

**CITY OF LAKELAND, TENNESSEE**

**FINANCIAL STATEMENTS**

June 30, 2014



Watkins Uiberall, PLLC  
Certified Public Accountants & Financial Advisors  
Independent Member of BKR International

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# City of Lakeland

October 31, 2014

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

The Comprehensive Annual Financial Report (CAFR) of the City of Lakeland, Tennessee for the fiscal year ended June 30, 2014, is hereby submitted in accordance with the City of Lakeland Charter requirement for an independent audit by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards.

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

Watkins Uiberall, PLLC has audited the City of Lakeland financial statements, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable (clean) basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

## ***Profile of the Government***

The City of Lakeland, incorporated in 1977, is located in northeast Shelby County in the Southwestern part of the State. Lakeland occupies 24 square miles and serves a population of over 12,430. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Board of Mayor and Commissioners. The City of Lakeland's charter provides for a Manager-Commission form of Government. This is a Statutory Charter established by the State of Tennessee.

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

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

The Shelby County Schools Board of Education provided educational services to students within the jurisdiction of the City of Lakeland for FY2014. The County school system is part of the Shelby County Government. The Memphis Light, Gas, and Water Division of the City of Memphis provides electrical, water, and natural gas distribution to the Lakeland service area. The City of Memphis also provides sewer service to residents located in a portion of Lakeland that is located north of Highway 64, south of Interstate 40, and west of Canada Road. Approximately 1000 households reside in this area. These entities do not meet the established criteria for inclusion in the reporting entity and are not included in this report.

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

### ***Local Economy***

The City of Lakeland currently has a moderate economic growth and is continuing to grow, although this growth has slowed significantly from at least 2008 to date. The City population at the last Federal Census in 2010 was 12,430.

The City of Lakeland contributed \$3,000,000 for the interchange at I-40 and Canada Road for a joint project with the Tennessee Department of Transportation for the construction of a single-point urban interchange. Construction of the interchange has begun, with completion anticipated in 2017.

The City developed new Land Development Regulations. These regulations affect all new development.

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

Among the larger commercial site plans approved by the City, the former outlet Mall remains in a pending status, due to developer's changing timelines, and is expected to move forward in conjunction with the I-40 & Canada Road Interchange Project.

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

### ***Long-term financial planning***

- Municipal School System beginning with Fall-Term 2014.
- Construction of the I-40 & Canada Road Interchange, with completion anticipated in 2017.
- Several streets improvement projects, including the extension of Beverle Rivera Drive and connection with Huff n Puff Road.
- Planning and construction of New Canada Road.
- The City of Lakeland imposed its first property tax in Fiscal Year 2012, effective as of January 1, 2012. The property tax revenue is allocated to capital projects within the City and the municipal school system.

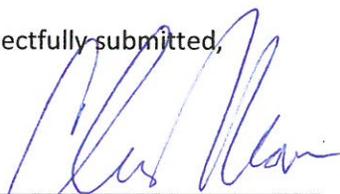
### ***Major initiatives***

- The City of Lakeland formed a municipal school system, named Lakeland School System, to serve the municipality's students in grades K-5 for the fall school year of 2014. A portion of Lakeland's property tax has been allocated to the school system along with the entire one-half cent of Lakeland's Local Option Sales Tax increase, which was approved by the voters. The City of Lakeland partners with the Town of Arlington and the City of Bartlett to educate students in grades 6-12.
- Right-of-way acquisitions of New Canada Road are in process using Federal Surface Transportation Funds (80%) with a local match (20%).
- Right-of-way acquisitions of Beverle Rivera Drive are in process. Construction is anticipated in Spring 2015. This is funded by a TLDA loan with the State of Tennessee.
- Resurfacing and reconstruction of Huff 'n Puff Road using Federal Surface Transportation Funds (80%) with a local match (20%) continued in 2014 in conjunction with the I-40 & Canada Road interchange.
- Ongoing analysis of the Sewer Fund in order to balance revenues with expenditures.
- Ongoing street repair and maintenance, including crack sealing.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report.

Credit also must be given to the Mayor and the Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lakeland's finances.

Respectfully submitted,



Chris Thomas, City Manager

**City of Lakeland, Tennessee  
City Officials  
June 30, 2014**

**Mayor**  
Wyatt Bunker

**Commissioners**  
Sherri Gallick, Vice Mayor  
Clark Plunk, Commissioner  
Gene Torrey, Commissioner  
Randy Nicholson, Commissioner

**Appointed Officials**

City Manager

Chris Thomas

City Attorney

Wiseman Bray, PLLC

City Recorder

Sontidra Thomas



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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund, solid waste fund, and Lakeland school system fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund, solid waste fund, and Lakeland school system fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information on pages 43 to 48 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 43 to 48 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supplementary information on pages 49 to 54 have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Watkins Mikusall, PLLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee  
October 31, 2014

## Management's Discussion and Analysis

This is a narrative overview and analysis of the financial activities of the City of Lakeland for the fiscal year ended June 30, 2014. Please consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

### Financial Highlights

- The assets of the City of Lakeland exceeded its liabilities at the close of the most recent fiscal year by \$58,823,460 (net position). The net position of the City of Lakeland consists of \$50,815,653 in net investment in capital assets and \$8,007,807 in unrestricted. The unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Lakeland's total net position increased by \$8,643,979 in fiscal year 2014.
- As of June 30, 2014, the City of Lakeland's governmental funds reported combined ending fund balances of \$6,894,121, an increase of \$1,527,261 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,449,265 or 84 percent of total general fund balance.
- The City of Lakeland's total debt increased \$2,585,855 during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The City of Lakeland maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, solid waste fund, Lakeland school system fund, state street aid fund, and storm water fund. The City of Lakeland adopts an annual appropriated budget for its general fund, solid waste fund, Lakeland school system fund, state street aid fund, and storm water fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

**Proprietary funds:** The City of Lakeland maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lakeland uses an enterprise fund to account for its Sewer operations.

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

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

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

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakeland, assets exceeded liabilities by \$58,823,460 at the close of June 30, 2014.

By far the largest portion of the City of Lakeland's net position (86%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lakeland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakeland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has \$12,450,197 of outstanding long-term debt as of June 30, 2014.

The following provides a summary of the City's net position at June 30, 2014:

#### Summary of Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current & Other Assets	\$ 10,032,427	\$ 8,351,403	\$ 1,483,421	\$ 1,488,876	\$ 11,515,848	\$ 9,840,279
Capital Assets	49,343,342	39,430,405	14,348,836	14,737,131	63,692,178	54,167,536
<b>Total Assets</b>	<b>59,375,769</b>	<b>47,781,808</b>	<b>15,832,257</b>	<b>16,226,007</b>	<b>75,208,026</b>	<b>64,007,815</b>
Current Liabilities	881,416	785,363	484,819	474,318	1,366,235	1,259,681
Long-term Debt	5,931,197	3,009,313	6,519,000	6,984,000	12,450,197	9,993,313
<b>Total Liabilities</b>	<b>6,812,613</b>	<b>3,794,676</b>	<b>7,003,819</b>	<b>7,458,318</b>	<b>13,816,432</b>	<b>11,252,994</b>
<b>Deferred Inflows of Resources</b>	<b>2,568,134</b>	<b>2,575,340</b>	<b>-</b>	<b>-</b>	<b>2,568,134</b>	<b>2,575,340</b>
<b>Net Position:</b>						
Invested Capital Assets	43,450,817	36,022,011	7,364,836	7,306,131	50,815,653	43,328,142
Restricted	-	66	-	-	-	66
Unrestricted	6,544,205	5,389,715	1,463,602	1,461,558	8,007,807	6,851,273
<b>Total Net Position</b>	<b>\$ 49,995,022</b>	<b>\$ 41,411,792</b>	<b>\$ 8,828,438</b>	<b>\$ 8,767,689</b>	<b>\$ 58,823,460</b>	<b>\$ 50,179,481</b>

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

The City's net position increased \$8,643,979 during the current fiscal year. Of this amount, \$8,583,230 represented an increase in the net position from governmental activities and \$60,749 represented an increase in the net position from business-type activities.

The following provides a summary of activities for the City during the fiscal year ended June 30, 2014.

**Summary of Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Program Revenues						
Charges for services	\$ 1,549,456	\$ 1,471,003	\$ 1,145,414	\$ 1,084,785	\$ 2,694,870	\$ 2,555,788
Operating grants & capital contributions	13,085,960	595,083	-	-	13,085,960	595,083
General Revenues						
Local Taxes	3,398,058	3,496,184	-	-	3,398,058	3,496,184
Intergovernmental	1,576,204	1,497,487	-	-	1,576,204	1,497,487
Interest on investments	14,603	13,614	5,451	7,036	20,054	20,650
Other	152,356	179,383	-	-	152,356	179,383
<b>Total Revenues</b>	<b>19,776,637</b>	<b>7,252,754</b>	<b>1,150,865</b>	<b>1,091,821</b>	<b>20,927,502</b>	<b>8,344,575</b>
Expenses						
General Government	1,993,291	1,781,905	-	-	1,993,291	1,781,905
Public Safety	33,113	30,798	-	-	33,113	30,798
Public Works	7,596,788	4,913,256	-	-	7,596,788	4,913,256
Parks & Rec.	420,852	447,775	-	-	420,852	447,775
Natural Resources	78,243	173,044	-	-	78,243	173,044
Education	1,071,120	168,798	-	-	1,071,120	168,798
Business Type Sewer	-	-	1,090,116	1,084,347	1,090,116	1,084,347
<b>Total Expenses</b>	<b>11,193,407</b>	<b>7,515,576</b>	<b>1,090,116</b>	<b>1,084,347</b>	<b>12,283,523</b>	<b>8,599,923</b>
Change in Net Asset	8,583,230	(262,822)	60,749	7,474	8,643,979	(255,348)
Net Position Beginning	41,411,792	41,674,614	8,767,689	8,760,215	50,179,481	50,434,829
Net Position End of Year	<b>\$ 49,995,022</b>	<b>\$ 41,411,792</b>	<b>\$ 8,828,438</b>	<b>\$ 8,767,689</b>	<b>\$ 58,823,460</b>	<b>\$ 50,179,481</b>

**Governmental Activities**

Governmental activities increased the City's net position by \$8,583,230.

**Business-Type Activities**

Business-type activities increased the City's net position by \$60,749. (Depreciation expense for sewer accounted for \$472,348.)

**Financial Analysis of the City's Funds**

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

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Lakeland's governmental funds reported combined ending fund balances of

\$6,984,121 which was an increase of \$1,527,261 in comparison with the prior year. Approximately 79% of this amount, \$5,415,720, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$6,481,653. The fund balance of the City's General Fund increased by \$1,462,282 as a result of the current year operations.

**Proprietary Funds**

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

Unrestricted net position of the sewer fund at the end of the year amounted to \$1,463,602. Other factors concerning the financial position of this fund have already been addressed in the discussion of the City's business-type activities.

**Capital Assets and Debt Administration**

**Capital Assets**

The City's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$63,692,178 (net of accumulated depreciation) an increase of \$9,524,642 from prior year. This investment in capital assets includes land, buildings and improvements, furnishing and equipment, infrastructure, and construction in process.

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

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

**Summary of Capital Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 7,349,690	\$ 7,140,990	\$ 75,360	\$ 75,360	\$ 7,425,050	\$ 7,216,350
Building & Improvement	15,055,679	3,159,679	18,396,629	18,404,629	33,452,308	21,564,308
Machinery & equipment	1,770,145	1,364,889	-	-	1,770,145	1,364,889
Improvements other	4,763,232	4,711,040	-	-	4,763,232	4,711,040
Vehicles	-	-	281,535	194,482	281,535	194,482
Construction in Progress	1,575,970	1,120,744	30,526	25,526	1,606,496	1,146,270
Infrastructure	63,047,926	63,047,926	-	-	63,047,926	63,047,926
Less: Accumulated Depreciation	(44,219,300)	(41,114,863)	(4,435,214)	(3,962,866)	(48,654,514)	(45,077,729)
<b>Total Capital Assets</b>	<b>\$ 49,343,342</b>	<b>\$ 39,430,405</b>	<b>\$ 14,348,836</b>	<b>\$ 14,737,131</b>	<b>\$ 63,692,178</b>	<b>\$ 54,167,536</b>

Additional information on the City's capital assets can be found in Note 4 to the financial statements on pages 35-36.

**Summary of Outstanding Debt**

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Notes payable	\$ 6,333,534	\$ 3,342,313	\$ 6,984,000	\$ 7,431,000	\$ 13,317,534	\$ 10,773,313
Construction loan	107,715	56,670	-	-	107,715	56,670
Capital Leases	-	9,411	-	-	-	9,411
<b>Total Revenues</b>	<b>\$ 6,441,249</b>	<b>\$ 3,408,394</b>	<b>\$ 6,984,000</b>	<b>\$ 7,431,000</b>	<b>\$ 13,425,249</b>	<b>\$ 10,839,394</b>

Information related to the City's long-term debt can be found in Note 4 to the financial statements on pages 37-38 of this report.

**Budget Discussion (Fiscal Year 2014-2015 budget)**

The major sources of revenue for the City are property taxes, local and state shared taxes, development / building fees, user fees and business taxes.

Property tax revenues will be used to establish and operate Lakeland School System and fund Capital Projects, which include street and road repair and construction, park acquisition, and development and drainage improvements to City infrastructure.

Based on data from the Municipal Technical Advisory Service (MTAS), the estimated state shared revenues are projected to slightly increase from the last year's budget figures. The City of Lakeland will be conducting a special census in 2015, in hopes of further increasing state shared revenue.

The City fee structure is based on the concept that development etc. pays for itself (so existing residents and businesses do not subsidize new development). The City budgets relatively conservatively, and even one medium size development would have a major effect on revenues.

The City of Lakeland has approved a total budget of \$13,280,339 for the 2014-2015 FY. The capital budget accounts for \$7,706,982 and the sewer budget accounts for \$1,440,692, leaving \$4,132,395 for operations.

**Requests for Information**

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

**CITY OF LAKELAND, TENNESSEE**

**STATEMENT OF NET POSITION**

June 30, 2014

	Primary Government		Total
	Governmental Activities	Business-type Activity	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,477,722	\$ 1,387,801	\$ 7,865,523
Receivables (net of allowance for uncollectibles):			
Taxes	2,634,690	-	2,634,690
Accounts	31,122	-	31,122
Restitution	46,759	-	46,759
Interest	2,417	1,721	4,138
Due from other governments	838,558	93,899	932,457
Prepaid items	1,159	-	1,159
Capital assets, not being depreciated	8,925,660	105,886	9,031,546
Capital assets, being depreciated, net	40,417,682	14,242,950	54,660,632
Total assets	<u>59,375,769</u>	<u>15,832,257</u>	<u>75,208,026</u>
<b>LIABILITIES</b>			
Accounts payable	193,762	19,819	213,581
Accrued expenses	77,979	-	77,979
Customer deposits	99,623	-	99,623
Noncurrent liabilities:			
Due within one year	510,052	465,000	975,052
Due in more than one year	5,931,197	6,519,000	12,450,197
Total liabilities	<u>6,812,613</u>	<u>7,003,819</u>	<u>13,816,432</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	2,568,134	-	2,568,134
<b>NET POSTION</b>			
Net investment in capital assets	43,450,817	7,364,836	50,815,653
Unrestricted	6,544,205	1,463,602	8,007,807
Total net position	<u>\$ 49,995,022</u>	<u>\$ 8,828,438</u>	<u>\$ 58,823,460</u>

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

**CITY OF LAKELAND, TENNESSEE**

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b><u>Functions/Programs</u></b>				
<b>Primary government:</b>				
Governmental Activities:				
General government	\$ 1,993,291	\$ 95,115	\$ -	\$ -
Public safety	33,113	-	-	-
Public works	7,596,788	1,403,605	347,028	338,432
Parks and recreation	420,852	-	-	-
Natural resources	78,243	50,736	-	-
Education	1,071,120	-	-	12,400,500
Total governmental activities	<u>11,193,407</u>	<u>1,549,456</u>	<u>347,028</u>	<u>12,738,932</u>
Business-type activity:				
Sewer	<u>1,090,116</u>	<u>1,145,414</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 12,283,523</u>	<u>\$ 2,694,870</u>	<u>\$ 347,028</u>	<u>\$ 12,738,932</u>
General revenues:				
Local taxes				
Property tax				
Local sales tax				
Wholesale beer tax				
CATV franchise tax				
Hotel/Motel tax				
Intergovernmental				
State of Tennessee shared taxes				
Sales tax				
Local option sales tax				
Beer tax				
Business tax				
Income tax				
Mixed drink tax				
Telecommunications sales tax				
Receipts in lieu of tax - TVA				
Interest on investments				
Other				
Total general revenues and transfers				
Change in net position				
Net position - beginning of the year				
Net position - ending of the year				

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business-Type Activity</u>	<u>Total</u>
\$ (1,898,176)	\$ -	\$ (1,898,176)
(33,113)	-	(33,113)
(5,507,723)	-	(5,507,723)
(420,852)	-	(420,852)
(27,507)	-	(27,507)
11,329,380	-	11,329,380
<u>3,442,009</u>	<u>-</u>	<u>3,442,009</u>
-	55,298	55,298
<u>3,442,009</u>	<u>55,298</u>	<u>3,497,307</u>
2,612,384	-	2,612,384
547,990	-	547,990
69,926	-	69,926
116,007	-	116,007
51,751	-	51,751
888,074	-	888,074
246,010	-	246,010
7,382	-	7,382
47,452	-	47,452
152,702	-	152,702
1,927	-	1,927
1,271	-	1,271
231,386	-	231,386
14,603	5,451	20,054
152,356	-	152,356
<u>5,141,221</u>	<u>5,451</u>	<u>5,146,672</u>
<u>8,583,230</u>	<u>60,749</u>	<u>8,643,979</u>
<u>41,411,792</u>	<u>8,767,689</u>	<u>50,179,481</u>
<u>\$ 49,995,022</u>	<u>\$ 8,828,438</u>	<u>\$ 58,823,460</u>

**CITY OF LAKELAND, TENNESSEE**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2014

	General Fund	Solid Waste	Lakeland School System	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,039,573	\$ 147,635	\$ -	\$ 290,514	\$ 6,477,722
Receivables					
Taxes	2,690,604	-	-	-	2,690,604
Accounts	31,122	-	-	-	31,122
Restitution	46,759	-	-	-	46,759
Interest	2,417	-	-	-	2,417
Less: allowance for uncollectibles	(55,914)	-	-	-	(55,914)
Prepaid Expenses	1,159	-	-	-	1,159
Due from other funds	77,067	-	-	-	77,067
Due from other governments	664,337	100,935	-	73,286	838,558
Total assets	<u>\$ 9,497,124</u>	<u>\$ 248,570</u>	<u>\$ -</u>	<u>\$ 363,800</u>	<u>\$ 10,109,494</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 77,318	\$ 95,925	\$ -	\$ 20,519	\$ 193,762
Accrued liabilities	49,083	-	-	6,391	55,474
Refundable deposits	99,623	-	-	-	99,623
Due to other funds	-	-	-	77,067	77,067
Total liabilities	<u>226,024</u>	<u>95,925</u>	<u>-</u>	<u>103,977</u>	<u>425,926</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	2,559,155	-	-	-	2,559,155
Unavailable revenue - grants	183,533	-	-	-	183,533
Unavailable revenue - restitution	46,759	-	-	-	46,759
Total deferred inflows of resources	<u>2,789,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,789,447</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid Items	1,159	-	-	-	1,159
Restricted for:					
Solid waste activities	-	152,645	-	-	152,645
Committed to:					
Stormwater activities	-	-	-	293,368	293,368
Assigned to:					
School activities	1,031,229	-	-	-	1,031,229
Unassigned	5,449,265	-	-	(33,545)	5,415,720
Total fund balances	<u>6,481,653</u>	<u>152,645</u>	<u>-</u>	<u>259,823</u>	<u>6,894,121</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,497,124</u>	<u>\$ 248,570</u>	<u>\$ -</u>	<u>\$ 363,800</u>	<u>\$ 10,109,494</u>

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

CITY OF LAKELAND, TENNESSEE

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

June 30, 2014

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

Total governmental fund balances	\$ 6,894,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,343,342
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	221,313
Long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	(6,441,249)
Compensated absences, included in accrued expenses, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(22,505)</u>
Net position of governmental activities	<u>\$ 49,995,022</u>

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	General Fund	Solid Waste	Lakeland School System	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,413,766	\$ -	\$ -	\$ -	\$ 3,413,766
Licenses and permits	95,115	-	-	-	95,115
Intergovernmental	1,601,642	-	-	321,590	1,923,232
Charges for services	50,736	1,223,163	-	180,442	1,454,341
Federal, state, and local grants	154,899	-	-	-	154,899
Interest income	13,680	160	-	763	14,603
Other	153,856	2,000	-	-	155,856
Total revenues	<u>5,483,694</u>	<u>1,225,323</u>	<u>-</u>	<u>502,795</u>	<u>7,211,812</u>
<b>EXPENDITURES</b>					
Current					
General government	1,836,717	-	-	-	1,836,717
Capital projects	3,640,967	-	-	-	3,640,967
Public safety	32,730	-	-	-	32,730
Public works	9,884	1,193,217	-	469,922	1,673,023
Parks and recreation	349,704	-	-	-	349,704
Natural resources	75,464	-	-	-	75,464
Education	-	-	414,681	-	414,681
Debt Service					
Principal	342,411	-	-	-	342,411
Interest and fiscal charges	37,681	-	-	-	37,681
Total expenditures	<u>6,325,558</u>	<u>1,193,217</u>	<u>414,681</u>	<u>469,922</u>	<u>8,403,378</u>
Excess (deficiency) of revenues expenditures over (under)	(841,864)	32,106	(414,681)	32,873	(1,191,566)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	2,718,827	-	-	-	2,718,827
Transfers in	-	-	414,681	-	414,681
Transfers out	(414,681)	-	-	-	(414,681)
Total other financing sources	<u>2,304,146</u>	<u>-</u>	<u>414,681</u>	<u>-</u>	<u>2,718,827</u>
Net change in fund balances	1,462,282	32,106	-	32,873	1,527,261
Fund balances - beginning of the year	<u>5,019,371</u>	<u>120,539</u>	<u>-</u>	<u>226,950</u>	<u>5,366,860</u>
Fund balances - ending of the year	<u>\$ 6,481,653</u>	<u>\$ 152,645</u>	<u>\$ -</u>	<u>\$ 259,823</u>	<u>\$ 6,894,121</u>

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

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2014

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

Net change in fund balance - total governmental funds	\$ 1,527,261
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and contributions in the current period.	(2,487,563)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donation) is to increase net assets.	12,400,500
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	164,325
The issuance of long-term debt (e.g. notes payable and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs and similar items when first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.	(3,032,855)
Compensated absences expenses are reported in the statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>11,562</u>
Change in net position of governmental activities	<u>\$ 8,583,230</u>

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	
<b>REVENUES</b>			
Taxes			
Property tax	\$ 2,720,881	\$ 2,628,092	\$ (92,789)
Local sales tax	500,000	547,990	47,990
Wholesale beer tax	116,000	69,926	(46,074)
CATV franchise tax	127,029	116,007	(11,022)
Hotel/Motel tax	50,000	51,751	1,751
Total taxes	<u>3,513,910</u>	<u>3,413,766</u>	<u>(100,144)</u>
Licenses and permits			
Building permit fees	48,000	46,381	(1,619)
Inspection fees	28,000	9,800	(18,200)
Plat approval fees	10,000	13,620	3,620
Others	57,142	25,314	(31,828)
Total licenses and permits	<u>143,142</u>	<u>95,115</u>	<u>(48,027)</u>
Intergovernmental			
State of Tennessee shared taxes			
Sales tax	852,077	888,074	35,997
Local option sales tax	-	246,010	246,010
Beer tax	6,215	7,382	1,167
Business tax	55,364	47,452	(7,912)
Income tax	137,459	152,702	15,243
Petroleum special tax	25,482	25,438	(44)
Mixed drink tax	1,400	1,927	527
Telecommunications sales tax	-	1,271	1,271
Receipts in lieu of tax - TVA	220,741	231,386	10,645
Total intergovernmental	<u>1,298,738</u>	<u>1,601,642</u>	<u>302,904</u>
Charges for services			
Recreation fees	5,000	12,327	7,327
Rental income	29,800	38,409	8,609
Total charges for services	<u>34,800</u>	<u>50,736</u>	<u>15,936</u>
State grants	<u>3,260,800</u>	<u>154,899</u>	<u>(3,105,901)</u>

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	
<b>REVENUES (continued)</b>			
Interest income	20,600	13,680	(6,920)
Other revenue	188,822	153,856	(34,966)
<b>Total revenues</b>	<b>13,410,812</b>	<b>5,483,694</b>	<b>(7,927,118)</b>
<b>EXPENDITURES</b>			
<b>General Government</b>			
General Government			
Personnel compensation	416,966	430,840	(13,874)
Fringe benefits	137,139	146,559	(9,420)
Office communication expense	41,686	59,184	(17,498)
Utility services	32,634	42,193	(9,559)
Professional services	168,804	244,487	(75,683)
Repair/travel/supplies	132,207	160,677	(28,470)
Insurance	35,450	51,323	(15,873)
Other services	12,720	70,050	(57,330)
Total general government	977,606	1,205,313	(227,707)
Planning Division			
Personnel compensation	213,737	201,170	12,567
Fringe benefits	42,527	65,004	(22,477)
Contractual services	21,000	51,139	(30,139)
Repair/travel/supplies	58,184	3,441	54,743
Total planning division	335,448	320,754	14,694
Code Enforcement			
Personnel compensation	63,274	35,713	27,561
Fringe benefits	25,769	17,419	8,350
Contractual services	6,700	6,062	638
Repair/travel/supplies	2,750	1,301	1,449
Total code enforcement	98,493	60,495	37,998

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	
<b>EXPENDITURES (continued)</b>			
Construction Inspection			
Personnel compensation	65,596	43,934	21,662
Fringe benefits	25,355	18,055	7,300
Contractual services	260	-	260
Repair/travel/supplies	300	1,454	(1,154)
Total construction inspection	<u>91,511</u>	<u>63,443</u>	<u>28,068</u>
 GIS			
Personnel compensation	54,007	50,821	3,186
Fringe benefits	28,593	17,523	11,070
Contractual services	25,066	6,179	18,887
Repair/travel/supplies	3,700	2,039	1,661
Total GIS	<u>111,366</u>	<u>76,562</u>	<u>34,804</u>
 Engineering			
Personnel compensation	87,162	69,378	17,784
Fringe benefits	27,557	21,331	6,226
General office expenses	200	349	(149)
Office communication	6,900	17,946	(11,046)
Repair/travel/supplies	4,300	1,146	3,154
Insurance	12,000	-	12,000
Total engineering	<u>138,119</u>	<u>110,150</u>	<u>27,969</u>
 <b>Total general government</b>	 1,752,543	 1,836,717	 (84,174)
 <b>Capital projects</b>	 <u>10,953,181</u>	 <u>3,640,967</u>	 <u>7,312,214</u>
 <b>Public Safety</b>			
Personnel compensation	18,273	23,252	(4,979)
Fringe benefits	1,398	1,771	(373)
General office expenses	7,000	500	6,500
Supplies/services	2,900	7,207	(4,307)
<b>Total public safety</b>	<u>29,571</u>	<u>32,730</u>	<u>(3,159)</u>

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	
<b>EXPENDITURES (continued)</b>			
<b>Public works</b>			
Personnel compensation	-	1,201	(1,201)
Fringe benefits	-	92	(92)
Utility services	-	1,163	(1,163)
Other professional services	-	1,239	(1,239)
Repair/travel/supplies	-	6,189	(6,189)
<b>Total public works</b>	<b>-</b>	<b>9,884</b>	<b>(9,884)</b>
<b>Parks and Recreation</b>			
Recreation			
Personnel compensation	79,447	68,545	10,902
Fringe benefits	24,821	20,782	4,039
General office expense	2,600	187	2,413
Repair/travel/supplies	3,510	170	3,340
Senior center	12,025	13,019	(994)
Recreation facilities	-	250	(250)
Recreation activities	11,000	9,449	1,551
Ground maintenance	-	780	(780)
<b>Total recreation</b>	<b>133,403</b>	<b>113,182</b>	<b>20,221</b>
Parks			
Personnel compensation	90,927	115,505	(24,578)
Fringe benefits	29,834	35,109	(5,275)
General office expense	400	-	400
Utility services	22,000	13,232	8,768
Other professional services	1,000	6,287	(5,287)
Repair/travel/supplies	34,850	41,249	(6,399)
Maintenance and materials	31,000	25,140	5,860
<b>Total parks</b>	<b>210,011</b>	<b>236,522</b>	<b>(26,511)</b>
<b>Total parks and recreation</b>	<b>343,414</b>	<b>349,704</b>	<b>(6,290)</b>

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	Positive (Negative)
<b>EXPENDITURES (continued)</b>			
<b>Natural resources</b>			
Personnel compensation	60,246	25,396	34,850
Fringe benefits	7,287	6,919	368
Contractual services	35,945	25,161	10,784
Repair/travel/supplies	24,460	17,988	6,472
<b>Total natural resources</b>	<u>127,938</u>	<u>75,464</u>	<u>52,474</u>
<b>Debt service</b>			
Principal	-	342,411	(342,411)
Interest and fiscal charges	71,720	37,681	34,039
<b>Total debt service</b>	<u>71,720</u>	<u>380,092</u>	<u>(308,372)</u>
<b>Total expenditures</b>	<u>13,278,367</u>	<u>6,325,558</u>	<u>6,952,809</u>
Excess (deficiency) of revenues over (under) expenditures	(4,817,555)	(841,864)	3,975,691
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	4,950,000	2,718,827	(2,231,173)
Transfers out	-	(414,681)	(414,681)
Total other financing sources (uses)	<u>4,950,000</u>	<u>2,304,146</u>	<u>(2,645,854)</u>
Net change in fund balance	<u>\$ 132,445</u>	1,462,282	<u>\$ 1,329,837</u>
Fund balance - beginning of the year		<u>5,019,371</u>	
Fund balance - ending of the year		<u>\$ 6,481,653</u>	

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	Original and Final	Actual Amounts	
<b>REVENUES</b>			
Charges for services	\$ 1,216,992	\$ 1,223,163	\$ 6,171
Interest income	-	160	160
Other	-	2,000	2,000
Total revenues	<u>1,216,992</u>	<u>1,225,323</u>	<u>8,331</u>
<b>EXPENDITURES</b>			
Personnel compensation	17,681	24,303	(6,622)
Fringe benefits	6,661	9,933	(3,272)
General office expense	49,884	638	49,246
MLGW collection fee	23,890	24,354	(464)
Other professional services	-	988	(988)
Contracted service	1,097,772	1,098,686	(914)
Recycling service	-	1,200	(1,200)
Litter control	-	17,016	(17,016)
Other	21,104	16,099	5,005
Total expenditures	<u>1,216,992</u>	<u>1,193,217</u>	<u>23,775</u>
Net change in fund balance	<u>\$ -</u>	32,106	<u>\$ (15,444)</u>
Fund balance - beginning of the year		<u>120,539</u>	
Fund balance - ending of the year		<u>\$ 152,645</u>	

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

**CITY OF LAKELAND, TENNESSEE**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – LAKELAND SCHOOL SYSTEM FUND**

For the Year Ended June 30, 2014

	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
	<u>Original and Final</u>	<u>Actual Amounts</u>	
<b>REVENUES</b>			
Property tax	\$ 1,406,058	\$ -	\$ (1,406,058)
Intergovernmental revenues	228,000	-	(228,000)
Total revenue	<u>1,634,058</u>	-	<u>(1,634,058)</u>
<b>EXPENDITURES</b>			
Personnel compensation	160,000	109,239	50,761
Fringe benefits	77,200	29,898	47,302
General office expense	42,500	26,695	15,805
Utility services	4,560	8,879	(4,319)
Other professional services	223,600	154,325	69,275
Repair/travel/supplies	1,126,198	85,645	1,040,553
Total expenditures	<u>1,634,058</u>	<u>414,681</u>	<u>1,219,377</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(414,681)</u>	<u>(2,853,435)</u>
Other financing sources (uses):			
Transfers in	<u>-</u>	<u>414,681</u>	<u>(414,681)</u>
Net change in fund balance	<u>\$ -</u>	-	<u>\$ (3,268,116)</u>
Fund balance - beginning of the year		<u>-</u>	
Fund balance - ending of the year		<u>\$ -</u>	

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

CITY OF LAKELAND, TENNESSEE

STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2014

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<b>ASSETS</b>	<u>Sewer Fund</u>
Current assets:	
Cash and cash equivalents	\$ 1,387,801
Receivables	
Interest	1,721
Due from other governments	<u>93,899</u>
Total current assets	<u>1,483,421</u>
Capital assets:	
Capital assets, not being depreciated	105,886
Capital assets, being depreciated - net	<u>14,242,950</u>
Total capital assets	<u>14,348,836</u>
Total assets	<u><u>\$ 15,832,257</u></u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 19,819
Current portion of notes payable	<u>465,000</u>
Total current liabilities	<u>484,819</u>
Noncurrent liabilities:	
Notes payable, net of current portion	<u>6,519,000</u>
Total liabilities	<u><u>7,003,819</u></u>
 <b>NET POSITION</b>	
Net investment in capital assets	7,364,836
Unrestricted	<u>1,463,602</u>
Total net position	<u><u>\$ 8,828,438</u></u>

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

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Sewer Fund
Operating revenues:	
Sewer service fee	\$ 1,090,814
Service connections fees	51,350
Other	3,250
Total operating revenues	1,145,414
Operating expenses:	
Personnel expenses	183,934
General and administrative	371,142
Depreciation	472,348
Total operating expenses	1,027,424
Operating income	117,990
Nonoperating revenues (expenses):	
Interest income	5,451
Interest and agent fee expense	(62,692)
Total non-operating expenses	(57,241)
Change in net position	60,749
Net position - beginning of the year	8,767,689
Net position - ending of the year	\$ 8,828,438

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

**CITY OF LAKELAND, TENNESSEE**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND**

For the Year Ended June 30, 2014

	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,238,496
Payments to suppliers	(447,014)
Payments to employees	(183,934)
Net cash provided by operating activities	607,548
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Repayment of advance from other funds	(225,035)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on capital debt	(447,000)
Acquisition and construction of capital assets	(84,053)
Interest paid on capital debt	(62,692)
Net cash used by capital and related financing activities	(593,745)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income received	5,451
Net decrease in cash and cash equivalents	(205,781)
Cash and cash equivalents - beginning of the year	1,593,582
Cash and cash equivalents - end of the year	\$ 1,387,801
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income	\$ 117,990
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	472,348
Change in assets and liabilities	
Receivables - customers	93,082
Receivables - other governments	(68,373)
Accounts payable and accrued expenses	(7,499)
Net cash provided by operating activities	\$ 607,548

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

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

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

**A. Reporting Entity**

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

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

**B. Governmental Accounting Standards**

The financial statements of the City have been prepared in accordance with *generally accepted accounting principles* (GAAP) followed in the United States of America. In the United States the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City.

**C. Government-Wide and Fund Financial Statements**

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

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

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

#### **D. Measurement focus, basis of accounting, and financial statement presentation**

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

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

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

The City reports the following major governmental funds:

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

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

The Lakeland School System Fund accounts for the receipts and expenditures of the City's public school system.

The City reports the following non-major governmental funds:

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

The Storm Water Fund accounts for the receipts and expenditures related to storm water services.

The City reports the following major proprietary fund:

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the City to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the City that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

The City has implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – amounts that cannot be spent either because they are either in a (a) nonspendable form, including items not expected to be converted to cash, or (b) legally or contractually required to be maintained intact.
- Restricted – amounts constrained to be used for a specific purpose per external parties, constitutional provisions, or enabling legislation.
- Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Mayor and Board of Commissioners. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board reviews or changes the commitment by taking the same action it employed to impose the commitment.

- Assigned – amounts intended to be used by the City for specific purposes, but are neither restricted nor committed. The intent shall be expressed by the Mayor and Board of Commissioners or a designee, such as the Mayor, City Manager, or a committee, authorized by the Mayor and Board of Commissioners for a specific purpose in accordance with the policy established by the Mayor and Board of Commissioners. The nature of the actions necessary to remove or modify an assignment is not as rigid as required under a committed fund balance classification.
- Unassigned – amounts available for any purpose in the General Fund.

## **E - Assets, liabilities, deferred inflows of resources, and net position/fund balance**

### *1. Deposits and investments*

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

### *2. Receivables and payables*

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

All trade and property tax receivables are shown net of an allowance for uncollectibles.

All property values are assessed on January 1 of each year. Property taxes receivable are recorded at the lien date. All real and personal property taxes are levied in October of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on February 28. Penalties and interest are assessed on unpaid property taxes after the delinquent date.

### *3. Restricted assets*

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

### *4. Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than

\$5,000 and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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

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

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

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

#### 5. *Deferred inflows of resources*

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The City only has one type of item that qualifies for reporting in this category. The item is amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year. This includes unavailable revenues from property taxes, grants, and restitution.

#### 6. *Compensated absences*

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

#### 7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

8. *Fund balance*

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

9. *Use of Estimates*

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

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

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this difference are as follows:

Governmental funds capital assets	\$ 93,562,642
Less: accumulated depreciation	<u>(44,219,300)</u>
 Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	 <u><u>\$ 49,343,342</u></u>

Another element of that reconciliation explains that "long-term liabilities, including notes payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this difference are as follows:

Notes payable	\$ (6,353,139)
Deferred amount for issuance discount	19,605
Construction loan	<u>(107,715)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (6,441,249)</u>

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

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

Capital outlay	\$ 616,874
Depreciation expense	<u>(3,104,437)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,487,563)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g. notes payable and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position". The details of this difference are as follows:

Debt issued or incurred:	
Issuance of notes payable	\$ (3,394,871)
Amortization of issuance discount	19,605
Principal repayment on capital leases	9,411
Principal repayment on notes payable	<u>333,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (3,032,855)</u>

## **NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary information**

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

The revenues and expenditures accounted for in all governmental fund types are controlled by a formal integrated budgetary accounting system. The mayor and board of commissioners approve annually the budgets for these funds. Budgetary control is maintained at the government-wide level by total expenditures and expenditures may not exceed funds budgeted, which constitute the legal spending limit. Management may not amend the budget without approval of the governing body.

### **B. Excess of expenditures over appropriations**

For the year ended June 30, 2014, no fund's expenditures exceeded appropriations.

### **C. Deficit fund equity**

As of June 30, 2014, the state street aid fund had a deficit fund balance of \$33,545.

## **NOTE 4 - DETAILED NOTES ON ALL FUNDS**

### **A. Deposits and Investments**

At year end, the City's carrying amount of deposits was \$7,865,523 and the bank balance was \$8,062,028. Of the bank balance, \$500,000 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$7,562,028 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

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

## B. Receivables

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

	General Fund	Sewer Fund	Total
Receivables:			
Taxes	\$ 2,690,604	\$ -	\$ 2,690,604
Accounts	31,122	-	31,122
Restitution	46,759	-	46,759
Interest	2,417	1,721	4,138
Gross receivables	<u>2,770,902</u>	<u>1,721</u>	<u>2,772,623</u>
Less: allowance for uncollectibles	(55,914)	-	(55,914)
Net total receivables	<u>\$ 2,714,988</u>	<u>\$ 1,721</u>	<u>\$ 2,716,709</u>

Amounts due from other governments represent the normal amounts due from state and county governments for shared revenues and tax allocations as well as federal grant receivables.

## C. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 7,140,990	\$ 208,700	\$ -	\$ 7,349,690
Construction in progress	1,120,744	455,226	-	1,575,970
Total capital assets, not being depreciated	<u>8,261,734</u>	<u>663,926</u>	-	<u>8,925,660</u>
Capital assets, being depreciated:				
Buildings and improvements	3,159,679	11,896,000	-	15,055,679
Improvements other than buildings	4,711,040	52,192	-	4,763,232
Machinery and equipment	1,364,889	405,256	-	1,770,145
Infrastructure	63,047,926	-	-	63,047,926
Total capital assets, being depreciated	<u>72,283,534</u>	<u>12,353,448</u>	-	<u>84,636,982</u>
Less accumulated depreciation for:				
Buildings and improvements	(610,556)	(83,018)	-	(693,574)
Improvements other than buildings	(2,083,097)	(275,760)	-	(2,358,857)
Machinery and equipment	(1,179,103)	(61,806)	-	(1,240,909)
Infrastructure	(37,242,107)	(2,683,853)	-	(39,925,960)
Total accumulated depreciation	<u>(41,114,863)</u>	<u>(3,104,437)</u>	-	<u>(44,219,300)</u>
Total capital assets, being depreciated, net	<u>31,168,671</u>	<u>9,249,011</u>	-	<u>40,417,682</u>
Governmental activities capital assets, net	<u>\$ 39,430,405</u>	<u>\$ 9,912,937</u>	<u>\$ -</u>	<u>\$ 49,343,342</u>

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
<b>Business-type activity:</b>				
Capital assets, not being depreciated:				
Land	\$ 75,360	\$ -	\$ -	\$ 75,360
Construction in progress	25,526	5,000	-	30,526
Total capital assets, not being depreciated	<u>100,886</u>	<u>5,000</u>	<u>-</u>	<u>105,886</u>
Capital assets, being depreciated:				
Sewer plant and improvements	18,404,629	-	(8,000)	18,396,629
Vehicles and equipment	194,482	79,053	8,000	281,535
Total capital assets, being depreciated	<u>18,599,111</u>	<u>79,053</u>	<u>-</u>	<u>18,678,164</u>
Less accumulated depreciation for:				
Sewer plant and improvements	(3,857,146)	(442,376)	-	(4,299,522)
Vehicles and equipment	(105,720)	(29,972)	-	(135,692)
Total accumulated depreciation	<u>(3,962,866)</u>	<u>(472,348)</u>	<u>-</u>	<u>(4,435,214)</u>
Total capital assets, being depreciated, net	<u>14,636,245</u>	<u>(393,295)</u>	<u>-</u>	<u>14,242,950</u>
Business-type activity capital assets, net	<u>\$ 14,737,131</u>	<u>\$ (388,295)</u>	<u>\$ -</u>	<u>\$ 14,348,836</u>

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

**Governmental Activities:**

General government	\$ 144,030
Public Works	2,887,286
Parks and recreation	73,121
Total depreciation expense - governmental activities	<u>\$ 3,104,437</u>

**Business-Type Activity:**

Sewer	<u>\$ 472,348</u>
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Shelby County Board of Education donated school assets totaling \$208,700 in land, \$11,896,000 in buildings, and \$295,800 in machinery and equipment to the City during the year. The assets were valued at fair market value and were capitalized.

During the year, the City paid the Tennessee Department of Transportation ("TDOT") \$3,000,000 for improvements related to the I-40/Canada Road improvement project. When the project was originally designed, the city entered into an agreement with TDOT to cover the cost of improvements that exceeded the original cost of the project. This amount was expensed during the current year due to City paying for modifications and not capital construction.

**D. Interfund Receivables, Payables, and Transfers**

As of June 30, 2014, amounts to be received or paid with current available resources are reported as receivable and payable to other funds. The amount payable to the general fund results from the time lag between dates that the interfund service are provided or reimbursable expenditures occur,

and when transactions are recorded. As of June 30, 2014, the nonmajor governmental funds had payables to the general fund for \$77,067.

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfers occurring between the general fund and the school system fund for the year ended June 30, 2014 were \$414,681.

## **E. Leases**

### **Operating Leases**

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

2015	\$	20,000
2016		7,500
	\$	<u>27,500</u>

Rent expense was \$20,000 under this lease for the year ended June 30, 2014.

## **I. Long-Term Debt**

### *General obligation loans payable*

On July 26, 2004, the City entered into a 20 year loan agreement with the Public Building Authority of the City of Clarksville, Tennessee ("Clarksville PBA") through the Tennessee Municipal League (the "League") for \$3,500,000. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2014, the balance outstanding was \$1,790,095 and the interest rate on this loan was 0.50%.

On June 30, 2006, the City entered into a 20 year loan agreement for the City's sewer fund to borrow \$11,000,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2014, the balance outstanding was \$6,984,000 and the interest rate on this loan was 0.50%.

On December 22, 2008, the City entered into a 21 year loan agreement with the Clarksville PBA through the Tennessee Municipal League (the "League") for up to \$4,500,000. Money is drawn as needed for various on-going City construction projects. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2014, the balance outstanding was \$3,887,000 and the interest rate on this loan was 0.50%.

On November 10, 2010, the City entered into a financing agreement for a transportation infrastructure project with the Tennessee Department of Transportation ("the Department") for up to \$1,750,000. Money is drawn as needed for the construction project. Repayments of principal will

begin ninety days after the Project is completed. At June 30, 2014, the balance outstanding was \$107,715 and the interest rate on this loan was 1.89%. Until the project is complete the full balance is considered current and there are no future maturities.

On January 6, 2014, the City entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The City agreed to make 12 annual payments of \$56,337 by November 1 of each year commencing on November 1, 2014. If the payments are not received by November 1 of each year, the building and property described in Note 4 Part C will revert back to the Shelby County Board of Education. The City elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 0.50%. At June 30, 2014, the balance outstanding was \$676,044.

*Changes in long-term liabilities*

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Notes payable	\$ 3,342,313	\$ 3,343,826	\$ (333,000)	\$ 6,353,139	\$ 402,337
Less deferred amounts:					
For issuance discount	-	(19,605)	-	(19,605)	-
Total notes payable	3,342,313	3,324,221	(333,000)	6,333,534	402,337
Construction loan	56,670	51,045	-	107,715	107,715
Capital leases	9,411	-	(9,411)	-	-
Governmental-type activity long-term liabilities	<u>\$ 3,408,394</u>	<u>\$ 3,375,266</u>	<u>\$ (342,411)</u>	<u>\$ 6,441,249</u>	<u>\$ 510,052</u>
<b>Business-type activities:</b>					
Notes payable	<u>\$ 7,431,000</u>	<u>\$ -</u>	<u>\$ (447,000)</u>	<u>\$ 6,984,000</u>	<u>\$ 465,000</u>
Business-type activity long-term liabilities	<u>\$ 7,431,000</u>	<u>\$ -</u>	<u>\$ (447,000)</u>	<u>\$ 6,984,000</u>	<u>\$ 465,000</u>

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

Years Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 400,968	\$ 28,024	\$ 465,000	\$ 32,595
2016	413,323	27,869	483,000	30,180
2017	427,590	25,732	503,000	27,665
2018	442,859	23,518	523,000	25,050
2019	459,128	21,224	544,000	22,330
2020-2024	2,292,833	70,137	3,062,000	66,920
2025-2029	1,565,833	24,291	1,404,000	3,580
2030	331,000	-	-	-
	<u>\$ 6,333,534</u>	<u>\$ 220,795</u>	<u>\$ 6,984,000</u>	<u>\$ 208,320</u>

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

## **NOTE 5 - EMPLOYEE RETIREMENT SYSTEM**

### **A. Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15<sup>th</sup> Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS](http://www.tn.gov/treasury/tcrs/PS).

### **B. Funding Policy**

Lakeland requires employees to contribute 5.0% of earnable compensation.

Lakeland is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 8.60% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Lakeland is established and may be amended by the TCRS Board of Trustees.

### **C. Annual Pension Cost**

For the year ending June 30, 2014, Lakeland's annual pension cost of \$94,211 to TCRS was equal to Lakeland's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding

the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten year period. Lakeland's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

#### D. Trend Information

Fiscal Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 94,211	100%	\$ -
June 30, 2013	\$ 90,780	100%	\$ -
June 30, 2012	\$ 87,599	100%	\$ -

#### E. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 96.49% funded. The actuarial accrued liability for benefits was \$1.35 million, and the actuarial value of assets was \$1.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.04 million, and the ratio of the UAAL to the covered payroll was 4.53%.

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

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 1,298,000	\$ 1,346,000	\$ 47,000	96.49%	\$ 1,040,000	4.53%
July 1, 2011	\$ 948,000	\$ 1,143,000	\$ 195,000	82.96%	\$ 1,045,000	18.63%
July 1, 2009	\$ 507,000	\$ 507,000	\$ -	100.00%	\$ 1,109,000	0.00%

#### NOTE 6 - COMMITMENTS AND CONTINGENCIES

The City has contracted with the Shelby County Trustee to collect real and personal property taxes on behalf of the City. A 2.5% commission is paid to the Trustee. The collection fees paid to the Trustee are expensed in general government as other services.

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

The City has active construction projects as of June 30, 2014. At year end the government's commitments with contractors are as follows:

<b>Project</b>	<b>Spent-to-Date</b>	<b>Remaining Commitment</b>
Huff N Puff	\$ 38,155	\$ 2,152
Beverle Rivera	118,204	20,263
Canada Road - I-40 to Hwy 70	1,000,966	114,149
New Canada Road Right of Way	396,428	69,928
	<u>\$ 1,553,753</u>	<u>\$ 206,492</u>

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

#### **NOTE 7 - RISK MANAGEMENT**

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

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF FUNDING PROGRESS – EMPLOYEE RETIREMENT SYSTEM**

For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 1,298,000	\$ 1,346,000	\$ 47,000	96.49%	\$ 1,040,000	4.53%
July 1, 2011	\$ 948,000	\$ 1,143,000	\$ 195,000	82.96%	\$ 1,045,000	18.63%
July 1, 2009	\$ 507,000	\$ 507,000	\$ -	100.00%	\$ 1,109,000	0.00%

**CITY OF LAKELAND, TENNESSEE**

**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**

June 30, 2014

	Special Revenue Funds		Total Nonmajor Governmental Funds
	State Street Aid	Storm Water	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,049	\$ 280,465	\$ 290,514
Due from other governments	58,286	15,000	73,286
 Total assets	<u>\$ 68,335</u>	<u>\$ 295,465</u>	<u>\$ 363,800</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 20,159	\$ 360	\$ 20,519
Accrued liabilities	4,654	1,737	6,391
Due to other funds	77,067	-	77,067
Total liabilities	<u>101,880</u>	<u>2,097</u>	<u>103,977</u>
Fund balances:			
Committed	-	293,368	293,368
Unassigned	(33,545)	-	(33,545)
Total fund balances	<u>(33,545)</u>	<u>293,368</u>	<u>259,823</u>
 Total liabilities and fund balances	<u>\$ 68,335</u>	<u>\$ 295,465</u>	<u>\$ 363,800</u>

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	Special Revenue Funds		Total Nonmajor Governmental Funds
	State Street Aid	Storm Water	
<b>REVENUES</b>			
Intergovernmental			
Gasoline & motor fuel tax	\$ 202,248	\$ -	\$ 202,248
Three cent tax	41,786	-	41,786
Gas 1989 tax	77,556	-	77,556
Charges for services	-	180,442	180,442
Interest income	151	612	763
Total revenues	<u>321,741</u>	<u>181,054</u>	<u>502,795</u>
<b>EXPENDITURES</b>			
Current			
Public works	<u>355,352</u>	<u>114,570</u>	<u>469,922</u>
Net change in fund balances	(33,611)	66,484	32,873
Fund balances - beginning of the year	<u>66</u>	<u>226,884</u>	<u>226,950</u>
Fund balances - ending of the year	<u><u>\$ (33,545)</u></u>	<u><u>\$ 293,368</u></u>	<u><u>\$ 259,823</u></u>

**CITY OF LAKELAND, TENNESSEE**

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

For the Year Ended June 30, 2014

	State Street Aid		
	Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive
	Original and Final		(Negative)
<b>REVENUES</b>			
Intergovernmental - state gasoline tax	\$ 322,061	\$ 321,590	\$ (471)
Interest income	-	151	(151)
Total revenues	<u>322,061</u>	<u>321,741</u>	<u>(622)</u>
<b>EXPENDITURES</b>			
Personnel compensation	196,771	80,947	115,824
Fringe benefits	54,005	64,068	(10,063)
Contractual services	30,300	26,873	3,427
Utility services	2,000	561	1,439
Professional services	3,500	3,103	397
Repair and maintenance	162,200	163,598	(1,398)
Repair/travel/supplies	5,730	1,358	4,372
Street Lighting	-	14,844	(14,844)
Total expenditures	<u>454,506</u>	<u>355,352</u>	<u>99,154</u>
Net change in fund balance	<u>\$ (132,445)</u>	(33,611)	<u>\$ (99,776)</u>
Fund balance - beginning of the year		<u>66</u>	
Fund balance - ending of the year		<u>\$ (33,545)</u>	

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)**

For the Year Ended June 30, 2014

	Storm Water		
	Budgeted Amounts	Actual Amounts	Variance with Final Budget -
	Original and Final		Positive (Negative)
<b>REVENUES</b>			
Charges for services - storm water	\$ 175,597	\$ 180,442	\$ 4,845
Interest income	-	612	(612)
Total revenues	<u>175,597</u>	<u>181,054</u>	<u>4,233</u>
<b>EXPENDITURES</b>			
Personnel compensation	36,150	79,828	(43,678)
Fringe benefits	14,715	17,795	(3,080)
General office expense	5,200	3,665	1,535
Utility services	48,944	10	48,934
Professional services	3,280	3,776	(496)
Repair/travel/supplies	61,668	9,318	52,350
Other services	5,640	178	5,462
Total expenditures	<u>175,597</u>	<u>114,570</u>	<u>61,027</u>
Net change in fund balance	<u>\$ -</u>	66,484	<u>\$ 65,260</u>
Fund balance - beginning of the year		<u>226,884</u>	
Fund balance - ending of the year		<u>\$ 293,368</u>	

**CITY OF LAKELAND, TENNESSEE**

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

June 30, 2014

Fiscal Year	Governmental Activities								Business-type Activities	
	2004 Note Payable - Public Building Authority - Clarksville		2008 Note Payable - Public Building Authority - Clarksville		Shelby County Settlement		Total		2006 Note Payable - Public Building Authority - Clarksville	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 175,000	\$ 8,075	\$ 171,000	\$ 18,580	\$ 54,968	\$ 1,369	\$ 400,968	\$ 28,024	\$ 465,000	\$ 32,595
2016	181,000	7,170	179,000	17,685	53,323	3,014	413,323	27,869	483,000	30,180
2017	187,000	6,235	187,000	16,750	53,590	2,747	427,590	25,732	503,000	27,665
2018	194,000	5,265	195,000	15,775	53,859	2,478	442,859	23,518	523,000	25,050
2019	201,000	4,260	204,000	14,755	54,128	2,209	459,128	21,224	544,000	22,330
2020	208,000	3,220	213,000	13,690	54,400	1,937	475,400	18,847	565,000	19,505
2021	215,000	2,145	223,000	12,575	54,672	1,665	492,672	16,385	588,000	16,565
2022	223,000	1,030	233,000	11,410	54,946	1,391	510,946	13,831	612,000	13,505
2023	206,095	-	243,000	10,195	55,222	1,115	504,317	11,310	636,000	10,325
2024	-	-	254,000	8,925	55,498	839	309,498	9,764	661,000	7,020
2025	-	-	266,000	7,595	55,777	560	321,777	8,155	688,000	3,580
2026	-	-	278,000	6,205	56,056	281	334,056	6,486	716,000	-
2027	-	-	290,000	4,755	-	-	290,000	4,755	-	-
2028	-	-	303,000	3,240	-	-	303,000	3,240	-	-
2029	-	-	317,000	1,655	-	-	317,000	1,655	-	-
2030	-	-	331,000	-	-	-	331,000	-	-	-
	<u>\$ 1,790,095</u>	<u>\$ 37,400</u>	<u>\$ 3,887,000</u>	<u>\$ 163,790</u>	<u>\$ 656,439</u>	<u>\$ 19,605</u>	<u>\$ 6,333,534</u>	<u>\$ 220,795</u>	<u>\$ 6,984,000</u>	<u>\$ 208,320</u>

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

June 30, 2014

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable
<u>Federal Awards</u>						
U.S. Dept. of Transportation/TN Dept of Transportation						
Highway Planning and Construction	20.205	110014	\$ 5,968	\$ 5,968	\$ 5,761	\$ 5,761
Highway Planning and Construction	20.205	070193	54,043	203,959	332,671	182,755
TOTAL FEDERAL AWARDS			<u>\$ 60,011</u>	<u>\$ 209,927</u>	<u>\$ 338,432</u>	<u>\$ 188,516</u>

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards summarizes the expenditures of the City under programs of the federal and state government for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS**

June 30, 2014

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	<u>Amount of Bond</u>
Mayor	\$ 10,000
City Manager	20,000
City Recorder	10,000

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF INSURANCE**

June 30, 2014

Insurance Company	Type of Coverage	Description
TML Risk Management - TMP-3192-09	Property Insurance	Maximum amount covered per occurrence - \$1,500,000 buildings, \$50,000 personal property, \$500,000 equipment, \$500,000 property in the course of construction, \$1,000,000 flood damage, \$500,000 earthquake damage, \$250,000 loss of revenue and other various coverage's ranging from \$50,000 to \$500,000 per occurrence. \$1,000 deductible for all coverage.
	Crime Coverage	\$150,000 employee dishonesty, \$150,000 forgery or alteration, \$100,000 theft disappearance or destruction, \$100,000 computer fraud. \$500 deductible employee dishonesty, \$1,000 deductible forgery or alteration.
TML Risk Management - TMP-067-09	General Liability and Personal Injury	\$300,000/\$700,000 bodily injury tort liability, \$100,000 property damage tort liability, \$100,000 fire damage, \$100,000 each, impounded property, \$1,000 per person, \$10,000 per accident medical payment, \$1,000,000 each, other loss \$50,000 non-monetary defense loss.
	Automobile Liability	\$300,000/\$700,000 bodily injury, \$100,000 property damage, \$1,000,000 per occurrence, \$1,000 per person, \$10,000 per accident medical payments
	Uninsured Motorist	\$60,000 per occurrence bodily injury, \$100,000 property damage
	Comprehensive	\$500 deductible per occurrence
	Collision	\$500 deductible per occurrence
	Errors or Omissions	\$1,000,000 per occurrence, \$50,000 non-monetary defense loss, \$1,000 deductible
TML Risk Management - TWC-0394-02	Workman's Compensation	\$300,000 bodily injury each accident, \$700,000 bodily injury by policy limit, \$300,000 each employee by disease.
RLI Surety Company	City Manager - Bond	\$20,000
Western Surety Company	Mayor - Bond	\$10,000
RLI Surety Company	City Recorder	\$10,000
RLI Surety Company	Finance Director	\$10,000

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF SEWER, SANITATION, AND STORM WATER RATES**

June 30, 2014

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As of June 30, 2014, the City of Lakeland, Tennessee served approximately 2,855, 4,132, and 4,508 sewer, sanitation, and storm water customers, respectively, and had the following rate structure in place:

**Sewer Rates:**

Type	Rate - Based on Gallons of Water Used
Residential	\$31.50 minimum for the first 6,000 gallons, thereafter \$1.27 per 100 ccf. \$46.00 maximum per month \$11.50 per month for users of the City of Memphis sewer system
Commercial	\$60.35 minimum for the first 30,600 gallons, thereafter \$1.39 per 100 ccf.

**Sanitation Rates:**

Type	Monthly Charge
Residential	\$24.70

**Storm Water Rates:**

Type	Monthly Charge
Residential	\$3.20

**CITY OF LAKELAND, TENNESSEE**  
**ANALYSIS OF TAX RATES AND ASSESSMENTS**

For the Last Three Fiscal Years Ended June 30

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	2014	2013	2012
Property tax rate	\$ 0.85	\$ 0.85	\$ 0.85
Assessed Valuation			
Realty and personalty	\$ 306,409,940	\$ 307,262,405	\$ 329,076,055
Public utility	1,888,500	1,901,200	-
	\$ 308,298,440	\$ 309,163,605	\$ 329,076,055

**NOTE:** The City implemented a property tax effective January 1, 2012.

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**

June 30, 2014

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As discussed in Note 6 to the financial statements, the Shelby County Trustee collects real and personal property taxes on behalf of the City. In that capacity, the Trustee has filed suit on behalf of the City for unpaid taxes. Total amounts filed by year for the last two years are as follows:

<u>Year of Levy</u>	<u>Amount</u>
2013	\$ 17,125
2012	-
Total	<u>\$ 17,125</u>

**CITY OF LAKELAND, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE – BY LEVY YEAR**

June 30, 2014

	<u>Total</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Property taxes receivable - beginning of the year	\$ 2,703,624	\$ -	\$ 2,627,898	\$ 75,726
ADD:				
Tax levied	2,620,545	2,620,545	-	-
Adjustments	-	-	-	-
Total Additions	<u>2,620,545</u>	<u>2,620,545</u>	-	-
DEDUCT:				
Collections - Net of Refunds	2,633,565	-	2,575,135	58,430
Property taxes receivable - ending of the year	2,690,604	2,620,545	52,763	17,296
Less: Allowance for uncollectibles	<u>(55,914)</u>	<u>(52,411)</u>	<u>(2,638)</u>	<u>(865)</u>
Property taxes receivable, net	<u>\$ 2,634,690</u>	<u>\$ 2,568,134</u>	<u>\$ 50,125</u>	<u>\$ 16,431</u>



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund, solid waste fund, and Lakeland school system fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 31, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent

or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

### **City's Responses to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
October 31, 2014

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**

For the Year Ended June 30, 2014

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2014-1

Condition: In performing this year's audit, we noted accounts receivable and payable are not being recorded accurately at year end.

Criteria: Financial statements must be maintained on a modified accrual basis of accounting and must be materially correct.

Cause: The necessary adjustments were not made to receivables and payables at year end.

Effect: Material audit adjustments were made.

Recommendation: We recommend that assets and the related revenues be recorded when measurable and available and that liabilities and the related expenditures be recorded when the obligation is incurred.

Response: The City will record the revenues and expenditures and the related assets and liabilities as recommended above.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

For the Year Ended June 30, 2014

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2013-1

Condition: In performing last year's audit, we noted accounts receivable and payable are not being recorded accurately at year end.

Recommendation: We recommended that assets and the related revenues be recorded when measurable and available and that liabilities and the related expenditures be recorded when the obligation is incurred.

Current Status: The finding was not resolved. See current year finding 2014-1