

CITY OF PHILADELPHIA, TENNESSEE

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2010

TABLE OF CONTENTS

	<u>Page</u>
SECTION ONE – INTRODUCTION:	
List of Principal Officials.....	1
SECTION TWO – FINANCIAL SECTION:	
Independent Auditors’ Report	2
Management’s Discussion and Analysis (required supplementary information)	3 – 8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of the Balance Sheet to the Statement of Net Assets	12
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	15 –16
Notes to Financial Statements	17 – 22
Supplemental Information:	
Capital Assets Used in the Operation of Governmental Funds	23
Miscellaneous Schedules	
Schedule of Insurance in Force	24
Schedule of Capital Outlay Notes and Notes Payable – Principal and Interest Requirements	25
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	26 – 27
Schedule of Findings and Questioned Costs	28 -29

CITY OF PHILADELPHIA, TENNESSEE

SECTION ONE

INTRODUCTORY SECTION

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
For the Year Ended June 30, 2010

Mayor

Paul D. Stallings

Aldermen

Michael (Shane) McGinnis

James (Dickie) Harold

John Drinnon

Pat Waddell

Other Officials

City Recorder

Anita Stallings

Justin Manis – Fire Chief

CITY OF PHILADELPHIA, TENNESSEE

SECTION TWO

FINANCIAL SECTION

June 30, 2010



Joe S. Ingram, CPA
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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Alcoa, Tennessee 37701

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August 11, 2011

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of
the Board of Aldermen
City of Philadelphia
Philadelphia, Tennessee

We have audited the accompanying financial statements of the governmental activities, and major fund of the City of Philadelphia, Tennessee (the City), as of and for the years ended June 30, 2010 and 2009, which collectively comprise the City's basic financial statements as listed in the financial section of the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements referred to above are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the City of Philadelphia, Tennessee, as of June 30, 2010 and 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year ended June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, immediately following this letter, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplemental information, and miscellaneous schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, supplemental information, and miscellaneous schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 11, 2011, on our consideration of the City of Philadelphia, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Ingram, Overholt & Bean, P. C.

City of Philadelphia
P. O. Box 10
Philadelphia, Tennessee 37846

Paul D. Stallings
Mayor

Mrs. Anita Stallings
Recorder

Board of Alderman
Michael (Shane) McGinnis
James (Dickie) Harold
John Drinnon
Pat Waddell

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Philadelphia's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- ◆ The City's net assets decreased by 6.2% as a result of the year's operations. During the current year, the City had expenses of \$106,835 compared to revenue of \$94,152.
- ◆ The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$193,931 (net assets). Of this amount, \$26,025 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ At June 30, 2010, the City's governmental fund reported ending fund balance of \$26,025. Approximately 100% of this total amount is unreserved fund balance available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net assets changed during the current fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation leave.

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include police, highways and streets, recreation, and general government.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the City's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains individual governmental funds organized according to their type (general fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The City adopted an annual appropriated budget for the general fund.

Notes to the Financial Statements

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

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

The City's net assets decreased by 6.2% from a year ago. Our analysis below focuses on the net assets and changes in net assets of the City's governmental activities:

	<u>Net Assets</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
	<u>Assets</u>	
	<u>Governmental Activities</u>	
Current and other assets	\$ 29,228	\$ 38,760
Capital assets, net	190,650	203,807
Total Assets	<u>219,878</u>	<u>242,567</u>
	<u>Liabilities</u>	
Current liabilities	18,515	9,006
Long-term liabilities	<u>7,432</u>	<u>26,947</u>
Total Liabilities	<u>25,947</u>	<u>35,953</u>
	<u>Net Assets</u>	
Invested in capital assets, Net of related debt	164,703	167,854
Unrestricted	26,025	38,760
Restricted for State Street Aid	3,203	-
Total Net Assets	<u>\$ 193,931</u>	<u>\$ 206,614</u>

The City's net assets decreased by \$(12,683) during the current fiscal year. This decrease is explained in the governmental activities discussion below.

	<u>Changes in Net Assets</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
	<u>Revenues</u>	
	<u>Governmental Activities</u>	
Program Revenues:		
Loudon County Fire Donation	\$ 26,439	\$ 24,451
Operating grants and contributions - State Street Aid	14,964	12,716
General Revenues:		
Sales taxes	45,946	42,450
In lieu of taxes – TVA	5,863	5,111
Miscellaneous taxes	934	1,871
Unrestricted investment earnings	<u>6</u>	<u>44</u>
Total Revenues	<u>94,152</u>	<u>86,643</u>

(Continued)

Changes in Net Assets (Continued)
June 30, 2010 **June 30, 2009**

<u>Expenditures</u>	<u>Governmental Activities</u>	
General government	53,127	47,067
State Street Aid	11,761	15,754
Fire	24,341	8,134
Non-departmental depreciation	15,165	14,327
Interest on long-term debt	2,441	1,498
Total expenses	<u>106,835</u>	<u>86,780</u>
Change in net assets	(12,683)	(137)
Net assets at beginning of year	<u>206,614</u>	<u>206,751</u>
Net assets at end of year	<u>\$ 193,931</u>	<u>\$ 206,614</u>

FUND STATEMENTS FINANCIAL ANALYSIS

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

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$26,025. Total unreserved, undesignated fund balance represents 28.5% total general fund expenditures of \$91,236.

Economic Factors and Next Year’s Budget

The City’s elected officials considered many factors when setting the fiscal-year 2009-2010 budget. Some of the factors are the economy, unemployment, and inflation. Inflation has been higher here due in part to the residential housing market and energy price increases. Those indicators were taken into account when adopting the General Fund Budget for 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental activities as of June 30, 2010 amount to \$190,650 (net of accumulated depreciation). Capital assets include land, buildings, improvements, and machinery and equipment. The table below reflects the capital assets at the end of the fiscal years:

	<u>Capital Assets, Net of Depreciation</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>
<u>Governmental Activities</u>		
General Government:		
Machinery and Equipment	\$ 17,779	\$ 15,919
Buildings and Improvements	133,476	133,476
Land	37,100	37,100
Total General Government	188,355	186,495
Streets:		
Guardrails	6,775	6,775
Street signs	9,797	9,797
Total Streets	16,572	16,572
Fire:		
Building	19,591	19,591
Equipment	177,517	177,369
Total Fire	197,108	196,960
Total Capital Assets	402,035	400,027
Less: Accumulated depreciation	(211,385)	(196,220)
Net Capital Assets	\$ 190,650	\$ 203,807

Major capital asset events during a prior fiscal year included the purchase of fire equipment. During a prior year, management inventoried and catalogued capital assets by function, using invoices (when available) or estimated acquisition cost.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements for further information regarding capital assets.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations outstanding of \$25,947.

Outstanding Long-term Obligations June 30, 2010

	<u>Governmental</u> <u>Activities</u>
Notes payable	\$ 25,947

Additional information on the City's long-term debt can be found in the Notes to the Financial Statements.

OTHER MATTERS

The fiscal 2011 budget will provide the excellent services that the citizens of Philadelphia have grown accustomed to receiving. This level of service is directly attributable to the City's well-trained and dedicated workforce coupled with the support of a progressive City Mayor and Aldermen.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, city commissioners, customers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional information, contact:

City of Philadelphia, Tennessee
P. O. Box 10
Philadelphia, TN 37846

CITY OF PHILADELPHIA, TENNESSEE

Government-wide Financial Statements

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2010 and 2009

<u>ASSETS</u>	<u>Governmental Activities</u>	
	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash in bank.....	\$ 29,228	\$ 32,659
Due from Loudon County	-	875
Due from State of Tennessee	-	5,226
Total Current Assets.....	29,228	38,760
Capital Assets:		
Depreciable, net of accumulated depreciation	153,550	166,707
Non-depreciable	37,100	37,100
Total Capital Assets.....	190,650	203,807
 Total Assets	 \$ 219,878	 \$ 242,567
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ -	\$ -
General long term debt payable.....	18,515	9,006
Total Current Liabilities	18,515	9,006
Long-term Liabilities:		
General long term debt payable.....	7,432	26,947
Net Assets:		
Restricted for State Street Aid.....	3,203	-
Invested in capital assets, net of related debt	164,703	167,854
Unrestricted	26,025	38,760
Total Net Assets	193,931	206,614
 Total Liabilities and Net Assets	 \$ 219,878	 \$ 242,567

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010
With Comparative Totals for the Fiscal Year Ended June 30, 2009

<u>Expenses</u>	<u>Revenues</u>			<u>Net (Expense) Revenue and Changes Net Assets Governmental Activities</u>	
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>2010</u>	<u>2009</u>
Function/Programs					
Governmental Activities:					
General Government	\$ 53,127	\$ -	\$ -	\$ (53,127)	\$ (47,067)
Public Works – State Street	11,761	-	14,964	3,203	(3,038)
Fire	24,341	-	-	(24,341)	(8,134)
Non-departmental depreciation	15,165	-	-	(15,165)	(14,327)
Interest on Long-term debt	2,441	-	-	(2,441)	(1,498)
	<u>\$ 106,835</u>	<u>\$ -</u>	<u>\$ 14,964</u>	<u>\$ (91,871)</u>	<u>\$ (74,064)</u>
General Revenue:					
Sales taxes				45,946	42,450
Miscellaneous taxes				934	1,871
In lieu of taxes – TVA				5,863	5,111
Interest earned				6	44
Miscellaneous				26,439	24,451
Total General Revenues				<u>79,188</u>	<u>73,927</u>
Change in net assets				(12,683)	(137)
Net Assets – Beginning				<u>206,614</u>	<u>206,751</u>
Net Assets - Ending				<u>\$ 193,931</u>	<u>\$ 206,614</u>

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE

FUND FINANCIAL STATEMENTS

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
GOVERNMENTAL FUND – GENERAL FUND
BALANCE SHEET
 June 30, 2010
 With Comparative Totals for June 30, 2009

	<u>General Fund</u>	
<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
Cash in bank.....	\$ 29,228	\$ 32,659
Due from Loudon County.....	-	875
Due from State of Tennessee	-	5,226
Total Assets	\$ 29,228	\$ 38,760
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities	\$ -	\$ -
Fund Balance:		
Undesignated, unreserved.....	26,025	38,760
Reserved for State Street Aid.....	3,203	-
Total Fund Balance	29,228	38,760
Total Liabilities and Fund Balance	\$ 29,228	\$ 38,760

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010
With Comparative Totals for June 30, 2009

	<u>2010</u>	<u>2009</u>
Fund balance – general fund	\$ 29,228	\$ 38,760
<p>Amounts reported for the governmental activities in the statement of net assets are different because:</p>		
Capital assets, used in governmental activities are financial resources and, therefore, are not reported in the funds	190,650	203,807
Long-term liabilities, including bonds payable are not and payable in the current period and, therefore, are not reported in the governmental funds	<u>(25,947)</u>	<u>(35,953)</u>
Net assets of governmental activities	<u>\$ 193,931</u>	<u>\$ 206,614</u>

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENT FUND – GENERAL FUND
For the Fiscal Year Ended June 30, 2010
With Comparative Totals for the Fiscal Year Ended June 30, 2009

	<u>General Fund</u>	
	<u>2010</u>	<u>2009</u>
Revenues:		
Taxes	\$ 52,743	\$ 49,432
State Street Aid – gas and motor fuel tax	14,964	12,716
Interest earned	6	44
Other revenues	<u>26,439</u>	<u>24,451</u>
Total Revenues	<u>94,152</u>	<u>86,643</u>
Expenditures:		
General government	54,986	50,910
State Street Aid	11,761	15,754
Fire	<u>24,489</u>	<u>13,681</u>
Total Expenditures	<u>91,236</u>	<u>80,345</u>
Excess of Revenues Over Expenditures	2,916	6,298
Other Financing Sources (Uses):		
Debt Service – Note Payments	<u>(12,448)</u>	<u>(10,218)</u>
Net Change in Fund Balance	(9,532)	(3,920)
Fund Balance – July 1 st	<u>38,760</u>	<u>42,680</u>
Fund Balance – June 30 th	<u><u>\$ 29,228</u></u>	<u><u>\$ 38,760</u></u>

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net change in fund balances – total governmental fund	\$	(9,532)
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p>		
Notes payable – payment of principal reported as expenditure in governmental funds		10,006
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$15,165) exceeded capital outlay (\$2,008) in the current period		(13,157)
Changes in net assets of governmental activities	\$	(12,683)

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE

GENERAL FUND

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2010
With Comparative Totals for the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u>	Variance –	<u>Totals</u>
	<u>Original</u>	<u>Final</u>	<u>2010</u>	(Unfavorable)	<u>2009</u>
REVENUES:					
State Funds:					
Local option sales tax	\$ 9,083	\$ 9,083	\$ 12,018	\$ 2,935	\$ 10,174
State sales tax allocation	35,668	35,668	33,928	(1,740)	32,276
Streets and transportation	1,304	1,304	286	(1,018)	1,050
Beer tax	258	258	264	6	278
State income tax	368	368	340	(28)	482
Gas and motor fuel tax	16,536	16,536	14,964	(1,572)	12,716
Telecommunications tax	84	84	44	(40)	61
TVA – In-lieu of tax	5,217	5,217	5,863	646	5,111
Interest earned	30	30	6	(24)	44
County and Community Donations	<u>28,500</u>	<u>28,500</u>	<u>26,439</u>	<u>(2,061)</u>	<u>24,451</u>
Total Revenues	<u>97,048</u>	<u>97,048</u>	<u>94,152</u>	<u>(2,896)</u>	<u>86,643</u>
EXPENDITURES:					
General Government:					
Recorders salary	900	900	-	900	-
Insurance	8,570	8,570	9,989	(1,419)	10,272
Office supply	1,282	1,282	3,354	(2,072)	5,414
Dues and publications	250	250	463	(213)	85
Utilities	1,900	1,900	6,780	(4,880)	6,062
Telephone	1,200	1,200	4,731	(3,531)	4,167
Repairs and maintenance	4,500	4,500	25,069	(20,569)	14,853
Donations	-	-	115	(115)	225
Professional fees	12,000	12,000	-	12,000	3,600
Advertisement	700	700	888	(188)	1,190
Library	1,200	1,200	1,737	(537)	1,200
Capital outlay	<u>-</u>	<u>-</u>	<u>1,860</u>	<u>(1,860)</u>	<u>3,842</u>
Total General Government	<u>32,502</u>	<u>32,502</u>	<u>54,986</u>	<u>(22,484)</u>	<u>50,910</u>
State Street Aid:					
Lighting	2,500	2,500	6,481	(3,981)	7,289
Maintenance	<u>8,400</u>	<u>8,400</u>	<u>5,280</u>	<u>3,120</u>	<u>8,465</u>
Total State Street Aid	<u>10,900</u>	<u>10,900</u>	<u>11,761</u>	<u>(861)</u>	<u>15,754</u>

(Continued)

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL (Continued)
For the Fiscal Year Ended June 30, 2010
With Comparative Totals for the Fiscal Year Ended June 30, 2009

	<u>Budget</u>		<u>Actual</u> <u>2010</u>	<u>Variance –</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Totals</u> <u>2009</u>
	<u>Original</u>	<u>Final</u>			
Fire Department:					
Utilities	3,400	3,400	1,165	-	3,010
Repairs and maintenance	10,000	10,000	2,923	1,725	643
Gas and supplies	4,250	4,250	9,876	7,077	1,750
Other expense	-	-	5,131	(5,626)	-
Capital outlay	4,000	4,000	148	(5,131)	5,547
Training and communications	1,000	1,000	4,636	3,852	2,531
Bonds	<u>200</u>	<u>200</u>	<u>100</u>	<u>(3,636)</u>	<u>200</u>
Total Fire Department	<u>22,850</u>	<u>22,850</u>	<u>24,489</u>	<u>100</u>	<u>13,681</u>
 Total Expenditures	 <u>66,252</u>	 <u>66,252</u>	 <u>91,236</u>	 <u>(24,984)</u>	 <u>80,345</u>
 Excess of Revenue Over Expenditures	 30,796	 30,796	 2,916	 (27,880)	 6,298
 Other Financing Sources (Uses):					
Debt Service – Note Payments	 <u>-</u>	 <u>-</u>	 <u>(12,448)</u>	 <u>(12,448)</u>	 <u>(10,218)</u>
 Net Change in Fund Balance	 30,796	 30,796	 (9,532)	 (40,328)	 (3,920)
 Fund Balance – Beginning of Fiscal Year	 <u>38,760</u>	 <u>38,760</u>	 <u>38,760</u>	 <u>-</u>	 <u>42,680</u>
 Fund Balance – End of Fiscal Year	 <u>\$ 69,556</u>	 <u>\$ 69,556</u>	 <u>\$ 29,228</u>	 <u>\$ (40,328)</u>	 <u>\$ 38,760</u>

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(A) **DEFINITION OF REPORTING ENTITY:**

The City of Philadelphia, Tennessee, was incorporated under Section 6-1-01, Tennessee Code Annotated, and operates under an elected Mayor-Aldermen form of government. All funds and account groups under the control, authority, or oversight of the Town's governing body (Board of Aldermen) are included in these financial statements.

(B) **BASIC FINANCIAL STATEMENTS:**

The basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize activities as governmental activities. *Governmental activities* are normally supported by taxes and intergovernmental revenues. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses, including depreciation, on the various departments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific department. Interest on general long-term debt and depreciation expense on assets shared by multiple departments, are not allocated to the various departments. Program revenues include revenues from fines and forfeitures, licenses and permit fees, special assessment taxes, certain intergovernmental grants, other entities participation and charges for services. Taxes and other items not properly included among program revenues are reported as general revenues.

(C) **BASIS OF PRESENTATION:**

The City uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid in the City's financial management by segregating transactions related to certain functions or activities.

The following fund categories are used by the City:

GOVERNMENTAL FUNDS: All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Sales taxes are considered "measurable" (susceptible to accrual) when in the hands of intermediary collecting agencies and are recognized as revenues at that time. All other intergovernmental revenues are recorded as revenue when received. Expenditures are recognized when the related fund liability is incurred.

(Continued)

CITY OF PHILADELPHIA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(C) **BASIS OF PRESENTATION (Continued):**

GENERAL FUND: The General Fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered a major fund in the basic financial statements.

(D) **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the source and use of liquid resources, and 3) demonstrate how the City's actual experience conforms to the biennial budget. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" is defined as collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include local sales tax, state-shared sales tax, highway user tax, vehicle license tax, franchise fees, special assessments and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures and miscellaneous revenues are generally recorded as revenues when received in cash because they are not measurable until actually received. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for a specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

(Continued)

CITY OF PHILADELPHIA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(D) **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING** (Continued):

The City reports deferred revenues in the governmental funds if the potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources, as they are needed.

(E) **BUDGETS AND BUDGETARY ACCOUNTING:**

The City is required to provide budgets annually through the following process for the budget year ended June 30, 2010:

1. After three (3) readings, beginning with the June City Commission meeting, the budget is legally enacted through passage of an ordinance.
2. Formal budgetary integration is employed as a management control device during the year for the General Fund.
3. A budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. All appropriations lapse at the end of the fiscal year.

(F) **CASH AND CASH EQUIVALENTS:**

The City considers all highly liquid Certificates of Deposit with an original maturity of three months or less, at the date of acquisition, to be cash equivalents.

CITY OF PHILADELPHIA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

(G) CAPITAL ASSETS:

Infrastructure assets acquired prior to July 1, 2003 have not been capitalized in accordance with provisions in GASB-34. During a prior year, the City inventoried capital assets, along with supporting acquisition data. All purchased fixed assets are valued at cost (greater than \$100) when acquired.

NOTE 2 – CASH AND CERTIFICATES OF DEPOSIT:

In order to provide for a safe, temporary medium for investment of idle funds, the City is authorized to invest in bonds, notes, or treasury bills of the United States, certificates of deposit in state and federally chartered financial institutions and the State of Tennessee Local Government Investment Pool. The City has no legal restrictions governing cash deposits with financial institutions.

Custodial Credit Risk – The City has no formal policy regarding custodial credit risk. However, as of June 30, 2010, total cash and certificates of deposit of governmental fund types on deposit in financial institutions in the amount of \$29,228 were entirely insured by the State Tennessee Bank Collateral Pool.

NOTE 3 - CAPITAL ASSETS:

A summary of changes in capital assets used in governmental activities is as follows:

	Balance <u>7/1/09</u>	<u>Additions</u>	<u>Retirements</u>	Transfers <u>In (Out)</u>	Balance <u>6/30/10</u>
Capital Assets, non-depreciable:					
Parks/Land	\$ 37,100	\$ -	\$ -	\$ -	\$ 37,100
Capital Assets – depreciable:					
General Government:					
Machinery & Equipment	15,919	1,860	-	-	17,779
Buildings	<u>133,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,476</u>
Total General Government	<u>149,395</u>	<u>1,860</u>	<u>-</u>	<u>-</u>	<u>151,255</u>
Streets:					
Guardrails	6,775	-	-	-	6,775
Street signs	<u>9,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,797</u>
Total Streets	<u>16,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,572</u>

(Continued)

CITY OF PHILADELPHIA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - CAPITAL ASSETS (Continued):

A summary of changes in capital assets used in governmental activities is as follows (Continued):

	<u>Balance</u> <u>7/1/09</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u> <u>In (Out)</u>	<u>Balance</u> <u>6/30/10</u>
Fire:					
Building	19,591	-	-	-	19,591
Equipment	<u>177,369</u>	<u>148</u>	<u>-</u>	<u>-</u>	<u>177,517</u>
Total Fire	<u>196,960</u>	<u>148</u>	<u>-</u>	<u>-</u>	<u>197,108</u>
 Total Capital Assets - depreciable	 <u>362,927</u>	 <u>2,008</u>	 <u>-</u>	 <u>-</u>	 <u>364,935</u>
Accumulated depreciation	<u>(196,220)</u>	<u>(15,165)</u>	<u>-</u>	<u>-</u>	<u>(211,385)</u>
Capital Assets – net of accumulated depreciation	<u>166,707</u>	<u>(13,157)</u>	<u>-</u>	<u>-</u>	<u>153,550</u>
Governmental Capital Assets	<u>\$ 203,807</u>	<u>\$ (13,157)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,650</u>

The City uses the straight-line depreciation method for capital assets based on the following estimated useful lives by major class of depreciable fixed assets:

<u>Class</u>	
Building and improvements	40 – 50 years
Machinery and equipment	05 – 15 years
Infrastructure	20 – 50 years

Current period depreciation expense charged as non-departmental depreciation amounted to \$15,165, comprised of general government buildings and equipment of \$5,186 and fire department building and equipment of \$9,979.

NOTE 4 – RISK FINANCING ACTIVITIES:

It is the policy of the City to purchase commercial insurance for the risks of losses to which it is exposed. These risks include property and casualty, workmen’s compensation, and liability claims. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

CITY OF PHILADELPHIA, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 – GENERAL LONG -TERM DEBT:

A summary of changes in the General Long-Term Debt is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Retired/ Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Notes payable	\$ <u>35,953</u>	\$ <u>-</u>	\$ <u>10,006</u>	\$ <u>25,947</u>

(1) \$13,403 - Note payable in yearly installments of \$6,674, through August 2013; interest at 5.25%

The annual requirements to amortize the Note outstanding as of June 30, 2010, including interest payments, are as follows:

<u>Fiscal</u> <u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total</u> <u>Principal/ Interest</u> <u>Requirement</u>	<u>Note</u>	<u>Interest</u>
2011	\$ 6,674	\$ 5,971	\$ 703
2012	6,674	6,284	390
2013	<u>1,400</u>	<u>1,148</u>	<u>252</u>
Totals	\$ <u>14,748</u>	\$ <u>13,403</u>	\$ <u>1,345</u>

(2) \$12,544 - Note payable in yearly installments of \$3,333, plus interest through January 2011; then loan is matured and accrued interest and principal is due; interest at 7.29%

The annual requirements to amortize the Note outstanding as of June 30, 2010, including interest payments, are as follows:

<u>Fiscal</u> <u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Total</u> <u>Principal/ Interest</u> <u>Requirement</u>	<u>Note</u>	<u>Interest</u>
2011	\$ <u>13,458</u>	\$ <u>12,544</u>	\$ <u>914</u>

NOTE 6 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2010, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is August 11, 2011, which is the date on which the financial statements were issued.

CITY OF PHILADELPHIA, TENNESSEE

SUPPLEMENTAL INFORMATION

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
Schedule of Changes by Function and Activity
For the Fiscal Year Ended June 30, 2010

Programs	CAPITAL ASSETS					ACCUMULATED DEPRECIATION					Net Book Value
	Balance 7/1/09	Additions	Retirements	Transfers In (Out)	Balance 6/30/10	Balance 7/1/09	Additions	Retirements	Transfers In (Out)	Balance 6/30/10	
General Government:											
Machinery & Equipment	\$ 15,919	\$ 1,860	\$ -	\$ -	\$ 17,779	\$ 12,400	\$ 900	\$ -	\$ -	\$ 13,300	\$ 4,479
Buildings	133,476	-	-	-	133,476	57,260	3,337	-	-	60,597	72,879
Land	<u>37,100</u>	-	-	-	<u>37,100</u>	-	-	-	-	-	-
Total General Government	<u>186,495</u>	<u>1,860</u>	-	-	<u>188,355</u>	<u>69,660</u>	<u>4,237</u>	-	-	<u>73,897</u>	<u>114,458</u>
Streets:											
Guardrails	6,775	-	-	-	6,775	2,023	678	-	-	2,710	4,065
Street signs	<u>9,797</u>	-	-	-	<u>9,797</u>	<u>8,440</u>	<u>271</u>	-	-	<u>8,711</u>	<u>1,086</u>
Total Streets	<u>16,572</u>	-	-	-	<u>16,572</u>	<u>10,472</u>	<u>949</u>	-	-	<u>11,421</u>	<u>5,151</u>
Fire:											
Building	19,591	-	-	-	19,591	13,200	426	-	-	13,626	5,965
Equipment	<u>177,369</u>	<u>148</u>	-	-	<u>177,517</u>	<u>102,888</u>	<u>9,553</u>	-	-	<u>112,441</u>	<u>65,076</u>
Total Fire	<u>196,960</u>	<u>148</u>	-	-	<u>197,108</u>	<u>116,088</u>	<u>9,979</u>	-	-	<u>126,067</u>	<u>71,041</u>
Total Capital Assets	<u>\$ 400,027</u>	<u>\$ 2,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,035</u>	<u>\$ 196,220</u>	<u>\$ 15,165</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,385</u>	<u>\$ 190,650</u>

See accompanying independent auditors' report and notes.

CITY OF PHILADELPHIA, TENNESSEE

MISCELLANEOUS SCHEDULES

June 30, 2010

CITY OF PHILADELPHIA, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
For the Fiscal Year Ended June 30, 2010

<u>Company</u>	<u>Type</u>	<u>Period</u>		<u>Coverage</u>
		<u>From</u>	<u>To</u>	
TML Risk Management Pool, Inc. TWC-0201-05	Workmen's Compensation	11- 12-10	11- 12-11	Statutory – Employer's Liability - \$125,000 each accident Injury by Disease - \$600,000 policy limit
TML Risk Management Pool, Inc. TML-0187-06	Municipal Liability Agreement	11- 12-10	11- 12-11	I. General Liability - Bodily injury liability - \$250,000 each person, \$600,000 each occurrence, two or more persons Property damage liability - \$85,000 each occurrence II. Automobile Liability - Bodily injury - \$25,000 each person, \$600,000 each occurrence, two or more persons Property Damage Liability - \$85,000 each occurrence III. Automobile Physical Damage - As per schedule on policy with deductible for \$100 comprehensive; \$250 deductible for collision IV. Public Officials' Personal Errors and Omissions Liability -300,000 per occurrence each loss or \$1,000,000 per occurrence with \$2,500 deductible
TML Risk Management TMP-1227-07	Equipment Floater	01-06-10	01-06-11	Equipment - \$250,000

CITY OF PHILADELPHIA, TENNESSEE
SCHEDULE OF CAPITAL OUTLAY NOTES AND NOTES PAYABLE
Principal and Interest Requirements by Year June 30, 2010

Fiscal Year Ending June 30,	Total Principal/ Interest Requirement	Capital Outlay Note Series 2003				Capital Outlay Note GreenBank	
		Total		Tennessee Municipal Bond Fund		Note	Interest
		Note	Interest	Note	Interest		
2011	\$ 20,132	\$ 18,515	\$ 1,617	\$ 5,971	\$ 703	\$ 12,554	\$ 914
2012	6,674	6,284	390	6,284	390	-	-
2013	<u>1,400</u>	<u>1,148</u>	<u>252</u>	<u>1,148</u>	<u>252</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 28,206</u>	<u>\$ 25,947</u>	<u>\$ 2,259</u>	<u>\$ 13,403</u>	<u>\$ 1,345</u>	<u>\$ 12,544</u>	<u>\$ 914</u>

CITY OF PHILADELPHIA, TENNESSEE

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*

June 30, 2010



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August 11, 2011

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

To the Honorable Mayor and
Members of the Board of Aldermen
City of Philadelphia
Philadelphia, Tennessee

We have audited the financial statements of the governmental activities and the major fund of the City of Philadelphia, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City of Philadelphia's basic financial statements and have issued our report thereon dated August 11, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Philadelphia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Philadelphia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Philadelphia's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting and are described in the accompanying Schedule of Findings and Questioned Costs as 10-1 through 10-5. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Philadelphia, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as 10-6.

The City of Philadelphia's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the City of Philadelphia's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, State of Tennessee Comptroller, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, P. C.

CITY OF PHILADELPHIA, TENNESSEE
Schedule of Findings and Questioned Costs
June 30, 2010

10-1 Finding:

Improve Financial Records – We believe that, at present, the City does not maintain an adequate set of financial records. Certain receipts and disbursements are recorded on schedules; however, such transactions are not summarized in a general ledger, nor are all transactions recorded on the books. Such a system does not permit the preparation of accurate and reliable financial statements. (Finding 09-1, June 30, 2009)

Recommendation:

The importance of a good accounting system cannot be overemphasized. Without adequate financial records, management is basing its decision on incomplete and/or inaccurate information during the year, and excessive time is spent at year end in preparing and auditing the financial statements.

Management Response:

We concur with the finding and will implement the recommendation.

10-2 Finding:

Reconcile Bank Accounts on a Timely Basis – Bank statements, in some instances, were accumulated for several months before they were reconciled. Not reconciling the accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh in mind. (Finding 09-2, June 30, 2009)

Recommendation:

We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

Management Response:

We concur with the finding and will implement the recommendation.

10-3 Finding:

Segregate Accounting Duties – The City has a small number of people in their office performing a variety of duties, some of which may be incompatible. For instance, the person who handles cash receipts should not record the payments to the accounts receivable detail ledger. Separating these duties will improve internal controls over cash and other assets and reduce the possibility of errors and irregularities. This may be done without hiring more personnel. (Finding 09-3, June 30, 2009)

Recommendation:

We recommend that the City make the following analysis for each internal audit procedures:

Make a list of office personnel and the accounting duties which they perform.

Isolate any incompatible accounting functions that are the responsibility of one employee.

Reassign responsibility for these duties, if practical, or create a supervisory review of these functions.

Management Response:

We concur with the finding and will implement the recommendation.

CITY OF PHILADELPHIA, TENNESSEE
Schedule of Findings and Questioned Costs
June 30, 2010

10-4 Finding:

Accompany Checks Submitted for Signature with Supporting Documents – Some checks submitted for signature are not accompanied by invoices or other supporting documents, nor are the supporting documents approved for payment or subsequently marked to prevent their re-use. (Finding 09-4, June 30, 2009)

Recommendation:

We recommend that a stamp imprint, providing for check number, date paid, account charged, approval of prices, receipts of goods or services, approval of footings and extensions, and final approval for payment by partner or department head be stamped on the supporting documents. The supporting documents bearing the appropriate approvals and other information should then accompany the checks submitted for signature. After the check is signed the underlying documents should be marked “Paid” or otherwise cancelled by a perforating machine or stamp.

Management Response:

We concur with the finding and will implement the recommendation.

10-5 Finding:

Make all Disbursements from One Bank Account – At present, the City maintains five checking accounts. All expenses can still be allocated to the applicable department; it would simplify the processing of these transactions if all disbursements were made from the same bank account. (Finding 09-5, June 30, 2009)

Recommendation:

We recommend that all disbursements be made from the same account and the amount charged to the department or account be recorded on the check register or other applicable document.

Management Response:

We concur with the finding and will implement the recommendation.

10-6 Finding:

Expenditures of the General Fund (\$91,236) exceeded the City’s approved budget by \$24,984, a violation of the Tennessee Code Annotated (TCA). (Finding 09-6, June 30, 2009)

Recommendation:

When the City’s estimated budget changes during the year, the Budget should be amended. Actual expenditures cannot exceed budgeted amounts as directed by the TCA.

Management Response:

We concur with the finding and will implement the recommendation.