

CITY OF LAKE LAND, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

CITY OF LAKELAND, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1995

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 - 12
Individual Fund Statements and Schedules:	
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	13 - 17
Special Revenue Funds:	
Solid Waste Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	18
Trust and Agency Funds:	
Deferred Compensation Agency Fund:	
Statement of Changes in Assets and Liabilities	19

CITY OF LAKE LAND, TENNESSEE  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 1995

TABLE OF CONTENTS (CONT.)

	Page
OTHER FINANCIAL INFORMATION	
Schedule of Investments	20
Schedule of Salaries and Bonds of Principal Officials	21
Schedule of Insurance in Force	22
Schedule of federal and State Financial Assistance	23
INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditor's Report on Compliance Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards	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, 1995

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

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

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

## Independent Auditor's Report

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, 1995, 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, 1995, 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, 1995, and the results of operations of such funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated November 22, 1995, on our consideration of the City of Lakeland, Tennessee's internal control structure and a report dated November 22, 1995, on its compliance with laws and regulations.

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, Spain & Company, P.C.*

Certified Public Accountants

Jackson, Tennessee  
November 22, 1995

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF LAKELAND, TENNESSEE

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 1995

	<u>Governmental Fund Types</u>		<u>Fiduciary</u>	<u>Account</u>	<u>Totals</u> (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fund Type</u> Trust and Agency	<u>Group</u> General Fixed Assets	
Cash and cash equivalents	\$ 505,031	\$	\$	\$	\$ 505,031
Investments	1,288,000		38,461		1,326,461
Receivables:					
Accounts	1,881				1,881
Intergovernmental	42,554	6,166			48,720
Due from other funds		1,054			1,054
Fixed assets (net, where applicable, of accumulated depreciation)				1,364,177	1,364,177
<u>Total Assets</u>	<u>\$1,837,466</u>	<u>\$ 7,220</u>	<u>\$ 38,461</u>	<u>\$1,364,177</u>	<u>\$3,247,324</u>
<u>LIABILITIES, EQUITY AND OTHER CREDITS</u>					
LIABILITIES					
Accounts payable	\$ 65,177	\$ 7,220	\$	\$	\$ 72,397
Deferred compensation payable			38,461		38,461
Due to other funds	1,054				1,054
<u>Total Liabilities</u>	<u>\$ 66,231</u>	<u>\$ 7,220</u>	<u>\$ 38,461</u>	<u>\$ 0</u>	<u>\$ 111,912</u>
EQUITY AND OTHER CREDITS					
Investment in general fixed assets	\$	\$	\$	\$1,364,177	\$1,364,177
Fund balances:					
Reserved for state street aid	50,481				50,481
Unreserved, designated	18,902				18,902
Unreserved, undesignated	1,701,852				1,701,852
<u>Total Equity and Other Credits</u>	<u>\$1,771,235</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,364,177</u>	<u>\$3,135,412</u>
<u>Total Liabilities, Equity and Other Credits</u>	<u>\$1,837,466</u>	<u>\$ 7,220</u>	<u>\$ 38,461</u>	<u>\$1,364,177</u>	<u>\$3,247,324</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, 1995

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
REVENUES			
Taxes	\$ 459,833	\$	\$ 459,833
Licenses and permits	31,018		31,018
Intergovernmental	117,161		117,161
Fees for services	125,226	63,761	188,987
Fines	3,800		3,800
Other	<u>103,084</u>		<u>103,084</u>
<u>Total Revenues</u>	<u>\$ 840,122</u>	<u>\$ 63,761</u>	<u>\$ 903,883</u>
Expenditures			
Current:			
General government	\$ 377,055	\$	\$ 377,055
Public safety	26,517		26,517
Public works	519,353	84,365	603,718
Health, culture, welfare and recreation	<u>18,186</u>		<u>18,186</u>
<u>Total Expenditures</u>	<u>\$ 941,111</u>	<u>\$ 84,365</u>	<u>1,025,476</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures</u>	<u>\$ (100,989)</u>	<u>\$ (20,604)</u>	<u>\$ (121,593)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$	\$ 20,604	\$ 20,604
Operating transfers out	<u>(20,604)</u>		<u>(20,604)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>\$ (20,604)</u>	<u>\$ 20,604</u>	<u>\$ 0</u>
<u>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</u>	<u>\$ (121,593)</u>	<u>\$</u>	<u>\$ (121,593)</u>
FUND BALANCES, JULY 1	<u>1,892,828</u>		<u>1,892,828</u>
FUND BALANCES, JUNE 30	<u>\$1,771,235</u>	<u>\$ 0</u>	<u>\$1,771,235</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 - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
<b>REVENUES</b>									
Taxes	\$ 453,000	\$ 459,833	\$ 6,833	\$	\$	\$	\$ 453,000	\$ 459,833	\$ 6,833
Licenses and permits	20,000	31,018	11,018				20,000	31,018	11,018
Intergovernmental	115,467	117,161	1,694				115,467	117,161	1,694
Charges for services	129,500	125,226	(4,274)	61,000	63,761	2,761	190,500	188,987	(1,513)
Fines	3,800	3,800					3,800	3,800	
Other	107,825	103,084	(4,741)				107,825	103,084	(4,741)
<b>Total Revenues</b>	<b>\$ 829,592</b>	<b>\$ 840,122</b>	<b>\$ 10,530</b>	<b>\$ 61,000</b>	<b>\$ 63,761</b>	<b>\$ 2,761</b>	<b>\$ 890,592</b>	<b>\$ 903,883</b>	<b>\$ 13,291</b>
<b>EXPENDITURES</b>									
Current:									
General government	\$ 364,383	\$ 377,055	\$ (12,672)	\$	\$	\$	\$ 364,383	\$ 377,055	\$ (12,672)
Public safety	26,097	26,517	(420)				26,097	26,517	(420)
Public works	637,664	519,353	118,311	76,800	84,365	(7,565)	714,464	603,718	110,746
Health, culture, welfare and recreation	8,648	18,186	(9,538)				8,648	18,186	(9,538)
<b>Total Expenditures</b>	<b>\$1,036,792</b>	<b>\$ 941,111</b>	<b>\$ 95,681</b>	<b>\$ 76,800</b>	<b>\$ 84,365</b>	<b>\$ (7,565)</b>	<b>\$1,113,592</b>	<b>\$1,025,476</b>	<b>\$ 88,116</b>
<b>Excess (deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (207,200)</b>	<b>\$ (100,989)</b>	<b>\$ 106,211</b>	<b>\$ (15,800)</b>	<b>\$ (20,604)</b>	<b>\$ (4,804)</b>	<b>\$ (223,000)</b>	<b>\$ (121,593)</b>	<b>\$ 101,407</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in	\$	\$	\$	\$ 15,800	\$ 20,604	\$ 4,804	\$ 15,800	\$ 20,604	\$ 4,804
Operating transfers out	(15,800)	(20,604)	(4,804)				(15,800)	(20,604)	(4,804)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (15,800)</b>	<b>\$ (20,604)</b>	<b>\$ (4,804)</b>	<b>\$ 15,800</b>	<b>\$ 20,604</b>	<b>\$ 4,804</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>\$ (223,000)</b>	<b>\$ (121,593)</b>	<b>\$ 101,407</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ (223,000)</b>	<b>\$ (121,593)</b>	<b>\$ 101,407</b>
<b>FUND BALANCES, JULY 1</b>	<b>1,892,828</b>	<b>1,892,828</b>					<b>1,892,828</b>	<b>1,892,828</b>	
<b>FUND BALANCES, JUNE 30</b>	<b>\$1,669,828</b>	<b>\$1,771,235</b>	<b>\$ 101,407</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$1,669,828</b>	<b>\$1,771,235</b>	<b>\$ 101,407</b>

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

CITY OF LAKELAND TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1995

**NOTE - 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 governments as defined in the pronouncements of the Governmental Accounting Standards Board (GASB), Financial Accounting standards Board (FASB) Statements and Interpretations, Accounting Principle Board (APB) Opinions, and Accounting Research Bulletins (ARBs), issued on our before November 30, 1989. After this date the city has elected to apply only the GASB pronouncements. 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 three 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.

Special Revenue Funds - Special Revenue Funds account for specific revenues that are legally restricted to expenditures for a particular purpose. The Special Revenue Fund used by the City of Lakeland is the Solid Waste 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.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1995

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)****B. Fund Accounting (Cont.):**

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.

**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.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1995

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

## D. Budgets and Budgetary Accounting (Cont.):

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.

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. 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.

## H. 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, 1995, are immaterial.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1995

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****I. 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.

**J. Intergovernmental Revenues:**

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

**K. Contributions and Grants:**

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

**L. 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 \$1,831,492, and the bank balance was \$1,816,913. Of the bank balance, \$889,000 was covered by federal depository insurance and \$927,913 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, 1995, 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	\$ 38,461	\$ 38,461

**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, 1995

**NOTE 4 - FIXED ASSETS**

A summary of changes in general fixed assets for the year ended June 30, 1995, follows:

Balance, July 1, 1994	\$1,148,078
Additions:	
Street equipment	408
Sewer improvements	236,105
Sewer equipment	411
Deletions: Sewer equipment sold	<u>(20,825)</u>
	<u>\$1,364,177</u>

Detailed records of general fixed assets have not been kept by the City in the past. Management has partially reconstructed the records and anticipates completing this project 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.

## CITY OF LAKELAND, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS (CONT.)

JUNE 30, 1995

**NOTE 7 - OTHER MATTERS**

On May 4, 1995, the City of Lakeland Board of commissioners approved a resolution to borrow \$2,500,000 from the Tennessee Municipal League Bond Fund. The proceeds of the debt will be used to finance improvements to the wastewater collection and treatment system operated through the City's general fund. The loan was closed subsequent to June 30, 1995.

## 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, 1995

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES			
Local Taxes:			
Local option sales tax	\$ 400,000	\$ 399,385	\$ (615)
Wholesale beer tax	16,000	16,823	823
Business taxes	33,000	39,996	6,996
Cable TV franchise tax	4,000	3,629	(371)
	<u>\$ 453,000</u>	<u>\$ 459,833</u>	<u>\$ 6,833</u>
Licenses and Permits:			
Building permits	\$ 12,000	\$ 8,972	\$ (3,028)
Inspection fees	6,000	4,971	(1,029)
Other permits		15,000	15,000
Other permits	2,000	1,985	(15)
Sign permits		90	90
	<u>\$ 20,000</u>	<u>\$ 31,018</u>	<u>\$ 11,018</u>
Intergovernmental Revenue:			
TVA payments in lieu of taxes	\$ 6,500	\$ 6,528	\$ 28
State sales tax	60,000	61,067	1,067
State income tax	9,057	9,057	
State beer tax	600	595	(5)
State gas and motor fuel tax	33,000	33,470	470
State street & transportation	3,000	3,134	134
State disaster assistance grant	3,310	3,310	
	<u>\$ 115,467</u>	<u>\$ 117,161</u>	<u>\$ 1,694</u>
Charges for Services:			
Animal control fees	\$	\$ 240	\$ 240
Park and recreation charges	2,000	1,389	(611)
Other center fees		700	700
Sewer user fee	82,500	61,397	(21,103)
Other fees - sewer		7,500	7,500
Sewer connection privilege fee	30,000	36,000	6,000
Renewal and replacement fees - sewer	15,000	18,000	3,000
	<u>\$ 129,500</u>	<u>\$ 125,226</u>	<u>\$ (4,274)</u>
Fines, Forfeits and Penalties:			
Drug related fines	\$ 3,800	\$ 3,800	\$ 0
Other Revenues:			
Interest earned	\$ 83,500	\$ 78,036	\$ (5,464)
Other revenues	3,500	4,223	723
Sale of equipment - sewer	20,825	20,825	
	<u>\$ 107,825</u>	<u>\$ 103,084</u>	<u>\$ (4,741)</u>
<u>Total Revenues</u>	<u>\$ 829,592</u>	<u>\$ 840,122</u>	<u>\$ 10,530</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, 1995

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES			
Current:			
General Government:			
General Government:			
Salaries - permanent employees	\$ 113,600	\$ 113,815	\$ (215)
Wages - permanent employees	50,500	50,831	(331)
Wages - overtime	7,200	6,247	953
Bonus pay	1,320		1,320
OASI	18,000	15,750	2,250
Hospital and health insurance	14,600	13,167	1,433
Retirement	12,000	12,442	(442)
Workmen's compensation	4,274	4,274	
Employee education and training	1,000	990	10
Uniforms	1,000	1,087	(87)
Board of Commissioners	11,560		11,560
Communication and transportation	3,600	4,802	(1,202)
Printing and duplicating	7,500	8,809	(1,309)
Publicity, subscriptions & dues	2,400	3,201	(801)
Electric	4,000	4,434	(434)
Water	600	657	(57)
Gas	2,000	1,277	723
Telephone	5,200	5,301	(101)
Legal services	12,000	12,580	(580)
Accounting and auditing	1,450	1,450	
Architectural and engineering	27,000	51,346	(24,346)
Data processing services	2,635	2,635	
Tennessee state planning office	4,043	4,043	
Repair & maintenance services	5,000	4,317	683
Travel	6,500	6,597	(97)
Other contractual services	2,200	2,288	(88)
Office supplies	4,700	5,418	(718)
Operating supplies	1,000	1,484	(484)
Repair & maintenance supplies		152	(152)
Insurance on buildings	1,845	1,845	
Liability insurance	4,501	4,501	
Professional liability insurance	3,723	3,723	
Surety bonds for officials	200	150	50
Contributions - civic promotion	2,150	1,500	650
Contributions - drug prevention	3,932	4,132	(200)
Business tax commissions	13,650	13,650	
	<u>\$ 356,883</u>	<u>\$ 368,895</u>	<u>\$ (12,012)</u>
General Government Buildings:			
Capital outlay	\$ 7,500	\$ 8,160	\$ (660)
	<u>\$ 364,383</u>	<u>\$ 377,055</u>	<u>\$ (12,672)</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, 1995

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Current (Cont.):			
Public Safety:			
Ambulance services	\$ 3,500	\$ 3,500	\$ 0
Traffic Control:			
Traffic control lights	\$	\$ 49	\$ (49)
Safety supplies	41	41	
	<u>\$ 41</u>	<u>\$ 90</u>	<u>\$ (49)</u>
Fire Protection and Control:			
Fire hydrant rental	\$ 22,556	\$ 22,556	\$ 0
Civil Defense:			
Contracted services	\$ 0	\$ 371	\$ (371)
<u>Total Public Safety</u>	<u>\$ 26,097</u>	<u>\$ 26,517</u>	<u>\$ (420)</u>
Public Works:			
Highways and Streets:			
Repair & maintenance - roads	\$ 20,000	\$ 19,834	\$ 166
Repair & maintenance - other	4,000	4,741	(741)
Contracted services	13,000	13,030	(30)
Sundry	5,000	5,615	(615)
Gas, oil, diesel and grease	4,500	5,240	(740)
Repair parts	4,000	1,275	2,725
Tools		2,212	(2,212)
Sign parts and supplies	1,500	2,169	(669)
Gravel and sand	2,000	1,331	669
Machinery and equipment rental	1,200	971	229
Transportation equipment	24,700	408	24,292
	<u>\$ 79,900</u>	<u>\$ 56,826</u>	<u>\$ 23,074</u>
State Street Aid Expenditures:			
Repair and maintenance - roads	\$ 77,764	\$ 1,110	\$ 76,654
Street Lighting:			
Electric	\$ 6,100	\$ 6,641	\$ (541)
Sewerage Collection & Disposal:			
Electric	\$ 5,200	\$ 5,625	\$ (425)
Telephone	1,050	1,089	(39)
Legal services	20,000	20,342	(342)
Architectural and engineering	65,000	85,058	(20,058)
Repair & maintenance services	25,000	24,949	51
Other contracted services	1,000	1,101	(101)
Collection fees	8,050	8,050	

(Continued)

## CITY OF LAKELAND, TENNESSEE

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

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
EXPENDITURES (Cont.)			
Current (Cont.):			
Public Works (Cont.):			
Sewerage Collection and Disposal (Cont.):			
Sundry	\$	\$ 64	\$ (64)
Chemical, lab and medical	12,500	14,453	(1,953)
Repair parts - sewer	12,500	12,842	(342)
Gravel and sand	2,000	1,187	813
Machinery and equipment rental	800	755	45
Bad debts		902	(902)
Refunds	2,200	4,536	(2,336)
Improvements - renewal & replacement	274,000	236,105	37,895
Roads, streets & parking lots	3,000	2,068	932
Sewage disposal improvements	20,000	9,187	10,813
Equipment	600	571	29
	<u>\$ 452,900</u>	<u>\$ 428,884</u>	<u>\$ 24,016</u>
Public Works Inspections:			
Other contracted services	<u>\$ 21,000</u>	<u>\$ 25,892</u>	<u>\$ (4,892)</u>
<u>Total Public Works</u>	<u>\$ 637,664</u>	<u>\$ 519,353</u>	<u>\$ 118,311</u>
Health, Welfare and Recreation:			
Rabies and Animal Control:			
Collection fees	<u>\$ 700</u>	<u>\$ 554</u>	<u>\$ 146</u>
Recreation:			
Repair & maintenance services	\$	\$ 135	\$ (135)
Valentine community activity		3,092	(3,092)
Parks and recreation facilities		7,033	(7,033)
	<u>\$ 0</u>	<u>\$ 10,260</u>	<u>\$ (10,260)</u>
Recreation Center:			
Publicity, subscriptions & dues	\$	\$ 230	\$ (230)
Repair & maintenance - other	3,055		3,055
Other contracted services		654	(654)
Recreation supplies	1,584		1,584
Easter community activity	150	524	(374)
Other community activities		219	(219)
Painting and plumbing supplies	50	41	9
Electrical supplies	174	5,380	(5,206)
Gravel and sand	135		135
Sundry	300	324	(24)
Parks and recreation facilities	2,500		2,500
	<u>\$ 7,948</u>	<u>\$ 7,372</u>	<u>\$ 576</u>
<u>Total Health, Welfare &amp; Recreation</u>	<u>\$ 8,648</u>	<u>\$ 18,186</u>	<u>\$ (9,538)</u>
<u>Total Expenditures</u>	<u>\$1,036,792</u>	<u>\$ 941,111</u>	<u>\$ 95,681</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, 1995

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ (207,200)	\$ (100,989)	\$ 106,211
OTHER FINANCING SOURCES (USES)			
Operating transfers out	<u>(15,800)</u>	<u>(20,604)</u>	<u>(4,804)</u>
<u>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Uses</u>	\$ (223,000)	\$ (121,593)	\$ 101,407
FUND BALANCE, JULY 1	<u>1,892,828</u>	<u>1,892,828</u>	_____
FUND BALANCE, JUNE 30	<u>\$1,669,828</u>	<u>\$1,771,235</u>	<u>\$ 101,407</u>

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

## SPECIAL REVENUE FUNDS

Special Revenue Funds account for specific revenues that are legally restricted to expenditure for particular purposes.

Solid Waste Fund - To account for the revenues and expenditures related to the collection of solid waste.

CITY OF LAKELAND, TENNESSEE

SOLID WASTE FUND

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

FOR THE FISCAL YEAR ENDED JUNE 30, 1995

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES			
Charges for Services:			
Refuse collection and disposal	\$ 61,000	\$ 63,761	\$ 2,761
EXPENDITURES			
Current:			
Public Works:			
Garbage Collection & Disposal:			
Collection fees	<u>76,800</u>	<u>84,365</u>	<u>(7,565)</u>
<u>Excess (Deficiency) of Revenues</u>			
<u>Over (Under) Expenditures</u>	\$ (15,800)	\$ (20,604)	\$ (4,804)
OTHER FINANCING SOURCES			
Operating transfers in	<u>15,800</u>	<u>20,604</u>	<u>20,604</u>
<u>Excess of Revenues and Other</u>			
<u>Sources Over Expenditures</u>	\$ 0	\$ 0	\$ 0
FUND BALANCE, JULY 1	<u>          </u>	<u>          </u>	<u>          </u>
FUND BALANCE, JUNE 30	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 1995

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
ASSETS				
Investments	\$ 15,626	\$ 22,835	\$	\$ 38,461
LIABILITIES				
Deferred compensation benefits payable	\$ 15,626	\$ 22,835	\$	\$ 38,461

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, 1995

	<u>Maturity</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Cost</u>	<u>Market</u> <u>Value</u>
GENERAL FUND				
Certificates of Deposit:				
Community First Bank	7/27/95	5.00%	\$ 99,000	\$ 99,000
First Tennessee Bank	7/27/95	5.00%	99,000	99,000
Boatman's Bank of Tennessee	7/27/95	5.12%	99,000	99,000
Franklin Bank	7/27/95	5.25%	99,000	99,000
First USA Bank	8/04/95	4.30%	100,000	100,000
Peoples Bank	3/16/96	6.50%	99,000	99,000
Union Planters Bank	3/23/96	7.00%	98,000	98,000
Peoples Bank	3/31/96	6.50%	500,000	500,000
First USA Bank	7/18/96	7.10	<u>95,000</u>	<u>95,000</u>
<u>Total General Fund</u>			\$1,288,000	\$1,288,000
DEFERRED COMPENSATION FUND				
Investment accounts with Aetna Insurance Company - mutual funds				
	N/A	N/A	<u>38,461</u>	<u>38,461</u>
<u>Total Investments</u>			<u>\$1,326,461</u>	<u>\$1,326,461</u>

## CITY OF LAKELAND, TENNESSEE

## SCHEDULE OF SALARIES AND BONDS OF PRINCIPAL OFFICIALS

JUNE 30, 1995

<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. Kopcjal	Commissioner	1,800	0
Patra B. Temple	Commissioner	1,800	0

CITY OF LAKELAND, TENNESSEE  
 SCHEDULE OF INSURANCE IN FORCE  
 JUNE 30, 1995

<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-067-95	7/01/94 - 7/01/95	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	9/01/94 - 9/01/95	Workman's compensation		130,000
TML Risk Management Pool	TMP-3192	7/01/94 - 7/01/95	City Hail Contents of city hall Listed equipment	80% 80%	338,874 113,000 52,925
American States Insurance Company	EX611433	10/20/94 - 10/20/95	Recorder - Fidelity bond		10,000
American States Insurance Company	EX968633	10/20/94 - 10/20/95	City Manager - fidelity bond		10,000
American States Insurance Company	EX903483	10/20/94 - 10/24/95	Mayor - Bond		5,000

CITY OF LAKELAND, TENNESSEE  
 SCHEDULE OF FEDERAL AND STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 1995

<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 and Tennessee Emergency Management Agency</u>						
Passed through Tennessee Emergency Management Agency:						
Disaster Assistance	83.516	<u>\$ 7,725</u>	<u>\$ (736)</u>	<u>\$ 3,310</u>	<u>\$ 2,574</u>	<u>\$ 0</u>

INTERNAL CONTROL AND COMPLIANCE SECTION

## ARNOLD, SPAIN &amp; 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

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

MEMBERS:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

TENNESSEE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

AICPA DIVISION OF FIRMS

Independent Auditor's Report on  
Compliance Based on an Audit of the  
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, 1995, and have issued our report thereon dated November 22, 1995.

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 disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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

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, 1995

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

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, 1995, and have issued our report thereon dated November 22, 1995.

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.

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.

In planning and performing our audit of the general purpose financial statements of the individual fund and account group financial statements of the City of Lakeland, Tennessee, for the year ended June 30, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we

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

assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. Accordingly, we do not express such an opinion.

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, 1995

## CITY OF LAKELAND, TENNESSEE

## SCHEDULE OF FINDINGS AND RECOMMENDATIONS

JUNE 30, 1995

**PRIOR YEAR FINDINGS**

94-01. 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. We did note significant progress has been made on this project and that all personal property has been identified and inventoried. The unidentified assets consist primarily of real estate and improvements thereto.

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, 1996.

All other prior year findings have been satisfactorily resolved.

**CURRENT YEAR FINDINGS**95-01 Collateral Agreements

Finding: The Tennessee Code Annotated Section 6-56-10 and 9-4-108 requires municipal funds deposited with a financial institution to be secured by collateral held by a trustee custodian n behalf of the municipality. The custodian holding the collateral pledged by one of the City of Lakeland's depository financial institutions is acting as agent for the institution rather than the City as required by law. The amount of deposits collateralized in this manner is \$927,913 at June 30, 1995.

Recommendation: We recommend that management obtain a collateral security agreement with its depository financial institutions which is a three-party agreement signed by the City, the depository financial institution and the trustee custodian holding the pledged collateral. Such an agreement would effectively make the trustee custodian an agent for the City.

Management Response: We concur and have obtained the required agreements subsequent to June 30, 1995.