

CITY OF LAKELAND, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

CITY OF LAKELAND, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
List of Principal Officials	1
FINANCIAL SECTION	
Independent Auditor's Report	2 - 3
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds	5
Combined Statement of Revenues, Expenditures and Changes in fund Balances - Budget and Actual - General Fund	6
Notes to Financial Statements	7 - 11
Individual Fund Statements and Schedules:	
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	12 - 15
Trust and Agency Funds:	
Deferred Compensation Agency Fund:	
Statement of Changes in Assets and Liabilities	16
OTHER FINANCIAL INFORMATION	
Schedule of Investments	17
Schedule of Salaries and Bonds of Principal Officials	18
Schedule of Insurance in Force	19

CITY OF LAKELAND, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1994

TABLE OF CONTENTS (CONT.)

	<u>Page</u>
SINGLE AUDIT SECTION	
Independent Auditor's Report on Supplementary Information - Schedules of Federal and State Financial Assistance	20
Schedule of Federal Financial Assistance	21
Schedule of State Financial Assistance	22
Independent Auditor's Report on Compliance Based on an Audit of the General Purpose Financial Statements and the Individual Fund, and Account Group Financial Statements Performed in Accordance with Government Auditing Standards	23 - 24
Independent Auditor's Report on the Internal Control Structure Based on an Audit of General Purpose Financial Statements and Individual Fund and Account Group Financial Statements Performed in Accordance with Government Auditing Standards	25 - 26
Schedule of Findings and Recommendations	27

INTRODUCTORY SECTION

CITY OF LAKELAND, TENNESSEE

LIST OF PRINCIPAL OFFICIALS

JUNE 30, 1994

Elected Officials

Mayor	Gene Fletcher
Vice-Mayor	Lupo Carlota
Commissioner	V. Dale Jones
Commissioner	Dennis B. Kocial
Commissioner	Patra B. Temple

Appointed Officials

City Manager	Jack Goode
Recorder	Kimberly L. Hansen

FINANCIAL SECTION

ARNOLD, SPAIN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
914 NORTH HIGHLAND AVENUE
JACKSON, TENNESSEE 38301

BILLY SPAIN, C.P.A.
WINSTON TRUETT, C.P.A.
MICHAEL HEWITT, C.P.A.

901 - 427-8571

FAX 901-424-5701

LISA HIGGS, C.P.A.
KRISTI McNEILL, C.P.A.
GRADY ARNOLD, C.P.A., RETIRED

Independent Auditor's Report

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

Honorable Gene Fletcher, Mayor
Members of the Board of Commissioners
City of Lakeland, Tennessee

We have audited the accompanying general purpose financial statements and individual fund and account group financial statements of the City of Lakeland, Tennessee, as of June 30, 1994, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the City of Lakeland, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and generally accepted governing auditing standards. 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 opinion.

A self-balancing group of accounts for all general fixed assets is presented in the financial statements. However, the City does not maintain sufficient records to support the balances reported in these accounts.

In our opinion, except for the effects of the matter described in the above paragraph, 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, 1994, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, except for the effects of the matter described in the above paragraph, the 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 of Lakeland, Tennessee, as of June 30, 1994, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

Honorable Gene Fletcher, Mayor
Members of the Board of Commissioners
City of Lakeland, Tennessee

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Lakeland, Tennessee. Such information has been subjected to the auditing procedures applied in the audit of the general purpose, and individual fund and account group financial 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 account groups taken as a whole.

Arnold, Spaine, Company, P.C.

Certified Public Accountants

Jackson, Tennessee
November 22, 1994

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LAKELAND, TENNESSEE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1994

	<u>Fund</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	<u>Totals</u>
<u>ASSETS</u>	<u>General</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>(Memorandum Only)</u>
ASSETS				
Cash and cash equivalents	\$1,179,480	\$	\$	\$1,179,480
Investments	684,000	15,626		699,626
Receivables:				
Accounts	1,840			1,840
Intergovernmental	66,285			66,285
Fixed assets			<u>1,148,078</u>	<u>1,148,078</u>
<u>Total Assets</u>	<u>\$1,931,605</u>	<u>\$ 15,626</u>	<u>\$1,148,078</u>	<u>\$3,095,309</u>
 <u>LIABILITIES, EQUITY AND OTHER CREDITS</u> 				
LIABILITIES				
Accounts payable	\$ 38,775	\$	\$	\$ 38,775
Deferred compensation payable		<u>15,626</u>		<u>15,626</u>
<u>Total Liabilities</u>	<u>\$ 38,775</u>	<u>\$ 15,626</u>	<u>\$ 0</u>	<u>\$ 54,401</u>
EQUITY AND OTHER CREDITS				
Investment in general fixed assets	\$	\$	\$1,148,078	\$1,148,078
Fund balances:				
Reserved for state street aid	50,481			50,481
Unreserved, designated	18,902			18,902
Unreserved, undesignated	<u>1,823,447</u>			<u>1,823,447</u>
<u>Total Equity and Other Credits</u>	<u>\$1,892,830</u>	<u>\$ 0</u>	<u>\$1,148,078</u>	<u>\$3,040,908</u>
<u>Total Liabilities, Equity and Other Credits</u>	<u>\$1,931,605</u>	<u>\$ 15,626</u>	<u>\$1,148,078</u>	<u>\$3,095,309</u>

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

CITY OF LAKELAND, TENNESSEE

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>General</u>
REVENUES	
Taxes	\$ 421,609
Licenses and permits	35,695
Intergovernmental	107,962
Fees for services	181,732
Other	<u>106,506</u>
<u>Total Revenues</u>	<u>\$ 853,504</u>
EXPENDITURES	
Current:	
General government	\$ 293,705
Public safety	24,874
Public works	223,096
Health, culture, welfare and recreation	<u>1,647</u>
<u>Total Expenditures</u>	<u>\$ 543,322</u>
<u>Excess of Revenues Over Expenditures</u>	<u>\$ 310,182</u>
FUND BALANCE, JULY 1	\$1,565,397
Correction of prior period errors	<u>17,251</u>
FUND BALANCE, JULY 1 - RESTATED	<u>\$1,582,648</u>
FUND BALANCE, JUNE 30	<u>\$1,892,830</u>

93-94

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

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES			
Taxes	\$ 411,000	\$ 421,609	\$ 10,609
Licenses and permits	36,500	35,695	(805)
Intergovernmental	95,453	107,962	12,509
Fees for services	159,000	181,732	22,732
Other	<u>150,000</u>	<u>106,506</u>	<u>(43,494)</u>
<u>Total Revenues</u>	<u>\$ 851,953</u>	<u>\$ 853,504</u>	<u>\$ 1,551</u>
EXPENDITURES			
Current:			
General government	\$ 291,385	\$ 293,705	\$ (2,320)
Public safety	24,838	24,874	(36)
Public works	295,100	223,096	72,004
Health, culture, welfare & recreation	<u>1,600</u>	<u>1,647</u>	<u>(47)</u>
<u>Total Expenditures</u>	<u>\$ 612,923</u>	<u>\$ 543,322</u>	<u>\$ 69,601</u>
<u>Excess of Revenues Over Expenditures</u>	<u>\$ 239,030</u>	<u>\$ 310,182</u>	<u>\$ 71,152</u>
FUND BALANCE, JULY 1	\$1,565,397	\$1,565,397	\$
Correction of prior period errors	_____	<u>17,251</u>	<u>17,251</u>
FUND BALANCE, JULY 1 - RESTATED	<u>\$1,565,397</u>	<u>\$1,582,648</u>	<u>\$ 17,251</u>
FUND BALANCE, JUNE 30	<u>\$1,804,427</u>	<u>\$1,892,830</u>	<u>\$ 88,403</u>

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

CITY OF LAKELAND, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lakeland, Tennessee, operates under a City Manager-Commission form of government and provides the following services as authorized by its charter: public safety, inspection, street maintenance, sanitation, sewerage, recreation and general administrative services.

The accounting policies of the City of Lakeland, Tennessee, conform to generally accepted accounting principles applicable to government as defined in the Statements of Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies.

A. Reporting Entity:

As required by generally accepted accounting principles, these financial statements present the entire reporting entity of the City of Lakeland, Tennessee. There are no component units for which the City of Lakeland would be considered financially accountable.

B. Fund Accounting:

The accounts of the City of Lakeland are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate self-balancing set of accounts that comprise, where applicable, assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various individual funds are grouped in the financial statements in this report into two broad fund categories and two generic fund types as follows:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Agency Funds:

Agency funds are used to account for assets that the government holds on behalf of others as agent. The agency fund used by the City is the Deferred Compensation fund which accounts for the assets of the City employees' deferred compensation plan.

Account groups are used to establish accounting control and accountability for the City's general fixed assets and general long-term debt. The account group used by the City is the General Fixed Assets Account Group. This group of accounts is established to account for all fixed assets of the City, other than those accounted for in the proprietary funds.

CITY OF LAKELAND, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

In applying the susceptible to accrual concept to certain intergovernmental revenues, the legal and contractual requirements of individual programs are used as guidance. Revenues may be recognized to the extent of expenditures made for the specific purposes or projects. If expenditures are generally unrestricted as to purpose, revenues may be recognized at the time of receipt or earlier if they meet the available criteria previously defined.

Receipts for certain services, fines, forfeitures, penalties, licenses and permits and other miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded when received.

D. Budgets and Budgetary Accounting:

Budgets are adopted on a basis consistent with generally accepted accounting principles.

As an extension of the formal budgetary process, the Board of Commissioners may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. All unexpended appropriations lapse at the end of the fiscal year unless the Board of Commissioners authorizes retention.

The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Board of Commissioners.

E. Cash and Investments:

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

CITY OF LAKELAND, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Cash and Investments:

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

F. 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.

G. Credit Risk:

The City of Lakeland collects sales tax within the corporate limits of the City, and also collects wholesale beer taxes from licensed wholesale distributors. The City collects various revenues from other federal, state and local governmental sources.

The City of Lakeland also provides sewer services for residential, commercial and industrial customers in areas of Shelby County, Tennessee.

H. Fixed Assets:

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

I. Compensated Absences:

The General Fund records as expenditures the vacation accrued during the year that would normally be liquidated with expendable available financial resources. Employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum of 20 days. All City employees accrue sick leave to a maximum of 90 days. However, employees retain no vested interest in their unused sick leave. Vacation and sick leave accumulations at June 30, 1994, are immaterial.

CITY OF LAKELAND, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1994

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**J. Fund Equity:**

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

K. Intergovernmental Revenues:

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

L. Contributions and Grants:

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

M. Memorandum Only - Total Columns:

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

Deposits: At year-end the carrying amount of the City's deposits was \$1,863,180, and the bank balance was \$1,895,420. Of the bank balance, \$784,000 was covered by federal depository insurance and \$1,111,420 was covered by collateral held by the pledging financial institution's agent in the City's name.

Investments: The City's investments at June 30, 1994, consisted of certificates of deposit and investments for the deferred compensation plan as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Aetna Life Insurance Company - various mutual funds	\$ 15,221	\$ 15,221

NOTE 3 - INTERGOVERNMENTAL RECEIVABLES

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

CITY OF LAKELAND, TENNESSEE

NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1994

NOTE 4 - FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 1994, follows:

Balance, July 1, 1993	\$1,091,217
Additions:	
Street equipment	23,771
Sewer improvements	31,375
Sewer equipment	1,715
	<u>\$1,148,078</u>

Detailed records of general fixed assets have not been kept by the City in the past. Management anticipates establishing such records in the future.

NOTE 5 - DEFERRED COMPENSATION PLAN

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

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

Investment are managed by the plan's trustee.

NOTE 6 - LITIGATION

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

NOTE 7 - CORRECTION OF PRIOR PERIOD ERRORS

The correction of prior period errors is tax revenues which met the criteria of being measurable and available at June 30, 1993, but were not accrued as required by generally accepted accounting principles.

GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

CITY OF LAKELAND, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES			
Local Taxes:			
Local option sales tax	\$ 370,000	\$ 375,838	\$ 5,838
Wholesale beer tax	16,000	16,851	851
Business taxes	<u>25,000</u>	<u>28,920</u>	<u>3,920</u>
	<u>\$ 411,000</u>	<u>\$ 421,609</u>	<u>\$ 10,609</u>
Licenses and Permits:			
Building permits	\$ 1,500	\$ 1,346	\$ (154)
Inspection fees	33,000	32,356	(644)
Other permits	<u>2,000</u>	<u>1,993</u>	<u>(7)</u>
	<u>\$ 36,500</u>	<u>\$ 35,695</u>	<u>\$ (805)</u>
Intergovernmental:			
TVA payments in lieu of taxes	\$ 5,000	\$ 5,923	\$ 923
State sales tax	51,000	55,767	4,767
State income tax	5,637	5,637	
State beer tax	600	605	5
State alcohol tax	16	16	
State gas and motor fuel tax	30,000	32,432	2,432
State street & transportation	3,200	3,167	(33)
State disaster assistance grant		<u>4,415</u>	<u>4,415</u>
	<u>\$ 95,453</u>	<u>\$ 107,962</u>	<u>\$ 12,509</u>
Charges for Services:			
Refuse collection and disposal	\$ 45,000	\$ 40,674	\$ (4,326)
Park and recreation charges	19,000	19,012	12
Sewer collection fees	95,000	51,100	(43,900)
Sewer development and tap fees		<u>70,946</u>	<u>70,946</u>
	<u>\$ 159,000</u>	<u>\$ 181,732</u>	<u>\$ 22,732</u>
Other:			
Interest earned	\$ 140,000	\$ 56,577	\$ (83,423)
Gain on sale of investments		37,351	37,351
Cable TV franchise fees		3,125	3,125
Sale of general fixed assets		420	420
Other revenues	<u>10,000</u>	<u>9,033</u>	<u>(967)</u>
	<u>\$ 150,000</u>	<u>\$ 106,506</u>	<u>\$ (43,494)</u>
 <u>Total Revenues</u>	 <u>\$ 851,953</u>	 <u>\$ 853,504</u>	 <u>\$ 1,551</u>
EXPENDITURES			
Current:			
General Administration:			
Salaries - permanent employees	\$ 70,000	\$ 67,291	\$ 2,709
Wages - permanent employees	43,500	35,900	7,600
Wages - overtime	5,000	10,072	(5,072)
Wages - temporary employees	17,000	10,976	6,024
Bonus pay	1,900	1,880	20
OASI	10,000	9,102	898

(Continued)

CITY OF LAKELAND, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Current (Cont.):			
General Administration (Cont.):			
Hospital and health insurance	\$ 7,500	\$ 7,831	\$ (331)
Retirement	9,000	5,928	3,072
Workmen's compensation	4,600	4,588	12
Unemployment insurance	50	41	9
Other employer contributions	2,000	1,593	407
Communication & transportation	2,500	2,273	227
Printing and duplicating	3,000	365	2,635
Publicity, subscriptions & dues	7,000	7,813	(813)
Electric	5,500	5,610	(110)
Water	500	524	(24)
Gas	2,000	1,995	5
Telephone	3,000	3,299	(299)
Legal services	20,000	23,625	(3,625)
Accounting and auditing	1,950	1,950	
Architectural and engineering	30,000	47,878	(17,878)
Data processing services	2,200	2,185	15
Tennessee state planning office	1,925	1,925	
Other professional services		20	(20)
Repair & maintenance services	1,500	1,091	409
Travel	5,000	5,393	(393)
Other contractual services	3,000	3,943	(943)
Sundry		54	(54)
Supplies	5,500	5,709	(209)
Operating supplies	1,500	1,257	243
Gas, oil, diesel and grease	4,000	4,324	(324)
Other repair & maintenance supplies	1,000	186	814
Building materials	200	141	59
Insurance on buildings	1,660	1,660	
Liability insurance	4,200	4,205	(5)
Professional liability insurance	3,500	3,436	64
Other insurance	500	333	167
Surety bonds for officials	200	200	
Contributions	1,000	1,000	
Business tax commissions	1,500		1,500
	<u>\$ 284,385</u>	<u>\$ 287,596</u>	<u>\$ (3,211)</u>
Elections:			
Election officials	\$	\$ 667	\$ (667)
Other contractual services	1,000	349	651
	<u>\$ 1,000</u>	<u>\$ 1,016</u>	<u>\$ (16)</u>

(Continued)

CITY OF LAKELAND, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Current (Cont.):			
General Government Buildings:			
Administrative building	\$ 5,500	\$ 5,086	\$ 414
Maintenance building	500	7	493
	<u>\$ 6,000</u>	<u>\$ 5,093</u>	<u>\$ 907</u>
<u>Total General Government</u>	<u>\$ 291,385</u>	<u>\$ 293,705</u>	<u>\$ (2,320)</u>
Public Safety:			
Ambulance services	\$ 3,500	\$ 3,500	\$
Fire hydrant rental	20,838	20,838	
Civil Defense	500	536	(36)
<u>Total Public Safety</u>	<u>\$ 24,838</u>	<u>\$ 24,874</u>	<u>\$ (36)</u>
Public Works:			
Highways and Streets:			
Repair & maintenance - roads	\$	\$ 523	\$ (523)
Repair & maintenance - other	12,000	12,257	(257)
Other contractual services	2,500		2,500
Sundry	8,000	8,744	(744)
Repair parts	1,000	302	698
Sign parts and supplies	500	275	225
Transportation equipment	17,700	17,673	27
Other machinery & equipment	6,000	6,098	(98)
	<u>\$ 47,700</u>	<u>\$ 45,872</u>	<u>\$ 1,828</u>
State Street Aid Expenditures:			
Repair & maintenance - roads	\$ 5,000	\$ 4,475	\$ 525
Street Lighting:			
Electric	\$ 6,700	\$ 6,621	\$ 79
Sewerage Collection & Disposal:			
Electric	\$ 5,800	\$ 6,095	\$ (295)
Telephone	1,600	1,539	61
Repair & maintenance services	15,000	16,910	(1,910)
Collection fees	20,000	19,209	791
Chemical, lab and medical	5,000	4,763	237
Gas, oil, diesel & grease		53	(53)
Repair parts - sewer	10,000	12,496	(2,496)
Roads, streets & parking lots	80,000	7,000	73,000
Sewage disposal improvements	5,000	10,108	(5,108)

(Continued)

CITY OF LAKELAND, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Current (Cont.):			
Public Works (Cont.):			
Sewerage Collection Disposal (Cont.):			
Utility improvements	\$ 14,300	\$ 14,266	\$ 34
Equipment	<u>2,000</u>	<u>1,715</u>	<u>285</u>
	<u>\$ 158,700</u>	<u>\$ 94,154</u>	<u>\$ 64,546</u>
Garbage Collection & Disposal:			
Collection fees	<u>\$ 60,000</u>	<u>\$ 55,706</u>	<u>\$ 4,294</u>
Public Works Inspections:			
Other contractual services	<u>\$ 17,000</u>	<u>\$ 16,268</u>	<u>\$ 732</u>
<u>Total Public Works</u>	<u>\$ 295,100</u>	<u>\$ 223,096</u>	<u>\$ 72,004</u>
Health, Culture, Welfare & Recreation:			
Rabies and Animal Control:			
Collection fees	<u>\$ 500</u>	<u>\$ 298</u>	<u>\$ 202</u>
Recreation:			
Recreation supplies	\$ 600	\$ 948	\$ (348)
Parks and recreation facilities	<u>500</u>	<u>401</u>	<u>99</u>
	<u>\$ 1,000</u>	<u>\$ 1,349</u>	<u>\$ (249)</u>
<u>Total Health, Culture, Welfare & Recreation</u>	<u>\$ 1,600</u>	<u>\$ 1,647</u>	<u>\$ (47)</u>
<u>Total Expenditures</u>	<u>\$ 612,923</u>	<u>\$ 543,322</u>	<u>\$ 69,601</u>
<u>Excess of Revenues Over Expenditures</u>	<u>\$ 239,030</u>	<u>\$ 310,182</u>	<u>\$ 71,152</u>
FUND BALANCE, JULY 1	\$1,565,397	\$1,565,397	\$
Correction of prior period errors	<u> </u>	<u>17,251</u>	<u>17,251</u>
FUND BALANCE, JULY 1 - RESTATED	<u>\$1,565,397</u>	<u>\$1,582,648</u>	<u>\$ 17,251</u>
FUND BALANCE, JUNE 30	<u>\$1,804,427</u>	<u>\$1,892,830</u>	<u>\$ 88,403</u>

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

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individual, private organizations, other governments and/or other funds.

Deferred Compensation Fund - This fund is an agency fund used to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 457.

CITY OF LAKELAND, TENNESSEE
 DEFERRED COMPENSATION AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

	<u>Balance</u> <u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Ending</u>
ASSETS				
Investments	\$ 7,546	\$ 8,927	\$ 847	\$ 15,626
LIABILITIES				
Deferred compensation benefits payable	\$ 7,546	\$ 8,927	\$ 847	\$ 15,626

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 INVESTMENTS

JUNE 30, 1994

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Cost</u>
GENERAL FUND			
Certificates of Deposit:			
Franklin Bank	7/27/94	3.75%	\$ 99,000
First National Bank of Ainsworth	7/27/94	3.50%	99,000
Merrill Lynch Bank and Trust	2/8/95	3.70%	95,000
Bank of Bartlett	2/23/95	3.25%	98,000
Acacia Federal Savings Bank	3/17/95	4.05%	98,000
Shelby Bank	3/31/95	3.70%	95,000
1st USA Bank	8/4/95	4.30	<u>100,000</u>
<u>Total General Fund</u>			\$ 684,000
DEFERRED COMPENSATION FUND			
Investment accounts with Aetna			
Insurance Company - mutual funds	N/A	N/A	<u>15,626</u>
<u>Total Investments</u>			<u>\$ 699,626</u>

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS

JUNE 30, 1994

<u>Name</u>	<u>Position</u>	<u>Annual Salary</u>	<u>Amount of Bond</u>
Gene Fletcher	Mayor	\$ 3,600	\$ 5,000
Lupo Carlota	Vice-Mayor	1,800	0
V. Dale Jones	Commissioner	1,800	0
Dennis B. Kopcial	Commissioner	1,800	0
Patra B. Temple	Commissioner	1,800	0

CITY OF LAKELAND, TENNESSEE
 SCHEDULE OF INSURANCE IN FORCE
 JUNE 30, 1994

<u>Company</u>	<u>Policy Number</u>	<u>Effective Dates</u>	<u>Type of Coverage</u>	<u>Co-Insurance</u>	<u>Limits of Coverage</u>
TML Risk Management Pool	TML-067-94	7/01/93 - 7/01/94	General Liability: Bodily injury Property damage Auto Liability: Bodily injury Property damage All other liability not covered by the Tennessee Government Tort Liability Act Public Officials Errors & Omissions		\$130/350,000 20,000 130/350,000 50,000 350,000 1,000,000
TML Risk Management Pool	TWC-0354	9/01/93 - 9/01/94	Workman's compensation		130,000
TML Risk Management Pool	TMP-3192	7/01/93 - 7/01/94	City Hall Contents of city hall Listed equipment	80% 80%	199,205 88,000 46,925
American States Insurance Company	EX611433	10/20/93 - 10/20/94	Recorder - Fidelity bond		10,000
American States Insurance Company	EX855870	10/20/93 - 10/20/94	City Manager - fidelity bond		10,000
American States Insurance Company	EX626741	10/20/93 - 10/24/94	Mayor - Bond		5,000

SINGLE AUDIT SECTION

ARNOLD, SPAIN & COMPANY, P.C.
 CERTIFIED PUBLIC ACCOUNTANTS
 914 NORTH HIGHLAND AVENUE
 JACKSON, TENNESSEE 38301

BILLY SPAIN, C.P.A.
 WINSTON TRUETT, C.P.A.
 MICHAEL HEWITT, C.P.A.

901-427-8571

FAX 901-424-5701

MEMBERS:
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
 CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

LISA HIGGS, C.P.A.
 KRISTI McNEILL, C.P.A.
 GRADY ARNOLD, C.P.A., RETIRED

Independent Auditor's Report on
 Supplementary Information - Schedules
 of Federal and State Financial Assistance

Honorable Gene Fletcher, Mayor
 Members of the Board of Commissioners
 City of Lakeland, Tennessee

We have audited the general purpose financial statements of the City of Lakeland, Tennessee, and the individual fund and account group financial statements of the City of Lakeland, Tennessee, for the year ended June 30, 1994, and have issued our report thereon dated November 22, 1994. These financial statements are the responsibility of the City of Lakeland, Tennessee's management. Our responsibility was to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the individual fund and account group financial statements. The accompanying Schedules of Federal and State Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Lakeland, Tennessee. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general purpose, individual fund and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

Arnold, Spain & Company, P.C.

Certified Public Accountants

Jackson, Tennessee
 November 22, 1994

CITY OF LAKELAND, TENNESSEE
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

<u>Grantor</u>	<u>Federal CFDA Number</u>	<u>Program Amount</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expen- ditures</u>	<u>Ending Balance</u>
EXPENDITURE DRIVEN ASSISTANCE						
<u>Federal Emergency Management Agency</u>						
Passed through Tennessee Emergency Management Agency: Disaster Assistance	83.516	\$ 4,415	\$ 0	\$ 4,415	\$ 4,415	\$ 0

CITY OF LAKELAND, TENNESSEE
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1994

<u>Grantor</u>	<u>Program Amount</u>	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expen- ditures</u>	<u>Ending Balance</u>
EXPENDITURE DRIVEN ASSISTANCE					
<u>Tennessee Emergency Management Agency</u>					
Disaster Assistance	\$ 736	\$ 0	\$ 0	\$ 736	\$ (736)

ARNOLD, SPAIN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
914 NORTH HIGHLAND AVENUE
JACKSON, TENNESSEE 38301

BILLY SPAIN, C.P.A.
WINSTON TRUETT, C.P.A.
MICHAEL HEWITT, C.P.A.

901 - 427-8571

FAX 901-424-5701

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

LISA HIGGS, C.P.A.
KRISTI MCNEILL, C.P.A.
GRADY ARNOLD, C.P.A., RETIRED

**Independent Auditor's Report on
Compliance Based on an Audit of the
General Purpose Financial Statements and
the Individual Fund and Account Group
Financial Statements Performed in Accordance with
Government Auditing Standards**

Honorable Gene Fletcher, Mayor
Members of the Board of Commissioners
City of Lakeland, Tennessee

We have audited the general purpose financial statements and the individual fund and account group financial statements of the City of Lakeland, Tennessee, as of and for the year ended June 30, 1994, and have issued our report thereon dated November 22, 1994.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements and the individual fund and account group financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the City of Lakeland, Tennessee, is the responsibility of City of Lakeland, Tennessee's management. As part of obtaining reasonable assurance about whether the general purpose financial statements and the individual fund and account group financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts and grants. However the objective of our audit of the general purpose and individual fund and account group financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the City of Lakeland, Tennessee, complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to the items not tested, nothing came to our attention that caused us to believe that the City had not complied, in all material respects, with those provisions.

We noted an immaterial instance of noncompliance that we have explained in the accompanying findings and recommendations.

Honorable Gene Fletcher, Mayor
Members of the Board of Commissioners
City of Lakeland, Tennessee

This report is intended for the information of the Mayor, Board of Commissioners, management and the Comptroller of the Treasury, State of Tennessee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arnold, Spain & Company, P.C.

Certified Public Accountants

Jackson, Tennessee
November 22, 1994

ARNOLD, SPAIN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
914 NORTH HIGHLAND AVENUE
JACKSON, TENNESSEE 38301

BILLY SPAIN, C.P.A.
WINSTON TRUETT, C.P.A.
MICHAEL HEWITT, C.P.A.

901 - 427-8571

FAX 901-424-5701

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

LISA HIGGS, C.P.A.
KRISTI MCNEILL, C.P.A.
GRADY ARNOLD, C.P.A., RETIRED

Independent Auditor's Report
on the Internal Control Structure
Based on an Audit of General
Purpose Financial Statements
and Individual Fund and Account
Group Financial Statements
Performed in Accordance with Government
Auditing Standards

Honorable Gene Fletcher, Mayor
Members of the Board of Commissioners
City of Lakeland, Tennessee

We have audited the general purpose financial statements and the individual fund and account group financial statements of the City of Lakeland, Tennessee, as of and for the year ended June 30, 1994, and have issued our report thereon dated November 22, 1994.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements and the individual fund and account group financial statements are free of material misstatement.

In planning and performing our audit of the general purpose financial statements and the individual fund and account group financial statements of the City of Lakeland, Tennessee, for the year ended June 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and the individual fund and account group financial statements and not to provide assurance on the internal control structure.

The management of the City of Lakeland, Tennessee, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Honorable Gene Fletcher, Mayor
 Members of the Board of Commissioners
 City of Lakeland, Tennessee

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories.

Revenues	Payroll
Receivables	Property and Equipment
Cash Receipts	
Expenditures	
Purchases	
Cash Disbursements	

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements and the combining, individual fund and account group financial statements. The reportable condition noted was in the area of control over fixed assets and is disclosed fully in the accompanying findings and recommendations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

This report is intended for the information of the Mayor, Board of Commissioners, management and the Comptroller of the Treasury, State of Tennessee. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Arnold Spain & Company, P.C.

Certified Public Accountants

Jackson, Tennessee
 November 22, 1994

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 1994

1. Finding (Reportable Condition): City management has responsibility for maintaining and safeguarding the fixed assets of the City. The process of preparing a complete record of fixed assets of the City has been started, but is not yet complete.

Recommendation: Complete centralized records of the fixed assets owned by the City should be kept. These records should support the amount of general fixed assets reported in the City's financial statements.

Management Response: We agree with this finding and recommendation. We plan to research the City record from 1977, at incorporation, to attempt to identify all the items which must be included on the fixed assets listing. Our present listing only included current equipment and does not include items such as buildings, improvements, land, etc. We have asked Arnold, Spain & Company, P.C. to assist us in researching the old records and anticipate having this project completed by June 30, 1995.

2. Finding: Tennessee Code Annotated Section 68-34-874 requires a municipality to account for the financial activities related to the management of solid waste to be accounted for in a separate special revenue or enterprise fund. During the year ended June 30, 1994, the City of Lakeland accounted for its solid waste collection activities in the General Fund.

Recommendation: We recommend a special revenue fund be established to account for the solid waste collection activities of the City.

Management Response: We agree with this finding and recommendation. Plans are underway to complete the necessary steps to establish a special revenue fund for solid waste collection activities. We anticipate having this change in accounting procedures completed by June 30, 1995.