

CITY OF LAKELAND, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2009

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City of Lakeland

December 9, 2009

To the Mayor, Board of Commissioners and Citizens of Lakeland:

The Comprehensive Annual Financial Report (CAFR) of the City of Lakeland, Tennessee for the fiscal year ended June 30, 2009, is hereby submitted in accordance with the City of Lakeland Charter requirement for an independent audit by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Board (GASB) and have been audited in accordance with generally accepted auditing standards.

This report consists of management's representations concerning the finances of the City of Lakeland. Management assumes full responsibility for the completeness and reliability of all of the information presented in this report. Management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Watkins Uiberall, PLLC have audited the City of Lakeland financial statements, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable (clean) basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

Profile of the Government

The City of Lakeland, incorporated in 1977, is located in northeast Shelby County in the Southwestern part of the State. Lakeland occupies 24 square miles and serves a population of over 10,848. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Mayor and Commissioners.

The City of Lakeland's charter provides for a Commission-City Manager form of Government. Lakeland major operational activities are handled by a City Manager, who is appointed by the Board of Commissioners. Under Lakeland's form of government, the five-member Board of Commissioners, one of whom is elected as Mayor, are elected at large. The Commissioners duties are to set City policy through legislation and to supervise and evaluate the management of the City by the City Manager. The Commissioner, among other things, is responsible for passing ordinances, adopting the budget and appointing committees. The Board of four Commissioners and the Mayor are elected to four-year terms by popular vote. One-half of the Board is elected every two years.

The City of Lakeland provides a range of municipal services including street and drainage construction and maintenance, solid waste collection, recreational programs, planning and zoning and administrative services. In addition, the City operates a sewer utility system.

The Shelby County School of Education provides educational services to students within the jurisdiction of the City of Lakeland. The County school system is part of the Shelby County Government of Shelby County. The Memphis Light, Gas, and Water Division of the City of Memphis provide electrical and natural gas distribution to the Lakeland service area. The City of Memphis also provides sewer service to a small portion of the City of Lakeland. These entities do not meet the established criteria for inclusion in the reporting entity and are not included in this report.

The City of Lakeland annually prepares a plan of services for the upcoming fiscal year and the estimated cost of providing those services. This plan is reviewed by the Board of Mayor and Commissioner and is formally adopted by the passage of a budget ordinance. Strict budgetary compliance is maintained by the automated accounting system to assure effective fiscal management and accountability. All requests for purchases are checked by the City Manager to assure that funds are available. Purchase Orders and contracts are encumbered prior to release to vendors. The City Manager may transfer resources within a department as required.

Local Economy

The City of Lakeland currently has a moderate economic growth and is continuing to grow. The City population at the last Special Census (2007) was 10,848.

The City of Lakeland purchased several tracts of land adjacent to the existing City Hall complex in preparation for construction of Fire Station # 2. This fire station is proposed to be built and owned by the City and staffed and equipped by the Shelby County Fire Department.

The Board of Commissioners approved a match of \$3,000,000 for the interchange at I-40 and Canada Road for a joint project with the Tennessee Department of Transportation for the construction of a single-point interchange.

The City is in the process of the development of new Land Development Regulations. Once approved, the regulations will affect all new development.

Several Planned Developments and other subdivisions remain unconstructed, or are so early in the construction stages that no permits have been sought. These developments comprise over 1,500 single-family lots and some commercial development. They appear to have languished due to the economic downturn.

Among the larger commercial site plans approved by the City, Lakeland Station (the former outlet Mall) remains in a pending status, due to developer's changing timelines. Corner Shops (at Canada Road & Hwy 64) is built on its southern end and has begun leasing. Leasing activity appears to be slow, due to the economy.

The City is continuing the development of Canada Road from I-40 to Highway 64 with landscaping of the median and future bike and pedestrian paths.

Street and storm sewer improvements are in progress throughout the City.

The expansion of the current City Hall facility includes the addition of 13 offices to accommodate existing employees. The project will be completed in the spring of 2010.

Long-term financial planning

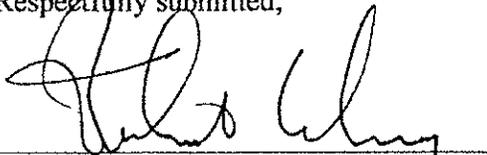
- Fire Station #2
- Acquisition of property for a major sports park
- Several streets, including the extension of Beverle Rivera Avenue.
- Park and Recreation Master Plan
- Continued development of Parks
- Planning and construction of New Canada Road

Major initiatives

- The medians are being landscaped and bike and pedestrian paths are planned or being constructed by private development
- New Canada Road alignment, environmental review and preliminary design are underway.
- Purchase of property for Fire Station #2 or for other City functions.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lakeland's finances.

Respectfully submitted,



Robert Wherry, City Manager

**City of Lakeland, Tennessee
City Officials
June 30, 2009**

Mayor
Scott Carmichael

Commissioners
Mark Hartz, Vice Mayor
Randy Nicholson, Commissioner
Clark Plunk, Commissioner
Gerrit Verschuur, Commissioner

Appointed Officials

City Manager	Robert Wherry
Growth Management Director	J. Higbee
Administrative Assistant	Theresa Meyer
City Attorney	David Lakin
Director of Finance	Robert Wherry
City Recorder	Sontidra Franklin
Director of Engineering / Interim City Engineer	Philip Stuckert
Supervisor of Public Works	Bristol Roberts
Supervisor of Code Enforcement	Michael Morrissett
Director of Parks/Recreation	Brenda Lockhart
Natural Resource Director	Eric Bridges



Watkins Uiberall, PLLC
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund and solid waste fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these 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 are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparisons for the general fund and solid waste fund, 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 December 9, 2009 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules shown on pages 39 to 41 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary schedules shown on pages 42 and 43 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wathins Liberal, PLLC

Memphis, Tennessee
December 9, 2009

Management's Discussion and Analysis

This is a narrative overview and analysis of the financial activities of the City of Lakeland for the fiscal year ended June 30, 2009. Please consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets of the City of Lakeland exceeded its liabilities at the close of the most recent fiscal year by \$55,822,911 (net assets). All net assets of the City of Lakeland are unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Lakeland's total net assets decreased by \$3,684,900 in fiscal year 2009.
- As of June 30, 2009, the City of Lakeland's governmental funds reported combined ending fund balances of \$3,765,214, a decrease of \$538,545 in comparison with the prior year.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$3,659,698 or 97 percent of total general fund expenditures.
- The City of Lakeland's total debt increased \$295,580 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Lakeland's basic financial statements. The City of Lakeland's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Lakeland's finances, in a manner similar to a private-sector business.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Lakeland that are principally supported by taxes and intergovernmental revenues

(governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lakeland includes general government, capital projects, public safety, public works, and parks and recreation. The business-type activities of the City of Lakeland include the operation of the sewer facilities.

The government-wide financial statements include only the City of Lakeland itself. The City of Lakeland operates a sewer system, which is reported as a proprietary fund in the City's financial statements.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Lakeland, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Lakeland can be divided into two categories: governmental funds and proprietary funds.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Lakeland maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and solid waste fund. Data from the other government fund is in a single, aggregated presentation. The City of Lakeland adopts an annual appropriated budget for its general fund and solid waste fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds: The City of Lakeland maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type

activities in the government-wide financial statements. The City of Lakeland uses an enterprise fund to account for its Sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer activities of the City of Lakeland, which is considered to be a major fund.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-wide Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakeland, assets exceeded liabilities by \$55,822,911 at the close of June 30, 2009.

By far the largest portion of the City of Lakeland's net assets (88.7 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lakeland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakeland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has \$12,326,006 of outstanding debt as of June 30, 2009.

The following provides a summary of the City's net assets at June 30, 2009.

Summary of Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 4,130,291	\$ 4,659,852	\$ 2,367,924	\$ 2,731,611	\$ 6,498,215	\$ 7,391,463
Capital Assets	<u>47,716,910</u>	<u>49,863,273</u>	<u>14,241,359</u>	<u>14,658,744</u>	<u>61,958,269</u>	<u>64,522,017</u>
Total Assets	<u>51,847,201</u>	<u>54,523,125</u>	<u>16,609,283</u>	<u>17,390,355</u>	<u>68,456,484</u>	<u>71,913,480</u>
Current Liabilities	520,028	498,093	432,341	433,150	952,369	931,243
Long-term debt	<u>3,123,654</u>	<u>2,566,095</u>	<u>8,557,550</u>	<u>8,908,331</u>	<u>11,681,204</u>	<u>11,474,426</u>
Total Liabilities	<u>3,643,682</u>	<u>3,064,188</u>	<u>8,989,891</u>	<u>9,341,481</u>	<u>12,633,573</u>	<u>12,405,669</u>
Net asset:						
Invested Capital Assets	44,334,579	47,155,178	5,188,359	5,336,413	49,522,938	52,491,591
Unrestricted	<u>3,868,940</u>	<u>4,303,759</u>	<u>2,431,033</u>	<u>2,712,461</u>	<u>6,299,973</u>	<u>7,016,220</u>
Total Net Asset	<u>\$48,203,519</u>	<u>\$51,458,937</u>	<u>\$ 7,619,392</u>	<u>\$ 8,048,874</u>	<u>\$55,822,911</u>	<u>\$59,507,811</u>

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

The City's net assets decreased by \$3,684,900 during the current fiscal year. Of this amount, \$3,255,418 represented a decrease in the net assets from governmental activities and \$429,482 represented a decrease in the net assets from business-type activities.

The following provides a summary of activities for the City during the fiscal year ended June 30, 2009.

Summary of Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Program Revenues						
Charges for services	\$ 1,079,387	\$ 1,124,110	\$ 722,137	\$ 677,009	\$ 1,801,524	\$ 1,801,119
Operating grants & Contributions	379,206	480,208	-	-	379,206	480,208
General Revenues						
Local Taxes	1,157,305	1,221,780	-	-	1,157,305	1,221,780
Intergovernmental	956,714	1,065,398	-	-	956,714	1,065,398
Interest on investment	87,324	201,594	60,738	143,983	148,062	345,577
Other	<u>30,662</u>	<u>16,284</u>	<u>-</u>	<u>-</u>	<u>30,662</u>	<u>16,284</u>
Total Revenues	<u>3,690,598</u>	<u>4,109,374</u>	<u>782,875</u>	<u>820,992</u>	<u>4,473,473</u>	<u>4,930,366</u>
Expenses						
General Government	2,480,102	2,022,071	-	-	2,480,102	2,022,071
Public Safety	142,649	139,359	-	-	142,649	139,359
Public Works	4,007,064	3,957,242	-	-	4,007,064	3,957,242
Parks & Recreation	292,061	586,573	-	-	292,061	586,573
Natural Resources	7,518	-	-	-	7,518	-
Storm Water	16,622	-	-	-	16,622	-
Business Type Sewer	<u>-</u>	<u>-</u>	<u>1,212,357</u>	<u>1,334,671</u>	<u>1,212,357</u>	<u>1,334,671</u>
Total Expenses	<u>6,946,016</u>	<u>6,705,245</u>	<u>1,212,357</u>	<u>1,334,671</u>	<u>8,158,373</u>	<u>8,039,916</u>
Change in Net Assets	(3,255,418)	(2,595,871)	(429,482)	(513,679)	(3,684,900)	(3,109,550)
Net Assets Beginning	<u>51,458,937</u>	<u>54,054,808</u>	<u>8,048,874</u>	<u>8,562,553</u>	<u>59,507,811</u>	<u>62,617,361</u>
Net Assets End of Year	<u>\$48,203,519</u>	<u>\$51,458,937</u>	<u>\$ 7,619,392</u>	<u>\$ 8,048,874</u>	<u>\$55,822,911</u>	<u>\$59,507,811</u>

Governmental Activities

Governmental activities decreased the City's net assets by \$3,255,418.

Business-Type Activities

Business-type activities decreased the City's net assets by \$429,482. The key elements of this decrease are as follows:

Interest expense on long-term debt was \$121,017.

Depreciation expense for sewer accounted for \$519,333 of total decrease.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Lakeland's governmental funds reported combined ending fund balances of \$3,765,214, which was a decrease of \$538,544 in comparison with the prior year. Approximately 97% of this amount, \$3,659,698, constitutes unreserved fund balance, which is available for spending at the City's discretion. Included in unreserved fund balance is \$105,516 which has been designated by the Board of Commissioners for use in the related special revenue funds.

The key elements of the decrease \$538,544 is as follows:

\$217,697 principal and interest payment of two loans from City of Clarksville Public Building Authority through the Tennessee Municipal League

\$74,209 representing city Hall Expansion this will be reimbursed in the next fiscal year due to payment being in the current year funds were not received until July 1, 2009

\$391,139 representing capital expenditures in excess of revenues received. The increase in expenditures were due to the construction of Beverle Rivera \$6,500, construction of New Canada Road \$95,327, Canada Road Interchange \$16,000, and the enhancement of Canada Road (south) of I-40 \$273,312 all capital projects were funded through the fund balance.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$3,659,698, all of which was unreserved. The General Fund balance represents approximately 97% of the total

General Fund expenditures and transfers out. The fund balance of the City's General Fund decreased by \$541,574 as a result of the current year operations

Special revenue funds have a fund balance of \$105,516. This amount is unreserved but board designated for special revenue fund expenditures. The combined fund balance for all special revenue funds increased by \$3,029, due mainly to increases in operating fees due to increase in operating expenses for the Solid Waste Fund.

Proprietary Funds

The City's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer fund at the end of the year amounted to \$2,431,033. Other factors concerning the financial position of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2009, amounts to \$61,958,269 (net of accumulated depreciation) a decrease of \$2,563,748 from prior year. This investment in capital assets includes land, buildings and improvements, furnishing and equipment, infrastructure, and construction in process.

Major capital asset events during the fiscal year included the following:

- Various street and road improvements
- Contributions of infrastructure & sewer collection from completed development
- Purchase of land

Summary of Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 7,140,990	\$ 6,808,587	\$ 102,142	\$ 80,682	\$ 7,243,132	\$ 6,889,269
Building & Improvement	1,996,082	1,973,574	16,271,212	16,271,212	18,267,294	18,244,786
Machinery & Equipment	1,187,405	963,209	-	-	1,187,405	963,209
Improvements Other	4,179,424	3,809,264	-	-	4,179,424	3,809,264
Vehicles	-	-	182,324	164,837	182,324	164,837
Construction in Progress	276,998	128,321	63,001	-	339,999	128,321
Infrastructure	61,012,146	61,012,146	-	-	61,012,146	61,012,146
Less accumulated depreciation	<u>(28,076,135)</u>	<u>(24,831,828)</u>	<u>(2,377,320)</u>	<u>(1,857,987)</u>	<u>(30,453,455)</u>	<u>(26,689,815)</u>
Total Capital Assets	<u>\$47,716,910</u>	<u>\$49,863,273</u>	<u>\$14,241,359</u>	<u>\$14,658,744</u>	<u>\$61,958,269</u>	<u>\$64,522,017</u>

Additional information on the City's capital assets can be found in Note 4 to the financial statements on pages 32 – 33.

Summary of Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation loans	<u>\$3,338,456</u>	<u>\$2,708,095</u>	<u>\$8,987,550</u>	<u>\$9,322,331</u>	<u>\$12,326,006</u>	<u>\$12,030,426</u>
Total Long-Term Debt	<u>\$3,338,456</u>	<u>\$2,708,095</u>	<u>\$8,987,550</u>	<u>\$9,322,331</u>	<u>\$12,326,006</u>	<u>\$12,030,426</u>

Information related to the City's long-term debt can be found in Note 4 to the financial statements on pages 34 - 35 of this report.

Budget Discussion

In preparing the City of Lakeland's budget for the 2009-2010 fiscal year the major sources of revenue for the City are local and state shared taxes, development / building fees, and user fees.

The estimated State Shared Taxes revenues are projected to slightly decrease from the last year's budget. Reasons for this include construction at the Lakeland Mall and the general slowdown of the economy. Several new businesses are expected to substantially contribute an increase to sales taxes, but we remain conservative and assume no increase.

The City tries to ensure that development etc. pays for itself (so existing residents and businesses do not subsidize new development) without overcharging for development by charging development and building fees. The City budgets relatively conservatively, and even one medium size development would have a major effect on revenues.

The City of Lakeland has approved an operating budget of \$4,292,282 and capital improvements of \$5,268,000, \$141,200 to be funded by fund balance (cash account) \$1,976,800 from grants, and TML loan of \$3,150,000. The total budget for the 2009-2010 is \$9,560,282.

Requests for Information

This financial report is designed to provide a general overview of the City of Lakeland's finances for all those with an interest in the government's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to City of Lakeland, Office of Finance, 10001 U.S. Highway 70 Lakeland, Tennessee 38002.

CITY OF LAKELAND, TENNESSEE

STATEMENT OF NET ASSETS

June 30, 2009

	Primary Government		Total
	Governmental Activities	Business-type Activity	
ASSETS			
Cash and cash equivalents	\$ 3,488,870	\$ 2,294,560	\$ 5,783,430
Receivables			
Accounts	36,937	66,664	103,601
Interest	20,357	6,700	27,057
Due from other governments	584,127	-	584,127
Capital assets, not being depreciated	7,417,988	165,143	7,583,131
Capital assets, being depreciated, net	40,298,922	14,076,216	54,375,138
Total assets	<u>51,847,201</u>	<u>16,609,283</u>	<u>68,456,484</u>
LIABILITIES			
Accounts payable	26,431	2,341	28,772
Accrued expenses	63,123	-	63,123
Customer deposits	215,670	-	215,670
Due to other governments	2	-	2
Noncurrent liabilities:			
Due within one year	214,802	430,000	644,802
Due in more than one year	3,123,654	8,557,550	11,681,204
Total liabilities	<u>3,643,682</u>	<u>8,989,891</u>	<u>12,633,573</u>
NET ASSETS			
Invested in capital assets, net of related debt	44,334,579	5,188,359	49,522,938
Unrestricted	3,868,940	2,431,033	6,299,973
Total net assets	<u>\$ 48,203,519</u>	<u>\$ 7,619,392</u>	<u>\$ 55,822,911</u>

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

CITY OF LAKELAND, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Primary government:							
Governmental Activities:							
General government	\$ 2,480,102	\$ 58,021	\$ -	\$ -	\$ (2,422,081)	\$ -	\$ (2,422,081)
Public safety	142,649	-	93,210	-	(49,439)	-	(49,439)
Public works	4,007,064	822,981	285,996	-	(2,898,087)	-	(2,898,087)
Parks and recreation	292,061	140,989	-	-	(151,072)	-	(151,072)
Natural resources	7,518	-	-	-	(7,518)	-	(7,518)
Storm water	16,622	57,396	-	-	40,774	-	40,774
Total governmental activities	<u>6,946,016</u>	<u>1,079,387</u>	<u>379,206</u>	<u>-</u>	<u>(5,487,423)</u>	<u>-</u>	<u>(5,487,423)</u>
Business-type activity:							
Sewer	1,212,357	722,137	-	-	-	(490,220)	(490,220)
Total business-type activity:	<u>1,212,357</u>	<u>722,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(490,220)</u>	<u>(490,220)</u>
Total primary government	<u>\$ 8,158,373</u>	<u>\$ 1,801,524</u>	<u>\$ 379,206</u>	<u>\$ -</u>	<u>(5,487,423)</u>	<u>(490,220)</u>	<u>(5,977,643)</u>
General revenues:							
Local taxes					1,157,305	-	1,157,305
Intergovernmental					956,714	-	956,714
Interest on investments					87,324	60,738	148,062
Other					30,662	-	30,662
Total general revenues and transfers					<u>2,232,005</u>	<u>60,738</u>	<u>2,292,743</u>
Change in net assets					<u>(3,255,418)</u>	<u>(429,482)</u>	<u>(3,684,900)</u>
Net assets - beginning, as restated					<u>51,458,937</u>	<u>8,048,874</u>	<u>59,507,811</u>
Net assets - ending					<u>\$ 48,203,519</u>	<u>\$ 7,619,392</u>	<u>\$ 55,822,911</u>

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

CITY OF LAKELAND, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2009

	<u>General Fund</u>	<u>Solid Waste</u>	<u>Other Governmental Fund - State Street Aid</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,488,870	\$ -	\$ -	\$ 3,488,870
Receivables				
Accounts	36,937	-	-	36,937
Interest	20,357	-	-	20,357
Due from other funds	-	105,516	-	105,516
Due from other governments	584,127	-	-	584,127
	<u>584,127</u>	<u>-</u>	<u>-</u>	<u>584,127</u>
Total assets	<u>\$ 4,130,291</u>	<u>\$ 105,516</u>	<u>\$ -</u>	<u>\$ 4,235,807</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 26,431	\$ -	\$ -	\$ 26,431
Accrued liabilities	63,123	-	-	63,123
Deferred revenue	59,851	-	-	59,851
Refundable deposits	215,670	-	-	215,670
Due to other governments	2	-	-	2
Due to other funds	105,516	-	-	105,516
Total liabilities	<u>470,593</u>	<u>-</u>	<u>-</u>	<u>470,593</u>
Fund balances:				
Unreserved, reported in:				
General fund	3,659,698	-	-	3,659,698
Special revenue funds	-	105,516	-	105,516
Total fund balances	<u>3,659,698</u>	<u>105,516</u>	<u>-</u>	<u>3,765,214</u>
	<u>\$ 4,130,291</u>	<u>\$ 105,516</u>	<u>\$ -</u>	<u>\$ 4,235,807</u>

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

CITY OF LAKELAND, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS

June 30, 2009

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances	\$ 3,765,214
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	47,716,910
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds	59,851
Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,338,456)</u>
Net assets of governmental activities	<u>\$ 48,203,519</u>

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2009

	General Fund	Solid Waste Fund	Other Governmental Fund - State Street Aid	Total Governmental Funds
REVENUES				
Taxes	\$ 1,214,701	\$ -	\$ -	\$ 1,214,701
Licenses and permits	58,021	-	-	58,021
Intergovernmental	956,714	-	285,996	1,242,710
Charges for services	81,138	822,981	-	904,119
State grants	93,210	-	-	93,210
Interest income	87,324	-	-	87,324
Other	30,662	-	-	30,662
Total revenues	<u>2,521,770</u>	<u>822,981</u>	<u>285,996</u>	<u>3,630,747</u>
EXPENDITURES				
Current				
General government	2,312,289	-	-	2,312,289
Capital projects	752,539	-	-	752,539
Public safety	142,649	-	-	142,649
Public works	44,452	819,952	372,486	1,236,890
Parks and recreation	268,946	-	-	268,946
Natural resources	7,518	-	-	7,518
Storm water	16,622	-	-	16,622
Debt Service				
Principal	157,122	-	-	157,122
Interest and fiscal charges	60,575	-	-	60,575
Note issuance costs	31,500	-	-	31,500
Total expenditures	<u>3,794,212</u>	<u>819,952</u>	<u>372,486</u>	<u>4,986,650</u>
Excess (deficiency) of revenues over (under) expenditures	(1,272,442)	3,029	(86,490)	(1,355,903)
OTHER FINANCING SOURCES (USES)				
Issuance of debt	696,570	-	-	696,570
Capital leases	120,788	-	-	120,788
Transfers in	-	-	86,490	86,490
Transfers out	(86,490)	-	-	(86,490)
Total other financing sources and uses	<u>730,868</u>	<u>-</u>	<u>86,490</u>	<u>817,358</u>
Net change in fund balances	(541,574)	3,029	-	(538,545)
Fund balances - beginning	<u>4,201,272</u>	<u>102,487</u>	<u>-</u>	<u>4,303,759</u>
Fund balances - ending	<u>\$ 3,659,698</u>	<u>\$ 105,516</u>	<u>\$ -</u>	<u>\$ 3,765,214</u>

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

CITY OF LAKELAND, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2009

Amounts reported for governmental activities in the statement of net activities
are different because:

Net change in fund balance - total governmental funds	\$ (538,545)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and contributions in the current period.	(2,146,363)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	59,851
The issuance of long-term debt (e.g. notes payable and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	<u>(630,361)</u>
Change in net assets of governmental funds	<u>\$ (3,255,418)</u>

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND**

For the Year Ended June 30, 2009

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes			
Local sales tax	\$ 950,000	\$ 818,617	\$ (131,383)
Wholesale beer tax	70,000	103,320	33,320
Business tax	75,000	77,645	2,645
CATV franchise tax	100,000	100,309	309
Hotel/Motel tax	110,000	57,414	(52,586)
Storm water tax	-	57,396	57,396
Total taxes	<u>1,305,000</u>	<u>1,214,701</u>	<u>(90,299)</u>
Licenses and permits			
Building permit fees	100,000	28,671	(71,329)
Inspection fees	109,800	1,200	(108,600)
Plat approval fees	108,300	13,970	(94,330)
Drainage control fees	255,500	-	(255,500)
Land disturbance fees	5,000	750	(4,250)
Tennessee One Call fees	10,000	1,500	(8,500)
Others	100,379	11,930	(88,449)
Total licenses and permits	<u>688,979</u>	<u>58,021</u>	<u>(630,958)</u>
Intergovernmental			
State of Tennessee shared taxes			
Sales tax	765,000	710,360	(54,640)
Beer tax	6,000	7,192	1,192
Income tax	111,000	111,828	828
Transportation tax	24,000	23,306	(694)
Receipts in lieu of tax - TVA	75,000	104,028	29,028
Total intergovernmental	<u>981,000</u>	<u>956,714</u>	<u>(24,286)</u>
Charges for services			
Recreation fees	62,500	81,138	18,638
Payments in lieu of roads and parks	350,534	-	(350,534)
Total charges for services	<u>413,034</u>	<u>81,138</u>	<u>(331,896)</u>
State grants	<u>7,000</u>	<u>93,210</u>	<u>86,210</u>
Interest income	<u>202,000</u>	<u>87,324</u>	<u>(114,676)</u>
Other revenue	<u>14,500</u>	<u>30,662</u>	<u>16,162</u>
Total revenues	<u>3,611,513</u>	<u>2,521,770</u>	<u>(1,089,743)</u>

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND**

For the Year Ended June 30, 2009

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	<u>Original and Final</u>	<u>Actual Amounts</u>	
EXPENDITURES			
General government			
Personnel compensation	1,247,500	1,302,946	(55,446)
Fringe benefits	448,000	472,712	(24,712)
Office communication expense	32,000	22,779	9,221
Utility services	46,500	54,253	(7,753)
Professional services	401,663	272,269	129,394
Repair/travel/supplies	168,000	123,509	44,491
Insurance	100,700	59,061	41,639
Other services	-	4,760	(4,760)
Total general government	<u>2,444,363</u>	<u>2,312,289</u>	<u>132,074</u>
Capital projects	<u>1,780,000</u>	<u>752,539</u>	<u>1,027,461</u>
Public safety			
Ambulance services	90,000	111,665	(21,665)
Other services	9,500	3,467	6,033
Capital expenditures	50,000	27,517	22,483
Total public safety	<u>149,500</u>	<u>142,649</u>	<u>6,851</u>
Public works			
Gasoline, oil, and vehicle repair	50,000	41,783	8,217
Other professional services, electric, and miscellaneous	7,000	2,669	4,331
Total public works	<u>57,000</u>	<u>44,452</u>	<u>12,548</u>
Parks and recreation			
Contracted services	27,000	21,121	5,879
Maintenance, utilities, and miscellaneous	196,500	190,376	6,124
Capital expenditures	120,000	57,449	62,551
Total parks and recreation	<u>343,500</u>	<u>268,946</u>	<u>74,554</u>
Natural resources			
Professional and contracted services	10,000	5,481	4,519
Other services	11,800	2,037	9,763
Total natural resources	<u>21,800</u>	<u>7,518</u>	<u>14,282</u>
Storm water			
Contracted services	-	11,082	(11,082)
Other	-	5,540	(5,540)
Total storm water	<u>-</u>	<u>16,622</u>	<u>(16,622)</u>

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (Continued)**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		Variance with Final Budget - Positive (Negative)
	<u>Original and Final</u>	<u>Actual Amounts</u>	
EXPENDITURES (continued)			
Debt service			
Principal	138,000	157,122	(19,122)
Interest and fiscal charges	120,000	60,575	59,425
Note issuance costs	-	31,500	(31,500)
Total debt service	<u>258,000</u>	<u>249,197</u>	<u>8,803</u>
 Total expenditures	 <u>5,054,163</u>	 <u>3,794,212</u>	 <u>1,259,951</u>
 Excess (deficiency) of revenues over (under) expenditures	 (1,442,650)	 (1,272,442)	 170,208
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	696,570	696,570
Capital leases	-	120,788	120,788
Transfers out	-	(86,490)	(86,490)
Total other financing sources (uses)	<u>-</u>	<u>730,868</u>	<u>730,868</u>
 Net change in fund balance	 <u>\$ (1,442,650)</u>	 (541,574)	 <u>\$ 901,076</u>
 Fund balance - beginning of year		 <u>4,201,272</u>	
 Fund balance - end of year		 <u>\$ 3,659,698</u>	

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – SOLID WASTE FUND**

For the Year Ended June 30, 2009

	<u>Budgeted Amounts</u> Original and Final	<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
REVENUES			
Charges for services	\$ 700,000	\$ 822,981	\$ 122,981
EXPENDITURES			
Contracted service	686,000	803,081	(117,081)
Other services	14,350	16,871	(2,521)
Total expenditures	<u>700,350</u>	<u>819,952</u>	<u>(119,602)</u>
Net change in fund balance	<u>\$ (350)</u>	3,029	<u>\$ 3,379</u>
Fund balance - beginning of year		<u>102,487</u>	
Fund balance - end of year		<u>\$ 105,516</u>	

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2009

ASSETS	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 2,294,560
Receivables	
Customers	66,664
Interest	6,700
Total current assets	<u>2,367,924</u>
Capital assets:	
Capital assets, not being depreciated	165,143
Capital assets, being depreciated - net	14,076,216
Total capital assets	<u>14,241,359</u>
Total assets	<u>16,609,283</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	2,341
Current portion of notes payable	430,000
Total current liabilities	<u>432,341</u>
Noncurrent liabilities:	
Notes payable, net of current portion	8,557,550
Total liabilities	<u>8,989,891</u>
 NET ASSETS	
Invested in capital assets, net of related debt	5,188,359
Unrestricted	2,431,033
Total net assets	<u>\$ 7,619,392</u>

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND**

For the Year Ended June 30, 2009

	Sewer Fund
Operating revenues:	
Sewer service fee	\$ 696,587
Service connections fees	25,550
Total operating revenues	722,137
Operating expenses:	
Personnel expenses	182,459
General and administrative	389,548
Depreciation	519,333
Total operating expenses	1,091,340
Operating income (loss)	(369,203)
Nonoperating revenues (expenses):	
Interest income	60,738
Interest and agent fee expense	(121,017)
Total non-operating revenues (expenses)	(60,279)
Income (loss) before contributions	(429,482)
Capital contributions - tap fees	-
Capital contributions - development fees	-
Change in net assets	(429,482)
Total net assets - beginning	8,048,874
Total net assets - ending	\$ 7,619,392

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

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

For the Year Ended June 30, 2009

	<u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 693,150
Payments to suppliers	(387,819)
Payments to employees	(182,459)
Net cash provided (used) by operating activities	<u>122,872</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of capital debt	21,560
Principal payments on capital debt	(360,191)
Restricted cash deposits	18,538
Acquisition and construction of capital assets	(120,486)
Interest paid on capital debt	(117,167)
Net cash provided (used) by capital and related financing activities	<u>(557,746)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	<u>73,918</u>
Net increase (decrease) in cash and cash equivalents	(360,956)
Cash and cash equivalents - beginning of the year	<u>2,655,516</u>
Cash and cash equivalents - end of the year	<u>\$ 2,294,560</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (369,203)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation	519,333
Change in assets and liabilities	
Receivables - customers	(28,987)
Accounts payable	1,729
Net cash provided (used) by operating activities	<u>\$ 122,872</u>

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

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Lakeland, Tennessee (the City) was incorporated in 1977 as a municipal corporation governed by an elected mayor and four-member board of commissioners.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. However, currently there are no component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Solid Waste Fund accounts for the receipts and expenditures related to sanitation services.

The City reports the following non-major governmental fund:

The State Street Aid Fund accounts for the receipts and expenditures of the City's share of the proceeds from the state gasoline tax.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the activities of the City's collection, transportation, treatment and disposition of wastewater.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government – wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and

contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. The sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D - Assets, liabilities and fund equity

1. Deposits and investments

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. All certificates of deposit are considered to be cash and cash equivalents.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. However, there is no allowance due to subsequent receipt.

3. Restricted assets

Certain cash and cash equivalents of the City are classified as restricted assets on the balance sheet because they are maintained in separate accounts and/or their use is limited by certain agreements and contracts with third parties. Restricted balances include escrow for construction contractors established to fund retainages of outstanding construction projects.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type

activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. In the case of donations, the government values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

Roads and bridges	30 years
Buildings and building improvements	15-40 years
Land improvements	20 years
Machinery, equipment and heavy vehicles	5 years
Automobiles	5 years

5. *Compensated absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Note issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize note issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Notes payable	\$ 3,276,665
Less: Deferred charge for issuance costs (to be amortized over life of debt)	(43,875)
Capital leases	<u>105,666</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 3,338,456</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of the difference are as follows:

Capital outlay	\$ 1,097,944
Depreciation expense	<u>(3,244,307)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,146,363)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. notes payable and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this difference are as follows:

Debt issued or incurred:	
Issuance of notes payable	\$ 696,570
Issuance of capital leases	120,788
Note issuance cost	(31,500)
Amortization of issuance costs	1,625
Principal repayment on capital leases	(15,122)
Principal repayment on notes payable	<u>(142,000)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 630,361</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

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. Management may not amend the budget without approval of the governing body.

B. Excess of expenditures over appropriations

For the year ended June 30, 2009, the solid waste fund's expenditures exceeded appropriations by \$119,602.

C. Deficit fund equity

As of June 30, 2009, no funds had a deficit of fund equity.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

At year end, the City's carrying amount of deposits was \$5,783,430 and the bank balance was \$6,058,228. Of the bank balance, \$1,000,000 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$5,058,228 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States of America or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States of America or its agencies as the underlying securities, state pooled investment funds, money market mutual funds, and mortgage-backed securities. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105 percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurances and (2) securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase agreement. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month. City deposit policies follow the State statutes.

B. Receivables

Receivables as of year-end for the City's individual major funds, including the applicable allowances for the uncollectible accounts, are as follows:

	General Fund	Sewer Fund	Total
Receivables:			
Taxes	\$ 36,937	\$ -	\$ 36,937
Interest	20,357	6,700	27,057
Customers	-	66,664	66,664
Gross receivables	<u>57,294</u>	<u>73,364</u>	<u>130,658</u>
Less: allowance for doubtful accounts	-	-	-
Net total receivables	<u>\$ 57,294</u>	<u>\$ 73,364</u>	<u>\$ 130,658</u>

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

C. Capital assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,808,587	\$ 332,403	\$ -	\$ 7,140,990
Construction in progress	128,321	604,758	(456,081)	276,998
Total capital assets, not being depreciated	<u>6,936,908</u>	<u>937,161</u>	<u>(456,081)</u>	<u>7,417,988</u>
Capital assets, being depreciated:				
Buildings and improvements	1,973,574	22,508	-	1,996,082
Improvements other than buildings	3,809,264	-	370,160	4,179,424
Machinery and equipment	963,209	138,275	85,921	1,187,405
Infrastructure	61,012,146	-	-	61,012,146
Total capital assets, being depreciated	<u>67,758,193</u>	<u>160,783</u>	<u>456,081</u>	<u>68,375,057</u>
Less accumulated depreciation for:				
Buildings and improvements	(286,187)	(50,965)	-	(337,152)
Improvements other than buildings	(738,753)	(263,513)	-	(1,002,266)
Machinery and equipment	(725,147)	(109,736)	-	(834,883)
Infrastructure	(23,081,741)	(2,820,093)	-	(25,901,834)
Total accumulated depreciation	<u>(24,831,828)</u>	<u>(3,244,307)</u>	<u>-</u>	<u>(28,076,135)</u>
Total capital assets, being depreciated, net	<u>42,926,365</u>	<u>(3,083,524)</u>	<u>456,081</u>	<u>40,298,922</u>
Governmental activities capital assets, net	<u>\$ 49,863,273</u>	<u>\$ (2,146,363)</u>	<u>\$ -</u>	<u>\$ 47,716,910</u>
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 80,682	\$ 21,460	\$ -	\$ 102,142
Construction in progress	-	63,001	-	63,001
Total capital assets, not being depreciated	<u>80,682</u>	<u>84,461</u>	<u>-</u>	<u>165,143</u>
Capital assets, being depreciated:				
Sewer plant and improvements	16,271,212	-	-	16,271,212
Vehicles and equipment	164,837	17,487	-	182,324
Total capital assets, being depreciated	<u>16,436,049</u>	<u>17,487</u>	<u>-</u>	<u>16,453,536</u>
Less accumulated depreciation for:				
Sewer plant and improvements	(1,813,993)	(483,159)	-	(2,297,152)
Vehicles and equipment	(43,994)	(36,174)	-	(80,168)
Total accumulated depreciation	<u>(1,857,987)</u>	<u>(519,333)</u>	<u>-</u>	<u>(2,377,320)</u>
Total capital assets, being depreciated, net	<u>14,578,062</u>	<u>(501,846)</u>	<u>-</u>	<u>14,076,216</u>
Business-type activity capital assets, net	<u>\$ 14,658,744</u>	<u>\$ (417,385)</u>	<u>\$ -</u>	<u>\$ 14,241,359</u>

Depreciation expense was charged to function / programs of the primary government as follows:

Governmental Activities:	
General government	\$ 145,595
Public Works	2,995,640
Parks and recreation	<u>103,072</u>
Total depreciation expense - governmental activities	<u><u>\$ 3,244,307</u></u>
Business-Type Activities:	
Sewer	<u><u>\$ 519,333</u></u>

D. Interfund receivables, payables, and transfers

As of June 30, 2009, the general fund has a payable to the solid waste fund for \$105,516. This is a result of the general fund maintaining all cash deposits for the governmental funds.

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

E. Leases

Operating Leases

The City has entered into a lease agreement with Memphis Works Managerial Club for certain rights and use related to the I.H. Managerial Club Clubhouse through July 1, 2015. The minimum lease payments for years ending June 30 are as follows:

2010	\$ 20,000
2011	20,000
2012	20,000
2013	20,000
2014	20,000
Thereafter	<u>27,500</u>
	<u><u>\$ 127,500</u></u>

Rent expense was \$20,000 under this lease for the year ended June 30, 2009.

Capital Leases

The City has entered into a lease agreement as lessee for financing the acquisition of five vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases were purchased at a cost of \$120,788 with accumulated depreciation of \$17,190 for a net carrying value of \$103,598 at June 30, 2009.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>
2010	\$ 73,551
2011	12,281
2012	12,281
2013	12,281
2014	8,060
Total minimum lease payments	<u>118,454</u>
Less: amount representing interest	<u>(12,788)</u>
Present value of minimum lease payments	<u>\$ 105,666</u>

F. Long Term Debt

General obligation loans payable

On July 26, 2004, the City entered into a 20 year loan agreement with the Public Building Authority of the City of Clarksville, Tennessee ("Clarksville PBA") through the Tennessee Municipal League (the "League") for \$3,500,000. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2009 the balance outstanding was \$2,580,095 and the interest rate on this loan was .39%.

On June 30, 2006, the City entered into a 20 year loan agreement for the City's sewer fund to borrow \$11,000,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2009 the balance outstanding was \$9,053,000 and the interest rate on this loan was .39 %.

On December 22, 2008, the City entered into a 21 year loan agreement with the Clarksville PBA through the Tennessee Municipal League (the "League") for up to \$4,500,000. Money is drawn as needed for various on-going City construction projects. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2009 the balance outstanding was \$696,570 and the interest rate on this loan was .39%.

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 2,722,095	\$ 696,570	\$ (142,000)	\$ 3,276,665	\$ 147,000
Less deferred amounts:					
For issuance costs	(14,000)	(31,500)	1,625	(43,875)	-
Total notes payable	2,708,095	665,070	(140,375)	3,232,790	147,000
Capital leases	-	120,788	(15,122)	105,666	67,802
Governmental-type activity long-term liabilities	<u>\$ 2,708,095</u>	<u>\$ 785,858</u>	<u>\$ (155,497)</u>	<u>\$ 3,338,456</u>	<u>\$ 214,802</u>
Business-type activities:					
Notes payable	\$ 9,391,631	\$ 21,560	\$ (360,191)	\$ 9,053,000	\$ 430,000
Less deferred amounts:					
For issuance costs	(69,300)	-	3,850	(65,450)	-
Business-type activity long-term liabilities	<u>\$ 9,322,331</u>	<u>\$ 21,560</u>	<u>\$ (356,341)</u>	<u>\$ 8,987,550</u>	<u>\$ 430,000</u>

Annual debt service requirements to maturity based on current interest rates for notes payable are as follows:

Years Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 147,000	\$ 12,779	\$ 430,000	\$ 35,307
2011	296,000	12,206	447,000	33,630
2012	308,000	11,051	465,000	31,886
2013	319,000	9,850	484,000	30,073
2014	333,000	8,606	503,000	28,185
2015-2019	1,021,570	28,170	2,833,000	109,887
2020-2024	852,095	8,312	3,447,000	50,050
2025	-	-	444,000	1,732
	<u>\$ 3,276,665</u>	<u>\$ 90,974</u>	<u>\$ 9,053,000</u>	<u>\$ 320,750</u>

The City is not subject to any state or other law that limits the amount of net bonded debt a City may have outstanding, therefore, there is no legal debt margin or computation thereof. The City's full faith, credit, and unlimited taxing authority are pledged to the repayment of all general obligation note principal and interest.

NOTE 5 – EMPLOYEE RETIREMENT SYSTEM

A. Plan Description

Employees of Lakeland are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated

Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in the state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Lakeland participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.tn.gov/tcrs/PS.

B. Funding Policy

Lakeland requires employees to contribute 5% of earnable compensation.

Lakeland is required to contribute at an actuarially determined rate. The rate for the fiscal year ending June 30, 2009 was 7.79% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lakeland is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2009, Lakeland's annual pension cost of \$85,884 to TCRS was equal to Lakeland's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five year period. Lakeland's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Following is a summary of the three-year trend for the years ended June 30:

Trend Information			
Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2009	\$ 85,884	100%	\$ -
June 30, 2008	\$ 61,906	100%	\$ -
June 30, 2007	\$ 49,695	100%	\$ -

E. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 81.09% funded. The actuarial accrued liability for benefits was \$0.31 million, and the actuarial value of assets was \$0.25 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.06 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1 million, and the ratio of the UAAL to the covered payroll was 8.09%.

The schedule of funding progress, presented as required supplementary information (RSI), presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for the purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Required Supplementary Information Schedule of Funding Progress for Lakeland

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 253,000	\$ 312,000	\$ 59,000	81.09%	\$ 729,000	8.09%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has entered into lease agreements with various governmental units and organizations. The terms of these leases vary and require only nominal token payments, if any. Annual lease payments are not material.

Several lawsuits against the City are ongoing. The ultimate outcome of the actions is not determinable; however, City officials believe that the outcome of these proceedings, either singularly or in the aggregate, will not have a materially adverse effect on the accompanying general purpose financial statements.

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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 (the Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool and 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 reinsurance policies. The City's premiums are calculated based on its prior claims history. It is the policy of the City of purchase commercial insurance for the risks of employee dishonesty. The City has not incurred any losses in excess of commercial insurance coverage for the past three fiscal years.

NOTE 8 – PRONOUNCEMENTS ISSUED, NOT YET EFFECTIVE

The Governmental Accounting Standards Board (GASB) has issued a pronouncement that has an effective date that may impact future financial presentations.

Management has not currently determined what, if any, effect implementation of the following statement may have on the financial statements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending June 30, 2010. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUND**

For the Year Ended June 30, 2009

	Other Governmental Fund - State Street Aid		
	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original and Final		
REVENUES			
Intergovernmental - gasoline and motor fuel tax	\$ 298,000	\$ 285,996	\$ (12,004)
EXPENDITURES			
Repairs and maintenance	248,000	29,752	218,248
Grass mowing	50,000	31,412	18,588
Street lighting	12,500	13,847	(1,347)
Other services, machinery, and equipment	44,500	24,163	20,337
Capital expenditures	300,000	273,312	26,688
Total expenditures	<u>655,000</u>	<u>372,486</u>	<u>282,514</u>
Excess (deficiency) of revenues over (under) expenditures	(357,000)	(86,490)	270,510
OTHER FINANCING SOURCES (USES)			
Transfers in	-	86,490	86,490
Net change in fund balance	<u>\$ (357,000)</u>	-	<u>\$ 357,000</u>
Fund balance - beginning of year		-	
Fund balance - end of year		<u>\$ -</u>	

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF NOTES PAYABLE
FUTURE MATURITIES (INCLUDING INTEREST)**

June 30, 2009

Fiscal Year	Governmental Activities						Business-type Activities	
	2004 Note Payable - Public Building Authority - Clarksville		2008 Note Payable - Public Building Authority - Clarksville		Total		2006 Note Payable - Public Building Authority - Clarksville	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 147,000	\$ 10,062	\$ -	\$ 2,717	\$ 147,000	\$ 12,779	\$ 430,000	\$ 35,307
2011	153,000	9,489	143,000	2,717	296,000	12,206	447,000	33,630
2012	158,000	8,892	150,000	2,159	308,000	11,051	465,000	31,886
2013	163,000	8,276	156,000	1,574	319,000	9,850	484,000	30,073
2014	169,000	7,640	164,000	966	333,000	8,606	503,000	28,185
2015	175,000	6,981	83,570	326	258,570	7,307	523,000	26,224
2016	181,000	6,299	-	-	181,000	6,299	544,000	24,184
2017	187,000	5,593	-	-	187,000	5,593	566,000	22,062
2018	194,000	4,864	-	-	194,000	4,864	588,000	19,855
2019	201,000	4,107	-	-	201,000	4,107	612,000	17,562
2020	208,000	3,323	-	-	208,000	3,323	636,000	15,175
2021	215,000	2,512	-	-	215,000	2,512	662,000	12,695
2022	223,000	1,673	-	-	223,000	1,673	688,000	10,113
2023	206,095	804	-	-	206,095	804	716,000	7,430
2024	-	-	-	-	-	-	745,000	4,637
2025	-	-	-	-	-	-	444,000	1,732
	<u>\$ 2,580,095</u>	<u>\$ 80,515</u>	<u>\$ 696,570</u>	<u>\$ 10,459</u>	<u>\$ 3,276,665</u>	<u>\$ 90,974</u>	<u>\$ 9,053,000</u>	<u>\$ 320,750</u>

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL ASSISTANCE

For the Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
<u>Federal Awards</u>						
U.S. Dept. of Transportation Federal Highway Administration (FHWA) / TN Dept. of Transportation	20.205		\$ -	\$ 82,051	\$ 141,902	\$ 59,851
<u>State Financial Assistance</u>						
TN Dept. of Environment and Conservation	N/A	Z0821270	8,761	8,761	-	-
TN Emergency Management Agency	N/A	Z08212834	-	2,397	2,397	-
TOTAL STATE AWARDS			8,761	11,158	2,397	-
TOTAL FEDERAL & STATE AWARDS			\$ 8,761	\$ 93,209	\$ 144,299	\$ 59,851

Basis of Presentation:

The accompanying Schedule of State Financial Assistance summarizes the expenditures of the City of Lakeland, Tennessee under programs of the state government for the year ended June 30, 2009. The schedule is presented using the modified basis of accounting.

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF INSURANCE

June 30, 2009

<u>Insurance Company</u>	<u>Type of Coverage</u>	<u>Description</u>
TML Risk Management - TMP-3192-09	Property Insurance	Maximum amount covered per occurrence - \$1,500,000 buildings, \$50,000 personal property, \$500,000 equipment, \$500,000 property in the course of construction, \$1,000,000 flood damage, \$500,000 earthquake damage, \$250,000 loss of revenue and other various coverages ranging from \$50,000 to \$500,000 per occurrence. \$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.
TML Risk Management - TMP-067-09	General Liability and Personal Injury	\$300,000/\$700,000 bodily injury tort liability, \$100,000 property damage tort liability, \$100,000 fire damage, \$100,000 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	\$300,000/\$700,000 bodily injury, \$100,000 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, \$100,000 property damage
	Comprehensive	\$500 deductible per occurrence
	Collision	\$500 deductible per occurrence
	Errors or Omissions	\$1,000,000 per occurrence, \$50,000 non-monetary defense loss, \$1,000 deductible
TML Risk Management - TWC-0394-02	Workman's Compensation	\$300,000 bodily injury each accident, \$700,000 bodily injury by policy limit, \$300,000 each employee by disease.
RLI Insurance Company - LSM0043673	Executive Assistant and Notary - Bond	\$10,000
RLI Insurance Company - 1517440N00	Notary Public - Bond	\$10,000
Western Surety Company - 53936821	City Manager - Bond	\$20,000
Western Surety Company - 53936822	Mayor - Bond	\$10,000

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF SEWER, SANITATION, AND STORM WATER RATES

June 30, 2009

Sewer Rates:

Based on Gallons of Water Used

Rate

Residential

\$0.717 per CCF
\$12.00 minimum per month
\$30.00 maximum per month
\$10.00 monthly surcharge
\$11.50 per month for users of the
City of Memphis sewer system

Commercial

\$1.00 per CCF
\$45.00 minimum per month
\$1,000.00 maximum per month
\$10.00 monthly surcharge

Sanitation Rates:

Type

Monthly
Charge

Residential

\$20.53

Storm Water Rates:

Type

Monthly
Charge

Residential

\$3.20



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and solid waste fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 9, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider

the deficiency described in the accompanying schedule of findings and responses and shown as 2009-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor, Board of Commissioners, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Memphis, Tennessee
December 9, 2009

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

For the Year Ended June 30, 2009

2009-1

Condition: The City acquired vehicles through the issuance of open-end leases. Lease payments were expensed as paid in the governmental funds.

Criteria: An open-end lease is defined as a rental agreement that obliges the lessee (the person making the periodic lease payments) to purchase the leased asset at the end of the agreement. The lessee has to pay the difference between the residual value of the leased property and the fair market value, provided the latter is lower in value when the lease expires. This type of lease is called a "finance lease." Governmental funds are required to recognize the total cost of the assets acquired as an expenditure and the capital lease as an "other financing source." Payments on the capital lease are treated as debt service payments.

Effect: The governmental funds were understated in total expenditures and other financing sources. At the governmental-wide level, assets and liabilities were understated.

Recommendation: Management should review all leases prior to commencement of the lease in order to determine the required accounting treatment.

Response: Management agrees with the adjustment that was made at year end and will review leases before commencement to determine proper accounting treatment.