

CITY OF LAKELAND, TENNESSEE

Comprehensive Annual Financial Report

June 30, 2001

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City of Lakeland, Tennessee
LIST OF PRINCIPAL OFFICIALS
June 30, 2001

Elected Officials

Mayor
Commissioner
Commissioner
Commissioner
Commissioner

James P. Bomprezzi, Sr.
Patra B. Temple
Nina Griffin
Scott Carmichael
Mark Hartz



CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the City of Lakeland, Tennessee (the City) as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lakeland, Tennessee, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such combining and individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City at June 30, 2001, and the results of operations of such funds and the cash flows of individual proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2002, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed 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. Other accompanying supplemental information listed in the table of contents is also presented for purpose of additional analysis and is not a required part of the financial statements of the City. 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 statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

The statistical data as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. Such additional information has not been subjected to the audit procedures applied in the audit of the financial statements. Accordingly, we do not express an opinion on such data.

Zoccola & Associates, PLLC

Germantown, Tennessee
July 28, 2002

City of Lakeland, Tennessee
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2001

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Proprietary</u>	<u>Account Groups</u>		<u>Totals</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>Fund Type</u>	<u>Fund Type</u>	<u>General</u>		<u>General</u>
						<u>Fixed Assets</u>		<u>Long-Term (Memorandum Debt)</u>
<u>ASSETS AND OTHER DEBITS</u>								
ASSETS:								
Cash and cash equivalents	\$ 350,237	\$ -	\$ -	\$ 449,227	\$ -	\$ -	\$ 799,464	
Investments	2,040,708	-	154,772	-	-	-	2,195,480	
Receivables:								
Accounts	-	17,394	-	17,658	-	-	35,052	
Intergovernmental	275,548	-	-	-	-	-	275,548	
Due from other funds	49,492	-	-	-	-	-	49,492	
Property, plant and equipment (net)	-	-	-	2,310,394	2,624,029	-	4,934,423	
Total assets	2,715,985	17,394	154,772	2,777,279	2,624,029	-	8,289,459	
OTHER DEBITS -								
Amount to be provided for compensated absences	-	-	-	-	-	12,540	12,540	
Total assets and other debits	\$ <u>2,715,985</u>	\$ <u>17,394</u>	\$ <u>154,772</u>	\$ <u>2,777,279</u>	\$ <u>2,624,029</u>	\$ <u>12,540</u>	\$ <u>8,301,999</u>	

(Continued)

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

City of Lakeland, Tennessee
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2001

	Governmental Fund Types		Fiduciary	Proprietary	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Trust and	Enterprise	General	General	
			Agency		Fixed	Long-Term	
					Assets	Debt	
<u>LIABILITIES AND FUND EQUITY</u>							
LIABILITIES:							
Accounts payable	\$ 30,061	\$ -	\$ -	\$ 112,500	\$ -	\$ -	\$ 142,561
Due to/from other funds	-	-	-	49,492	-	-	49,492
Deferred compensation payable	-	-	154,772	-	-	-	154,772
Refundable deposits	65,350	-	-	-	-	-	65,350
Accrued vacation	-	-	-	-	-	12,540	12,540
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,540</u>	<u>12,540</u>
Total liabilities	<u>95,411</u>	<u>-</u>	<u>154,772</u>	<u>161,992</u>	<u>-</u>	<u>12,540</u>	<u>424,715</u>
FUND EQUITY :							
Investment in general fixed assets	-	-	-	-	2,624,029	-	2,624,029
Contributed capital	-	-	-	1,391,537	-	-	1,391,537
Retained earnings (deficit):							
Unreserved	-	-	-	1,223,750	-	-	1,223,750
Unreserved, designated for Parks	22,143	-	-	-	-	-	22,143
Unreserved, undesignated	<u>2,598,431</u>	<u>17,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,615,825</u>
Total fund equity	<u>2,620,574</u>	<u>17,394</u>	<u>-</u>	<u>2,615,287</u>	<u>2,624,029</u>	<u>-</u>	<u>7,877,284</u>
Total liabilities and fund equity	\$ <u>2,715,985</u>	\$ <u>17,394</u>	\$ <u>154,772</u>	\$ <u>2,777,279</u>	\$ <u>2,624,029</u>	\$ <u>12,540</u>	\$ <u>8,301,999</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 - GOVERNMENTAL AND PROPRIETARY FUND TYPES
For The Fiscal Year Ended June 30, 2001

	General	Special Revenue	Enterprise (Memorandum Fund	Totals (Memorandum Only)
REVENUES:				
Taxes	\$ 124,343	\$ -	\$ -	\$ 124,343
Licenses and permits	92,693	-	-	92,693
Intergovernmental	1,147,606	-	-	1,147,606
Fees for services	16,200	406,406	230,187	652,793
Other	71,900	-	107,282	179,182
 Total revenues	 1,452,742	 406,406	 337,469	 2,196,617
 EXPENDITURES:				
General government	685,494	-	-	685,494
Public safety	16,493	-	-	16,493
Public works	243,038	411,289	-	654,327
Health, culture, welfare and recreation	49,568	-	-	49,568
Capital outlay	372,081	-	-	372,081
Operating expenses	-	-	410,950	410,950
 Total expenditures	 1,366,674	 411,289	 410,950	 2,188,913
 Excess (deficiency) of revenues over (under) expenditures	 86,068	 (4,883)	 (73,481)	 7,704
 FUND BALANCES, beginning of year	 2,534,506	 22,277	 1,297,231	 3,854,014
 FUND BALANCES, end of year	 \$ 2,620,574	 \$ 17,394	 \$ 1,223,750	 \$ 3,861,718

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-BUDGET AND ACTUAL GOVERNMENTAL FUND TYPES**
For the Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue Fund			Total (Memorandum Only)		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
REVENUES:									
Taxes	\$ 137,000	\$ 124,343	\$ (12,657)	\$ -	\$ -	\$ -	\$ 137,000	\$ 124,343	\$ (12,657)
Licenses and permits	161,700	92,693	(69,007)	-	-	-	161,700	92,693	(69,007)
Intergovernmental	1,070,000	1,147,606	77,606	-	-	-	1,070,000	1,147,606	77,606
Fees for services	-	16,200	16,200	365,000	406,406	41,406	365,000	422,606	57,606
Other	54,000	71,900	17,900	-	-	-	54,000	71,900	17,900
Total revenues	1,422,700	1,452,742	30,042	365,000	406,406	41,406	1,787,700	1,859,148	71,448
EXPENDITURES:									
Current:									
General government	963,300	685,494	277,806	-	-	-	963,300	685,494	277,806
Public safety	8,850	16,493	(7,643)	-	-	-	8,850	16,493	(7,643)
Public works	197,050	243,038	(45,988)	365,000	411,289	(46,289)	562,050	654,327	(92,277)
Health, culture, welfare and recreation	52,500	49,568	2,932	-	-	-	52,500	49,568	2,932
Capital outlay	201,000	372,081	(171,081)	-	-	-	201,000	372,081	(171,081)
Operating expenses	-	-	-	-	-	-	-	-	-
Total expenditures	1,422,700	1,366,674	56,026	365,000	411,289	(46,289)	1,787,700	1,777,963	9,737
Excess (deficiency) of revenues over (under) expenditures \$	<u>-</u>	<u>86,068</u>	<u>\$ 86,068</u>	<u>\$ -</u>	<u>(4,883)</u>	<u>\$ (4,883)</u>	<u>\$ -</u>	<u>81,185</u>	<u>\$ 81,185</u>
FUND BALANCES, beginning of year		<u>2,534,506</u>			<u>22,277</u>			<u>2,556,783</u>	
FUND BALANCES, end of year		<u>\$ 2,620,574</u>			<u>\$ 17,394</u>			<u>\$ 2,637,968</u>	

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Defining the Entity

The City of Lakeland, Tennessee (the City) is a municipal corporation governed by an elected mayor and a four-member board of commissioners. As required by accounting principles generally accepted in the United States of America, the financial statements present the City, its component units and entities for which the City is considered to be financially accountable. However, the City has no component units.

2. Fund Accounting

The accounts of the City 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 in a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund balance, revenues and expenses or expenditures. Resources are allocated to each fund and accounted for based on the purpose for which they are to be spent and the means of controlling the spending activities. The individual funds are grouped with-in the financial statements in three generic fund types and four generic funds as follows:

a. Governmental Fund Types

Governmental Funds are those through which most government functions are financed. A governmental fund's measurement focus is on the determination of financial position and changes in financial position. The City employs two types of governmental funds.

(1) General Fund

Transactions relating to resources obtained and used for delivery of those services traditionally provided by a city government, which is not accounted for in other funds, are accounted for in the General Fund. Those services included, among other things, general government, public safety, public works, culture and recreation and certain courts.

(2) Special Revenue Fund

Special revenue funds are used to account for the proceeds of specific revenues (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes. The following fund comprises the special revenue fund:

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

(a) Solid Waste Fund

The Solid Waste Fund accounts for the receipts and expenditures of the City's solid waste removal services.

(b) State Street Aid Fund

The State Street Aid Fund accounts for the receipts and expenditures of Street Aid received from the State of Tennessee.

b. Fiduciary Fund Types

Fiduciary funds are used to account for transactions relating to assets that the government holds on behalf of others as agent. The following fund comprised the fiduciary fund:

(1) Trust and Agency Fund

The Trust and Agency Fund accounts for the assets of the City employees' deferred compensation plan.

c. Proprietary Fund Types

Proprietary funds are used to account for the organizations and activities of the City that are similar to those often found in private enterprises. The measurement focus is on the determination of net income, financial position and cash flows. The following fund comprises the proprietary fund:

(1) Enterprise Fund

Enterprise funds account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The enterprise fund accounts for the operations of the sewer department. Operating revenues are derived from service charges and fees for physical connection to the system.

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

d. Account Groups

Account groups are used to establish accounting control and accountability of specific items. The account groups are not funds and do not reflect available financial resources and related liabilities; they are account records. The account groups used by the City are as follows:

- (1) **General Fixed Assets** account group accounts for all fixed assets of the City except for those accounted for in the Proprietary Funds.
- (2) **General Long-Term Debt** account group accounts for all long-term debt and compensated absences of the City except those amounts accounted for in the Proprietary Fund.

3. Basis of Accounting

Basis of accounting relates to the timing and measurement of revenues and expenditures or expenses reported in the financial statements.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, except for general long-term debt services (maturing principal, interest and fiscal charges) and compensated absences which are recorded when earned.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. There are essentially two types of these revenues. In one case, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon expenditures. In the other case, monies are virtually unrestricted as to the purpose of the expenditures and are revocable only for the failure to comply with prescribed compliance requirements, such as equal opportunity employment. These sources are reflected as revenues at the time of receipt, or earlier if they are "susceptible to accrual".

Sales taxes are considered "measurable" when in the hands of the intermediary collecting agent and are recognized as revenue when susceptible to accrual. Licenses and permits, charges for services, fines and forfeits, and miscellaneous revenues (except for investment earnings) are recorded as revenues when received because they are generally not measurable until they are received. Investment earnings are recorded when earned since they are measurable and available.

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

The Proprietary Fund uses the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded as incurred.

The City has elected to use Alternative 1 of GASB-20, by which proprietary fund accounting must follow (1) all GASB pronouncements and (2) FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

4. Budgetary Data

The revenues and expenditures accounted for in all governmental fund types are controlled by a formal integrated budgetary accounting system. The Mayor and Board of Commissioners' approve annually the budgets for these funds. Budgetary control is maintained at the government wide level by total expenditures and expenditures may not exceed funds budgeted, which constitute the legal spending limit. Unexpended appropriations lapse at the year-end. Management may not amend the budget without approval of the governing body. The same basis of accounting is used to reflect actual revenue and expenditures recognized on an accounting principle generally accepted in the United States of America basis.

5. Total Columns on Combined Statements

Total columns on the general-purpose financial statements are captioned "Memorandum Only" to indicate that they are only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. The data is not comparable to a consolidation; inter-fund eliminations have not been made in the aggregation of this data.

6. 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, government agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, and repurchase agreements.

7. Statement of Cash Flows:

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

8. 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.

9. Fixed Assets:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition, construction and interest cost 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 non-current) 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
June 30, 2001

10. 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, 2001, totaled \$12,540 and are included in the General Long-Term Debt Account Group.

11. Fund Equity:

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

12. Intergovernmental Revenues:

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

NOTE B – CASH AND INVESTMENTS

Deposits: At year-end the carrying amount of the City's deposits was \$799,464, and the bank balance was \$1,120,451. Of the bank balance \$295,026 was covered by the federal depository insurance and the remaining \$825,425 covered by collateral held by the City's agent in the City's name.

Investments: The City's investments at June 30, 2001, consisted of certificates of deposits in the general fund and investment for the deferred compensation plan as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Certificate of deposit	\$ 2,040,708	\$ 2,040,708
Aetna Life Insurance Company - various mutual funds	<u>154,772</u>	<u>154,772</u>
	<u>\$ 2,195,480</u>	<u>\$ 2,195,480</u>

The \$2,040,708 held in Certificates of Deposit was covered by collateral held by the City's agent in the City's name.

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
 June 30, 2001

NOTE C – INTERGOVERNMENTAL RECEIVABLES

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

NOTE D – CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Enterprise Fund</u>	<u>Ending Balance</u>
GENERAL GOVERNMENT					
General administration	\$ 787,020	\$ 215,849	\$ -	\$ -	\$ 1,002,869
PUBLIC WORKS					
Streets and highways	298,457	75,621	-	-	374,078
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	1,185,028	62,054	-	-	1,247,082
Total general fund fixed assets	\$ 2,270,505	\$ 353,524	\$ -	\$ -	\$ 2,624,029

A summary of proprietary fund property, plant and equipment at June 30, 2001 follows:

	<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	2,358,186	-	-	2,358,186
Improvements	224,247	-	-	224,247
Total property, plant and equipment	2,663,115	-	-	2,663,115
Less accumulated depreciation	(286,143)	(66,578)	-	(352,721)
Net book value	\$ 2,376,972	\$ (66,578)	\$ -	\$ 2,310,394

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE E – 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 a combined total contribution of \$7,500. The deferred compensation is not available to employees until termination, retirement, death or certain unforeseeable emergencies. 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.

The plan's trustee manages investments.

NOTE F – LITIGATION

The City of Lakeland is currently involved in several legal proceedings. A provision for liability has been provided for in the Enterprise Fund Balance Sheet of \$112,500 shown in accounts payable. As of the date of these financial statements the liability was measurable and has been paid by the Enterprise Fund. Legal counsel for the City does not anticipate any other liability in these proceedings.

NOTE G – CHANGES IN LONG-TERM DEBT

A summary of Long-Term Debt transactions for the year ended June 30, 2001, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Accrued Vacation	\$ <u>17,775</u>	\$ <u>-</u>	\$ <u>(5,235)</u>	\$ <u>12,540</u>

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

NOTE H – 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, 2001

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 350,237
Investments	2,040,708
Receivables:	
Intergovernmental	275,548
Advances to other funds	<u>49,492</u>
 Total current assets	 \$ <u>2,715,985</u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES -

Accounts payable	\$ 30,061
------------------	-----------

OTHER LIABILITIES -

Refundable deposits	<u>65,350</u>
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Total liabilities	<u>95,411</u>
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FUND EQUITY:

Unreserved, designated for Parks	22,143
Unreserved, undesignated	<u>2,598,431</u>

Total fund equity	<u>2,620,574</u>
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Total liabilities and fund equity	\$ <u>2,715,985</u>
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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, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
REVENUES:			
Local Taxes:			
Wholesale beer tax	\$ 30,000	\$ 36,044	\$ 6,044
Business taxes	60,000	33,772	(26,228)
Cable TV franchise tax	<u>47,000</u>	<u>54,527</u>	<u>7,527</u>
Total local taxes	<u>137,000</u>	<u>124,343</u>	<u>(12,657)</u>
Licenses and Permits:			
Building permits	105,000	56,578	(48,422)
Inspection fees	31,700	5,300	(26,400)
Other permits	<u>25,000</u>	<u>30,815</u>	<u>5,815</u>
Total licenses and permits	<u>161,700</u>	<u>92,693</u>	<u>(69,007)</u>
Intergovernmental Revenue:			
Local option sales tax	700,000	717,875	17,875
TVA payments in lieu of taxes	34,000	36,382	2,382
State sales tax	320,000	345,876	25,876
State income tax	-	31,413	31,413
State beer tax	3,000	2,778	(222)
State street and transportation	<u>13,000</u>	<u>13,282</u>	<u>282</u>
Total intergovernmental	<u>1,070,000</u>	<u>1,147,606</u>	<u>77,606</u>
Fees for Services:			
Judgments, fees and fines	-	-	-
Developer fees for park land	-	15,000	15,000
Park - rental fees	<u>-</u>	<u>1,200</u>	<u>1,200</u>
Total fees for services	<u>-</u>	<u>16,200</u>	<u>16,200</u>
Other:			
Interest earned	54,000	89,296	35,296
Park equipment donations	-	(25,000)	(25,000)
Other	<u>-</u>	<u>7,604</u>	<u>7,604</u>
Total other	<u>54,000</u>	<u>71,900</u>	<u>17,900</u>
Total revenues	<u>\$ 1,422,700</u>	<u>\$ 1,452,742</u>	<u>\$ 30,042</u>

(Continued)

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES:			
General Government:			
Salaries - permanent employees	\$ 238,030	\$ 183,641	\$ 54,389
Wages - permanent employees	264,784	80,036	184,748
Wages - overtime	22,461	5,519	16,942
Wages - temporary employees	7,500	6,942	558
Payroll taxes	47,214	24,204	23,010
Hospital and health insurance	43,200	17,244	25,956
Retirement	42,753	27,065	15,688
Employee education and training	7,500	2,672	4,828
Uniform	1,000	85	915
Board of Commissioners	18,000	18,000	-
Communication and transportation	2,500	1,249	1,251
Printing and duplicating	15,000	4,516	10,484
Publicity, subscriptions and dues	10,000	10,904	(904)
Electric	7,000	6,589	411
Water	1,000	436	564
Gas	2,500	3,255	(755)
Telephone	9,850	15,770	(5,920)
Legal services	100,000	132,869	(32,869)
Accounting and auditing	10,000	16,507	(6,507)
Architectural and engineering	18,000	47,594	(29,594)
Data processing services	6,000	4,494	1,506
Other professional services	9,108	15,182	(6,074)
Supplies	42,500	22,453	20,047
Insurance	22,400	22,292	108
Gross receipts payback	9,000	5,634	3,366
Repair and maintenance services	-	659	(659)
Travel	6,000	1,182	4,818
Other contractual services	-	8,501	(8,501)
Elections:			
Other contractual services	-	-	-
 Total general government	 \$ <u>963,300</u>	 \$ <u>685,494</u>	 \$ <u>277,806</u>

(Continued)

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES (Cont.)			
Public Safety:			
Ambulance Services:			
Contractual services	\$ 4,000	\$ 3,209	\$ 791
Tennessee One Call	-	5,785	(5,785)
Civil Defense:			
Other contractual services	<u>4,850</u>	<u>7,499</u>	<u>(2,649)</u>
Total public safety	<u>8,850</u>	<u>16,493</u>	<u>(7,643)</u>
Public Works:			
Highways and Streets:			
Wages	-	57,128	(57,128)
Overtime wages	-	7,552	(7,552)
Payroll taxes	-	4,948	(4,948)
Health insurance	-	7,833	(7,833)
Uniforms	-	1,794	(1,794)
Electric	-	973	(973)
Telephone	-	-	-
Other professional services	500	1,256	(756)
Repairs and maintenance - roads	100,000	61,917	38,083
Repairs and maintenance - other	25,000	21,058	3,942
Contracted services	20,000	23,359	(3,359)
Sundry	6,700	2,356	4,344
Office supplies	350	225	125
Gas, oil and fuel	9,000	20,353	(11,353)
Repair parts	10,000	11,941	(1,941)
Tools	5,000	3,388	1,612
Sign parts and supplies	5,000	3,485	1,515
Gravel and sand	5,000	4,077	923
Machinery and equipment rental	1,000	150	850
Street lighting	<u>8,000</u>	<u>7,095</u>	<u>905</u>
Total highway and streets	195,550	240,888	(45,338)
Weed and Mosquito Control-			
Chemical, lab and medical	<u>1,500</u>	<u>2,150</u>	<u>(650)</u>
			-
Total public works	\$ <u>197,050</u>	\$ <u>243,038</u>	\$ <u>(45,988)</u>

(Continued)

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2001

	Budget	Actual	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Health, culture, welfare and recreation			
Wages	\$ -	\$ 12,529	\$ (12,529)
Payroll taxes	-	959	(959)
Electric	3,500	3,268	232
Water	500	190	310
Gas	2,000	2,856	(856)
Repair and maintenance - building	500	1,619	(1,119)
Repair and maintenance - other	1,500	1,249	251
Other contractual services	20,000	9,555	10,445
Sundry	3,500	2,931	569
Painting and plumbing supplies	500	90	410
Repair parts	1,700	89	1,611
Gravel and sand	2,000	6,129	(4,129)
Sign parts	300	742	(442)
Other professional services	13,000	2,998	10,002
Office supplies	500	-	500
Park activities	3,000	4,364	(1,364)
Total parks and recreation center	52,500	49,568	2,932
Capital Outlay:			
General - building	25,000	200,565	(175,565)
General - computer equipment	15,000	6,968	8,032
General - machinery	-	18,553	(18,553)
Parks and recreation facilities	55,000	62,054	(7,054)
Public works - transportation equipment	106,000	72,612	33,388
Architectural, engineering	-	8,316	(8,316)
Public works - machinery and equipment	-	3,013	(3,013)
Total capital outlay	201,000	372,081	(171,081)
Total expenditures	1,422,700	1,366,674	56,026
Excess (deficiency) of revenues over (under) expenditures	\$ -	86,068	\$ 86,068
FUND BALANCE, beginning of year		<u>2,534,506</u>	
FUND BALANCE, end of year		<u>\$ 2,620,574</u>	

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

City of Lakeland, Tennessee
SPECIAL REVENUE FUND BALANCE SHEET
June 30, 2001

ASSETS

Accounts receivable	\$ <u>17,394</u>
Total assets	\$ <u><u>17,394</u></u>

FUND EQUITY

Fund equity - unreserved	\$ <u>17,394</u>
Total fund equity	\$ <u><u>17,394</u></u>

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

City of Lakeland, Tennessee
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2001

	State Street Aid <u>Actual</u>	Solid Waste <u>Actual</u>	<u>Totals</u>	<u>Budget</u>	Variance- Favorable (Unfavorable)
REVENUES:					
Charges for services:					
State revenues	\$ 154,565	\$ -	\$ 154,565	\$ 150,000	\$ 4,565
Refuse collection and disposal	<u>-</u>	<u>251,841</u>	<u>251,841</u>	<u>215,000</u>	<u>36,841</u>
Total revenues	<u>154,565</u>	<u>251,841</u>	<u>406,406</u>	<u>365,000</u>	<u>41,406</u>
EXPENDITURES:					
Current:					
Public works:					
Roads	154,565		154,565	165,000	10,435
Garbage collection and disposal collection fees	<u>-</u>	<u>256,724</u>	<u>256,724</u>	<u>200,000</u>	<u>(56,724)</u>
Total expenditures	<u>154,565</u>	<u>256,724</u>	<u>411,289</u>	<u>365,000</u>	<u>(46,289)</u>
Excess (deficiency) of revenues over (under) expenditures	-	(4,883)	(4,883)	<u>-</u>	<u>(4,883)</u>
FUND BALANCES, beginning of year	<u>-</u>	<u>22,277</u>	<u>22,277</u>		
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 17,394</u>	<u>\$ 17,394</u>		

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

City of Lakeland, Tennessee
ENTERPRISE FUND
BALANCE SHEET
June 30, 2001

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 449,227
Accounts receivable	<u>17,658</u>
Total current assets	<u>466,885</u>

PROPERTY, PLANT AND EQUIPMENT:

Land	80,682
Sewer fund and improvements	<u>2,582,433</u>
	2,663,115
Less Accumulated depreciation	<u>352,721</u>
Total property, plant and equipment - net	<u>2,310,394</u>
Total assets	\$ <u><u>2,777,279</u></u>

LIABILITIES, FUND EQUITY AND RETAINED EARNINGS

CURRENT LIABILITIES:

Accounts payable	\$ 112,500
Due to general fund	<u>49,492</u>
Total current liabilities	<u>161,992</u>

FUND EQUITY -

Contributed capital	1,391,537
Retained earnings	<u>1,223,750</u>
Total fund equity	<u>2,615,287</u>
Total liabilities and fund equity	\$ <u><u>2,777,279</u></u>

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

City of Lakeland, Tennessee
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
For The Fiscal Year Ended June 30, 2001

REVENUES:

Sewer user fees	\$ 226,302
Other fees	3,885
	230,187
Total revenue	230,187

OPERATING EXPENSES:

Wages	65,053
Overtime wages	8,878
Payroll taxes	5,396
Insurance	8,892
Retirement	3,213
Uniforms	432
Communications	1,432
Supplies	5,231
Electric	41,417
Water	46,433
Telephone	80
Legal	27,515
Other professional services	12,649
Repairs and maintenance	22,369
Contracted service	15,845
Collection fees	3,329
Small equipment	1,238
Chemicals/lab	11,296
Repair parts	19,883
Roads, streets and parking	41,261
Other operating expenses	2,530
Depreciation	66,578
	410,950
Total operating expenses	410,950

Net income (loss) from operations	(180,763)
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City of Lakeland, Tennessee
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
For The Fiscal Year Ended June 30, 2001

OTHER NON-OPERATING REVENUES AND EXPENSE:

Connection fees	60,000
Developer fees	100,000
Renewal and replacement fees	60,000
Settlement of law suit	<u>(112,718)</u>
Total non-operating revenues	<u>107,282</u>
Net income	(73,481)
RETAINED EARNINGS, beginning of year	<u>1,297,231</u>
RETAINED EARNINGS, end of year	<u><u>\$ 1,223,750</u></u>

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

City of Lakeland, Tennessee
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For The Fiscal Year Ended June 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating (loss)	\$ (73,481)
Adjustments to reconcile operating net (loss) to cash provided by operating activities:	
Depreciation	66,578
Decrease in accounts receivable	220,000
Increase in accounts payable	103,236
Increase in due to other funds	<u>36,255</u>
Total cash flows provided by operating activities	352,588
CASH AND CASH EQUIVALENTS, beginning of year	<u>96,639</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 449,227</u></u>

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

City of Lakeland, Tennessee
DEFERRED COMPENSATION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2001

	<u>Balance</u>		<u>Deletions</u>	<u>Balance</u>
	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2001</u>
ASSETS-				
Investments	\$ <u>150,706</u>	\$ <u>4,066</u>	\$ <u>-</u>	\$ <u>154,772</u>
 LIABILITIES-				
Deferred compensation benefits payable	\$ <u>150,706</u>	\$ <u>4,066</u>	\$ <u>-</u>	\$ <u>154,772</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, 2001

	<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	\$ 718,784	\$ -	\$ 221,478	\$ 1,002,869
PUBLIC WORKS					
Streets and highways	-	-	-	374,078	374,078
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	894,200	241,539	98,992	12,351	1,247,082
Total general fund fixed assets	<u>\$ 956,807</u>	<u>\$ 960,323</u>	<u>\$ 98,992</u>	<u>\$ 607,907</u>	<u>\$ 2,624,029</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, 2001

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Enterprise Fund</u>	<u>Ending Balance</u>
GENERAL GOVERNMENT					
General administration	\$ <u>787,020</u>	\$ <u>215,849</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,002,869</u>
PUBLIC WORKS					
Streets and highways	<u>298,457</u>	<u>75,621</u>	<u>-</u>	<u>-</u>	<u>374,078</u>
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	<u>1,185,028</u>	<u>62,054</u>	<u>-</u>	<u>-</u>	<u>1,247,082</u>
Total general fund fixed assets	\$ <u><u>2,270,505</u></u>	\$ <u><u>353,524</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,624,029</u></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 AND EQUIPMENT
For The Fiscal Year Ended June 30, 2001

	<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	2,358,186	-	-	2,358,186
Improvements	<u>224,247</u>	<u>-</u>	<u>-</u>	<u>224,247</u>
 Total property, plant and equipment	 2,663,115	 -	 -	 2,663,115
Less accumulated depreciation	<u>(286,143)</u>	<u>(66,578)</u>	<u>-</u>	<u>(352,721)</u>
 Net book value	 <u>\$ 2,376,972</u>	 <u>\$ (66,578)</u>	 <u>\$ -</u>	 <u>\$ 2,310,394</u>

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

City of Lakeland, Tennessee
SEWER ENTERPRISE FUND
SCHEDULE OF RATES/CUSTOMERS
June 30, 2001

	<u>Residential</u> <u>Service</u>	<u>Commercial</u> <u>Service</u>	
Sewer Service:			
Number of Customers	<u>732</u>	<u>29</u>	
Minimum Rate	\$ 11	\$ 35	
Surcharge per Unit	<u>10</u>	<u>10</u>	
Total Minimum	\$ <u>21</u>	\$ <u>45</u>	
Maximum Rate	<u>\$ 30</u>	<u>\$ No limit</u>	

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

City of Lakeland, Tennessee
SCHEDULE OF INVESTMENTS
June 30, 2001

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Market Value</u>
GENERAL FUND				
Certificates of Deposit:				
Bancorpsouth	08/31/01	5.12%	\$ 95,026	\$ 95,026
Trustmark	03/18/02	5.50%	99,000	99,000
Trustmark	03/01/02	5.00%	125,000	125,000
Trustmark	07/31/01	3.65%	99,000	99,000
Trustmark	11//01/01	2.62%	125,000	125,000
Trustmark	07/31/01	3.65%	125,000	125,000
Trustmark	11/26/01	2.23%	125,000	125,000
Munford Union Bank	02/02/02	5.35%	97,682	97,682
Munford Union Bank	06/28/02	7.50%	650,000	650,000
Munford Union Bank	02/02/02	6.00%	500,000	500,000
Total general fund			<u>2,040,708</u>	<u>2,040,708</u>
TRUST AND AGENCY				
Investment accounts with Aetna				
Insurance Company - mutual funds	N/A	N/A	<u>154,772</u>	<u>154,772</u>
Total investments			<u>\$ 2,195,480</u>	<u>\$ 2,195,480</u>

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

City of Lakeland, Tennessee
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2001

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
James P. Bomprezzi, Sr.	Mayor	\$ 6,000	\$ 5,000
Patra B. Temple	Commissioner	3,000	
Nina Griffin	Commissioner	3,000	
Mark Hartz	Commissioner	3,000	
Scott Carmichael	Commissioner	3,000	

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

City of Lakeland, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2001

The Risk Management Pool TMP-3192-03	Property Insurance	100% Replacement \$2,587,068 Buildings and Personal Property, \$22,492 Electronic Data Processing Equipment, \$112,061 Mobile Equipment, \$2,699,129 Boiler, Machinery, Automatic Coverage's, \$1,000 Deductible for all coverage's
	Crime Coverage's	\$150,000 Employee Dishonesty, \$150,000 Forgery or Alteration, \$100,000 Theft Disappearance or Destruction, \$100,000 Computer Fraud, \$500 Deductible Employee Dishonesty, \$1,000 Deductible Forgery or Alteration
The Risk Management Pool TML-067-03	General Liability and Personal Injury	\$130,000/\$350,000 Bodily Injury Tort Liability, \$50,000 Property Damage Tort Liability, \$50,000 Fire Damage, \$50,000 Each Impounded Property, \$1,000 per Person, \$10,000 per Accident Medical Payment, \$1,000,000 Each Other Loss \$50,000 non-monetary defense loss
	Automobile Liability	\$130,000/\$350,000 Bodily Injury; \$50,000 Property Damage; \$1,000,000 Per Occurrence; \$1,000 per person, \$10,000 Per Accident Medical Payments
	Uninsured Motorist	\$60,000 Per Occurrence Bodily Injury; \$50,000 Property Damage
	Comprehensive	\$500 Deductible Per Occurrence
	Collision	\$500 Deductible Per Occurrence
	Errors or Omissions	\$1,000,000 Per Occurrence; \$1,000 Deductible
The Risk Management Pool TWC-0394-02	Workman's Compensation	\$130,000 Bodily injury Each Accident; \$350,000 Bodily Injury by Policy Limit; \$130,000 Each Employee by Disease
American States Insurance Company EX972377	Recorder - Bond	\$20,000
American States Insurance Company 5996088	City Manager - Bond	\$20,000
American States Insurance Company EX-977661	Mayor - Bond	\$10,000
American States Insurance Company 5996090	City Clerk / Deputy City Recorder - Bond	\$10,000
American States Insurance Company E981436	Bookkeeper - Bond	\$10,000



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

To the Honorable Mayor
And Members of the Board of Commissioners
City of Lakeland, Tennessee

We have audited the general purpose financial statements of the City of Lakeland, Tennessee (the City), and the combining, individual fund and account group financial statements and schedules as of and for the year ended June 30, 2001, and have issued our report thereon dated July 28, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements and the combining, individual fund and account group financial statements and schedules are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required herein under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and combining, individual fund and account group financial statements and schedules and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements and the combining, individual fund and account group financial statements and schedules

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 over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the Mayor and Board of Commissioners, management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Zoccola & Associates, PLLC

Germantown, Tennessee
July 28, 2002