

**CITY OF LAKESITE, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**



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

CITY OF LAKESITE, TENNESSEE

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JUNE 30, 2021

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CITY OF LAKESITE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2021

David Howell .....	Mayor
Ken Wilkerson .....	Vice-Mayor
David Edwards .....	City Manager
Jodi LaCroix .....	City Recorder
Sam Elliott .....	City Attorney
Michelle Wilson .....	Commissioner
Valerie Boddy .....	Commissioner
Bobby Bishop .....	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, 2021, 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, 2021, 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.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2021 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 solely 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 effectiveness of 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. Rusk + Company, PLLC*

Chattanooga, Tennessee

December 30 , 2021

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. 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, 2021

**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 exceeded liabilities and deferred outflows by \$5,988,389 at the close of the most recent fiscal year, an increase of \$171,458 or 2.95% from last year. About one-half 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>2021</u>	<u>2020</u>	
Current and other assets	\$ 4,137,276	\$ 3,554,809	\$ 582,467
General fixed assets	<u>2,422,953</u>	<u>2,427,402</u>	<u>( 4,449)</u>
Total assets	<u>6,560,229</u>	<u>5,982,211</u>	<u>578,018</u>
Liabilities	<u>445,840</u>	<u>45,280</u>	<u>400,560</u>
Deferred outflows	<u>126,000</u>	<u>120,000</u>	<u>6,000</u>
Net position -			
Investment in capital assets	2,422,953	2,427,402	( 4,449)
Restricted for future capital improvement	274,818	274,818	-
Unrestricted	<u>3,290,618</u>	<u>3,114,711</u>	<u>175,907</u>
Total net position	<u>\$ 5,988,389</u>	<u>\$ 5,816,931</u>	<u>\$ 171,458</u>

**Change in net position.** Net position of the City's governmental activities increased 2.95% to \$5,988,389. Of that balance, \$2,422,953 or 40.5% are invested in capital assets (buildings, equipment, infrastructure, etc.). An additional \$274,818 or 4.6% has been designated by the City Commission for future capital improvements. The remaining \$3,290,618 or 54.9% is available to meet the City's ongoing obligations to citizens and creditors.

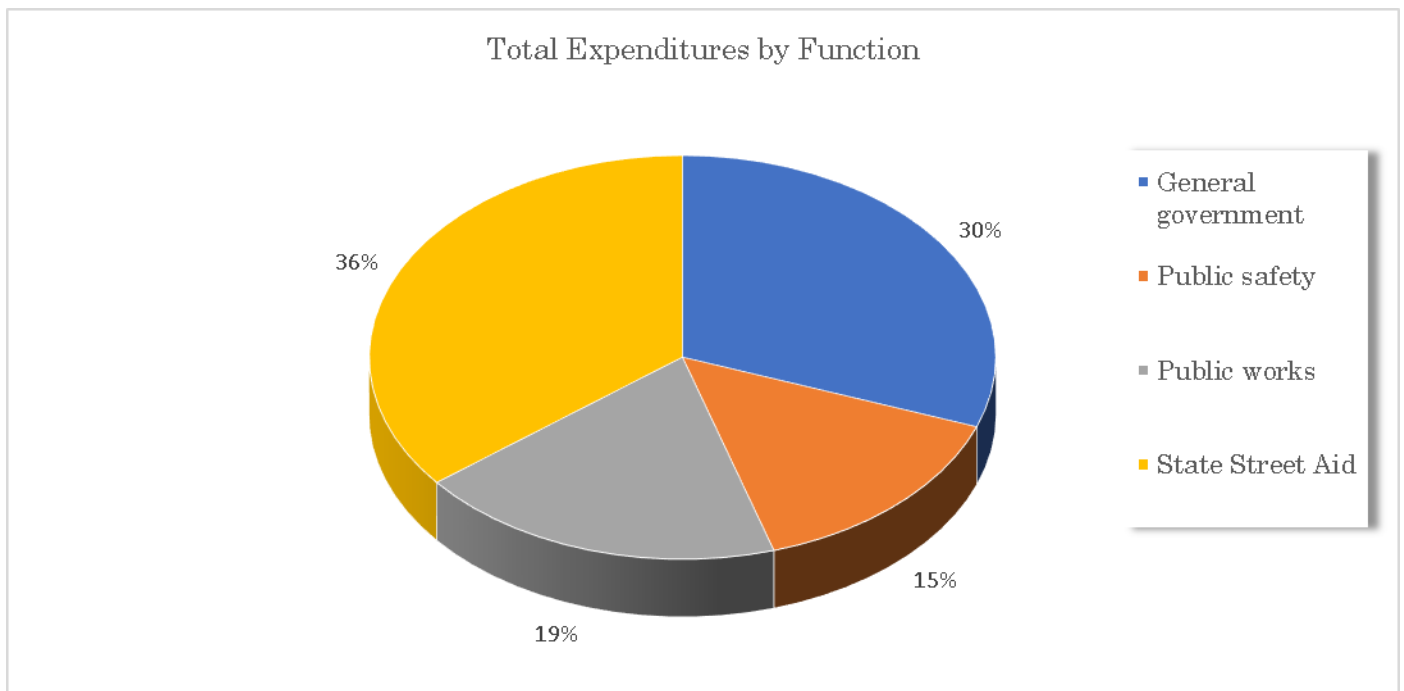
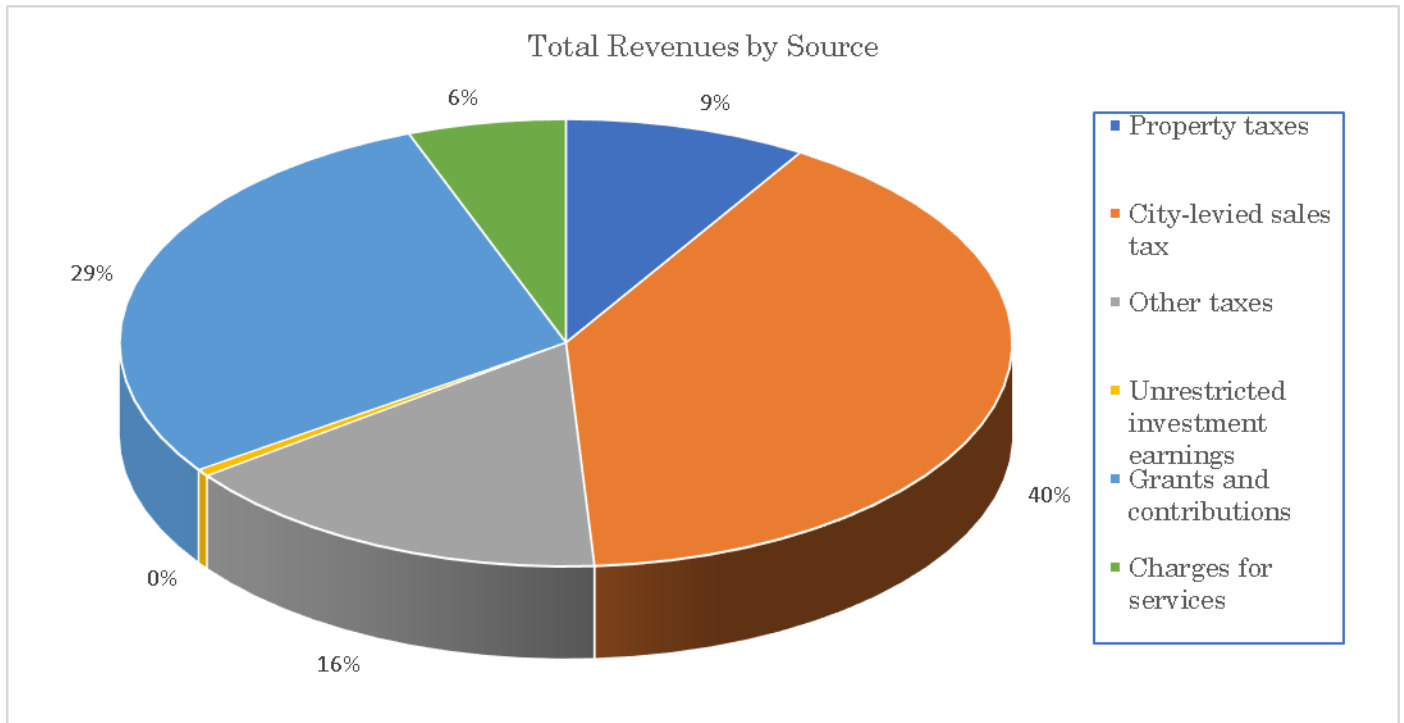


CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2021

The graphs below summarize the sources of the City's revenues of \$1,467,160 and total program expenses of \$1,295,702.



## CITY OF LAKESITE, TENNESSEE

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2021

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>		<u>Increase/ (Decrease)</u>
	<u>2021</u>	<u>2020</u>	
Revenues:			
Program revenues -			
Charges for services	\$ 84,091	\$ 59,435	\$ 24,656
Grants	69,281	68,136	1,145
General revenues -			
Property taxes	129,095	121,828	7,267
Sales taxes	589,576	473,607	115,969
Other taxes	232,775	187,318	45,457
Grants	354,839	212,172	142,667
Investment income	<u>7,503</u>	<u>43,219</u>	<u>( 35,716)</u>
Total revenue	<u>1,467,160</u>	<u>1,165,715</u>	<u>301,445</u>
Expenses:			
General government	396,567	328,409	68,158
Public safety	190,259	217,144	( 26,885)
Public works	246,812	280,943	( 34,131)
State Street Aid	<u>462,064</u>	<u>33,087</u>	<u>428,977</u>
Total expenses	<u>1,295,702</u>	<u>859,583</u>	<u>436,119</u>
Increase in net position	<u>\$ 171,458</u>	<u>\$ 306,132</u>	<u>\$ ( 134,674)</u>

Current fiscal year revenues for the City's governmental activities were \$1,467,160 compared to \$1,165,712 last year, up 25.9%. Grant revenues increased by \$142,667 and sales taxes increased by \$115,969 accounting for the majority of the increase. Current year expenses were \$1,295,702 compared with \$859,583 last year, an increase of \$436,119, up 50.7%.

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2021

**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 \$3,549,933 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 \$3,549,933 fund balance is held in the general fund, of which \$274,818 or 7.7% is assigned for future spending. The increase in general fund balance was \$175,907 or 5.2% from the beginning of the fiscal year.

**General fund budgetary highlights.** Actual revenues were above budgeted amounts by \$539,539. Actual expenditures were above budgetary estimates in all departments by a combined \$431,135. The City's original budget expected a deficit of \$794,767. With actual revenues above budgeted amounts and actual expenditures below budgetary estimates, the City's surplus for the fiscal year was \$175,907.

During the 2005 fiscal year, the City adopted a long-range plan that calls for the accumulation of funds to provide for future capital purchases. At the end of the current fiscal year, the City's assigned funds had a balance of \$274,818. Of the amount designated, \$53,853 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, 2021

**CAPITAL ASSET AND DEBT ADMINISTRATION.**

At the end of the fiscal year, the City had \$2,422,953 (net of accumulated depreciation) invested in capital assets, a decrease of 0.2%. This investment includes land, buildings and improvements, vehicles, equipment, infrastructure and construction-in-progress as listed in the table below.

**City of Lakesite's Changes in Capital Assets**

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>2021</u>	<u>2020</u>	
Non-depreciable -			
Land	\$ 156,307	\$ 156,307	\$ -
Depreciable -			
Buildings and improvements	1,287,022	1,287,022	-
Vehicles	92,768	92,768	-
Equipment	688,334	601,917	86,417
Infrastructure	1,598,677	304,028	1,294,649
Construction-in-progress	<u>46,261</u>	<u>1,269,979</u>	<u>(1,223,718)</u>
Total capital assets	3,869,369	3,712,021	157,348
Accumulated depreciation	<u>1,446,416</u>	<u>1,284,619</u>	<u>161,797</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,422,953</u>	<u>\$ 2,427,402</u>	<u>\$ ( 4,449)</u>

Major additions for 2021 included equipment and continued pedestrian enhancements in the business district.

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, 2021

**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, the City expects no increase in revenues during the coming fiscal year. Expenditures for the coming year are expected to decline as the City's significant capital improvements to public right-of-way to be made using federal and state grant funds are winding down. The City's property tax rate this levy year is \$0.235 per \$100 of valuation, no change 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, 2021

## ASSETS

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,389,622
Property taxes receivable	133,120
Due from other governments	779,981
Due from other entities	15,503
Investments	819,050
Construction-in-progress	46,261
Capital assets, net of accumulated depreciation	2,220,385
Land	<u>156,307</u>
Total assets	<u>\$ 6,560,229</u>

## LIABILITIES

Accounts payable	\$ 444,052
Accrued liabilities	<u>1,788</u>
Total liabilities	<u>445,840</u>

## DEFERRED INFLOWS OR RESOURCES

Unearned revenues	<u>126,000</u>
Total deferred inflows of resources	<u>126,000</u>

## NET POSITION

Net investment in capital assets	2,422,953
Restricted for future capital improvements	274,818
Unrestricted	<u>3,290,618</u>
Total net position	<u>5,988,389</u>
Total liabilities, deferred inflows of resources and net assets	<u>\$ 6,560,229</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021

		<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 396,567	\$ 84,091	\$ -	\$ ( 312,476)
Public safety	190,259	-	-	( 190,259)
Public works	246,812	-	-	( 246,812)
State Street Aid	<u>462,064</u>	<u>-</u>	<u>69,281</u>	<u>( 392,783)</u>
Total governmental activities	<u>\$1,295,702</u>	<u>\$ 84,091</u>	<u>\$ 69,281</u>	<u>( 1,142,330)</u>
GENERAL REVENUES:				
Property taxes				129,095
City-levied sales tax				589,576
Liquor tax				37,902
Wholesale beer tax				153,330
Business gross receipts tax				41,543
Unrestricted investment earnings				7,503
Pedestrian Enhancement Grant				56,744
Grants and contributions not restricted to specific programs				<u>298,095</u>
Total general revenues				<u>1,313,788</u>
Change in net position				171,458
Net assets, beginning of fiscal year				<u>5,816,931</u>
Net assets, end of fiscal year				<u>\$ 5,988,389</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS

JUNE 30, 2021

ASSETS

	<u>General Fund</u>
Cash	\$ 2,389,622
Property taxes receivable	133,120
Due from other governments	779,981
Investments	<u>819,050</u>
Total assets	<u>\$ 4,121,773</u>

LIABILITIES

Accounts payable	\$ 444,052
Accrued liabilities	<u>1,788</u>
Total liabilities	<u>445,840</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue – property taxes	<u>126,000</u>
Total deferred inflows of resources	<u>126,000</u>

FUND BALANCES

Fund balance - designated	274,818
Fund balance - unassigned	<u>3,275,115</u>
Total fund balance	<u>3,549,933</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,121,773</u>

See notes to financial statements.



CITY OF LAKESITE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2021

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	\$ 3,549,933
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>2,422,953</u>
Net position of governmental activities	<u>\$ 5,988,389</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, 2021

	<u>General Funds</u>
REVENUES:	
Taxes	\$ 951,446
Intergovernmental	294,837
Licenses and permits	52,689
Other	<u>168,187</u>
Total revenues	<u>1,467,159</u>
EXPENDITURES:	
General government	212,044
Public safety	212,984
Public works	125,290
State Street Aid	462,064
Sanitation	121,522
Capital improvements	<u>157,348</u>
Total expenditures	<u>1,291,252</u>
NET CHANGE IN FUND BALANCE	175,907
FUND BALANCE at beginning of year	<u>3,374,026</u>
FUND BALANCE at end of year	<u><u>\$ 3,549,933</u></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, 2021

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)	\$ 175,907
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded exceeded capital outlays in the current period	<u>( 4,449)</u>
Change in net position of governmental activities (page 14)	<u>\$ 171,458</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

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes -				
Real property	\$ 115,000	\$ 115,000	\$ 129,095	\$ 14,095
Local option sales	360,000	360,000	589,576	229,576
Liquor	40,000	40,000	37,902	( 2,098)
Wholesale beer	100,000	100,000	153,330	53,330
Gross receipts	<u>20,750</u>	<u>20,750</u>	<u>41,543</u>	<u>20,793</u>
Total taxes	<u>635,750</u>	<u>635,750</u>	<u>951,446</u>	<u>315,696</u>
Intergovernmental revenues -				
Sales tax	130,000	130,000	193,487	63,487
State income tax	10,000	10,000	7,274	( 2,726)
Beer tax	850	850	864	14
Mixed drink tax	-	-	2,288	2,288
Sports betting	-	-	675	675
Streets and transportation system	3,400	3,400	3,625	225
TVA replacement	16,000	16,000	20,872	4,872
State gas tax	30,000	30,000	33,851	3,851
State gas tax 2017	15,000	15,000	16,711	1,711
State add 3% gas tax	9,000	9,000	9,803	803
A89 increase gas tax	5,000	5,000	5,291	291
State excise tax	60	60	3	( 57)
State telecommunication sales	<u>60</u>	<u>60</u>	<u>93</u>	<u>33</u>
Total intergovernmental revenues	<u>219,370</u>	<u>219,370</u>	<u>294,837</u>	<u>75,467</u>
Licenses and permits -				
Building permits	20,000	20,000	44,525	24,525
Beer privilege tax	700	700	600	( 100)
Beer license	250	250	250	-
Business license	2,500	2,500	6,464	3,964
Liquor license fee	750	750	750	-
Liquor privilege tax	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>
Total licenses and permits	<u>24,200</u>	<u>24,200</u>	<u>52,689</u>	<u>28,489</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, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Other revenues -				
Cable television franchise fees	32,000	32,000	29,360	( 2,640)
Interest	16,000	16,000	15,445	( 555)
State of Tennessee Pedestrian Grant	-	-	56,744	56,744
Direct Appropriation Grant	-	-	71,206	71,206
Tennessee Cares Covid-19				
Relief	-	-	585	585
Unrealized gain/(loss) on investments	-	-	( 7,942)	( 7,942)
Miscellaneous	<u>300</u>	<u>300</u>	<u>2,789</u>	<u>2,489</u>
Total miscellaneous revenues	<u>48,300</u>	<u>48,300</u>	<u>168,187</u>	<u>119,887</u>
Total revenues	<u>927,620</u>	<u>927,620</u>	<u>1,467,159</u>	<u>539,539</u>
EXPENDITURES:				
General government -				
Administrative support	15,000	15,000	-	15,000
Bank service charge	900	900	862	38
Capital outlay	5,000	5,000	-	5,000
Commission expense allowance	35,000	35,000	32,896	2,104
Commission discretionary fund	5,000	5,000	200	4,800
Communications	15,000	15,000	14,772	228
Donations	100,000	100,000	5,000	95,000
Dues and publications	4,000	4,000	4,935	( 935)
Economic development	15,000	15,000	-	15,000
Elections	2,500	2,500	1,221	1,279
Inspection expenses	17,500	17,500	10,842	6,658
Insurance	10,000	10,000	4,067	5,933
Legal announcements	2,500	2,500	2,556	( 56)
Miscellaneous	2,500	2,500	1,820	680
Office supplies	5,000	5,000	4,346	654
Payroll expense	14,000	14,000	14,458	( 458)
Professional services	61,000	61,000	33,911	27,089
Records management	6,000	6,000	1,748	4,252
Salaries	69,119	69,119	69,119	-

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, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable/ (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
General government (Continued)-				
Training	4,000	4,000	85	3,915
Utilities	7,500	7,500	7,079	421
Workers' compensation insurance	<u>3,800</u>	<u>3,800</u>	<u>2,128</u>	<u>1,672</u>
Total general government	<u>400,319</u>	<u>400,319</u>	<u>212,045</u>	<u>188,274</u>
Public works -				
Buildings maintenance, etc.	25,000	25,000	13,327	11,673
Capital outlay – public works	5,000	5,000	-	5,000
Capital outlay – parks	-	-	-	-
Christmas lighting	25,000	25,000	21,277	3,723
Consulting services	14,000	14,000	725	13,275
Contract labor	10,000	10,000	10,500	( 500)
Equipment & uniforms	1,000	1,000	-	1,000
Health insurance	13,500	13,500	12,774	726
Parks and playgrounds	40,000	40,000	16,785	23,215
Salaries	42,093	42,093	42,093	-
Sanitation contract labor	128,000	128,000	121,522	6,478
Supplies	<u>7,500</u>	<u>7,500</u>	<u>7,809</u>	<u>( 309)</u>
Total public works	<u>311,093</u>	<u>311,093</u>	<u>246,812</u>	<u>64,281</u>
Public safety -				
Animal control	11,250	11,250	11,004	246
Capital outlay	-	-	-	-
Code enforcement	22,725	22,725	22,725	-
Fire service	54,000	54,000	52,255	1,745
Donations – public safety	-	-	-	-
Security	4,000	4,000	-	4,000
Sheriff contract costs	<u>140,000</u>	<u>140,000</u>	<u>127,000</u>	<u>13,000</u>
Total public safety	<u>231,975</u>	<u>231,975</u>	<u>212,984</u>	<u>18,991</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, 2021

	<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>
State Street Aid -				
Emergency fund	6,000	6,000	-	6,000
Equipment	4,000	4,000	-	4,000
Hazardous tree removal	10,000	10,000	5,050	4,950
Paving and repair	150,000	150,000	403,329	( 253,329)
Right of way maintenance	12,000	12,000	16,110	( 4,110)
Road shoulders and drainage	40,000	40,000	19,309	20,691
Street lights	20,000	20,000	16,300	3,700
Street signs	3,000	3,000	1,267	1,733
Traffic lights	<u>10,000</u>	<u>10,000</u>	<u>698</u>	<u>9,302</u>
Total highways and streets	<u>255,000</u>	<u>255,000</u>	<u>462,063</u>	<u>( 207,063)</u>
Other -				
Capital improvements	204,000	204,000	86,417	117,583
Pedestrian Enhancement				
Grant match	<u>320,000</u>	<u>320,000</u>	<u>70,931</u>	<u>249,069</u>
Total other	<u>524,000</u>	<u>524,000</u>	<u>157,348</u>	<u>366,652</u>
Total expenditures	<u>1,722,387</u>	<u>1,722,387</u>	<u>1,291,252</u>	<u>431,135</u>
EXCESS/(SHORTAGE) OF REVENUES				
TO EXPENDITURES	<u>\$( 794,767)</u>	<u>\$( 794,767)</u>	<u>\$ 175,907</u>	<u>\$ 970,674</u>
FUND BALANCE at beginning of year			<u>3,374,026</u>	
FUND BALANCE at end of year			<u>\$ 3,549,933</u>	

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021

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, 2021

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, 2021

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, 2021, 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, 2021.

**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, 2021

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, 2021

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 2021 levy year was \$0.235 per \$100 of valuation.

2. CASH DEPOSITS AND INVESTMENTS.

Cash deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 2,389,622
Investments	<u>819,050</u>
Total cash deposits and investments	<u>\$ 3,208,672</u>

Cash deposits and investments as of June 30, 2021, consist of the following:

Cash on hand	\$ 15
Deposits with financial institutions	2,389,607
Investments	<u>819,050</u>
Total cash deposits and investments	<u>\$ 3,208,672</u>

CITY OF LAKESITE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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, 2021, the City's deposits had a carrying amount of \$2,389,606 and a bank balance of \$2,390,152. 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, 2021, the City's investment balances were as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Investment in the LGIP	Daily	\$2,015,504
Money Market	Daily	1,905
Bank certificates of deposit		<u>817,145</u>
Total investments		<u>\$2,834,554</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, 2021

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, 2021, 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, 2021.

During 2021, the City realized a net increase in investments of \$588,145. 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.

3. DUE FROM OTHER GOVERNMENTS.

The amount due from other governments as of June 30, 2021, consists of the following:

Hamilton County, Tennessee	\$ 106,404
State of Tennessee	659,022
Due from third parties	<u>14,555</u>
	<u>\$ 779,981</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, 2021

5. CAPITAL ASSETS.

Capital asset activity for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Additions	Reclassifications and Deletions	Balance June 30, 2021
Non-depreciable assets:				
Land	\$ 156,307	\$ -	\$ -	\$ 156,307
Construction in progress	<u>1,269,979</u>	<u>70,931</u>	<u>1,294,649</u>	<u>46,261</u>
Total non-depreciable assets	<u>1,426,286</u>	<u>70,931</u>	<u>1,294,649</u>	<u>202,568</u>
Depreciable assets:				
Buildings and improvements	1,287,022	-	-	1,287,022
Vehicles	92,768	-	-	92,768
Equipment	601,917	86,417	-	688,334
Infrastructure	<u>304,028</u>	<u>1,294,649</u>	<u>-</u>	<u>1,598,677</u>
Total depreciable assets	<u>2,285,735</u>	<u>1,381,066</u>	<u>-</u>	<u>3,666,801</u>
Less: accumulated depreciation	<u>1,284,619</u>	<u>161,797</u>	<u>-</u>	<u>1,446,416</u>
Capital assets, net	<u>\$ 2,427,402</u>	<u>\$1,290,200</u>	<u>\$1,294,649</u>	<u>\$ 2,422,953</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 \$274,818. Of the amount designated, \$53,853 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, 2021.



CITY OF LAKESITE, TENNESSEE  
SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 2021

(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)	\$ 882,335
Equipment – including data processing equipment	\$ 32,049

CITY OF LAKESITE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

<u>Grantor/Pass-through Agency</u>	<u>Federal CFDA Number</u>	<u>State Grant/Project Number</u>	<u>Accrued (Deferred) Grant Revenues July 1, 2020</u>
State – Tennessee Department of Transportation	TAP-319(14)	33LPLM-F3-169	\$ 663,786

<u>Grant Revenues Received</u>	<u>Grant Expenditures</u>	<u>Accrued (Deferred) Grant Revenues June 30, 2021</u>
\$ 115,649	\$ 56,744	\$ 604,881

CITY OF LAKESITE, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2021

1. BASIS OF PRESENTATION.

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Lakesite, Tennessee and is presented on the modified accrual basis of accounting.

CITY OF LAKESITE, TENNESSEE

TAX RATES AND ASSESSED VALUATION

APPLICABLE TO LAST TEN YEARS

JUNE 30, 2021

(Unaudited)

<u>Year of Levy</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100 Valuation</u>	<u>Net Taxes Levied</u>
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
2017	\$ 47,210,213	\$ .235	\$ 110,944
2019	\$ 50,088,085	\$ .235	\$ 117,707
2020	\$ 51,841,702	\$ .235	\$ 121,828
2021	\$ 54,766,809	\$ .235	\$ 128,702

## CITY OF LAKESITE, TENNESSEE

## SCHEDULE OF CHANGES IN TAXES RECEIVABLE

JUNE 30, 2021

(Unaudited)

Tax Year (1)	Property Taxes Receivable Balance June 30, 2020	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2021
2021	\$ -	\$ -	\$ 128,702	\$ -	\$ -	\$ 128,702
2020	124,000	123,673	-	( 124,000)	121,828	1,845
2019	2,257	-	-	-	-	2,257
2018	965	-	-	-	-	965
2017	154	-	-	-	-	154
2016	1,356	-	-	-	-	1,356
2015	412	-	-	-	-	412
2014	<u>1,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,061</u>
	<u>\$ 130,205</u>	<u>\$ 123,673</u>	<u>\$ 128,702</u>	<u>\$ ( 124,000)</u>	<u>\$ 121,828</u>	<u>\$ 136,752</u>

## Note:

(1) According to the Clerk and Master of Hamilton County, Tennessee, all years prior to 2014 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, 2021

(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>
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%	3,153	107,451	98.2%
2016	109,592	107,561	98.1%	2,634	110,195	100.6%
2017	109,655	107,401	97.9%	493	107,894	98.4%
2018	109,874	108,838	99.1%	200	109,038	99.2%
2019	117,434	115,177	98.1%	1,292	116,469	99.2%
2020	119,713	115,557	96.5%	-	115,557	96.5%
2021	123,673	121,828	98.5%	-	121,828	98.5%



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, 2021, 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, 2021.

**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) as a basis for designing 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. Rind + Company, PLLC.*

Chattanooga, Tennessee

December 30, 2021

CITY OF LAKESITE, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2021

There were no prior year findings.