

**CITY OF LAKELAND, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

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CITY OF LAKELAND, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
For the fiscal year ended June 30, 1998

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for the fiscal year end June 30, 1998  
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CITY OF LAKELAND, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

June 30, 1998

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Elected Officials

Mayor  
Commissioner  
Commissioner  
Commissioner  
Commissioner

James P. Bomprezzi, Sr.  
Patra B. Temple  
Nina Griffin  
John Wilkerson  
Scott Carmichael

Appointed Officials

City Manager  
Recorder

Maurice Azain, Jr.  
Norman F. King, Sr.

**SHELTON, ALSOBROOK & ASSOCIATES, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

1721 KIRBY PARKWAY

MEMPHIS, TENNESSEE 38120

L. DOUGLAS SHELTON, CPA  
LINDA J. ALSOBROOK, CPA

TELEPHONE  
901-757-8090  
FAX 901-757-0680

Honorable Mayor and  
Board of Commissioners  
City of Lakeland, Tennessee

We have audited the accompanying general purpose financial statements of the City of Lakeland and the combining, individual and account group financial statements as of and for the year ended June 30, 1998, as listed in the table of contents. These financial general purpose statements are the responsibility of the City of Lakeland'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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules 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, as of June 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, such combining, individual fund, and account group financial statements present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Lakeland, as of June 30, 1998, 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 September 9, 1998, on our consideration of the City of Lakeland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Honorable Mayor and  
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 combining 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. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, combining, individual fund, and account group financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements of each of the respective individual funds and account groups taken as a whole.

*Shelton, Albrook & Assoc.*

September 8, 1998

CITY OF LAKELAND, TENNESSEE  
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
 June 30, 1998

<u>ASSETS AND OTHER DEBITS</u>	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 351,350	\$ -	\$ -
Investments	793,000	-	67,559
Receivables:			
Accounts	-	34,425	-
Intergovernmental	105,195	-	-
Advances from other funds	599,385	-	-
Fixed assets	-	-	-
<b>OTHER DEBITS</b>			
Amount to be provided for retirement of general long-term debt	-	-	-
<b>Total Assets and Other Debits</b>	<b>1,848,930</b>	<b>34,425</b>	<b>67,559</b>
 <b><u>LIABILITIES, EQUITY AND OTHER CREDITS</u></b>			
<b>LIABILITIES</b>			
Accounts payable	15,527	-	-
Advances from other funds	-	599,385	-
Deferred compensation payable	-	-	67,559
Refundable deposits	60,000	-	-
Accrued vacation	-	-	-
Notes payable	-	-	-
<b>Total Liabilities</b>	<b>75,527</b>	<b>599,385</b>	<b>67,559</b>
<b>EQUITY AND OTHER CREDITS</b>			
Investment in general fixed assets	-	-	-
Reserved for State Street Aid	25,503	-	-
Unreserved, designated for Parks	22,143	-	-
Unreserved, undesignated	1,725,757	(564,960)	-
<b>Total Equity and Other Credits</b>	<b>1,773,403</b>	<b>(564,960)</b>	<b>-</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>1,848,930</b>	<b>34,425</b>	<b>67,559</b>

<u>Account Groups</u>			
<u>General</u>	<u>General</u>		<u>Totals</u>
<u>Fixed</u>	<u>Long-Term</u>		<u>(Memorandum</u>
<u>Assets</u>	<u>Debt</u>		<u>Only)</u>
\$ -	\$ -		\$ 351,350
-	-		860,559
-	-		34,425
-	-		105,195
-	-		599,385
5,143,635	-		5,143,635
-	493,386		493,386
<u>5,143,635</u>	<u>493,386</u>		<u>7,587,935</u>
-	-		15,527
-	-		599,385
-	-		67,559
-	-		60,000
-	9,293		9,293
-	484,093		484,093
-	493,386		1,235,857
5,143,635	-		5,143,635
-	-		25,503
-	-		22,143
-	-		1,160,797
<u>5,143,635</u>	<u>-</u>		<u>6,352,078</u>
<u>5,143,635</u>	<u>493,386</u>		<u>7,587,935</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 BALANCE  
 ALL GOVERNMENTAL FUNDS  
 For the fiscal year ended June 30, 1998

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
	\$	\$	\$
REVENUES			
Taxes	83,440	-	83,440
Licenses and permits	113,632	-	113,632
Intergovernmental	658,678	-	658,678
Fees for services	1,150	521,538	522,688
Other	64,796	-	64,796
	-----	-----	-----
Total Revenues	921,696	521,538	1,443,234
	-----	-----	-----
EXPENDITURES			
Current:			
General government	439,394	-	439,394
Public safety	52,022	-	52,022
Public works	203,682	262,110	465,792
Health, culture, welfare and recreation	120,697	-	120,697
Capital outlay	92,525	17,558	110,083
Debt Service:			
Principal payments	-	71,500	71,500
Interest	-	22,887	22,887
	-----	-----	-----
Total Expenditures	908,320	374,055	1,282,375
	-----	-----	-----
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	13,376	147,483	160,859
	-----	-----	-----
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
	-----	-----	-----
Total Other Sources (Uses)	-	-	-
	-----	-----	-----
<u>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	13,376	147,483	160,859
	-----	-----	-----
FUND BALANCES, beginning of year	1,760,027	(712,443)	1,047,584
	-----	-----	-----
FUND BALANCES, end of year	1,773,403	(564,960)	1,208,443
	-----	-----	-----

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 - BUDGET AND ACTUAL  
 GENERAL AND SPECIAL REVENUE FUNDS  
 For the fiscal year ended June 30, 1998

	General Fund		Variance- Favorable (Unfavorable)
	Budget	Actual	
REVENUES	\$	\$	\$
Taxes	76,000	83,440	7,440
Licenses and permits	108,000	113,632	5,632
Intergovernmental	676,156	658,678	(17,478)
Charges for services	28,000	1,150	(26,850)
Other	82,500	64,796	(17,704)
	-----	-----	-----
<u>Total Revenues</u>	970,656	921,696	(48,960)
	-----	-----	-----
EXPENDITURES			
Current:			
General government	480,650	439,394	41,256
Public safety	66,000	52,022	13,978
Public works	290,000	203,682	86,318
Health, culture, welfare and recreation	153,800	120,697	33,103
Capital outlay	77,000	92,525	(15,525)
Debt Service:			
Interest	-	-	-
Principal	-	-	-
<u>Total Expenditures</u>	1,067,450	908,320	159,130
	-----	-----	-----
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	(96,794)	13,376	110,170
	-----	-----	-----
OTHER FINANCING SOURCES (USES)			
Operating transfers	-	-	-
<u>Total Other Financing Sources (USES)</u>	-	-	-
	-----	-----	-----
<u>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	(96,794)	13,376	110,170
	-----	-----	-----
FUND BALANCES, beginning of year		1,760,027	
		-----	
FUND BALANCES, end of year		1,773,403	
		-----	

<u>Special Revenue Fund</u>			<u>Total (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
-	-	-	76,000	83,440	7,440
-	-	-	108,000	113,632	5,632
-	-	-	676,156	658,678	(17,478)
480,000	521,538	41,538	508,000	522,688	14,688
-	-	-	82,500	64,796	(17,704)
-----	-----	-----	-----	-----	-----
480,000	521,538	41,538	1,450,656	1,443,234	(7,422)
-----	-----	-----	-----	-----	-----
-	-	-	480,650	439,394	41,256
-	-	-	66,000	52,022	13,978
293,500	262,110	31,390	583,500	465,792	117,708
-	-	-	153,800	120,697	33,103
30,000	17,558	12,442	107,000	110,083	(3,083)
78,500	22,887	55,613	78,500	22,887	55,613
71,500	71,500	-	71,500	71,500	-
-----	-----	-----	-----	-----	-----
473,500	374,055	99,445	1,540,950	1,282,375	258,575
-----	-----	-----	-----	-----	-----
6,500	147,483	140,983	(90,294)	160,859	251,153
-----	-----	-----	-----	-----	-----
-	-	-	-	-	-
-----	-----	-----	-----	-----	-----
-	-	-	-	-	-
-----	-----	-----	-----	-----	-----
6,500	147,483	140,983	(90,294)	160,859	251,153
-----	-----	-----	-----	-----	-----
	(712,443)			1,047,584	
	-----			-----	
	(564,960)			1,208,443	
	-----			-----	

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

CITY OF LAKELAND, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1998

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**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 general fund types as follows:

**Governmental Funds:**

**General Fund** - The General Fund is the general operating fund of the City and it 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 Fund, the Sewer Service Fund and the Sewer Construction Fund.

**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, 1998

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**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 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 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, 1998

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**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: The 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, and repurchase agreements.

**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 leave accumulations at June 30, 1998, totaled \$9,293 and is included in the General Long-Term Debt Account Group.

CITY OF LAKELAND, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 JUNE 30, 1998

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**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 balance 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 \$1,144,350, and the bank balance was \$1,181,306. Of the bank balance, \$195,000 was covered by the federal depository insurance and \$837,762 was covered by collateral held by the City's agent in the City's name.

Investments: The City's investments at June 30, 1998, consisted of certificates of deposit in the general fund and investments for the deferred compensation plan as follows:

	Carrying Amount	Market Value
Aetna Life Insurance Company - various mutual funds	\$ 67,559 =====	\$ 67,559 =====

**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, 1998

**NOTE 4 - FIXED ASSETS**

A summary of changes in general fixed assets for the year ended June 30, 1998, follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$1,037,489	\$ -	\$ -	\$1,037,489
Buildings	211,907	96,333	-	308,240
Improvements other than buildings	3,342,579	17,558	-	3,360,137
Machinery & equipment	346,627	91,142	-	437,769
	-----	-----	-----	-----
	\$4,938,602	\$ 205,033	\$ -	\$5,143,635
	-----	-----	-----	-----

**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 contribution 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.

Investments 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.

The City and its Mayor, Vice Mayor and three Commissioners are defendants in a suit which alleges the City and each individual defendant violated the Tennessee Open Meeting Act and seeks damages against the City and each individual defendant in the amount of \$100,000. The City has agreed to pay any damages personally awarded against the Mayor, Vice Mayor and Commissioners should the litigant prevail. This would expose the City to a potential liability of \$600,000. The attorney for the City believes the suit to be without merit and intends to vigorously defend the suit.

CITY OF LAKELAND, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS (CONT.)  
 JUNE 30, 1998

**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, 1998 were \$622,593, interest  
 rate is variable and ranged from 3.2% to 5.35%  
 during the year rate in effect at  
 June 30, 1998 was 3.84% \$ 484,093

=====

Long-term debt transactions for the year were as follows:

Note payable, July 1, 1997	\$ 555,593
Principal payments	71,500
	<u>-----</u>
Note payable, June 30, 1998	\$ 484,093
	<u>=====</u>

Principal and interest requirements to amortize the debt outstanding at June 30, 1998 including interest at the rate in effect on that date, of \$57,455 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Requirements</u>
1999	\$ 93,443
2000	96,266
2001	99,396
2002	102,316
2003-2004	150,127
	<u>-----</u>
	\$ 541,548
	<u>=====</u>

**NOTE 8 - 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, workmen'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.

CITY OF LAKELAND, TENNESSEE  
GENERAL FUND  
BALANCE SHEET  
June 30, 1998

---

ASSETS

Cash	\$ 351,350
Investments	793,000
Sales tax receivable	105,195
Advances to other funds	599,385
	-----
TOTAL ASSETS	\$1,848,930
	-----

LIABILITIES, EQUITY AND OTHER CREDITS

Accounts payable	\$ 15,527
Erosion control deposits held	58,000
Cell tower deposits held	2,000
	-----
TOTAL LIABILITIES	75,527
Reserved for Street Aid	25,503
Unreserved, designated for Parks	22,143
Unreserved, undesignated	1,725,757
	-----
TOTAL FUND EQUITY	1,773,403
	-----
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$1,848,930
	-----

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

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, 1998

	Budget	Actual	Variance- Favorable (Unfavorable)
	\$	\$	\$
<b>REVENUES</b>			
<b>Local Taxes:</b>			
Wholesale beer tax	21,000	26,901	5,901
Business taxes	45,000	43,808	(1,192)
Cable TV franchise tax	10,000	12,731	2,731
	-----	-----	-----
	76,000	83,440	7,440
	-----	-----	-----
<b>Licenses and Permits:</b>			
Building permits	75,000	80,119	5,119
Inspection fees	21,000	22,958	1,958
Other permits	12,000	10,555	(1,445)
	-----	-----	-----
	108,000	113,632	5,632
	-----	-----	-----
<b>Intergovernmental Revenue:</b>			
Local option sales tax	420,000	434,291	14,291
TVA payments in lieu of taxes	11,436	11,405	(31)
State sales tax	170,000	118,555	(51,445)
State income tax	12,500	29,340	16,840
State beer tax	1,042	1,031	(11)
State gas and fuel tax (state street aid)	56,033	58,866	2,833
State street and transportation	5,145	5,190	45
	-----	-----	-----
	676,156	658,678	(17,478)
	-----	-----	-----
<b>Charges for Services:</b>			
Public works - charges for services	-	-	-
Park and recreation charges	28,000	1,150	(26,850)
	-----	-----	-----
	28,000	1,150	(26,850)
	-----	-----	-----
<b>Other Revenues:</b>			
Interest earned	80,000	51,242	(28,758)
Other	2,500	13,554	11,054
	-----	-----	-----
	82,500	64,796	(17,704)
	-----	-----	-----
<b>TOTAL REVENUES</b>	970,656	921,696	(48,960)
	-----	-----	-----

(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, 1998

	Budget	Actual	Variance- Favorable
	\$	\$	(Unfavorable)
			\$
EXPENDITURES			
Current:			
General Government:			
General Government:			
Salaries - permanent employees	212,000	199,804	12,196
Wages - permanent employees	31,000	25,014	5,986
Wages - overtime	2,000	1,234	766
Wages - temporary employees	6,500	4,276	2,224
Payroll taxes	20,350	20,314	36
Hospital & health insurance	7,000	12,945	(5,945)
Retirement	7,000	15,347	(8,347)
Employee education & training	4,000	27	3,973
Uniform	250	-	250
Board of Commissioners	27,600	16,800	10,800
Communication & transportation	7,000	1,520	5,480
Printing and duplicating	7,000	2,608	4,392
Publicity, subscriptions & dues	7,500	8,047	(547)
Electric	5,500	2,888	2,612
Water	650	663	(13)
Gas	2,500	3,053	(553)
Telephone	5,000	5,685	(685)
Legal services	25,000	27,227	(2,227)
Accounting and auditing	5,000	6,500	(1,500)
Architectural and engineering	25,000	5,289	19,711
Data processing services	3,300	6,661	(3,361)
Tennessee state planning office	3,500	1,589	1,911
Other professional services	2,000	4,747	(2,747)
Supplies	7,000	14,975	(7,975)
Operating supplies	2,500	1,627	873
Insurance	21,000	15,601	5,399
Census	-	1,736	(1,736)
Contributions - civic promotion	2,000	-	2,000
Contributions - drug prevention	500	-	500
Gross receipts payback	10,000	7,549	2,451
Repair & maintenance services	2,500	166	2,334
Travel	9,000	3,769	5,231
Other contractual services	3,500	4,818	(1,318)
Sales tax commissions	-	9,180	(9,180)

(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, 1998

	Budget	Actual	Variance- Favorable (Unfavorable)
	\$	\$	\$
<b>EXPENDITURES (Cont.)</b>			
Elections:			
Other contractual services	6,000	7,735	(1,735)
<b>Total General Government</b>	480,650	439,394	41,256
Public Safety:			
Law Enforcement	2,000	-	2,000
Traffic Control:			
Traffic control lights	4,000	-	4,000
Ambulance Services:			
Contractual services	4,000	3,500	500
Fire Protection and Control:			
Fire hydrant rental	50,000	46,691	3,309
Civil Defense:			
Other contractual services	6,000	1,831	4,169
<b>Total Public Safety</b>	66,000	52,022	13,978
Public Works:			
Highways and Streets:			
Wages	-	22,954	(22,954)
Overtime wages	-	1,869	(1,869)
Payroll taxes	-	76	(76)
Uniforms	-	312	(312)
Printing and duplicating	-	25	(25)
Electric	-	829	(829)
Telephone	-	256	(256)
Other professional services	-	1,754	(1,754)
Repairs and maintenance	5,000	584	4,416
Contracted services	10,000	19,022	(9,022)
Sundry	4,000	482	3,518
Office supplies	-	1,934	(1,934)
Gas oil and fuel	8,000	5,634	2,366
Repair parts	5,000	4,773	227
Tools	3,000	1,389	1,611
Sign parts and supplies	2,500	4,227	(1,727)
Gravel and sand	4,000	9,405	(5,405)
Machinery and equipment rental	1,000	658	342
Street lighting	10,000	7,810	2,190
State Street Aid Expenses			
- roads	235,000	118,756	116,244
	287,500	202,749	84,751

(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, 1998

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
	\$	\$	\$
EXPENDITURES (Cont.)			
Current (Cont.):			
Public Works (Cont.):			
Weed and Mosquito Control:			
Chemical, lab and medical	2,500	933	1,567
	-----	-----	-----
<u>Total Public Works</u>	290,000	203,682	86,318
	-----	-----	-----
Health, Welfare & Recreation:			
Rabies and Animal Control:			
Collection fees	1,000	-	1,000
Parks and Recreation Center:			
Electric	2,000	2,582	(582)
Water	500	289	211
Gas	3,000	344	2,656
Telephone	1,000	358	642
Architectural & engineering	8,000	-	8,000
Repair & maintenance - building	6,000	346	5,654
Repair & maintenance - other	3,000	-	3,000
Other contractual services	11,000	11,003	(3)
Sundry	3,000	4,004	(1,004)
Other communities activities	7,800	284	7,516
Painting & plumbing supplies	1,000	-	1,000
Electrical supplies	500	-	500
Repair parts	1,000	38	962
Gravel and sand	2,000	-	2,000
Sign parts	1,000	2,631	(1,631)
Other professional services	1,000	840	160
Office supplies	1,000	1,645	(645)
Parks & recreation facilities	100,000	96,333	3,667
	-----	-----	-----
<u>Total Health, Welfare &amp; Recreation</u>	153,800	120,697	33,103
	-----	-----	-----
Capital Outlay:			
General - equipment	50,000	43,633	6,367
General - computer equipment	10,000	4,343	5,657
Public works - transportation equipment	14,000	43,166	(29,166)
Public Works - machinery & equipment	3,000	1,383	1,617
	-----	-----	-----
<u>Total Capital Outlay</u>	77,000	92,525	(15,525)
	-----	-----	-----

(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, 1998

	<u>Budget</u> \$	<u>Actual</u> \$	Variance- Favorable (Unfavorable) \$
EXPENDITURES (Cont.)			
<u>Total Expenditures</u>	1,067,450	908,320	159,130
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	(96,794)	13,376	110,170
OTHER FINANCING SOURCES (USES)			
Operating transfers (out)	-	-	-
<u>Total Other Financing Sources (Uses)</u>	-	-	-
<u>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	(96,794)	13,376	110,170
FUND BALANCE, beginning of year		1,760,027	
FUND BALANCE, end of year		1,773,403	

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

CITY OF LAKELAND, TENNESSEE  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
June 30, 1998

<u>ASSETS</u>	<u>Sewer Service Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Accounts receivable	\$ 16,603	\$ 17,822	\$ 34,425
	----- 16,603 -----	----- 17,822 -----	----- 34,425 -----
 <b><u>LIABILITIES AND FUND BALANCE</u></b>			
<b>LIABILITIES</b>			
Advances from general fund	604,286	(4,901)	599,385
	-----	-----	-----
<b>FUND BALANCE</b>	(587,683)	22,723	(564,960)
	-----	-----	-----
	\$ 16,603	\$ 17,822	\$ 34,425
	-----	-----	-----

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, 1998

	<u>Sewer Service Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
<b>REVENUES</b>			
Charges for Services	\$ 373,250	\$ 148,288	\$ 521,538
	-----	-----	-----
	373,250	148,288	521,538
	-----	-----	-----
<b>EXPENDITURES</b>			
Current:			
Public Works	126,311	135,799	262,110
Capital Improvements	17,558	-	17,558
Debt Service:			
Principal payments	71,500	-	71,500
Interest	22,887	-	22,887
	-----	-----	-----
<b>TOTAL EXPENDITURES</b>	<b>238,256</b>	<b>135,799</b>	<b>374,055</b>
	-----	-----	-----
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	<u>134,994</u>	<u>12,489</u>	<u>147,483</u>
	-----	-----	-----
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
	-----	-----	-----
<b>TOTAL OTHER SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>
	-----	-----	-----
<u>Excess of Revenues and Other Sources Over Expenditures</u>	<u>134,994</u>	<u>12,489</u>	<u>147,483</u>
	-----	-----	-----
FUND BALANCE, beginning of year	(722,677)	10,234	(712,443)
	-----	-----	-----
FUND BALANCE, end of year	\$ (587,683)	\$ 22,723	\$ (564,960)
	-----	-----	-----

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

CITY OF LAKELAND, TENNESSEE  
SEWER SERVICE FUND  
BALANCE SHEET  
June 30, 1998

---

ASSETS

Accounts receivable	\$ 16,603
	-----
	16,603
	-----

LIABILITIES, EQUITY AND OTHER CREDITS

LIABILITIES	
Advances from general fund	\$ 604,286
FUND EQUITY	
Unreserved	(587,683)
	-----
	\$ 16,603
	-----

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

CITY OF LAKELAND, TENNESSEE  
SEWER SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
for the fiscal year ended June 30, 1998

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
	\$	\$	\$
<b>REVENUES</b>			
Sewer user fee	120,000	184,500	64,500
Privilege fees	75,000	3,750	(71,250)
Renewal and replacement fees	75,000	92,000	17,000
Connection fees	100,000	93,000	(7,000)
	-----	-----	-----
Total revenues	370,000	373,250	3,250
	-----	-----	-----
<b>EXPENDITURES</b>			
Wages	35,000	35,479	(479)
Overtime wages	7,000	4,934	2,066
Payroll taxes	4,500	1,872	2,628
Health insurance	7,000	573	6,427
Retirement	7,000	274	6,726
Education	1,000	60	940
Uniforms	1,000	708	292
Supplies	-	2,590	(2,590)
Electric	30,000	34,943	(4,943)
Telephone	2,000	269	1,731
Legal	1,000	-	1,000
Architect	15,000	-	15,000
Repairs and maintenance	15,000	16,824	(1,824)
Contracted service	15,000	11,341	3,659
Collection fees	-	2,741	(2,741)
Small equipment	-	218	(218)
Chemicals/lab	25,000	3,997	21,003
Gas, oil, & fuel	1,500	-	1,500
Repair parts	3,000	3,996	(996)
Sand and gravel	2,000	205	1,795
Equipment rental	1,500	1,943	(443)
Other expenses	-	3,344	(3,344)
Principal	71,500	71,500	-
Interest	78,500	22,887	55,613
Capital improvements	30,000	17,558	12,442
	-----	-----	-----
Total expenditures	353,500	238,256	115,244
	-----	-----	-----
<u>Excess (Deficiency) of Revenues</u>			
<u>Over (Under) Expenditures</u>	16,500	134,994	118,494
	-----	-----	-----
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	-	-	-
	-----	-----	-----
<u>Excess of Revenues and Other</u>			
<u>Sources Over Expenditures</u>	16,500	134,994	118,494
	-----	-----	-----
FUND BALANCE, beginning of year		(722,677)	
		-----	
FUND BALANCE, end of year		(587,683)	
		-----	

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

CITY OF LAKELAND, TENNESSEE  
SOLID WASTE FUND  
BALANCE SHEET  
June 30, 1998

---

ASSETS

Accounts receivable	\$ 17,822
	<u>                    </u>
	\$ 17,822
	<u>                    </u>

LIABILITIES, EQUITY AND OTHER CREDITS

LIABILITIES	
Advances from general fund	\$ (4,901)
	<u>                    </u>
FUND EQUITY	
Unreserved	\$ 22,723
	<u>                    </u>
	\$ 17,822
	<u>                    </u>

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

CITY OF LAKELAND, TENNESSEE  
SOLID WASTE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
for the fiscal year ended June 30, 1998

	Budget	Actual	Variance- Favorable (Unfavorable)
	\$	\$	\$
<b>REVENUES</b>			
Charges for Services:			
Refuse Collection & Disposal	110,000	148,287	38,287
	-----	-----	-----
<b>EXPENDITURES</b>			
Current:			
Public Works:			
Garbage Collection & Disposal			
Collection fees	120,000	135,798	(15,798)
	-----	-----	-----
<u>Excess (Deficiency) of Revenues</u>			
<u>Over (Under) Expenditures</u>	(10,000)	12,489	22,489
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	-	-	-
	-----	-----	-----
<u>Excess of Revenues and Other</u>			
<u>Sources Over Expenditures</u>	(10,000)	12,489	22,489
	-----	-----	-----
 FUND BALANCE, beginning of year		10,234	
		-----	
FUND BALANCE, end of year		22,723	
		-----	

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

THE CITY OF LAKELAND, TENNESSEE  
 DEFERRED COMPENSATION AGENCY FUND  
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 for the fiscal year ended June 30, 1998

---

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
<b>ASSETS</b>				
Investments	\$ 33,937	\$ 33,622	\$ -	\$ 67,559
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
<b>LIABILITIES</b>				
Deferred compensation benefits payable	\$ 33,937	\$ 33,622	\$ -	\$ 67,559
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</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 GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY

JUNE 30, 1998

	<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	\$ -	\$ 193,829	\$ 323,137
PUBLIC WORKS					
Streets and highways	-	-	-	231,589	231,589
Sewer system	80,682	-	3,323,849	-	3,404,531
<u>Total Public Works</u>	<u>80,682</u>	<u>-</u>	<u>3,323,849</u>	<u>231,589</u>	<u>3,636,120</u>
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	894,200	241,539	36,288	12,351	1,184,378
<u>Total General Fixed Assets</u>	<u>\$1,037,489</u>	<u>\$ 308,240</u>	<u>\$3,360,137</u>	<u>\$ 437,769</u>	<u>\$5,143,635</u>

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

CITY OF LAKELAND, TENNESSEE  
 SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS  
 for the fiscal year ended June 30, 1998

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<b>GENERAL GOVERNMENT</b>				
General administration	\$ 275,161	\$ 47,976	\$ -	\$ 323,137
<b>PUBLIC WORKS</b>				
Streets and highways	188,423	43,166	-	231,589
Sewer system	3,386,973	249,147	-	3,636,120
<u>Total Public Works</u>	<u>3,525,396</u>	<u>292,313</u>	<u>-</u>	<u>3,867,709</u>
<b>HEALTH, WELFARE, CULTURE AND RECREATION</b>				
Parks	1,088,045	96,333	-	1,184,378
<u>Total General Fixed   Assets</u>	<u>\$4,938,602</u>	<u>\$ 436,622</u>	<u>\$ -</u>	<u>\$5,375,224</u>

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

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 1998

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Market Value</u>
<b>GENERAL FUND</b>				
Certificates of Deposit:				
Volunteer Bank	8-29-98	6.00%	\$ 95,000	\$ 95,000
Peoples Bank	9-30-99	5.50%	125,000	125,000
Peoples Bank	3-18-99	5.65%	99,000	99,000
Peoples Bank	6-30-99	5.50%	125,000	125,000
Peoples Bank	7-31-98	5.25%	99,000	99,000
Peoples Bank	3-31-99	5.50%	125,000	125,000
Peoples Bank	12-31-98	5.50%	125,000	125,000
<u>Total General Fund</u>			<u>793,000</u>	<u>793,000</u>
<b>DEFERRED COMPENSATION FUND</b>				
Investment accounts with Aetna Insurance Company - mutual funds				
	N/A	N/A	67,559	67,559
<u>Total Investments</u>			<u>\$ 860,559</u>	<u>\$ 860,559</u>

CITY OF LAKELAND, TENNESSEE  
SCHEDULE OF INTERFUND TRANSFERS  
for the year ended June 30, 1998

---

<u>Transfer from</u>	<u>Transferred to</u>	<u>Amount</u>
	None	

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

GENERAL OBLIGATION DEBT

JUNE 30, 1998

<u>Year Ended</u> <u>June 30,</u>	<u>Notes Dated June 26, 1995*</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	43,093	1,508	44,601
	-----	-----	-----
	<u>\$ 484,093</u>	<u>\$ 57,455</u>	<u>\$ 541,548</u>
	=====	=====	=====

\*This is the debt service on the balance drawn on the loan at June 30, 1998 only.

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS

JUNE 30, 1998

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
James P. Bompreszi, Sr.	Mayor	\$ 4,600	\$ 5,000
Gene Fletcher	Mayor	2,000	0
Patra B. Temple	Commissioner	2,600	0
Nina Griffin	Commissioner	2,000	0
John Wilkerson	Commissioner	2,000	0
Scott Carmichael	Commissioner	2,000	0
Lupo Carlota	Commissioner	600	0
Dale Jones	Commissioner	600	0

CITY OF LAKELAND, TENNESSEE  
 SCHEDULE OF INSURANCE IN FORCE  
 JUNE 30, 1998

<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	7/01/97 - 7/01/98	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	9/01/97 - 9/01/98	Workman's compensation		130,000
TML Risk Management Pool	TMP-3192	7/01/97 - 7/01/98	Property - Buildings and contents Computer equipment Vehicles Boiler and machinery	80% 80% 80% 80%	511,299 13,362 68,418 579,717
American States Insurance Company	EX611433	10/20/97 - 10/20/98	Recorder - Fidelity bond		10,000
American States Insurance Company	EX968633	2/16/98 - 2/16/99	City Manager - Fidelity bond		10,000
American States Insurance Company	EX903486	10/20/97 - 10/24/98	Mayor - Bond		5,000

CITY OF LAKELAND, TENNESSEE  
RESERVE FOR STATE STREET AID  
for the year ended June 30, 1998

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Reserve for State Street Aid, beginning of year	\$ 85,394
State Street Aid, received	58,866
State Street Aid, expenditures	(118,757)
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Reserve for State Street Aid, end of year	\$ 25,503
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**SHELTON, ALSOBROOK & ASSOCIATES, P.A.**

CERTIFIED PUBLIC ACCOUNTANTS

1721 KIRBY PARKWAY

MEMPHIS, TENNESSEE 38120

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

Honorable Mayor and  
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, 1998, and have issued our report thereon dated September 9, 1998.

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 are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the City of Lakeland, Tennessee, is the responsibility of the City'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.

September 9, 1998

*Shelton, Alsbrook & Assoc.*

**SHELTON, ALSOBROOK & ASSOCIATES, P.A.**

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**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 Mayor and  
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, 1998, and have issued our report thereon dated September 9, 1998.

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 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 judgements 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, 1998, 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

Honorable Mayor and  
Members of the Board of Commissioners  
City of Lakeland, Tennessee

operation, and we 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 weakness 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 weakness as defined above.

However, we noted certain matters involving the internal control structure and its operation that we reported to the management of the City of Lakeland, Tennessee, in the accompanying Schedule of Findings and Recommendations.

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.

*Shelton, Alford & Assoc.*

September 9, 1998

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 1998

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

- 97-01      resolved. (Cash in bank did not agree to City records.)
- 97-02      resolved. (More detail needed on bank deposits)
- 97-03      resolved. (Maintenance of erosion deposits held needed)
- 97-04      Finding: Budgeting did not appear to be reasonable  
for many items.

Recommendation:      While the Board of Commissioners and management may be allowed to move funds from one line item to another without amending the budget, we recommend that the budget be revised, on the record, in order to provide guidance on how funds are to spent.

Management response: We concur in part. The budget document for FY 97-98 was reviewed on a quarterly basis by the Board of Commissioners at regular or special called meetings to adjust or transfer amounts between line items on the budget document. The budget "document" may be changed on a regular basis, but the Budget Ordinance will be amended as required in accordance with T.C.A. § 6-22-124.

- 97-05      resolved. (Cash in financial institutions exceeding the FDIC limit were not collateralized in accordance with State law.)