

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

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134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

Alicia,

Here is the first draft of the financial statements for your review. I have included the Management's Discussion and Analysis for your review, revision as you see necessary, retype and return to me or **send me your e-mail address** (send me an e-mail at [jrpoolectpa@aol.com](mailto:jrpoolectpa@aol.com)) and I will send you an electronic copy of the document for your records.

Thanks for all your help,



John

## CITY OF LAKEWOOD, TENNESSEE

### Management's Discussion and Analysis

As management of the City of Lakewood, Tennessee (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

#### **Financial Highlights:**

The assets of the City of Lakewood exceeded its liabilities at the close of the most recent fiscal year by \$852,308. Of this amount, \$588,475 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net assets increased by \$55. Revenues decreased by \$115,539 in the current year as compared to the prior year due to lower levels of user charges especially police citations. Expenses were \$53,560 more in the current year as the City's basic operating costs (personnel, repair and maintenance and utilities) increased during the year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$360,332 a decrease of \$144,732 in comparison to the prior year. The decrease was the result of a weakening local economy and lower police citation revenues. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$175,621 or 25% of the total general fund expenditures. During the year the State Street Aid fund paved streets with a cost of \$61,444 resulting in a deficit of (\$15,199).

The City's business -like activities total net assets increased by \$28,468, as the City operated at below budgeted levels.

The City's total debt decreased by \$47,075 during the current fiscal year as a result of the City's ability to finance all current projects.

#### **Overview of the Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the City of Lakewood's basic financial statements. The City'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.

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

The Statement of Net Assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City 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 Lakewood include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Lakewood, 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 are governmental funds.

Governmental Funds. Governmental Funds are funds 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 resources, as well as on balances of 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 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 maintains several 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 funds all of which are considered to be major funds.

The City of Lakewood adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-20 of this report. Notes to the financial statements. The notes provide additional information that essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-36 of this report.

**Financial Analysis of the Financial Statements --Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakewood, assets exceeded liabilities by \$ 852,308 at the close of the most recent fiscal year.

By far the largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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.

**City of Lakewood's Net Assets- 2009**

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 415,279	272,489
Capital assets	<u>473,832</u>	<u>88,805</u>
Total assets	889,111	361,294
Long-term liabilities outstanding	298,166	44,984
Other liabilities	<u>54,947</u>	<u>-</u>
Total liabilities	353,113	44,984
Net assets:		
Invested in capital assets, net of related debt	175,666	88,805
Restricted	(638)	0
Unrestricted	<u>360,970</u>	<u>227,505</u>
Total net assets	\$ 535,998	316,310

**City of Lakewood's Net Assets- 2008**

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 554,828	231,988
Capital assets	<u>404,588</u>	<u>93,017</u>
Total assets	959,416	325,005
Long-term liabilities outstanding	345,241	37,163
Other liabilities	<u>49,764</u>	<u>-</u>
Total liabilities	395,005	37,163
Net assets:		
Invested in capital assets, net of related debt	59,347	93,017
Restricted	66,538	0
Unrestricted	<u>438,526</u>	<u>194,825</u>
Total net assets	\$ 564,411	287,842

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

**Governmental Funds**

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

**Business- Type Activities**

The City's business -like activities total net assets increased by \$28,468, as user charges increased and the City operated at below budgeted levels.

Comparison of Revenues and Expenses

	<u>2009</u>	<u>2008</u>	<u>Change Between Years</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	708,362	830,521	(122,159)
Operating grants and contributions	72,817	91,656	(18,839)
Capital grants and contributions	0	0	0
<b>General revenues:</b>			
Sales taxes	288,133	224,294	63,839
Other local taxes	42,335	92,510	(50,175)
Other state shared taxes	27,685	25,819	1,866
Other	38,745	28,816	9,929
<b>Total revenues</b>	<u><u>\$1,178,077</u></u>	<u><u>\$1,293,616</u></u>	<u><u>(\$115,539)</u></u>
<b>Expenses:</b>			
General government	314,590	306,053	8,537
Police department	324,331	317,593	6,738
Parks and recreations	7,170	5,013	2,157
Sanitation	175,357	172,918	2,439
Highways and streets	82,022	69,722	12,300
Water	274,552	253,163	21,389
<b>Total expenses</b>	<u><u>\$1,178,022</u></u>	<u><u>\$1,124,462</u></u>	<u><u>\$53,560</u></u>
<b>Change in net assets</b>	<u>55</u>	<u>169,154</u>	<u>(169,099)</u>

The assets of the City of Lakewood exceeded its liabilities at the close of the most recent fiscal year by \$852,308. Of this amount, \$588,475 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The governments total net assets increased by \$55. Revenues decreased by \$115,539 in the current year as compared to the prior year due to lower levels of user charges especially police citations. Expenses were \$53,560 more in the current year as the City's basic operating costs (personnel, repair and maintenance and utilities) increased during the year.

## Capital Assets

The City of Lakewood's investment in capital assets from its governmental activities at June 30, 2009, amounts to \$473,832 (net or accumulated depreciation) and its business-type activities amounts to \$88,805. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

### City of Lakewood's Capital Assets- 2009

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 691,645	\$ -
Equipment	<u>146,551</u>	<u>420,708</u>
Less accumulated depreciation	(364,364)	(331,903)
Net Capital Assets	\$ <u>473,832</u>	\$ <u>88,805</u>

### City of Lakewood's Capital Assets- 2008

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 630,201	\$ -
Equipment	<u>201,583</u>	<u>420,708</u>
Less accumulated depreciation	(427,196)	(327,691)
Net Capital Assets	\$ <u>404,588</u>	\$ <u>93,017</u>

Additional information on the City of Lakewood's capital assets can be found in the notes to the financial statements section of this report.

## Long-Term Debt

The City has one long-term loan, which is paying as scheduled. See page 33 for more information.

## Governmental Budgetary Highlights

The City exceeded one of its departmental budgets during the year. See page 21-26 for further analysis. Amendments were made during the year to provide for paving and other unexpected expenditures.

## Economic Factors and Next Year's Budget and Rates

In the 2009-2010 budget, General fund revenues are budgeted to be consistent with the 2008-2009 budget. The City's budget has slowed from a stalled commercial and retail base producing leveling local sales tax receipts. All of these factors were considered in preparing the City's budget for the 2009-2010 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Lakewood, Tennessee'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:

Bobby Franklin, City manager – 615-847-2187 or [bfranklin@lakewoodtn.org](mailto:bfranklin@lakewoodtn.org)

City of Lakewood  
3401 Hadley Avenue  
Old Hickory, TN. 37138



**CITY OF LAKEWOOD, TENNESSEE**

**Annual Financial Report**

**For the Year Ended June 30, 2009**

# CITY OF LAKEWOOD, TENNESSEE

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**CITY OF LAKEWOOD, TENNESSEE**

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**CITY OF LAKEWOOD, TENNESSEE**

**Schedule of Unaccounted For Water**

**For the year ended June 30, 2009**

<b>Water Treated and Purchased</b>	<b>(in gallons)</b>
Water Pumped	0
Water Purchased	78,239,000
<b>Total Water Treated and Purchased</b>	<u><b>78,239,000</b></u>
Water sold	50,446,000
Metered for consumption	0
Fire department usage	0
Flushing	0
Tank Cleaning	0
Street Cleaning	0
Bulk sales	0
Water Bill adjustments	716,500
<b>Total accounted for water</b>	<u><b>51,162,500</b></u>
<b>Unaccounted for water</b>	<b>27,076,500</b>
<b>Percent Unaccounted for water</b>	<b>35%</b>

All amounts included in this schedule are supported by documentation on file at the water system. If no support is on file for a line item or if the line item is not applicable, a '0' is shown.

**COMPLIANCE AND  
INTERNAL CONTROL**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
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(615) 822-4177

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

Mayor and Board of Commissioners  
City of Lakewood, Tennessee  
Lakewood, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund of the City of Lakewood, Tennessee as of and for the year ended June 30, 2009, and have issued a report thereon dated November 30, 2009. I conducted the audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

The significant deficiency is as follows:

**Prior Year Comment:**

**1998-1 Separation of Duties**

Due to the limited number of personnel employed by the City of Lakewood, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the City strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

**Management Response:**

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe that the significant deficiency 1998-01 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lakewood's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Lakewood's response to the finding identified in the audit is described above. I did not audit the Management Response and, accordingly, I express no opinion on it.

I noted certain matters that I reported to management of the City of Lakewood in a separate letter dated November 30, 2009.

This report is intended solely for the information and use of the audit committee, management, and State Comptrollers Office and is not intended to be and should not be used by anyone other than these specified parties.

*John R. Paul, CPA*

November 30, 2009

**INTRODUCTORY SECTION**



**CITY OF LAKEWOOD, TENNESSEE**

**Officials of the City of Lakewood, Tennessee**

**June 30, 2009**

<u>Name</u>	<u>Title</u>
<b>Elected Officials:</b>	
<b>Jeff Thompson</b>	<b>Mayor</b>
<b>James Allen</b>	<b>Vice Mayor</b>
<b>John McClung</b>	<b>Commissioner</b>
<b>Valarie Blackburn</b>	<b>Commissioner</b>
<b>Aaron Prince</b>	<b>Commissioner</b>
 <b>Management:</b>	
<b>Robert Franklin</b>	<b>City Manager</b>

**FINANCIAL SECTION**

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Board of Commissioners of the  
City of Lakewood, Tennessee  
Lakewood, Tennessee

I have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the City of Lakewood, Tennessee as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lakewood's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business - type activities, and each major fund of the City of Lakewood, Tennessee as of June 30, 2009, and the respective changes in financial position and the cash flows where applicable, thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, Sanitation Fund and the Drug Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2009 on the consideration of the City of Lakewood's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

Management's Discussion and Analysis and the Required Supplementary Information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and do not express an opinion on it.

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lakewood's basic financial statements. The Financial Schedules and the Introductory Section, as listed in the table of contents, are not a required part of the basic financial statements. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis and is also not a required part of the basic financial statements. The Financial Schedules and the Introductory Section have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

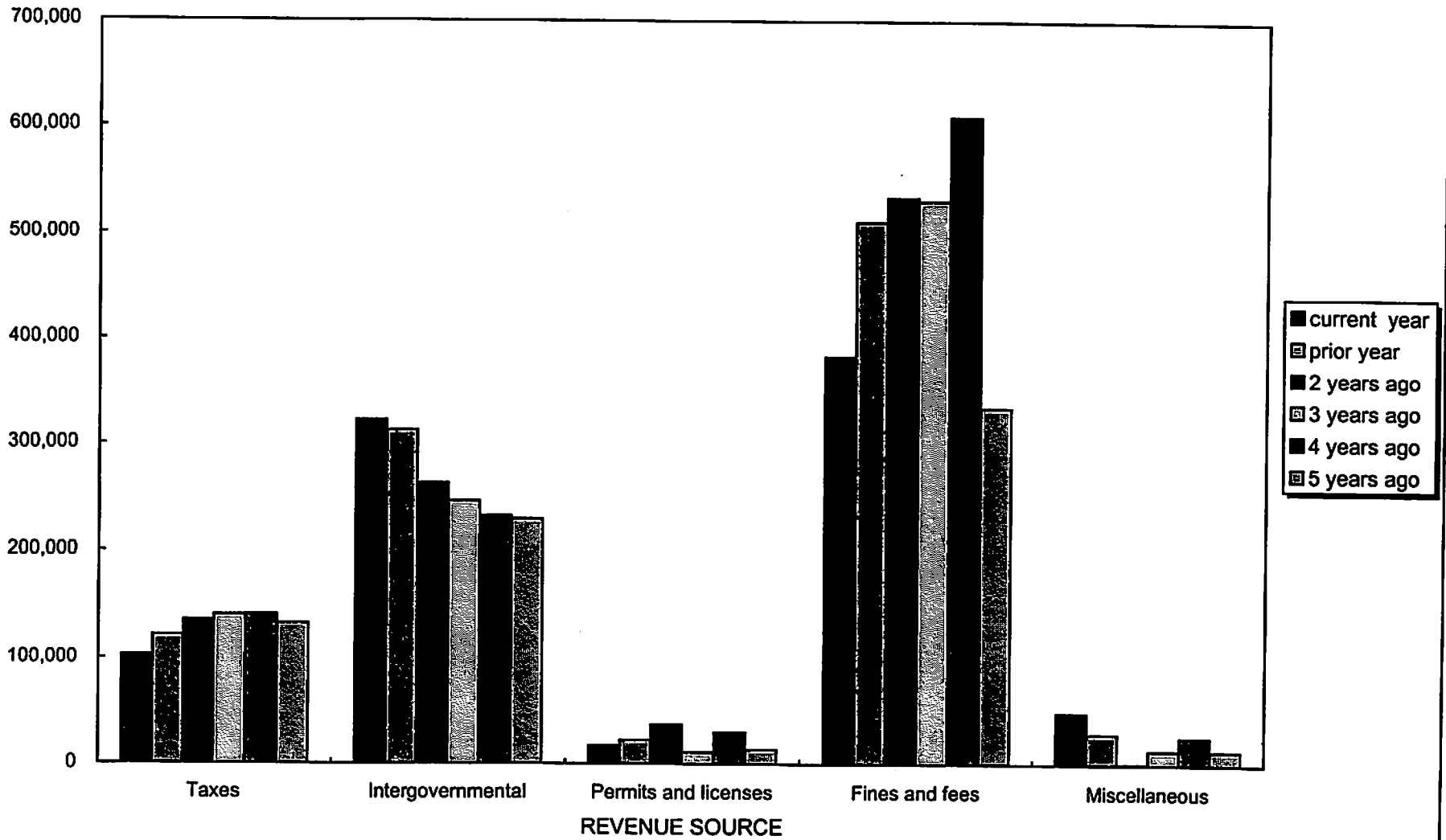
The Schedule of Unaccounted for Water is presented by management as required by the State of Tennessee Comptroller of the Treasury's office. This information has not been audited and I express no opinion on this schedule.

John R. Poole, CPA

November 30, 2009

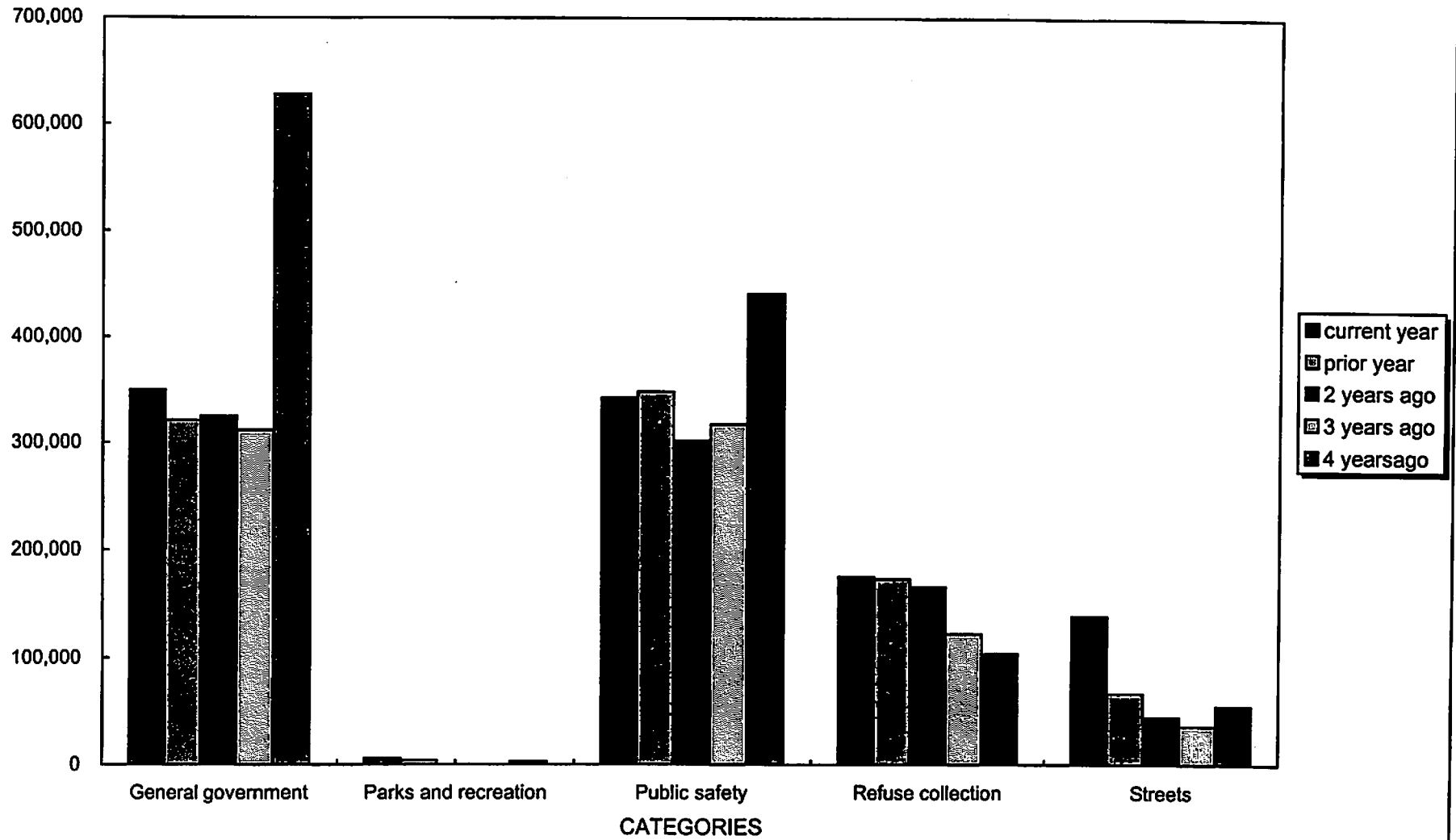
# CITY OF LAKEWOOD

## GOVERNMENTAL FUND REVENUES



# CITY OF LAKEWOOD, TENNESSEE

## GOVERNMENTAL FUND EXPENDITURES



**BASIC FINANCIAL STATEMENTS**

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Net Assets**

**June 30, 2009**

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>	<u>Total</u>
Cash and cash equivalents	234,137	340,886	575,023
Receivables:	89,670	23,075	112,745
Internal balances	91,472	(91,472)	0
Capital assets not being depreciated	150,000	0	150,000
Capital assets, net of accumulated depreciation	323,832	88,805	412,637
Total Assets	<u>889,111</u>	<u>361,294</u>	<u>1,250,405</u>
 <b>Liabilities</b>			
Accounts payable	31,920	36,234	68,154
Customer deposits	0	8,750	8,750
Deferred revenue	23,027	0	23,027
Long-term liabilities:			
Due within one year	48,582	0	48,582
Due in more than one year	249,584	0	249,584
Total Liabilities	<u>353,113</u>	<u>44,984</u>	<u>398,097</u>
 <b>Net assets:</b>			
Investments in capital assets, net of related debt	175,666	88,805	264,471
Restricted- state street aid	(15,199)	0	(15,199)
Restricted- drug fund	14,561	0	14,561
Unrestricted	360,970	227,505	588,475
Total Net Assets	<u>535,998</u>	<u>316,310</u>	<u>852,308</u>

See accompanying notes to financial statements.

CITY OF LAKEWOOD, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2009

Function/Programs	Program revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Government Activities:</b>							
General government	314,590	22,187	0	0	(292,403)	0	(292,403)
Police department	306,327	180,736	6,316	0	(119,275)	0	(119,275)
City court	18,004	0	0	0	(18,004)	0	(18,004)
Park department	7,170	0	0	0	(7,170)	0	(7,170)
Sanitation	175,357	202,419	0	0	27,062	0	27,062
Highways and streets	82,022	0	66,501	0	(15,521)	0	(15,521)
<b>Total Governmental Activities</b>	<b>903,470</b>	<b>405,342</b>	<b>72,817</b>	<b>0</b>	<b>(425,311)</b>	<b>0</b>	<b>(425,311)</b>
<b>Business - type Activities:</b>							
Water	274,552	303,020	0	0	0	28,468	28,468
<b>Total Business Type Activities</b>	<b>274,552</b>	<b>303,020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,468</b>	<b>28,468</b>
<b>Total</b>	<b>1,178,022</b>	<b>708,362</b>	<b>72,817</b>	<b>0</b>	<b>(425,311)</b>	<b>28,468</b>	<b>(396,843)</b>
<b>General Revenues:</b>							
Sales taxes					288,133	0	288,133
Payment in lieu of taxes					22,449	0	22,449
Alcohol taxes					37,358	0	37,358
Business taxes					4,977	0	4,977
Other state shared taxes					5,236	0	5,236
Other					38,745	0	38,745
<b>Total general revenues</b>					<b>396,898</b>	<b>0</b>	<b>396,898</b>
Changes in net assets					(28,413)	28,468	55
Net assets - beginning of year					564,411	287,842	852,253
Net assets - ending of year					<b>535,998</b>	<b>316,310</b>	<b>852,308</b>

See accompanying notes to financial statements.



**FUND FINANCIAL STATEMENTS**

**CITY OF LAKEWOOD, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2009**

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Total Funds</u>
Cash and cash equivalents	<u>\$206,494</u>	<u>\$13,082</u>	<u>\$0</u>	<u>\$14,561</u>	<u>\$234,137</u>
Accounts receivable	<u>61,808</u>	<u>11,201</u>	<u>16,661</u>	<u>0</u>	<u>89,670</u>
Due from other funds	<u>125,309</u>	<u>0</u>	<u>181,561</u>	<u>0</u>	<u>306,870</u>
<b>Total Assets</b>	<b><u>393,611</u></b>	<b><u>24,283</u></b>	<b><u>198,222</u></b>	<b><u>14,561</u></b>	<b><u>\$630,677</u></b>
 <u>Liabilities and Fund Equity</u>					
<b>Liabilities:</b>					
Accounts payable	19,047	0	12,873	0	31,920
Due to other funds	181,561	33,837	0	0	215,398
Deferred revenue	<u>17,382</u>	<u>5,645</u>	<u>0</u>	<u>0</u>	<u>23,027</u>
<b>Total Liabilities</b>	<b><u>217,990</u></b>	<b><u>39,482</u></b>	<b><u>12,873</u></b>	<b><u>0</u></b>	<b><u>270,345</u></b>
 <b>Fund Equity:</b>					
<b>Fund balance:</b>					
Unreserved	<u>175,621</u>	<u>(15,199)</u>	<u>185,349</u>	<u>14,561</u>	<u>360,332</u>
<b>Total Fund Balance</b>	<b><u>175,621</u></b>	<b><u>(15,199)</u></b>	<b><u>185,349</u></b>	<b><u>14,561</u></b>	<b><u>360,332</u></b>
 <b>Total Liabilities and Fund Equity</b>	<b><u>\$393,611</u></b>	<b><u>\$24,283</u></b>	<b><u>\$198,222</u></b>	<b><u>\$14,561</u></b>	<b><u>\$630,677</u></b>

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

**CITY OF LAKEWOOD, TENNESSEE**

**Reconciliation of the Balance Sheet to the Statement of Net Assets  
of Government Activities**

**June 30, 2009**

Amounts reported for fund balance - total governmental funds	\$	360,332
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		473,832
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds		
Loan payable		<u>(298,166)</u>
Net assets of governmental activities	\$	<u>535,998</u>

**CITY OF LAKEWOOD, TENNESSEE**

**Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances**

**For the Year Ended June 30, 2009**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	103,235	0	0	0	103,235
Intergovernmental	261,293	61,465	0	0	322,758
Licenses and permits	17,076	0	0	0	17,076
Fines and fees	165,691	0	202,419	15,045	383,155
Miscellaneous	48,572	261	0	0	48,833
<b>Total Revenues</b>	<u>\$595,867</u>	<u>\$61,726</u>	<u>\$202,419</u>	<u>\$15,045</u>	<u>\$875,057</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	290,424	0	0	0	290,424
Parks and recreation	6,004	0	0	0	6,004
City court	18,004	0	0	0	18,004
Police department	287,738	0	0	4,939	292,677
Sanitation	0	0	175,357	0	175,357
Highway and streets	0	77,564	0	0	77,564
<b>Capital outlay</b>					
Police department	34,968	0	0	0	34,968
Highway and streets	0	61,444	0	0	61,444
<b>Debt payments</b>					
Principal	47,075	0	0	0	47,075
Interest	16,272	0	0	0	16,272
<b>Total Expenditures</b>	<u>\$700,485</u>	<u>\$139,008</u>	<u>\$175,357</u>	<u>\$4,939</u>	<u>\$1,019,789</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(104,618)</u>	<u>(77,282)</u>	<u>27,062</u>	<u>10,106</u>	<u>(144,732)</u>
<b>Fund Balance, Beginning of year</b>	280,239	62,083	158,287	4,455	505,064
<b>Fund Balance, End of Year</b>	<u>\$175,621</u>	<u>(\$15,199)</u>	<u>\$185,349</u>	<u>\$14,561</u>	<u>\$360,332</u>

See accompanying notes to financial statements.

**CITY OF LAKEWOOD, TENNESSEE**

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities**

**For the Year Ended June 30, 2009**

Net change in fund balances - total governmental funds:	\$	(144,732)
Amounts reported for governmental activities in the statement of net assets are different because:		
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.		
Acquisition of capital assets		96,412
Depreciation expense		(27,168)
Expenses reported in the statement of activities that reduce long-term liabilities		
Principal payments on long-term debt		<u>47,075</u>
Change in net assets of governmental activities	\$	<u><u>(28,413)</u></u>

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Net Assets**

**Enterprise (Water) Fund**

**June 30, 2009**

**Assets**

**Current Assets:**

Cash and cash equivalents	\$340,886
Customer accounts receivable, net of allowance of \$7,298	<u>23,075</u>
Total Current Assets	<u>363,961</u>

**Capital Assets, net**

Utility plant in service	420,708
Less accumulated depreciation	<u>331,903</u>
Total Capital Assets, Net	<u>88,805</u>

Total Assets \$452,766

**Liabilities**

**Current Liabilities**

Accounts payable	\$36,234
Customer deposit	8,750
Due to other funds	<u>91,472</u>
Total Current Liabilities	<u>136,456</u>

**Net Assets:**

Invested in capital assets	88,805
Unrestricted	<u>227,505</u>

Total Net Assets \$316,310

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

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Revenues, Expenses  
and Changes in Net Assets**

**Enterprise (Water) Fund**

**For the Year Ended June 30, 2009**

Operating Revenues:	
Metered water sales	\$274,094
Installation and tap fees	<u>28,926</u>
Total Operating Revenues	<u>303,020</u>
Operating Expenses:	
Wages	75,688
Employee benefits	7,940
Materials and supplies	9,393
Repairs and maintenance	27,947
Water purchases	112,855
Office expense	10,090
Insurance	10,602
Utilities	3,990
Professional services	11,835
Depreciation	<u>4,212</u>
Total Operating Expenses	<u>274,552</u>
Operating income (loss)	<u>28,468</u>
Net change in assets	28,468
Net Assets, July 1, 2008	<u>287,842</u>
Net Assets, June 30, 2009	<u><u>\$316,310</u></u>

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

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Cash Flows**

**Proprietary Fund Type**

**Water Fund**

**For the Year Ended June 30, 2009**

**Cash Flows from Operating Activities:**

Cash received from customers	301,971
Cash paid to suppliers	(159,608)
Cash paid to employees	(83,628)
Net Cash Provided by Operating Activities	<u>58,735</u>

**Cash Flows from Capital and Related Financing Activities:**

Acquisition of plant and equipment	<u>0</u>
Net Cash Used by Capital and Related Financing Activities	<u>0</u>

Net Increase in Cash 58,735

Cash and Cash Equivalents, July 1, 2008 282,151

Cash and Cash Equivalents, June 30, 2009 340,886

**Reconciliation of Operating Income to Net Cash Provided by Operating Activities**

Operating income (loss)	28,468
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,212
Change in assets (increase) decrease:	
Accounts receivable	(1,049)
Change in liabilities increase (decrease):	
Accounts payable	322
Due to other funds	19,282
Customer deposits	7,500
Net Cash Provided by Operating Activities	<u>58,735</u>

See accompanying notes to financial statements.



**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

**General Fund**

**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Revenues:</b>				
<b>Taxes:</b>				
Local option sales taxes	\$65,000	\$65,000	\$67,098	2,098
Wholesale liquor tax	70,000	70,000	36,137	(33,863)
<b>Total Taxes</b>	<u>135,000</u>	<u>135,000</u>	<u>103,235</u>	<u>(31,765)</u>
<b>Licenses and Permits:</b>				
Business licences	2,500	2,500	4,977	2,477
Building and other permits	20,000	20,000	12,099	(7,901)
<b>Total Licenses and Permits</b>	<u>22,500</u>	<u>22,500</u>	<u>17,076</u>	<u>(5,424)</u>
<b>Intergovernmental:</b>				
State sales tax	170,300	170,300	221,035	50,735
State income tax	5,000	5,000	5,236	236
Payment in lieu of tax	15,000	15,000	22,449	7,449
State supplement	0	0	2,400	2,400
State grant	0	0	3,916	3,916
State gasoline inspection fees	5,000	5,000	5,036	36
State beer tax	20,000	20,000	1,221	(18,779)
<b>Total Intergovernmental Revenue</b>	<u>215,300</u>	<u>215,300</u>	<u>261,293</u>	<u>45,993</u>
<b>Fines and Fees:</b>				
Court fines and fees	294,000	294,000	153,622	(140,378)
Traffic training fines	30,000	30,000	12,069	(17,931)
<b>Total Fines and Fees</b>	<u>324,000</u>	<u>324,000</u>	<u>165,691</u>	<u>(158,309)</u>
<b>Charges for sewer:</b>				
Sewer collection fee	10,000	10,000	10,088	88
<b>Total Charges for sewer</b>	<u>10,000</u>	<u>10,000</u>	<u>10,088</u>	<u>88</u>
<b>Miscellaneous:</b>				
Insurance proceeds	0	0	29,149	29,149
Other	18,000	18,000	9,335	(8,665)
<b>Total Miscellaneous</b>	<u>18,000</u>	<u>18,000</u>	<u>38,484</u>	<u>20,484</u>
<b>Total Revenues</b>	<u>724,800</u>	<u>724,800</u>	<u>595,867</u>	<u>(128,933)</u>

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

**CITY OF LAKEWOOD, TENNESSEE**  
**Statement of Revenues, Expenditures and**  
**and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**  
**General Fund**  
**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Current:</b>				
Wages	126,001	126,001	117,679	(8,322)
Employee benefits	81,500	81,500	100,612	19,112
City Attorney	12,000	12,000	10,455	(1,545)
City hall maintenance	17,500	17,500	12,270	(5,230)
Professional services	87,000	89,500	39,252	(50,248)
Settlement	0	3,500	3,500	0
Supplies	8,970	8,970	2,524	(6,446)
Miscellaneous	0	0	4,132	4,132
	<u>332,971</u>	<u>338,971</u>	<u>290,424</u>	<u>(48,547)</u>
Debt service	64,000	64,000	63,347	(653)
Capital outlay	0	0	0	0
<b>Total General Government</b>	<u>396,971</u>	<u>402,971</u>	<u>353,771</u>	<u>(49,200)</u>
<b>Parks and recreation:</b>				
<b>Current:</b>				
Supplies	7,000	7,000	6,004	(996)
Utilities	0	0	0	0
	<u>7,000</u>	<u>7,000</u>	<u>6,004</u>	<u>(996)</u>
Capital outlay	0	0	0	0
<b>Total Parks and Recreation</b>	<u>7,000</u>	<u>7,000</u>	<u>6,004</u>	<u>(996)</u>
<b>City court:</b>				
<b>Current:</b>				
Wages	23,760	23,760	14,404	(9,356)
City Judge	3,600	3,600	3,600	0
	<u>27,360</u>	<u>27,360</u>	<u>18,004</u>	<u>(9,356)</u>
Capital outlay	0	0	0	0
<b>Total City Court</b>	<u>27,360</u>	<u>27,360</u>	<u>18,004</u>	<u>(9,356)</u>

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

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Revenues, Expenditures and  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

**General Fund**

**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Expenditures:</b>				
<b>Police:</b>				
<b>Current:</b>				
Salaries	176,854	176,854	187,231	10,377
Training	2,000	2,000	80	(1,920)
Supplies	22,000	22,000	23,138	1,138
Insurance	38,000	38,000	42,212	4,212
Utilities	10,000	10,000	8,810	(1,190)
Vehicle expenses	26,280	26,280	17,894	(8,386)
Repair and maintenance	15,000	15,000	7,787	(7,213)
Miscellaneous	3,575	3,575	586	(2,989)
	<u>293,709</u>	<u>293,709</u>	<u>287,738</u>	<u>(5,971)</u>
Capital outlay	25,000	25,000	34,968	9,968
<b>Total Police Department</b>	<u>318,709</u>	<u>318,709</u>	<u>322,706</u>	<u>3,997</u>
<b>Total Expenditures</b>	<u>750,040</u>	<u>756,040</u>	<u>700,485</u>	<u>(55,555)</u>
<b>Excess (deficiency) of Revenues   over Expenditures</b>	<u>(25,240)</u>	<u>(31,240)</u>	<u>(104,618)</u>	<u>(73,378)</u>
Fund Balance, July 1, 2008	280,239	280,239	280,239	0
Fund Balance, June 30, 2009	<u><u>\$254,999</u></u>	<u><u>\$248,999</u></u>	<u><u>\$175,621</u></u>	<u><u>(\$73,378)</u></u>

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

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**State Street Aid Fund**

**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Revenues:</b>				
<b>Intergovernmental:</b>				
State gasoline tax	<u>70,000</u>	<u>70,000</u>	<u>61,465</u>	<u>(8,535)</u>
Miscellaneous	<u>0</u>	<u>0</u>	<u>261</u>	<u>261</u>
<b>Total Revenues</b>	<u>70,000</u>	<u>70,000</u>	<u>61,726</u>	<u>(8,274)</u>
<b>Expenditures:</b>				
<b>Streets:</b>				
Salaries	36,753	36,753	40,554	3,801
Employee benefits	1,600	1,600	4,036	2,436
Maintenance and repair	40,000	42,000	11,629	(30,371)
Insurance	11,000	11,000	11,002	2
Supplies	5,000	5,000	2,262	(2,738)
Street lights	9,000	9,000	8,081	(919)
Capital outlay	<u>0</u>	<u>70,000</u>	<u>61,444</u>	<u>(8,556)</u>
<b>Total Expenditures</b>	<u>103,353</u>	<u>175,353</u>	<u>139,008</u>	<u>(36,345)</u>
<b>Excess (deficiency) of revenues   over expenditures</b>	<b>(33,353)</b>	<b>(105,353)</b>	<b>(77,282)</b>	<b>(28,071)</b>
 <b>Fund Balance, July 1, 2008</b>	 <u>62,083</u>	 <u>62,083</u>	 <u>62,083</u>	 <u>-</u>
<b>Fund Balance, June 30, 2009</b>	<u><u>\$28,730</u></u>	<u><u>(\$43,270)</u></u>	<u><u>(15,199)</u></u>	<u><u>28,071</u></u>

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

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**Sanitation Fund**

**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Revenues:</b>				
Refuse collection	<u>202,000</u>	<u>202,000</u>	<u>202,419</u>	<u>419</u>
 <b>Expenditures:</b>				
Utilities	3,500	3,500	2,935	(565)
Supplies	3,200	3,200	3,169	(31)
Insurance	11,000	11,000	7,046	(3,954)
Refuse collection	163,000	163,000	162,207	(793)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total expenditures	<u>180,700</u>	<u>180,700</u>	<u>175,357</u>	<u>(5,343)</u>
 Excess (deficiency) of revenues over expenditures	21,300	21,300	27,062	5,762
 Fund Balance, July 1, 2008	<u>158,287</u>	<u>158,287</u>	<u>158,287</u>	<u>-</u>
Fund Balance, June 30, 2009	<u><u>\$179,587</u></u>	<u><u>\$179,587</u></u>	<u><u>\$185,349</u></u>	<u><u>\$5,762</u></u>

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

**CITY OF LAKEWOOD, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**Drug Fund**

**For the Year Ended June 30, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
<b>Revenues:</b>				
Intergovernmental:				
Drug fines	<u>\$5,000</u>	<u>\$5,000</u>	<u>\$15,045</u>	<u>10,045</u>
<b>Total Revenues</b>	<u>5,000</u>	<u>5,000</u>	<u>15,045</u>	<u>10,045</u>
<b>Expenditures:</b>				
Drug fund supplies	5,000	5,000	2,939	(2,061)
Capital outlay	<u>0</u>	<u>0</u>	<u>2,000</u>	<u>2,000</u>
<b>Total Expenditures</b>	<u>5,000</u>	<u>5,000</u>	<u>4,939</u>	<u>(61)</u>
<b>Excess (deficiency) of revenues   over expenditures</b>	0	0	10,106	(10,106)
 <b>Fund Balance, July 1, 2008</b>	 <u>4,455</u>	 <u>4,455</u>	 <u>4,455</u>	 <u>-</u>
<b>Fund Balance, June 30, 2009</b>	<u><u>\$4,455</u></u>	<u><u>\$4,455</u></u>	<u><u>14,561</u></u>	<u><u>10,106</u></u>

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

# CITY OF LAKEWOOD, TENNESSEE

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

The City of Lakewood, Tennessee, was incorporated in May 1959 under a city manager - commissioner form of government. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police), water services, streets, public improvements, and general administrative services. In 1987, the City relinquished and transferred to the Metropolitan Government of Nashville and Davidson County all sewer functions, rights, assets and liabilities. However, the City continues to provide sewer customer billing and collection services for Metro Nashville pursuant to contractual agreement. The accounting policies of the City of Lakewood, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### Reporting Entity:

Governmental Accounting Standards Board (GASB) Statement Number 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organizations for which the primary government is financially accountable and any other "Component Unit" organizations for which the nature and significance of their relationship with the primary government are such that exclusion, could cause the City's general purpose financial statements to be misleading. There were no component units requiring blended or discrete presentation under the requirements of GASB Statement Number 14.

#### Accounting Pronouncements:

Effective July 1, 2003 the City adopted GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the City. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis. The government-wide financial statements present the City's programs between business-type and governmental activities.

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of net assets and the statement of changes in net assets, report information on all of the activities of the primary government. For the most part the effect of the interfund activity has been removed from these statements. Government 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 (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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 as general revenues.

# CITY OF LAKEWOOD, TENNESSEE

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies, Continued

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.

#### 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 are 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.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers governmental revenues as available if received within 45 days of year end. 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.

State shared revenues, 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 using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major funds:

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

**Drug Fund** - To account for the receipt of drug-related funds and expenditures for drug enforcement purposes.

**Sanitation Fund** - To account for the operations of the Sanitation removal.

**State Street Aid Fund** - To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

The government reports the following major proprietary funds:

The Utility Fund is used to account for water operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The City has adopted GASB Statement No.20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting. The City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions; issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB Statements and interpretations issued after November 30, 1989.



## CITY OF LAKEWOOD, TENNESSEE

### Notes to Financial Statements

June 30, 2009

#### (1) Summary of Significant Accounting Policies, Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments- in-lieu taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

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 various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

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

#### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

#### 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 from/ due to other funds" (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

All trade receivables are shown net of an allowance for uncollectible, if applicable.

**CITY OF LAKEWOOD, TENNESSEE**

**Notes to Financial Statements**

**June 30, 2009**

**(1) Summary of Significant Accounting Policies, Continued**

**Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, and sidewalks are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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.

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

**Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

**CITY OF LAKEWOOD, TENNESSEE**

Notes to Financial Statements

June 30, 2009

**(1) Summary of Significant Accounting Policies, Continued**

**Long-term Obligations**

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

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

**(2) Cash and Cash Equivalents and Certificates of Deposit**

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposits and savings accounts. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the City and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City has deposit policies to minimize custodial credit risks. The City's deposits with financial institutions are fully insured or collateralized by securities held in the City's name.

**CITY OF LAKEWOOD, TENNESSEE**

Notes to Financial Statements

June 30, 2009

**(3) Accounts Receivable**

Accounts receivable at June 30, 2009, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 51,808	10,000	61,808
Special Revenue Fund	11,201	16,661	27,862
Enterprise Fund	-	30,373	30,373
Less allowance for doubtful accounts	-	(7,298)	(7,298)
Total	<u>\$ 63,009</u>	<u>49,736</u>	<u>112,745</u>

**(4) Capital Assets**

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statement is as follows:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Land, buildings and improvements	\$ 630,201	61,444	-	691,645
Equipment	201,583	34,968	90,000	146,551
Total	<u>\$ 831,784</u>	<u>96,412</u>	<u>90,000</u>	<u>838,196</u>
Accumulated depreciation	<u>427,196</u>			<u>364,364</u>
Capital Assets, net	<u>404,588</u>			<u>473,832</u>

All assets except land of \$150,000 is being depreciated.

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

General Fund:

General government administration	\$ 7,894
Police department	13,650
Highways and Streets	4,458
Parks department	1,166
Total	<u>27,168</u>

**CITY OF LAKEWOOD, TENNESSEE**

Notes to Financial Statements

June 30, 2009

**(4) Capital Assets, Continued**

A summary of changes in Enterprise (Water) Fund property, plant and equipment and related accumulated depreciation follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
Utility plant	\$ 386,278	-	-	386,278
Operating equipment	1,620	-	-	1,620
Equipment	32,810	-	-	32,810
	<u>420,708</u>	<u>-</u>	<u>-</u>	<u>420,708</u>
Less accumulated depreciation	<u>(327,691)</u>			<u>(331,903)</u>
Net plant in service	\$ <u>93,017</u>			<u>88,805</u>

All assets are being depreciated. Depreciation expense was \$4,212 in 2009.

**(5) General Long- Term Obligation Debt**

The following schedule reflects the changes in long-term debt during the fiscal year 2009.

	<u>Interest</u> <u>Rates</u>	<u>Balance</u> <u>July 1,</u> <u>2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30,</u> <u>2009</u>
Bank Loan	5.50%	<u>345,241</u>	<u>-</u>	<u>(47,075)</u>	<u>298,166</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2009, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2010	48,582	14,762
2011	50,962	12,382
2012	53,459	9,885
2013	56,079	7,265
2014	58,826	4,518
2015	<u>30,258</u>	<u>1,635</u>
Total	\$ <u>298,166</u>	<u>50,447</u>

## CITY OF LAKEWOOD, TENNESSEE

### Notes to Financial Statements, Continued

#### (6) Pension Plan

##### Plan Description:

Employees of the City of Lakewood 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 5 (Five) years of service or at any age with 30 years of service. A reduced retirement benefits is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became 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 5 (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 Lakewood participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

##### Funding Policy:

The City of Lakewood requires employees to contribute 5.0% of earnable compensation. The City of Lakewood is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 2.54% of annual covered payroll. The contribution requirement for the City of Lakewood is established and may be amended by the TCRS Board of Trustees.

##### Annual Pension Cost

For the year ending June 30, 2009, Lakewood's annual pension cost of \$9,470 to TCRS was equal to Lakewood's required and actual contributions.

The required contribution was determined as part of the July 1, 2005 actuarial valuation using frozen initial liability 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% per year compounded annually, (b) projected salary increases of 4.75% annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 4.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. Lakewood's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**CITY OF LAKEWOOD, TENNESSEE**

Notes to Financial Statements, Continued

**(6) Pension Plan, Continued**

**Annual Pension Cost, Continued**

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 9,470	100.00%	\$0.00
June 30, 2008	\$12,202	100.00%	\$0.00
June 30, 2007	\$11,305	100.00%	\$0.00

**Funded Status and Funding Progress:**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 126.58% funded. The actuarial accrued liability for benefits was \$0.22 million, and the actuarial value of assets was \$0.28 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$(0.06) million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.25 million, and the ratio of the UAAL to the covered payroll was -23.60% percent.

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

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

**(7) Due to/Due from**

	<u>Due from</u>	<u>Due to</u>
General Fund-	\$ 125,309	181,561
State Street Aid Fund	-	33,837
Sanitation Fund	181,561	-
Proprietary Fund	-	91,472
Total	<u>\$306,870</u>	<u>306,870</u>

The above balances between the General Fund and the Proprietary Fund are the result of certain expenses of the proprietary fund being paid by the General Fund. The above balance between the Sanitation Fund and the General fund are the result of the General Fund cash flow deficiencies at certain times of the year and the Sanitation has provided funds to the General Fund. The balance between the State Street Aid Fund and the General Fund are from a joint paving project. The City is working to reduce these balances and believes the balances will be reduced in the next few years.

**(8) Risk Management**

The City of Lakewood is exposed to various risks to general liability and property and casualty losses. The City carries commercial insurance for the majority of risks of loss, including general liability, property and casualty, workers' compensation and environmental. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF LAKEWOOD, TENNESSEE**

**Notes to Financial Statements, Continued**

**(9) Commitments and Contingencies**

**Grants:**

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

**Litigation:**

The City is a defendant in various lawsuits. Although the ultimate outcome of these lawsuits is not presently determinable, the City's Attorney is of the opinion that the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

**Purchase Commitments:**

The City purchases all of the water that it sells to its customers from the Old Hickory Utility District pursuant to a twenty-year contractual agreement that is in the process of being re-negotiated.

**(10) Insurance Receivable/ Employee Fraud**

During the current year, the City discovered that the (former) city clerk was misappropriating police citation revenues. While the extent of the misappropriation is uncertain, the City has recorded a \$10,000 receivable for monies that the City should collect on an insurance policy the City had on the former employee.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKEWOOD, TENNESSEE**

**Required Supplementary Information**

**June 30, 2009**

**(1) Pension**

**Required Supplementary Information**

**Schedule of Funding Progress for The City of Lakewood:**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (A)</u>	<u>Actuarial Accrued Liability (B)</u>	<u>Unfunded AALL (UAAL) (B) - (A)</u>	<u>Funded Ratio (A/B)</u>	<u>Covered Payroll (C)</u>	<u>UAAL as a Percent Of Covered Payroll (B-A)/C</u>
6/30/07	\$ 281	\$ 222	(59)	126.58%	\$ 250	-23.60%

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

**FINANCIAL SCHEDULES**

**CITY OF LAKEWOOD, TENNESSEE**

**Capital Assets Used in the Operation of the Governmental Funds:**

**Schedule of Changes in Capital Assets - By Type**

**June 30, 2009**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets:				
Land, Building and Improvements	\$630,201	61,444	0	\$691,645
Equipment	<u>201,583</u>	<u>34,968</u>	<u>90,000</u>	<u>146,551</u>
Total capital assets	<u>\$831,784</u>	<u>96,412</u>	<u>90,000</u>	<u>\$838,196</u>

**CITY OF LAKEWOOD, TENNESSEE**

**Capital Assets Used in the Operation of the Governmental Funds:**

**Schedule Capital Assets - By Function and Activity**

**June 30, 2009**

	<u>Land, Improvements and Buildings</u>	<u>Equipment</u>	<u>Total</u>
Capital Assets:			
General government	\$630,201	0	\$630,201
Parks and recreation	0	42,000	\$42,000
Police department	0	77,051	\$77,051
Street department	<u>61,444</u>	<u>27,500</u>	<u>88,944</u>
Total capital assets	<u>\$691,645</u>	<u>146,551</u>	<u>\$838,196</u>

**CITY OF LAKEWOOD, TENNESSEE**

**Schedule of Cash and Cash Equivalents  
All Funds**

**June 30, 2009**

	<u>Carrying Value</u>
<b>General Fund:</b>	
Demand deposits	\$206,494
<b>Total General Fund</b>	<u>206,494</u>
<b>Special Revenue Funds:</b>	
Drug Fund - Demand deposits	14,561
State Street Aid Fund - Demand deposits	13,082
<b>Total Special Revenue Funds</b>	<u>27,643</u>
<b>Enterprise (Water) Fund:</b>	
Demand deposits	340,886
<b>Total Enterprise Fund</b>	<u>340,886</u>
<b>Total - All funds</b>	<u><u>\$575,023</u></u>

**CITY OF LAKEWOOD, TENNESSEE**

**Schedule of Debt Service Requirements - General Obligation**

**June 30, 2009**

<u>Year</u>	<u>BANK LOAN</u>	
	<u>Principal</u>	<u>Interest</u>
2010	48,582	14,762
2011	50,962	12,382
2012	53,459	9,885
2013	56,079	7,265
2014	58,826	4,518
2015	30,258	1,635
	<u>298,166</u>	<u>50,447</u>

**CITY OF LAKEWOOD, TENNESSEE**

**Schedule of Insurance Coverage**

**June 30, 2009**

<u>Type of Coverage</u>	<u>Detail Coverage</u>	
<u>General liability:</u>		
	Per person bodily or personal injury	\$1,000,000
	Per occurrence or personal injury	\$1,000,000
	Per occurrence property damage	\$1,000,000
	Per occurrence each other loss	\$1,000,000
	Employee honesty	150,000
<u>Automobiles</u>		
	Per person bodily or personal injury	\$1,000,000
	Per occurrence or personal injury	1,000,000
<u>Workers Compensation</u>	Per person bodily or personal injury	Statutory
<u>Property</u>		Various



**CITY OF LAKEWOOD, TENNESSEE**

**Schedule of Bonds - Principal Officials**

**June 30, 2009**

<u>Official</u>	<u>Title</u>	<u>Bond</u>
Jeff Thompson	Mayor	\$150,000 Blanket
James Allen	Vice- Mayor	\$150,000 Blanket
John McClung	Commissioner	\$150,000 Blanket
Valarie Blackburn	Commissioner	\$150,000 Blanket
Aaron Prince	Commissioner	\$150,000 Blanket
Robert Franklin	City Manager	\$150,000 Blanket

**CITY OF LAKEWOOD, TENNESSEE**

**Utility Rates and Information**

**June 30, 2009**

**Water Rates**

Minimum - flat rate (first 1,500 gallons)	\$ 10.90 (minimum charge)
For all over 1,500 gallons	\$ 3.58 per 1,000 gallons

The City had 939 customers as of June 30, 2009.

**CITY OF LAKEWOOD, TENNESSEE**  
**Schedule of Federal and State Financial Assistance**  
**For the Year Ended June 30, 2009**

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2008</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2009</u>
<b>State Program:</b>								
N/A	Z-07-035858	Highway Safety Grant	State of Tennessee Department of Finance and Administration	<u>0</u>	<u>2,679</u>	<u>0</u>	<u>3,916</u>	<u>1,237</u>
		<b>Total</b>		<u>0</u>	<u>2,679</u>	<u>0</u>	<u>3,916</u>	<u>1,237</u>