

CITY OF LAKESITE, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2017



G. R. RUSH & COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

CITY OF LAKESITE, TENNESSEE

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JUNE 30, 2017

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CITY OF LAKESITE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2017

David Howell	Mayor
Valerie Boddy	Vice-Mayor
David Edwards	City Manager
Jodi LaCroix	City Recorder
Sam Elliott	City Attorney
Ken Wilkerson	Commissioner
Bill Neighbors	Commissioner
Curtis Jones	Commissioner



INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Commissioners
City of Lakesite, Tennessee
Lakesite, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Lakesite, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

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 entity'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 entity'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 and each major fund of the City of Lakesite, Tennessee, as of June 30, 2017, and the changes in financial position and the budgetary comparison for the General Fund 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 on pages 6–12 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 of Lakesite, Tennessee's basic financial statements. The introductory section and supplementary data section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and supplemental data sections have not been subjected to the auditing procedures applied in the audit of the 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 December 30, 2017, on our consideration of the City of Lakesite, Tennessee'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 City of Lakesite, Tennessee's internal control over financial reporting and compliance.

S.R. Reed + Company, PLLC

Chattanooga, Tennessee

December 30, 2017

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2017

This section of the City of Lakesite's annual financial report presents a narrative overview and analysis of the City's financial performance for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements which follow. This discussion and analysis is intended to serve as an introduction to the City of Lakesite's financial statements. The basic financial statements consist of three parts: (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 both long-term and short-term information about the City's overall financial status in a manner similar to private-sector businesses. There are two government-wide financial statements:

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

Statement of activities - presents information showing how the City's net assets change during the most recent fiscal year. All current revenues and expenses are taken into account regardless of the timing of the related cash flows. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years.

Fund financial statements. The fund financial statements provide more detailed information about the most significant funds - not necessarily the City as a whole. Some funds are required by State or Federal law or by bond covenants; other funds are established by the City Commission to help it control and manage money for designated or restricted purposes, or to show that it is meeting legal responsibilities for how certain taxes, grants and other monies are used. All funds of the City are governmental type funds.

Governmental funds - The City's basic services are included in governmental funds. The focus of these funds is on (1) how cash and other financial assets that can be readily converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not include the additional long-term focus of the government-wide financial statements, we provide additional information after the governmental fund statement that explains the difference between the long-term view and the short-term view.

Notes to financial statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The additional information contained in these notes is essential to a full understanding of the information provided in the government-wide and fund financial statements.

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

Other information. In addition to the basic financial statements discussed above, this report also presents supplementary information about the City's insurance coverages and about the value of property supporting the City's tax base and the enacted rates for the past several years.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE.

Net position. Net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Lakesite, assets exceed liabilities and deferred outflows by \$4,177,781 at the close of the most recent fiscal year, an increase of \$154,378 or 3.8% from last year. About one-third of the City's net position is related to its investment in capital assets (land, buildings, equipment, infrastructure, etc.), less any related debt used to acquire those assets. Because capital assets are used to provide services to citizens, the assets are not available for future spending. The remaining balance is available to meet the City's ongoing obligations. A condensed summary of the net position of the City is provided below.

City of Lakesite's Net Position

	<u>Governmental Activities</u>		Increase/ (Decrease)
	<u>2017</u>	<u>2016</u>	
Current and other assets	\$ 2,884,639	\$ 2,804,794	\$ 79,845
General fixed assets	<u>1,405,676</u>	<u>1,330,087</u>	<u>75,589</u>
Total assets	<u>4,290,315</u>	<u>4,134,881</u>	<u>155,434</u>
Liabilities	<u>4,534</u>	<u>3,477</u>	<u>1,057</u>
Deferred outflows	<u>108,000</u>	<u>108,000</u>	<u>-</u>
Net position -			
Investment in capital assets	1,405,676	1,330,087	75,589
Restricted for future capital improvement	1,713,483	1,727,729	(14,246)
Unrestricted	<u>1,058,622</u>	<u>965,587</u>	<u>93,035</u>
Total net position	<u>\$ 4,177,781</u>	<u>\$ 4,023,403</u>	<u>\$ 154,378</u>

Change in net position. Net position of the City's governmental activities increased 3.8% to \$4,177,781. Of that balance, \$1,405,676 or 33.7% are invested in capital assets (buildings, equipment, infrastructure, etc.). An additional \$1,713,483 or 41.0% has been designated by the City Commission for future capital improvements. The remaining \$1,058,622 or 25.3% is available to meet the City's ongoing obligations to citizens and creditors.

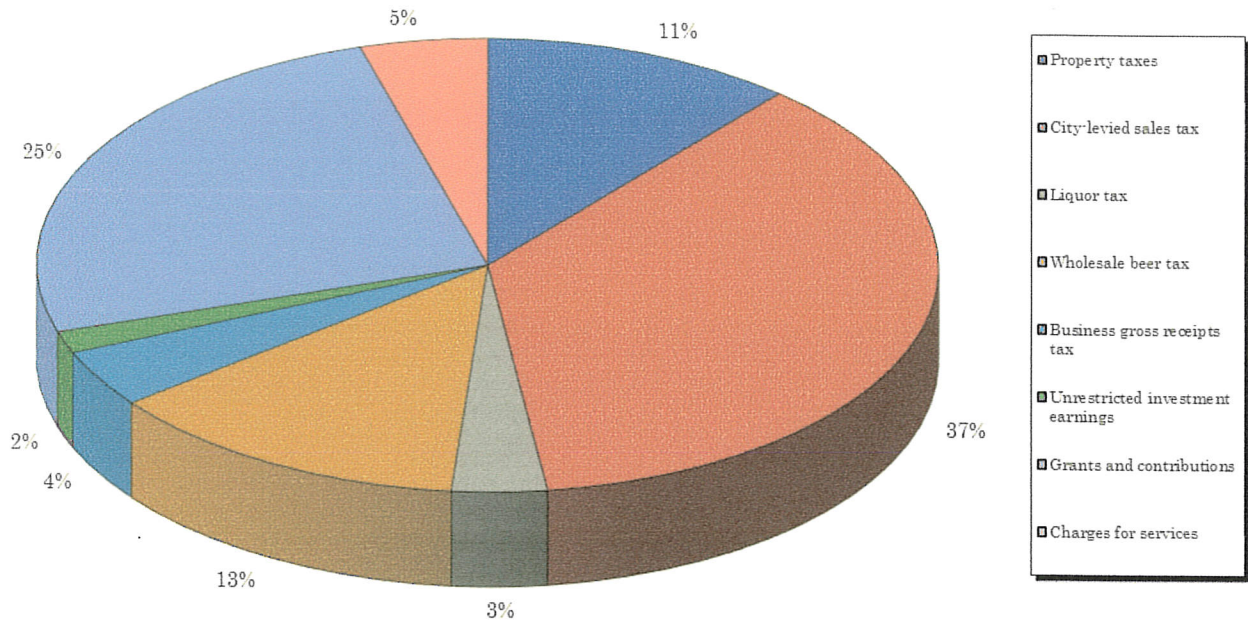
The graphs below summarize the sources of the City's revenues of \$984,437 and total program expenses of \$830,059.

CITY OF LAKESITE, TENNESSEE

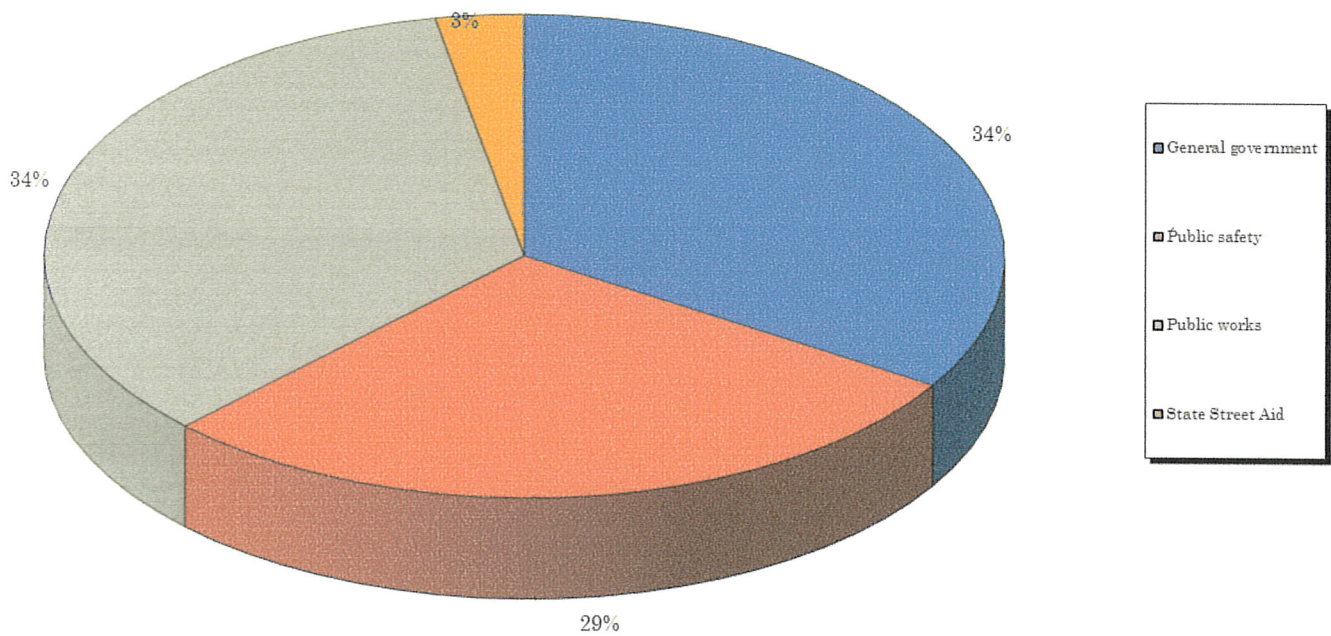
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

Total Revenues by Source



Total Expenditures by Function



CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

A complete picture of the changes in net position of the City is provided in the summary below.

City of Lakesite's Changes in Net Position

	<u>Governmental Activities</u>		Increase/ (Decrease)
	<u>2017</u>	<u>2016</u>	
Revenues:			
Program revenues -			
Charges for services	\$ 45,464	\$ 38,141	\$ 7,323
Grants	54,229	59,919	(5,690)
General revenues -			
Property taxes	109,985	109,179	806
Sales taxes	361,213	369,714	(8,501)
Other taxes	203,721	202,343	1,378
Grants	194,600	183,827	10,773
Investment income	<u>15,225</u>	<u>14,824</u>	<u>401</u>
Total revenue	<u>984,437</u>	<u>977,947</u>	<u>6,490</u>
Expenses:			
General government	280,726	279,957	769
Public safety	237,897	210,684	27,213
Public works	286,608	264,967	21,641
State Street Aid	<u>24,828</u>	<u>108,802</u>	<u>(83,974)</u>
Total expenses	<u>830,059</u>	<u>864,410</u>	<u>(34,351)</u>
Increase in net position	<u>\$ 154,378</u>	<u>\$ 113,537</u>	<u>\$ 40,841</u>

Current fiscal year revenues for the City's governmental activities were \$984,437 compared to \$977,947 last year, up 0.7%. Current year expenses were \$830,059 compared with \$864,410 last year, a decrease of \$34,351, down 4.0%.

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

FINANCIAL ANALYSIS OF THE CITY'S FUNDS.

The City of Lakesite, Tennessee uses fund accounting to help it control and manage money for particular purposes or to demonstrate compliance with legal requirements. More detailed analysis is provided below for the City's funds.

Governmental funds. Governmental funds focus on providing information on the near-term flow of resources. The City's governmental funds reported a fund balance of \$2,756,602 at the end of the fiscal year which is available for spending at the City's discretion. Information about the City's governmental funds is presented below.

General fund. This fund is the chief operating fund of the City of Lakesite. All of the \$2,756,602 fund balance is held in the general fund, of which \$1,713,483 or 62.2% is assigned for future spending. The increase in general fund balance was \$78,789 or 2.9% from the beginning of the fiscal year.

General fund budgetary highlights. Actual revenues were above budgeted amounts by \$55,357. Actual expenditures were less than budgetary estimates in all departments by a combined \$563,876. The City's original budget expected a deficit of \$540,444. With actual revenues above budgeted amounts and actual expenditures below budgetary estimates, the City achieved a surplus for the fiscal year of \$78,789.

During the 2005 fiscal year, the City adopted a long-range plan that calls for the accumulation of funds to provide for future capital expansion. At the end of the current fiscal year, the City's assigned funds had a balance of \$1,713,483. Of the amount designated, \$1,375,000 is for future sewer expansion, \$117,518 is for the replacement of police and city vehicles and \$220,965 is for future expansion and maintenance of the City's recreational facilities.

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION.

At the end of the fiscal year, the City had \$1,405,676 (net of accumulated depreciation) invested in capital assets, an increase of 0.6%. This investment includes land, buildings and improvements, vehicles, equipment and infrastructure as listed in the table below.

City of Lakesite's Changes in Capital Assets

	<u>Governmental Activities</u>		Increase/ (Decrease)
	<u>2017</u>	<u>2016</u>	
Non-depreciable -			
Land	\$ 156,307	\$ 133,221	\$ 23,086
Depreciable -			
Buildings and improvements	1,272,866	1,259,111	13,755
Vehicles	92,768	87,068	5,700
Equipment	546,670	467,966	78,704
Infrastructure	240,259	240,259	-
Construction-in-progress	<u>56,616</u>	<u>-</u>	<u>56,616</u>
Total capital assets	2,365,486	2,187,625	177,861
Accumulated depreciation	<u>959,810</u>	<u>857,538</u>	<u>102,272</u>
Total capital assets, net of accumulated depreciation	<u>\$ 1,405,676</u>	<u>\$ 1,330,087</u>	<u>\$ 75,589</u>

Major additions for 2017 included additional land for park expansion, building improvements and a tractor blade for work on streets and ditches.

As allowed by GASB 34, the City has elected not to record on the books the estimated cost of infrastructure already in place at the time of implementation, thus the total for capital assets does not include existing roads, bridges, sewers or water lines currently in existence prior to June 30, 2004.

The City has no outstanding debt.

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

The City is situated only a few miles from the City of Chattanooga and is one of nine municipal entities that are incorporated in Hamilton County, Tennessee. Most businesses and industries are not located in the City of Lakesite although some revenue growth is anticipated from the business district along Hixson Pike. Expenditures for the coming year are expected to remain level as the City has no plans for significant capital acquisitions. The City's property tax rate this levy year is \$0.235 per \$100 of valuation, a minor decrease from the past year rate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT.

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Dr. David Edwards, City Manager
City of Lakesite, Tennessee
9201 Rocky Point Road
Lakesite, Tennessee 37379-3046
423-842-2533

CITY OF LAKESITE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2017

ASSETS

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 1,824,101
Property taxes receivable	114,309
Due from other governments	134,402
Due from other entities	15,503
Investments	796,324
Capital assets, net of accumulated depreciation	<u>1,405,676</u>
Total assets	<u>\$ 4,290,315</u>

LIABILITIES

Accounts payable	\$ 2,195
Accrued liabilities	<u>2,339</u>
Total liabilities	<u>4,534</u>

DEFERRED INFLOWS OR RESOURCES

Unearned revenues	<u>108,000</u>
Total deferred inflows of resources	<u>108,000</u>

NET POSITION

Investment in capital assets	1,405,676
Restricted for future capital improvements	1,713,483
Unrestricted	<u>1,058,622</u>
Total net position	<u>4,177,781</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,290,315</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services and Fines</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES:				
General government	\$ 280,726	\$ 45,464	\$ -	\$ (235,262)
Public safety	237,897	-	-	(237,897)
Public works	286,608	-	-	(286,608)
State Street Aid	<u>24,828</u>	<u>-</u>	<u>54,229</u>	<u>29,401</u>
Total governmental activities	<u>\$ 830,059</u>	<u>\$ 45,464</u>	<u>\$ 54,229</u>	<u>(730,366)</u>
GENERAL REVENUES:				
Property taxes				109,985
City-levied sales tax				361,213
Liquor tax				33,607
Wholesale beer tax				130,087
Business gross receipts tax				40,027
Unrestricted investment earnings				15,225
Grants and contributions not restricted to specific programs				<u>194,600</u>
Total general revenues				<u>884,744</u>
Change in net position				154,378
Net position, beginning of fiscal year				<u>4,023,403</u>
Net position, end of fiscal year				<u>\$ 4,177,781</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS

JUNE 30, 2017

ASSETS

	<u>General Fund</u>
Cash	\$ 1,824,101
Property taxes receivable	114,309
Due from other governments	134,402
Investments	<u>796,324</u>
Total assets	<u>\$ 2,869,136</u>

LIABILITIES

Accounts payable	\$ 2,195
Accrued liabilities	<u>2,339</u>
Total liabilities	<u>4,534</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue – property taxes	<u>108,000</u>
Total deferred inflows of resources	<u>108,000</u>

FUND BALANCES

Assigned	1,713,483
Unassigned	<u>1,043,119</u>
Total fund balance	<u>2,756,602</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,869,136</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2017

RECONCILIATION OF FUND BALANCE TO STATEMENT OF NET POSITION:

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

Fund balance	\$ 2,756,602
Other long-term assets not available to pay for current-period expenditures and, therefore, are deferred in the funds	15,503
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	<u>1,405,676</u>
Net position of governmental activities	<u>\$ 4,177,781</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Funds</u>
REVENUES:	
Taxes	\$ 674,919
Intergovernmental	241,111
Licenses and permits	15,477
Other	<u>52,930</u>
Total revenues	<u>984,437</u>
EXPENDITURES:	
General government	179,547
Public safety	237,897
Public works	148,669
State Street Aid	24,828
Sanitation	121,032
Capital improvements	<u>193,675</u>
Total expenditures	<u>905,648</u>
NET CHANGE IN FUND BALANCE	78,789
FUND BALANCE at beginning of fiscal year	<u>2,677,813</u>
FUND BALANCE at end of fiscal year	<u>\$ 2,756,602</u>

See notes to financial statements.

CITY OF LAKESITE, 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, 2017

Amounts reported for governmental activities in the statement of activities
on page 14 are different because:

Net change in fund balances - total governmental funds (page 17)	\$ 78,789
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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 retirements and depreciation exceeded capital outlays in the current period	<u>75,589</u>
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Change in net position of governmental activities (page 14)	<u>\$ 154,378</u>
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See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - ON GAAP BASIS - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable/</u>
				<u>(Unfavorable)</u>
REVENUES:				
Taxes -				
Real property	\$ 108,000	\$ 108,000	\$ 109,985	\$ 1,985
Local option sales	360,000	360,000	361,213	1,213
Liquor	40,000	40,000	33,607	(6,393)
Wholesale beer	128,500	128,500	130,087	1,587
Gross receipts	<u>24,000</u>	<u>24,000</u>	<u>40,027</u>	<u>16,027</u>
Total taxes	<u>660,500</u>	<u>660,500</u>	<u>674,919</u>	<u>14,419</u>
Intergovernmental revenues -				
Sales tax	140,000	140,000	151,325	11,325
State income tax	8,000	8,000	11,918	3,918
Beer tax	1,000	1,000	882	(118)
Mixed drink tax	1,200	1,200	1,336	136
Streets and transportation system	3,500	3,500	3,688	188
TVA replacement	16,000	16,000	20,603	4,603
State gas tax	33,000	33,000	34,672	1,672
State add 3% gas tax	9,800	9,800	10,313	513
A89 increase gas tax	5,300	5,300	5,556	256
State excise tax	-	-	672	672
State telecommunication sales	<u>180</u>	<u>180</u>	<u>146</u>	<u>(34)</u>
Total intergovernmental revenues	<u>217,980</u>	<u>217,980</u>	<u>241,111</u>	<u>23,131</u>
Licenses and permits -				
Building permits	3,000	3,000	8,709	5,709
Beer privilege tax	700	700	750	50
Beer license	250	250	500	250
Business license	1,400	1,400	4,568	3,168
Liquor license fee	-	-	850	850
Liquor privilege tax	<u>750</u>	<u>750</u>	<u>100</u>	<u>(650)</u>
Total license and permits	<u>6,100</u>	<u>6,100</u>	<u>15,477</u>	<u>9,377</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - ON GAAP BASIS - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable/</u>
				<u>(Unfavorable)</u>
Other revenues -				
Cable television franchise fees	31,500	31,500	31,724	224
Interest	12,000	12,000	16,179	4,179
Sale of surplus property	-	-	950	950
Unrealized gain/(loss) on investments	-	-	(954)	(954)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>5,031</u>	<u>4,031</u>
Total miscellaneous revenues	<u>44,500</u>	<u>44,500</u>	<u>52,930</u>	<u>8,430</u>
Total revenues	<u>929,080</u>	<u>929,080</u>	<u>984,437</u>	<u>55,357</u>
EXPENDITURES:				
General government -				
Administrative support	5,200	5,200	-	5,200
Capital outlay	5,000	5,000	-	5,000
Commission expense allowance	28,000	28,000	25,364	2,636
Commission discretionary fund	20,000	20,000	-	20,000
Communications	15,000	15,000	16,412	(1,412)
Donations	28,000	28,000	-	28,000
Dues and publications	3,500	3,500	2,352	1,148
Economic development	10,000	10,000	-	10,000
Elections	2,000	2,000	2,365	(365)
Inspection expense	8,000	8,000	3,673	4,327
Insurance	9,000	9,000	8,992	8
Legal announcements	5,000	5,000	-	5,000
Miscellaneous	5,500	5,500	3,787	1,713
Office supplies	5,000	5,000	5,094	(94)
Payroll expense	5,200	5,200	10,044	(4,844)
Professional services	31,200	31,200	28,103	3,097
Records management	15,000	15,000	6,196	8,804
Salaries	51,356	51,356	51,356	-
Training	6,000	6,000	3,596	2,404
Utilities	8,500	8,500	7,912	588
Workers' compensation insurance	<u>12,000</u>	<u>12,000</u>	<u>4,301</u>	<u>7,699</u>
Total general government	<u>278,456</u>	<u>278,456</u>	<u>179,547</u>	<u>98,909</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - ON GAAP BASIS - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Public works -				
Buildings maintenance, etc.	20,000	20,000	15,621	4,379
Capital outlay - public works	5,000	5,000	1,094	3,906
Capital outlay - parks	-	-	-	-
Christmas lighting	25,000	25,000	20,252	4,748
Consulting services	20,000	20,000	14,875	5,125
Contract labor	3,000	3,000	23	2,977
Equipment & uniforms	1,000	1,000	298	702
Health insurance	8,000	8,000	7,273	727
Parks and playgrounds	40,000	40,000	45,236	(5,236)
Salaries	40,293	40,293	40,293	-
Sanitation contract labor	130,000	130,000	121,032	8,968
Supplies	<u>7,500</u>	<u>7,500</u>	<u>3,704</u>	<u>3,796</u>
Total public works	<u>299,793</u>	<u>299,793</u>	<u>269,701</u>	<u>30,092</u>
Public safety -				
Animal control	11,250	11,250	11,164	86
Capital outlay	-	-	1,094	(1,094)
Code enforcement	21,025	21,025	21,025	-
Fire service	80,000	80,000	77,254	2,746
Donations	22,000	22,000	-	22,000
Security	6,000	6,000	360	5,640
Sheriff contract costs	<u>130,000</u>	<u>130,000</u>	<u>127,000</u>	<u>3,000</u>
Total public safety	<u>270,275</u>	<u>270,275</u>	<u>237,897</u>	<u>32,378</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - ON GAAP BASIS - GENERAL FUND (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable/ (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
State Street Aid -				
Emergency fund	1,000	1,000	1,272	(272)
Equipment	2,000	2,000	-	2,000
Hazardous tree removal	14,000	14,000	4,050	9,950
Paving and repair	100,000	100,000	-	100,000
Right of way maintenance	12,000	12,000	3,600	8,400
Road shoulders and drainage	35,000	35,000	1,880	33,120
Street lights	14,000	14,000	11,036	2,964
Street signs	2,000	2,000	-	2,000
Traffic lights	<u>2,000</u>	<u>2,000</u>	<u>2,990</u>	<u>(990)</u>
Total highways and streets	<u>182,000</u>	<u>182,000</u>	<u>24,828</u>	<u>157,172</u>
Other -				
Capital improvements	189,000	189,000	193,675	(4,675)
Pedestrian enhancement grant match	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total other	<u>439,000</u>	<u>439,000</u>	<u>193,675</u>	<u>245,325</u>
Total expenditures	<u>1,469,524</u>	<u>1,469,524</u>	<u>905,648</u>	<u>563,876</u>
EXCESS/(SHORTAGE) OF REVENUES TO EXPENDITURES	<u>\$(540,444)</u>	<u>\$(540,444)</u>	<u>\$ 78,789</u>	<u>\$ 619,233</u>
FUND BALANCE at beginning of year			<u>2,677,813</u>	
FUND BALANCE at end of year			<u>\$ 2,756,602</u>	

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of the City of Lakesite, Tennessee, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The more significant of the City's accounting policies are described below.

Reporting entity. The City of Lakesite, Tennessee, is a municipal corporation incorporated in 1972 under provisions of the laws of Tennessee. The City is governed by an elected mayor and four other commissioners who jointly appoint a city manager to oversee the general administrative responsibilities.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement Number 14, *"The Financial Reporting Entity,"* and GAAP. This statement requires that the financial statements present the City of Lakesite, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria: the primary government is accountable for the component unit (i.e., the primary government appoints the voting majority of the potential component unit board and the primary government is able to impose its will upon the potential component unit), or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities which meet the above criteria for the City of Lakesite, Tennessee.

Measurement focus, basis of accounting and basis of presentation. The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures or expenses as appropriate. Governmental resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

The basic financial statements of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide financial statements - The City government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. These statements present summaries of Governmental Activities for the City accompanied by a total column. The City has no business-type or fiduciary activities.

These statements are presented in an “economic resources measurement focus” and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services; 2) operating grants and contributions; and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement Number 34 in regards to interfund activities, payables and receivables.

Fund balance flow assumptions. Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Fund balance policies. Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by an ordinance in the City Commission. Committed resources cannot be used for any other purpose unless the City Commission removes or changes the specified use by ordinance.

Assigned fund balance – represents the amounts the City intends to use for specific purposes as expressed by City Commission resolution or an official delegated the authority to assign amounts. The City Manager has been granted the ability to assign amounts to a specific purpose as part of the annual budget ordinance. This is the residual classification for all governmental funds other than the General Fund.

Unassigned fund balance – represents the residual classification for the General Fund or deficit balances in other funds.

Government fund financial statements - Government fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements. The following are the City's major funds:

General Fund – The general fund is the City's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Government fund financial statements – (continued)

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to financial expenditures of the current period. Accordingly, revenues are recognized when received in cash, except that revenues subject to accrual (generally sixty days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax and sales tax. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Subsequent events. Management has evaluated subsequent events through December 30, 2017, the date the financial statements were available to be issued.

Budgets and budgetary accounting. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted, or as amended by the Board prior to June 30, 2017.

Cash and cash equivalents and investments. Cash and cash equivalents for balance sheet purposes, consist of demand deposits and certificates of deposit with original maturities of three months or less and investments in the State of Tennessee's Local Government Investment Pool.

Investments are carried at market. Per the investment policy established by the City, investments are held in certificates of deposit and fixed income securities. Fixed income securities must exclude corporate bonds and shall not exceed fourteen years in maturity or average life. The City's investment objectives are the preservation of principal while providing potential gains in good market conditions and the minimization of low or negative returns in poor market conditions.

The City of Lakesite, Tennessee is authorized by Tennessee statutes to invest in the following:

- Deposit accounts with eligible depository institutions
- Obligations of the State of Tennessee or other states
- Obligations issued by the United States government
- Obligations fully insured or guaranteed by the United States government or a United States government agency
- Obligations of any corporation of the United States government
- Prime banker's acceptance
- The local government investment pool established by the Tennessee Code Annotated Title 9, Chapter 4, Part 7
- Obligations of other political subdivisions of this State

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Encumbrances. Encumbrance accounting is used for the general fund. Encumbrances are identified when contracts are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances for contract costs do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

Capital assets. Capital assets, including infrastructure additions are recorded at historical cost. Contributed capital assets are recorded at their estimated fair market value on the date contributed. Capital assets include public domain infrastructure assets consisting of roads, bridges, streets and sidewalks, sewers, lighting systems and drainage systems. The City defines capital assets as assets with an initial, individual cost of more than \$500 (\$5,000 for infrastructure assets) and an estimated useful life of three years or more.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

	<u>Useful life</u>
Buildings and improvements	10 - 50 years
Equipment	5 - 20 years
Infrastructure	40 years
Vehicles	10 years

Deferred outflows/inflows of resources. In addition to assets, the statement of net assets will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City has nothing that qualifies for reporting in this category.

In addition to liabilities, the statement of net assets will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that period. The City has one item that qualifies for reporting in this category: (1) Unavailable revenue for property taxes recorded as receivables for the current calendar year tax levy which is not due until October 1. This amount, reported on the governmental funds balance sheet, will be recognized as revenue next year as it is received.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued).

Property taxes. Under State law, municipalities may levy a property tax. Property tax revenues are recognized on the modified accrual basis. A receivable should be recognized as of the date when an enforceable legal claim to the taxable property arises. This date is known as the "lien date". The receivable should be recognized as of year-end, June 30. The receivable should be recognized for the entire tax levy of the ensuing fiscal year. Taxes not expected to be collected within sixty days after the end of the fiscal year are recorded as deferred revenue.

The property tax calendar applicable to the current fiscal year is as follows:

Lien date	January 1
Levy date	October 1
Tax bills mailed	October 1
Payment due dates	October 1 through February 28
Delinquency date	March 1

The tax rate for the 2017 levy year was \$0.235 per \$100 of valuation.

2. CASH DEPOSITS AND INVESTMENTS.

Cash deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 1,824,101
Investments	<u>796,324</u>
Total cash deposits and investments	<u>\$ 2,620,425</u>

Cash deposits and investments as of June 30, 2017, consist of the following:

Cash on hand	\$ 15
Deposits with financial institutions	1,824,086
Investments	<u>796,324</u>
Total cash deposits and investments	<u>\$ 2,620,425</u>

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. CASH DEPOSITS AND INVESTMENTS (Continued).

Deposits. The City's policies limit deposits to those allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized with securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third party agents.

At June 30, 2017, the City's deposits had a carrying amount of \$147,407 and a bank balance of \$169,914. The City's bank balances at year-end were entirely insured or collateralized by either federal depository insurance or the Tennessee Bank Collateral Pool or with securities held by the City's agent in the City's name.

Investments. State statutes authorize the City to invest in bonds, notes or treasury bills of the United States and obligations guaranteed by the United States or any of its agencies; certificates of deposit at Tennessee state chartered banks and a savings and loan associations and federally chartered banks and savings and loan associations; repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities; and the State of Tennessee's Local Government Investment Pool (LGIP). Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

At June 30, 2017, the City's investment balances were as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Investment in the LGIP	Daily	\$1,676,678
Federal National Mortgage Association	November 25, 2017	97
Bank certificates of deposit		<u>796,227</u>
Total investments		<u>\$2,473,002</u>

The LGIP is not registered with the Securities and Exchange Commission (SEC), but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the "Investment Company Act of 1940". Rule 2a-7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. Participation in the LGIP is voluntary. As a participant, the City must report its position in the pool to be in compliance. Because the pool is basically valued at a constant dollar, the City's position in the pool is its account balance for any reporting period. The oversight for the LGIP is the State Funding Board comprised of the State Treasurer, Comptroller, Governor, Secretary of State and Commissioner of Finance and Administration. All funds invested in the LGIP will return 100% of principal plus interest at a calculated rate.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

2. CASH DEPOSITS AND INVESTMENTS (Continued).

Interest rate risk. As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment strategy limits at least half of the City's investment portfolio to maturities of less than 2 years. Also, the City's investment policy requires purchases of securities to be laddered with staggered maturity dates and limits all securities to a final maturity of no more than 15 years. The City's investment portfolio did not experience significant fluctuations in fair value during the year.

Credit risk. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. At June 30, 2017, the City's investment in Federal National Mortgage Association bonds was rated Aaa by Moody's Investors Service and A by Standard & Poor's Rating Service. The City's investment in the LGIP was unrated as of June 30, 2017.

During 2017, the City realized a net increase in investments of \$7,007. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. This amount takes into account all changes in fair value, such as dividend and interest payments received, that occurred during the year. The unrealized loss on investments held at year-end was \$953.

3. DUE FROM OTHER GOVERNMENTS.

The amount due from other governments as of June 30, 2017, consists of the following:

Hamilton County, Tennessee	\$ 68,100
State of Tennessee	52,000
Due from third parties	<u>14,301</u>
	<u>\$ 134,401</u>

4. RISK MANAGEMENT.

Significant losses are covered by the Tennessee Municipal League Risk Management Pool (general liability, workers' compensation, errors or omissions liability and physical damage) or commercial insurance for other programs (employee dishonesty). For insured programs, there have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

5. CAPITAL ASSETS.

Capital asset activity for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Reclassifications and Deletions	Balance June 30, 2017
Non-depreciable assets:				
Land	\$ 133,221	\$ 23,086	\$ -	\$ 156,307
Total non-depreciable assets	<u>133,221</u>	<u>23,086</u>	<u>-</u>	<u>156,307</u>
Depreciable assets:				
Buildings and improvements	1,259,111	13,755	-	1,272,866
Vehicles	87,068	5,700	-	92,768
Equipment	467,966	78,704	-	546,670
Construction in progress	-	56,616	-	56,616
Infrastructure	<u>240,259</u>	<u>-</u>	<u>-</u>	<u>240,259</u>
Total depreciable assets	<u>2,054,404</u>	<u>154,775</u>	<u>-</u>	<u>2,209,179</u>
Less: accumulated depreciation	<u>857,538</u>	<u>102,273</u>	<u>-</u>	<u>959,810</u>
Capital assets, net	<u>\$ 1,330,087</u>	<u>\$ 75,588</u>	<u>\$ -</u>	<u>\$ 1,405,676</u>

6. COMPENSATED ABSENCES.

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability is not reported for unpaid accumulated vacation or sick pay benefits which does not vest and is not paid upon termination.

7. ASSIGNED FUND BALANCE.

During the 2005 fiscal year, the City adopted a long-range plan that calls for the accumulation of funds to provide for future capital expansion. At the end of the current fiscal year, the City's designated funds had a balance of \$1,713,483. Of the amount designated, \$1,375,000 is for future sewer expansion, \$117,518 is for the replacement of police and city vehicles and \$220,965 is for future expansion and maintenance of the City's recreational facilities.

8. RESTRICTIONS ON NET POSITION.

Each year the City receives funds from the State of Tennessee which are restricted in their use. They are restricted for expenditures related to the maintenance of roadways within the community. The City's expenditures in this category typically exceed the amount of funds provided by the State, as a result there are no restricted funds remaining at June 30, 2017.

CITY OF LAKESITE, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 2017

(Unaudited)

Crime Coverage:

Employee dishonesty, per loss	\$ 150,000
Forgery or alteration	\$ 150,000
Theft, disappearance or destruction	\$ 150,000
Computer fraud	\$ 150,000

Comprehensive General Liability:

Bodily injury or personal injury to -	
Any one person per occurrence	\$ 300,000
Any two or more persons per occurrence	\$ 700,000
Property damage per occurrence	\$ 100,000
Errors and omissions per occurrence	\$ 700,000
Catastrophic medical expenses in excess of bodily injury	\$ 1,000,000

Workers' Compensation:

Per accident	\$ 300,000
Disease policy -	
Per employee	\$ 300,000
Maximum limit	\$ 700,000

Buildings and Equipment:

City Hall (building and contents)	\$ 1,566,324
Equipment – including data processing equipment	\$ 33,049

CITY OF LAKESITE, TENNESSEE
TAX RATES AND ASSESSED VALUATION
APPLICABLE TO LAST TEN YEARS

JUNE 30, 2017

(Unaudited)

<u>Year of Levy</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100 Valuation</u>	<u>Net Taxes Levied</u>
2007	\$ 39,090,000	\$.290	\$ 113,361
2008	\$ 39,437,145	\$.290	\$ 114,368
2009	\$ 46,876,200	\$.240	\$ 112,503
2010	\$ 46,594,660	\$.240	\$ 111,827
2011	\$ 46,430,627	\$.240	\$ 109,808
2012	\$ 46,382,083	\$.240	\$ 111,317
2013	\$ 45,282,917	\$.240	\$ 108,679
2014	\$ 45,646,250	\$.240	\$ 109,551
2015	\$ 45,663,333	\$.240	\$ 109,592
2016	\$ 46,802,128	\$.235	\$ 109,985

CITY OF LAKESITE, TENNESSEE

SCHEDULE OF CHANGES IN TAXES RECEIVABLE

JUNE 30, 2017

(Unaudited)

Tax Year (1)	Property Taxes Receivable Balance June 30, 2016	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2017
2017	\$ -	\$ -	\$ 108,000	\$ -	\$ -	\$ 108,000
2016	108,000	109,655	-	(108,000)	107,401	2,254
2015	3,469	-	-	-	2,099	1,370
2014	2,146	-	-	-	-	2,146
2013	<u>694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155</u>	<u>539</u>
	<u>\$ 114,309</u>	<u>\$ 109,655</u>	<u>\$ 108,000</u>	<u>\$ (108,000)</u>	<u>\$ 109,532</u>	<u>\$ 114,309</u>

Note:

- (1) According to the Clerk and Master of Hamilton County, Tennessee, all years prior to 2013 have been substantially recovered through collection or sale.
- (2) Accrual of the anticipated current year levy is required by GASB Statement No. 33.

CITY OF LAKESITE, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

JUNE 30, 2017

(Unaudited)

<u>Fiscal Year Ended June 30</u>	<u>Original Tax Levy</u>	<u>Original Amount Collected</u>	<u>Percentage of Levy</u>	<u>Collections in Subsequent Years</u>	<u>Total Amount Collected</u>	<u>Percentage of Levy</u>
2007	110,564	107,240	97.0%	4,699	111,939	101.2%
2008	113,667	107,039	94.2%	5,591	112,630	99.9%
2009	114,184	107,328	93.9%	8,611	115,939	101.5%
2010	111,165	106,326	95.6%	5,977	112,303	101.0%
2011	111,827	105,359	94.2%	6,854	112,213	100.3%
2012	109,808	103,624	94.4%	3,080	106,704	97.2%
2013	111,317	107,425	96.5%	3,486	110,911	99.6%
2014	108,679	106,606	98.1%	393	106,999	98.5%
2015	109,551	104,388	95.3%	2,338	106,726	97.4%
2016	109,592	107,561	98.1%	2,099	109,660	100.1%
2017	109,655	107,401	97.9%	-	107,401	97.9%



INDEPENDENT AUDITORS' 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
City of Lakesite
Lakesite, Tennessee

We have audited, in accordance with the 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 and each major fund of City of Lakesite, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise City of Lakesite, Tennessee's basic financial statements, and have issued our report thereon dated December 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lakesite, Tennessee'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 City of Lakesite, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lakesite, Tennessee's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lakesite, Tennessee's financial statements are free from 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

S. R. Reed + Company, PLLC

Chattanooga, Tennessee

December 30, 2017