

CITY OF LAKESITE, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2022

CITY OF LAKESITE, TENNESSEE

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JUNE 30, 2022

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CITY OF LAKESITE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2022

David Howell	Mayor
Ken Wilkerson	Vice-Mayor
Kirsten Ert	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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the index.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lakesite, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lakesite, Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lakesite, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lakesite, Tennessee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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.

Supplementary 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

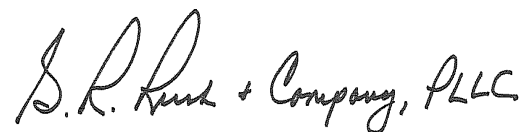
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023 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.



Chattanooga, Tennessee

March 23, 2023

CITY OF LAKESITE, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS

JUNE 30, 2022

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, 2022. 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, 2022

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 \$6,951,490 at the close of the most recent fiscal year, an increase of \$963,101 or 16.1% 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>2022</u>	<u>2021</u>	
Current and other assets	\$ 3,963,939	\$ 4,137,276	\$ (173,337)
General fixed assets	<u>3,284,431</u>	<u>2,422,953</u>	<u>861,478</u>
Total assets	<u>7,248,370</u>	<u>6,560,229</u>	<u>688,141</u>
Liabilities	<u>170,880</u>	<u>445,840</u>	<u>(274,960)</u>
Deferred outflows	<u>126,000</u>	<u>126,000</u>	<u>-</u>
Net position -			
Investment in capital assets	3,284,431	2,422,953	861,478
Restricted for future capital improvement	274,818	274,818	-
Unrestricted	<u>3,392,241</u>	<u>3,290,618</u>	<u>101,623</u>
Total net position	<u>\$ 6,951,490</u>	<u>\$ 5,988,389</u>	<u>\$ 963,101</u>

Change in net position. Net position of the City's governmental activities increased 16.1% to \$6,951,490. Of that balance, \$3,284,431 or 47.2% are invested in capital assets (buildings, equipment, infrastructure, etc.). An additional \$274,818 or 4.0% has been designated by the City Commission for future capital improvements. The remaining \$3,392,241 or 48.8% is available to meet the City's ongoing obligations to citizens and creditors.

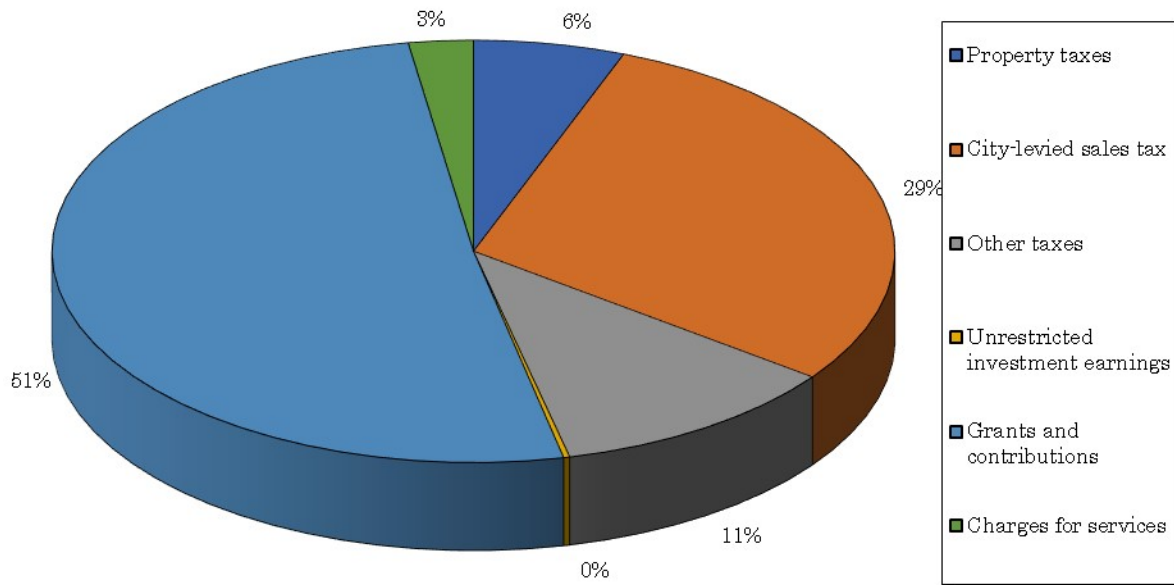
CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

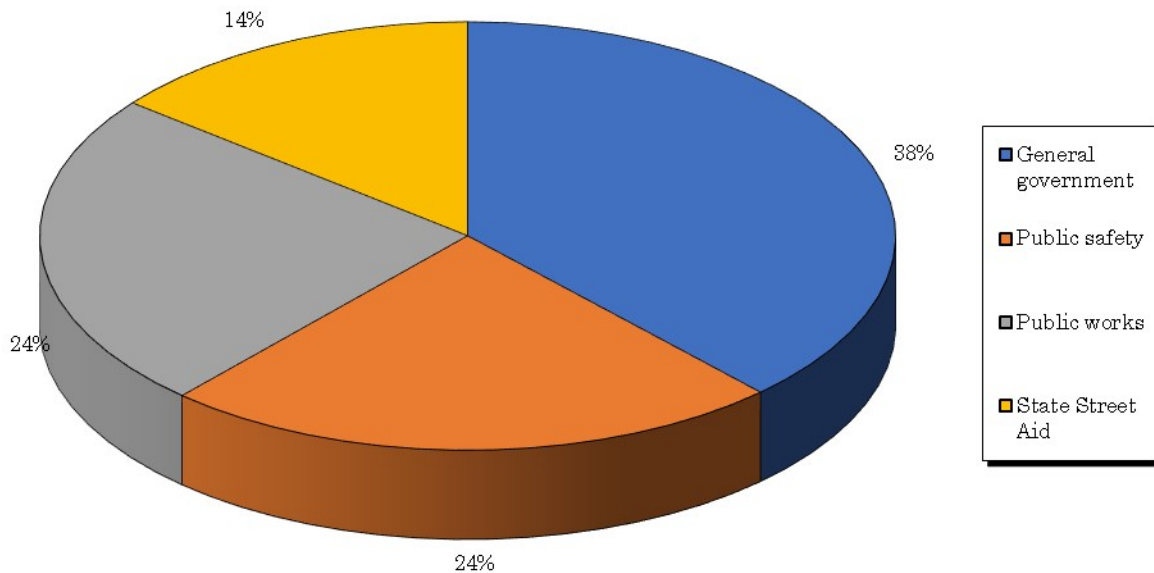
JUNE 30, 2022

The graphs below summarize the sources of the City's revenues of \$2,165,429 and total program expenses of \$1,202,327.

Total Revenues by Source



Total Expenditures by Function



CITY OF LAKESITE, TENNESSEE
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2022

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>2022</u>	<u>2021</u>	
Revenues:			
Program revenues -			
Charges for services	\$ 53,986	\$ 84,091	\$ (30,105)
Grants	71,958	69,281	2,677
General revenues -			
Property taxes	126,296	129,095	(2,799)
Sales taxes	638,460	589,576	48,884
Other taxes	243,332	232,775	10,557
Grants	1,036,472	354,839	681,633
Investment income	<u>(5,076)</u>	<u>7,503</u>	<u>(12,579)</u>
Total revenue	<u>2,165,428</u>	<u>1,467,160</u>	<u>698,268</u>
Expenses:			
General government	457,181	396,567	60,614
Public safety	283,604	190,259	93,345
Public works	289,137	246,812	42,325
State Street Aid	<u>172,405</u>	<u>462,064</u>	<u>(289,659)</u>
Total expenses	<u>1,202,327</u>	<u>1,295,702</u>	<u>(93,375)</u>
Increase in net position	<u>\$ 963,101</u>	<u>\$ 171,458</u>	<u>\$ 791,643</u>

Current fiscal year revenues for the City's governmental activities were \$2,165,429 compared to \$1,467,160 last year, up 47.6%. Grant revenues increased by \$681,633 and sales taxes increased by \$48,884 accounting for the majority of the increase. Current year expenses were \$1,202,327 compared with \$1,295,702 last year, a decrease of \$(93,375), down 7.2%.

CITY OF LAKESITE, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2022

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 \$3,651,556 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 \$3,651,556 fund balance is held in the general fund, of which \$274,818 or 7.5% is assigned for future spending. The increase in general fund balance was \$101,623 or 2.9% from the beginning of the fiscal year.

General fund budgetary highlights. Actual revenues were under budgeted amounts by \$477,241. Actual expenditures were below budgetary estimates in all departments by a combined \$232,389. The City's original budget expected a surplus of \$949,975. With actual revenues below budgeted amounts and actual expenditures below budgetary estimates, the City's surplus for the fiscal year was \$101,623.

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, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION.

At the end of the fiscal year, the City had \$3,284,431 (net of accumulated depreciation) invested in capital assets, an increase of 35.6%. 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>		Increase/ (Decrease)
	<u>2022</u>	<u>2021</u>	
Non-depreciable -			
Land	\$ 176,307	\$ 156,307	\$ 20,000
Depreciable -			
Buildings and improvements	1,287,022	1,287,022	-
Vehicles	92,768	92,768	-
Equipment	729,420	688,334	41,086
Infrastructure	1,643,639	1,598,677	44,962
Construction-in-progress	<u>1,010,759</u>	<u>46,261</u>	<u>964,498</u>
Total capital assets	4,939,915	3,869,369	1,070,546
Accumulated depreciation	<u>1,655,484</u>	<u>1,446,416</u>	<u>209,068</u>
Total capital assets, net of accumulated depreciation	<u>\$ 3,284,431</u>	<u>\$ 2,422,953</u>	<u>\$ 861,478</u>

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, 2022

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 \$0.201 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:

Ms. Kirsten Ert, 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, 2022

ASSETS

	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 2,102,126
Property taxes receivable	132,201
Due from other governments	908,342
Due from other entities	15,503
Investments	805,767
Capital assets:	
Land and construction in process	1,187,066
Other capital assets, net of accumulated depreciation	<u>2,097,365</u>
Total capital assets	<u>3,284,431</u>
 Total assets	 <u>\$ 7,248,370</u>

LIABILITIES

Accounts payable	\$ 163,087
Accrued liabilities	<u>7,793</u>
 Total liabilities	 <u>170,880</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	3,284,431
Restricted for future capital improvements	274,818
Unrestricted	<u>3,392,241</u>
 Total net position	 <u>6,951,490</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 7,248,370</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

		<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	\$ 457,181	\$ 53,986	\$ -	\$ (403,195)
Public safety	283,604	-	-	(283,604)
Public works	289,137	-	-	(289,137)
State Street Aid	<u>172,405</u>	<u>-</u>	<u>71,958</u>	<u>(100,447)</u>
Total governmental activities	<u>\$1,202,327</u>	<u>\$ 53,986</u>	<u>\$ 71,958</u>	<u>(1,076,383)</u>
GENERAL REVENUES:				
Property taxes				126,296
City-levied sales tax				638,460
Liquor tax				42,353
Wholesale beer tax				149,794
Business gross receipts tax				51,185
Unrestricted investment earnings				(5,076)
Pedestrian Enhancement Grant				194,979
Grants and contributions not restricted to specific programs				<u>841,493</u>
Total general revenues				<u>2,039,484</u>
Change in net position				963,101
Net position, beginning of fiscal year				<u>5,988,389</u>
Net position, end of fiscal year				<u>\$ 6,951,490</u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS

JUNE 30, 2022

ASSETS

	<u>General Fund</u>
Cash	\$ 2,102,126
Property taxes receivable	132,201
Due from other governments	908,342
Investments	<u>805,767</u>
 Total assets	 <u><u>\$ 3,948,436</u></u>

LIABILITIES

Accounts payable	\$ 163,087
Accrued liabilities	<u>7,793</u>
 Total liabilities	 <u>170,880</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>3,376,738</u>
 Total fund balance	 <u>3,651,556</u>
 Total liabilities, deferred inflows of resources and fund balances	 <u><u>\$ 3,948,436</u></u>

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE

BALANCE SHEET AND RECONCILIATION TO STATEMENT OF NET POSITION -

GOVERNMENTAL FUNDS (CONTINUED)

JUNE 30, 2022

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	\$ 3,651,556
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>3,284,431</u>
Net position of governmental activities	<u>\$ 6,951,490</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	\$ 1,008,088
Intergovernmental	312,981
Licenses and permits	24,160
Capital improvement grants	<u>820,200</u>
Total revenues	<u>2,165,429</u>
EXPENDITURES:	
General government	248,114
Public safety	203,604
Public works	139,075
State Street Aid	172,405
Sanitation	150,061
Capital improvements	<u>1,150,547</u>
Total expenditures	<u>2,063,806</u>
NET CHANGE IN FUND BALANCE	101,623
FUND BALANCE at beginning of year	<u>3,549,933</u>
FUND BALANCE at end of year	<u>\$ 3,651,556</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, 2022

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)	\$ 101,623
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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 depreciation exceeded exceeded capital outlays in the current period	<u>861,478</u>
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Change in net position of governmental activities (page 14)	<u>\$ 963,101</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable/ (Unfavorable)
REVENUES:				
Taxes -				
Real property	\$ 125,000	\$ 125,000	\$ 126,296	\$ 1,296
Local option sales	500,000	600,000	638,460	38,460
Liquor	35,000	35,000	42,353	7,353
Wholesale beer	135,000	135,000	149,794	14,794
Gross receipts	<u>30,000</u>	<u>30,000</u>	<u>51,185</u>	<u>21,185</u>
Total taxes	<u>825,000</u>	<u>925,000</u>	<u>1,008,088</u>	<u>83,088</u>
Intergovernmental revenues -				
Sales tax	170,000	170,000	211,763	41,763
State income tax	18,000	18,000	78	(17,922)
Beer tax	850	850	848	(2)
Mixed drink tax	2,500	2,500	6,721	4,221
Streets and transportation system	3,400	3,400	3,421	21
TVA replacement	18,500	18,500	19,270	770
State gas tax	30,000	30,000	33,824	3,824
State gas tax 2017	15,000	15,000	18,818	3,818
State add 3% gas tax	9,000	9,000	10,708	1,708
A89 increase gas tax	5,000	5,000	5,187	187
State excise tax	60	60	-	(60)
State telecommunication sales	60	60	94	34
Sport betting	<u>-</u>	<u>-</u>	<u>2,249</u>	<u>2,249</u>
Total intergovernmental revenues	<u>272,370</u>	<u>272,370</u>	<u>312,981</u>	<u>40,611</u>
Licenses and permits -				
Building permits	30,000	19,000	18,264	(736)
Beer privilege tax	700	700	400	(300)
Beer license	250	250	550	300
Business license	2,500	2,500	3,246	746
Liquor license fee	750	750	750	-
Liquor privilege tax	<u>-</u>	<u>-</u>	<u>950</u>	<u>950</u>
Total licenses and permits	<u>34,200</u>	<u>23,200</u>	<u>24,160</u>	<u>(960)</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget -
				Favorable/ (Unfavorable)
Other revenues -				
Cable television franchise fees	28,000	28,000	27,911	(89)
Interest	12,500	12,500	8,033	(4,467)
State of Tennessee Pedestrian Grant	1,400,00	800,000	194,979	(605,021)
Direct Appropriation Grant	30,600	30,600	35,394	4,794
American rescue plan	-	550,000	553,074	3,074
Unrealized gain/(loss) on investments	-	-	(13,109)	(13,109)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>13,918</u>	<u>12,918</u>
Total miscellaneous revenues	<u>1,472,100</u>	<u>1,422,100</u>	<u>820,200</u>	<u>(601,900)</u>
Total revenues	<u>2,603,670</u>	<u>2,642,670</u>	<u>2,165,429</u>	<u>(477,241)</u>
EXPENDITURES:				
General government -				
Administrative support	15,000	15,000	-	15,000
Bank service charge	900	900	1,298	(398)
Capital outlay	5,000	5,000	-	5,000
Commission expense allowance	36,000	36,000	30,385	5,615
Commission discretionary fund	5,000	5,000	1,557	3,443
Communications	20,000	20,000	16,441	3,559
Donations	10,000	10,000	-	10,000
Dues and publications	5,000	5,000	4,120	880
Economic development	15,000	15,000	-	15,000
Inspection expenses	30,350	30,350	18,270	12,080
Insurance	6,000	6,000	8,288	(2,288)
Legal announcements	2,500	2,500	3,229	(729)
Miscellaneous	3,150	3,150	550	2,600
Office supplies	5,000	5,000	3,840	1,160
Payroll expense	14,000	14,000	14,924	(924)
Professional services	48,100	48,100	29,657	18,443
Salaries	70,699	70,699	103,955	(33,256)
Training	4,000	4,000	1,737	2,263
Utilities	8,000	8,000	7,367	633
Workers' compensation insurance	<u>2,500</u>	<u>2,500</u>	<u>2,495</u>	<u>5</u>
Total general Government	<u>306,199</u>	<u>306,199</u>	<u>248,113</u>	<u>58,086</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget - Favorable/ (Unfavorable)
Public works -				
Buildings maintenance, etc.	28,000	28,000	7,316	20,684
Capital outlay – public works	5,000	5,000	-	5,000
Capital outlay – parks	-	-	-	-
Christmas lighting	25,000	25,000	25,428	(428)
Consulting services	14,000	14,000	8,000	6,000
Contract labor	5,000	5,000	1,240	3,760
Equipment & uniforms	1,000	1,000	96	904
Health insurance	12,000	12,000	9,681	2,319
Parks and playgrounds	40,000	40,000	23,330	16,670
Salaries	53,867	53,867	56,298	(2,431)
Sanitation contract labor	150,000	150,000	150,061	(61)
Supplies	<u>7,500</u>	<u>7,500</u>	<u>7,687</u>	<u>(187)</u>
Total public works	<u>341,367</u>	<u>341,367</u>	<u>289,137</u>	<u>52,230</u>
Public safety -				
Animal control	11,250	11,250	11,004	246
Capital outlay	-	-	-	-
Code enforcement	23,379	23,379	-	23,379
Fire service	60,000	60,000	56,978	3,022
Donations – public safety	-	-	-	-
Inspections	23,500	23,500	-	23,500
Security	4,000	4,000	-	4,000
Sheriff contract costs	150,000	150,000	135,000	15,000
Miscellaneous	<u>-</u>	<u>-</u>	<u>622</u>	<u>(622)</u>
Total public safety	<u>272,129</u>	<u>272,129</u>	<u>203,604</u>	<u>68,525</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, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable/ (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
State Street Aid -				
Emergency fund	6,000	6,000	2,188	3,812
Equipment	4,000	4,000	1,551	2,449
Hazardous tree removal	10,000	10,000	2,675	7,325
Paving and repair	120,000	120,000	85,322	34,678
Right of way maintenance	12,000	12,000	15,765	(3,765)
Road shoulders and drainage	40,000	40,000	43,556	(3,556)
Streetlights	20,000	20,000	16,908	3,092
Street signs	3,000	3,000	2,254	746
Traffic lights	<u>10,000</u>	<u>10,000</u>	<u>2,186</u>	<u>7,814</u>
Total highways and streets	<u>225,000</u>	<u>225,000</u>	<u>172,405</u>	<u>52,595</u>
Other -				
Capital improvements	149,000	186,500	186,049	451
Pedestrian Enhancement				
Grant Match	<u>360,000</u>	<u>965,000</u>	<u>964,498</u>	<u>502</u>
Total other	<u>509,000</u>	<u>1,151,500</u>	<u>1,150,547</u>	<u>953</u>
Total expenditures	<u>1,653,695</u>	<u>2,296,195</u>	<u>2,063,806</u>	<u>232,389</u>
EXCESS/(SHORTAGE) OF REVENUES TO EXPENDITURES	<u>\$ 949,975</u>	<u>\$ 346,475</u>	<u>\$ 101,623</u>	<u>\$(244,852)</u>
FUND BALANCE at beginning of year			<u>3,549,933</u>	
FUND BALANCE at end of year			<u>\$ 3,651,556</u>	

See notes to financial statements.

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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, 2022

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 regard 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, 2022

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, 2022

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, 2022, 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, 2022.

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, 2022

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, 2022

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 2022 levy year was \$0.201 per \$100 of valuation.

2. CASH DEPOSITS AND INVESTMENTS.

Cash deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 2,102,126
Investments	<u>805,767</u>
Total cash deposits and investments	<u>\$ 2,907,893</u>

Cash deposits and investments as of June 30, 2022, consist of the following:

Cash on hand	\$ 409
Deposits with financial institutions	2,101,717
Investments	<u>805,767</u>
Total cash deposits and investments	<u>\$ 2,907,893</u>

CITY OF LAKESITE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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, 2022, the City's deposits had a carrying amount of \$2,101,716 and a bank balance of \$2,108,201. 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, 2022, the City's investment balances were as follows:

	<u>Maturities</u>	<u>Fair Value</u>
Investment in the LGIP	Daily	\$1,754,992
Money Market	Daily	731
Bank certificates of deposit		<u>805,036</u>
Total investments		<u>\$2,560,759</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, 2022

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, 2022, 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, 2022.

During 2022, the City realized a net decrease in investments of \$(273,795). 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, 2022, consists of the following:

Hamilton County, Tennessee	\$ 118,675
State of Tennessee	771,635
Due from third parties	<u>18,032</u>
	<u>\$ 908,342</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, 2022

5. CAPITAL ASSETS.

Capital asset activity for the year ended June 30, 2022, is as follows:

	Balance July 1, 2021	Additions	Reclassifications and Deletions	Balance June 30, 2022
Non-depreciable assets:				
Land	\$ 156,307	\$ 20,000	\$ -	\$ 176,307
Construction in progress	<u>46,261</u>	<u>964,498</u>	<u>-</u>	<u>1,010,759</u>
Total non-depreciable assets	<u>202,568</u>	<u>984,498</u>	<u>-</u>	<u>1,187,066</u>
Depreciable assets:				
Buildings and improvements	1,287,022	-	-	1,287,022
Vehicles	92,768	-	-	92,768
Equipment	688,334	41,085	-	729,419
Infrastructure	<u>1,598,677</u>	<u>44,963</u>	<u>-</u>	<u>1,643,640</u>
Total depreciable assets	<u>3,666,801</u>	<u>86,048</u>	<u>-</u>	<u>3,752,849</u>
Less: accumulated depreciation	<u>1,446,416</u>	<u>209,068</u>	<u>-</u>	<u>1,655,484</u>
Capital assets, net	<u>\$ 2,422,953</u>	<u>\$ 861,478</u>	<u>\$ -</u>	<u>\$ 3,284,431</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, 2022.

CITY OF LAKESITE, TENNESSEE
SCHEDULE OF INSURANCE COVERAGE

JUNE 30, 2022

(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)	\$ 1,960,025
Equipment – including data processing equipment	\$ 38,450

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, 2021</u>
State –			
Tennessee Department of Transportation	20.505	33LPLM-F3-169	\$ -
Tennessee Department of Finance and Administration	21.027		-
			<u>\$ -</u>

<u>Grant Revenues Received</u>	<u>Grant Expenditures</u>	<u>Accrued (Deferred) Grant Revenues June 30, 2021</u>
\$ 359,039	\$ 799,859	\$ 440,820
<u>276,537</u>	<u>553,074</u>	<u>276,537</u>
<u>\$ 635,576</u>	<u>\$ 1,352,933</u>	<u>\$ 717,357</u>

CITY OF LAKESITE, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2022

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, 2022

(Unaudited)

<u>Year of Levy</u>	<u>Assessed Valuation</u>	<u>Tax Rate per \$100 Valuation</u>	<u>Net Taxes Levied</u>
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
2022	\$ 62,600,000	\$.201	\$ 125,826

CITY OF LAKESITE, TENNESSEE

SCHEDULE OF CHANGES IN TAXES RECEIVABLE

JUNE 30, 2022

(Unaudited)

Tax Year (1)	Property Taxes Receivable Balance June 30, 2021	Property Taxes Levied	Anticipated Current Year Levy (2)	Net Pick-Ups and Charge-Offs	Collections	Property Taxes Receivable Balance June 30, 2022
2022	\$ -	\$ -	\$ 125,000	\$ -	\$ -	\$ 125,000
2021	128,702	128,702	-	(128,702)	125,067	3,635
2020	1,845	-	-	-	513	1,332
2019	2,257	-	-	(986)	2	1,269
2018	965	-	-	-	-	965
2017	154	-	-	(154)	-	-
2016	1,356	-	-	(1,356)	-	-
2015	412	-	-	(412)	-	-
2014	<u>1,061</u>	<u>-</u>	<u>-</u>	<u>(1,061)</u>	<u>-</u>	<u>-</u>
	<u>\$ 136,752</u>	<u>\$ 128,702</u>	<u>\$ 125,000</u>	<u>\$ (132,671)</u>	<u>\$ 125,582</u>	<u>\$ 132,201</u>

Note:

(1) According to the Clerk and Master of Hamilton County, Tennessee, all years prior to 2017 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, 2022

(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>
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%	2	115,559	96.5%
2021	123,673	121,828	98.5%	506	122,334	98.9%
2022	128,702	125,067	97.2%	-	125,067	97.2%



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, 2022, 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 March, 23, 2023.

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.

A handwritten signature in black ink that reads "S.R. Runk + Company, PLLC". The signature is written in a cursive, flowing style.

Chattanooga, Tennessee

March 23, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lakesite, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Lakesite, Tennessee's major federal programs for the year ended June 30, 2022. City of Lakesite, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Lakesite, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Lakesite, Tennessee and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Lakesite, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Lakesite, Tennessee's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Lakesite, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Lakesite, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Lakesite, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Lakesite, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Lakesite, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

S. R. Runk + Company, PLLC

Chattanooga, Tennessee

March 23, 2023

CITY OF LAKESITE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2022

I. Summary of Auditors' Results

Financial statements

Type of audit report issued Unmodified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- Noncompliance which is material to the financial statements noted? No

Federal awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
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20.505	Pedestrian Enhancement Grants
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21.027	American Rescue Plan Act
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Dollar threshold to distinguish between Type A and Type B programs	\$750,000
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Auditee qualifies as a low-risk auditee?	No
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II.	Financial Statement Findings	None noted
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III.	Findings and Questioned Costs for Federal Award	None noted
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CITY OF LAKESITE, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2022

There were no prior year findings.