

CITY OF LAKELAND, TENNESSEE
Comprehensive Annual Financial Report
June 30, 2000

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City of Lakeland, Tennessee
LIST OF PRINCIPAL OFFICIALS
June 30, 2000

Elected Officials

Mayor
Commissioner
Commissioner
Commissioner
Commissioner

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



CERTIFIED PUBLIC ACCOUNTANTS
1900 EXETER RD., SUITE 202
GERMANTOWN, TENNESSEE 38138
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements and the combining and individual fund and account group financial statements of the City of Lakeland, Tennessee (the City) as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lakeland, Tennessee, as of June 30, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such combining and individual fund, and account group financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City at June 30, 2000, and the results of operations of such funds and the cash flows of individual proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund, and account group financial statements. Other accompanying supplemental information listed in the table of contents is also presented for purpose of additional analysis and is not a required part of the financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, combining, individual fund, and account group statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and the account group taken as a whole.

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

Zoccolato & Associates, PLLC

Germantown, Tennessee
January 16, 2001

City of Lakeland, Tennessee
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Proprietary</u>	<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Trust and</u> <u>Agency</u>	<u>Fund Type</u> <u>Fund Type</u> <u>Enterprise</u>	<u>General</u>	<u>General</u>	
					<u>Fixed</u> <u>Assets</u>	<u>Long-Term</u> <u>Debt</u>	
<u>ASSETS AND OTHER DEBITS</u>							
ASSETS:							
Cash and cash equivalents	\$ 314,287	\$ -	\$ -	\$ 96,639	\$ -	\$ -	\$ 410,926
Investments	2,034,919	-	150,706	-	-	-	2,185,625
Receivables:							
Accounts	11,700	22,277	-	237,658	-	-	271,635
Intergovernmental	253,579	-	-	-	-	-	253,579
Due from other funds	19,356	-	-	-	-	-	19,356
Property, plant and equipment (net)	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,376,972</u>	<u>2,270,505</u>	<u>-</u>	<u>4,647,477</u>
Total assets	2,633,841	22,277	150,706	2,711,269	2,270,505	-	7,788,598
OTHER DEBITS -							
Amount to be provided for compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,775</u>	<u>17,775</u>
Total assets and other debits	\$ <u>2,633,841</u>	\$ <u>22,277</u>	\$ <u>150,706</u>	\$ <u>2,711,269</u>	\$ <u>2,270,505</u>	\$ <u>17,775</u>	\$ <u>7,806,373</u>

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

City of Lakeland, Tennessee
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 2000

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Proprietary</u>	<u>Account Groups</u>		<u>Totals</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Trust and Agency</u>	<u>Fund Type</u>	<u>Fund Type</u>	<u>Enterprise</u>		<u>General</u>	<u>General</u>
<u>LIABILITIES AND FUND EQUITY</u>									
LIABILITIES:									
Accounts payable	\$ 44,335	\$	\$	\$ 9,264	\$	\$	\$ 53,599		
Due to/from other funds				13,237			13,237		
Deferred compensation payable			150,706				150,706		
Refundable deposits	55,000						55,000		
Accrued vacation						17,775	17,775		
Total liabilities	99,335	-	150,706	22,501	-	17,775	290,317		
FUND EQUITY :									
Investment in general fixed assets					2,270,505		2,270,505		
Contributed capital				1,391,537			1,391,537		
Retained earnings (deficit):									
Unreserved				1,297,231			1,297,231		
Unreserved, designated for Parks	22,143						22,143		
Unreserved, undesignated	2,512,363	22,277					2,534,640		
Total fund equity	2,534,506	22,277	-	2,688,768	2,270,505	-	7,516,056		
Total liabilities and fund equity	\$ 2,633,841	\$ 22,277	\$ 150,706	\$ 2,711,269	\$ 2,270,505	\$ 17,775	\$ 7,806,373		

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

City of Lakeland, Tennessee
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - GOVERNMENTAL AND PROPRIETARY FUND TYPES
For The Fiscal Year Ended June 30, 2000

	General	Special Revenue	Enterprise (Memorandum Fund	Totals (Memorandum Only)
REVENUES:				
Taxes	\$ 148,903	\$	\$	\$ 148,903
Licenses and permits	107,230			107,230
Intergovernmental	1,169,557			1,169,557
Fees for services	600	438,925	251,339	690,864
Other	88,116		755,000	843,116
 Total revenues	 1,514,406	 438,925	 1,006,339	 2,959,670
 EXPENDITURES:				
General government	691,702			691,702
Public safety	7,823			7,823
Public works	109,365	475,864		585,229
Health, culture, welfare and recreation	54,074			54,074
Capital outlay	302,260			302,260
Operating expenses			308,776	308,776
 Total expenditures	 1,165,224	 475,864	 308,776	 1,949,864
 Excess (deficiency) of revenues over (under) expenditures	 349,182	 (36,939)	 697,563	 1,009,806
 FUND BALANCES, beginning of year	 2,006,160	 43,196	 115,575	 2,164,931
 PRIOR PERIOD ADJUSTMENT	 179,164	 16,020	 484,093	 679,277
 FUND BALANCES, end of year	 \$ 2,534,506	 \$ 22,277	 \$ 1,297,231	 \$ 3,854,014

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

City of Lakeland, Tennessee
**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPES**
For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Fund			Enterprise Fund			Total (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:												
Taxes	\$ 127,000	\$ 148,903	\$ 21,903	\$ 140,000	\$ 154,179	\$ 14,179	\$ -	\$ -	\$ -	\$ 267,000	\$ 303,082	\$ 36,082
Licenses and permits	212,600	107,230	(105,370)	-	-	-	-	-	-	212,600	107,230	(105,370)
Intergovernmental	1,018,500	1,169,557	151,057	-	-	-	-	-	-	1,018,500	1,169,557	151,057
Fees for services	-	600	600	200,000	284,746	84,746	202,000	251,339	49,339	402,000	536,685	134,685
Other	136,300	88,116	(48,184)	-	-	-	650,000	755,000	105,000	786,300	843,116	56,816
Total revenues	1,494,400	1,514,406	20,006	340,000	438,925	98,925	852,000	1,006,339	154,339	2,686,400	2,959,670	273,270
EXPENDITURES:												
Current:												
General government	764,566	691,702	72,864	-	-	-	-	-	-	764,566	691,702	72,864
Public safety	36,600	7,823	28,777	-	-	-	-	-	-	36,600	7,823	28,777
Public works	97,084	109,365	(12,281)	354,179	475,864	(121,685)	-	-	-	451,263	585,229	(133,966)
Health, culture, welfare and recreation	302,250	54,074	248,176	-	-	-	-	-	-	302,250	54,074	248,176
Capital outlay	293,900	302,260	(8,360)	-	-	-	-	-	-	293,900	302,260	(8,360)
Operating expenses	-	-	-	-	-	-	197,800	308,776	110,976	197,800	308,776	(110,976)
Total expenditures	1,494,400	1,165,224	329,176	354,179	475,864	(121,685)	197,800	308,776	110,976	2,046,379	1,949,864	96,515
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 349,182	\$ 349,182	\$ (14,179)	\$ (36,939)	\$ (22,760)	\$ 654,200	\$ 697,563	\$ 43,363	\$ 640,021	\$ 1,009,806	\$ 369,785
FUND BALANCES, beginning of year		2,006,160			43,196			115,575			2,164,931	
PRIOR PERIOD ADJUSTMENT		179,164			16,020			484,093			679,277	
FUND BALANCES, end of year		\$ 2,534,506			\$ 22,277			\$ 1,297,231			\$ 3,854,014	

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Defining the Entity

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

2. Fund Accounting

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

a. Governmental Fund Types

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

(1) General Fund

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

(2) Special Revenue Fund

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

(a) Solid Waste Fund

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

b. Fiduciary Fund Types

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

(1) Trust and Agency Fund

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

c. Proprietary Fund Types

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

(1) Enterprise Fund

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

d. Account Groups

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

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

3. Basis of Accounting

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

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

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

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

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

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

4. Budgetary Data

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

5. Total Columns on Combined Statements

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

6. Cash and Investments:

Cash: The City's cash accounts consist of demand and money market accounts.

Investments: State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury, government agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, and repurchase agreements.

7. Statement of Cash Flows:

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

8. Estimated Uncollectible Receivables:

No allowance for uncollectible accounts is recorded in the General Fund. Bad debts are recorded on the direct write-off method. An allowance for uncollectible accounts based on historical experience is immaterial to the financial statements.

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

9. Fixed Assets:

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition, construction and interest costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Public domain (“infrastructure”) general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated.

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

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

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

10. Compensated Absences:

The General Fund records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. Employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 20 days. All City employees accrue sick leave to a maximum of 90 days. However, employees retain no vested interest in their unused sick leave. Vacation leave accumulations at June 30, 2000, totaled \$17,775 and are included in the General Long-Term Debt Account Group.

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

11. Fund Equity:

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

12. Intergovernmental Revenues:

State shared taxes are recorded as revenue when the City is entitled to the funds. In past years the City recorded state shared taxes as revenue when received. However, it was determined that these funds are received by the City three months after they are entitled to them. Therefore to correct this error a receivable has been recorded to reflect the funds earned but not received. The correction of this error required a prior period adjustment to equity for funds earned in the prior period but recorded in the current period. The prior period adjustments were \$179,164 and \$16,020 in the General and Special Revenue Funds, respectively.

NOTE B – CASH AND INVESTMENTS

Deposits: At year-end the carrying amount of the City's deposits was \$2,445,845, and the bank balance was \$2,489,504. Of the bank balance \$295,026 was covered by the federal depository insurance and \$2,194,478 was covered by collateral held by the City's agent in the City's name.

Investments: The City's investments at June 30, 2000, consisted of certificated of deposits in the general fund and investment for the deferred compensation plan as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Aetna Life Insurance Company – various mutual funds	<u>\$ 150,706</u>	<u>\$ 150,706</u>

NOTE C – INTERGOVERNMENTAL RECEIVABLES

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE D – CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Enterprise Fund</u>	<u>Ending Balance</u>
GENERAL GOVERNMENT					
General administration	\$ 524,972	\$ 262,048	\$ -	\$ -	\$ 787,020
PUBLIC WORKS					
Streets and highways	258,245	40,212	-	-	298,457
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	1,185,028	-	-	-	1,185,028
Total general fund fixed assets	\$ 1,968,245	\$ 302,260	\$ -	\$ -	\$ 2,270,505

A summary of proprietary fund property, plant and equipment at June 30, 2000 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfer from General Fund Assets</u>	<u>Ending Balance</u>
Land	\$ 80,682	\$ -	\$ -	\$ 80,682
Sewer plant Improvements	2,358,186	-	-	2,358,186
	224,247	-	-	224,247
Total property, plant and equipment	\$ 2,663,115	\$ -	\$ -	\$ 2,663,115

The prior audit presented fixed asset additions as principal payments on the Sewer Fund Statement of Revenues, Expenses and Changes in Retained Earnings. A prior period adjustment is required to correct the error in the amount of \$484,093. The beginning numbers on the schedule presented above have been changed to reflect the correct beginning balance.

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE E – DEFERRED COMPENSATION PLAN

The City of Lakeland offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all City employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. For employees who elect to participate, the City contributes 8.5% of pay for salaried employees and 7.5% of pay for hourly employees. Employees contribute a minimum of 2% of pay up to a combined total contribution of \$7,500. The deferred compensation is not available to employees until termination, retirement, death or certain unforeseeable emergencies. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government, subject only to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of management that the City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The plan's trustee manages investments.

NOTE F – LITIGATION

The City of Lakeland is currently involved in several legal proceedings. No provision for liability, if any exists, has been provided for in the financial statements. Legal counsel for the City does not anticipate any liability in these proceedings.

NOTE G – CHANGES IN LONG-TERM DEBT

A summary of Long-Term Debt transactions for the year ended June 30, 2000, are as follows:

	Beginning <u>07/01/99</u>	<u>Additions</u>	<u>Deductions</u>	Ending <u>06/30/00</u>
Accrued Vacation	11,907	5,868		17,775
	<u>\$ 11,907</u>	<u>\$ 5,868</u>		<u>\$ 17,775</u>

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

City of Lakeland, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2000

NOTE H – RISK MANAGEMENT

The City of Lakeland, Tennessee, is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The City pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workmen's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history. It is the policy of the City to purchase commercial insurance for the risks of employee dishonesty. Settled claims have not exceeded this commercial coverage or the coverage provided by the Pool in any of the past three years.

City of Lakeland, Tennessee
GENERAL FUND BALANCE SHEET
June 30, 2000

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 314,287
Investments	2,034,919
Receivables:	
Accounts	11,700
Intergovernmental	253,579
Advances to other funds	<u>19,356</u>
 Total current assets	 \$ <u><u>2,633,841</u></u>

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES -

Accounts payable	\$ 44,335
------------------	-----------

OTHER LIABILITIES -

Refundable deposits	<u>55,000</u>
 Total liabilities	 <u>99,335</u>

FUND EQUITY:

Unreserved, designated for Parks	22,143
Unreserved, undesignated	<u>2,512,363</u>
 Total fund equity	 <u>2,534,506</u>
 Total liabilities and fund equity	 \$ <u><u>2,633,841</u></u>

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

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES:			
Local Taxes:			
Wholesale beer tax	\$ 30,000	\$ 32,036	\$ 2,036
Business taxes	50,000	63,989	13,989
Cable TV franchise tax	47,000	52,878	5,878
Total local taxes	127,000	148,903	21,903
Licenses and Permits:			
Building permits	105,000	48,591	(56,409)
Inspection fees	85,000	34,300	(50,700)
Other permits	22,600	24,339	1,739
Total licenses and permits	212,600	107,230	(105,370)
Intergovernmental Revenue:			
Local option sales tax	640,000	757,991	117,991
TVA payments in lieu of taxes	27,500	36,177	8,677
State sales tax	310,000	334,182	24,182
State income tax	25,000	23,157	(1,843)
State beer tax	3,000	2,800	(200)
State street and transportation	13,000	15,250	2,250
Total intergovernmental	1,018,500	1,169,557	151,057
Fees for Services:			
Judgments, fees and fines	-	50	50
Park - development fees	-	550	550
Total fees for services	-	600	600
Other:			
Interest earned	39,000	59,147	20,147
Park equipment donations	97,300	25,197	(72,103)
Other	-	3,772	3,772
Total other	136,300	88,116	(48,184)
Total revenues	\$ (1,494,400)	\$ 1,514,406	\$ 20,006

(Continued)

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
EXPENDITURES:			
General Government:			
Salaries - permanent employees	\$ 201,066	\$ 182,008	\$ 19,058
Wages - permanent employees	118,900	69,496	49,404
Wages - overtime	7,600	3,778	3,822
Wages - temporary employees	2,000	4,928	(2,928)
Payroll taxes	38,000	31,438	6,562
Hospital and health insurance	24,000	15,317	8,683
Retirement	19,000	23,195	(4,195)
Employee education and training	4,000	2,043	1,957
Uniform	1,000	182	818
Board of Commissioners	18,000	18,000	-
Communication and transportation	1,500	1,123	377
Printing and duplicating	4,100	5,435	(1,335)
Publicity, subscriptions and dues	9,000	4,050	4,950
Electric	7,000	5,204	1,796
Water	500	443	57
Gas	3,500	1,153	2,347
Telephone	8,500	11,431	(2,931)
Legal services	200,000	186,839	13,161
Accounting and auditing	10,000	7,200	2,800
Architectural and engineering	12,000	53,858	(41,858)
Data processing services	3,500	4,480	(980)
Other professional services	8,000	6,208	1,792
Supplies	17,500	14,910	2,590
Insurance	14,900	9,230	5,670
Gross receipts payback	10,000	10,045	(45)
Repair and maintenance services	1,000	1,390	(390)
Travel	6,000	5,337	663
Other contractual services	10,000	6,572	3,428
Elections:			-
Other contractual services	4,000	6,409	(2,409)
 Total general government	 \$ 764,566	 \$ 691,702	 \$ 72,864

(Continued)

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	Budget	Actual	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Public Safety:			
Ambulance Services:			
Contractual services	\$ 4,000	\$ 3,501	\$ 499
Civil Defense:			
Other contractual services	32,600	4,322	28,278
Total public safety	36,600	7,823	28,777
Public Works:			
Highways and Streets:			
Wages		37,526	(37,526)
Overtime wages		4,952	(4,952)
Payroll taxes		123	(123)
Health insurance		4,707	(4,707)
Uniforms		813	(813)
Electric		1,399	(1,399)
Telephone			-
Other professional services	500	814	(314)
Repairs and maintenance - roads	29,084	4,764	24,320
Repairs and maintenance - other	3,000	3,276	(276)
Contracted services	20,000	12,520	7,480
Sundry	500	618	(118)
Office supplies		43	(43)
Gas, oil and fuel	7,000	8,135	(1,135)
Repair parts	5,000	9,727	(4,727)
Tools	3,000	1,648	1,352
Sign parts and supplies	8,500	4,523	3,977
Gravel and sand	10,000	3,914	6,086
Machinery and equipment rental	1,000	96	904
Street lighting	7,500	8,510	(1,010)
Total highway and streets	95,084	108,108	(13,024)
Weed and Mosquito Control-			
Chemical, lab and medical	2,000	1,257	743
Total public works	\$ 97,084	\$ 109,365	\$ (12,281)

(Continued)

City of Lakeland, Tennessee
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	Budget	Actual	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Health, culture, welfare and recreation			
Electric	\$ 3,000	\$ 2,923	\$ 77
Water	300	202	98
Gas	1,900	1,465	435
Repair and maintenance - building	100	2,568	(2,468)
Repair and maintenance - other	500	353	147
Other contractual services	11,000	6,900	4,100
Sundry	2,000	1,501	499
Painting and plumbing supplies	-	18	(18)
Repair parts	-	571	(571)
Gravel and sand	-	1,071	(1,071)
Sign parts	1,500	289	1,211
Other professional services	450	3,760	(3,310)
Office supplies		727	(727)
Park activities	1,500		1,500
Park land acquisition	230,000		230,000
Parks and recreation facilities	50,000	31,726	18,274
Total parks and recreation center	302,250	54,074	248,176
Capital Outlay:			
General - building	248,600	238,980	9,620
General - computer equipment	10,000	8,668	1,332
Public works - transportation equipment	-	4,940	(4,940)
Architectural, engineering	20,000	14,400	5,600
Public works - machinery and equipment	15,300	35,272	(19,972)
Total capital outlay	293,900	302,260	(8,360)
Total expenditures	(1,494,400)	1,165,224	329,176
Excess (deficiency) of revenues over (under) expenditures	\$ -	349,182	\$ 349,182
FUND BALANCE, beginning of year		2,006,160	
PRIOR PERIOD ADJUSTMENT		179,164	
FUND BALANCE, end of year		\$ 2,534,506	

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

City of Lakeland, Tennessee
SPECIAL REVENUE FUND BALANCE SHEET
June 30, 2000

ASSETS

Accounts receivable	\$ <u>22,277</u>
Total assets	\$ <u><u>22,277</u></u>

FUND EQUITY

Fund equity - unreserved	\$ <u>22,277</u>
Total fund equity	\$ <u><u>22,277</u></u>

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

City of Lakeland, Tennessee
SPECIAL REVENUE FUND
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	State Street Aid Actual	Solid Waste Actual	Totals	Budget	Variance- Favorable (Unfavorable)
REVENUES:					
Charges for services:					
State revenues	\$ 154,179	\$ -	\$ 154,179	\$ 140,000	\$ 14,179
Refuse collection and disposal	<u>-</u>	<u>284,746</u>	<u>284,746</u>	<u>200,000</u>	<u>84,746</u>
Total revenues	<u>154,179</u>	<u>284,746</u>	<u>438,925</u>	<u>340,000</u>	<u>98,925</u>
EXPENDITURES:					
Current:					
Public works:					
Roads	179,682		179,682	154,179	(25,503)
Garbage collection and disposal collection fees	<u>-</u>	<u>296,182</u>	<u>296,182</u>	<u>200,000</u>	<u>(96,182)</u>
Total expenditures	<u>179,682</u>	<u>296,182</u>	<u>475,864</u>	<u>354,179</u>	<u>(121,685)</u>
Excess (deficiency) of revenues over (under) expenditures	(25,503)	(11,436)	(36,939) \$	<u>(14,179) \$</u>	<u>(22,760)</u>
FUND BALANCES, beginning of year	25,503	17,693	43,196		
PRIOR PERIOD ADJUSTMENT	<u>-</u>	<u>16,020</u>	<u>16,020</u>		
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 22,277</u>	<u>\$ 22,277</u>		

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

City of Lakeland, Tennessee
ENTERPRISE FUND
BALANCE SHEET
June 30, 2000

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 96,639
Accounts receivable	<u>237,658</u>
Total current assets	<u>334,297</u>

PROPERTY, PLANT AND EQUIPMENT:

Land	80,682
Sewer fund and improvements	<u>2,582,433</u>
	2,663,115
Less Accumulated depreciation	<u>286,143</u>
Total property, plant and equipment - net	<u>2,376,972</u>
Total assets	\$ <u><u>2,711,269</u></u>

LIABILITIES, FUND EQUITY AND RETAINED EARNINGS

CURRENT LIABILITIES:

Accounts payable	\$ 8,852
Other accrued expenses	412
Due to general fund	<u>13,237</u>
Total current liabilities	<u>22,501</u>

FUND EQUITY -

Contributed capital	1,391,537
Retained earnings	<u>1,297,231</u>
Total fund equity	<u>2,688,768</u>
Total liabilities and fund equity	\$ <u><u>2,711,269</u></u>

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

City of Lakeland, Tennessee
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
OPERATING REVENUES:			
Sewer user fees	\$ 199,000	\$ 243,280	\$ 44,280
Privilege fees	3,000	1,250	(1,750)
Other fees	-	6,809	6,809
Total operating revenues	<u>202,000</u>	<u>251,339</u>	<u>49,339</u>
OPERATING EXPENSES:			
Wages	78,000	60,366	17,634
Overtime wages	6,000	6,652	(652)
Payroll taxes	7,000	5,449	1,551
Health insurance	4,000	1,432	2,568
Retirement	4,800	2,508	2,292
Uniforms	500	108	392
Communications	1,000	624	376
Supplies	2,000	6,262	(4,262)
Electric	45,000	47,282	(2,282)
Water	-	38,035	(38,035)
Telephone	5,000	345	4,655
Legal	11,000	10,685	315
Repairs and maintenance	12,000	27,318	(15,318)
Contracted service	5,000	1,011	3,989
Collection fees	-	3,574	(3,574)
Small equipment	-	1,007	(1,007)
Chemicals/lab	5,000	4,421	579
Repair parts	-	15,854	(15,854)
Sand and gravel	-	1,988	(1,988)
Other operating expenses	11,500	7,276	4,224
Depreciation	-	66,579	(66,579)
Total operating expenses	<u>197,800</u>	<u>308,776</u>	<u>(110,976)</u>
Net income (loss) from operations	<u>4,200</u>	<u>(57,437)</u>	<u>(61,637)</u>

(Continued)

City of Lakeland, Tennessee
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL
For The Fiscal Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
OTHER NON-OPERATING REVENUES:			
Connection fees	150,000	269,500	119,500
Developer fees	350,000	436,000	86,000
Renewal and replacement fees	<u>150,000</u>	<u>49,500</u>	<u>(100,500)</u>
Total non-operating revenues	<u>650,000</u>	<u>755,000</u>	<u>105,000</u>
 Net income	 \$ <u>654,200</u>	 697,563	 \$ <u>43,363</u>
 RETAINED EARNINGS, beginning of year		 115,575	
 PRIOR PERIOD ADJUSTMENT		 <u>484,093</u>	
 RETAINED EARNINGS, end of year		 \$ <u>1,297,231</u>	

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

City of Lakeland, Tennessee
ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For The Fiscal Year Ended June 30, 2000

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating net income	\$ 697,563
Adjustments to reconcile operating net income to cash (used) by operating activities:	
Depreciation	66,579
(Increase) in accounts receivable	(237,658)
Increase in accounts payable	6,259
(Decrease) in due to other funds	<u>(639,009)</u>
 Total cash flows (used) by operating activities	 (106,266)
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>202,905</u>
 CASH AND CASH EQUIVALENTS, end of year	 \$ <u><u>96,639</u></u>

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

City of Lakeland, Tennessee
DEFERRED COMPENSATION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the Fiscal Year Ended June 30, 2000

	<u>Balance</u>		<u>Deletions</u>	<u>Balance</u>
	<u>June 30, 1999</u>	<u>Additions</u>		<u>June 30, 1999</u>
ASSETS-				
Investments	\$ <u>116,136</u>	\$ <u>34,570</u>	\$ <u>-</u>	\$ <u>150,706</u>
 LIABILITIES-				
Deferred compensation benefits payable	\$ <u>116,136</u>	\$ <u>34,570</u>	\$ <u>-</u>	\$ <u>150,706</u>

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

OTHER FINANCIAL INFORMATION

The other financial information section of this report includes information not required to be included in the General Purpose Financial Statements and is provided for the purpose of additional analysis.

City of Lakeland, Tennessee
SCHEDULE OF GENERAL FIXED ASSETS - BY FUNCTION AND ACTIVITY
June 30, 2000

	<u>Land</u>	<u>Buildings</u>	<u>Improvements Other than Buildings</u>	<u>Machinery and Equipment</u>	<u>Total</u>
GENERAL GOVERNMENT					
General administration	\$ <u>62,607</u>	\$ <u>509,903</u>	\$ <u>-</u>	\$ <u>214,510</u>	\$ <u>787,020</u>
PUBLIC WORKS					
Streets and highways	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,457</u>	<u>298,457</u>
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	<u>894,200</u>	<u>241,539</u>	<u>36,938</u>	<u>12,351</u>	<u>1,185,028</u>
Total general fund fixed assets	\$ <u><u>956,807</u></u>	\$ <u><u>751,442</u></u>	\$ <u><u>36,938</u></u>	\$ <u><u>525,318</u></u>	\$ <u><u>2,270,505</u></u>

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

City of Lakeland, Tennessee
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
For The Fiscal Year Ended June 30, 2000

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer to Enterprise Fund</u>	<u>Ending Balance</u>
GENERAL GOVERNMENT					
General administration	\$ <u>524,972</u>	\$ <u>262,048</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>787,020</u>
PUBLIC WORKS					
Streets and highways	<u>258,245</u>	<u>40,212</u>	<u>-</u>	<u>-</u>	<u>298,457</u>
HEALTH, WELFARE, CULTURE AND RECREATION					
Parks	<u>1,185,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,185,028</u>
Total general fund fixed assets	\$ <u><u>1,968,245</u></u>	\$ <u><u>302,260</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>2,270,505</u></u>

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

City of Lakeland, Tennessee
SEWER ENTERPRISE FUND
SCHEDULE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
For The Fiscal Year Ended June 30, 2000

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Transfer from</u> <u>General</u> <u>Fund Assets</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 80,682	\$ -	\$ -	\$ 80,682
Sewer plant	2,358,186	-	-	2,358,186
Improvements	<u>224,247</u>	<u>-</u>	<u>-</u>	<u>224,247</u>
 Total property, plant and equipment	 \$ <u>2,663,115</u>	 \$ <u>-</u>	 \$ <u>-</u>	 \$ <u>2,663,115</u>

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

City of Lakeland, Tennessee
SEWER ENTERPRISE FUND
SCHEDULE OF RATES/CUSTOMERS
June 30, 2000

	<u>Residential Service</u>	<u>Commercial Service</u>
Sewer Service:		
Number of Customers	<u>1,928</u>	<u>30</u>
Minimum Rate	\$ <u>11</u>	\$ <u>35</u>
Surcharge per Unit	<u>10</u>	<u>10</u>
Total Minimum	\$ <u>21</u>	\$ <u>45</u>
Maximum Rate	\$ <u>30</u>	\$ <u>No limit</u>

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

City of Lakeland, Tennessee
SCHEDULE OF INVESTMENTS
June 30, 2000

	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Market Value</u>
GENERAL FUND				
Certificates of Deposit:				
Bancorpsouth	08/31/00	5.12%	\$ 95,026	\$ 95,026
Peoples Bank	03/18/01	5.75%	99,000	99,000
Peoples Bank	03/01/01	6.50%	125,000	125,000
Peoples Bank	09/30/00	4.65%	125,000	125,000
Peoples Bank	07/31/00	6.50%	99,000	99,000
Peoples Bank	10/30/00	6.02%	125,000	125,000
Peoples Bank	11/26/00	6.02%	125,000	125,000
Munford Union Bank	02/02/01	6.30%	91,893	91,893
Munford Union Bank	06/28/01	7.50%	650,000	650,000
Munford Union Bank	02/02/01	6.05%	<u>500,000</u>	<u>500,000</u>
Total general fund			<u>2,034,919</u>	<u>2,034,919</u>
TRUST AND AGENCY				
Investment accounts with Aetna				
Insurance Company - mutual funds	N/A	N/A	<u>150,706</u>	<u>150,706</u>
Total investments			<u>\$ 2,185,625</u>	<u>\$ 2,185,625</u>

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

City of Lakeland, Tennessee
SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS
June 30, 2000

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

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

City of Lakeland, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2000

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

City of Lakeland, Tennessee
RESERVE FOR STATE STREET AID
For The Year Ended June 30, 2000

Reserve for State Street Aid - beginning of year	\$ 25,503
State Street Aid, received	154,179
State Street Aid, expenditures	<u>(179,682)</u>
Reserve for State Street Aid - end of year	\$ <u><u>-</u></u>

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

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

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

We have audited the general purpose financial statements of the City of Lakeland, Tennessee (the City), and the combining, individual fund and account group financial statements and schedules as of and for the year ended June 30, 2000, and have issued our report thereon dated January 16, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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

Zoccola + Associates, P.F.C.

Germantown, Tennessee
January 16, 2001