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Section 7-7-211, Mississippi Code Annotated (1972) gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. 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.

CITY OF PHILADELPHIA

**Audited Financial Statements
And
Special Reports**

For the Year Ended September 30, 2021

CITY OF PHILADELPHIA

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INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and
Members of the Board of Aldermen
City of Philadelphia, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Philadelphia, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Philadelphia-Neshoba County Tourism/Economic Council (a blended component unit), and the two proprietary funds, Philadelphia Utilities Electric Department and Philadelphia Utilities Water and Sewer Department. Those statements were audited by other auditors whose reports have been furnished to us; and our opinions, insofar as they relate to the amounts included for those funds and component units, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Philadelphia as of September 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedules of the Proportionate Share of the Net Pension Liability - City and Utility, the Schedules of Contributions - City and Utility, and corresponding notes 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 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.

Supplemental and Other Information

The Schedule of Surety Bonds for Municipal Officials for the City of Philadelphia 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 Required Supplementary Information

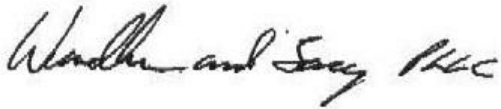
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Philadelphia, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is 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 Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds for Municipal Officials for the City of Philadelphia 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 Requirements Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2023, on our consideration of the City of Philadelphia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Philadelphia'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 the City of Philadelphia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC". The signature is written in a cursive, flowing style.

Windham and Lacey, PLLC
February 14, 2023

CITY OF PHILADELPHIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF PHILADELPHIA

Management's Discussion and Analysis For the Year Ended September 30, 2021

INTRODUCTION

The discussion and analysis of the City of Philadelphia's financial performance provides an overall narrative review of the City's financial activities for the year ended September 30, 2021. The intent of this discussion and analysis is to look at the City's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

The City of Philadelphia is financially stable. The City has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The City is committed to maintaining sound fiscal management to meet the challenges of the future.

The City of Philadelphia continues to grow both economically and in population. This has allowed the City to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets (governmental and business-type activities) increased \$675,472. The City's ending cash balance increased by \$3,027,699 which represents a 26.7% increase from the prior fiscal year.

The City had \$14,710,561 in total revenues in its governmental funds. Property tax revenues account for \$2,176,888 or 14.8% of total revenues. Revenues in the form of reimbursements, shared revenue or grants, account for \$6,934,851 or 47.1% of total revenues.

The City had \$11,981,091 in total expenses in its governmental funds, which represents an increase of \$368,754 or 3.2% increase from the prior fiscal year.

As one of the major funds, the General Fund had \$10,985,893 in revenues and \$10,153,972 in expenditures. The shortfall was made up by transfers and proceeds of capital leases. As a result, the General Fund's fund balance increased \$831,921 over the prior year. The other major fund, the Park Fund had \$482,719 in revenues and \$423,701 in expenditures. As a result, the Park Fund's fund balance increased \$59,018 over the prior year.

Among business-type funds, the Electric Utility Fund had \$10,630,026 in total revenues and \$11,171,916 in expenditures. The Electric Utility Fund decreased by \$541,890 over the prior year. The Water and Sewer Utility Fund had \$4,359,872 in total revenues and \$3,908,135 in expenditures. The Water and Sewer Utility Fund increased by \$451,737 over the prior year.

Capital assets of governmental activities, net of accumulated depreciation, decreased by \$857,094. Capital assets of business-type activities, net of accumulated depreciation, decreased by \$191,611. Long-term debt increased by \$1,374,643 and decreased by \$528,691.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of City finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all City assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets 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 result in cash flows in future fiscal periods.

CITY OF PHILADELPHIA

Management's Discussion and Analysis For the Year Ended September 30, 2021

Both of these government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; public works (streets and bridges); health and welfare; culture and recreation; urban and economic development; and interest on long-term debt.

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 City uses fund accounting to ensure and demonstrate finance-related legal compliance. All the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financing requirements. Governmental funds include the general, special revenue, debt service and capital projects funds.

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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds in accordance with the *Mississippi Municipal Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 other non-major funds are combined together and presented in these reports as other governmental funds.

Proprietary funds are used to account for resources used to operate the City's water and sewer system and electric system. The accrual basis of accounting is used for fiduciary funds, if any.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the City's budget process.

The City adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets - Net assets may serve over time as a useful indicator of government's financial position. In the case of the City of Philadelphia, assets exceeded liabilities by \$32,555,576 as of September 30, 2021.

By far, the largest portion of the City's net assets (88.9%) reflects its investment in capital assets, (e.g., streets, bridges, land, buildings, water/sewer infrastructure, mobile equipment, furniture & equipment) less related outstanding debt used to acquire such assets. The City uses these capital assets to provide services to its citizens.

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

CITY OF PHILADELPHIA

Management's Discussion and Analysis For the Year Ended September 30, 2021

The following table presents a summary of the City's net assets for the fiscal year ended September 30, 2021:

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)
	2021	2020	2021	2020	2021	2020	
Current assets	\$ 10,784,238	8,136,764	8,164,606	7,640,920	18,948,844	15,777,684	3,171,160
Restricted cash and investments			192,220	196,986	192,220	196,986	(4,766)
Capital assets, net	<u>19,102,808</u>	<u>19,959,902</u>	<u>15,811,490</u>	<u>16,003,101</u>	<u>34,914,298</u>	<u>35,963,003</u>	<u>(1,048,705)</u>
Total assets	<u>\$ 29,887,046</u>	<u>28,096,666</u>	<u>24,168,316</u>	<u>23,841,007</u>	<u>54,055,362</u>	<u>51,937,673</u>	<u>2,117,689</u>
Deferred outflows	\$ <u>1,171,611</u>	<u>935,201</u>	<u>1,780,055</u>	<u>1,244,493</u>	<u>2,951,666</u>	<u>2,179,694</u>	<u>771,972</u>
Current liabilities	\$ 847,320	722,954	2,163,846	1,538,435	3,011,166	2,261,389	749,777
Non-current liabilities	<u>12,358,989</u>	<u>13,727,654</u>	<u>5,348,163</u>	<u>4,825,482</u>	<u>17,707,152</u>	<u>18,553,136</u>	<u>(845,984)</u>
Total liabilities	<u>\$ 13,206,309</u>	<u>14,450,608</u>	<u>7,512,009</u>	<u>6,363,917</u>	<u>20,718,318</u>	<u>20,814,525</u>	<u>(96,207)</u>
Deferred inflows	\$ <u>3,733,134</u>	<u>1,422,738</u>	<u>0</u>	<u>0</u>	<u>3,733,134</u>	<u>1,422,738</u>	<u>2,310,396</u>
Net position							
Invested in capital assets, net of related debt	\$ 14,309,359	16,127,405	14,646,490	14,723,101	28,955,849	30,850,506	(1,894,657)
Restricted	2,684,733	787,215	145,486	144,352	2,830,219	931,567	1,898,652
Unrestricted	<u>(2,874,878)</u>	<u>(3,756,099)</u>	<u>3,644,386</u>	<u>3,854,130</u>	<u>769,508</u>	<u>98,031</u>	<u>671,477</u>
Total net position	<u>\$ 14,119,214</u>	<u>13,158,521</u>	<u>18,436,362</u>	<u>18,721,583</u>	<u>32,555,576</u>	<u>31,880,104</u>	<u>675,472</u>

CITY OF PHILADELPHIA

Management's Discussion and Analysis For the Year Ended September 30, 2021

Changes in Net Assets - The City of Philadelphia's total revenues for the fiscal year ended September 30, 2021 was \$26,780,236. The total cost for all services provided was \$25,909,696. The increase in net assets was \$870,540. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2021:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services, fines, fees	\$ 1,328,048	1,045,837	14,934,295	14,955,762	16,262,343	16,001,599
Operating grants and contributions	1,882,734	894,184			1,882,734	894,184
Capital grants and contributions	10,000	41,339			10,000	41,339
General revenues:						
Property taxes	2,176,888	2,107,305			2,176,888	2,107,305
Sales taxes	5,034,389	4,657,897			5,034,389	4,657,897
Franchise taxes	89,884	103,538			89,884	103,538
Unrestricted grants and contributions	7,728	11,568			7,728	11,568
Interest	7,127	47,282	55,603	69,309	62,730	116,591
Miscellaneous	1,253,633	365,329		50,957	1,253,633	416,286
Gain (loss) on sale of assets	(93)	(3,986)			(93)	(3,986)
Total Revenues	11,790,338	9,270,293	14,989,898	15,076,028	26,780,236	24,346,321
Expenses:						
General government	2,330,499	3,598,469			2,330,499	3,598,469
Public safety	4,736,792	4,303,306			4,736,792	4,303,306
Public works	2,662,092	2,054,147			2,662,092	2,054,147
Culture and recreation	665,833	671,607			665,833	671,607
Economic development and assistance	315,152	437,542			315,152	437,542
Interest on long-term debt	119,277	120,196			119,277	120,196
Water and sewer utility			3,908,135	3,535,771	3,908,135	3,535,771
Electric utility			11,171,916	11,706,277	11,171,916	11,706,277
Total Expenses	10,829,645	11,185,267	15,080,051	15,242,048	25,909,696	26,427,315
Increase (Decrease) in Net Assets	960,693	(1,914,974)	(90,153)	(166,020)	870,540	(2,080,994)
Change in Net Assets	\$ 960,693	(1,914,974)	(90,153)	(166,020)	870,540	(2,080,994)

CITY OF PHILADELPHIA

Management's Discussion and Analysis For the Year Ended September 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds - At the close of the fiscal year, Philadelphia's governmental funds reported a combined fund balance of \$9,287,380, an increase of \$2,729,470.

The General Fund is the principal operating fund of the City. The increase in the fund balance of the General Fund for the fiscal year was \$831,921.

BUDGETARY HIGHLIGHTS (of General Fund only)

The actual disbursements were above original budget amounts by \$515,134.

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as Required Supplementary Information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of September 30, 2021, the City of Philadelphia's total capital assets were \$79,659,378.

Total accumulated depreciation as of September 30, 2021 was \$44,745,080, including \$2,512,735 of depreciation expense for the year. The balance in total net capital assets was \$34,914,298 at year-end.

Additional information on the City's capital assets can be found in "Notes to Financial Statements" of this report.

Debt Administration - On September 30, 2021, the City of Philadelphia had \$5,958,449 long-term debt outstanding. This includes business-type revenue bonds. Of this debt, \$595,610 is due within one year.

The State of Mississippi limits the amount of debt a City can issue to generally 15% of the total assessed value. Debt issued to fund water and sewer projects is exempted from these limits; as a result, the City has legal debt capacity of \$11,961,275.

Additional information on Philadelphia's long-term debt can be found in "Notes to Financial Statements" of this report.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the City Clerk's Office at 525 Main Street, Philadelphia, Mississippi 39350.

CITY OF PHILADELPHIA

BASIC FINANCIAL STATEMENTS

The basic financial statements included integrated sets of financial statements as required by the GASB. The sets of statements include:

Government-wide Financial Statements

Fund Financial Statements:

Governmental Funds

Proprietary (Enterprise) Funds

In addition, the Notes to the Financial Statements are included to provide information that is essential to the user's understanding of the basic financial statements.

CITY OF PHILADELPHIA
Statement of Net Position
September 30, 2021

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 8,619,221	5,538,003	14,157,224
Property tax receivable	1,300,000		1,300,000
Accounts receivable		2,136,185	2,136,185
Intergovernmental receivables	797,370		797,370
Other receivables	67,644	38,063	105,710
Inventory, at cost		326,176	326,176
Prepaid expenses		126,179	126,179
Total Current Assets	<u>10,784,235</u>	<u>8,164,606</u>	<u>18,948,844</u>
Restricted Assets:			
Cash and cash equivalents		145,486	145,486
Investments		46,734	46,734
Total Restricted Assets	<u>0</u>	<u>192,220</u>	<u>192,220</u>
Capital Assets, Net	<u>19,102,808</u>	<u>15,811,490</u>	<u>34,914,298</u>
Total Assets	<u>\$ 29,887,046</u>	<u>24,168,316</u>	<u>54,055,362</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>1,171,611</u>	<u>1,780,055</u>	<u>2,951,666</u>
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 196,857	1,470,667	1,667,527
Accrued payroll		246,687	246,687
Interest payable		731	731
Compensated absences payable	174,850	325,761	500,611
Current portion of long-term debt	<u>475,610</u>	<u>120,000</u>	<u>595,610</u>
Total Current Liabilities	<u>847,317</u>	<u>2,163,846</u>	<u>3,011,166</u>
Noncurrent Liabilities:			
Customer deposits		1,113,996	1,113,996
Net pension liability	8,041,150	3,187,024	11,228,174
Conservation advances from TVA		13	13
Other noncurrent liabilities		2,130	2,130
Long-term liabilities	<u>4,317,839</u>	<u>1,045,000</u>	<u>5,362,839</u>
Total Noncurrent Liabilities	<u>12,358,989</u>	<u>5,348,163</u>	<u>17,707,152</u>
Total Liabilities	<u>13,206,309</u>	<u>7,512,009</u>	<u>20,718,318</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	2,433,134		2,433,134
Property tax for future periods	<u>1,300,000</u>		<u>1,300,000</u>
Total Deferred Inflows of Resources	<u>3,733,134</u>	<u>0</u>	<u>3,733,134</u>

(Continued)

CITY OF PHILADELPHIA
Statement of Net Position
September 30, 2021

Exhibit 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	14,309,359	14,646,490	28,955,849
Restricted for:			
Public safety	(31,951)		(31,951)
Public works	1,245,448		1,245,448
Debt service	1,300,204	145,486	1,445,690
Culture and recreation	71,724		71,724
Economic and development	99,308		99,308
Unrestricted	<u>(2,874,878)</u>	<u>3,644,386</u>	<u>769,508</u>
 Total Net Position	 \$ <u>14,119,214</u>	 <u>18,436,362</u>	 <u>32,555,576</u>

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

CITY OF PHILADELPHIA
Statement of Activities
For the Year Ended September 30, 2021

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 2,330,499				(2,330,499)		(2,330,499)
Public safety	4,736,792	731,451	725,768	10,000	(3,269,573)		(3,269,573)
Public works	2,662,092	373,285	1,156,966		(1,131,841)		(1,131,841)
Health and welfare		43,161			43,161		43,161
Culture and recreation	665,833	180,151			(485,682)		(485,682)
Economic development and assistance	315,152				(315,152)		(315,152)
Interest on long-term debt	119,277				(119,277)		(119,277)
Total Governmental Activities	<u>10,829,645</u>	<u>1,328,048</u>	<u>1,882,734</u>	<u>10,000</u>	<u>(7,608,863)</u>	<u>0</u>	<u>(7,608,863)</u>
Business-type Activities:							
Water and sewer utilities	3,908,135	4,341,899				433,764	433,764
Electric utilities	<u>11,171,916</u>	<u>10,592,396</u>				<u>(579,520)</u>	<u>(579,520)</u>
Total Business-type Activities	<u>15,080,051</u>	<u>14,934,295</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(145,756)</u>	<u>(145,756)</u>
Total Primary Government	\$ <u>25,909,696</u>	<u>16,262,343</u>	<u>1,882,734</u>	<u>10,000</u>	<u>(7,608,863)</u>	<u>(145,756)</u>	<u>(7,754,619)</u>
General Revenues and Transfers							
Taxes:							
Property taxes					\$ 2,176,888		2,176,888
Sales tax					5,034,389		5,034,389
Franchise taxes					89,884		89,884
Grants and contributions not otherwise restricted					7,728		7,728
Unrestricted investment income					7,127	55,603	62,730
Miscellaneous					1,253,633		1,253,633
Gain (loss) on sale of assets					(93)		(93)
Total General Revenues and Transfers					<u>8,569,556</u>	<u>55,603</u>	<u>8,625,159</u>
Change in Net Position							
Net Position - Beginning					<u>13,158,521</u>	<u>18,526,515</u>	<u>31,685,036</u>
Net Position - Ending					\$ <u>14,119,214</u>	<u>18,436,362</u>	<u>32,555,576</u>

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

CITY OF PHILADELPHIA
Balance Sheet
Governmental Funds
September 30, 2021

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Park</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 5,972,961	76,173	2,570,087	8,619,221
Property tax receivable	1,300,000			1,300,000
Sales tax receivable	797,370			797,370
Due from other funds	41,120		96,076	137,196
Other receivables	53,820	10,494	3,330	67,644
Total Assets	\$ <u>8,165,271</u>	<u>86,667</u>	<u>2,669,493</u>	<u>10,921,431</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 181,912	14,943		196,855
Due to other funds	96,076		41,120	137,196
Total Liabilities	<u>277,988</u>	<u>14,943</u>	<u>41,120</u>	<u>334,051</u>
Deferred Inflows of Resources:				
Property tax for future periods	1,300,000			1,300,000
Total Deferred Inflows of Resources	<u>1,300,000</u>	<u>0</u>	<u>0</u>	<u>1,300,000</u>
Fund Balances:				
Unassigned	6,587,283		15,366	6,602,649
Restricted:				
Public safety			(31,951)	(31,951)
Public works			1,245,448	1,245,448
Debt service			1,300,202	1,300,202
Culture & recreation		71,724		71,724
Economic & development			99,308	99,308
Total Fund Balances	<u>6,587,283</u>	<u>71,724</u>	<u>2,628,373</u>	<u>9,287,380</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>8,165,271</u>	<u>86,667</u>	<u>2,669,493</u>	<u>10,921,431</u>

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

CITY OF PHILADELPHIA**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2021****Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 9,287,380
Amounts reported for governmental services in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets are used in governmental activities, are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation.	19,102,808
Deferred outflows of resources - deferred outflows - pension	1,171,611
Deferred inflows of resources - deferred inflows - pension	(2,433,134)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(8,041,150)
Long-term liabilities	(4,793,449)
Compensated absences	<u>(174,852)</u>
Total net position - Governmental Activities (Exhibit 1)	\$ <u><u>14,119,214</u></u>

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

CITY OF PHILADELPHIA
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2021

Exhibit 4

	Major Funds		Other	Total
	General Fund	Park Fund	Governmental Funds	Governmental Funds
REVENUES				
Property taxes	\$ 2,046,888	130,000		2,176,888
Franchise fees	89,884			89,884
Licenses and permits	28,733			28,733
Fines and forfeitures	694,912			694,912
Intergovernmental revenues	6,832,801		102,050	6,934,851
Charges for services	424,252	180,151		604,403
Interest income	6,772	18	337	7,127
Miscellaneous	687,008	39,350	530,620	1,256,978
Total Revenues	<u>10,811,250</u>	<u>349,519</u>	<u>633,007</u>	<u>11,793,776</u>
EXPENDITURES				
Current:				
General government	1,718,923		512,603	2,231,526
Public safety	4,864,070		3,715	4,867,785
Public works	1,676,972		562,406	2,239,378
Culture and recreation		423,701		423,701
Urban and economic development			143,591	143,591
Debt service:				
Principal retirement	283,781		129,910	413,691
Interest and fiscal charges	68,084		51,193	119,277
Total Expenditures	<u>8,611,830</u>	<u>423,701</u>	<u>1,403,418</u>	<u>10,438,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,199,420</u>	<u>(74,182)</u>	<u>(770,411)</u>	<u>1,354,827</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	174,643		1,200,000	1,374,643
Transfers in		133,200	1,408,942	1,542,142
Transfers out	(1,542,142)			(1,542,142)
Total Other Financing Sources and Uses	<u>(1,367,499)</u>	<u>133,200</u>	<u>2,608,942</u>	<u>1,374,643</u>
Net Change in Fund Balances	831,921	59,018	1,838,531	2,729,470
Fund Balances - Beginning, as originally stated	<u>5,755,362</u>	<u>12,706</u>	<u>789,842</u>	<u>6,557,910</u>
Fund Balances - Ending	<u>\$ 6,587,283</u>	<u>71,724</u>	<u>2,628,373</u>	<u>9,287,380</u>

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

CITY OF PHILADELPHIA**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2021**

	<u>Amount</u>	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$	\$ 2,729,470
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,443,387 exceeded capital outlays of \$589,729 in the current period.		(853,658)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the basis of assets disposed.		(3,436)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt proceeds of \$1,374,643 exceeded debt repayments of \$413,691.		(960,952)
Items reported in the Statement of Activities relating to the implementation of GASB No. 68 are not reported in the governmental funds. These activities include:		
Recognition of pension expense for the current year	(581,094)	
Recognition of contributions made subsequent to the measurement date	148,330	
Recognition of contributions made in the fiscal year prior to the measurement date	<u>481,402</u>	48,638
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net position differs from the change in fund balances by the following item:		
Change in compensated absences		<u>631</u>
Change in Net Position of Governmental Activities (Exhibit 2)	\$	\$ <u>960,693</u>

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

CITY OF PHILADELPHIA
Statement of Net Position
Proprietary Funds
September 30, 2021

Exhibit 5

	Electric Utility	Water and Sewer Utility	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,871,339	2,666,664	5,538,003
Accounts receivable, net	1,843,182	293,003	2,136,185
Inventory, at cost	192,465	133,711	326,176
Prepaid expenses		126,179	126,179
Other receivables	38,063		38,063
Total Current Assets	<u>4,945,049</u>	<u>3,219,557</u>	<u>8,164,606</u>
Restricted Assets:			
Cash and cash equivalents		145,486	145,486
Investments		46,734	46,734
Total Restricted Assets	<u>0</u>	<u>192,220</u>	<u>192,220</u>
Capital Assets, Net	<u>5,896,988</u>	<u>9,914,502</u>	<u>15,811,490</u>
Total Assets	<u>\$ 10,842,037</u>	<u>13,326,279</u>	<u>24,168,316</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>\$ 879,760</u>	<u>900,295</u>	<u>1,780,055</u>
LIABILITIES			
Current Liabilities:			
Claims payable	\$ 1,045,581	425,086	1,470,667
Accrued payroll	6,795	239,892	246,687
Interest payable		731	731
Compensated absences	325,761		325,761
Current portion of long-term debt		120,000	120,000
Total Current Liabilities	<u>1,378,137</u>	<u>785,709</u>	<u>2,163,846</u>
Noncurrent Liabilities:			
Customer deposits	898,730	215,266	1,113,996
Net pension liability	1,658,553	1,528,471	3,187,024
Conservation advances from TVA	13		13
Other noncurrent liabilities		2,130	2,130
Long-term liabilities		1,045,000	1,045,000
Total Noncurrent Liabilities	<u>2,557,296</u>	<u>2,790,867</u>	<u>5,348,163</u>
Total Liabilities	<u>3,935,433</u>	<u>3,576,576</u>	<u>7,512,009</u>
NET POSITION			
Net investment in capital assets	5,896,988	8,749,502	14,646,490
Restricted for:			
Debt service		145,486	145,486
Unrestricted	<u>1,889,376</u>	<u>1,755,010</u>	<u>3,644,386</u>
Total Net Position	<u>\$ 7,786,364</u>	<u>10,649,998</u>	<u>18,436,362</u>

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

CITY OF PHILADELPHIA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2021

Exhibit 6

	Electric Utility	Water and Sewer Utility	Total
OPERATING REVENUES			
Charges for services	\$ 10,357,637	4,258,087	14,615,724
Other income	234,759	83,812	318,571
Total Operating Revenues	10,592,396	4,341,899	14,934,295
OPERATING EXPENSES			
Cost of sales and services	8,373,685		8,373,685
Operations expense	505,539	1,529,221	2,034,760
General and administrative expense	923,841	1,099,922	2,399,964
Maintenance expense	455,561	578,677	1,034,238
Depreciation expense	492,144	626,199	1,118,343
Total Operating Expenses	10,750,770	3,834,019	14,960,990
Operating Income (Loss)	(158,374)	507,880	(26,695)
NONOPERATING REVENUES (EXPENSES)			
Interest income	37,630	17,973	55,603
Miscellaneous nonoperating income (expense)	(44,945)	(31,391)	(76,336)
Interest expense		(42,725)	(42,725)
Total Nonoperating Revenue (Expenses)	(7,315)	(56,143)	(63,458)
Transfer out – tax equivalents	376,201		376,201
Change in Net Position	(541,890)	451,737	(90,153)
Total Net Position - Beginning	8,328,254	10,198,261	18,526,515
Total Net Position - Ending	\$ 7,786,364	10,649,998	18,436,362

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

CITY OF PHILADELPHIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2021

Exhibit 7

	<u>Electric Utility</u>	<u>Water and Sewer Utility</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 10,541,729	4,121,181	14,662,910
Payments to suppliers	(9,188,506)	(1,951,789)	(11,140,295)
Payments to employees	(880,101)	(1,000,601)	(1,880,702)
Other operating cash receipts	(316,786)	(18,149)	(334,935)
Net Cash Provided (Used) by Operating Activities	<u>156,336</u>	<u>1,150,642</u>	<u>1,306,978</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Construction and acquisition of plant	(496,926)	(429,805)	(926,731)
Principal paid on long-term debt		(115,000)	(115,000)
Interest expense paid		(41,995)	(41,995)
Net Cash Provided (Used) by Capital Financing Activities	<u>(496,926)</u>	<u>(586,800)</u>	<u>(1,083,726)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest earned	<u>37,630</u>	<u>17,973</u>	<u>55,603</u>
Net Cash Provided From Investing Activities	<u>37,630</u>	<u>17,973</u>	<u>55,603</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(302,960)	581,815	278,855
Cash and Cash Equivalents - Beginning of Year	<u>3,174,299</u>	<u>2,230,335</u>	<u>5,404,634</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,871,339</u>	<u>2,812,150</u>	<u>5,683,489</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ <u>(158,374)</u>	<u>507,880</u>	<u>349,506</u>
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:			
Depreciation	492,144	626,199	1,118,343
Amortization of bond expenses		5,900	5,900
Change in pension related balances	39,098	1,264	40,362
Other receipts (payments)	(44,945)	(31,391)	(76,336)
In lieu of tax payments	(376,201)		(376,201)
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	104,892	35,371	140,263
(Increase) decrease in due from other funds	(110,614)	(256,089)	(366,703)
(Increase) decrease in inventory	(14,665)	(3,099)	(17,764)
(Increase) decrease in prepaid expenses		(1,761)	(1,761)
Increase (decrease) in accounts payable and accrued expenses	165,586	259,026	424,612
Increase (decrease) in customer deposits	59,415	7,342	66,757
Total adjustments	<u>314,710</u>	<u>642,762</u>	<u>957,472</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 156,336</u>	<u>1,150,642</u>	<u>1,306,978</u>

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

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

The City of Philadelphia (City) was incorporated in 1837 under the laws of the State of Mississippi (State) and is located within the central region of the State. The City operates under a Board of Aldermen-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets and sanitation, recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Philadelphia have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. Based on these criteria, the following entity should be combined with the financial statements of the City:

Blended Component Unit

The Philadelphia-Neshoba County Tourism/Economic Council was established by Senate Bill No. 3202 of the Mississippi Legislature amended by House Bill No. 1552, operating under Neshoba County, Mississippi and the City of Philadelphia, Mississippi. Although the tourism/economic council is a legally separate entity, the Council is fiscally dependent upon the City, which levies a 3% tourism tax on hotel and motel room rentals inside the City.

B. Government-wide and Fund Financial Statements.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes 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 reports all of the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources as of September 30, 2021, with the difference reported as net position.

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 that are clearly identifiable with a specific function or segment. *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Fund Financial Statements - Separate financial statements are provided for governmental funds and enterprise funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1. Governmental Fund Types.

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term bonded debt principal, interest and related costs.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds).

2. Proprietary Fund Types.

Proprietary Funds are used to account for the City's ongoing activities which are similar to those often found in the private sector. The measurement focus is upon determination of net income. The following is the City's Proprietary Fund Type:

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenue and expenses for Proprietary Funds are those that result from providing services and producing and delivering goods and/or related services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

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

The government-wide and Proprietary Fund financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF PHILADELPHIA

Notes to Financial Statements For the Year Ended September 30, 2021

Governmental fund financial statements are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current year or soon enough after fiscal year-end to liquidate liabilities existing at the end of the fiscal year. The City considers revenues received within 60 days after fiscal year-end as available. Measurable means knowing or being able to reasonably estimate the amount. Significant revenue sources that are susceptible to accrual include property taxes, state appropriations, and federal awards. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures for goods and services are recognized upon receipt of said goods and services. Expenditures for debt service, compensated absences, and claims and judgments are recognized only when payment is due.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Park Fund* is a special revenue fund to account for the revenue and expense of the Philadelphia-Neshoba County Parks.

The City reports the following major Proprietary Funds:

The *Philadelphia Utilities Water and Sewer Department* accounts for the provision of the water and sewer services to the residents of the City.

The *Philadelphia Utilities Electric Department* accounts for the provision of the electric services to the residents and businesses of the City.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

D. Assets, Liabilities and Net Position or Equity.

1. Deposits.

State law authorizes the City to invest in interest-bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the City may invest in certain repurchase agreements.

CITY OF PHILADELPHIA

Notes to Financial Statements For the Year Ended September 30, 2021

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the City did not invest in any governmental securities during the fiscal year.

2. *Receivables.*

Receivables are reported net of allowances for uncollectible accounts, where applicable.

3. *Interfund Transactions and Balances.*

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between governmental funds have been eliminated.

4. *Restricted Assets.*

Assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

5. *Inventory.*

Inventory is valued at cost. Inventories included in the water and sewer and electric consist of supplies and parts.

6. *Capital Assets.*

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., streets, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. The City of Philadelphia meets this criteria and has so elected. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed.

CITY OF PHILADELPHIA

Notes to Financial Statements For the Year Ended September 30, 2021

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A half year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	1,000	5-10 years
Furniture and equipment	1,000	3-7 years

In the fund financial statements, capital assets are recorded as expenditures in the governmental type funds upon acquisition. Capital assets used in Proprietary Fund operations are accounted for the same as in government-wide statements.

7. *Deferred Outflows/Inflows of Resources.*

Deferred Outflows.

In addition to assets, the Statement of Net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the following item in this category:

Deferred outflows related to pensions - This amount represents the City's proportionate share of the deferred outflows of resources reported by the pension plan in which the City participates.

Deferred Inflows.

In addition to liabilities, the Statement of Net Position and Balance Sheet - Governmental Funds 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City reports the following items in this category:

Statement of Net Position:

Property tax for future periods - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Deferred inflows related to pensions - This amount represents the City's proportionate share of the deferred inflows of resources reported by the pension plan in which the City participates.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Balance Sheet - Governmental Funds:

Property tax for future periods - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

8. *Compensated Absences.*

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

9. *Long-term Obligations.*

In the government-wide financial statements and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Fund Type Statement of Net Position. Bond premiums and discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

10. *Pensions.*

For purposes of measuring the net pension liability, deferred outflows of resources 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 or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. *Equity Classifications.*

Government-wide Financial Statements:

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

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Net Position Flow Assumption:

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

Fund Financial Statements:

In accordance with Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Unassigned - Includes positive fund balance with the General Fund which has not been classified within the abovementioned categories and negative fund balances in other governmental funds.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the City's general policy to use restricted resources first. When expenditures 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 City's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

12. *Estimates.*

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

13. *Intergovernmental Revenues in Governmental Funds.*

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

E. Stewardship, Compliance and Accountability.

Budgets

Budgets are adopted on a basis prescribed by state law (cash basis).

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing these proposed expenditures.
2. Prior to October 1, the budget is legally enacted through passage of an order.
3. The Mayor is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
4. Formal budgetary integration is employed as a management control device during the year for the various funds, except for Debt Service Funds, because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

Budgets for the various funds are adopted on a cash basis as required by state law.

It is the City's policy to prepare the budget on the cash basis for revenues and expenditures to the extent that they are paid within 30 days following year-end.

Property Tax Revenues

Numerous statutes exist under which the Board of Aldermen may levy property taxes. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Aldermen, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Real and personal property tax revenues are recognized in the year for which they are levied in accordance with GAAP. However, because the revenues are not currently available, a deferred inflow of resources is recorded for this amount. Motor vehicle and mobile home taxes do not meet the GAAP measurability and collectibility criteria because the lien and due date cannot be established until the date of original purchase. Accordingly, no amount is accrued for these taxes in the financial statements.

Neshoba County collects the City's property taxes.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

(2) Detailed Notes on all Funds.

A. Cash and Investments.

At year-end, the City's carrying amount of cash and investments was \$8,619,221 and the bank balance was \$8,907,871. Section 27-105-5, Miss. Code Ann. (1972), authorizes the State Treasurer to implement a statewide collateral pool program which secures all local public funds' deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Custodial Credit Risk - Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City does not have a formal 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 (FDIC). 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 City.

At September 30, 2021, all funds held as investments were in certificates of deposit with various financial institutions. The total of the certificates of deposit was \$2,898,518 at September 30, 2021. All of the certificates of deposit had a maturity of less than one year. The City does not have a written policy in regard to investments.

B. Receivables.

Receivables as of year-end for the City's individual major funds, Proprietary Funds and component units, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>
	<u>General</u>	<u>Other</u>	<u>Total</u>	
Receivables:				
Property taxes	\$ 1,300,000		1,300,000	
Accounts				2,136,185
Sales tax	777,403		777,403	
Tourism tax	19,967		19,967	
Other	53,820	13,824	67,644	
	<u>2,151,190</u>	<u>13,824</u>	<u>2,165,014</u>	<u>2,136,185</u>
Gross receivables	\$ 2,151,190	13,824	2,165,014	2,136,185
				<u>Sept. 30, 2021</u>
Property taxes receivable:				
Governmental funds:				
General Fund			\$ 1,300,000	
Total deferred revenue for governmental funds			\$ 1,300,000	

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

C. Capital Assets.

Capital assets activity for the year ended September 30, 2021, are as follows:

Primary Government

Governmental Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,209,675			1,209,675
Total capital assets, not being depreciated	<u>1,209,675</u>	<u>0</u>	<u>0</u>	<u>1,209,675</u>
Capital assets, being depreciated:				
Buildings	21,455,732			21,455,732
Infrastructure	10,012,930			10,012,930
Machinery and equipment	8,191,366	415,086	(74,322)	8,532,130
Equipment under capital lease	763,516	174,643		938,159
Total capital assets being depreciated	<u>40,423,544</u>	<u>589,729</u>	<u>(74,322)</u>	<u>40,938,951</u>
Less: Accumulated depreciation for:				
Buildings	9,776,901	614,470		10,391,371
Infrastructure	4,943,562	282,682		5,226,244
Machinery and equipment	6,591,982	407,939	(70,886)	6,929,035
Equipment under capital lease	360,872	138,296		499,168
Total accumulated depreciation	<u>21,673,317</u>	<u>1,443,387</u>	<u>(70,886)</u>	<u>23,045,818</u>
Total capital assets, being depreciated, net	<u>18,750,227</u>	<u>(853,658)</u>	<u>(3,436)</u>	<u>17,893,133</u>
Governmental activities capital assets, net	<u>\$ 19,959,902</u>	<u>(853,658)</u>	<u>(3,436)</u>	<u>19,102,808</u>

Business-type Activities:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Capital assets being depreciated:					
Electric utility	\$ 15,418,672	535,056	(68,065)		15,885,663
Water and sewer utility	21,033,541	178,765			21,212,306
Construction in progress	75,899	694,418	(357,534)		412,783
Total capital assets, being depreciated	<u>36,528,112</u>	<u>1,408,239</u>	<u>(425,599)</u>	<u>0</u>	<u>37,510,752</u>
Less: Accumulated depreciation:					
Electric utility	9,574,234	563,838	(118,593)	34,017	10,053,496
Water and sewer utility	10,950,777	697,536	(2,547)		11,645,766
Total accumulated depreciation	<u>20,525,011</u>	<u>1,261,374</u>	<u>(121,140)</u>	<u>34,017</u>	<u>21,699,262</u>
Business-type activities capital assets, net	<u>\$ 16,003,101</u>	<u>146,865</u>	<u>(304,459)</u>	<u>(34,017)</u>	<u>15,811,490</u>

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Depreciation expense was charged to the following functions:

Governmental Activities:	
General government	\$ 199,510
Public safety	313,939
Public works	518,291
Economic and development	171,562
Culture and recreation	<u>240,085</u>
Total depreciation expense - governmental activities	<u>\$ 1,443,387</u>
Business-type Activities:	
Electric utility	\$ 563,838
Water and sewer utility	<u>697,536</u>
Total depreciation expense - business-type activities	<u>\$ 1,261,374</u>

D. Interfund Transactions.

The following schedule as of September 30, 2021, represents interfund receivables and payables:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Fund	\$ 41,120
Other Fund	General Fund	<u>96,076</u>
Total		<u>\$ 137,196</u>

Interfund payables are primarily related to grant activity.

The composition of interfund transfers as of September 30, 2021, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Governmental Funds:		
ARPA	General Fund	\$ 870,046
DFA Veterans	General Fund	50,000
Modernization Use Tax	General Fund	309,166
Marshall TIF Revenue Bond	General Fund	143,730
Airport	General Fund	36,000
Park	General Fund	<u>133,200</u>
Total Governmental Funds		<u>\$ 1,542,142</u>

The purpose of these transfers was routine allocations between funds, transfers for debt service and operating transfers from component unit.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

E. Leases.

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of various equipment in both the governmental-type and business-type funds. These lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

Description	Original Amount	Issue Date	Effective Interest Rate	Outstanding Present Value
Governmental Activities:				
New Holland tractor	\$ 80,213	05/21/2018	3.44%	\$ 12,395
Track hoe	149,601	01/11/2016	1.76%	34,946
Caterpillar D6K2 tractor	170,000	09/01/2017	2.39%	103,447
Caterpillar 420F2 back hoe	82,852	11/30/2018	4.02%	37,952
Cat Model 226 D skid steer	30,251	12/03/2018	3.94%	12,818
John Deere 320L back hoe	80,353	12/18/2019	3.34%	44,852
Dump truck	83,750	03/10/2020	2.50%	58,351
2 Dodge Chargers	54,624	02/03/2020	2.49%	21,728
2019 Ram 1500	31,872	03/30/2020	1.58%	14,387
2020 Durango	30,735	11/02/2020	1.72%	22,356
2 2021 Dodge Chargers	59,082	09/03/2021	1.37%	57,469
2021 Caterpillar dozer	84,826	09/15/2021	1.56%	84,826
Total Business Activities	\$ 938,159			\$ 505,527

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2021, are as follows:

Year Ending September 30:	Government-type Activities
2022	\$ 201,433
2023	215,102
2024	62,366
2025	25,078
2026	17,671
Total minimum lease payments	521,650
Less: Amount representing interest	(16,123)
Present value of minimum lease payments	\$ 505,527

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

F. Long-term Debt.

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
\$1,600,000 bonds due in annual installments ranging from \$80,000 to \$140,000 through September 2031, plus interest, payable on March 1 and September 1 of each year, beginning September 1, 2017	4.00%	\$ 1,165,000
\$325,000 bonds due in annual installments ranging from \$15,000 to \$30,000 through October 2039, beginning October 2021	0.00%	325,000
\$875,000 bonds due in annual installments ranging from \$35,000 to \$70,000 through October 2039, beginning October 2021	0.00%	<u>875,000</u>
Total Governmental Activities		\$ <u><u>2,365,000</u></u>
Business-type Activities:		
\$1,000,000 bonds due in annual installments ranging from \$40,000 to \$75,000 through July 2023, plus interest ranging from 2.80% to 4.00%, beginning July 1, 2003	2.80% - 4.00%	\$ 145,000
\$1,200,000 bonds due in annual installments ranging from \$45,000 to \$80,000 through April 2037, plus interest ranging from 3.25% to 3.50%, beginning April 6, 2017	3.25% - 3.50%	<u>1,020,000</u>
Total Business-type Activities		\$ <u><u>1,165,000</u></u>

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 145,000	46,600
2023	165,000	42,800
2024	175,000	38,800
2025	185,000	34,600
2026	190,000	30,200
2027-2031	<u>1,505,000</u>	<u>79,000</u>
Total	\$ <u>2,365,000</u>	<u>272,000</u>

<u>Year Ending September 30:</u>	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 120,000	38,000
2023	125,000	33,925
2024	50,000	16,675
2025	55,000	27,969
2026	55,000	26,181
2027-2037	<u>760,000</u>	<u>141,526</u>
Total	\$ <u>1,165,000</u>	<u>284,276</u>

Loans Payable

The City has received several loans to finance various projects including building acquisition and waste water system improvements. Two of these loans are made under state programs. The loan from Mississippi Department of Environmental Quality has federal participation. There was one new loan made during the current year. Loans currently outstanding are as follows:

<u>Loan Type</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental Activities:		
State of Mississippi Capital Improvement (CAP)	2.00%	\$ 431,070
State of Mississippi Capital Improvement (CAP)	2.00%	20,688
State of Mississippi Capital Improvement (CAP)	3.00%	<u>1,471,164</u>
Total Governmental Activities		\$ <u>1,922,922</u>

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Loan debt service requirements to maturity are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 139,609	51,423
2023	122,082	48,061
2024	125,134	45,010
2025	128,466	41,679
2026	131,889	38,254
2027-2037	<u>1,275,742</u>	<u>191,863</u>
Total	<u>\$ 1,922,922</u>	<u>416,290</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>
Governmental Activities:					
General obligation bonds	\$ 1,260,000	1,200,000	95,000	2,365,000	145,000
Capital leases	498,929	174,643	168,045	505,527	191,001
Other loans	<u>2,073,568</u>		<u>150,646</u>	<u>1,922,922</u>	<u>139,609</u>
	3,832,497	1,374,643	413,691	4,793,449	475,610
Compensated absences	<u>175,483</u>		<u>631</u>	<u>174,852</u>	
Total	<u>\$ 4,007,980</u>	<u>1,374,643</u>	<u>414,322</u>	<u>4,968,301</u>	<u>475,610</u>
Business-type Activities:					
General obligation bonds	\$ 1,280,000		115,000	1,165,000	120,000
Compensated absences	<u>299,431</u>	<u>49,001</u>	<u>22,671</u>	<u>325,761</u>	
Total	<u>\$ 1,579,431</u>	<u>49,001</u>	<u>137,671</u>	<u>1,490,761</u>	<u>120,000</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally, the General Fund, Waste Water Fund and Solid Waste Fund.

(3) Other Information.

A. Contingencies.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time; although the City expects such amounts, if any, to be immaterial.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

The City 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 ultimate outcome or liability, if any, of the City with respect to the various proceedings; however, the City's legal counsel believes that any ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the City.

B. Defined Benefit Pension Plan.

City of Philadelphia

General Information about the Pension Plan.

Plan Description - The City of Philadelphia is a member of the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. 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 State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429, Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public-school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007).

PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2021, PERS members were required to contribute 9.00 percent of their annual pay, and the City's required contribution rate was 17.40 percent of annual covered payroll. The City's employer contributions to PERS for the years ended September 30, 2021, 2020 and 2019, were \$629,732, \$621,585 and \$555,481, respectively. The contributions for each year met the required contributions.

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

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

At September 30, 2021, the City of Philadelphia reported a liability of \$8,041,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the entities' long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the City's proportionate share was 0.054404 percent, which was an increase of .001268 from its proportionate share used to calculate the September 30, 2020 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended September 30, 2021, the City of Philadelphia recognized pension expense of \$581,094.

At September 30, 2021, the City of Philadelphia reported as a component of pension expense, deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 127,288	
Net difference between projected and actual earnings on pension plan investments		2,433,134
Changes of assumptions	617,708	
Changes in proportion and differences between entity contributions and proportionate share of contributions	278,285	
Entity contributions subsequent to the measurement date	<u>148,330</u>	
Total	<u>\$ 1,171,611</u>	<u>2,433,134</u>

\$148,330 reported as deferred outflows of resources related to pensions resulting from the City of Philadelphia's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30:</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 409,259	582,410
2023	350,707	543,601
2024	263,312	585,485
2025	<u> </u>	<u>721,638</u>
Total	<u>\$ 1,023,278</u>	<u>2,433,134</u>

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

Actuarial assumptions. The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	2.65 – 17.90 percent, including inflation
Investment rate of return	7.55 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 95% of male rates up to age 60, 110% for ages 61 to 75 and 101% for ages above 77. For females, 84% of the female rates up to ages 72 and 100% for ages above 76. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions are based on the experience investigation for the four-year period ending June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimated future real rates of return (expected nominal returns, net of pension plan investments 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 most recent target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	22.00	4.50
Global	12.00	4.80
Emerging Debt	20.00	(0.25)
Real Assets	10.00	3.75
Private Equity	8.00	6.00
Cash	1.00	(1.00)
Total	100.00 %	

Discount Rate. The discount rate used to measure the total pension liability was 7.55%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (17.40%). 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.

CITY OF PHILADELPHIA

Notes to Financial Statements For the Year Ended September 30, 2021

Sensitivity of the Entity's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the City of Philadelphia's proportionate share of the net pension liability of the cost-sharing plan, calculated using the discount rate of 7.55%, as well as what the entities' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
Entity's proportionate share of the net pension liability	\$ <u>11,388,152</u>	\$ <u>8,041,150</u>	\$ <u>5,282,952</u>

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

Philadelphia Utility

Prior to October 1, 2005, the Utility participated in a multi-employer pension plan sponsored by Central Service Association (the Plan). Effective October 1, 2005, the Plan converted to a new plan entitled Governmental Plan of Central Service Association, which is sponsored by each participating governmental employer in relation to their employees. Substantially, all employees are covered by this contributory pension plan.

Plan Description - The following description of the Plan is provided for the Central Service Association Employee Retirement Plan in total. Plan net assets and accumulated plan benefit information relative to the Utility's portion of the multi-employer plan are not determinable.

The Plan is a multi-employer defined benefit plan with employees eligible to participate on the date of employment. The participant contribution is currently 3.0% of earnings. The employers contribute amounts sufficient to meet the actuarially determined funding requirements of the Plan in order to provide for anticipated benefits. The employers have a right to discontinue contributions at any time and terminate the Plan. In the event of termination of the Plan, the net assets of the Plan are to be used to purchase annuities for the participants in a specified manner. However, the Pension Benefit Guaranty Authority guarantees the payments of all nonforfeitable basic benefits, subject to certain limitations prescribed by the Employee Retirement Income Security Act of 1974 (ERISA).

The Plan issues a publicly available report that includes financial statements and required supplementary information for the pension plan. That report can be obtained by contacting Central Service Association at P.O. Box 3480, Tupelo, Mississippi 38803-3480.

For the year ended September 30, 2021, Philadelphia Utility recognized pension expense of \$583,339, determined as follows:

Annual pension expense	
Service cost	\$ 167,245
Interest on total pension liability	745,455
Differences between expected and actual experience	180,981
Changes in assumptions	79,717
Employee contributions	(44,709)
Projected earnings on pension plan investments	(568,469)
Differences between projected and actual investment earnings	21,003
Pension plan administrative expense	<u>2,116</u>
Total	\$ <u>583,339</u>

CITY OF PHILADELPHIA

**Notes to Financial Statements
For the Year Ended September 30, 2021**

The following table reconciles changes in total pension liability, plan fiduciary net position, and net pension liability for the year ended September 30, 2021:

	<u>Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balance - Beginning of Year	\$ 10,691,638	8,080,538	2,611,100
Changes:			
Service cost	167,246		167,246
Interest on total pension liability	745,455		745,455
Differences between expected and actual experience	610,798		610,798
Changes in assumptions	217,962		217,962
Employer contributions		457,335	(457,335)
Employee contributions		44,709	(44,709)
Net investment income		665,609	(665,609)
Benefit payments	(420,489)	(420,489)	
Administrative expense		(2,116)	2,116
Net Changes	<u>1,320,972</u>	<u>745,048</u>	<u>575,924</u>
Balance - End of Year	\$ <u>12,012,610</u>	<u>8,825,586</u>	<u>3,187,024</u>

Deferred outflows of resources consist of the following as of September 30, 2021:

	<u>Deferred Outflows of Resources</u>
Pension contributions subsequent to the measurement date	\$ 428,291
Difference between expected and actual experience	905,945
Change in assumptions	416,408
Net difference between projected and actual earnings	<u>29,411</u>
Total	\$ <u>1,780,055</u>

Amounts reported as deferred outflows of resources in fiscal year 2021 related to the pension will be recognized in pension expenses as follows:

Year Ending September 30:

2022	\$ 250,663
2023	293,748
2024	286,519
2025	187,818
2026	185,145
2027-thereafter	<u>147,871</u>
Total	\$ <u>1,351,764</u>

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

The plan membership is as follows:

Inactive plan members or beneficiaries currently receiving benefits	20
Inactive plan members entitled to, but not yet receiving benefits	3
Active plan members	<u>10</u>
 Total plan membership	 <u><u>33</u></u>

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

Measurement date	October 1, 2020
Discount rate	7.00%
Mortality	Pub-2010 General Amount-Weighted table fully generational with projection scale MP-2020 for all participants except beneficiaries.
Incidence of Disability	1985 CIDA Table - Class 2
Turnover	For all employees: Sarason T-3 Table
Salary increases	3.50%
Assumed retirement age	25% at age 62 with 30 years of service: otherwise, 100% at age 65
Marriage	It is assumed that 50% of participants are married and that a male is 3 years older than his female spouse.

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

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

Net pension liability at 6% discount rate	\$ 4,778,203
Net pension liability at 8% discount rate	\$ 1,845,400

CITY OF PHILADELPHIA
Notes to Financial Statements
For the Year Ended September 30, 2021

C. Risk Management.

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

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

The City belongs to the Mississippi Municipal Liability Plan (the Plan), which provides liability insurance coverage for most of the municipalities in Mississippi. Under this agreement, the Plan has the right to assess the members of the Plan group if the assets of the Plan are insufficient to cover its obligations. The City management is not aware of any impending assessments by the Plan. The City also belongs to the Mississippi Municipal Workers' Compensation Group which provides workers' compensation insurance. The City pays premiums to the pool for its workers' compensation coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$350,000 for each accident and completely covers statutory limits set for workers' compensation claims. Risk of loss is remote for claims exceeding the pool's retention liability. The pool has catastrophic reinsurance for statutory limits above the pool's retention. The pool may make an overall supplemental assessment or declare a dividend depending on the loss experience of all the entities it insures.

(4) 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 City of Philadelphia evaluated the activity of the City through February 14, 2023, and determined no subsequent events have occurred requiring disclosure in the notes to the financial statements.

(5) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$2,874,878) 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 \$148,330 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$1,023,278 balance of deferred outflow of resources at September 30, 2021, will be recognized as pension expense and will decrease the unrestricted net position over the next three years.

CITY OF PHILADELPHIA

**Notes to Financial Statements
For the Year Ended September 30, 2021**

The governmental activities' unrestricted net position amount of (\$2,874,878) includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$2,433,134 balance of deferred inflows of resources at September 30, 2021, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next four years.

The business-type activities' unrestricted net position amount of \$3,644,386 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 \$428,291 resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. The \$1,351,764 balance of deferred outflow of resources at September 30, 2021, will be recognized as pension expense and will decrease the unrestricted net position over the next three years.

The business-type activities' unrestricted net position amount of \$3,644,386 includes the effect of deferring the recognition of income resulting from a deferred inflow from pensions. The \$0 balance of deferred inflows of resources at September 30, 2021, will be recognized as a reduction in pension expense and will increase the unrestricted net position over the next four years.

CITY OF PHILADELPHIA

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Budgetary Comparison Schedule – General Fund

Budgetary Comparison Schedule – Park Fund

Schedule of the City’s Proportionate Share of the Net Pension Liability

Schedule of the City’s Pension Contributions

Schedule of the Utility’s Proportionate Share of the Net Pension Liability

Schedule of the Utility’s Pension Contributions

Notes to the Required Supplementary Information

CITY OF PHILADELPHIA
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2021 - UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,300,000	1,300,000	2,046,888	746,888
Franchise fees			96,832	96,832
Licenses and permits	34,000	34,000	28,733	(5,267)
Fines and forfeitures	485,000	485,000	697,693	212,693
Intergovernmental revenues	5,211,700	5,211,700	5,745,750	534,050
Charges for services	443,500	443,500	424,252	(19,248)
Interest earned			6,108	6,108
Miscellaneous revenues	659,000	659,000	585,983	(73,017)
Total Revenues	<u>8,133,200</u>	<u>8,133,200</u>	<u>9,632,239</u>	<u>1,499,039</u>
EXPENDITURES				
General government	1,745,331	1,745,331	1,855,876	110,545
Public safety	4,163,843	4,163,843	4,880,988	717,145
Public works	<u>2,017,510</u>	<u>2,017,510</u>	<u>1,704,954</u>	<u>(312,556)</u>
Total Expenditures	<u>7,926,684</u>	<u>7,926,684</u>	<u>8,441,818</u>	<u>(515,134)</u>
Excess of Revenues Over (Under) Expenditures	<u>206,516</u>	<u>206,516</u>	<u>1,190,421</u>	<u>983,905</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds			89,817	89,817
Transfers out	<u>(195,933)</u>	<u>(195,933)</u>	<u>(362,930)</u>	<u>(166,997)</u>
Total Other Financing Sources and Uses	<u>(195,933)</u>	<u>(195,933)</u>	<u>(273,113)</u>	<u>(77,180)</u>
Net Change in Fund Balance	10,583	10,583	917,308	906,725
Fund Balances - Beginning	<u>82,245</u>	<u>82,245</u>	<u>1,781,855</u>	<u>711,759</u>
Fund Balances - Ending	<u>\$ 92,828</u>	<u>92,828</u>	<u>2,699,163</u>	<u>1,618,484</u>

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

CITY OF PHILADELPHIA
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Park Fund
For the Year Ended September 30, 2021 - UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 130,000	130,000	130,000	
Charges for services	142,000	142,000	180,151	38,151
Interest earned			18	18
Miscellaneous revenues	35,000	35,000	39,350	4,350
Total Revenues	<u>307,000</u>	<u>307,000</u>	<u>349,519</u>	<u>42,519</u>
EXPENDITURES				
Culture and recreation	446,633	446,633	423,701	(22,932)
Total Expenditures	<u>446,633</u>	<u>446,633</u>	<u>423,701</u>	<u>22,932</u>
Excess of Revenues Over (Under) Expenditures	<u>(139,633)</u>	<u>(139,633)</u>	<u>(74,182)</u>	<u>65,451</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	139,933	139,933	133,200	(6,733)
Total Other Financing Sources and Uses	<u>139,933</u>	<u>139,933</u>	<u>133,200</u>	<u>(6,733)</u>
Net Change in Fund Balance	300	300	59,018	58,718
Fund Balances - Beginning	<u>(32,300)</u>	<u>(32,300)</u>	<u>12,706</u>	<u>(45,006)</u>
Fund Balances - Ending	<u>\$ (32,000)</u>	<u>(32,000)</u>	<u>71,724</u>	<u>13,712</u>

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

CITY OF PHILADELPHIA
Schedule of the City's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *
For the Year Ended September 30, 2021 - UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.054404 %	0.053136 %	0.052151 %	0.051885 %	0.050000 %	0.049000 %	0.05 %
City's proportionate share of the net pension liability (asset)	\$ 8,041,149	10,286,512	9,174,390	8,630,017	8,311,696	8,752,623	7,729,014
City's covered payroll	\$ 3,617,264	3,538,247	3,396,413	3,325,556	3,295,438	3,157,018	3,126,588
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	222.2992018	290.7234006	270.1199766	259.5059894	252.2182484	277.243367 %	247.202829 %
Plan fiduciary net position as a percentage of the total pension liability	70.44 %	58.97 %	61.59 %	62.54 %	61.49 %	57.47 %	61.70 %

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of 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 for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the City has only presented information for the years in which information was available.

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

CITY OF PHILADELPHIA
Schedule of the City's Contributions
PERS
Last 10 Fiscal Years *
For the Year Ended September 30, 2021 - UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 629,732	621,585	555,481	523,844	519,032	497,230	492,438
Contributions in relation to the contractually required contribution	<u>629,732</u>	<u>621,585</u>	<u>555,481</u>	<u>523,775</u>	<u>519,032</u>	<u>497,230</u>	<u>492,438</u>
Contribution deficiency (excess)	\$ <u>0</u>	<u>0</u>	<u>0</u>	<u>69</u>	<u>0</u>	<u>0</u>	<u>0</u>
City covered payroll	\$ 3,619,149	3,572,328	3,526,863	3,325,994	3,295,438	3,157,018	3,126,588
Contributions as a percentage of covered payroll	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%
			17.40% **				

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

** Started July 2019

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

PHILADELPHIA UTILITY
Schedule of the Utility's Proportionate Share of the Net Pension Liability
PERS
Last 10 Fiscal Years *
For the Year Ended September 30, 2021 - UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Utility's proportionate share of total pension liability	\$ 12,012,610	10,691,638	10,030,888	9,341,923	8,787,621	7,960,537
Utility's proportionate share of plan's fiduciary net position	<u>8,825,586</u>	<u>8,080,538</u>	<u>7,727,597</u>	<u>7,283,670</u>	<u>6,636,248</u>	<u>6,083,116</u>
Utility's proportionate share of net pension liability	<u>\$ 3,187,024</u>	<u>2,611,100</u>	<u>2,303,291</u>	<u>2,058,253</u>	<u>2,151,373</u>	<u>1,877,421</u>
Fiduciary net position as a percentage of total pension liability	73.46 %	75.59 %	77.04 %	77.97 %	75.52 %	76.42 %
Utility's covered payroll	\$ 2,340,858	2,251,336	2,127,947	2,011,213	2,000,603	1,873,699
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	136.15 %	115.98 %	108.24 %	102.34 %	107.54 %	100.20 %

* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of 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 for the fiscal year ended September 30, 2015, and until a full 10-year trend is compiled, the Utility has only presented information for the years in which information was available.

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

PHILADELPHIA UTILITY
Schedule of the Utility's Contributions
PERS
Last 10 Fiscal Years *
For the Year Ended September 30, 2021 - UNAUDITED

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 485,922	453,028	350,181	324,432	296,580	262,320
Actual contribution	<u>514,822</u>	<u>449,219</u>	<u>326,083</u>	<u>296,965</u>	<u>284,014</u>	<u>280,722</u>
Excess contribution	<u>\$ (28,900)</u>	<u>3,809</u>	<u>24,098</u>	<u>27,467</u>	<u>12,566</u>	<u>(18,402)</u>
Utility's covered payroll	<u>\$ 2,425,375</u>	<u>2,260,016</u>	<u>2,127,947</u>	<u>2,011,213</u>	<u>2,000,603</u>	<u>1,873,699</u>
Actual contributions as a percentage of covered payroll	22.45%	20.03%	15.32%	14.77%	14.20%	15.29%
Proportionate share percentage	51.00%	51.00%	51.00%	51.00%	51.00%	51.00%

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

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

CITY OF PHILADELPHIA

Notes to the Required Supplementary Information For the Year Ended September 30, 2021 UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and the Park Fund.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedule to the GAAP basis financial statements for the General Fund:

	<u>General Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 917,308
Increase (decrease):	
Net adjustments for revenue accruals	84,625
Net adjustments for expenditure accruals	<u>(170,012)</u>
Net Change in Fund Balance GAAP Basis	<u>\$ 831,921</u>

CITY OF PHILADELPHIA

**Notes to the Required Supplementary Information
For the Year Ended September 30, 2021
UNAUDITED**

D. Schedule of the City's Proportionate Share of the Net Pension Liability and Schedule of the City's Contributions.

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.

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 and anticipated experience.

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

CITY OF PHILADELPHIA

Notes to the Required Supplementary Information For the Year Ended September 30, 2021 UNAUDITED

2019

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
Projection scale MP-2018 will be used to project future improvements in life expectancy, generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:

For males, 137% of male rates at all ages.
For females, 115% of female rates at all ages.
Projection scale MP-2018 will be used to project future improvements in life expectancy, generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

2021

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:

For males, 95% of male rates up to age 60, 110% for ages 61 to 75, and 101% for ages above 77.
For females, 84% of the female rates up to age 72, 100% for ages above 76.
Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

The expectation of disabled mortality was changed to PubG.H-2010 Disabled Table for disabled retirees with the following adjustments:

For males, 134% of male rates at all ages.
For females, 121% of female rates at all ages.
Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

CITY OF PHILADELPHIA

Notes to the Required Supplementary Information For the Year Ended September 30, 2021 UNAUDITED

The expectation of contingent annuitant mortality was based on the PubS.H-2010(B) Contingent Annuitant Table with the following adjustments:

For males, 97% of male rates at all ages.

For females, 110% of female rates at all ages.

Projection scale MP-2020 will be used to project future improvements in life expectancy, generationally.

The price inflation assumption was reduced from 2.75% to 2.40%.

The wage inflation assumption was reduced from 3.00% to 2.65%.

The investment rate of return assumption was changed from 7.75% to 7.55%.

The assumed load for administrative expenses was increased from 0.25% to 0.28% of payroll.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 9% to 12%.

The percentage of active member deaths assumed to be in the line of duty was decreased from 6% to 4%.

Methods 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, 2019 valuation for the June 30, 2021 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	28.8 years
Asset valuation method	5-year smoothed market
Price inflation	2.75 percent
Salary increase	3.00 percent to 18.25 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CITY OF PHILADELPHIA

SUPPLEMENTARY INFORMATION

CITY OF PHILADELPHIA
Schedule of Expenditures of Federal Awards
September 30, 2021

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
Major Programs:				
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Salary Grant	97.067	EMW-2020-SS-00033	20HS296T	\$ 35,000
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Task Force III Salary	97.067	EMW-2020-SS-00033	M20HS296T	35,000
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Salary Grant	97.067	EMW-2019-SS-00009	19HS296T	2,751
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Task Force Equipment Grant	97.067	EMW-2018-SS-00009	S18HS296T	223,642
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Task Force II Operations	97.067	EMW-2018-SS-00009	A18HS296T	9,206
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Logistics Grant	97.067	EMW-2019-SS-00009	L19HS296T	64,000
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Task Force II Equipment	97.067	EMW-2020-SS-00033	S20HS296T	10,000
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Task Force II Equipment	97.067	EMW-2020-SS-00033	A20HS296T	93,529
U.S. Department of Homeland Security/ Mississippi Office of Public Safety/ Task Force II Operations and Equipment	97.067	EMW-2019-SS-00009	M19HS296T	89,417
Total Major Program				<u>562,545</u>

(Continued)

CITY OF PHILADELPHIA
Schedule of Expenditures of Federal Awards
September 30, 2021

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Disbursements/ Expenditures</u>
Non-Major Programs:				
U.S. Department of Transportation/ Federal Aviation Administration/ Airport Improvement Program	20.106	3-28-0059-19-2019		185,315
U.S. Department of Justice/ Office of Justice Programs/ Mississippi Department of Public Safety Planning/Edward Byrne Local Law Enforcement Assistance Grant	16.580	2019-MU-BX-0045	19LB2281	4,512
U.S. Department of Homeland Security/ Mississippi Office of Highway Safety/ Occupancy Protection	20.600	402 Occupant Protection FY21	OP-2021-OP- 22-81	8,212
U.S. Department of Homeland Security/ Mississippi Office of Highway Safety/ Alcohol Grant	20.607	154 Alcohol FY21	154AI-2021- ST-22-81	<u>25,087</u>
Total Non-Major Programs				<u>223,127</u>
Total Expenditures of Federal Awards				\$ <u><u>785,672</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Philadelphia under programs of the federal government for the year ended September 30, 2021. 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 City of Philadelphia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Philadelphia.

Note B - 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.

Note C - Indirect Cost Rate

The City of Philadelphia has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF PHILADELPHIA

OTHER INFORMATION

CITY OF PHILADELPHIA
Schedule of Surety Bonds For Municipal Officials
For the Year Ended September 30, 2021 - UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Surety Agency</u>	<u>Bond Amount</u>
James Young	Mayor	Travelers	\$ 100,000
James Waltman	Alderman	Travelers	\$ 100,000
Jim Fulton	Alderman	Travelers	\$ 100,000
Shaun Seales	Alderman	Travelers	\$ 100,000
James Tatum	Alderman	Travelers	\$ 100,000
Justin Clearman	Alderman	Travelers	\$ 100,000
Nikki Walton	City Clerk	Travelers	\$ 50,000
Kim Wooten	Deputy Clerk	Travelers	\$ 50,000
Connie Spence	Deputy Clerk	Travelers	\$ 50,000
Eric Lyons	Police Chief	Travelers	\$ 50,000
Marilyn Jackson	Court Clerk	Travelers	\$ 50,000
Lesa Eliland	Deputy Court Clerk	Travelers	\$ 25,000
Pierce Clark	Fire Chief	Travelers	\$ 25,000
Sherrie Acton	Grants	Travelers	\$ 50,000

CITY OF PHILADELPHIA

SPECIAL REPORTS

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Mississippi Society of CPAs

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

Honorable Mayor and
Members of the Board of Aldermen
City of Philadelphia, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Philadelphia, Mississippi's internal control over financial reporting (internal control) to determine the auditing 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 21-001 to be a material weakness.

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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and significant deficiency.

Compliance and Other Matters

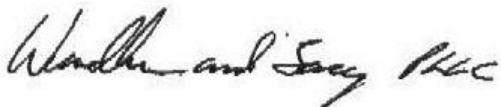
As part of obtaining reasonable assurance about whether the City of Philadelphia, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have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

City's Response to Finding

The City of Philadelphia, Mississippi's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City of Philadelphia, Mississippi'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 result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
February 14, 2023

Windham and Lacey, PLLC

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

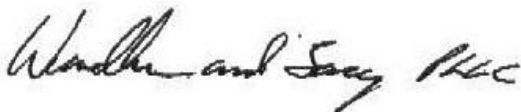
Honorable Mayor and
Members of the Board of Aldermen
City of Philadelphia, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Philadelphia, Mississippi, as of and for the year ended September 30, 2021, and have issued our report thereon dated February 14, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the City's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instance of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management 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.



Windham and Lacey, PLLC
February 14, 2023

CITY OF PHILADELPHIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CITY OF PHILADELPHIA

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section 1: Summary of Auditors' Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditors' report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| a. | Material weaknesses identified? | No |
| b. | Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | U. S. Department of Homeland Security/Mississippi Office of Public Safety,
CFDA #97.067 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Qualified as a low-risk auditee? | No |

CITY OF PHILADELPHIA
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2021

Section 2: Financial Statement Findings

Board of Aldermen

Significant Deficiency/Material Weakness

21-001. Finding

Governmental accounting standards require revenue from fines to be recognized when the City has an enforceable legal claim to the revenue. This means that the City must accrue revenue from fines in the period when they become legally collectable and measurable. Failure to record fines in the proper period could result in the material misstatement of revenues and assets (fines receivable).

Recommendation

The Board of Aldermen should take steps to ensure the court clerk receives adequate training, so that accounting and computer systems are properly utilized to record fines and fines receivable.

Board of Aldermen's Response

The Board of Aldermen will arrange for the proper training of the court clerk to resolve this issue.

Section 3: Federal Award Findings and Questioned Costs

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