**CITY OF PHILADELPHIA, MISSISSIPPI**  
**SCHEDULE OF THE CITY'S CONTRIBUTIONS**  
**Last 10 Fiscal Years\***  
For the Year Ended September 30, 2016

	2016	2015
Contractually required contribution	\$ 497,230	\$ 492,438
Contributions in relation to the contractually required contribution	<u>497,230</u>	<u>492,438</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$3,157,018	\$3,126,588
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**OTHER SUPPLEMENTARY INFORMATION**  
**September 30, 2016**

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**September 30, 2016**

	Special Revenue Funds					Total
	Fire Protection Fund	Municipal Airport	Park Commission	Tourism/ Economic Council	Unemployment Compensation Fund	Non-major Governmental Funds
<b>ASSETS</b>						
Cash	\$ 87,984	\$ 28,236	\$ 91,151	\$ 110,999	\$ 15,086	\$ 333,456
Accounts receivable	-	-	10,494	-	-	10,494
<b>Total assets</b>	<b>\$ 87,984</b>	<b>\$ 28,236</b>	<b>\$ 101,645</b>	<b>\$ 110,999</b>	<b>\$ 15,086</b>	<b>\$ 343,950</b>
<b>LIABILITIES</b>						
Accounts payable	-	-	12,792	-	-	12,792
<b>FUND BALANCES</b>						
Restricted	\$ 87,984	-	-	\$ 110,999	-	\$ 198,983
Assigned	-	28,236	88,853	-	15,086	132,175
<b>Total fund balance</b>	<b>\$ 87,984</b>	<b>\$ 28,236</b>	<b>\$ 88,853</b>	<b>\$ 110,999</b>	<b>\$ 15,086</b>	<b>\$ 331,158</b>
<b>Total liabilities and fund balances</b>	<b>\$ 87,984</b>	<b>\$ 28,236</b>	<b>\$ 101,645</b>	<b>\$ 110,999</b>	<b>\$ 15,086</b>	<b>\$ 343,950</b>

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES**  
**For the Year Ended September 30, 2016**

	Special Revenue Funds					
	Fire Protection Fund	Municipal Airport	Park Commission	Tourism/ Economic Council	Unemployment Compensation Fund	Total Non-major Governmental Funds
<b>Revenues:</b>						
Tourism tax	\$ -	\$ -	\$ -	\$ 101,455	\$ -	\$ 101,455
Interest income	46	19	83	87	5	240
Rent	-	15,529	51,190	-	-	66,719
Neshoba County	-	-	110,000	-	-	110,000
Operating fees	-	58,800	317,977	-	-	376,777
Grant	-	-	39,531	-	-	39,531
Other revenue	-	-	20,809	-	-	20,809
<b>Total revenues</b>	<b>\$ 46</b>	<b>\$ 74,348</b>	<b>\$ 539,590</b>	<b>\$ 101,542</b>	<b>\$ 5</b>	<b>\$ 715,531</b>
<b>Expenditures:</b>						
Personal services	\$ -	\$ -	\$ 224,108	\$ -	\$ -	\$ 224,108
Other services	-	57,944	190,463	92,978	-	341,385
Supplies	-	-	22,226	-	-	22,226
Capital outlay	18,841	-	103,264	-	-	122,105
<b>Total expenditures</b>	<b>\$ 18,841</b>	<b>\$ 57,944</b>	<b>\$ 540,061</b>	<b>\$ 92,978</b>	<b>\$ -</b>	<b>\$ 709,824</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (18,795)</b>	<b>\$ 16,404</b>	<b>\$ (471)</b>	<b>\$ 8,564</b>	<b>\$ 5</b>	<b>\$ 5,707</b>
<b>Other financing sources</b>						
Transfers in	\$ 46,702	\$ -	\$ -	\$ -	\$ -	\$ 46,702
Sale of equipment	-	-	5,202	-	-	5,202
<b>Total other financing sources</b>	<b>\$ 46,702</b>	<b>\$ -</b>	<b>\$ 5,202</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 51,904</b>
<b>Excess of revenues and other sources over expenditures and other uses</b>	<b>\$ 27,907</b>	<b>\$ 16,404</b>	<b>\$ 4,731</b>	<b>\$ 8,564</b>	<b>\$ 5</b>	<b>\$ 57,611</b>
<b>Fund balance—beginning of year</b>	<b>60,077</b>	<b>11,832</b>	<b>84,122</b>	<b>102,435</b>	<b>15,081</b>	<b>273,547</b>
<b>Fund balance—end of year</b>	<b>\$ 87,984</b>	<b>\$ 28,236</b>	<b>\$ 88,853</b>	<b>\$ 110,999</b>	<b>\$ 15,086</b>	<b>\$ 331,158</b>

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**CITY OF PHILADELPHIA, MISSISSIPPI**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL OFFICIALS**  
**September 30, 2016**

<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
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, 2016**



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, 2016, 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 August 18, 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.

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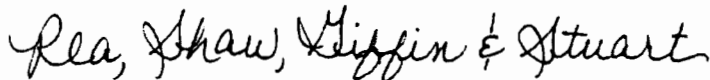
Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **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 LLP





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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, 2016, which collectively comprise the City of Philadelphia, Mississippi's basic financial statements and have issued our report thereon dated August 18, 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*

REA, SHAW, GIFFIN & STUART LLP

Philadelphia, Mississippi  
August 18, 2017

**CITY OF PHILADELPHIA, MISSISSIPPI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Year Ended September 30, 2016

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         |

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.