

ORIGINAL

CITY OF LAKELAND, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30 2003

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List of Elected Officials
June 30, 2003

ELECTED OFFICIALS

Mayor	Scott Carmichael
Commissioner	Patra B. Temple
Commissioner	Mark Hartz
Commissioner	Judy Bennett
Commissioner	Gerrit Verschuur



INDEPENDENT AUDITORS' 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, 2003, 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 included 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, 2003, 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, 2003, 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 February 15, 2004, on our consideration of the City's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit prepared in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 same 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 statement. Accordingly, we do not express an opinion on such data.

Vance, Brown & Associates, PLLC

Memphis, Tennessee
February 15, 2004

Combined Balance Sheet - Assets and Other Debits - All Fund Types and Account Groups
June 30, 2003

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Types</u>	<u>Proprietary Fund Types</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Trust and Agency</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
Assets:							
Cash and cash equivalents	\$ 669,109	\$ -	\$ 669,109	\$ -	\$ 497,681	\$ -	\$ -
Investments	2,457,436	-	2,457,436	258,981	303,610	-	-
Receivables							
Accounts		-	-	-	16,720	-	-
Intergovernmental	221,375	-	221,375	-	-	-	-
Due from other funds	19,964	16,583	36,547	-	-	-	-
Property, plant and equipment (net)	-	-	-	-	2,181,272	3,251,900	-
Total assets	3,367,884	16,583	3,384,467	258,981	2,999,283	3,251,900	-
Other Debits-							
Amount to be provided for compensated absences	-	-	-	-	-	-	13,572
Total assets and other debits	<u>\$ 3,367,884</u>	<u>\$ 16,583</u>	<u>\$3,384,467</u>	<u>\$ 258,981</u>	<u>\$ 2,999,283</u>	<u>\$ 3,251,900</u>	<u>\$ 13,572</u>

The accompanying notes are an integral part of these statements.

Combined Balance Sheet - Liabilities and Fund Equity - All Fund Types and Account Groups
June 30, 2003

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Types</u>	<u>Proprietary Fund Types</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Trust and Agency</u>	<u>Enterprise</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
Liabilities:							
Accounts payable	\$ 68,383	\$ -	\$ 68,383	\$ -	\$ 380	\$ -	\$ -
Due to/from other funds	16,583	-	16,583	-	19,964	-	-
Deferred compensation payable	-	-	-	258,981	-	-	13,572
Refundable deposits	148,970	-	148,970	-	-	-	-
Accrued vacation	-	-	-	-	-	-	-
Total liabilities	233,936	-	233,936	258,981	20,344	-	13,572
Fund equity:							
Investment in general							
fixed assets	-	-	-	-	-	3,251,900	-
Contributed capital	-	-	-	-	1,391,537	-	-
Retained earnings (deficit)							
Reserved for street aid	-	26,724	26,724	-	-	-	-
Unreserved	-	-	-	-	1,587,402	-	-
Unreserved, designated	-	-	-	-	-	-	-
for parks	22,143	-	22,143	-	-	-	-
Unreserved, undesignated	3,111,805	(10,141)	3,101,664	-	-	-	-
Total fund equity	3,133,948	16,583	3,150,531	-	2,978,939	3,251,900	-
Total liabilities and fund equity	\$3,367,884	\$ 16,583	\$3,384,467	\$ 258,981	\$ 2,999,283	\$ 3,251,900	\$ 13,572

The accompanying notes are an integral part of these statements.

**Combined Statement of Revenues, Expenditures and Changes in Fund Balance
June 30, 2003**

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>	<u>Enterprise</u>
Revenues:				
Taxes	\$ 201,374	\$ -	\$ 201,374	\$ -
Licenses and permits	181,364	-	181,364	-
Intergovernmental	1,252,392	-	1,252,392	-
Fees for services	51,305	501,746	553,051	183,008
Other	69,321	-	69,321	532,172
Total revenues	<u>1,755,756</u>	<u>501,746</u>	<u>2,257,502</u>	<u>715,180</u>
Expenditures:				
General government	1,050,015	-	1,050,015	-
Public safety	5,330	-	5,330	-
Public works	193,477	448,056	641,533	-
Health, culture, welfare and recreation	137,289	-	137,289	-
Capital outlay	282,386	-	282,386	-
Operating expenses	-	-	-	316,064
Total expenditures	<u>1,668,497</u>	<u>448,056</u>	<u>2,116,553</u>	<u>316,064</u>
Excess (deficiency) of revenues over (under) expenditures	87,259	53,690	140,949	399,116
Fund balances, beginning of year	<u>3,046,689</u>	<u>(37,107)</u>	<u>3,009,582</u>	<u>1,188,286</u>
Fund balances, end of year	<u>\$ 3,133,948</u>	<u>\$ 16,583</u>	<u>\$ 3,150,531</u>	<u>\$ 1,587,402</u>

The accompanying notes are an integral part of these statements.

**Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
June 30, 2003**

	<u>General Fund</u>			<u>Special Revenue Fund</u>			<u>Total</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:									
Taxes	\$ 188,161	\$ 201,374	\$ 13,213	\$ -	\$ -	\$ -	\$ 188,161	\$ 201,374	\$ 13,213
Licenses and permits	139,978	181,364	41,386	-	-	-	139,978	181,364	41,386
Intergovernmental	1,450,681	1,252,392	(198,289)	-	-	-	1,450,681	1,252,392	(198,289)
Fees for services	108,400	51,305	(57,095)	523,161	501,746	(21,415)	631,561	553,051	(78,510)
Other	124,565	69,321	(55,244)	-	-	-	124,565	69,321	(55,244)
Total revenues	2,011,785	1,755,756	(256,029)	523,161	501,746	(21,415)	2,534,946	2,257,502	(277,444)
Expenditures:									
General government	1,202,779	1,050,015	(152,764)	-	-	-	1,202,779	1,050,015	(152,764)
Public safety	18,400	5,330	(13,070)	-	-	-	18,400	5,330	(13,070)
Public works	121,300	193,477	72,177	513,951	448,056	(65,895)	635,251	641,533	6,282
Health, culture, welfare and recreation	80,550	137,289	56,739	-	-	-	80,550	137,289	56,739
Capital outlay	597,966	282,386	(315,580)	-	-	-	597,966	282,386	(315,580)
Operating expenses	-	-	-	-	-	-	-	-	-
Total expenditures	2,020,995	1,668,497	(352,498)	513,951	448,056	(65,895)	2,534,946	2,116,553	(418,393)
Excess (deficiency) of revenues over (under) expenditures	\$ (9,210)	87,259	\$ 96,469	\$ 9,210	53,690	\$ 44,480	\$ -	140,949	\$ 140,949
Fund balances, beginning of year		3,046,689			(37,107)			3,009,582	
Fund balances, end of year		<u>\$3,133,948</u>			<u>\$16,583</u>			<u>\$3,150,531</u>	

The accompanying notes are an integral part of these statements.

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 funds comprise the special revenue fund:

(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 customer service charges.

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.

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. 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.

6. Statement of Cash Flows:

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

7. 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.

8. 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

9. 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, 2003, totaled \$13,572 and are included in the General Long-Term Debt Account Group.

10. 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.

11. 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 \$1,166,790 and the bank balance was \$1,132,067. Of the bank balance \$100,000 was covered by the federal depository insurance and the remaining \$1,032,067 covered by collateral held by the City's agent in the City's name.

Investments: The City's investments at June 30, 2003, 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	\$2,761,046	\$2,761,046
Aetna Life Insurance Company - various mutual finds	<u>258,981</u>	<u>258,981</u>
Total	<u>\$3,020,027</u>	<u>\$3,020,027</u>

The funds held in Certificates of Deposit are covered by collateral held by the City's agent in the City's name.

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>Ending Balance</u>
General Government				
General administration	\$1,035,042	\$ 81,822	\$ -	\$1,116,864
Public Works				
Streets and highways	492,789	157,500	-	650,289
Health, Welfare, Culture and recreation				
Parks	<u>1,441,683</u>	<u>43,064</u>	<u>-</u>	<u>1,484,747</u>
Total general fund fixed assets	<u>\$2,969,514</u>	<u>\$ 282,386</u>	<u>\$ -</u>	<u>\$3,251,900</u>

A summary of proprietary fund property, plant and equipment at June 30, 2003 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</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	2,663,115	-	-	2,663,115
Less accumulated depreciation	<u>(417,282)</u>	<u>(64,561)</u>	<u>-</u>	<u>(481,843)</u>
Net book value	<u>\$2,245,833</u>	<u>\$ (64,561)</u>	<u>\$ -</u>	<u>\$2,181,272</u>

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. Legal counsel for the City does not anticipate any liability in these proceedings.

NOTE G – CHANGES IN LONG-TERM DEBT

The only obligation of The City at June 30, 2003 is \$13,572 of accrued vacation.

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 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.

General Fund Balance Sheet
June 30, 2003

Assets:

Cash and cash equivalents	\$ 669,109
Investments	2,457,436
Receivables	
Intergovernmental	221,375
Due from other funds	<u>19,964</u>
Total assets	<u><u>\$ 3,367,884</u></u>

Current Liabilities -

Accounts payable	68,383
Due to/from other funds	16,583

Other Liabilities-

Refundable deposits	<u>148,970</u>
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Total liabilities	<u>233,936</u>
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Fund equity:

Unreserved, designated for parks	22,143 ✓
Unreserved, undesignated	<u>3,111,805</u> ✓

Total fund equity	<u>3,133,948</u>
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Total liabilities and fund equity	<u><u>\$ 3,367,884</u></u>
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The accompanying notes are an integral part of these statements.

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Local Taxes:			
Wholesale beer tax	\$ 41,898	\$ 40,049	\$ (1,849)
Business taxes	91,263	98,748	7,485
Cable TV franchise tax	55,000	62,577	7,577
Total local taxes	<u>188,161</u>	<u>201,374</u>	<u>13,213</u>
Licenses and Permits:			
Building permits	60,000	115,934	55,934
Inspection fees	20,000	11,915	(8,085)
Other permits	59,978	53,515	(6,463)
Total licenses and permits	<u>139,978</u>	<u>181,364</u>	<u>41,386</u>
Intergovernmental revenue:			
Local option sales tax	858,330	743,677	(114,653)
TVA payments in lieu of taxes	45,157	44,689	(468)
State grants	12,000	9,000	(3,000)
State sales tax	458,862	412,005	(46,857)
State income tax	57,599	23,780	(33,819)
State beer tax	2,882	3,566	684
State street and transportation	15,851	15,675	(176)
Total intergovernmental	<u>1,450,681</u>	<u>1,252,392</u>	<u>(198,289)</u>
Fees for Services:			
Street improvements	60,000	-	(60,000)
Park - rental fees	600	1,950	1,350
Developer fees for park land	43,800	23,400	(20,400)
Recreation fees	4,000	25,955	21,955
Total fees for service	<u>108,400</u>	<u>51,305</u>	<u>(57,095)</u>
Other:			
Interest earned	105,565	41,735	(63,830)
Traffic study	-	11,000	11,000
Other	19,000	16,586	(2,414)
Total other	<u>124,565</u>	<u>69,321</u>	<u>(55,244)</u>
Total revenue	<u>\$ 2,011,785</u>	<u>\$ 1,755,756</u>	<u>\$ (256,029)</u>

Continued

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
General Government:			
Salaries - permanent employees	\$ 287,699	\$ 281,504	\$ (6,195)
Wages - permanent employees	228,432.00	122,578.00	(105,854)
Wages - overtime	30,160.00	5,864.00	(24,296)
Wages - temporary	36,000.00	8,939.00	(27,061)
Board of commissioners	18,000.00	16,200.00	(1,800)
Payroll taxes	74,939.00	43,507.00	(31,432)
Hospital and health insurance	53,190.00	73,736.00	20,546
Retirement	24,719.00	42,266.00	17,547
Employee education and training	7,500.00	14,882.00	7,382
Uniform	5,500.00	1,840.00	(3,660)
Printing and duplicating	5,000.00	6,132.00	1,132
Publicity, subscriptions and dues	12,000.00	15,936.00	3,936
Electric	9,000.00	6,617.00	(2,383)
Water	600.00	419.00	(181)
Gas	3,000.00	2,514.00	(486)
Telephone	15,000.00	17,344.00	2,344
Legal services	135,000.00	98,854.00	(36,146)
Accounting and auditing	10,000.00	38,056.00	28,056
Architectual and auditing	20,000.00	27,855.00	7,855
Data processing services	8,000.00	6,172.00	(1,828)
Other professional services	110,000.00	89,946.00	(20,054)
Supplies	23,500.00	31,985.00	8,485
Insurance	47,600.00	45,827.00	(1,773)
Gross receipts payback	10,000.00	24,510.00	14,510
Repair and maintenance services	1,190.00	3,391.00	2,201
Travel	15,000.00	12,742.00	(2,258)
Other	11,750.00	10,399.00	(1,351)
Total general government	<u>\$ 1,202,779</u>	<u>\$ 1,050,015</u>	<u>\$ (152,764)</u>

Continued

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures: (Continued)			
Public Safety:			
Ambulance Services:			
Contractual servies	\$ 12,400	\$ 5,330	\$ (7,070)
Tennessee one call	6,000	-	(6,000)
Total public safety	<u>18,400</u>	<u>5,330</u>	<u>(13,070)</u>
Public Works:			
Highway and Streets:			
Wages	-	93,675	93,675
Overtime wages	-	9,399	9,399
Payroll taxes	-	5,696	5,696
Uniforms	-	3,560	3,560
Electric	10,000	9,443	(557)
Other professional servies	2,000	3,275	1,275
Repairs and maintenance - other	-	(600)	(600)
Contracted services	23,000	16,260	(6,740)
Sundry	5,200	6,029	829
Office supplies	200	183	(17)
Gas, oil and fuel	23,000	25,538	2,538
Repair parts	15,000	7,349	(7,651)
Tools	5,000	3,704	(1,296)
Sign parts and supplies	4,000	3,391	(609)
Gravel and sand	7,500	3,263	(4,237)
Machinery and equipment rental	25,400	1,600	(23,800)
Chemical, lab and medical	1,000	1,712	712
Total public works	<u>\$ 121,300</u>	<u>\$ 193,477</u>	<u>\$ 72,177</u>

Continued

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For The Fiscal Year Ended June 30, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures: (Continued)			
Health, culture, welfare and recreation			
Salaries	\$ -	\$ 33,037	\$ 33,037
Wages	-	12,970	12,970
Overtime wages	-	5,401	5,401
Payroll taxes	-	2,906	2,906
Electric	3,500	2,931	(569)
Water	1,000	999	(1)
Gas	2,500	2,956	456
Repair and maintenance - building	2,000	2,084	84
Repair and maintenance - other	4,000	1,505	(2,495)
Other contractual services	16,050	22,345	6,295
Sundry	3,000	1,578	(1,422)
Office supplies	500	280	(220)
Chemical, laboratory, medical	13,000	12,543	(457)
Painting and plumbing supplies	1,000	163	(837)
Repair parts	2,500	518	(1,982)
Gravel and sand	3,000	2,492	(508)
Sign parts	1,000	199	(801)
Other professional servies	16,500	2,882	(13,618)
Park activities	11,000	29,500	18,500
Total parks and recreation center	<u>80,550</u>	<u>137,289</u>	<u>56,739</u>
Capital Outlay:			
Right of way	200,000	157,500	(42,500)
Road improvements	100,000	-	(100,000)
Drainage study	55,000	5,000	(50,000)
Parks and recreation facilities	164,000	43,064	(120,936)
Vehicle	52,500	69,198	16,698
Computer upgrades	6,000	7,624	1,624
Contingency expenditures	20,466	-	(20,466)
Total capital outlay	<u>597,966</u>	<u>282,386</u>	<u>(315,580)</u>
Total expenditures	<u>2,020,995</u>	<u>1,668,497</u>	<u>(352,498)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (9,210)</u>	<u>\$ 87,259</u>	<u>\$ 96,469</u>

Continued

**General Fund Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 For The Fiscal Year Ended June 30, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess (deficiency) of revenues over (under) expenditures		\$ 87,259	
Fund balance, beginning of year		<u>3,046,689</u>	
Fund balance, end of year		<u>\$ 3,133,948</u>	

The accompanying notes are an integral part of these statements.

Special Revenue Fund Balance Sheet
June 30, 2003

Assets -

Due from general fund \$ 16,583

Total assets \$ 16,583

Liabilities:

Fund equity - reserved for street aid 26,724

Fund equity - unreserved \$ (10,141)

Total liabilities and fund equity \$ 16,583

The accompanying notes are an integral part of these statements.

**Special Revenue Fund Combining Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
June 30, 2003**

	State Street Aid Actual	Solid Waste Actual	Total	Budget	Variance Favorable (Unfavorable)
Revenues:					
Charges for services:					
State revenues	\$ 191,640	\$ -	\$ 191,640	\$ 159,747	\$ 31,893
Refuse collection and disposal	-	310,106	310,106	363,414	(53,308)
Total revenue	<u>191,640</u>	<u>310,106</u>	<u>501,746</u>	<u>523,161</u>	<u>(21,415)</u>
Expenditures:					
Current:					
Public works:					
Roads	164,916	-	164,916	223,000	(58,084)
Garbage collection and disposal collection fees	-	283,140	283,140	290,951	(7,811)
Total expenditures	<u>164,916</u>	<u>283,140</u>	<u>448,056</u>	<u>513,951</u>	<u>(65,895)</u>
Excess (deficiency) of revenues over (under) expenditures	26,724	26,966	53,690	<u>\$ 9,210</u>	<u>\$ 44,480</u>
Fund balance, beginning of year	-	(37,107)	(37,107)		
Fund balance, end of year	<u>\$ 26,724</u>	<u>\$ (10,141)</u>	<u>\$ 16,583</u>		

The accompanying notes are an integral part of these statements.

Enterprise Revenue Fund Balance Sheet
June 30, 2003

Current Assets:	
Cash and cash equivalents	\$ 497,681
Investments	303,610
Accounts receivable	<u>16,720</u>
Total current assets	<u>818,011</u>
Property, plant and equipment	
Land	80,682
Sewer plant and improvements	<u>2,582,433</u>
Total cost	2,663,115
Less accumulated depreciation	<u>481,843</u>
Total property, plant and equipment - net	<u>2,181,272</u>
Total assets	<u>\$ 2,999,283</u>
Current liabilities	
Accounts payable	\$ 380
Due to general fund	<u>19,964</u>
Total current liabilities	<u>20,344</u>
Fund Equity:	
Contributed capital	1,391,537
Retained earnings	<u>1,587,402</u>
Total fund equity	<u>2,978,939</u>
Total liabilities and fund equity	<u>\$ 2,999,283</u>

The accompanying notes are an integral part of these statements.

**Enterprise Fund - Statement of Revenues, Expenses And Changes in Retained Earnings
For The Fiscal Year Ended June 30, 2003**

Revenues:	
Sewer user fees	\$ 180,508
Other fees	<u>2,500</u>
Total revenue	<u>183,008</u>
Operating Expenses:	
Wages	67,715
Overtime wages	6,859
Payroll taxes	5,928
Insurance	19,297
Retirement	3,771
Uniforms	1,064
Communications	
Supplies	1,837
Electric	44,123
Telephone	536
Legal	6,999
Other professional services	11,753
Repairs and maintenance	20,147
Contracted services	23,356
Collection fees	2,641
Chemicals/labs	13,608
Repair parts	15,126
Improvements-renewal & replacement	1,649
Other operating expenses	5,095
Depreciation	<u>64,560</u>
Total operating expenses	<u>316,064</u>
Net income (loss) from operations	<u>(133,056)</u>

Continued

**Enterprise Fund - Statement of Revenues, Expenses And Changes in Retained Earnings
For The Fiscal Year Ended June 30, 2003**

Other Non-Operating Revenues and Expense:

Developer fees	\$ 218,000
Connection fees	147,000
Renewal and replacement fees	147,000
Sewer plant expansion	11,990
Interest	<u>8,182</u>
Total non-operating revenues	<u>532,172</u>
Net income (loss)	399,116
Retained earnings, beginning of year	<u>1,188,286</u>
Retained earnings, end of year	<u><u>\$ 1,587,402</u></u>

The accompanying notes are an integral part of these statements.

**Enterprise Fund - Statement of Cash Flows
For The Fiscal Year Ended June 30, 2003**

Cash Flows From Operating Activities:	
Net Income	\$ 399,116
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation	64,560
Accounts receivable	938
Accounts payable	-
Due to other funds	<u>(59,987)</u>
 Total cash flows provided by operating activities	 404,627
 Cash and cash equivalents, beginning of year	 <u>396,664</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 801,291</u></u>

The accompanying notes are an integral part of these statements.

**Deferred Compensation Agency Fund Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2003**

	<u>Balance</u> <u>June 30, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2003</u>
Asset:				
Investments	\$ 156,075	\$ 102,906	\$ -	\$ 258,981
Liabilities:				
Deferred compensation benefits payable	\$ 156,075	\$ 102,906	\$ -	\$ 258,981

The accompanying notes are an integral part of these 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.

Schedule of General Fixed Assets - By Function and Activity
June 30, 2003

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other Than Building</u>	<u>Machinery And Equipment</u>	<u>Total</u>
General Government- General administration	\$ 62,607	\$ 718,784	\$ -	\$ 335,473	\$1,116,864
Public Works- Streets and highways	157,500	-	-	492,789	650,289
Health, Welfare, Culture And Recreation					
Parks	<u>894,200</u>	<u>241,539</u>	<u>142,056</u>	<u>206,952</u>	<u>1,484,747</u>
Total general fund fixed assets	<u>\$1,114,307</u>	<u>\$ 960,323</u>	<u>\$ 142,056</u>	<u>\$ 1,035,214</u>	<u>\$3,251,900</u>

The accompanying notes are an integral part of these statements.

Schedule of Changes In General Fixed Assets
June 30, 2003

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
General Government- General administration	\$1,035,042	\$ 81,822	\$ -	\$ 1,116,864
Public Works- Streets and highways	492,789	157,500	-	650,289
Health, Welfare, Culture And Recreation Parks	<u>1,441,683</u>	<u>43,064</u>	<u>-</u>	<u>1,484,747</u>
Total general fund fixed assets	<u>\$2,969,514</u>	<u>\$ 282,386</u>	<u>\$ -</u>	<u>\$ 3,251,900</u>

The accompanying notes are an integral part of these statements.

**Enterprise Fund Schedule of Changes in Property, Plant and Equipment
June 30, 2003**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</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>(417,282)</u>	<u>(64,561)</u>	<u>-</u>	<u>(481,843)</u>
Net book value	<u>\$ 2,245,833</u>	<u>\$ (64,561)</u>	<u>\$ -</u>	<u>\$ 2,181,272</u>

The accompanying notes are an integral part of these statements.

Enterprise Fund Schedule of Rates/Customers
June 30, 2003

	<u>Residential</u> <u>Service</u>	<u>Commercial</u> <u>Service</u>
Sewer Service:		
Number of Customers	<u>904</u>	<u>34</u>
Minimum rate	<u>\$ 11</u>	<u>\$ 45</u>
Maximum rate	<u>\$ 30</u>	<u>No Limit</u>

The accompanying notes are an integral part of these statements.

Schedule of Investments
June 30, 2003

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Market Value</u>
General Fund:				
Certificates of Deposit				
Trustmark	03/02/04	2.97%	\$ 125,000	\$ 125,000
Trustmark	04/01/04	2.97%	125,000	125,000
Trustmark	05/08/04	1.65%	99,000	99,000
Trustmark	05/08/04	1.65%	125,000	125,000
First Citizens	08/31/03	1.65%	95,026	95,026
First Citizens	02/02/04	2.25%	500,000	500,000
First Citizens	06/28/04	3.50%	754,144	754,144
First Citizens	03/01/04	2.25%	102,908	102,908
First Citizens	01/17/04	1.90%	125,041	125,041
First Citizens	03/24/04	2.00%	406,317	406,317
Total general fund			2,457,436	2,457,436
Trust and agency				
Investment accounts with Aetna				
Insurance Company - mutual funds	N/A	N/A	258,981	258,981
Enterprise Fund - Trustmark	12/18/04	1.65%	303,610	303,610
Total investments			<u>\$ 3,020,027</u>	<u>\$ 3,020,027</u>

The accompanying notes are an integral part of these statements.

Schedule of Salaries and Bonds of Principal Officials
June 30, 2003

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Scott Carmichael	Mayor	\$ 6,000	\$ 10,000
Patra B. Temple	Commissioner	3,000	
Mark Hartz	Commissioner	3,000	
Judy Bennett	Commissioner	3,000	
Gerrit Verschuur	Commissioner	3,000	

The accompanying notes are an integral part of these statements.

Schedule of Insurance in Force
June 30, 2003

The Risk Management Pool TMP-3192-04	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 Coverages \$1,000 Deductible for all coverages
	Crime Coverages	\$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 TMP-067-04	General Liability and Personal Injury	\$130,000/\$500,000 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 EXP972377	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



**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, 2003, and have issued our report thereon dated February 15, 2004. 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 tests 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 to be reported 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.

Vance, Brown & Associates, PLLC

Memphis, Tennessee
February 15, 2004