



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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2019

PHILADELPHIA PUBLIC SCHOOL DISTRICT

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	14
Government-wide Financial Statements	
Exhibit A – Statement of Net Position	15
Exhibit B – Statement of Activities	16
Governmental Funds Financial Statements	
Exhibit C – Balance Sheet	17
Exhibit C-1 – Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Exhibit D – Statement of Revenues, Expenditures and Changes in Fund Balances	19
Exhibit D-1 – Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	20
Fiduciary Funds Financial Statements	
Exhibit E – Statement of Fiduciary Assets and Liabilities	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION	43
Budgetary Comparison Schedule – General Fund	44
Budgetary Comparison Schedule – Title I-A Basic Fund	45
Budgetary Comparison Schedule – School Improvement Fund	46
Schedule of the District's Proportionate Share of the Net Pension Liability	47
Schedule of District Contributions (PERS)	48
Schedule of the District's Proportionate Share of the Net OPEB Liability	49
Schedule of District Contributions (OPEB)	50
Notes to Required Supplementary Information	51
SUPPLEMENTARY INFORMATION	54
Schedule of Expenditures of Federal Awards	55
Notes to the Supplementary Information	56
Schedule of Instructional, Administrative and Other Expenditures – Governmental Funds	57
OTHER INFORMATION	58
Statement of Revenues, Expenditures and Changes in Fund Balances – General Fund, Last Four Years	59
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds, Last Four Years	60
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	61
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	62
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	64
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS	66
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	69
AUDITEE'S CORRECTIVE ACTION PLAN AND SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS	72

## INDEPENDENT AUDITORS' REPORT



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

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggars, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

INDEPENDENT AUDITORS' REPORT

Superintendent and School Board  
Philadelphia Public School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Philadelphia Public School District's basic financial statements as listed in the contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 5-13, 44-46, 47, 48, 49 and 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Philadelphia Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2020 on our consideration of the Philadelphia Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Philadelphia Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Philadelphia Public School District's internal control over financial reporting and compliance.

Philadelphia, Mississippi  
March 23, 2020

*Watkins Ward and Stafford, P.C.*

## MANAGEMENT'S DISCUSSION AND ANALYSIS



PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

The following discussion and analysis of Philadelphia Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Total net position for 2019 increased \$115,593, which represents a 2.1% increase from fiscal year 2018. Total net position for 2018 decreased \$593,220, including a prior period adjustment of (\$966,809), which represents a 12.2% decrease from fiscal year 2017.
- General revenues amounted to \$8,075,674 and \$8,657,703, or 78% and 82% of all revenues for fiscal years 2019 and 2018, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,303,457, or 22% of total revenues for 2019, and \$1,839,920, or 18% of total revenues for 2018.
- The District had \$10,263,538 and \$10,124,034 in expenses for fiscal years 2019 and 2018; only \$2,303,457 for 2019 and \$1,839,920 for 2018 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,075,674 for 2019 and \$8,657,703 for 2018 were adequate to provide for these programs.
- Among major funds, the General Fund had \$7,945,566 in revenues and \$7,545,208 in expenditures for 2019, and \$7,887,341 in revenues and \$7,315,620 in expenditures in 2018. The General Fund's fund balance increased by \$384,959 from 2018 to 2019, and increased by \$610,784 from 2017 to 2018.
- Capital assets, net of accumulated depreciation, decreased by \$13,319 for 2019 and decreased by \$196,091 for 2018. The decrease for 2019 was due to the increase in accumulated depreciation.
- Long-term debt, including compensated absences payable, increased by \$1,401,972 for 2019 and decreased by \$640,518 for 2018. This increase for 2019 was due primarily to the issuance of a three mill note. The liability for compensated absences increased by \$3,972 for 2019 and increased by \$14,482 for 2018.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

### **Government-wide Financial Statements**

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

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

### **Notes to financial statements**

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

### **Required Supplementary Information**

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

### **Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

### **Other Information**

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net position**

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,341,081 as of June 30, 2019.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

Table 1 presents a summary of the District's net position at June 30, 2019 and June 30, 2018.

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

	June 30, 2019	June 30, 2018	Percentage Change
Current assets	\$ 2,326,521	\$ 1,854,925	25.42 %
Restricted assets	1,258,114	-	N/A
Capital assets, net	6,816,904	6,830,223	-0.20 %
<b>Total assets</b>	<b>10,401,539</b>	<b>8,685,148</b>	<b>19.76 %</b>
<b>Deferred outflows of resources</b>	<b>1,190,711</b>	<b>1,860,249</b>	<b>-35.99 %</b>
Current liabilities	296,754	41,802	609.90 %
Long-term debt outstanding	1,551,274	149,302	939.02 %
Net OPEB liability	920,395	936,386	-1.71 %
Net pension liability	12,629,581	13,826,674	-8.66 %
<b>Total liabilities</b>	<b>15,398,004</b>	<b>14,954,164</b>	<b>2.97 %</b>
<b>Deferred inflows of resources</b>	<b>1,535,327</b>	<b>1,047,907</b>	<b>46.51 %</b>
<b>Net position:</b>			
Net investment in capital assets	5,316,904	6,728,223	-20.98 %
Restricted	1,576,670	507,223	210.84 %
Unrestricted	(12,234,655)	(12,692,120)	3.60 %
<b>Total net position</b>	<b>\$ (5,341,081)</b>	<b>\$ (5,456,674)</b>	<b>2.12 %</b>

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (12,234,655)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	13,894,592
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,659,937</u>

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

- Decrease in net capital assets in the amount of \$13,319.
- The principal retirement of \$102,000 of long-term debt.
- The issuance of a three mill note payable in the amount of \$1,500,000.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2019 and June 30, 2018 were \$10,379,131 and \$10,497,623, respectively. The total cost of all programs and services was \$10,263,538 for 2019 and \$10,124,034 for 2018.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2019 and June 30, 2018.

**Table 2**  
**Changes in Net Position**

	Year Ended June 30, 2019	Year Ended June 30, 2018	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 110,514	\$ 103,220	7.07 %
Operating grants and contributions	2,192,943	1,736,700	26.27 %
General revenues:			
Property taxes	3,040,588	3,499,811	(13.12) %
Grants and contributions not restricted	4,927,608	5,103,441	(3.45) %
Investment earnings	6,326	3,920	61.38 %
Sixteenth section sources	17,701	16,565	6.86 %
Other	83,451	33,966	145.69 %
<b>Total revenues</b>	<b>10,379,131</b>	<b>10,497,623</b>	<b>(1.13) %</b>
<b>Expenses:</b>			
Instruction	4,859,692	4,524,401	7.41 %
Support services	4,020,822	3,401,217	18.22 %
Non-instructional	605,686	610,867	(0.85) %
Pension expense	721,732	1,529,293	(52.81) %
OPEB expense	39,304	42,124	(6.69) %
Interest on long-term liabilities	16,302	16,132	1.05 %
<b>Total expenses</b>	<b>10,263,538</b>	<b>10,124,034</b>	<b>1.38 %</b>
<b>Increase (Decrease) in net position</b>	<b>115,593</b>	<b>373,589</b>	<b>(69.06) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>(5,456,674)</b>	<b>(4,863,454)</b>	<b>(12.20) %</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>(966,809)</b>	<b>100.00 %</b>
<b>Net Position, July 1, as restated</b>	<b>(5,456,674)</b>	<b>(5,830,263)</b>	<b>6.41 %</b>
<b>Net Position, June 30</b>	<b>\$ (5,341,081)</b>	<b>\$ (5,456,674)</b>	<b>2.12 %</b>

**Governmental activities**

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

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

	Total Expenses		Percentage Change	
	2019	2018		
Instruction	\$ 4,859,692	\$ 4,524,401	7.41	%
Support services	4,020,822	3,401,217	18.22	%
Non-instructional	605,686	610,867	(0.85)	%
Pension Expense	721,732	1,529,293	(52.81)	%
OPEB Expense	39,304	42,124	(6.69)	%
Interest on long-term liabilities	16,302	16,132	1.05	%
<b>Total expenses</b>	<b>\$ 10,263,538</b>	<b>\$ 10,124,034</b>	<b>1.38</b>	<b>%</b>

  

	Net (Expense) Revenue		Percentage Change	
	2019	2018		
Instruction	\$ (4,029,760)	\$ (3,905,725)	(3.18)	%
Support services	(3,222,845)	(2,853,734)	(12.93)	%
Non-instructional	69,862	62,894	11.08	%
Pension Expense	(721,732)	(1,529,293)	52.81	%
OPEB Expense	(39,304)	(42,124)	6.69	%
Interest on long-term liabilities	(16,302)	(16,132)	(1.05)	%
<b>Total net (expense) revenue</b>	<b>\$ (7,960,081)</b>	<b>\$ (8,284,114)</b>	<b>3.91</b>	<b>%</b>

- Net cost of governmental activities (\$7,960,081 for 2019 and \$8,284,114 for 2018) was financed by general revenue, which is primarily made up of property taxes (\$3,040,588 for 2019 and \$3,499,811 for 2018) and state and federal revenues (\$4,927,608 for 2019 and \$5,103,441 for 2018). In addition, there was \$17,701 and \$16,565 in Sixteenth Section sources for 2019 and 2018, respectively.
- Investment earnings amounted to \$6,326 for 2019 and \$3,920 for 2018.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$3,302,364, an increase of \$1,488,877, which includes an increase in inventory of \$3,002. \$1,646,174 or 49% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,656,190 or 51% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$384,959. The fund balance of Other Governmental Funds showed an increase in the amount of \$46,179, which includes an increase in reserve for inventory of \$3,002. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
School Improvement Fund	no increase or decrease
2019 Buses & Roofing Fund	\$ 1,057,739

## BUDGETARY HIGHLIGHTS

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

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** As of June 30, 2019, the District's total capital assets were \$13,509,020, including land, school buildings, building improvements, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$229,559 from 2018. Total accumulated depreciation as of June 30, 2019, was \$6,692,116, and total depreciation expense for the year was \$271,622, resulting in total net capital assets of \$6,816,904.

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage Change</u>
Land	\$ 178,953	\$ 178,953	0.00 %
Buildings	5,886,023	6,068,887	(3.01) %
Improvements other than buildings	294,579	306,496	(3.89) %
Mobile equipment	404,817	208,792	93.89 %
Furniture and equipment	52,532	67,095	(21.71) %
<b>Total</b>	<b>\$ 6,816,904</b>	<b>\$ 6,830,223</b>	<b>(0.20) %</b>

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019

**Debt Administration.** At June 30, 2019, the District had \$1,551,274 in outstanding long-term debt, of which \$145,000 is due within one year. The liability for compensated absences increased \$3,972 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Percentage</u> <u>Change</u>
Three mill notes payable	1,500,000	102,000	1,370.59 %
Compensated absences payable	51,274	47,302	8.40 %
<b>Total</b>	<b>\$ 1,551,274</b>	<b>\$ 149,302</b>	<b>939.02 %</b>

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

## **CURRENT ISSUES**

The Philadelphia Public School District is financially stable. The District is proud of its community support of the public schools. The District has committed itself to financial excellence for many years. The District plans to continue its sound fiscal management to meet the challenges and to embrace the opportunities of the future.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



## BASIC FINANCIAL STATEMENTS

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2019**

**Exhibit A**

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 1,881,717
Due from other governments	424,102
Other receivables, net	11,832
Inventories	8,870
Restricted assets	1,258,114
Capital assets, non-depreciable:	
Land	178,953
Capital assets, net of accumulated depreciation:	
Buildings	5,886,023
Improvements other than buildings	294,579
Mobile equipment	404,817
Furniture and equipment	52,532
Total Assets	<u>10,401,539</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows - pensions	1,147,060
Deferred outflows - OPEB	43,651
Total deferred outflows of resources	<u>1,190,711</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	282,271
Interest payable on long-term liabilities	14,483
Long-term liabilities, due within one year:	
Capital related liabilities	145,000
Net OPEB liability	41,777
Long-term liabilities, due beyond one year:	
Capital related liabilities	1,355,000
Non-capital related liabilities	51,274
Net pension liability	12,629,581
Net OPEB liability	878,618
Total Liabilities	<u>15,398,004</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows - pensions	1,446,776
Deferred inflows - OPEB	88,551
Total deferred inflows of resources	<u>1,535,327</u>
<b>Net Position</b>	
Net investment in capital assets	5,316,904
Restricted for:	
Expendable:	
School-based activities	169,419
Debt service	322,784
Capital improvements	1,057,739
Unemployment benefits	26,728
Unrestricted	(12,234,655)
Total Net Position	<u>\$ (5,341,081)</u>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Statement of Activities**

**Exhibit B**

**For the Year Ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 4,859,692	\$ 90,362	\$ 739,570	\$ -	\$ (4,029,760)
Support services	4,020,822	-	797,977	-	(3,222,845)
Non-instructional	605,686	20,152	655,396	-	69,862
Pension expense	721,732	-	-	-	(721,732)
OPEB expense	39,304	-	-	-	(39,304)
Interest on long-term liabilities	16,302	-	-	-	(16,302)
Total Governmental Activities	<u>\$ 10,263,538</u>	<u>\$ 110,514</u>	<u>\$ 2,192,943</u>	<u>\$ -</u>	<u>(7,960,081)</u>
General Revenues:					
Taxes:					
General purpose levies					2,889,129
Debt purpose levies					151,459
Unrestricted grants and contributions:					
State					4,865,829
Federal					61,779
Unrestricted investment earnings					6,326
Sixteenth section sources					17,701
Other					83,451
Total General Revenues					<u>8,075,674</u>
Change in Net Position					<u>115,593</u>
Net Position - Beginning					<u>(5,456,674)</u>
Net Position - Ending					<u>\$ (5,341,081)</u>

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2019**

	Major Funds						
	General Fund	Title I-A Basic Fund	School Improvement Fund	2019 Buses & Roofing Fund	Other Governmental Funds	Total Governmental Funds	
<b>Assets</b>							
Cash and cash equivalents	\$ 1,358,409	\$ -	\$ -	\$ 1,258,114	\$ 523,308	\$ 3,139,831	
Due from other governments	78,931	118,215	180,193	-	46,763	424,102	
Other receivables, net	5,684	-	-	-	6,148	11,832	
Due from other funds	336,212	-	-	-	95	336,307	
Inventories	-	-	-	-	8,870	8,870	
Total assets	<u>\$ 1,779,236</u>	<u>\$ 118,215</u>	<u>\$ 180,193</u>	<u>\$ 1,258,114</u>	<u>\$ 585,184</u>	<u>\$ 3,920,942</u>	
<b>Liabilities and Fund Balances</b>							
<b>Liabilities:</b>							
Accounts payable and accrued liabilities	\$ 67,930	\$ 3,466	\$ -	\$ 200,375	\$ 10,500	\$ 282,271	
Due to other funds	95	114,749	180,193	-	41,270	336,307	
Total Liabilities	<u>68,025</u>	<u>118,215</u>	<u>180,193</u>	<u>200,375</u>	<u>51,770</u>	<u>618,578</u>	
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Inventory	-	-	-	-	8,870	8,870	
<b>Restricted:</b>							
Debt service	-	-	-	-	337,267	337,267	
Capital projects	-	-	-	1,057,739	-	1,057,739	
Grant activities	-	-	-	-	160,549	160,549	
Unemployment benefits	-	-	-	-	26,728	26,728	
<b>Assigned:</b>							
Student activities	16,806	-	-	-	-	16,806	
Facility acquisition	48,231	-	-	-	-	48,231	
<b>Unassigned</b>	<u>1,646,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,174</u>	
Total Fund Balances	<u>1,711,211</u>	<u>-</u>	<u>-</u>	<u>1,057,739</u>	<u>533,414</u>	<u>3,302,364</u>	
Total Liabilities and Fund Balances	<u>\$ 1,779,236</u>	<u>\$ 118,215</u>	<u>\$ 180,193</u>	<u>\$ 1,258,114</u>	<u>\$ 585,184</u>	<u>\$ 3,920,942</u>	

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2019**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 3,302,364

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

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

Land	\$ 178,953	
Buildings	10,633,001	
Improvements other than buildings	698,539	
Mobile equipment	1,393,606	
Furniture and equipment	604,921	
Accumulated depreciation	<u>(6,692,116)</u>	6,816,904

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

Net pension liability	(12,629,581)	
-----------------------	--------------	--

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	1,147,060	
Deferred inflows of resources related to pensions	<u>(1,446,776)</u>	(12,929,297)

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

Net OPEB liability Current Portion	(41,777)	
Net OPEB liability Noncurrent Portion	(878,618)	

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

Deferred outflows of resources related to OPEB	43,651	
Deferred inflows of resources related to OPEB	<u>(88,551)</u>	(965,295)

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

Three mill notes payable	(1,500,000)	
Compensated absences payable	(51,274)	
Accrued interest payable	<u>(14,483)</u>	(1,565,757)

<b>Net position of governmental activities</b>		<b><u>\$ (5,341,081)</u></b>
--	--	------------------------------

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2019**

**Exhibit D**

	Major Funds					
	General Fund	Title I-A Basic Fund	School Improvement Fund	2019 Buses & Roofing Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Local sources	\$ 2,977,730	\$ -	\$ -	\$ 1,188	\$ 260,768	\$ 3,239,686
State sources	4,888,352	-	-	-	149,195	5,037,547
Federal sources	61,779	669,437	180,193	-	1,171,594	2,083,003
Sixteenth section sources	17,705	-	-	-	-	17,705
Total Revenues	7,945,566	669,437	180,193	1,188	1,581,557	10,377,941
<b>Expenditures:</b>						
Instruction	4,262,961	419,060	49,444	-	468,789	5,200,254
Support services	3,282,247	230,838	126,902	443,449	414,745	4,498,181
Noninstructional services	-	8,403	-	-	595,034	603,437
Debt service:						
Principal	-	-	-	-	102,000	102,000
Interest	-	-	-	-	2,183	2,183
Total Expenditures	7,545,208	658,301	176,346	443,449	1,582,751	10,406,055
Excess (Deficiency) of Revenues over (under) Expenditures	400,358	11,136	3,847	(442,261)	(1,194)	(28,114)
<b>Other Financing Sources (Uses):</b>						
Bonds and notes issued	-	-	-	1,500,000	-	1,500,000
Insurance recovery	13,989	-	-	-	-	13,989
Operating transfers in	65,110	-	-	-	94,498	159,608
Operating transfers out	(94,498)	(11,136)	(3,847)	-	(50,127)	(159,608)
Total Other Financing Sources (Uses)	(15,399)	(11,136)	(3,847)	1,500,000	44,371	1,513,989
Net Change in Fund Balances	384,959	-	-	1,057,739	43,177	1,485,875
<b>Fund Balances:</b>						
July 1, 2018	1,326,252	-	-	-	487,235	1,813,487
Increase (Decrease) in reserve for inventory	-	-	-	-	3,002	3,002
June 30, 2019	\$ 1,711,211	\$ -	\$ -	\$ 1,057,739	\$ 533,414	\$ 3,302,364

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2019**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 1,485,875

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

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

Capital outlay	\$ 258,593	
Depreciation expense	<u>(271,622)</u>	(13,029)

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(290)

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

Bonds and notes issued	(1,500,000)	
Payments of debt principal	102,000	
Accrued interest payable	<u>(14,119)</u>	(1,412,119)

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

Pension expense	(721,732)	
Contributions subsequent to the measurement date	<u>774,196</u>	52,464

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

OPEB expense	(39,304)	
Recording of proportionate share of contributions to OPEB trust	1,190	
Contributions subsequent to the measurement date	<u>41,777</u>	3,663

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

Change in compensated absences	(3,972)	
Change in inventory reserve	3,002	
Rounding difference	<u>(1)</u>	(971)

**Change in net position of governmental activities** \$ 115,593

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities**  
**June 30, 2019**

**Exhibit E**

	Agency Funds
<b>Assets</b>	
Cash and cash equivalents	\$ 274,976
Total Assets	<u>\$ 274,976</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 250,432
Due to student clubs	24,544
Total Liabilities	<u>\$ 274,976</u>

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



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 1 – Summary of Significant Accounting Policies**

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

**A. Financial Reporting Entity**

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

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

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

The school district reports the following major governmental funds:

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

Title I-A Basic Fund – This special revenue fund accounts for the revenues and expenditures associated with the Title I grants to local education agencies programs.

School Improvement Fund – This is a special revenue fund that accounts for the revenues and expenditures associated with the Title I School Improvement program.

2019 Buses & Roofing Fund – This is a capital projects fund used to account for the three mill note proceeds issued for the purchase of buses and for a reroofing project.

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

The District's fiduciary funds include the following:

Student Club Funds – These funds account for the monies raised through student club activities.

Payroll Clearing Fund – This fund is used to report the payroll resources held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of the results of operations.

Accounts Payable Clearing Fund – This fund is used to report the resources of paid claims held by the district in a purely custodial capacity (assets and liabilities) and does not involve the measurement of the results of operations.

Additionally, the school district reports the following fund types:

**GOVERNMENTAL FUNDS**

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

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

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

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

**FIDUCIARY FUNDS**

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

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

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

**1. Cash, Cash equivalents and Investments**

**Cash and cash equivalents**

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

**Investments**

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

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

Investments for the district are reported at fair market value.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred a deferred outflow related to pensions in accordance with GASB 68 and a deferred outflow related to OPEB in accordance with GASB 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred a deferred inflow related to pensions in accordance with GASB 68 and a deferred inflow related to OPEB in accordance with GASB 75.

See Note 15 for further details.

8. Compensated Absences

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

9. Long-term Liabilities and Bond Discounts/Premiums

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

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

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

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

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

**Note 2 – Cash and Cash Equivalents**

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

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

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$3,139,831 and \$274,976, respectively.

**Custodial Credit Risk - Deposits.** Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district.



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

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

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 114,749
	School Improvement Fund	180,193
	Other governmental funds	41,270
Other governmental funds	General Fund	95
Total		<u>\$ 336,307</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in pooled bank accounts caused by negative federal program fund cash flows and to recognize the effects of inter-fund loans between funds.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 94,498
Title I-A Basic Fund	General Fund	11,136
School Improvement Fund	General Fund	3,847
Other governmental funds	General Fund	50,127
Total		<u>\$ 159,608</u>

The transfers constitute transfers of indirect costs from special revenue funds to the General Fund and operating transfers between governmental funds.

**Note 4 – Restricted Assets**

The restricted assets represent the cash balance, totaling \$1,258,114, of the 2019 Buses & Roofing Fund (Capital Projects Fund).

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 5 – Capital Assets**

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

	Balance 7/1/2018	Increases	Decreases	Balance 6/30/2019
<b>Governmental Activities:</b>				
<u>Non-depreciable capital assets:</u>				
Land	\$ 178,953	\$ -	\$ -	\$ 178,953
Total non-depreciable capital assets	178,953	-	-	178,953
<u>Depreciable capital assets:</u>				
Buildings	10,633,001	-	-	10,633,001
Improvements other than buildings	698,539	-	-	698,539
Mobile equipment	1,144,631	248,975	-	1,393,606
Furniture and equipment	624,337	9,618	29,034	604,921
Total depreciable capital assets	13,100,508	258,593	29,034	13,330,067
<u>Less accumulated depreciation for:</u>				
Buildings	4,564,114	182,864	-	4,746,978
Improvements other than buildings	392,043	11,917	-	403,960
Mobile equipment	935,839	52,950	-	988,789
Furniture and equipment	557,242	23,891	28,744	552,389
Total accumulated depreciation	6,449,238	271,622	28,744	6,692,116
Total depreciable capital assets, net	6,651,270	(13,029)	290	6,637,951
Governmental activities capital assets, net	\$ 6,830,223	\$ (13,029)	\$ 290	\$ 6,816,904

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 177,129
Support services	75,442
Non-instructional	19,051
Total depreciation expense - Governmental activities	\$ 271,622

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 6 – Long-term Liabilities**

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Amounts due within one year
A. Three mill notes payable	\$ 102,000	\$ 1,500,000	\$ 102,000	\$ 1,500,000	\$ 145,000
B. Compensated absences payable	47,302	3,972	-	51,274	-
Total	\$ 149,302	\$ 1,503,972	\$ 102,000	\$ 1,551,274	\$ 145,000

**A. Three mill notes payable**

Debt currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note, Series 2019	2.85-3.30%	3/7/2019	3/7/2029	1,500,000	1,500,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>

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

Limited tax note issue of March 7, 2019:

Year Ending June 30	Principal	Interest	Total
2020	\$ 145,000	\$ 46,140	\$ 191,140
2021	155,000	42,007	197,007
2022	160,000	37,512	197,512
2023	155,000	32,793	187,793
2024	135,000	28,143	163,143
2025 – 2029	750,000	74,425	824,425
Total	<u>\$ 1,500,000</u>	<u>\$ 261,020</u>	<u>\$ 1,761,020</u>

This debt will be retired from the 3 Mill 10 Year 2019 Fund (debt service fund).

**B. Compensated absences payable**

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 7 – Other Commitments**

Operating leases:

The school district has several operating leases for the following:

1. Postage machine
2. Driver's education car
3. Three (3) Xerox copiers

Lease expenditures for the year ended June 30, 2019, amounted to \$9,222.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2020	\$ 5,837
2021	5,837
2022	5,430
2023	363
Total	<u>\$ 17,467</u>

**Note 8 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description.* The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 8 – Defined Benefit Pension Plan (Continued)**

made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2019 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2019, 2018 and 2017 were \$774,196, \$763,700 and \$840,389, respectively, which equaled the required contributions for each year.

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

At June 30, 2019, the school district reported a liability of \$12,629,581 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2019 net pension liability was 0.075931 percent, which was based on a measurement date of June 30, 2018. This was a decrease of 0.007245 percent from its proportionate share used to calculate the June 30, 2018 net pension liability, which was based on a measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$721,732. At June 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 57,043	\$ 58,321
Net difference between projected and actual earnings on pension plan investments	-	272,053
Changes of assumptions	8,164	7,246
Changes in proportion and differences between District contributions and proportionate share of contributions	307,657	1,109,156
District contributions subsequent to the measurement date	774,196	-
Total	\$ <u>1,147,060</u>	\$ <u>1,446,776</u>

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 8 – Defined Benefit Pension Plan (Continued)**

\$774,196 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020. 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 Ending June 30:	
2020	\$ (129,780)
2021	(286,452)
2022	(600,883)
2023	(56,797)
Total	\$ <u>(1,073,912)</u>

*Actuarial assumptions.* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year for males with adjustments.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

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 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	<u>100</u>	<u>%</u>		

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 8 – Defined Benefit Pension Plan (Continued)**

*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 former employer contribution rate (15.75%) through June 30, 2019 and at the current contribution rate (17.40%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan 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.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 16,629,534	\$ 12,629,581	\$ 9,305,092

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

**Note 9 – Other Postemployment Benefits (OPEB)**

**General Information about the OPEB Plan**

*Plan description.* State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

*Benefits provided.* The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 9 – Other Postemployment Benefits (OPEB) (Continued)**

age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

*Contributions.* The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$41,777 for the year ended June 30, 2019.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

At June 30, 2019, the District reported a liability of \$920,395 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2018, the District's proportion was 0.11898330 percent. This was a decrease of 0.00036101 percent from the proportionate share as of the measurement date of June 30, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$39,304. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,874	\$ -
Changes of assumptions	-	65,580
Net difference between projected and actual earnings on OPEB plan investments	-	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	22,971
District contributions subsequent to the measurement date	41,777	-
Total	\$ <u>43,651</u>	\$ <u>88,551</u>

\$41,777 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 9 – Other Postemployment Benefits (OPEB) (Continued)**

Year Ending June 30:

2020	\$ (17,697)
2021	(17,697)
2022	(17,697)
2023	(17,697)
2024	(13,890)
Thereafter	<u>(1,999)</u>
Total	<u>\$ (86,677)</u>

*Actuarial assumptions.* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	4.50%
Municipal Bond Index Rate	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Year FNP is projected to be depleted	
Measurement Date	2018
Prior Measurement Date	2017
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.89%
Prior Measurement Date	3.56%
Health Care Cost Trends	
Medicare Supplement Claims	7.25 percent for 2018 decreasing to an
Pre-Medicare	ultimate rate of 4.75% by 2028

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 9 – Other Postemployment Benefits (OPEB) (Continued)**

The demographic actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2018 valuation were based on a review of recent plan experience done concurrently with the June 30, 2018 valuation.

The long-term investment rate of return, net of OPEB plan investment expense, including inflation was 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.89 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.56% to 3.89%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both June 30, 2017 and the June 30, 2018. The discount rate used to measure the total OPEB liability at June 30, 2018 was based on an average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by Bond Buyer.

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89 percent) or 1-percentage-point higher (4.89 percent) than the current discount rate:

	1% Decrease (2.89%)	Current Discount Rate (3.89%)	1% Increase (4.89%)
Net OPEB liability	\$ 1,020,235	\$ 920,395	\$ 834,530

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 852,590	\$ 920,395	\$ 997,402

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

## PHILADELPHIA PUBLIC SCHOOL DISTRICT

### Notes to Financial Statements For Year Ended June 30, 2019

#### **Note 10 – Contingencies**

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

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

#### **Note 11 – Risk Management**

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

##### **Participation in Public Entity Risk Pool**

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 58 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

#### **Note 12 – Alternative School Consortium**

The school district entered into an Alternative School Agreement dated August 19, 1994, creating the East Central Alternative School Consortium. This consortium was created pursuant to the provisions of Section 37-13-92 (6), Miss. Code Ann. (1972), and approved by the Mississippi Department of Education and includes the Newton County School District, Forest Municipal School District, Philadelphia Public School District, Scott County School District, Newton Municipal School District, Enterprise Public School District and Kemper County School District.

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 13 – Vocational School Consortium**

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

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

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

**Note 14 - Insurance loss recoveries**

The Philadelphia Public School District received \$13,989 in insurance loss recoveries related to property damage during the 2018-2019 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as a reduction in expenditures and allocated among the expense functions based on the following percentages:

Insurance Loss Recoveries	Percentage	Expense Function
\$ 13,989	100%	Support services
\$ 13,989	100%	

**Note 15 – Effect of Deferred Amounts on Net Position**

The unrestricted net position amount of (\$12,234,655) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pension in the amount of \$774,196 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. The \$372,864 balance of deferred outflow of resources related to pensions, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$12,234,655) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,446,776 balance of deferred inflow of resources related to pensions, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$12,234,655) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$41,777 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The \$1,874 balance of deferred outflow of resources related to OPEB, at June 30, 2019 will be recognized as an expense and will decrease the unrestricted net position over the next 6 years.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Financial Statements  
For Year Ended June 30, 2019

**Note 15 – Effect of Deferred Amounts on Net Position (Continued)**

The unrestricted net position amount of (\$12,234,655) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$88,551 balance of deferred inflow of resources related to OPEB, at June 30, 2019 will be recognized as revenue and will increase the unrestricted net position over the next 6 years.

**Note 16 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Philadelphia Public School District evaluated the activity of the district through March 23, 2020, (the date the financial statements were available to be issued), and determined that the following subsequent event has occurred requiring disclosure in the notes to financial statements:

As of the date of this report, the world is enduring a pandemic involving the COVID-19 virus. This pandemic has caused extreme havoc in all areas of society to include governmental entities. The Governor of the State of Mississippi has called for all Mississippi schools to close through April 17, 2020. The long term effects of the closures are unknown as of the date of this report.

## REQUIRED SUPPLEMENTARY INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variances	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 3,247,729	\$ 3,035,557	\$ 2,977,730	\$ (212,172)	\$ (57,827)
State sources	4,944,168	4,888,352	4,888,352	(55,816)	-
Federal sources	48,000	27,072	61,779	(20,928)	34,707
Sixteenth section sources	30,000	17,705	17,705	(12,295)	-
Total Revenues	8,269,897	7,968,686	7,945,566	(301,211)	(23,120)
<b>Expenditures:</b>					
Instruction	4,655,962	4,278,536	4,262,961	377,426	15,575
Support services	3,402,452	3,377,483	3,282,247	24,969	95,236
Facilities acquisition and construction	50,000	-	-	50,000	-
Debt service:					
Principal	200,000	-	-	200,000	-
Interest	1,000	-	-	1,000	-
Other	4,500	-	-	4,500	-
Total Expenditures	8,313,914	7,656,019	7,545,208	657,895	110,811
Excess (Deficiency) of Revenues over (under) Expenditures	(44,017)	312,667	400,358	356,684	87,691
<b>Other Financing Sources (Uses):</b>					
Bonds and notes issued	200,000	-	-	(200,000)	-
Insurance recovery	-	13,989	13,989	13,989	-
Operating transfers in	1,107,609	1,007,337	65,110	(100,272)	(942,227)
Operating transfers out	(1,073,097)	(1,036,725)	(94,498)	36,372	942,227
Total Other Financing Sources (Uses)	234,512	(15,399)	(15,399)	(249,911)	-
Net Change in Fund Balances	190,495	297,268	384,959	106,773	87,691
<b>Fund Balances:</b>					
July 1, 2018	1,252,894	1,326,251	1,326,252	73,357	1
June 30, 2019	\$ 1,443,389	\$ 1,623,519	\$ 1,711,211	\$ 180,130	\$ 87,692

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I-A Basic Fund**

**For the Year Ended June 30, 2019**

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ 835,935	\$ 844,582	\$ 669,437	\$ 8,647	\$ (175,145)
Total Revenues	835,935	844,582	669,437	8,647	(175,145)
<b>Expenditures:</b>					
Instruction	567,614	511,908	419,060	55,706	92,848
Support services	239,237	284,947	230,838	(45,710)	54,109
Noninstructional services	11,914	12,028	8,403	(114)	3,625
Total Expenditures	818,765	808,883	658,301	9,882	150,582
Excess (Deficiency) of Revenues over (under) Expenditures	17,170	35,699	11,136	18,529	(24,563)
<b>Other Financing Sources (Uses):</b>					
Operating transfers in			-	-	-
Operating transfers out	(17,170)	(14,428)	(11,136)	2,742	3,292
Total Other Financing Sources (Uses)	(17,170)	(14,428)	(11,136)	2,742	3,292
Net Change in Fund Balances	-	21,271	-	21,271	(21,271)
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ 21,271	\$ -	\$ 21,271	\$ (21,271)

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



**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule  
School Improvement Fund  
For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Federal sources	\$ -	\$ 176,347	\$ 180,193	\$ 176,347	\$ 3,846
Total Revenues	-	176,347	180,193	176,347	3,846
<b>Expenditures:</b>					
Instruction	-	63,997	49,444	(63,997)	14,553
Support services	-	130,602	126,902	(130,602)	3,700
Total Expenditures	-	194,599	176,346	(194,599)	18,253
Excess (Deficiency) of Revenues over (under) Expenditures	-	(18,252)	3,847	(18,252)	22,099
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	-	(4,325)	(3,847)	(4,325)	478
Total Other Financing Sources (Uses)	-	(4,325)	(3,847)	(4,325)	478
Net Change in Fund Balances	-	(22,577)	-	(22,577)	22,577
Fund Balances:					
July 1, 2018	-	-	-	-	-
June 30, 2019	\$ -	\$ (22,577)	\$ -	\$ (22,577)	\$ 22,577

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

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

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

**PERS**

**Last 10 Fiscal Years\***

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportion of the net pension liability (asset)	0.075931%	0.083176%	0.078869%	0.088342%	0.088129%
District's proportionate share of the net pension liability (asset) \$	12,629,581	\$ 13,826,674	\$ 14,087,973	\$ 13,655,929	\$ 10,697,247
District's covered payroll	4,848,889	5,335,803	5,045,467	5,514,006	5,385,137
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260%	259%	279%	248%	199%
Plan fiduciary net position as a percentage of the total pension liability	63%	61%	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERS**

**Last 10 Fiscal Years\***

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 774,196	\$ 763,700	\$ 840,389	\$ 794,661	\$ 868,456
Contributions in relation to the contractually required contribution	774,196	763,700	840,389	794,661	868,456
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	4,915,530	4,848,889	5,335,803	5,045,467	5,514,006
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented in FYE 6/30/2015, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**OPEB**

**Last 10 Fiscal Years\***

	<b>2019</b>	<b>2018</b>
District's proportion of the net OPEB liability (asset)	0.118983%	0.119344%
District's proportionate share of the net OPEB liability (asset)	\$ 920,395	\$ 936,386
District's covered-employee payroll	4,848,889	5,335,803
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	18.98%	17.55%
Plan fiduciary net position as a percentage of the total OPEB liability	0.13%	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**OPEB**

**Last 10 Fiscal Years\***

	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 41,777	\$ 39,920
Contributions in relation to the actuarially determined contribution	41,777	39,920
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	4,915,530	4,848,889
Contributions as a percentage of covered-employee payroll	0.85%	0.82%

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

\*This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 75 was implemented in FYE 6/30/2018, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2016 valuation for the June 30, 2018 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2017 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2018:

Actuarial cost method	Entry age
Amortization method	Level dollar

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to Required Supplementary Information  
For the Year Ended June 30, 2019

Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3%
Salary increases, including wage inflation	3.25% to 18.50%
Initial health care cost trend rates	
Medicare Supplement Claims	7.75%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2023
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56%



## SUPPLEMENTARY INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	195MS326N1099	\$ 177,733
National school lunch program	10.555	195MS326N1099	499,651
Total child nutrition cluster			<u>677,384</u>
Total passed-through Mississippi Department of Education			<u>677,384</u>
<b>Total U.S. Department of Agriculture</b>			<u>677,384</u>
<b><u>Federal Communications Commission</u></b>			
Administered through the Universal Service Administrative Company:			
The schools and libraries program of the universal service fund	32.xxx		35,881
<b>Total Federal Communications Commission</b>			<u>35,881</u>
<b><u>U.S. Department of Education</u></b>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	ES010A180024	858,277
Rural education	84.358	ES358B180024	26,516
English language acquisition grants	84.365	ES365A180024	1,883
Supporting effective instruction - state grants	84.367	ES367A180023	104,259
Student support and academic enrichment program	84.424	S424A180025	22,542
Temporary emergency impact aid for displaced students	84.938	ES938C180031	9,158
Subtotal			<u>1,022,635</u>
Special education cluster:			
Special education - grants to states	84.027	H027A180108	266,462
Special education - preschool grants	84.173	H173A180113	18,251
Total special education cluster			<u>284,713</u>
Total passed-through Mississippi Department of Education			<u>1,307,348</u>
<b>Total U.S. Department of Education</b>			<u>1,307,348</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed-through the Mississippi Department of Education:			
Medicaid cluster:			
Medical assistance program	93.778	1905MS5ADM	1,395
Total Medicaid cluster			<u>1,395</u>
Total passed-through Mississippi Department of Education			<u>1,395</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>1,395</u>
Total for All Federal Awards			<u>\$ 2,022,008</u>

The notes to the Supplementary Information are an integral part of this schedule.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Supplementary Information  
For the Year Ended June 30, 2019

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Philadelphia Public School District under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Philadelphia Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Philadelphia Public School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Philadelphia Public School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Noncash Awards – Commodities

The amount of donated commodities reported on the schedule is the value of donated commodities received by the District and reported under the National School Lunch Program CFDA #10.555. The value of the commodities received during the fiscal year was \$59,781.

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Supplementary Information**

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

**For the Year Ended June 30, 2019**

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 6,985,067	4,811,558	644,829	480,443	1,048,237
Other	3,420,988	1,313,507	175,194	28,907	1,903,380
Total	<u>\$ 10,406,055</u>	<u>6,125,065</u>	<u>820,023</u>	<u>509,350</u>	<u>2,951,617</u>
Total number of students *	<u>990</u>				
Cost per student	<u>\$ 10,511</u>	<u>6,187</u>	<u>828</u>	<u>515</u>	<u>2,981</u>

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

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

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

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

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

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

## OTHER INFORMATION

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**General Fund**

**Last Four Years**

**UNAUDITED**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 2,977,730	\$ 2,902,130	\$ 2,729,834	\$ 2,695,836
State sources	4,888,352	4,851,457	4,829,985	4,962,293
Federal sources	61,779	117,189	51,544	46,628
Sixteenth section sources	17,705	16,565	15,016	76,370
Total Revenues	7,945,566	7,887,341	7,626,379	7,781,127
<b>Expenditures:</b>				
Instruction	4,262,961	4,208,552	4,290,684	4,630,798
Support services	3,282,247	3,105,286	3,151,601	3,171,747
Noninstructional services	-	100	1,556	8,321
Debt service:				
Interest	-	-	233	738
Other	-	1,682	-	4,430
Total Expenditures	7,545,208	7,315,620	7,444,074	7,816,034
Excess (Deficiency) of Revenues over (under) Expenditures	400,358	571,721	182,305	(34,907)
<b>Other Financing Sources (Uses):</b>				
Insurance recovery	13,989	-	-	-
Operating transfers in	65,110	71,970	65,177	62,572
Operating transfers out	(94,498)	(32,907)	(8,573)	(13,253)
Total Other Financing Sources (Uses)	(15,399)	39,063	56,604	49,319
Net Change in Fund Balances	384,959	610,784	238,909	14,412
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,326,252	715,468	489,984	475,572
Prior period adjustments	-	-	(13,425)	-
Beginning of period, as restated	1,326,252	715,468	476,559	475,572
End of Period	\$ 1,711,211	\$ 1,326,252	\$ 715,468	\$ 489,984

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**PHILADELPHIA PUBLIC SCHOOL DISTRICT**

**Other Information**

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

**All Governmental Funds**

**Last Four Years**

**UNAUDITED**

	2019	2018*	2017*	2016*
<b>Revenues:</b>				
Local sources	\$ 3,239,686	\$ 3,640,916	\$ 3,366,788	\$ 3,399,268
State sources	5,037,547	5,110,396	5,130,824	5,251,817
Federal sources	2,083,003	1,729,746	1,735,254	1,779,674
Sixteenth section sources	17,705	16,565	15,016	76,370
Total Revenues	10,377,941	10,497,623	10,247,882	10,507,129
<b>Expenditures:</b>				
Instruction	5,200,254	4,893,290	5,067,844	5,550,285
Support services	4,498,181	3,612,801	3,584,011	3,628,667
Noninstructional services	603,437	619,799	606,343	607,479
Debt service:				
Principal	102,000	655,000	562,990	1,782,423
Interest	2,183	22,354	42,532	63,157
Other	-	5,063	2,722	7,191
Total Expenditures	10,406,055	9,808,307	9,866,442	11,639,202
Excess (Deficiency) of Revenues over (under) Expenditures	(28,114)	689,316	381,440	(1,132,073)
<b>Other Financing Sources (Uses):</b>				
Bonds and notes issued	1,500,000	-	-	-
Insurance recovery	13,989	-	-	-
Operating transfers in	159,608	301,863	139,801	75,825
Operating transfers out	(159,608)	(301,863)	(139,801)	(75,825)
Total Other Financing Sources (Uses)	1,513,989	-	-	-
Net Change in Fund Balances	1,485,875	689,316	381,440	(1,132,073)
<b>Fund Balances:</b>				
Beginning of period, as previously reported	1,813,487	1,122,805	757,414	1,905,486
Prior period adjustments	-	-	(13,425)	-
Beginning of period, as restated	1,813,487	1,122,805	743,989	1,905,486
Increase (Decrease) in reserve for inventory	3,002	1,366	(2,624)	(15,999)
End of Period	\$ 3,302,364	\$ 1,813,487	\$ 1,122,805	\$ 757,414

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE





## WATKINS, WARD and STAFFORD

Professional Limited Liability Company  
Certified Public Accountants

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

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Superintendent and School Board  
Philadelphia Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Philadelphia Public School District's basic financial statements, and have issued our report thereon dated March 23, 2020.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Philadelphia Public School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Philadelphia Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Philadelphia Public School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompany Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as Finding **2019-001**.

#### Compliance and Other Matters

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

## Philadelphia Public School District's Response to Findings

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

### Purpose of this Report

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

Philadelphia, Mississippi  
March 23, 2020

Watkins Ward and Stafford, PLLC



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

James L. Stafford, CPA  
Harry W. Stevens, CPA  
S. Keith Winfield, CPA  
William B. Staggers, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
R. Steve Sinclair, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA

Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Thomas A. Davis, CPA  
Anita L. Goodrum, CPA  
Ricky D. Allen, CPA  
Jason D. Brooks, CPA  
Robert E. Cordle, Jr., CPA  
Perry C. Rackley, Jr., CPA  
Jerry L. Gammel, CPA  
Michael C. Knox, CPA  
Clifford P. Stewart, CPA

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Superintendent and School Board  
Philadelphia Public School District

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

We have audited the Philadelphia Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Philadelphia Public School District's major federal programs for the year ended June 30, 2019. Philadelphia Public School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Philadelphia Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Philadelphia Public School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Philadelphia Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

## Report on Internal Control over Compliance

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

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

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

### Purpose of this Report

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

Philadelphia, Mississippi  
March 23, 2020

Watkins Ward and Stafford, PUC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



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

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

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

Superintendent and School Board  
Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2019, which collectively comprise Philadelphia Public School District's basic financial statements and have issued our report thereon dated March 23, 2020. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Philadelphia, Mississippi  
March 23, 2020

Watkins Ward and Stafford, PUC

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS



PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
  - a. Material weakness(es) identified? (Yes/No) No
  - b. Significant deficiency(ies) identified? (Yes/None reported) Yes
3. Noncompliance material to financial statements noted? (Yes/No) No

Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? (Yes/No) No
  - b. Significant deficiency(ies) identified? (Yes/None reported) None reported
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? (Yes/No) No
7. Identification of major programs:
 

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster
84.027, 84.173	Special Education Cluster
8. Dollar threshold used to distinguish between type A and type B programs: \$750,000
9. Auditee qualified as low-risk auditee? (Yes/No) Yes
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) Yes

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2019

Section II: Financial Statement Findings

Significant Deficiency Not Considered to be a Material Weakness

**Finding 2019-001: Internal Controls Surrounding Payroll Expenditures and Related Liabilities Should Be Strengthened**

CRITERIA: The school district is charged with developing a control system that will provide safeguards over district assets that will ensure all transactions are properly authorized and that will ensure all transactions are properly classified and accounted for in the appropriate accounting period.

CONDITION: Out of a sample size of 47 payroll transactions tested, the following deviations from identified controls were noted:

- We noted 1 instance where a signed contract could not be located for an employee.
- We noted 1 instance where board approval could not be located for an extended school year employee.

CAUSE: The cause of this condition is not properly implementing internal controls for payroll expenditures.

EFFECT: The effect is that payments to personnel were processed without adequate documentation. This could result in additional employees being improperly compensated.

RECOMMENDATION: We recommend that the District have signed contracts on file for all contract employees. We also recommend that the board approve employment for all personnel.

VIEWS OF RESPONSIBLE OFFICIALS OF THE AUDITEE: The school district acknowledges the finding and will implement policies to ensure that a signed contract is on file for all contract employees. In addition, the board will approve employment for all personnel.

Section III: Federal Award Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



## PHILADELPHIA PUBLIC SCHOOL DISTRICT

**Lisa Hull, Superintendent of Education**

*lhull@phillytornadoes.com*

---

248 Byrd Avenue • Philadelphia, MS 39350 • 601-656-2955 • Fax 601-656-3141

### Auditee's Corrective Action Plan

As required by 2 CFR 200.511(c), the Philadelphia Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Cost for the year ended June 30, 2019.

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2019-001	<p>a. Name of Contact Person Responsible for Corrective Action: Lisa Hull, Superintendent Tracy Luke, Director of Business 601-656-2955</p> <p>b. Corrective Action Planned: The Philadelphia Public School District will implement policies to ensure that a signed contract is on file for all contract employees. The Philadelphia Public School District will obtain board approval for all personnel.</p> <p>c. Anticipated Completion Date: Immediately</p>



# PHILADELPHIA PUBLIC SCHOOL DISTRICT

**Lisa Hull, Superintendent of Education**

*lhull@phillytornadoes.com*

---

248 Byrd Avenue • Philadelphia, MS 39350 • 601-656-2955 • Fax 601-656-3141

## Summary Schedule of Prior Audit Findings

### Financial and Compliance Audit Division

As required by 2 CFR 200.511(c), the Philadelphia Public School District has prepared and hereby submits the following Summary Schedule of Prior Audit Findings as of June 30, 2019.

<u>Finding</u>	<u>Status</u>
2018-001	Corrected