

CITY OF LAKELAND, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

CITY OF LAKELAND, TENNESSEE  
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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Principal Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2 - 3
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	5
Combined Statement of Revenues, Expenditures and Changes in fund Balances - Budget and Actual - General Fund	6
Notes to Financial Statements	7 - 12
Individual Fund Statements and Schedules:	
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	13 - 17
Special Revenue Funds:	
Combining Balance Sheet	18
Combining Statement & Revenue, Expenditures and Changes in Fund Balance	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual:	
Solid Waste Fund	20
Sewer Fund	21
Trust and Agency Funds:	
Deferred Compensation Agency Fund:	
Statement of Changes in Assets and Liabilities	22

CITY OF LAKELAND, TENNESSEE  
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TABLE OF CONTENTS (CONT.)

	Page
General Fixed Assets Account Group:	
Statement of General Fixed Assets, By Function and Activity	23
Statement of Changes in General Fixed Assets	24
OTHER FINANCIAL INFORMATION	
Schedule of Investments	25
Schedule of Interfund Transfers	26
Schedule of Principal and Interest Requirements	27
Schedule of Salaries and Bonds of Principal Officials	28
Schedule of Insurance in Force	29
INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditor's Report on Compliance Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	30
Independent Auditor's Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements and Individual Fund and Account Group Financial Statements Performed in Accordance with Government Auditing Standards	31 - 32
Schedule of Findings and Recommendations	33

INTRODUCTORY SECTION

CITY OF LAKELAND, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 1996

Elected Officials

Mayor

Gene Fletcher

Vice-Mayor

Patra B. Temple

Commissioner

James B. Bompreszi, Sr.

Commissioner

Lupo Carlota

Commissioner

V. Dale Jones

Appointed Officials

City Manager

Jack Goode

Recorder

Kimberly L. Hansen

FINANCIAL SECTION

ARNOLD, SPAIN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
914 NORTH HIGHLAND AVENUE  
JACKSON, TENNESSEE 38301

BILLY SPAIN, C.P.A.  
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MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

KRISTI McNEILL, C.P.A.  
AMY CREIGHTON, C.P.A.  
GRADY ARNOLD, C.P.A., RETIRED

Independent Auditor's Report

Honorable Gene Fletcher, Mayor  
Members of the Board of Commissioners  
City of Lakeland, Tennessee

We have audited the accompanying general purpose financial statements and combining fund and account group financial statements of the City of Lakeland, Tennessee, as of June 30, 1996, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the City of Lakeland, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and generally accepted governing auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lakeland, Tennessee, as of June 30, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Lakeland, Tennessee, as of June 30, 1996, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated February 28, 1997, on our consideration of the City of Lakeland, Tennessee's internal control structure and a report dated February 28, 1997, on its compliance with laws and regulations.

Honorable Gene Fletcher, Mayor  
Members of the Board of Commissioners  
City of Lakeland, Tennessee

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Lakeland, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, and individual fund and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

*Arnold, Spain & Company, P.C.*

Certified Public Accountants

Jackson, Tennessee  
February 28, 1997

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LAKE LAND, TENNESSEE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1996

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Fixed</u> <u>Assets</u>	<u>General</u> <u>Long-term</u> <u>Debt</u>	
<b>ASSETS AND OTHER DEBITS</b>						
<b>ASSETS</b>						
Cash and cash equivalents	\$ 564,107	\$ 297,488	\$	\$	\$	\$ 861,595
Investments	1,691,000		69,094			1,760,094
Receivables:						
Accounts	20,473					20,473
Intergovernmental	45,237					45,237
Fixed assets				3,129,305		3,129,305
<b>OTHER DEBITS</b>						
Amount to be provided for retirement of general long-term debt					622,593	622,593
<u>Total Assets and Other Debits</u>	<u>\$2,320,817</u>	<u>\$ 297,488</u>	<u>\$ 69,094</u>	<u>\$3,129,305</u>	<u>\$ 622,593</u>	<u>\$6,439,297</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 94,487	\$	\$ 69,094	\$	\$	\$ 94,487
Deferred compensation payable						69,094
Refundable deposits	61,000					61,000
Notes payable					622,593	622,593
<u>Total Liabilities</u>	<u>\$ 155,487</u>	<u>\$ 0</u>	<u>\$ 69,094</u>	<u>\$ 0</u>	<u>\$ 622,593</u>	<u>\$ 847,174</u>
<b>EQUITY AND OTHER CREDITS</b>						
Investment in general fixed assets	\$	\$	\$	\$3,129,305	\$	\$3,129,305
Reserved for State Street Aid	115,129					115,129
Unreserved, designated	18,902	297,488				316,390
Unreserved, undesignated	2,031,299					2,031,299
<u>Total Equity and Other Credits</u>	<u>\$2,165,330</u>	<u>\$ 297,488</u>	<u>\$ 0</u>	<u>\$3,129,305</u>	<u>\$ 0</u>	<u>\$5,592,123</u>
<u>Total Liabilities, Equity and Other Credits</u>	<u>\$2,320,817</u>	<u>\$ 297,488</u>	<u>\$ 69,094</u>	<u>\$3,129,305</u>	<u>\$ 622,593</u>	<u>\$6,439,297</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF LAKELAND, TENNESSEE

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

## ALL GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>REVENUES</b>			
Taxes	\$ 480,877	\$	\$ 480,877
Licenses and permits	65,154		65,154
Intergovernmental	121,770		121,770
Fees for services	418,343	87,477	505,820
Other	<u>117,732</u>	<u>1,181</u>	<u>118,913</u>
<u>Total Revenues</u>	<u>\$1,203,876</u>	<u>\$ 88,658</u>	<u>\$1,292,534</u>
<b>EXPENDITURES</b>			
Current:			
General government	\$ 482,718	\$	\$ 482,718
Public safety	36,491		36,491
Public works	501,005	96,721	597,726
Health, culture, welfare and recreation	58,176		58,176
Debt Service:			
Interest	<u>17,185</u>		<u>17,185</u>
<u>Total Expenditures</u>	<u>\$1,095,575</u>	<u>\$ 96,721</u>	<u>\$1,192,296</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	<u>\$ 108,301</u>	<u>\$ (8,063)</u>	<u>\$ 100,238</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds of long-term debt	\$ 295,036	\$ 296,307	\$ 591,343
Operating transfers in		9,244	9,244
Operating transfers out	<u>(9,244)</u>		<u>(9,244)</u>
<u>Total Other financing Sources (Uses)</u>	<u>\$ 285,792</u>	<u>\$ 305,551</u>	<u>\$ 591,343</u>
<u>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>\$ 394,093</u>	<u>\$ 297,488</u>	<u>\$ 691,581</u>
FUND BALANCES, JULY 1	<u>1,771,237</u>		<u>1,771,237</u>
FUND BALANCES, JUNE 30	<u>\$2,165,330</u>	<u>\$ 297,488</u>	<u>\$2,462,818</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE LAND TENNESSEE

COMBINED STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
<b>REVENUES</b>									
Taxes	\$ 483,727	\$ 480,877	\$ (2,850)	\$	\$	\$	\$ 483,727	\$ 480,877	\$ (2,850)
Licenses and permits	62,441	65,154	2,713				62,441	65,154	2,713
Intergovernmental	115,203	121,770	6,567				115,203	121,770	6,567
Charges for services	419,027	418,343	(684)	83,850	87,477	3,627	502,877	505,820	2,943
Other	116,400	117,732	1,332		1,181	1,181	116,400	118,913	2,513
<b>Total Revenues</b>	<b>\$1,196,798</b>	<b>\$1,203,876</b>	<b>\$ 7,078</b>	<b>\$ 83,850</b>	<b>\$ 88,658</b>	<b>\$ 4,808</b>	<b>\$1,280,648</b>	<b>\$1,292,534</b>	<b>\$ 11,886</b>
<b>EXPENDITURES</b>									
Current:									
General government	\$ 508,463	\$ 482,718	\$ 25,745	\$	\$	\$	\$ 508,463	\$ 482,718	\$ 25,745
Public safety	36,530	36,491	39				36,530	36,491	39
Public works	693,765	501,005	192,760	95,600	96,721	(1,121)	789,365	597,726	191,639
Health, culture, welfare & recreation	36,280	58,176	(21,896)				36,280	58,176	(21,896)
Debt Service:									
Interest	17,600	17,185	415				17,600	17,185	415
<b>Total Expenditures</b>	<b>\$1,292,638</b>	<b>\$1,095,575</b>	<b>\$ 197,063</b>	<b>\$ 95,600</b>	<b>\$ 96,721</b>	<b>\$ (1,121)</b>	<b>\$1,388,238</b>	<b>\$1,192,296</b>	<b>\$ 195,942</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (95,840)</b>	<b>\$ 108,301</b>	<b>\$ 204,141</b>	<b>\$ (11,750)</b>	<b>\$ (8,063)</b>	<b>\$ 3,687</b>	<b>\$ (107,590)</b>	<b>\$ 100,238</b>	<b>\$ 207,828</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds of long-term debt	\$ 622,592	\$ 295,036	\$ (327,556)	\$	\$ 296,307	\$ 296,307	\$ 622,592	\$ 591,343	\$ (31,249)
Operating transfers in				11,750	9,244	(2,506)	11,750	9,244	(2,506)
Operating transfers out	(11,750)	(9,244)	2,506				(11,750)	(9,244)	2,506
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 610,842</b>	<b>\$ 285,792</b>	<b>\$ (325,050)</b>	<b>\$ 11,750</b>	<b>\$ 305,551</b>	<b>\$ 293,801</b>	<b>\$ 622,592</b>	<b>\$ 591,343</b>	<b>\$ (31,249)</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ 515,002</b>	<b>\$ 394,093</b>	<b>\$ (120,909)</b>	<b>\$</b>	<b>\$ 297,488</b>	<b>\$ 297,488</b>	<b>\$ 515,002</b>	<b>\$ 691,581</b>	<b>\$ 176,579</b>
<b>FUND BALANCES, JULY 1</b>	<b>1,771,237</b>	<b>1,771,237</b>					<b>1,771,237</b>	<b>1,771,237</b>	
<b>FUND BALANCES, JUNE 30</b>	<b>\$2,286,239</b>	<b>\$2,165,330</b>	<b>\$ (120,909)</b>	<b>\$ 0</b>	<b>\$ 297,488</b>	<b>\$ 297,488</b>	<b>\$2,286,239</b>	<b>\$2,462,818</b>	<b>\$ 176,579</b>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE LAND TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Lakeland Tennessee operates under a City Manager-Commission form of government and provides the following services as authorized by its charter: public safety inspection street maintenance sanitation sewerage recreation and general administrative services.

The accounting policies of the City of Lakeland, Tennessee, conform to generally accepted accounting principles applicable to governments as defined in the pronouncements of the Governmental Accounting Standards Board (GASB), Financial Accounting standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on or before November 30, 1989. After this date the city has elected to apply only the GASB pronouncements. The following is a summary of the more significant accounting policies.

**A. Reporting Entity:**

As required by generally accepted accounting principles, these financial statements present the entire reporting entity of the City of Lakeland, Tennessee. There are no component units for which the City of Lakeland would be considered financially accountable.

**B. Fund Accounting:**

The accounts of the City of Lakeland are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise, where applicable, assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various individual funds are grouped in the financial statements in this report into two broad fund categories and three generic fund types as follows:

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds account for specific revenues that are legally restricted to expenditures for a particular purpose. The Special Revenue Funds used by the City of Lakeland are the Solid Waste and the Sewer Funds.

**Agency Funds:**

Agency funds are used to account for assets that the government holds on behalf of others as agent. The agency fund used by the City is the Deferred Compensation fund which accounts for the assets of the City employees' deferred compensation plan.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1996

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)****B. Fund Accounting (Cont.):**

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The account group used by the City is the General Fixed Assets Account Group. This group of accounts is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

**C. Basis of Accounting:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

In applying the susceptible to accrual concept to certain intergovernmental revenues, the legal and contractual requirements of individual programs are used as guidance. Revenues may be recognized to the extent of expenditures made for the specific purposes or projects. If expenditures are generally unrestricted as to purpose, revenues may be recognized at the time of receipt or earlier if they meet the available criteria previously defined.

Receipts for certain services, fines, forfeitures, penalties, licenses and permits and other miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when received.

**D. Budgets and Budgetary Accounting:**

Budgets are adopted on a basis consistent with generally accepted accounting principles.

As an extension of the formal budgetary process, the Board of Commissioners may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. All unexpended appropriations lapse at the end of the fiscal year unless the Board of Commissioners authorizes retention.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1996

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****D. Budgets and Budgetary Accounting (Cont.):**

The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board of Commissioners.

**E. Cash and Investments:**

Cash: City's cash accounts consist of demand and money market accounts.

Investments: State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

**F. Estimated Uncollectible Receivables:**

No allowance for uncollectible accounts is recorded in the General Fund. Bad debts are recorded on the direct write-off method. An allowance for uncollectible accounts based on historical experience is immaterial to the financial statements.

**G. Fixed Assets:**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

**H. Compensated Absences:**

The General Fund records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. Employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 20 days. All City employees accrue sick leave to a maximum of 90 days. However, employees retain no vested interest in their unused sick leave. Vacation and sick leave accumulations at June 30, 1996, are immaterial.

## CITY OF LAKE LAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1996

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****I. Fund Equity:**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

**J. Intergovernmental Revenues:**

State shared taxes are recorded as revenues when the City is entitled to the funds.

**K. Contributions and Grants:**

Contributions and grants for both capital and operating purposes are recorded as revenues.

**L. Memorandum Only - Total Columns:**

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - CASH AND INVESTMENTS**

Deposits: At year-end the carrying amount of the City's deposits was \$2,552,295, and the bank balance was \$2,583,140. Of the bank balance, \$394,000 was covered by federal depository insurance and \$2,189,140 was covered by collateral held by the City's agent in the City's name. The City had cash on hand of \$300 at June 30, 1996.

Investments: The City's investments at June 30, 1996, consisted of certificates of deposit in the general fund and investments for the deferred compensation plan as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Aetna Life Insurance Company - various mutual funds	\$ 69,094	\$ 69,094

**NOTE 3 - INTERGOVERNMENTAL RECEIVABLES**

Amounts due from other governments represent the normal amounts due from state and county governments for shared revenues and tax allocations.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1996

**NOTE 4 - FIXED ASSETS**

A summary of changes in general fixed assets for the year ended June 30, 1996, follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Land	\$ 65,607	\$ 971,882	\$	\$1,037,489
Buildings	66,701	145,206		211,907
Improvements other than buildings	1,318,928	270,076		1,589,004
Machinery & equipment	<u>234,733</u>	<u>56,172</u>		<u>290,905</u>
	<u>\$1,685,969</u>	<u>\$1,443,336</u>	<u>\$ 0</u>	<u>\$3,129,305</u>

No detailed fixed asset records were previously kept by the city. During the year ended June 30, 1996, a comprehensive inventory of fixed assets was taken. As a result, the beginning balance of general fixed assets was adjusted up \$321,792. The additions for the current year include \$1,014,359 for real estate and buildings donated to the City during the year.

**NOTE 5 - DEFERRED COMPENSATION PLAN**

The City of Lakeland offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all City employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. For employees who elect to participate the City contributes 8.5% of pay for salaried employees and 7.5% of pay for hourly employees. Employees contribute a minimum of 2% of pay up to combined total contributions of \$7,500. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government subject only to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of management that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Investment are managed by the plan's trustee.

**NOTE 6 - LITIGATION**

The City of Lakeland is currently involved in several legal proceedings. No provision for liability, if any exists, has been provided for in the financial statements. Legal counsel for the City does not anticipate any liability in these proceedings.

## CITY OF LAKELAND TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT)

JUNE 30, 1996

**NOTE 7 - LONG-TERM DEBT**

Long-term debt consisted of the following:

Loan from the Tennessee Municipal League Bond Pool of \$2,500,000 advances at June 30, 1996 were \$622,593, interest rate is variable and ranged from 3.2% to 5.35% during the year rate in effect at June 30, 1996 was 3.35%	<u>\$ 622,593</u>
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Long-term debt transactions for the year were as follows:

Advances of loan proceeds	<u>\$ 591,343</u>
Issuance costs paid direct	<u>31,250</u>
	<u>\$ 622,593</u>

Principal and interest requirements to amortize the debt outstanding at June 30, 1996 including interest at the rate in effect on that date, of \$98,692 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Requirements</u>
1997	\$ 88,791
1998	90,946
1999	93,443
2000	96,266
2001	99,396
2002-2004	<u>252,443</u>
	<u>\$ 721,285</u>

The City expects to draw the remainder of the loan balance of \$1,877,407 in the next fiscal year to complete a sewer construction project.

**NOTE 13 - RISK MANAGEMENT**

The City of Lakeland, Tennessee, is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history. It is the policy of the City to purchase commercial insurance for the risks of employee dishonesty. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

## GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund

## CITY OF LAKELAND TENNESSEE

## GENERAL FUND

STATEMENT OF REVENUES EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable <u>Unfavorable</u>
<b>REVENUES</b>			
Local Taxes:			
Local option sales tax	\$ 410,000	\$ 405,316	\$ (4,684)
Wholesale beer tax	19,200	20,460	1,260
Business taxes	50,455	51,029	574
Cable TV franchise tax	4,072	4,072	
	<u>\$ 483,727</u>	<u>\$ 480,877</u>	<u>\$ (2,850)</u>
Licenses and Permits:			
Building permits	\$ 32,005	\$ 32,448	\$ 443
Inspection fees	27,236	27,895	659
Other permits	3,200	4,811	1,611
	<u>\$ 62,441</u>	<u>\$ 65,154</u>	<u>\$ 2,713</u>
Intergovernmental Revenue:			
TVA payments in lieu of taxes	\$ 6,257	\$ 6,258	\$ 1
State sales tax	63,000	67,599	4,599
State income tax	8,976	8,976	
State beer tax	600	598	(2)
State alcohol tax	82	82	
State gas and motor fuel tax	33,200	35,169	1,969
State street & transportation	3,088	3,088	
	<u>\$ 115,203</u>	<u>\$ 121,770</u>	<u>\$ 6,567</u>
Charges for Services:			
Public works - charges for services	\$	\$ 1,596	\$ 1,596
Park and recreation charges	26,200	25,136	(1,064)
Other center fees		1,200	1,200
Sewer user fee	90,500	93,875	3,375
Sewer connection privilege fee	103,000	109,632	6,632
Developer sewer fees	92,337	92,337	
Renewal and replacement fees	106,990	94,567	(12,423)
	<u>\$ 419,027</u>	<u>\$ 418,343</u>	<u>\$ (684)</u>
Other Revenues:			
Interest earned	\$ 111,500	\$ 111,782	\$ 282
Other	4,900	5,950	1,050
	<u>\$ 116,400</u>	<u>\$ 117,732</u>	<u>\$ 1,332</u>
<b>Total Revenues</b>	<u>\$1,196,798</u>	<u>\$1,203,876</u>	<u>\$ 7,078</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
General Government:			
Salaries - permanent employees	\$ 112,111	\$ 113,420	\$ (1,309)
Wages - permanent employees	75,927	70,868	5,059
Wages - overtime	6,000	5,449	551

(Continued)

## CITY OF LAKE LAND, TENNESSEE

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES			
Current (Cont.):			
General Government (Cont.):			
General Government (Cont.):			
Wages - temporary employees	\$ 4,646	\$ 4,769	\$ (123)
Bonus pay	1,740	1,740	
OASI	\$ 20,388	\$ 17,477	\$ 2,911
Hospital & health insurance	17,271	11,196	6,075
Retirement	13,073	12,683	390
Workmen's compensation	78	78	
Employee education & training	1,000	998	2
Uniforms	1,000	976	24
Board of Commissioners	14,623	13,523	1,100
Communication & transportation	5,000	5,069	(69)
Printing and duplicating	5,657	5,989	(332)
Publicity, subscriptions & dues	8,500	7,937	563
Electric	5,000	5,019	(19)
Water	550	485	65
Gas	3,326	3,326	
Telephone	5,150	4,690	460
Legal services	21,500	20,513	987
Accounting and auditing	1,500	1,500	
Architectural & engineering	110,135	100,173	9,962
Data processing services	2,970	6,120	(3,150)
Tennessee state planning office	2,118	2,118	
Other professional services	208	208	
Repair & maintenance services	1,500	1,293	207
Travel	3,000	3,976	(976)
Other contractual services	2,700	2,642	58
Supplies	7,000	6,866	134
Operating supplies	2,000	1,918	82
Insurance on buildings	1,809	1,809	
Liability insurance	5,807	5,807	
Professional liability insurance	3,454	3,454	
Other insurance	4,322	4,322	
Surety bonds for officials	330	280	50
Builder lot cleanup refunds		12,596	(12,596)
Contributions - civic promotion	5,040	40	5,000
Contributions - drug prevention	860	360	500
Gross receipts payback	10,000	6,570	3,430
	<u>\$ 286,869</u>	<u>\$ 272,011</u>	<u>\$ 14,858</u>
Elections:			
Other contractual services	\$ 4,870	\$ 4,870	\$ 0

(Continued)

## CITY OF LAKELAND, TENNESSEE

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES (Cont.)			
Current (Cont.):			
General Government (Cont.):			
General Government Buildings:			
Administrative building	\$ 4,000	\$ 322	\$ 3,678
General purpose machinery and equipment	3,000		3,000
Computer equipment	<u>9,300</u>	<u>9,269</u>	<u>31</u>
	<u>\$ 16,300</u>	<u>\$ 9,591</u>	<u>\$ 6,709</u>
<u>Total General Government</u>	<u>\$ 508,463</u>	<u>\$ 482,718</u>	<u>\$ 25,745</u>
Public Safety:			
Traffic Control:			
Traffic control lights	\$ 21	\$ 21	\$
Ambulance Services:			
Contractual services	3,504	3,500	4
Fire Protection and Control:			
Fire hydrant rental	32,609	32,609	
Civil Defense:			
Other contractual services	<u>396</u>	<u>361</u>	<u>35</u>
<u>Total Public Safety</u>	<u>\$ 36,530</u>	<u>\$ 36,491</u>	<u>\$ 39</u>
Public Works:			
Highways and Streets:			
Repairs & maintenance - roads	\$ 45,000	\$	\$ 45,000
Repairs & maintenance - other	3,000	2,756	244
Other contractual services	11,000	9,480	1,520
Sundry	1,500	1,460	40
Gas, oil, diesel & grease	5,000	5,360	(360)
Repair parts	5,000	4,944	56
Tools	1,800	1,747	53
Sign parts and supplies	4,100	4,039	61
Raw materials		2,556	(2,556)
Gravel and sand	1,500	1,354	146
Machinery & equipment rental	500	398	102
Transportation equipment	26,100	26,094	6
Other machinery & equipment	<u>12,000</u>	<u>11,839</u>	<u>161</u>
	<u>\$ 116,500</u>	<u>\$ 72,027</u>	<u>\$ 44,473</u>
Street Lighting:			
Electric	<u>\$ 6,565</u>	<u>\$ 7,174</u>	<u>\$ (609)</u>
State Street Aid:			
Repair & maintenance - roads	<u>\$ 90,000</u>	<u>\$ 2,881</u>	<u>\$ 87,119</u>

(Continued)

## CITY OF LAKELAND, TENNESSEE

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES (Cont.)			
Current (Cont.):			
Public Works (Cont.):			
<u>Sewerage Collection and Disposal:</u>			
Electric	\$ 4,394	\$ 4,321	\$ 73
Telephone	940	928	12
Legal services	40,000	38,531	1,469
Architectural & engineering	223,139	214,100	9,039
Repair & maintenance services	5,000	5,413	(413)
Other contractual services	2,600	1,161	1,439
Collection fees	9,095	9,095	
Chemical, lab and medical	13,500	12,975	525
Gas, oil, diesel & grease	43	43	
Repair parts	5,000	3,317	1,683
Gravel and sand	1,600	1,419	181
Machinery & equipment rental	850	715	135
Bond sale expense	34,250		34,250
Gross receipts payback	13,300	11,424	1,876
Improvements - renewal and replacements	63,104	29,301	33,803
Sewage disposal improvements	62,200	81,082	(18,882)
	<u>\$ 479,015</u>	<u>\$ 413,825</u>	<u>\$ 65,190</u>
Weed and Mosquito Control:			
Chemical, lab and medical	\$ 1,485	\$ 5,079	\$ (3,594)
Repair parts	200	19	181
	<u>\$ 1,685</u>	<u>\$ 5,098</u>	<u>\$ (3,413)</u>
<u>Total Public Works</u>	<u>\$ 693,765</u>	<u>\$ 501,005</u>	<u>\$ 192,760</u>
Health, Welfare & Recreation:			
Rabies and Animal Control:			
Collection fees	\$ 350	\$ 300	\$ 50
Recreation Center:			
Publicity, subscriptions & dues	\$	\$ 578	\$ (578)
Electric	1,000	1,148	(148)
Water	200	473	(273)
Gas	1,530	1,574	(44)
Telephone	300	328	(28)
Architectural & engineering	20,000	36,373	(16,373)
Repair & maintenance - buildings	3,500	3,378	122
Repair & maintenance - other	750	1,960	(1,210)
Other contractual services	4,450	3,249	1,201
Sundry	100	114	(14)
Easter community activity	270	239	31

(Continued)

## CITY OF LAKELAND, TENNESSEE

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Current (Cont.):			
Health, Welfare & Recreation (Cont.):			
Recreation Center (Cont.):			
Halloween community activity	\$ 130	\$ 130	\$
Other community activities	1,000	987	13
Painting & plumbing supplies	100	61	39
Electrical supplies	200	158	42
Repair parts	1,200	1,075	125
Gravel and sand	50	50	
Miscellaneous	150	137	13
Insurance	1,000		1,000
Parks & recreation facilities		5,864	(5,864)
	<u>\$ 35,930</u>	<u>\$ 57,876</u>	<u>\$ (21,946)</u>
<u>Total Health, Welfare &amp; Recreation</u>	<u>\$ 36,280</u>	<u>\$ 58,176</u>	<u>\$ (21,896)</u>
Debt Service:			
Public Works:			
Interest	<u>\$ 17,600</u>	<u>\$ 17,185</u>	<u>\$ 415</u>
<u>Total Expenditures</u>	<u>\$1,292,638</u>	<u>\$1,095,575</u>	<u>\$ 197,063</u>
<u>Excess (Deficiency) of Revenues       Over (Under) Expenditures</u>	<u>\$ (95,840)</u>	<u>\$ 108,301</u>	<u>\$ 204,141</u>
OTHER FINANCING SOURCES (USES)			
Proceeds of long-term debt	\$ 622,592	\$ 295,036	\$ (327,556)
Operating transfers out	<u>(11,750)</u>	<u>(9,244)</u>	<u>2,506</u>
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 610,842</u>	<u>\$ 285,792</u>	<u>\$ (325,050)</u>
<u>Excess (Deficiency) of Revenues       and Other Sources Over (Under)       Expenditure and Other uses</u>	<u>\$ 515,002</u>	<u>\$ 394,093</u>	<u>\$ (120,909)</u>
FUND BALANCE, JULY 1	<u>1,771,237</u>	<u>1,771,237</u>	<u>0</u>
FUND BALANCE, JUNE 30	<u>\$2,286,239</u>	<u>\$2,165,330</u>	<u>\$ (120,909)</u>

The accompanying notes are an integral part of the financial statements.

#### SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Solid Waste Fund - To account for the revenues and expenditures related to the collection of solid waste.

Sewer Fund - To account for the construction and operation of a sewer system. Through June 30, 1996, the only activity in this fund was the receipt of \$296,307 on long-term debt proceeds.

## CITY OF LAKELAND, TENNESSEE

## SPECIAL REVENUE FUNDS

## COMBINING BALANCE SHEET

JUNE 30, 1996

<u>ASSETS</u>	<u>Solid Waste Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 0	\$ 297,488	\$ 297,488
 <u>LIABILITIES AND FUND BALANCE</u>  			
LIABILITIES	\$ 0	\$ 0	\$ 0
FUND BALANCE			
Unreserved	<u>          </u>	<u>297,488</u>	<u>297,488</u>
	<u>\$ 0</u>	<u>\$ 297,488</u>	<u>\$ 297,488</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF LAKELAND, TENNESSEE

## SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Solid Waste Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
REVENUES			
Charges for Services	\$ 87,477	\$	\$ 87,477
Other:			
Interest	<u>                    </u>	<u>1,181</u>	<u>1,181</u>
<u>Total Revenues</u>	\$ 87,477	\$ 1,181	\$ 88,658
EXPENDITURES			
Current:			
Public Works	<u>96,721</u>	<u>                    </u>	<u>96,721</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	\$ <u>(9,244)</u>	\$ <u>1,181</u>	\$ <u>(8,063)</u>
OTHER FINANCING SOURCES			
Proceeds of long-term debt	\$	\$ 296,307	\$ 296,307
Operating transfers in	<u>9,244</u>	<u>                    </u>	<u>9,244</u>
<u>Total Other Financing Sources</u>	\$ <u>9,244</u>	\$ <u>296,307</u>	\$ <u>305,551</u>
<u>Excess of Revenues and Other Sources Over Expenditures</u>	\$ 0	\$ 297,488	\$ 297,488
FUND BALANCE, JULY 1	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, JUNE 30	<u>\$ 0</u>	<u>\$ 297,488</u>	<u>\$ 297,488</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF LAKELAND, TENNESSEE

## SOLID WASTE FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGED IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES			
Charges for Services:			
Refuse collection and disposal	\$ 83,850	\$ 87,477	\$ 3,627
EXPENDITURES			
Current:			
Public Works:			
Garbage Collection & Disposal:			
Collection fees	95,600	96,721	(1,121)
<u>Excess (Deficiency) of Revenues     Over (Under) Expenditures</u>	\$ (11,750)	\$ (9,244)	\$ 2,506
OTHER FINANCING SOURCES			
Operating transfers in	11,750	9,244	(2,506)
<u>Excess of Revenues and Other     Sources Over Expenditures</u>	\$ 0	\$ 0	\$ 0
FUND BALANCE, JULY 1	0	0	0
FUND BALANCE, JUNE 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF LAKELAND, TENNESSEE

## SEWER FUND

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGED IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES			
Other:			
Interest	\$ 0	\$ 1,181	\$ 1,181
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
<u>Excess of Revenues Over     Expenditures</u>	\$ 0	\$ 1,181	\$ 1,181
OTHER FINANCING SOURCES			
Proceeds of long-term debt	<u>          </u>	<u>296,307</u>	<u>296,307</u>
<u>Excess of Revenues and Other     Sources Over Expenditures</u>	\$ 0	\$ 297,488	\$ 297,488
FUND BALANCE, JULY 1	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, JUNE 30	<u>\$ 0</u>	<u>\$ 297,488</u>	<u>\$ 297,488</u>

The accompanying notes are an integral part of the financial statements.

## TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individual, private organizations, other governments and/or other funds.

Deferred Compensation Fund - This fund is an agency fund used to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 457.

CITY OF LAKELAND, TENNESSEE  
 DEFERRED COMPENSATION AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
<b>ASSETS</b>				
Investments	\$ 38,461	\$ 32,831	\$ 2,198	\$ 69,094
 <b>LIABILITIES</b>				
Deferred compensation benefits payable	\$ 38,461	\$ 32,831	\$ 2,198	\$ 69,094

The accompanying notes are an integral part of the financial statements.

GENERAL FIXED ASSETS ACCOUNT GROUP

## CITY OF LAKELAND, TENNESSEE

## SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

JUNE 30, 1996

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
GENERAL GOVERNMENT					
General administration	\$ 62,607	\$ 66,701	\$ 0	\$ 97,020	\$ 226,328
PUBLIC WORKS					
Streets and highways	\$ 80,682	\$ 0	\$ 1,552,716	\$ 181,534	\$ 1,814,932
Sewer system	80,682	0	1,552,716	181,534	1,814,932
<u>Total Public Works</u>	<u>\$ 80,682</u>	<u>\$ 0</u>	<u>\$ 1,552,716</u>	<u>\$ 181,534</u>	<u>\$ 1,814,932</u>
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	\$ 894,200	\$ 145,206	\$ 36,288	\$ 12,351	\$ 1,088,045
<u>Total General Fixed Assets</u>	<u>\$ 1,037,489</u>	<u>\$ 211,907</u>	<u>\$ 1,589,004</u>	<u>\$ 290,905</u>	<u>\$ 3,129,305</u>

The accompanying notes are an integral part of the financial statements.

CITY OF LAKE LAND, TENNESSEE  
 SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1996

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
GENERAL GOVERNMENT				
General administration	\$ 212,685	\$ 13,643	\$ 0	\$ 226,328
PUBLIC WORKS				
Streets and highways	\$ 140,830	\$ 40,704	\$	\$ 181,534
Sewer system	<u>1,285,640</u>	<u>347,758</u>	<u>                    </u>	<u>1,633,398</u>
<u>Total Public Works</u>	<u>\$1,426,470</u>	<u>\$ 388,462</u>	<u>\$ 0</u>	<u>\$1,814,932</u>
HEALTH, WELFARE, CULTURE AND RECREATION				
Parks	\$ 46,814	\$1,041,231	\$ 0	\$1,088,045
<u>Total General Fixed         Assets</u>	<u>\$1,685,969</u>	<u>\$1,443,336</u>	<u>\$ 0</u>	<u>\$3,129,305</u>

The accompanying notes are an integral part of the financial statements.

#### OTHER FINANCIAL INFORMATION

The other financial information section of this report includes information not required to be included in the General Purpose Financial Statements and is provided for the purpose of additional analysis.

## CITY OF LAKELAND, TENNESSEE

## SCHEDULE OF INVESTMENTS

JUNE 30, 1996

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Cost</u>	<u>Market</u> <u>Value</u>
GENERAL FUND				
Certificates of Deposit:				
First Nationwide Bank	7/18/96	7.10%	\$ 95,000	\$ 95,000
First Tennessee Bank	7/29/96	5.25%	99,000	99,000
Peoples Bank	8/03/96	5.90%	800,000	800,000
Peoples Bank	3/16/97	5.00%	99,000	99,000
Peoples Bank	3/31/97	5.25%	500,000	500,000
Peoples Bank	4/03/97	5.25%	<u>98,000</u>	<u>98,000</u>
<u>Total General Fund</u>			\$1,691,000	\$1,691,000
DEFERRED COMPENSATION FUND				
Investment accounts with Aetna Insurance Company - mutual funds				
	N/A	N/A	<u>69,064</u>	<u>69,064</u>
<u>Total Investments</u>			<u>\$1,760,064</u>	<u>\$1,760,064</u>

CITY OF LAKELAND, TENNESSEE  
SCHEDULE OF INTERFUND TRANSFERS  
FOR THE YEAR ENDED JUNE 30, 1996

<u>Transfer from</u>	<u>Transferred to</u>	<u>Amount</u>
General Fund	Solid Waste Fund	<u>\$ 9,244</u>

## CITY OF LAKELAND, TENNESSEE

## SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

## GENERAL OBLIGATION DEBT

JUNE 30, 1996

<u>Year Ended</u> <u>June 30,</u>	<u>Notes Dated June 26, 1995*</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1997	\$ 67,000	\$ 21,791	\$ 88,791
1998	71,500	19,446	90,946
1999	76,500	16,943	93,443
2000	82,000	14,266	96,266
2001	88,000	11,396	99,396
2002	94,000	8,316	102,316
2003	100,500	5,026	105,526
2004	<u>43,093</u>	<u>1,508</u>	<u>44,601</u>
	<u>\$ 622,593</u>	<u>\$ 98,692</u>	<u>\$ 721,285</u>

\*This is the debt service on the balance drawn on the loan at June 30, 1996 only.

## CITY OF LAKELAND, TENNESSEE

## SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS

JUNE 30, 1996

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Gene Fletcher	Mayor	\$ 6,000	\$ 5,000
Patra B. Temple	Vice-Mayor	1,800	0
Jim Bompreszi	Commissioner	1,800	0
Lupo Carlota	Commissioner	1,800	0
Dale Jones	Commissioner	1,800	0

CITY OF LAKELAND, TENNESSEE  
 SCHEDULE OF INSURANCE IN FORCE  
 JUNE 30, 1996

<u>Company</u>	<u>Policy Number</u>	<u>Effective Dates</u>	<u>Type of Coverage</u>	<u>Co-Insurance</u>	<u>Limits of Coverage</u>
TML Risk Management Pool	TML-067-95	7/01/95 - 7/01/96	General Liability: Bodily injury Property damage Auto Liability: Bodily injury Property damage All other liability not covered by the Tennessee Government Tort Liability Act Public Officials Errors & Omissions		\$130/350,000 50,000 130/350,000 50,000 350,000 1,000,000
TML Risk Management Pool	TWC-0354	9/01/95 - 9/01/96	Workman's compensation		130,000
TML Risk Management Pool	TMP-3192	7/01/95 - 7/01/96	City Hall Contents of city hall Listed equipment	80% 80%	338,874 113,000 52,925
American States Insurance Company	EX611433	10/20/95 - 10/20/96	Recorder - Fidelity bond		10,000
American States Insurance Company	EX968633	2/16/96 - 2/16/97	City Manager - fidelity bond		10,000
American States Insurance Company	EX903483	10/20/95 - 10/24/96	Mayor - Bond		5,000

## ARNOLD, SPAIN &amp; COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS  
 914 NORTH HIGHLAND AVENUE  
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 GRADY ARNOLD, C.P.A., RETIRED

TENNESSEE SOCIETY OF  
 CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

Independent Auditor's Report on  
 Compliance Based on an Audit of the  
 Financial Statements Performed in  
 Accordance with Government Auditing Standards

Honorable Gene Fletcher, Mayor  
 Members of the Board of Commissioners  
 City of Lakeland, Tennessee

We have audited the general purpose financial statements and the individual fund and account group financial statements of the City of Lakeland, Tennessee, as of and for the year ended June 30, 1996, and have issued our report thereon dated February 28, 1997.

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

Compliance with laws, regulations, contracts and grants applicable to the City of Lakeland, Tennessee, is the responsibility of City of Lakeland, Tennessee's management. As part of obtaining reasonable assurance about whether the general purpose financial statements and the individual fund and account group financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However the objective of our audit of the general purpose and individual fund and account group financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Mayor, Board of Commissioners, management and the Comptroller of the Treasury, State of Tennessee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Arnold, Spain & Company, P.C.*

Certified Public Accountants

Jackson, Tennessee  
 February 28, 1997

## ARNOLD, SPAIN &amp; COMPANY, P.C.

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AICPA DIVISION OF FIRMS

KRISTI MCNEILL, C.P.A.  
 AMY CREIGHTON, C.P.A.  
 GRADY ARNOLD, C.P.A., RETIRED

Independent Auditor's Report  
 on the Internal Control Structure  
 Based on an Audit of General  
 Purpose Financial Statements  
 and Individual Fund and Account  
 Group Financial Statements  
 Performed in Accordance with Government  
 Auditing Standards

Honorable Gene Fletcher, Mayor  
 Members of the Board of Commissioners  
 City of Lakeland, Tennessee

We have audited the general purpose financial statements and the individual fund and account group financial statements of the City of Lakeland, Tennessee, as of and for the year ended June 30, 1996, and have issued our report thereon dated February 28, 1997.

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

The management of the City of Lakeland, Tennessee, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the individual fund and account group financial statements of the City of Lakeland, Tennessee, for the year ended June 30, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we

Honorable Gene Fletcher, Mayor  
Members of the Board of Commissioners  
City of Lakeland, Tennessee

assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the City of Lakeland, Tennessee, in the accompanying Schedule of Findings and Recommendations and in a separate letter dated February 28, 1997.

This report is intended for the information of the Mayor, Board of Commissioners, management and the Comptroller of the Treasury, State of Tennessee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Arnold, Spain & Company, P.C.*

Certified Public Accountants

Jackson, Tennessee  
February 28, 1997

## CITY OF LAKE LAND, TENNESSEE

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 1996

**CURRENT YEAR FINDINGS**

96-01. Finding Applications for a building permit include a variety of fees and deposits as required by city ordinances. These applications are comprehensive and effectively capture in one place all required fees to be collected prior to the start of a residential or commercial structure. These applications, however, are not prenumbered, and therefore there cannot be accountability for what applications have been received.

Recommendation: We recommend that these applications be prenumbered in such a way that the sequence of all applications received by the city can be accounted for accurately.

Management Response: We concur.

96-02 Finding: There is a significant delay in issuing business tax receipts from the Recorder's office. Receipts are issued sometimes several months after the actual collection of the tax. While this appears to be causing no significant problem, it is causing the computed penalty and interest amounts as determined by the city's business tax software program to be incorrect.

Recommendation: We recommend that business tax receipts be issued promptly upon receipt of the tax by the city.

Management Response: We concur.

All prior year findings have been satisfactorily resolved.