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CITY OF LAKELAND, TN

CITY OF LAKELAND, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

CITY OF LAKELAND, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the fiscal year ended June 30, 1999

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CITY OF LAKELAND, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

June 30, 1999

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

Joseph C. Kirby
Norman F. King, Sr.

L. DOUGLAS SHELTON
CERTIFIED PUBLIC ACCOUNTANT
1721 KIRBY PARKWAY
MEMPHIS, TENNESSEE 38120
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, 1999, as listed in the table of contents. These financial 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, 1999, and the results of its operations and cash flows of its proprietary fund 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, 1999, 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 October 7, 1999, 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.

October 7, 1999

J. Douglas Skelton, CPA

Proprietary Fund Type	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
<u>Enterprise</u>			
\$ 202,905	\$ -	\$ -	\$ 738,444
-	-	-	996,653
-	-	-	19,497
-	-	-	57,862
-	-	-	654,050
1,959,457	1,968,245	-	3,927,702
-	-	11,907	11,907
<u>2,162,362</u>	<u>1,968,245</u>	<u>11,907</u>	<u>6,406,115</u>
3,004	-	-	55,531
652,246	-	-	654,050
-	-	-	116,136
-	-	-	21,500
-	-	11,907	11,907
-	-	-	-
<u>655,250</u>	<u>-</u>	<u>11,907</u>	<u>859,124</u>
-	1,968,245	-	1,968,245
1,391,537	-	-	1,391,537
115,575	-	-	115,575
-	-	-	22,143
-	-	-	2,049,491
<u>1,507,112</u>	<u>1,968,245</u>	<u>-</u>	<u>5,546,991</u>
<u>2,162,362</u>	<u>1,968,245</u>	<u>11,907</u>	<u>6,406,115</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 FUND TYPES
 For the fiscal year ended June 30, 1999

	General	Special Revenue	Enterprise Fund	Totals (Memorandum Only)
	\$	\$	\$	\$
REVENUES				
Taxes	137,300	-	-	137,300
Licenses and permits	91,555	-	-	91,555
Intergovernmental	1,160,043	-	-	1,160,043
Fees for services	106,355	230,289	804,362	1,141,006
Other	55,304	-	-	55,304
Total Revenues	1,550,557	230,289	804,362	2,585,208
EXPENDITURES				
Current:				
General government	612,938	-	-	612,938
Public safety	74,179	-	-	74,179
Public works	354,321	217,629	-	571,950
Health, culture, welfare and recreation	17,549	-	-	17,549
Capital outlay	228,722	-	-	228,722
Operating expenses	-	-	181,507	181,507
Debt Service:				
Interest	-	-	23,187	23,187
Total Expenditures	1,287,709	217,629	204,694	1,710,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	262,848	12,660	599,668	875,176
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	17,690	(17,690)	-	-
Total Other Sources (Uses)	17,690	(17,690)	-	-
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	280,538	(5,030)	599,668	875,176
FUND BALANCES, beginning of year	1,773,403	(564,960)	-	1,208,443
Correction of error in prior periods (Note 11)	-	-	(484,093)	(484,093)
Capital contributions	-	-	1,979,220	1,979,220
Residual Equity Transfer in (out)	-	587,683	(587,683)	-
FUND BALANCES, end of year	2,053,941	17,693	1,507,112	3,578,746

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

Enterprise Fund			Total (Memorandum Only)		
Budget	Actual	Variance-Favorable (Unfavorable)	Budget	Actual	Variance-Favorable (Unfavorable)
\$	\$	\$	\$	\$	\$
-	-	-	120,000	137,300	17,300
-	-	-	166,900	91,555	(75,345)
-	-	-	1,097,600	1,160,043	62,443
776,500	804,362	27,862	1,038,000	1,141,006	103,006
-	-	-	127,000	55,304	(71,696)
-----	-----	-----	-----	-----	-----
776,500	804,362	27,862	2,549,500	2,585,208	35,708
-----	-----	-----	-----	-----	-----
-	-	-	691,386	612,938	78,448
-	-	-	75,000	74,179	821
-	-	-	584,790	571,950	12,840
-	-	-	81,100	17,549	63,551
-	-	-	340,500	228,722	111,778
125,888	181,507	(55,619)	125,888	181,507	(55,619)
-	-	-	-	-	-
-	23,187	(23,187)	-	23,187	(23,187)
-----	-----	-----	-----	-----	-----
125,888	204,694	(78,806)	1,898,664	1,710,032	188,632
-----	-----	-----	-----	-----	-----
650,612	599,668	(50,944)	650,836	875,176	224,340
-----	-----	-----	-----	-----	-----
-	-	-	-	-	-
-----	-----	-----	-----	-----	-----
-	-	-	-	-	-
-----	-----	-----	-----	-----	-----
650,612	599,668	(50,944)	650,836	875,176	224,340
-----	-----	-----	-----	-----	-----
-	-	-	-	1,208,443	-
-	1,979,220	-	-	1,979,220	-
-	(587,683)	-	-	-	-
-	(484,093)	-	-	(484,093)	-
-----	-----	-----	-----	-----	-----
-	1,507,112	-	-	3,578,746	-
-----	-----	-----	-----	-----	-----

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

CITY OF LAKELAND, TENNESSEE
SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
for the fiscal year ended June 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
	\$	\$	\$
REVENUES			
Sewer user fee	190,000	192,647	2,647
Privilege fees	112,500	1,250	(111,250)
Renewal and replacement fees	90,000	25,500	(64,500)
Connection fees	-	25,500	25,500
Developer fees	384,000	554,500	170,500
Other fees	-	4,965	4,965
	-----	-----	-----
Total operating revenues	776,500	804,362	27,862
	-----	-----	-----
OPERATING EXPENSES:			
Wages	35,000	38,262	(3,262)
Overtime wages	5,000	4,773	227
Payroll taxes	3,388	1,853	1,535
Health insurance	3,000	887	2,113
Retirement	1,900	2,356	(456)
Education	1,500	340	1,160
Uniforms	600	443	157
Communications	-	21	(21)
Supplies	-	1,151	(1,151)
Electric	36,000	44,464	(8,464)
Telephone	500	155	345
Legal	18,000	5,848	12,152
Architect	5,000	-	5,000
Repairs and maintenance	12,000	13,469	(1,469)
Contracted service	3,000	-	3,000
Collection fees	-	7,085	(7,085)
Small equipment	-	914	(914)
Chemicals/lab	1,000	2,478	(1,478)
Repair parts	-	2,296	(2,296)
Sand and gravel	-	96	(96)
Publicity	-	1,402	(1,402)
Other expenses	-	1,159	(1,159)
Depreciation	-	52,055	(52,055)
	-----	-----	-----
Total operating expenses	125,888	181,507	(55,619)
	-----	-----	-----
<u>Operating Income</u>	650,612	622,855	(27,757)
	-----	-----	-----
NON-OPERATING EXPENSES - INTEREST	-	23,187	(23,187)
	-----	-----	-----
Net Income	650,612	599,668	(50,944)
	-----	-----	-----
RETAINED EARNINGS, 7/1/98 as previously reported		-	
Correction of error in prior periods (Note 11)		(484,093)	

Adjusted balance of retained earnings at 7/1/98		(484,093)	

RETAINED EARNINGS, end of year		115,575	

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

CITY OF LAKELAND, TENNESSEE
SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 622,855
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	52,055
Increase (decrease) in accounts receivable	16,603
Increase (decrease) in accounts payable	2,592
Increase (decrease) in accrued expenses	412
Increase (decrease) in due to other funds	47,960

TOTAL CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	742,477

CASH FLOWS FORM INVESTING ACTIVITIES:	
Interest on investments	(23,187)

TOTAL CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	(23,187)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment of long-term debt and interest	(484,093)
Acquisition of property, plant and equipment	(32,292)

TOTAL CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(516,385)

INCREASE (DECREASE) IN CASH	202,905

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 202,905

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Capital assets Contributed	\$1,979,220
Residual equity transfers	(587,683)

TOTAL NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$1,391,537
	=====

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

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1999

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 three broad fund categories and four 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 Fund used by the City of Lakeland is the Solid Waste Fund.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Fund Accounting (Cont.):

Proprietary Funds:

Enterprise Fund - Enterprise Funds account for operations that provide goods or services to the general public on a continuing basis. Such operations are intended to be self-supporting through charges to users. The Enterprise Fund used by the City of Lakeland is the Sewer Fund.

Fiduciary 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.

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 and the GLT Debt 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.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting (Cont.):

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.

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. Statement of Cash Flows:

For purposes of the statement of cash flows, the Proprietary Funds consider all highly liquid investments (including restricted assets, if any) with a maturity of three months or less when purchased to be cash equivalents.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1999

G. 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.

H. Fixed Assets:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition, construction and interest costs 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.

All Enterprise Funds are accounted for on a cost of service measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Enterprise Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by Enterprise Funds is charged against their operations. Accumulated depreciation is reported on Enterprise Fund balance sheets. Depreciation has been provided for over the following estimated useful lives using the straight line method:

Sanitation equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Buildings	20 years
Machinery and Equipment	3 - 10 years
Water and Sewer system	35 - 40 years

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1999

I. 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, 1999, totaled \$11,907 and is included in the General Long-Term Debt Account Group.

J. 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.

K. Intergovernmental Revenues:

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

L. Contributions and Grants:

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

M. 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 \$1,618,961, and the bank balance was \$1,660,940. Of the bank balance, \$195,000 was covered by the federal depository insurance and \$1,465,940 was covered by collateral held by the City's agent in the City's name.

CITY OF LAKELAND, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 1999

NOTE 2 - CASH AND INVESTMENTS (cont.)

Investments: The City's investments at June 30, 1999, 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	\$ 116,136 =====	\$ 116,136 =====

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.

NOTE 4 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>General Fixed Assets 07-01-98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Enterprise Fund</u>	<u>General Fixed Assets 06-30-99</u>
	\$	\$	\$	\$	\$
Land	1,037,489	-	-	80,682	956,807
Buildings	308,240	189,822	-	-	498,062
Improvements	3,360,137	650	1,257,800	2,066,049	36,938
Machinery and equipment	437,769	38,669	-	-	476,438
	5,143,635	229,141	1,257,800	2,146,731	1,968,245
	=====	=====	=====	=====	=====

A summary of proprietary fund property, plant and equipment at June 30, 1999 follows:

	<u>Sewer Enterprise Fund</u>
	\$
Land	80,682
Sewer plant Improvements	1,874,093 224,247
	2,179,022
Accumulated depreciation	219,565
	1,959,457
	=====

CITY OF LAKELAND, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 1999

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.

NOTE 7 - CHANGES IN LONG-TERM DEBT

A summary of Long-Term Debt transactions for the year ended June 30, 1999, follows:

	<u>Beginning</u> <u>07/01/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>06/30/99</u>
	\$	\$	\$	\$
Note Payable	484,093	-	484,093	-
Accrued Vacation	9,293	2,614	-	11,907
	-----	-----	-----	-----
	493,386	2,614	484,093	11,907
	=====	=====	=====	=====

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONT.)
JUNE 30, 1999

NOTE 7 - CHANGES IN LONG-TERM DEBT (cont.)

The note payable represents a loan from the Tennessee Municipal League Bond Pool for the construction of a Sewer Enterprise Fund facility. The note payable was transferred from the General Fund to the Sewer Enterprise Fund and retired by the Sewer Enterprise Fund.

Due to the nature of the obligation for accrued vacation, annual requirements to amortize such obligations are not deferrable and have not been presented.

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.

NOTE 9 - ESTABLISHMENT OF ENTERPRISE FUND

During the year ended June 30, 1999, the Board of Commissioners voted to establish a Board of Sewer Commissioners as a prerequisite to establishment of a separate Enterprise Fund to account for sewer operations. The Board of Commissioners thereafter elected to establish an Enterprise Fund. In prior years the activities of the Sewer operations have been reported in a Special Revenue Fund. As a result of these changes the Sewer Fund recorded a liability for previous Sewer Fund cost in the amount of \$645,620.93. At June 30, 1999 the balance of such liability is \$652,246. This amount is being amortized from the operations of the Enterprise Sewer Fund. Additionally, the residual equity of the Special Revenue Sewer Service Fund and the General Fund assets associated with the City's Sewer operations have been transferred as capital contributions to the Sewer Enterprise Fund. Accordingly, certain changes in reporting classifications and reclassifications have been made to these financial statements as a result of the changes herein addressed.

A recommendation for repayment of the \$652,246 liability will be presented to the Board of Sewer Commissioners at the December 1999 board meeting. Under the recommended repayment plan the liability will be decreased by \$400,000 on or before December 31, 1999. The remaining liability in the amount of \$252,246 will be paid upon receipt of the sewer development fees which are due and payable on or before March 31, 2000.

CITY OF LAKELAND, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 JUNE 30, 1999

NOTE 10 - FUND EQUITY

Contributions:

Proprietary fund contributions for the year ended June 30, 1999, were received from the following sources:

	Enterprise Sewer Fund
	\$
Contributed Capital, July 1, 1998	-
Capital Contributions:	
General Fund Assets Account Group	1,979,220
Total Contributions	1,979,220
Residual Equity Transfers	(587,683)
Contributed Capital, June 30, 1999	1,391,537

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The City of Lakeland established an enterprise fund in the fiscal year ended June 30, 1999. This fund had a notes payable that was not recorded. All principal payments were recorded as current year expenses. This debt was paid in full and the amount due at July 1, 1998 was recorded as a prior period adjustment.

CITY OF LAKELAND, TENNESSEE
GENERAL FUND
BALANCE SHEET
June 30, 1999

ASSETS

Cash	\$ 535,539
Investments	880,517
Sales tax receivable	-
Advances to other funds	711,912

TOTAL ASSETS	\$2,127,968

LIABILITIES, EQUITY AND OTHER CREDITS

Accounts payable	\$ 52,527
Erosion control deposits held	19,500
Cell tower deposits held	2,000

TOTAL LIABILITIES	74,027
Unreserved, designated for Parks	22,143
Unreserved, undesignated	2,031,798

TOTAL FUND EQUITY	2,053,941

TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$2,127,968
	=====

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

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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	\$	\$	\$
REVENUES			
Local Taxes:			
Wholesale beer tax	40,000	32,295	(7,705)
Business taxes	60,000	58,593	(1,407)
Cable TV franchise tax	20,000	46,412	26,412
	-----	-----	-----
	120,000	137,300	17,300
	-----	-----	-----
Licenses and Permits:			
Building permits	70,000	26,364	(43,636)
Inspection fees	80,000	41,559	(38,441)
Other permits	16,900	23,632	6,732
	-----	-----	-----
	166,900	91,555	(75,345)
	-----	-----	-----
Intergovernmental Revenue:			
Local option sales tax	600,000	698,001	98,001
TVA payments in lieu of taxes	27,450	33,354	5,904
State sales tax	277,300	263,692	(13,608)
State income tax	34,000	-	(34,000)
State beer tax	11,000	2,728	(8,272)
TN alcohol tax	1,000	-	(1,000)
State gas and fuel tax (state street aid)	134,500	139,611	5,111
State street and transportation	12,350	12,657	307
State grant	-	10,000	10,000
	-----	-----	-----
	1,097,600	1,160,043	62,443
	-----	-----	-----
Charges for Services:			
Judgements, fees and fines	-	67,254	67,254
Park - development fees	-	6,046	6,046
Park and recreation charges	61,500	33,055	(28,445)
	-----	-----	-----
	61,500	106,355	44,855
	-----	-----	-----
Other Revenues:			
Interest earned	110,000	45,808	(64,192)
Other	17,000	9,496	(7,504)
	-----	-----	-----
	127,000	55,304	(71,696)
	-----	-----	-----
<u>TOTAL REVENUES</u>	1,573,000	1,550,557	(22,443)
	-----	-----	-----

(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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	\$	\$	\$
EXPENDITURES			
Current:			
General Government:			
General Government:			
Salaries - permanent employees	184,310	196,707	(12,397)
Wages - permanent employees	170,667	103,515	67,152
Wages - overtime	14,500	6,658	7,842
Wages - temporary employees	2,000	480	1,520
Payroll taxes	32,342	44,101	(11,759)
Hospital & health insurance	23,690	21,639	2,051
Retirement	26,277	19,407	6,870
Employee education & training	7,500	3,787	3,713
Uniform	600	1,565	(965)
Board of Commissioners	18,000	18,000	-
Communication & transportation	-	(163)	163
Printing and duplicating	3,000	4,505	(1,505)
Publicity, subscriptions & dues	12,000	10,503	1,497
Electric	3,000	4,494	(1,494)
Water	800	450	350
Gas	3,500	3,230	270
Telephone	6,000	9,226	(3,226)
Legal services	36,000	79,592	(43,592)
Accounting and auditing	8,000	7,635	365
Architectural and engineering	50,000	19,923	30,077
Data processing services	4,000	-	4,000
Tennessee state planning office	2,500	-	2,500
Other professional services	15,000	8,208	6,792
Supplies	20,000	16,328	3,672
Insurance	17,400	13,322	4,078
Gross receipts payback	9,000	7,030	1,970
Repair & maintenance services	300	904	(604)
Travel	9,000	5,643	3,357
Other contractual services	10,000	5,899	4,101
Elections:			
Other contractual services	2,000	350	1,650
<u>Total General Government</u>	691,386	612,938	78,448

(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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	\$	\$	\$
EXPENDITURES (Cont.)			
Public Safety:			
Ambulance Services:			
Contractual services	5,000	3,501	1,499
Fire Protection and Control:			
Fire hydrant rental	68,000	68,924	(924)
Civil Defense:			
Other contractual services	2,000	1,754	246
	-----	-----	-----
<u>Total Public Safety</u>	75,000	74,179	821
	-----	-----	-----
Public Works:			
Highways and Streets:			
Wages	-	10,240	(10,240)
Overtime wages	-	659	(659)
Retirement	-	107	(107)
Health insurance	-	1,134	(1,134)
Uniforms	-	403	(403)
Printing and duplicating	50	-	50
Electric	750	336	414
Telephone	350	-	350
Other professional services	90	2,654	(2,564)
Repairs and maintenance - roads	323,000	292,899	30,101
Contracted services	25,000	8,450	16,550
Sundry	200	466	(266)
Office supplies	350	-	350
Gas oil and fuel	7,500	5,973	1,527
Repair parts	7,500	3,725	3,775
Tools	2,000	4,928	(2,928)
Sign parts and supplies	7,000	4,282	2,718
Gravel and sand	7,000	9,546	(2,546)
Machinery and equipment rental	500	621	(121)
Street lighting	12,000	6,563	5,437
	-----	-----	-----
	393,290	352,986	40,304
	-----	-----	-----
Weed and Mosquito Control:			
Chemical, lab and medical	1,500	1,335	165
	-----	-----	-----
<u>Total Public Works</u>	394,790	354,321	40,469
	-----	-----	-----

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, 1999

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	\$	\$	\$
EXPENDITURES (Cont.)			
Current (Cont.):			
Parks and Recreation Center:			
Electric	2,500	3,897	(1,397)
Water	300	273	27
Gas	450	1,819	(1,369)
Telephone	350	403	(53)
Architectural & engineering	4,150	-	4,150
Repair & maintenance - building	2,000	36	1,964
Repair & maintenance - other	500	194	306
Other contractual services	11,000	6,125	4,875
Sundry	500	2,315	(1,815)
Painting & plumbing supplies	250	34	216
Electrical supplies	250	-	250
Repair parts	250	20	230
Gravel and sand	3,000	220	2,780
Sign parts	3,600	-	3,600
Other professional services	1,000	483	517
Office supplies	-	677	(677)
Parks & recreation facilities	50,000	650	49,350
Landscaping	1,000	403	597
	-----	-----	-----
<u>Total Health, Welfare & Recreation</u>	81,100	17,549	63,551
	-----	-----	-----
Capital Outlay:			
General - building	300,000	189,822	110,178
General - computer equipment	12,000	12,243	(243)
Public works - transportation equipment	27,000	26,426	574
Public Works - machinery & equipment	1,500	231	1,269
	-----	-----	-----
<u>Total Capital Outlay</u>	340,500	228,722	111,778
	-----	-----	-----
<u>Total Expenditures</u>	1,582,776	1,287,709	295,067
	-----	-----	-----
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	(9,776)	262,848	272,624
	-----	-----	-----

(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, 1999

	Budget	Actual	Variance- Favorable (Unfavorable)
	\$	\$	\$
EXPENDITURES (Cont.)			
OTHER FINANCING SOURCES (USES)			
Operating transfers (out)	-	-	-
<u>Total Other Financing Sources</u>			
<u>(Uses)</u>	-	17,690	17,690
<u>Excess (Deficiency) of Revenues</u>			
<u>and Other Sources Over (Under)</u>			
<u>Expenditures and Other Uses</u>	(9,776)	280,538	290,314
FUND BALANCE, beginning of year		1,773,403	
FUND BALANCE, end of year		2,053,941	

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

CITY OF LAKELAND, TENNESSEE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 1999

ASSETS

	Sewer Service Fund	Solid Waste Fund	Total
Accounts receivable	\$ -	\$ 19,497	\$ 19,497
	\$ -	\$ 19,497	\$ 19,497

LIABILITIES, EQUITY AND OTHER CREDITS

LIABILITIES

Due to other funds	\$ -	\$ 1,804	\$ 1,804
	\$ -	\$ 1,804	\$ 1,804

FUND EQUITY

Unreserved	-	17,693	\$ 17,693
	\$ -	\$ 19,497	\$ 19,497

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, 1999

	<u>Sewer Service Fund</u> \$	<u>Solid Waste Fund</u> \$	<u>Total</u> \$
REVENUES			
Changes for Services			
Refuse Collection & Disposal	-	230,289	230,289
	-----	-----	-----
EXPENDITURES			
Current:			
Public Works:			
Garbage Collection & Disposal Collection fees	-	217,629	217,629
	-----	-----	-----
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	-	12,660	12,660
OTHER FINANCING SOURCES			
Operating transfers out	-	(17,690)	(17,690)
	-----	-----	-----
<u>Excess of Revenues and Other Sources Over Expenditures</u>	-	(5,030)	(5,030)
	-----	-----	-----
FUND BALANCE, beginning of year	(587,683)	22,723	(564,960)
Residual Equity, Transfer out	587,683	-	587,683
	-----	-----	-----
	\$ -	\$ 17,693	\$ 17,693
	=====	=====	=====

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, 1999

	Budget	Actual	Variance- Favorable (Unfavorable)
	\$	\$	\$
REVENUES			
Charges for Services:			
Refuse Collection & Disposal	200,000	230,289	30,289
	-----	-----	-----
EXPENDITURES			
Current:			
Public Works:			
Garbage Collection & Disposal			
Collection fees	190,000	217,629	(27,629)
	-----	-----	-----
<u>Excess (Deficiency) of Revenues</u>			
<u>Over (Under) Expenditures</u>	10,000	12,660	2,660
OTHER FINANCING SOURCES			
Operating transfers out	-	(17,690)	(17,690)
	-----	-----	-----
<u>Excess of Revenues and Other</u>			
<u>Sources Over Expenditures</u>	10,000	(5,030)	(15,030)
	-----	-----	-----
FUND BALANCE, beginning of year		22,723	

FUND BALANCE, end of year		17,693	
		=====	

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

CITY OF LAKELAND, TENNESSEE
SEWER ENTERPRISE FUND
BALANCE SHEET
June 30, 1999

ASSETS

CURRENT ASSETS:	
Cash	\$ 202,905

TOTAL CURRENT ASSETS	202,905

PROPERTY, PLANT & EQUIPMENT:	
Land	80,682
Improvements	2,098,340

TOTAL PROPERTY, PLANT & EQUIPMENT	2,179,022
Less Accumulated Depreciation	(219,565)

NET PROPERTY, PLANT & EQUIPMENT	1,959,457

TOTAL ASSETS	2,162,362
	=====

LIABILITIES AND RETAINED EARNINGS

CURRENT LIABILITIES	
Accounts payable	\$ 2,592
Other accrued expenses	412
Due to general fund	652,246

TOTAL LIABILITIES	655,250
FUND EQUITY AND OTHER CREDITS	
Contributed Capital	1,391,537
RETAINED EARNINGS:	
Unreserved	115,575

TOTAL FUND EQUITY AND OTHER CREDITS	\$1,507,112

TOTAL LIABILITIES AND RETAINED EARNINGS	\$2,162,362
	=====

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

CITY OF LAKELAND, TENNESSEE
SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
for the fiscal year ended June 30, 1999

	Budget	Actual	Variance Favorable (Unfavorable)
	\$	\$	\$
REVENUES			
Sewer user fee	190,000	192,647	2,647
Privilege fees	112,500	1,250	(111,250)
Renewal and replacement fees	90,000	25,500	(64,500)
Connection fees	-	25,500	25,500
Developer fees	384,000	554,500	170,500
Other fees	-	4,965	4,965
	776,500	804,362	27,862
OPERATING EXPENSES:			
Wages	35,000	38,262	(3,262)
Overtime wages	5,000	4,773	227
Payroll taxes	3,388	1,853	1,535
Health insurance	3,000	887	2,113
Retirement	1,900	2,356	(456)
Education	1,500	340	1,160
Uniforms	600	443	157
Communications	-	21	(21)
Supplies	-	1,151	(1,151)
Electric	36,000	44,464	(8,464)
Telephone	500	155	345
Legal	18,000	5,848	12,152
Architect	5,000	-	5,000
Repairs and maintenance	12,000	13,469	(1,469)
Contracted service	3,000	-	3,000
Collection fees	-	7,085	(7,085)
Small equipment	-	914	(914)
Chemicals/lab	1,000	2,478	(1,478)
Repair parts	-	2,296	(2,296)
Sand and gravel	-	96	(96)
Publicity	-	1,402	(1,402)
Other expenses	-	1,159	(1,159)
Depreciation	-	52,055	(52,055)
	125,888	181,507	(55,619)
<u>Operating Income</u>	650,612	622,855	(27,757)
NON-OPERATING EXPENSES - INTEREST	-	23,187	(23,187)
Net Income	650,612	599,668	(50,944)
RETAINED EARNINGS, 7/1/98 as previously reported		-	
Correction of error in prior periods (Note 11)		(484,093)	
Adjusted balance of retained earnings at 7/1/98		(484,093)	
RETAINED EARNINGS, end of year		115,575	

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

CITY OF LAKE LAND, TENNESSEE
SEWER ENTERPRISE FUND
STATEMENT OF CASH FLOWS
for the fiscal year ended June 30, 1999

CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating income	\$ 622,855
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	52,055
Increase (decrease) in accounts receivable	16,603
Increase (decrease) in accounts payable	2,592
Increase (decrease) in accrued expenses	412
Increase (decrease) in due to other funds	47,960

TOTAL CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	742,477

CASH FLOWS FORM INVESTING ACTIVITIES:	
Interest on investments	(23,187)

TOTAL CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	(23,187)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Payment of long-term debt and interest	(484,093)
Acquisition of property, plant and equipment	(32,292)

TOTAL CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(516,385)

INCREASE (DECREASE) IN CASH	202,905

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-

CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 202,905

NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Capital assets Contributed	\$1,979,220
Residual equity transfers	(587,683)

TOTAL NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	\$1,391,537
	=====

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, 1999

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
ASSETS				
Investments	\$ 67,559	\$ 48,577	\$ -	\$ 116,136
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>
LIABILITIES				
Deferred compensation benefits payable	\$ 67,559	\$ 48,577	\$ -	\$ 116,136
	<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, 1999

	<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	\$ 256,523	\$ -	\$ 205,842	\$ 524,972
PUBLIC WORKS					
Streets and highways	-	-	-	258,245	258,245
<u>Total Public Works</u>	-	-	-	258,245	258,245
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	894,200	241,539	36,938	12,351	1,185,028
<u>Total General Fixed Assets</u>	\$ 956,807	\$ 498,062	\$ 36,938	\$ 476,438	\$1,968,245

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, 1999

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Enterprise Fund</u>	<u>Ending Balance</u>
GENERAL GOVERNMENT					
General administration	\$ 323,137	\$ 201,835	\$ -	\$ -	\$ 524,972
PUBLIC WORKS					
Streets and highways	231,589	26,656	-	-	258,245
Sewer system	3,404,531	-	1,257,800	2,146,731	-
<u>Total Public Works</u>	<u>3,636,120</u>	<u>26,656</u>	<u>1,257,800</u>	<u>2,146,731</u>	<u>258,245</u>
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	1,184,378	650	-	-	1,185,028
<u>Total General Fixed Assets</u>	<u>\$5,143,635</u>	<u>\$ 229,141</u>	<u>\$1,257,800</u>	<u>\$2,146,731</u>	<u>\$1,968,245</u>

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

CITY OF LAKELAND, TENNESSEE
 SEWER ENTERPRISE FUND
 SCHEDULE OF CHANGES IN PROPERTY, PLANT & EQUIPMENT
 for the fiscal year ended June 30, 1999

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer from General Fund Assets</u>	<u>Ending Balance</u>
Land	\$ -	\$ -	\$ 80,682	\$ 80,682
Sewer plant	-	-	1,874,093	1,874,093
Improvements	-	32,291	191,956	224,247
	-----	-----	-----	-----
<u>Total Property, Plant & Equipment</u>	<u>\$ -</u>	<u>\$ 32,291</u>	<u>\$2,146,731</u>	<u>\$2,179,022</u>
	=====	=====	=====	=====

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

CITY OF LAKELAND, TENNESSEE
 ENTERPRISE FUND
 SCHEDULE OF RATES/CUSTOMERS
JUNE 30, 1999

	<u>Residential Service</u>	<u>Commercial Service</u>
Sewer Service:		
Number of Customers	681	36
Minimum Rate	11	35
Surcharge per Unit	10	10
	-----	-----
Total Minimum	21	45
Maximum Rate	30	No limit

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

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 1999

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Market Value</u>
GENERAL FUND				
Certificates of Deposit:				
Volunteer Bank	8-29-99	6.00%	\$ 95,000	\$ 95,000
Peoples Bank	9-30-00	4.65%	125,000	125,000
Peoples Bank	3-18-01	4.65%	99,000	99,000
Peoples Bank	9-30-00	4.65%	125,000	125,000
Peoples Bank	7-31-00	4.65%	99,000	99,000
Peoples Bank	3-31-01	4.65%	125,000	125,000
Peoples Bank	10-27-99	4.22%	125,000	125,000
Munford Union Bank	03-02-00	5.00%	87,517	87,517
			-----	-----
<u>Total General Fund</u>			880,517	880,517
			-----	-----
DEFERRED COMPENSATION FUND				
Investment accounts with Aetna				
Insurance Company - mutual				
funds	N/A	N/A	116,136	116,136
			-----	-----
<u>Total Investments</u>			\$ 996,653	\$ 996,653
			-----	-----

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF INTERFUND TRANSFERS
for the year ended June 30, 1999

<u>Transfer from</u>	<u>Transferred to</u>	<u>Amount</u>
Special Revenue Fund	General Fund	\$ 17,690
Sewer Enterprise Fund	General Fund	587,683

		\$ 605,373
		=====

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
JUNE 30, 1999

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
James P. Bompreszi, Sr.	Mayor	\$ 4,600	\$ 5,000
Patra B. Temple	Commissioner	3,000	0
Nina Griffin	Commissioner	3,000	0
John Wilkerson	Commissioner	3,000	0
Scott Carmichael	Commissioner	3,000	0

CITY OF LAKELAND, TENNESSEE
 SCHEDULE OF INSURANCE IN FORCE
 JUNE 30, 1999

<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	07/01/98 - 07/01/99	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	09/01/98 - 09/01/99	Workman's compensation		350,000
TML Risk Management Pool	TMP-3192	07/01/98 - 07/01/99	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	E972377	03/17/98 - 03/17/99	Recorder - Fidelity bond		20,000
American States Insurance Company	5996088	03/01/98 - 03/01/99	City Manager - Fidelity bond		20,000
American States Insurance Company	EX-977661	10/20/98 - 11/06/99	Mayor - Bond		10,000
American States Insurance Company	5996090	04/01/98 - 04/01/99	City Clerk / Deputy City Recorder		10,000
American States Insurance Company	E98M36	02/01/98 - 02/01/99	Bookkeeper		10,000

CITY OF LAKELAND, TENNESSEE
RESERVE FOR STATE STREET AID
for the year ended June 30, 1999

Reserve for State Street Aid, beginning of year	\$ 25,503
State Street Aid, received	139,611
State Street Aid, expenditures	(165,114)

Reserve for State Street Aid, end of year	\$ -

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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 combined individual fund and account group financial statements of the City of Lakeland, Tennessee, as of and for the year ended June 30, 1999, and have issued our report thereon dated October 6, 1999.

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 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 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.

October 6, 1999

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J. Douglas Shelton, CPA

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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, 1999, and have issued our report thereon dated October 6, 1999.

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 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 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.

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

In planning and performing our audit of the general purpose financial statements and the combining individual fund and account group financial statements of the City of Lakeland, Tennessee, for the year ended June 30, 1999, 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 assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 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.

October 6, 1999

J. Douglas Shelton, CPA

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 1999

CURRENT YEAR FINDINGS

99-01 Finding: In our audit of the City of Lakeland we found numerous journal entries which were not sufficiently documented as to the reason for or the nature of the entry.

Recommendation: While it is necessary at times to make journal entries we recommend such entries be well documented as to their relationship to the underlying accounting records. We also recommend the City of Lakeland establish better control over processing data to the proper accounts without the need to reclass and/or correct data. Excessive journal entries can result in loss of control over processing the financial data as well as denigrate the audit trail in determining the nature of such entries.

PRIOR YEAR FINDINGS

None