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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2022

PHILADELPHIA PUBLIC SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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AUDITING AND ACCOUNTING SERVICES

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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board
Philadelphia Public School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Philadelphia Public School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Philadelphia Public School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Philadelphia Public School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Philadelphia Public School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Philadelphia Public School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Philadelphia Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

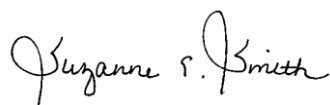
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2023, on our consideration of the Philadelphia Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Philadelphia Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Philadelphia Public School District's internal control over financial reporting and compliance.



Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi

May 5, 2023

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

The following discussion and analysis of Philadelphia Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2022 increased \$377,037 including a prior period adjustment of (\$10,629), which represents a 5.57% increase from fiscal year 2021. Total net position for 2021 decreased \$619,620, including a prior period adjustment of (\$1,022), which represents a 11.4% decrease from fiscal year 2020.
- General revenues amounted to \$8,109,299 and \$8,244,175, or 73% and 74% of all revenues for fiscal years 2022 and 2021, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$3,061,335, or 27% of total revenues for 2022, and \$2,931,817, or 26% of total revenues for 2021.
- The District had \$10,822,968 and \$11,794,590 in expenses for fiscal years 2022 and 2021; only \$3,061,335 for 2022 and \$2,931,817 for 2021 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$8,109,299 for 2022 were adequate to provide for these programs, while general revenues of \$8,244,175 for 2021 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$8,074,757 in revenues and \$8,298,503 in expenditures for 2022, and \$8,078,254 in revenues and \$7,829,964 in expenditures in 2021. The General Fund's fund balance decreased by \$558,403, including a prior period adjustment of \$305, from 2021 to 2022, and increased by \$137,569 from 2020 to 2021.
- Capital assets, net of accumulated depreciation, decreased by \$170,649, including a prior period adjustment of (\$10,924), for 2022 and increased by \$84,152 for 2021. The decrease for 2022 was due mainly to the increase in accumulated depreciation and amortization of right to use assets.
- Long-term debt, including the liability for compensated absences, decreased by \$206,831 for 2022 and increased by \$65,811 for 2021. This decrease for 2022 was due primarily to the principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$3,791 for 2022 and decreased by \$11,605 for 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district are included in one category: governmental funds.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

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

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

Notes to the financial statements

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the district's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,716,898 as of June 30, 2022.

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

Table 1 presents a summary of the district's net position at June 30, 2022 and June 30, 2021.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 1
Condensed Statement of Net Position

	June 30, 2022	June 30, 2021	Percentage Change
Current assets	\$ 3,053,160	\$ 3,534,270	-13.61%
Restricted assets	-	269,597	-100.00%
Capital assets, net	6,399,053	6,569,702	-2.60%
Total assets	9,452,213	10,373,569	-8.88%
 Deferred outflows of resources	 2,713,755	 1,858,554	 46.01%
Current liabilities	442,015	802,583	-44.93%
Long-term debt outstanding	1,267,811	1,474,642	-14.03%
Net pension liability	11,430,008	14,290,113	-20.01%
Net OPEB liability	804,844	929,087	-13.37%
Total liabilities	13,944,678	17,496,425	-20.30%
 Deferred inflows of resources	 3,938,188	 789,633	 398.74%
 Net position:			
Net investment in capital assets	5,202,633	5,137,286	1.27%
Restricted	703,580	592,391	18.77%
Unrestricted	(11,623,111)	(11,783,612)	1.36%
Total net position	\$ (5,716,898)	\$ (6,053,935)	5.57%

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	(\$ 11,623,111)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	13,459,285
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 1,836,174</u>

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

- The principal retirement of \$237,135 of long-term debt.

Changes in net position

The district's total revenues for the fiscal years ended June 30, 2022 and June 30, 2021 were \$11,170,634 and \$11,175,992, respectively. The total cost of all programs and services was \$10,822,968 for 2022 and \$11,794,590 for 2021.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 2
Changes in Net Position

	Year Ended June 30, 2022	Year Ended June 30, 2021	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 118,487	\$ 127,773	-7.27%
Operating grants and contributions	2,942,848	2,804,044	4.95%
General revenues:			
Property taxes	3,266,896	3,441,059	-5.06%
Grants and contributions not restricted	4,629,693	4,576,912	1.15%
Investment earnings	54,226	69,961	-22.49%
Sixteenth section sources	123,032	138,509	-11.17%
Other	35,452	17,734	99.91%
Total revenues	11,170,634	11,175,992	-0.05%
Expenses:			
Instruction	5,413,119	5,759,081	-6.01%
Support services	4,461,475	4,322,824	3.21%
Non-instructional	629,107	641,290	-1.90%
Pension expense	322,992	1,012,554	-68.10%
OPEB expense	(43,125)	13,945	-409.25%
Interest on long-term liabilities	39,400	44,896	-12.24%
Total expenses	10,822,968	11,794,590	-8.24%
Increase (Decrease) in net position	347,666	(618,598)	156.20%
Net Position, July 1, as previously reported	(6,053,935)	(5,434,315)	-11.40%
Prior period adjustments	(10,629)	(1,022)	-940.02%
Net Position, July 1, restated	(6,064,564)	(5,435,337)	-11.58%
Net Position, June 30	(5,716,898)	(6,053,935)	5.57%

Governmental activities

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

Net cost of governmental activities [(\$7,761,633) for 2022 and (\$8,862,773) for 2021] was financed by general revenue, which is primarily made up of property taxes (\$3,266,896 for 2022 and \$3,441,059 for 2021) and state and federal revenues (\$4,629,693 for 2022 and \$4,576,912 for 2021). In addition, there was \$123,032 and \$138,509 in Sixteenth Section sources for 2022 and 2021, respectively.

Investment earnings amounted to \$54,226 for 2022 and \$69,961 for 2021.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2022	2021	
Instruction	\$ 5,413,119	\$ 5,759,081	-6.01%
Support services	4,461,475	4,322,824	3.21%
Non-instructional	629,107	641,290	-1.90%
Pension Expense	322,992	1,012,554	-68.10%
OPEB Expense	(43,125)	13,945	-409.25%
Interest on long-term liabilities	39,400	44,896	-12.24%
Total expenses	\$ 10,822,968	\$ 11,794,590	-8.24%

			Percentage Change
		2021	
Instruction	\$ (4,136,743)	\$ (4,056,327)	-1.98%
Support services	(3,488,374)	(3,736,287)	6.64%
Non-instructional	182,751	1,236	14685.68%
Pension Expense	(322,992)	(1,012,554)	68.10%
OPEB Expense	43,125	(13,945)	409.25%
Interest on long-term liabilities	(39,400)	(44,896)	12.24%
Total net (expense) revenue	\$ (7,761,633)	\$ (8,862,773)	12.42%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

The financial performance of the district as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$2,624,522, a decrease of \$392,836, which includes a prior period adjustment of \$305 and an increase in inventory of \$3,650. \$1,379,558 or 53% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$1,244,964 or 47% is either nonspendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed, or assigned.

The General Fund is the principal operating fund of the district. The decrease in fund balance in the General Fund for the fiscal year was \$558,403, including a prior period adjustment of \$305. The fund balance of Other Governmental Funds showed an increase in the amount of \$160,097, which includes an increase in reserve for inventory of \$3,650, due primarily to an increase in the fund balance of the Child Nutrition Fund. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase(Decrease)</u>
Title I Fund	No change
ARP ESSER III Fund	No change
2020 Shortfall Note Fund	\$5,470

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

BUDGETARY HIGHLIGHTS

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2022, the District's total capital assets were \$13,830,868, including land, school buildings, building improvements, improvements other than buildings, buses, other school vehicles, furniture and equipment, and any intangible assets. This amount represents an increase of \$91,633, including a prior period adjustment of (\$10,924), from 2021. Total accumulated depreciation as of June 30, 2022, was \$7,431,815, and total depreciation expense for the year was \$262,282, resulting in total net capital assets of \$6,399,053.

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2022	June 30, 2021	Percentage Change
Land	\$ 178,953	\$ 178,953	0.00%
Construction in Progress	-	216,929	-100.00%
Buildings	5,337,432	5,520,296	-3.31%
Improvements other than buildings	515,221	270,746	90.30%
Mobile equipment	291,126	337,668	-13.78%
Furniture and equipment	43,362	45,110	-3.87%
Intangible assets	32,959	-	N/A
Total	\$ 6,399,053	\$ 6,569,702	-2.60%

Additional information on the district's capital assets can be found in Note 4 included in this report.

Debt Administration. On June 30, 2022, the District had \$1,267,811 in outstanding long-term debt, including compensated absences, of which \$238,831 is due within one year. The liability for compensated absences decreased \$3,791 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2022	June 30, 2021	Percentage Change
Three mill notes payable	\$ 1,040,000	\$ 1,200,000	-13.33%
Shortfall notes payable	156,420	232,416	-32.70%
Lease obligations payable	32,956	-	N/A
Compensated absences payable	38,435	42,226	-8.98%
Total	\$ 1,267,811	\$ 1,474,642	-14.03%

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2022

CURRENT ISSUES

The Philadelphia Public School District is financially stable. The district is proud of its community support of the public schools. The district has two schools: Philadelphia Elementary School and Philadelphia High School.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2022

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,392,801
Due from other governments	646,620
Inventories	13,739
Capital assets, net of accumulated depreciation	6,399,053
Total Assets	<u>9,452,213</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	2,501,410
Deferred outflows - OPEB	212,345
Total deferred outflows of resources	<u>2,713,755</u>
Liabilities	
Accounts payable and accrued liabilities	428,638
Interest payable on long-term liabilities	13,377
Long-term liabilities, due within one year:	
Leases payable	6,369
Capital related liabilities	232,462
Net OPEB liability	25,491
Long-term liabilities, due beyond one year:	
Leases payable	26,587
Capital related liabilities	963,958
Non-capital related liabilities	38,435
Net pension liability	11,430,008
Net OPEB liability	779,353
Total Liabilities	<u>13,944,678</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	3,631,515
Deferred inflows - OPEB	306,673
Total deferred inflows of resources	<u>3,938,188</u>
Net Position	
Net investment in capital assets	5,202,633
Restricted for:	
Expendable:	
School-based activities	172,048
Debt service	514,252
Unemployment benefits	17,280
Unrestricted	(11,623,111)
Total Net Position	<u>\$ (5,716,898)</u>

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2022**

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 5,413,119	96,244	1,180,132		(4,136,743)
Support services	4,461,475	6,617	966,484		(3,488,374)
Non-instructional	629,107	15,626	796,232		182,751
Pension expense	322,992				(322,992)
OPEB expense	(43,125)				43,125
Interest on long-term liabilities	39,400				(39,400)
Total Governmental Activities	<u>\$ 10,822,968</u>	<u>118,487</u>	<u>2,942,848</u>	<u>0</u>	<u>(7,761,633)</u>
General Revenues:					
Taxes:					
General purpose levies					
					3,012,083
Debt purpose levies					
					254,813
Unrestricted grants and contributions:					
State					
					4,597,879
Federal					
					31,814
Unrestricted investment earnings					
					54,226
Sixteenth section sources					
					123,032
Other					
					35,452
Total General Revenues					<u>8,109,299</u>
Change in Net Position					<u>347,666</u>
Net Position - Beginning, as previously reported					(6,053,935)
Prior Period Adjustments					<u>(10,629)</u>
Net Position - Beginning, as restated					<u>(6,064,564)</u>
Net Position - Ending					<u>\$ (5,716,898)</u>

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

June 30, 2022

Exhibit C

	Major Funds				Other	Total
	General	Title I	ARP ESSER III	2020 Shortfall	Governmental	Governmental
	Fund	Fund	Fund	Note Fund	Funds	Funds
Assets						
Cash and cash equivalents	\$ 1,647,007			431,576	314,218	2,392,801
Due from other governments	119,612	135,691	222,133	2,097	167,087	646,620
Due from other funds	506,048					506,048
Inventories					13,739	13,739
Total assets	2,272,667	135,691	222,133	433,673	495,044	3,559,208
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 420,526	403	55		6,003	426,987
Due to other funds		135,288	222,078		148,682	506,048
Other payables	1,651				0	1,651
Total Liabilities	422,177	135,691	222,133	0	154,685	934,686
Fund Balances:						
Nonspendable:						
Inventory					13,739	13,739
Restricted:						
Debt service				433,673	93,956	527,629
Grant activities					158,309	158,309
Unemployment benefits					17,280	17,280
Assigned:						
Facility acquisition	50,991					50,991
Construction activities	359,821				31,530	391,351
Student activities	60,120					60,120
Unemployment					25,545	25,545
Unassigned	1,379,558					1,379,558
Total Fund Balances	1,850,490	0	0	433,673	340,359	2,624,522
Total liabilities and fund balances	\$ 2,272,667	135,691	222,133	433,673	495,044	3,559,208

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

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PHILADLEPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2022**

Exhibit C-1

Total fund balances for governmental funds \$ 2,624,522

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

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

Land	\$ 178,953	
Buildings	10,633,001	
Improvements other than buildings	966,683	
Mobile equipment	1,411,581	
Furniture and equipment	606,555	
Intangible right to use equipment assets	34,095	
Accumulated depreciation	<u>(7,431,815)</u>	6,399,053

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

Net pension liability	(11,430,008)	
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to pensions	2,501,410	
Deferred inflows of resources related to pensions	<u>(3,631,515)</u>	(12,560,113)

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

Net OPEB liability	(804,844)	
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:		
Deferred outflows of resources related to OPEB	212,345	
Deferred inflows of resources related to OPEB	<u>(306,673)</u>	(899,172)

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

Three mill notes payable	(1,040,000)	
Shortfall notes payable	(156,420)	
Lease obligations payable	(32,956)	
Compensated absences payable	(38,435)	
Accrued interest payable	<u>(13,377)</u>	(1,281,188)

Net Position of governmental activities \$ (5,716,898)

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2022**

Exhibit D

	Major Funds				Other Governmental Funds	Total Governmental Funds
	General Fund	Title I Fund	ARP ESSER III Fund	2020 Shortfall Note Fund		
Revenues:						
Local sources	\$ 3,185,113			85,952	199,567	3,470,632
State sources	4,734,132				53,008	4,787,140
Federal sources	32,149	639,395	473,013		1,640,843	2,785,400
Sixteenth section sources	123,363					123,363
Total Revenues	8,074,757	639,395	473,013	85,952	1,893,418	11,166,535
Expenditures:						
Instruction	4,588,336	420,682	210,468		670,531	5,890,017
Support services	3,708,930	211,382	262,545		534,230	4,717,087
Noninstructional services		6,391			646,655	653,046
Facilities acquisition and construction					62,139	62,139
Debt service:						
Principal	1,139			75,996	160,000	237,135
Interest	98			4,486	37,513	42,097
Total Expenditures	8,298,503	638,455	473,013	80,482	2,111,068	11,601,521
Excess (Deficiency) of Revenues over (under) Expenditures	(223,746)	940	0	5,470	(217,650)	(434,986)
Other Financing Sources (Uses):						
Inception of leases	34,095					34,095
Sale of transportation equipment	4,100					4,100
Operating transfers in	1,261				374,418	375,679
Operating transfers out	(374,418)	(940)			(321)	(375,679)
Total Other Financing Sources (Uses)	(334,962)	(940)	0	0	374,097	38,195
Net Change in Fund Balances	(558,708)	0	0	5,470	156,447	(396,791)
Fund Balances:						
July 1, 2021, as previously reported	2,408,893	0	0	428,203	180,262	3,017,358
Prior period adjustments	305					305
July 1, 2021, as restated	2,409,198	0	0	428,203	180,262	3,017,663
Increase in reserve for inventory			0	0	3,650	3,650
June 30, 2022	\$ 1,850,490	0	0	433,673	340,359	2,624,522

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (396,791)

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

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

Capital outlay	\$ 102,557	
Depreciation expense	<u>(262,282)</u>	(159,725)

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

Inception of lease obligations payable	(34,095)	
Payments of debt principal	237,135	
Accrued interest payable	<u>2,697</u>	205,737

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

Pension expense	(322,992)	
Contributions subsequent to the measurement date	<u>945,381</u>	622,389

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

OPEB expense	43,125	
Contributions subsequent to the measurement date	<u>25,491</u>	68,616

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

Change in compensated absences	3,791	
Change in inventory reserve	<u>3,650</u>	7,441

6. Rounding (1)

Change in Net Position of governmental activities	<u><u>\$ 347,666</u></u>
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The notes to the financial statements are an integral part of this statement.

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PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

Title I Fund – This is a special revenue fund used to account for Title I grants to local educational agencies, a federal grant used to help students who are economically disadvantaged or at risk of failing to meet state standards. The grant is authorized under the Elementary and Secondary Education Act (ESEA) of 1965 as reauthorized by the Every Student Succeeds Act (ESSA).

ARP ESSER III Fund – This is a special revenue fund used to account for the federal Elementary and Secondary School Emergency Relief Fund grant. ESSER III funds are part of the America Rescue Plan (ARP) Act which was signed into law on March 11, 2021 (Public Law 117-2).

2020 Shortfall Note Fund – This debt service fund is used to account for local tax revenues levied to service the 2020 ad valorem shortfall borrowing and the related payments on this debt.

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

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

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

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

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

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

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

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

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

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

Investments

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

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired. Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Furniture and equipment	5,000	3-7 years
Intangible assets	**	**

(**) The estimated useful life for each right to use asset (intangible asset) is the number of years of the lease which is represented by each right to use asset.

The term 'depreciation' includes the amortization of intangible assets.

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The district has incurred deferred inflows related to OPEB and pensions. See Notes 7, 8, and 14 for further details.

8. Compensated Absences

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

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

9. Leases

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases* (GASB 87) to establish a single leasing model for accounting and reporting purposes. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments. GASB 87 was implemented during fiscal year 2022.

When acting as lessee, the school district uses the federal prime lending rate to calculate the present value of lease payments if the rate implicit in the lease is not known. See Notes 5 and 6 for details.

10. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 7 for details.

12. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state. See Note 8 for details.

13. Fund Balances

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

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

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the district's highest level of decision-making authority. This formal action is official action taken by the school board documented in its official minutes. The action for fund balance commitment must occur on or prior to balance sheet date. There are currently no committed fund balances for the district.

Assigned fund balance includes amounts that are constrained by the district's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds,

PHILADELPHIA PUBLIC SCHOOL DISTRICT
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other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the District Finance Director pursuant to authorization established by school board policy.

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

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

It is the goal of the district to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 7 percent of general fund revenues for the year. If the unassigned fund balance at fiscal year-end falls below the goal, the district must develop a restoration plan to achieve and maintain the minimum fund balance.

14. Accounting Standards Update

GASB 87, *Leases*, was implemented during fiscal year 2022. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This guidance is intended to enhance the accountability, consistency and comparability of lease activities reported by governments.

Note 2 – Cash and Cash Equivalents

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

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

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$2,392,801.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the

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

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I Fund	\$ 135,288
	ARP ESSER III Fund	222,078
	Other Governmental Funds	148,682
		<u>\$ 506,048</u>

Inter-fund balances represent loans created by the existence of negative fund cash balances in a pooled bank account. Negative fund cash balances in governmental funds (special revenue funds) are a result of the timing of cash flows inherent in the reimbursable grant funds due from the State and Federal governments.

B. Inter-fund Transfers

Transfers out	Transfers In	Amount
General Fund	Other Governmental Funds	\$ 374,418
Title I Fund	General Fund	940
Other Governmental Funds	General Fund	321
		<u>\$ 375,679</u>

Inter-fund transfers represent operating transfers from the General Fund to other governmental funds. Also included are transfers of indirect costs from special revenue funds to the General Fund.

Note 4 – Capital Assets

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

The term depreciation includes amortization of intangible assets.

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	Balance 7/1/2021	Increases	Decreases	Adjustments	Balance 6/30/2022
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 178,953				178,953
Construction-in-progress	216,929	62,139	268,144	(10,924)	-
Total non-depreciable capital assets	395,882	62,139	268,144	(10,924)	178,953
<u>Depreciable capital assets:</u>					
Buildings	10,633,001				10,633,001
Improvements other than buildings	698,539	268,144			966,683
Mobile equipment	1,411,581				1,411,581
Furniture and equipment	600,232	6,323			606,555
Intangible right to use equipment		34,095			34,095
Total depreciable capital assets	13,343,353	308,562	-	-	13,651,915
<u>Less accumulated depreciation for:</u>					
Buildings	5,112,705	182,864			5,295,569
Improvements other than buildings	427,793	23,669			451,462
Mobile equipment	1,073,913	46,542			1,120,455
Furniture and equipment	555,122	8,071			563,193
Intangible right to use equipment		1,136			1,136
Total accumulated depreciation	7,169,533	262,282	-	-	7,431,815
Total depreciable capital assets, net	6,173,820	46,280	-	-	6,220,100
Governmental activities capital assets, net	\$ 6,569,702	108,419	268,144	(10,924)	6,399,053
 Total capital assets, net excluding intangible right to use assets					6,366,094
Intangible right to use assets, net					32,959
Total capital assets, net as reported in the statement of net position					6,399,053

Adjustments were made to restate beginning balances in construction-in-progress expenditures as a correction of a prior period error.

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 169,366
Support services	76,243
Non-instructional	16,673
Total depreciation expense - Governmental activities	\$ 262,282

Note 5 – Leases

As Lessee:

The school district is a lessee for various non-cancellable leases of equipment. For leases that have a maximum possible term of 12 months or less at commencement, the school district recognizes expense based on the provisions of the lease contract. For all other leases, other than short term, the school district recognized a lease and an intangible right-to-use lease asset.

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At lease commencement, the school district initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized in depreciation expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The school district generally uses the Federal Prime Borrowing Rate at lease inception as the discount rate for leases unless the rate that the lessor charges is known.

The lease term includes the non-cancellable period of the lease plus any additional periods covered by either a school district or lessor option to extend for which it is reasonably certain to be exercised or terminate for which it is reasonably certain to not be exercised. Periods in which both the school district and the lessor have a unilateral option to terminate (or if both parties have agreed to extend) are excluded from the lease term.

The school district, acting as lessee, has entered into one (1) lease for equipment. Details of the lease obligations can be found in Note 6.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Amounts due within one year
A. Three mill notes payable	\$ 1,200,000		160,000	1,040,000	155,000
B. Shortfall notes payable	232,416		75,996	156,420	77,462
C. Lease obligations payable	-	34,095	1,139	32,956	6,369
D. Compensated absences payable	42,226	-	3,791	38,435	
Subtotals	\$ 1,474,642	34,095	240,926	1,267,811	238,831

A. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Promissory Note, Series 2019	2.85- 3.30%	7-Mar-19	7-Mar-29	\$ 1,500,000	\$ 1,040,000
Total				<u>\$ 1,500,000</u>	<u>\$ 1,040,000</u>

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

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Year Ending June 30		Principal	Interest	Total
2023	\$	155,000	32,793	187,793
2024		135,000	28,143	163,143
2025		140,000	24,025	164,025
2026		145,000	19,685	164,685
2027		150,000	15,118	165,118
2028-2029		315,000	15,597	330,597
Total	\$	1,040,000	135,361	1,175,361

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

The limited tax promissory note is secured by an irrevocable pledge of certain revenues the district receives from the State of Mississippi pursuant to the Mississippi Accountability and Adequate Education Program Act, Sections 37-151-1 through 37-151-7, Miss. Code Ann. (1972). The debt requirements and the total amount of revenues received pursuant to the Mississippi Accountability and Adequate Education Program Act were \$197,512 and \$35,969, respectively, for the year ended June 30, 2022.

B. Shortfall notes payable

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Shortfall Note	1.93%	14-Jul-20	14-Jul-23	\$ 232,416	\$ 156,420
Total				<u>\$ 232,416</u>	<u>\$ 156,420</u>

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

Year Ending June 30		Principal	Interest	Total
2023	\$	77,462	3,019	80,481
2024		78,958	1,523	80,481
Total	\$	156,420	4,542	160,962

This debt will be retired from the 2020 Shortfall note Fund (Debt Service Fund). The amount outstanding is included in due from other governments on the Statement of Net Position.

C. Lease obligations payable

The school district has entered into one (1) equipment lease as lessee for copiers.

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Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Toshiba Copiers	3.50%	1-May-22	30-Apr-27	\$ 34,095	\$ 32,956
Total				<u>\$ 34,095</u>	<u>\$ 32,956</u>

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

Toshiba copier lease dated May 1, 2022.

Year Ending June 30	Principal	Interest	Total
2023	\$ 6,369	\$ 1,052	\$ 7,421
2024	6,596	825	7,421
2025	6,831	591	7,422
2026	7,074	348	7,422
2027	6,086	98	6,184
Total	<u>\$ 32,956</u>	<u>\$ 2,914</u>	<u>\$ 35,870</u>

The debt will be retired from the District Maintenance Fund (General Fund).

D. Compensated absences payable

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

Note 7 – Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

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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.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2022 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2022, 2021 and 2020 were \$945,381, \$895,232, and \$855,259, respectively, which equaled the required contributions for each year.

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

At June 30, 2022, the school district reported a liability of \$11,430,008 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 District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2022 net pension liability was 0.077332 percent, which was based on a measurement date of June 30, 2021. This was an increase of 0.003515 percent from its proportionate share used to calculate the June 30, 2021 net pension liability, which was based on a measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$322,992. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 179,186	\$
Net difference between projected and actual earnings on pension plan investments		3,471,186
Changes of assumptions	878,663	
Changes in proportion and differences between District contributions and proportionate share of contributions	498,180	160,329
District contributions subsequent to the measurement date	945,381	
Total	\$ <u>2,501,410</u>	\$ <u>3,631,515</u>

\$945,381 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30:

2023	\$	(354,458)
2024		(300,352)
2025		(394,910)
2026		(1,025,766)

Actuarial assumptions. The total pension liability as of June 30, 2021 was determined by actuarial valuation prepared as of June 30, 2020, by the new actuarial assumptions adopted by the Board subsequent to the June 30, 2020 valuation based on the experience investigation for the four-year period ending June 30, 2020, and by the investment experience for the fiscal year ending June 30, 2021. The following actuarial assumptions are 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 for service retirees 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 female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used for the purposes of determining the total pension liability were based on the results of an actuarial experience study for the period July 1, 2016, to June 30, 2020. The experience report is dated April 20, 2021.

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.60	%
International Equity	22.00		4.50	
Global Equity	12.00		4.80	
Fixed Income	20.00		(0.25)	
Real Estate	10.00		3.75	
Private Equity	8.00		6.00	
Cash Equivalents	1.00		(1.00)	
Total	100	%		

Discount rate. The discount rate used to measure the total pension liability was 7.55 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be

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available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.55%) or 1-percentage-point higher (8.55%) than the current rate:

	1% Decrease (6.55%)	Current Discount Rate (7.55%)	1% Increase (8.55%)
District's proportionate share of the net pension liability	\$ 16,187,570	\$ 11,430,008	\$ 7,509,397

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

Note 8 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

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

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare

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participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the district were \$25,491 for the year ended June 30, 2022.

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

At June 30, 2022, the District reported a liability of \$804,844 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the district's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2021, the District's proportion was 0.12503755 percent. This was an increase of 0.00564955 percent from the proportionate share as of the measurement date of June 30, 2020.

For the year ended June 30, 2022, the District recognized OPEB expense of (\$43,125). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 875	\$ 251,664
Changes of assumptions	130,350	27,221
Net difference between projected and actual earnings on OPEB plan investments	38	
Changes in proportion and differences between District contributions and proportionate share of contributions	55,591	27,788
District contributions subsequent to the measurement date	25,491	
Total	\$ <u>212,345</u>	\$ <u>306,673</u>

\$25,491 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2023	\$ (34,008)
2024	(30,074)

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2025	(17,756)
2026	(25,748)
2027	(12,233)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following key actuarial assumptions and other inputs:

Inflation	2.40 percent
Salary increases	2.65-17.90 percent, including wage inflation
Municipal Bond Index Rate	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Year FNP is projected to be depleted	
Measurement Date	2021
Prior Measurement Date	2020
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	2.13%
Prior Measurement Date	2.19%
Health Care Cost Trends	
Medicare Supplement Claims	6.50% for 2022 decreasing to an ultimate rate of 4.50% by 2030
Pre-Medicare	

Mortality rates for service retirees 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 female rates up to age 72 and 100% for ages above 76. Mortality rates for disability retirees were based on the PubG.H-2010 Disabled Table adjusted 134% for males and 121% for females. Mortality rates for Contingent Annuitants were based on the PubS.H-2010(B) Contingent Annuitant Table, adjusted 97% for males and 110% for females. Mortality rates will be projected generationally using the MP-2020 projection scale to account for future improvements in life expectancy.

The demographic actuarial assumptions used in the June 30, 2021, valuation were based on the results of the last actuarial experience study, dated April 20, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021, valuation were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.13 percent. Since the Prior Measurement Date, the Discount Rate has changed from 2.19% to 2.13%.

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The trust was established on June 28, 2018, with an initial contribution of \$1,000,000. As of June 30, 2021, the trust has \$1,044,424. The fiduciary net position is projected to be depleted immediately; therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2021 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.13 percent) or 1-percentage-point higher (3.13 percent) than the current discount rate:

	1% Decrease (1.13%)	Current Discount Rate (2.13%)	1% Increase (3.13%)
Net OPEB liability	\$ 890,848	\$ 804,844	\$ 731,513

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

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 745,494	\$ 804,844	\$ 872,009

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

Note 9 – Prior Period Adjustments

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. Correction of a prior period error in recording an asset or liability	\$ 305
2. Restatement of prior period amounts of construction in progress	(10,924)
3. Restatement of prior period amounts of net pension liability	(10)
Total	\$ (10,629)

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Correction of a prior period error in recording an asset or liability	\$ 305
Total		\$ 305

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Note 10 – Contingencies

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

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

Note 11 – Risk Management

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

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). Trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 52 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

Note 12 – Alternative School Consortium

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2022

Note 13 – Vocational School Consortium

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

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

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

Note 14 – Effect of Deferred Amounts on Net Position

The unrestricted net position amount of (\$11,623,111) 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 \$945,381 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. The \$1,556,029 balance of deferred outflow of resources related to pensions, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$11,623,111) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$3,631,515 balance of deferred inflow of resources related to pensions, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

The unrestricted net position amount of (\$11,623,111) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$25,491 resulting from the school district contribution subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. The \$186,854 balance of deferred outflow of resources related to OPEB, at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position amount of (\$11,623,111) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$306,673 balance of deferred inflow of resources related to OPEB, at June 30, 2022 will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Philadelphia Public School District evaluated the activity of the district through May 5, 2023, and determined that no events have occurred requiring disclosure in the notes to the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Local sources	\$ 3,670,045	3,187,515	3,185,113	(482,530)	(2,402)
State sources	4,721,228	4,731,186	4,734,132	9,958	2,946
Federal sources	40,000	32,150	32,149	(7,850)	(1)
Sixteenth section sources	30,000	123,363	123,363	93,363	0
Total Revenues	8,461,273	8,074,214	8,074,757	(387,059)	543
Expenditures:					
Instruction	4,764,610	4,565,306	4,588,336	199,304	(23,030)
Support services	3,652,905	3,669,089	3,708,930	(16,184)	(39,841)
Facilities acquisition and construction	48,000	0	0	48,000	0
Debt service:					
Principal	0	0	1,139	0	(1,139)
Interest	0	0	98	0	(98)
Total Expenditures	8,465,515	8,234,395	8,298,503	231,120	(64,108)
Excess (Deficiency) of Revenues over (under) Expenditures	(4,242)	(160,181)	(223,746)	(155,939)	(63,565)
Other Financing Sources (Uses):					
Proceeds of Loans	250,241	0	0	(250,241)	0
Inception of leases	0	0	34,095	0	34,095
Sale of transportation equipment	0	4,100	4,100	4,100	0
Operating transfers in	1,494,138	1,183,286	1,261	(310,852)	(1,182,025)
Operating transfers out	(1,688,227)	(1,556,443)	(374,418)	131,784	1,182,025
Total Other Financing Sources (Uses)	56,152	(369,057)	(334,962)	(425,209)	34,095
Net Change in Fund Balances	51,910	(529,238)	(558,708)	(581,148)	(29,470)
Fund Balances:					
July 1, 2021, as previously reported	2,297,243	2,468,780	2,408,893	171,537	(59,887)
Prior period adjustments	0	(24,931)	305	(24,931)	25,236
July 1, 2021, as restated	2,297,243	2,443,849	2,409,198	146,606	(34,651)
June 30, 2022	\$ 2,349,153	1,914,611	1,850,490	(434,542)	(64,121)

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 827,866	558,341	639,395	(269,525)	81,054
Total Revenues	827,866	558,341	639,395	(269,525)	81,054
Expenditures:					
Instruction	506,305	455,449	420,682	50,856	34,767
Support services	289,952	223,529	211,382	66,423	12,147
Noninstructional services	14,996	10,703	6,391	4,293	4,312
Total Expenditures	811,253	689,681	638,455	121,572	51,226
Excess (Deficiency) of Revenues over (under) Expenditures	16,613	(131,340)	940	(147,953)	132,280
Other Financing Sources (Uses):					
Operating transfers out	(16,613)	(9,060)	(940)	7,553	8,120
Total Other Financing Sources (Uses)	(16,613)	(9,060)	(940)	7,553	8,120
Net Change in Fund Balances	0	(140,400)	0	(140,400)	140,400
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	(140,400)	0	(140,400)	140,400

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

ARP ESSER III Fund

For the Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances	
				Positive (Negative)	
	Original	Final	(GAAP Basis)	Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 0	201,201	473,013	201,201	271,812
Total Revenues	0	201,201	473,013	201,201	271,812
Expenditures:					
Instruction	0	210,413	210,468	(210,413)	(55)
Support services	0	296,195	262,545	(296,195)	33,650
Total Expenditures	0	506,608	473,013	(506,608)	33,595
Excess (Deficiency) of Revenues over (under) Expenditures	0	(305,407)	0	(305,407)	305,407
Net Change in Fund Balances	0	(305,407)	0	(305,407)	305,407
Fund Balances:					
July 1, 2021	0	0	0	0	0
June 30, 2022	\$ 0	(305,407)	0	(305,407)	305,407

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	%	0.077332	0.073817	0.075476	0.075931	0.083176	0.078869	0.088342	0.088129
District's proportionate share of the net pension liability	\$	11,430,008	14,290,113	13,277,718	12,629,581	13,826,674	14,087,973	13,655,929	10,697,247
District's covered payroll	\$	5,145,011	4,915,282	4,915,530	4,848,889	5,335,803	5,045,467	5,514,006	5,385,137
District's proportionate share of the net pension liability as a percentage of its covered payroll		222%	291%	270%	260%	259%	279%	248%	199%
Plan fiduciary net position as a percentage of the total pension liability		70%	59%	62%	63%	61%	57%	62%	67%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of District Contributions

PERS

Last 10 Fiscal Years

		2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$	945,381	895,232	855,259	774,196	763,700	840,389	794,661	868,456
Contributions in relation to the contractually required contribution		945,381	895,232	855,259	774,196	763,700	840,389	794,661	868,456
Contribution deficiency (excess)	\$	-	-	-	-	-	-	-	-
District's covered payroll	\$	5,433,224	5,145,011	4,915,282	4,915,530	4,848,889	5,335,803	5,045,467	5,514,006
Contributions as a percentage of covered payroll		17.40%	17.40%	17.40%	15.75%	15.75%	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net OPEB Liability

OPEB

Last 10 Fiscal Years*

		2022	2021	2020	2019	2018
District's proportion of the net OPEB liability	%	0.12503755	0.119388	0.122829	0.118983	0.119344
District's proportionate share of the net OPEB liability	\$	804,844	929,087	1,042,254	920,395	936,386
District's covered - employee payroll		5,145,011	4,915,282	4,915,530	4,848,889	5,335,803
District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll		15.64%	18.90%	21.20%	18.98%	17.55%
Plan fiduciary net position as a percentage of the total OPEB liability		0.16%	0.13%	0.12%	0.13%	0.00%

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Schedule of District Contributions

OPEB

Last 10 Fiscal Years

		2022	2021	2020	2019	2018
Actuarially determined contribution	\$	25,491	32,350	37,052	41,777	39,920
Contributions in relation to the actuarially determined contribution		25,491	32,350	37,052	41,777	39,920
Contribution deficiency (excess)	\$	-	-	-	-	-
District's covered - employee payroll		5,433,224	5,145,011	4,915,282	4,915,530	4,848,889
Contributions as a percentage of covered - employee payroll		0.47%	0.63%	0.75%	0.85%	0.82%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18 and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Prior year information is based on historical amounts reported in prior year audit reports.

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PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

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

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

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; and 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; and 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 female rates up to age 72, 100% for ages above 76; and 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; and projection scale MP-2020 will be used to project future improvements in life expectancy generationally.

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; and 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%.

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%.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 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

OPEB Schedules

(1) *Changes of assumptions*

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

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

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

2021: The discount rate was changed from 2.19% for the prior Measurement Date to 2.13% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended June 30, 2022

2021: The schedule of monthly retiree contributions was increased as of January 1, 2022. In addition, the in-network medical deductible was increased for the Select coverage beginning January 1, 2022.

- (3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2020 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2021:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	2.75%
Salary increases, including wage inflation	3.00% to 18.25%
Initial health care cost trend rates	
Medicare Supplement Claims	7.00%
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	4.75%
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2028
Pre-Medicare	
Long-term investment rate of return, net of OPEB plan investment expense, including price inflation	2.19%

SUPPLEMENTARY INFORMATION

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
National school lunch program - seamless summer option	10.555	225MS326N1099	\$ 596,057
National school lunch program - commodities	10.555	225MS326N1099	52,354
COVID-19 - Emergency operations cost	10.555	225MS326N1099	57,740
Total National school lunch program			706,151
Summer food service program for children	10.559	225MS326N1099	7,637
Total child nutrition cluster			713,788
Administrative expense reimbursement	10.560	225MS907N2533	3,022
Total passed-through Mississippi Department of Education			716,810
Total U.S. Department of Agriculture			716,810
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I grants to local educational agencies	84.010	S010A180024 S010A190024 S010A200024 S010A210024	872,090
Rural education	84.358	S358B210024	16,904
Supporting effective instruction state grants	84.367	S367A190023 S367A200023 S367A210023	141,880
School improvement grants	84.377	S377A160025	5,568
Student support and academic enrichment program	84.424	S424A200025 S424A210025	74,281
Subtotal			1,110,723
Special education cluster:			
Special education - grants to states	84.027	H027A180108 H027A190108 H027A200108 H027A210108	233,770
IDEA, Part B ARP grant	84.027X	H027X210108	21,998
Total Special education -grants to states			255,768
Special education - preschool grants	84.173	H173A180113 H173A190113 H173A200113 H173A210113	16,524
IDEA, Part B Preschool ARP grant	84.173X	H173X210113	1,976
Total Special education - preschool grants			18,500
Total special education cluster			274,268
COVID-19 - Elementary & Secondary School Emergency Relief Fund I	84.425D	S425D200031	11,655
COVID-19 - Elementary & Secondary School Emergency Relief Fund II	84.425D	S425D210031	89,915
COVID-19 - Elementary & Secondary School Emergency Relief Fund ARF	84.425U	S425U210031	473,013
Total COVID-19 - Education Stabilization Fund (ESSER)			574,583
Total passed-through Mississippi Department of Education			1,959,574

Social Security Administration

Passed-through the Mississippi Department of Rehabilitation Services:

Disability insurance/SSI cluster:

Social security disability insurance	96.001	4-22-04MSD100	336
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Total Social security disability insurance cluster			336
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Total passed-through Mississippi Department of Rehabilitation Services:			336
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Total Social Security Administration			336
---	--	--	------------

Total for All Federal Awards

\$	2,676,720
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The accompanying notes to the supplementary information are an integral part of this schedule.

PHILADELPHIA PUBLIC SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Philadelphia Public School District under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Philadelphia Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Philadelphia Public School District.

(2) Summary of Significant Accounting Policies

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

(3) Indirect Cost Rate

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

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2022

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 7,619,676	5,296,380	702,587	535,499	1,085,210
Other	3,981,845	1,871,942	280,102	13,601	1,816,200
Total	<u>\$ 11,601,521</u>	<u>7,168,322</u>	<u>982,689</u>	<u>549,100</u>	<u>2,901,410</u>
Total number of students *	<u>703</u>				
Cost per student	<u>\$ 16,503</u>	<u>10,197</u>	<u>1,398</u>	<u>781</u>	<u>4,127</u>

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

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

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

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

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

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

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OTHER INFORMATION

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 3,185,113	3,333,738	2,910,996	2,977,730
State sources	4,734,132	4,568,016	4,927,833	4,888,352
Federal sources	32,149	37,991	40,896	61,779
Sixteenth section sources	123,363	138,509	17,551	17,705
Total Revenues	8,074,757	8,078,254	7,897,276	7,945,566
Expenditures:				
Instruction	4,588,336	4,333,888	4,021,063	4,262,961
Support services	3,708,930	3,496,022	3,304,982	3,282,247
Noninstructional services		54	1,671	
Debt service:				
Principal	1,139			
Interest	98			
Total Expenditures	8,298,503	7,829,964	7,327,716	7,545,208
Excess (Deficiency) of Revenues over (under) Expenditures	(223,746)	248,290	569,560	400,358
Other Financing Sources (Uses):				
Bonds and notes issued		232,416		
Inception of leases	34,095			
Insurance recovery		1,000	105,673	13,989
Sale of transportation equipment	4,100			
Operating transfers in	1,261	49,231	53,698	65,110
Operating transfers out	(374,418)	(393,368)	(168,818)	(94,498)
Total Other Financing Sources (Uses)	(334,962)	(110,721)	(9,447)	(15,399)
Net Change in Fund Balances	(558,708)	137,569	560,113	384,959
Fund Balances:				
Beginning of period, as previously reported	2,408,893	2,271,324	1,711,211	1,326,252
Prior period adjustment	305			
Beginning of period, as restated	2,409,198	2,271,324	1,711,211	1,326,252
End of Period	\$ 1,850,490	2,408,893	2,271,324	1,711,211

*SOURCE - PRIOR YEAR AUDIT REPORTS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2022	2021*	2020*	2019*
Revenues:				
Local sources	\$ 3,470,632	3,656,527	3,321,592	3,239,686
State sources	4,787,140	4,705,685	4,998,669	5,037,547
Federal sources	2,785,400	2,675,271	1,756,280	2,083,003
Sixteenth section sources	123,363	138,509	17,551	17,705
Total Revenues	11,166,535	11,175,992	10,094,092	10,377,941
Expenditures:				
Instruction	5,890,017	6,176,989	4,925,187	5,200,254
Support services	4,717,087	4,692,669	4,239,576	4,498,181
Noninstructional services	653,046	657,692	597,187	603,437
Facilities acquisition and construction	62,139	216,929		
Debt service:				
Principal	237,135	155,000	145,000	102,000
Interest	42,097	42,008	46,140	2,183
Total Expenditures	11,601,521	11,941,287	9,953,090	10,406,055
Excess (Deficiency) of Revenues over (under) Expenditures	(434,986)	(765,295)	141,002	(28,114)
Other Financing Sources (Uses):				
Bonds and notes issued		232,416		1,500,000
Insurance recovery		1,000	105,673	13,989
Inception of leases	34,095			
Sale of transportation equipment	4,100			
Operating transfers in	375,679	702,792	263,252	159,608
Operating transfers out	(375,679)	(702,792)	(263,252)	(159,608)
Total Other Financing Sources (Uses)	38,195	233,416	105,673	1,513,989
Net Change in Fund Balances	(396,791)	(531,879)	246,675	1,485,875
Fund Balances:				
Beginning of period, as previously reported	3,017,358	3,553,513	3,302,364	1,813,487
Prior period adjustments	305	(1,022)		
Beginning of period, as restated	3,017,663	3,552,491	3,302,364	1,813,487
Increase (Decrease) in reserve for inventory	3,650	(3,254)	4,474	3,002
End of Period	\$ 2,624,522	3,017,358	3,553,513	3,302,364

*SOURCE - PRIOR YEAR AUDIT REPORTS

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REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Superintendent and School Board
Philadelphia Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Philadelphia Public School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Philadelphia Public School District's basic financial statements and have issued our report thereon dated May 5, 2023.

Report on Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Finding 2022-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Philadelphia Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain

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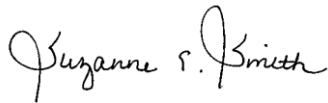
provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such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

Philadelphia Public School District's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Philadelphia Public School District's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Philadelphia Public School District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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



Suzanne E. Smith, CPA, PLLC
Starkville, MS 39760

May 5, 2023

SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and the School Board
Philadelphia Public School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Philadelphia Public School District's compliance with the type of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Philadelphia Public School District's major federal programs for the year ended June 30, 2022. Philadelphia Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Philadelphia Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Philadelphia Public School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Philadelphia Public School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Philadelphia Public School District's federal programs.

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Auditor's Responsibilities for Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on Philadelphia Public School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Philadelphia Public School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Philadelphia Public School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Philadelphia Public School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Philadelphia Public School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Finding 2022-003, Finding 2022-004, Finding 2022-005, and Finding 2022-006. Our opinion on each major federal award program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Philadelphia Public School District's responses to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Philadelphia Public School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

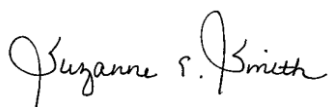
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2022-003, Finding 2022-004, Finding 2022-005, and Finding 2022-006 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Philadelphia Public School District's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Philadelphia Public School District's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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



Suzanne E. Smith, CPA, PLLC
Starkville, MS 39760

May 5, 2023

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

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SUZANNE E. SMITH, CPA, PLLC

AUDITING AND ACCOUNTING SERVICES

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

Superintendent and School Board
Philadelphia Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Philadelphia Public School District as of and for the year ended June 30, 2022, which collectively comprise Philadelphia Public School District's basic financial statements and have issued our report thereon dated May 5, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

Finding SL2022-A. Record Retention for Education Enhancement Procurement Cards. Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), provides for the issuance of classroom supply funds to teachers. The local school board shall require each school to issue credentials for a digital solution selected by or procurement cards provided by the Department of Finance and Administration under the provisions of Section 31-7-9(1)(c) for the use of teachers and necessary support personnel in making instructional supply fund expenditures under this section, consistent with the regulations of the Mississippi Department of Finance and Administration pursuant to Section 31-7-9. Such credentials or procurement cards shall be provided by the State Department of Education to local school districts on a date determined by the State Department of Education, but not later than August 1 of each year. Local school districts shall issue such credentials or procurement cards to classroom teachers at the beginning of the school year, but no later than August 1 of each year. The school district was unable to produce a listing or roster of eligible teachers to whom cards were issued by card account number. The school district was unable to produce Teacher Cardholder Agreements signed by each eligible teacher. The district maintains evidence to support that cards were issued, but the records were misplaced or not maintained to support the issuance of such cards. As a result, we were unable to determine who the cards were issued to and whether or not teachers receiving cards signed the cardholder agreements.

Recommendation: We recommend that the school district safeguard records to support the proper issuance of classroom supply cards to eligible teachers, including maintaining a listing or roster of eligible teachers to whom cards were issued and signed Teacher Cardholder Agreements.

District Response: The new administration placed in effect a plan for record retention for Education Enhancement Procurement cards as of August 1, 2022.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district." The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

Repeat Finding SL2022-B. Late Deposits in Student Activity Funds. Section 37-7-301(s), Miss. Code Ann. (1972), provides that the State Department of Education shall prescribe a uniform system of accounting and financial reporting for all student activity fund transactions. Section F of the Accounting Manual School Districts, published by the State Department of Education, prescribes the system of accounting for such transactions. Good internal controls require the timely deposit of cash receipts to safeguard against loss from unauthorized use or theft. During our testing of student activity fund receipts, we noted student receipts for Middle School and High School student fees and fundraisers were not always deposited in a timely manner. Receipts were held by teachers for as long as three (3) months before being deposited. While the district has policies and procedures outlining the prompt deposit of student activity funds, the controls were circumvented at the teacher level. Late deposits constitute a weakness in controls surrounding the safeguarding of cash and other deposits. This weakness in controls means that cash and other deposits are not safeguarded against loss from unauthorized use or theft.

Recommendation: We recommend that the school district review current policies and procedures and begin the process of strengthening controls in the area of student activity fund receipts.

District Response: The new administration (Business Manager) has established a requirement that all funds collected must be receipted, recorded, and deposited daily for student activity funds.

Repeat Finding SL2022-C. Financial Statements to the School Board. Section 37-9-18, Code Section Ann. (1972), provides that the State Board of Education shall promulgate rules and regulations concerning the type of financial reports required to be submitted by the superintendent of schools to the local school board, and the frequency with which the reports shall be submitted. The State Board of Education promulgated the rules and regulations surrounding financial reports and includes such a requirement in its State Board of Education Board Policy Chapter 71, Rule 71.3. Reports are required to be submitted monthly for the preceding month, and a certification is required to show that all bank statements are reconciled to the general ledger for all accounts. During our testing, we noted that the June 2022 report was not presented to the board until October 2022. We further noted eleven (11) funds with 2021-2022 beginning account balances differing from the previous year's ending account balances. The differences were seen in the general ledger balance sheet accounts of cash, interfund balances, receivables from other governments, claims payable, and individual fund balances. Total combined governmental fund beginning fund balances were \$242,667.02 higher in the 2021-2022 beginning general ledger than in the ending general ledger for the previous year. The district failed to update final ending balances from the prior year at the beginning of the 2021-2022 year. This means that the financial reports submitted to the school board contained errors during the 2021-2022 year in general ledger balances and in certain revenue and expenditure accounts. This also means that the financial information submitted to the Mississippi Department of Education at the end of the 2021-2022 year reflected the misstatement of the general ledger accounts and related revenues and expenditures. As a result of the misstatement of beginning fund balances, audit fieldwork was stopped until the district could correct the beginning general ledger balances and updated financial reports could be regenerated.

Recommendation: We recommend that financial reports be presented to the school board on a timely basis and that beginning general ledger balances for all funds be updated each year from the prior year after all closing entries for the prior year are appropriately posted.

District Response: The new administration (Business Manager) will present financial reports to the school board in a timely manner. General ledger balances will be updated each year after all closing entries for the prior year are posted.

Repeat Finding SL2022-D. Surety Bonds. Section 37-9-31, Miss. Code Ann. (1972), states that all school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be not less than \$50,000, with sufficient surety. Section 37-39-21, Miss. Code Ann. (1972), states that the purchasing agent of any school board, before entering into his official duties in such capacity, shall furnish a good and sufficient surety bond in the penal sum of \$50,000, with sufficient surety. Section 25-1-15(4), Miss. Code Ann.

(1972), provides that bonds required by law for public employees shall be secured at the beginning of each new term or office, if applicable, or at least every four (4) years. We noted that one principal's bond and the business manager's bond were indefinite bonds and not for a fixed term. While the business manager was named a purchasing agent in school board policy, the business manager was not bonded as a purchasing agent.

Recommendation: We recommend that all board approved purchasing agents be bonded as purchasing agent. We further recommend that all required bonds be for a fixed term not to exceed four (4) years.

District Response: All purchasing agents have been board approved and bonded, and all bonds have been corrected not to exceed 4 years. Corrective action was completed May 5, 2023.

Finding SL2022-E. Fixed Assets. Code Section 37-17-6(18) requires that the State Board of Education, acting through the Commission on School Accreditation, shall require each school district to comply with standards established by the State Department of Audit for the verification of fixed assets and the auditing of fixed assets records as a minimum requirement for accreditation. The State Department of Audit has issued an asset management manual to be used as a standard for verification of fixed assets. The school board has policies and procedures outlining the control and verification of fixed assets within the school district. As part of the asset management manual and local board policy, the district is charged with tracking assets and performing physical verification of those assets at least annually. During audit fieldwork, we noted that not all assets meeting the threshold to be included in inventory and tracked had been added to the district's subsidiary inventory records at or before June 30, 2022. School District personnel were asked to add those assets to the system after the start of audit fieldwork. The total of the assets that had not been added to the subsidiary asset records was \$101,726.92. None of these assets met the threshold for depreciation. A physical inventory performed at the end of the 2021-2022 year would not have included all assets purchased during the 2021-2022 year because of the assets that had not been added to the inventory records at the time of purchase and tagging. Our testing of the physical existence of selected fixed asset items revealed three (3) instances where assets appropriately included in the inventory records were not found at the time of testing. The three (3) assets not located were two (2) chromebooks and one (1) ipad with an original combined purchase price of \$1,249.43.

Recommendation: We recommend that the school district add all assets meeting the threshold and guidelines for inclusion in asset inventory records to the subsidiary records. This will ensure that such assets are included in the annual inventory count and verification.

District Response: The new administration (Business Manager) has established a requirement that all assets be tagged and promptly entered into the inventory records upon arrival in the district.

Finding SL2022-F. Amended Budgets. Code Section 37-61-19 states that it shall be the duty of the superintendents of schools and the school boards of all school districts to limit the expenditure of school funds during the fiscal year to the resources available. It shall be unlawful for any school district to budget expenditures from a fund in excess of the resources available within that fund. Our review of the final amended budget for the 2021-2022 year approved by the school board on October 7, 2022, revealed eleven (11) funds with budgeted revenues and budgeted expenditures that resulted in budgeted negative ending fund balances. While the actual fund balances for the eleven (11) funds were not negative at June 30, 2022, the final amended budgets approved by the school board showed negative fund balances. This happened when budgeted revenues were not adjusted in federal award program funds to match budgeted expenditures. While this is considered an oversight, the oversight resulted in a legally adopted final budget that showed negative fund balances in certain funds.

Recommendation: We recommend that the school district carefully review all budgets submitted to the school board for approval and review all budgeted ending fund balances, checking for negative balances, before presentation to the school board for approval.

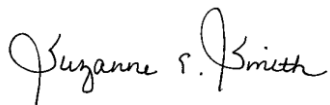
District Response: The district administration will review all ending fund balances for all funds in the original and amended budgets before submitting the budgets to the school board for approval.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

The Philadelphia Public School District's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the school board and management, entities with accreditation

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

A handwritten signature in cursive script that reads "Suzanne E. Smith".

Suzanne E. Smith, CPA, PLLC
Starkville, Mississippi

May 5, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

7. Identification of major programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund I
84.425D	COVID 19 – Elementary & Secondary School Emergency Relief Fund II
84.425U	COVID 19 – Elementary & Secondary School Emergency Relief Fund ARP III

- | | | |
|-----|---|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? (Yes/No) | Yes |
| 10. | Prior fiscal year audit findings(s) and questioned costs which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | Yes |

Section II: Financial Statement Findings

Significant Deficiency considered to be a Material Weakness

Finding 2022-001 – Controls Surrounding Beginning General Ledger Account Balances

CRITERIA: Financial statement account balances carried forward to the current year general ledger should match ending fund balances from the previous fiscal year.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

CONDITION: During our testing of beginning general ledger account balances, we noted eleven (11) funds with 2021-2022 beginning account balances that differed from the previous year's ending account balances. The differences were seen in the general ledger balance sheet accounts of cash, interfund balances, receivables from other governments, claims payable, and individual fund balances. Total combined governmental fund beginning fund balances were \$242,667.02 higher in the 2021-2022 beginning general ledger than in the ending general ledger for the previous year.

CAUSE: Beginning general ledger balances were not electronically updated in the 2021-2022 general ledger after the final year-end close from the previous year. This is likely due to an oversight.

EFFECT: The district's financial reports for the 2021-2022 year were not correct because of the misstatements of these beginning balances. Both revenue and expenditure accounts were affected because final receivables and payables from the previous year were not brought forward into the new year and properly reversed against current year revenues and expenditures. Audit fieldwork was stopped until the district could correct the beginning general ledger account balances, and year-end reports were regenerated before audit fieldwork could continue.

RECOMMENDATION: We recommend that the district update current year general ledger account balances after prior year-end close adjustments are made each year.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Significant Deficiency not considered to be a Material Weakness

Finding 2022-002 – Late Deposits in Student Activity Funds

CRITERIA: Code Section 37-7-301(s), Miss. Code Ann. (1972), provides that the State Department of Education shall prescribe a uniform system of accounting and financial reporting for all student activity fund transactions. Section F of the Accounting Manual School Districts, published by the State Department of Education, prescribes the system of accounting for such transactions. Good internal controls require the timely deposit of cash receipts in order to safeguard against loss from unauthorized use or theft.

CONDITION: During our testing of student activity fund receipts, we noted student receipts for Middle School and High School student fees and fundraisers were not always deposited in a timely manner. Receipts were held by teachers for as long as three (3) months before being deposited.

CAUSE: While the district has policies and procedures outlining the prompt deposit of student activity funds, the controls were circumvented at the teacher level.

EFFECT: Late deposits constitute a weakness in controls surrounding the safeguarding of cash and other deposits. This weakness in controls means that cash and other deposits are not safeguarded against loss from unauthorized use or theft.

RECOMMENDATION: We recommend that the district review current policies and procedures and begin the process of strengthening controls in the area of student activity fund receipts.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Section III: Federal Award Findings and Questioned Costs

Significant Deficiencies in internal controls and nonmaterial noncompliance

Finding 2022-003 – Procurement. (ALN 84.010 Title I grants to local educational agencies; ALN 84.425D ESSER I, ALN 84.425D ESSER II, ALN 84.425U ARP ESSER; ALN 84.367 Supporting effective instruction – state grants; and ALN 84.424 Student support and academic enrichment programs)

CRITERIA: 2 CFR 200.318 (i) states that a non-federal entity must maintain records sufficient to detail the history of procurement.

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

2 CFR 200.320(b) states that when the value of the procurement for property or services under a Federal financial assistance award exceeds the simplified acquisition threshold (\$250,000 for the 2021-2022 year), formal procurement methods are required and may include sealed bids and/or proposals. Formal procurement methods require documenting procedures. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Proposals must be solicited from an adequate number of qualified offerors. The non-federal entity must have a written method for conducting technical evaluations of the proposals received and making selections.

Formal procurement methods also require public advertising unless a non-competitive procurement can be used in accordance with 2 CFR 200.319 or paragraph © of 2 CFR 200.320.

2 CFR 200.321 states that the non-federal entity must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible.

2 CFR 200.214 states that non-Federal entities are subject to the non-procurement debarment and suspension regulations outlined in 2 CFR part 180. The regulations in 2 CFR part 180 restrict awards, subawards, and contracts with certain parties that are debarred, suspended, or otherwise excluded from or ineligible for participation in Federal assistance programs or activities.

CONDITION: During our testing of nonpayroll expenditures, we noted 24 purchase orders issued under a formal request for proposal (RFP) process used to secure instructional consulting services for a three year period to include the 2021-2022 school year. There was no evidence to show that public advertising was used to solicit vendors. Instead, vendors were solicited through email communications. There was no evidence that the district took all necessary steps to assure that minority businesses and women's business enterprises were used when possible. There was no evidence to support detailed vendor selection or rejection methods. The evaluation process was informal and not documented. There was no evidence to support that vendor suspension or debarment statuses were checked at the time of the informal evaluation of the RFP or at the time purchase orders were issued. Daily consulting rates submitted by the various vendors responding to the RFP were identical rates or nearly identical rates.

We noted instructional consulting expenditures awarded under the RFP during the 2021-2022 year in excess of the simplified acquisition threshold as follows:

ALN 84.010 Title I grants to local educational agencies - \$396,876.76

ALN 84.425 Elementary and secondary school emergency relief fund (ESSER) - \$266,686.62

We noted instructional consulting expenditures awarded under the RFP during the 2021-2022 year that were under the simplified acquisition threshold as follows:

ALN 84.367 Supporting effective instruction – state grants - \$102,171.59

ALN 84.424 Student support and academic enrichment program - \$7,654.72

CAUSE: Likely there was confusion about the RFP process and the requirements inherent in that process.

EFFECT: While competition was introduced into the proposal process for procurement of instructional consulting services for the 2021-2022 school year, the process used by the district was highly informal and did not include all of the requirements of 2 CFR 200 with respect to federal procurement standards.

QUESTIONED COSTS: None.

RECOMMENDATION: We recommend that the district follow all of the requirements of 2 CFR 200 with respect to federal procurement requirements.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Finding 2022-004 – Procurement. (ALN 84.425D ESSER I, ALN 84.425D ESSER II, ALN 84.425U ARP ESSER III, ALN 84.010 Title I grants to local educational agencies and ALN 84.367 Supporting effective instruction state grants)

CRITERIA: Appendix II to 2 CFR 200 – *Contract Provisions for Non-Federal Entity Contracts Under Federal Awards*

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

requires that all contracts in excess of \$10,000 must address termination for cause and for convenience by the non-Federal entity, including the manner by which it will be affected and the basis for settlement.

CONDITION: Our testing of nonpayroll expenditures showed purchase orders issued for contractual services for educational consulting services. Written contracts containing language that addresses termination for cause and for convenience by the school district, including the manner by which it will be affected and the basis for settlement, were not entered into. The district considered the purchase orders to be contracts for the services; however, there was no wording on the purchase orders that addressed termination for cause or convenience.

CAUSE: The school district did not realize that written contract elements were required for contracts in excess of \$10,000 and further did not realize that specific termination language should be included in the written contracts.

EFFECT: The district did not comply with the provisions outlined in Appendix II to 2 CFR 200.

QUESTIONED COSTS: None

RECOMMENDATION: The district should familiarize itself with the requirements of *Appendix II to Part 200 – Contract Provisions for Non-Federal Entity Contracts Under Federal Awards*.

VIEWES OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Finding 2022-005. Allowed and Unallowed Costs. (ALN 84.425U ARP ESSER III)

CRITERIA: 2 CFR 200.302 requires that a non-federal entity's financial management systems must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions. This section further requires the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award, including a comparison of expenditures with budget amounts for each federal award.

2 CFR 200.303 requires that a non-federal entity must establish and maintain effective internal control over a federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

CONDITION: In our testing of the comparison of actual expenditures to budgeted amounts approved by the Mississippi Department of Education, we noted expenditures for the salaries and benefits for nurses exceeded approved budgeted amounts by \$14,417.42.

CAUSE: The school district failed to address unfavorable budgetary variances when actual expenditures exceeded approved budgeted amounts.

EFFECT: The effect is both a breakdown in budgetary controls and unallowable program costs. Since these excess costs are less than \$25,000.00, no costs will be questioned.

QUESTIONED COSTS: None

RECOMMENDATION: The district should limit expenditures to approved budgeted amounts for this grant.

VIEWES OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

Finding 2022-006. Equipment Management. (ALN 84.010 Title I grants to local educational agencies; ALN 84.424 Student support and academic enrichment grants, and ALN 84.425U ARP ESSER III)

CRITERIA: 2 CFR 200.313(d)(1) requires for federal grants that property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, the

PHILADELPHIA PUBLIC SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

acquisition date, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Since the State of Mississippi has more stringent criteria for tracking equipment inventory, the district must follow the following guidelines for equipment purchased with federal funds.

Code Section 37-17-6(18) requires that the State Board of Education, acting through the Commission on School Accreditation, shall require each school district to comply with standards established by the State Department of Audit for the verification of fixed assets and the auditing of fixed assets records as a minimum requirement for accreditation. The State Department of Audit has issued an asset management manual to be used as a standard for verification of fixed assets. The school board has policies and procedures outlining the control and verification of fixed assets within the school district. As part of the asset management manual and local board policy, the district is charged with tracking assets meeting certain thresholds and performing physical verification of those assets at least annually.

CONDITION: During our testing, we noted various pieces of equipment purchased with grant dollars totaling \$92,555.68 that had not been added to the district's subsidiary equipment records at the time of audit fieldwork. None of the purchased equipment met the threshold for depreciation; however, all the equipment met the threshold and criteria for tagging and inclusion in the subsidiary equipment records. These purchases were spread over three different federal grants as follows:

ALN 84.010 Title I grants to local education agencies - \$14,491.39
ALN 84.424 Student support and academic enrichments grants - \$40,872.29
ALN 84.425U ARP ESSER III - \$37,192.00

The school district stated that even though the equipment had not been added to the subsidiary records at the time of audit fieldwork, all equipment had been properly tagged. A physical inventory performed at the end of the 2021-2022 year would not have included all assets purchased during the 2021-2022 year because of the assets that had not been added to the inventory records at the time of purchase and tagging, therefore a year end inventory would have been incomplete.

Our testing of the physical existence of selected fixed asset items revealed three (3) instances where assets appropriately included in the inventory records were not found at the time of testing. The three (3) assets not located were two (2) chromebooks and one (1) ipad with an original combined purchase price of \$1,249.43. The assets were purchased from the following federal grant:

ALN 84.425U ARP ESSER III - \$1,249.43

CAUSE: The school district personnel failed to follow established policies for the recording of purchased equipment meeting the criteria for inclusion in equipment subsidiary records to the subsidiary records.

EFFECT: The effect is a breakdown in controls surrounding the safeguarding of equipment purchased with federal dollars. Equipment purchased for use in the federal program could be used for purposes not related to the program or converted to personal use.

QUESTIONED COSTS: None

RECOMMENDATION: The district should follow established policies and procedures outlining the safeguarding of equipment purchased with federal grant dollars.

VIEWS OF RESPONSIBLE OFFICIALS: See the school district's response in the auditee's corrective action plan in this report.

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AUDITEE'S CORRECTIVE ACTION PLAN

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Dr. Shannon Whitehead, Superintendent of Education
Lakesha Brown-Meeks, Director of Business and Finance

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

Auditee's Corrective Action Plan For the Year Ended June 30, 2022

Finding 2022-001 – Controls Surrounding Beginning General Ledger Account Balances

District Response:

- A. What corrective action will be taken: The District will update current year general ledger account balances after prior year-end close adjustment are made each year.
- B. Who is responsible (name and position): Lakesha B. Meeks, Business Manager
- C. When will the plan be implemented? Action corrections were completed on March 29, 2023, and will continue.

Finding 2022-002 – Late Deposits in Student Activity Funds

District Response:

- A. What corrective action will be taken: As of August 1, 2022, new administration implemented the process of strengthening controls and making sure that all deposits are made daily in the area of student activity fund receipts.
- B. Who is responsible (name and position): Lakesha B. Meeks, Business Manager
- C. When will the plan be implemented? Corrective action implemented August 1, 2022.

Finding 2022-003 – Procurement. (ALN 84.010 Title I grants to local educational agencies, ALN 84.425D ESSER I, ALN 84.424D ESSER II, ALN 84.425U ARP ESSER III, ALN 84.367 Supporting effective instruction – state grants, and ALN 84.424 Student support and academic enrichment programs)

District Response:

- A. What corrective action will be taken: District will follow all the requirements of 2 CFR 200 with respect to federal procurement requirements.
- B. Who is responsible (name and position): Dr. Stephen Gregory, Federal Program Director
- C. When will the plan be implemented? Corrective action started May 5, 2023, and will continue.

Finding 2022-004 – Procurement (ALN 84.425D ESSER I, ALN 84.425D ESSER II, ALN 84.425U ARP ESSER III, ALN 84.010 Title I grants to local educational agencies and ALN 84.267 Supporting effective instruction state grants)

District Response:

- A. What corrective action will be taken: The district will familiarize itself with the requirements of Appendix II to Part 200 and obtain written contracts on all personal service contracts in excess of \$10,000.
- B. Who is responsible (name and position): Dr. Stephen Gregory, Federal Program Director
- C. When will the plan be implemented? Corrective action started May 5, 2023, and will continue.

Finding 2022-005. Allowed and Unallowed Costs (ALN 84.425U ARP ESSER III)

District Response:

- A. What corrective action will be taken: District will limit expenditures to approved budget amounts.
- B. Who is responsible (name and position): Dr. Stephen Gregory, Federal Program Director
- C. When will the plan be implemented? Corrective action started May 5, 2023, and will continue.



Finding 2022-06. Equipment Management. (ALN 84.010 Title I grants to local educational agencies, ALN 84.424 Student support and academic enrichments grants, and ALN 84.425U ARP ESSER III)

District Response:

- A. What corrective action will be taken: District will review and follow policies and procedures outlining safeguarding equipment purchased with federal grant dollars.
- B. Who is responsible (name and position): Nathan Wells, Technology and Fixed Assets Clerk
- C. When will the plan be implemented? Corrective action started May 5, 2023, and will continue.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

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PHILADELPHIA PUBLIC SCHOOL DISTRICT

Dr. Shannon Whitehead, Superintendent of Education
Lakesha Brown-Meeks, Director of Business and Finance

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

As required by 2 CFR 200.511(c), the Philadelphia Public School District has prepared and hereby submits the following Summary Schedule of Prior Year Audit Findings as of June 30, 2022.

<u>Finding</u>	<u>Status</u>
2020-001	Corrected
2021-001	Corrected
2021-002	Corrected
2021-003	Corrected
2021-004	Corrected

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