

CITY OF LAKELAND, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2016



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Introductory Section



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November 8, 2016

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

The Financial Statements of the City of Lakeland, Tennessee for the fiscal year ended June 30, 2016, is hereby submitted in accordance with the City of Lakeland Charter requirement for an independent audit by a certified public accounting firm. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards.

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

Watkins Uiberall, PLLC has audited the City of Lakeland financial statements, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable (clean) basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

Profile of the Government

The City of Lakeland, incorporated in 1977, is located in northeast Shelby County in the Southwestern part of the State. Lakeland occupies 24 square miles and serves a population of over 12,430. The City of Lakeland's charter provides for a Manager-Commission form of Government. This is a Statutory Charter established by the State of Tennessee.

Lakeland's daily operational activities are handled by a City Manager, who is appointed by the Board of Commissioners. Under Lakeland's form of government, the five-member Board of Commissioners, one of whom

is elected as Mayor, are elected at large. The Commissioners' duties are to set City policy through legislation and to supervise and evaluate the management of the City by the City Manager. The Board of Commissioners, among other things, is responsible for passing ordinances, adopting the budget, and appointing members of Advisory Boards and Commissions. The Board of four Commissioners and the Mayor are elected to four-year terms by popular vote. One-half of the Board is elected every two years.

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

Lakeland School System (LSS) is a municipal school district that is responsible for providing educational services to the more than 2,300 public school students in grades K-12 who live in the City of Lakeland. LSS operates one K-5 school, Lakeland Elementary School, and contracts with Arlington Community Schools and Bartlett City Schools to provide educational services to Lakeland students in grades 6-12. Lakeland Middle Preparatory School is anticipated to open in August 2017 and will provide educational services to Lakeland students in grades 5-8. As a municipal school district, Lakeland School System is a subset of the City of Lakeland. An elected school board governs Lakeland School System and employs a superintendent who also serves as the Chief Financial Officer for the district.

The Memphis Light, Gas, and Water Division of the City of Memphis provides electrical, water, and natural gas distribution to the Lakeland service area. The City of Memphis also provides sewer service to residents located in a portion of Lakeland that is located north of Highway 64, south of Interstate 40, and west of Canada Road. Approximately 1000 households reside in this area. These entities do not meet the established criteria for inclusion in the reporting entity and are not included in this report.

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

Local Economy

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

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

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

Among the larger commercial site plans approved by the City, The Lake District Planned Development, formerly known as the Outlet Mall, remains in a pending status. The developer has secured approval from the City of Lakeland and Shelby County for Tax Increment Financing and is anticipated to move forward in the development process in 2017.

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

Long-term financial planning

- Construction of the I-40 & Canada Road Interchange, with completion anticipated in mid-2017.
- Several streets improvement projects, including the extension of Beverle Rivera Drive and connection with Huff N Puff Road, with completion anticipated in 2017.
- Planning and construction of New Canada Road.
- In September of 2016, the City issued twelve-year Capital Outlay Notes in the amount of \$20,000,000 to finance the new Lakeland Middle Preparatory School.

Major initiatives

- The construction of a new \$20 million middle school, expected to open in August of 2017, to provide educational services to Lakeland public school students in grades 5-8.
- Right-of-way acquisitions of New Canada Road are expected to be completed in 2017 using Federal Surface Transportation Funds (80%) with a local match (20%).
- Construction of Beverle Rivera Drive is anticipated in 2017. This is funded by a TLDA loan with the State of Tennessee.
- Reconstruction of Huff N Puff Road using Federal Surface Transportation Funds (80%) with a local match (20%) is anticipated in 2017 in conjunction with the Beverle Rivera Drive construction project.
- Ongoing analysis of the Sewer Fund in order to balance revenues with expenditures.
- Ongoing street repair and maintenance, including crack sealing.

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

Credit also must be given to the Mayor and the Commissioners, as well as the Board of Education of Lakeland School System, for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Lakeland's finances.

Respectfully submitted,



Jim Atkinson, *City Manager*

City of Lakeland, Tennessee
City Officials
June 30, 2016

Mayor
Wyatt Bunker

Commissioners
Josh Roman, Vice Mayor
Michele Dial, Commissioner
Sherri Gallick, Commissioner
Clark Plunk, Commissioner

Board of Education of Lakeland School System

Kevin Floyd, Chairman
Laura Harrison, Vice Chairman
Kelley Hale, Member
Teresa Henry, Member
Geoff Hicks, Member

Appointed Officials

City Manager	Jim Atkinson
City Attorney	Wiseman Bray, PLLC
City Recorder	Jessica Millspaugh
School Superintendent	William E. Horrell, III
School System Attorney	Burch Porter & Johnson, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund, the general purpose school fund, and the Lakeland School System capital projects fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund, the general purpose school fund, and the Lakeland School System capital projects fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The City of Lakeland, Tennessee has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note 8 to the financial statements, which describes a restatement increasing the beginning Governmental Activities net position by \$498,078 on the Government-wide Statement of Activities. This restatement was necessary because of the transitional requirement of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, the combining financial statements and schedules and other supporting schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2, U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining financial statements and schedules and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, schedules, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and supporting schedules on pages 86 to 97 have not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Accounting Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Memphis, Tennessee
November 8, 2016

Management's Discussion and Analysis

This is a narrative overview and analysis of the financial activities of the City of Lakeland for the fiscal year ended June 30, 2016. Please consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and notes to the financial statements.

Financial Highlights

- The assets of the City of Lakeland exceeded its liabilities at the close of the most recent fiscal year by \$63,150,507 (net position). The net position of the City of Lakeland consists of \$48,785,872 in net investment in capital assets, \$1,708,500 in restricted, and \$12,656,135 in unrestricted. The unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Lakeland's change in net position increased by \$2,210,322 in fiscal year 2016.
- As of June 30, 2016, the City of Lakeland's governmental funds reported combined ending fund balances of \$34,781,699, an increase of \$24,476,633 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,110,377 or 74.2% of total general fund balance.
- The City of Lakeland's total debt increased \$21,419,342 during the current fiscal year.

Overview of the Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Lakeland that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lakeland include general government, capital projects, public works, parks and recreation, and education. The business-type activities of the City of Lakeland include the operation of the sewer facilities.

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

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

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

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

The City of Lakeland maintains five individual governmental funds and Lakeland School System maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general purpose school fund, and the school capital projects funds. The City of Lakeland and Lakeland School System adopts an annual appropriated budget for all funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds: The City of Lakeland maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Lakeland uses an enterprise fund to account for its Sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the sewer activities of the City of Lakeland, which is considered to be a major fund.

Fiduciary funds: The Lakeland School System maintains one type of fiduciary fund i.e. an agency fund. Agency funds are used to account for assets held by the School in a purely custodial capacity. The School Student Activities fund is an agency that records transactions for the general school population, or in some cases, for a specific segment of the school population.

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

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information as well as other supporting schedules included as suggested by the State of Tennessee or included by management for continuing bond disclosures.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Lakeland, assets exceeded liabilities by \$63,150,507 at the close of June 30, 2016.

By far the largest portion of the City of Lakeland's net position (77.3%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Lakeland uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Lakeland's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has \$34,070,265 of outstanding long-term debt as of June 30, 2016.

The following provides a summary of the City's net position at June 30, 2016:

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Current & Other Assets	\$ 41,099,305	\$ 15,394,645	\$ 1,642,301	\$ 1,534,764	\$ 42,741,606	\$ 16,929,409
Capital Assets	49,240,804	47,854,924	13,584,065	13,930,864	62,824,869	61,785,788
Total Assets	90,340,109	63,249,569	15,226,366	15,465,628	105,566,475	78,715,197
Deferred Outflows of Resources	1,492,549	507,789	16,772	18,643	1,509,321	526,432
Current Liabilities	2,089,177	786,330	41,184	20,689	2,130,361	807,019
Noncurrent Liabilities	30,323,188	6,179,892	6,036,000	6,519,000	36,359,188	12,698,892
Total Liabilities	32,412,365	6,966,222	6,077,184	6,539,689	38,489,549	13,505,911
Deferred Inflows of Resources	5,428,025	4,284,717	7,715	12,738	5,435,740	4,297,455
Net Position:						
Invested Capital Assets	41,237,807	41,723,002	7,548,065	7,411,864	48,785,872	49,134,866
Restricted	1,708,500	-	-	-	1,708,500	-
Unrestricted	11,045,961	10,783,417	1,610,174	1,519,980	12,656,135	12,303,397
Total Net Position	\$ 53,992,268	\$ 52,506,419	\$ 9,158,239	\$ 8,931,844	\$ 63,150,507	\$ 61,438,263

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

The City's net position increased \$1,712,244 during the current fiscal year. Of this amount, \$1,983,927 represented an increase in the net position from governmental activities, \$226,395 represented an increase in the net position from business-type activities, and (\$498,078), represented a decrease in the net position due to a change in accounting principle.

The following provides a summary of activities for the City during the fiscal year ended June 30, 2016:

Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Program Revenues						
Charges for services	\$ 2,017,108	\$ 1,674,763	\$1,268,923	\$1,188,359	\$ 3,286,031	\$ 2,863,122
Operating grants & capital contributions	5,138,342	5,567,050	-	5,270	5,138,342	5,572,320
General Revenues						
Local Taxes	8,451,536	6,639,974	-	-	8,451,536	6,639,974
Intergovernmental	2,897,031	1,771,959	-	-	2,897,031	1,771,959
Interest on investments	43,145	11,947	4,083	4,311	47,228	16,258
Other	100,121	42,511	-	-	100,121	42,511
Total Revenues	18,647,283	15,708,204	1,273,006	1,197,940	19,920,289	16,906,144
Expenses						
General Government	1,663,019	1,510,980	-	-	1,663,019	1,510,980
Public Safety	-	2,252	-	-	-	2,252
Public Works	4,845,979	4,420,595	-	-	4,845,979	4,420,595
Parks & Rec.	435,148	305,885	-	-	435,148	305,885
Education	9,452,381	6,980,701	-	-	9,452,381	6,980,701
Interest on long-term debt	52,145	-	-	-	52,145	-
Bond issuance costs	214,684	-	-	-	214,684	-
Business Type Sewer	-	-	1,046,611	1,097,001	1,046,611	1,097,001
Total Expenses	16,663,356	13,220,413	1,046,611	1,097,001	17,709,967	14,317,414
Change in Net Asset	1,983,927	2,487,791	226,395	100,939	2,210,322	2,588,730
Net Position Beginning	52,506,419	49,995,022	8,931,844	8,828,438	61,438,263	58,823,460
Cummulative effect of change in accounting principle	(498,078)	23,606	-	2,467	(498,078)	26,073
Net Position - Beginning of the year, as restated	52,008,341	50,018,628	8,931,844	8,830,905	60,940,185	58,849,533
Net Position End of Year	\$53,992,268	\$52,506,419	\$9,158,239	\$8,931,844	\$63,150,507	\$61,438,263

Governmental Activities

Governmental activities increased the City's net position by \$1,983,927.

Business-Type Activities

Business-type activities increased the City's net position by \$226,395.

Financial Analysis of the City's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of Lakeland's governmental funds reported combined ending fund balances of \$34,781,699 which was

an increase of \$24,476,633 in comparison with the prior year. Approximately 23.3% of this amount, \$8,108,031, constitutes unassigned fund balance, which is available for spending at the City's discretion.

The General Fund is the principal operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$10,923,322. The fund balance of the City's General Fund increased by \$3,356,418 as a result of the current year operations.

Proprietary Funds

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

Unrestricted net position of the sewer fund at the end of the year amounted to \$1,610,174. Other factors concerning the financial position of this fund have already been addressed in the discussion of the City's business-type activities.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of June 30, 2016, amounts to \$62,313,009 (net of accumulated depreciation) an increase of \$527,221 from prior year. This investment in capital assets includes land, buildings and improvements, furnishing and equipment, infrastructure, and construction in process.

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

- Various street and road improvements
- Right-of-way land acquisition of New Canada Road
- New SCADA system at the Wastewater Treatment Plant
- Land acquisition, consultant and architect fees, and construction costs for Lakeland Middle School

Additional information on the City's capital assets can be found in Note 4 to the financial statements on pages 36-37.

Summary of Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 8,610,846	\$ 7,349,690	\$ 75,360	\$ 75,360	\$ 8,686,206	\$ 7,425,050
Building & Improvement	15,055,679	15,055,679	18,451,787	18,421,262	33,507,466	33,476,941
Machinery & equipment	2,062,581	2,011,426	290,241	290,241	2,352,822	2,301,667
Improvements other	4,792,599	4,792,599	-	-	4,792,599	4,792,599
Infrastructure	63,334,178	63,047,926	-	-	63,334,178	63,047,926
Construction in Progress	5,993,194	3,257,862	122,136	30,526	6,115,330	3,288,388
Less: Accumulated Depreciation	(51,120,133)	(47,660,258)	(5,355,459)	(4,886,525)	(56,475,592)	(52,546,783)
Total Capital Assets	\$ 48,728,944	\$ 47,854,924	\$ 13,584,065	\$ 13,930,864	\$ 62,313,009	\$ 61,785,788

Summary of Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Notes payable	\$ 27,314,827	\$ 5,331,095	\$ 6,036,000	\$ 6,519,000	\$ 33,350,827	\$ 11,850,095
Shelby County settlement	548,146	601,469	-	-	548,146	601,469
Construction loan	117,459	117,459	-	-	117,459	117,459
Capital Leases	53,833	81,900	-	-	53,833	81,900
Total Long-Term Debt	\$ 28,034,265	\$ 6,131,923	\$ 6,036,000	\$ 6,519,000	\$ 34,070,265	\$ 12,650,923

Information related to the City’s long-term debt can be found in Note 4 to the financial statements on pages 38 through 40 of this report.

Budget Discussion (Fiscal Year 2016-2017 budget)

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

Property tax revenues will be used to operate Lakeland School System and fund Capital Projects, which include street and road repair and construction, and park acquisition. The property tax rate for fiscal year 2016 – 2017 remained the same at \$1.40 per \$100 of assessed value. The additional \$0.55 is committed to school capital improvements and will be used to make debt service payments on capital outlay notes issued to build Lakeland Middle School.

Based on data from the Municipal Technical Advisory Service (MTAS), the estimated state shared revenues are projected to slightly increase from the last year’s budget figures.

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

The City of Lakeland has approved a total budget of \$48,184,172 for the 2016-2017 FY. The capital budget accounts for \$25,273,794 and the sewer budget accounts for \$1,722,392 leaving \$21,187,986 for operations. The budget for Lakeland School System is \$27,828,625 for the 2016-2017 FY, which represents 57.8% of the City’s total budget.

Requests for Information

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

Basic Financial Statements

CITY OF LAKELAND, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 34,701,937	\$ 1,538,026	\$ 36,239,963
Receivables (net of allowance for uncollectibles):			
Property taxes	4,406,785	-	4,406,785
Other taxes	28,643	-	28,643
Accounts	519,244	-	519,244
Other	41,720	1,721	43,441
Internal balances	(76,687)	76,687	-
Due from other governments	1,192,199	24,605	1,216,804
Other assets	794	179	973
Capital assets, not being depreciated	15,115,900	197,496	15,313,396
Capital assets, being depreciated, net	34,124,904	13,386,569	47,511,473
Net pension asset	9,384	1,083	10,467
Total assets	<u>90,064,823</u>	<u>15,226,366</u>	<u>105,291,189</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	1,492,233	16,772	1,509,005
Related to other post-employment benefits	316	-	316
Total deferred outflows of resources	<u>1,492,549</u>	<u>16,772</u>	<u>1,509,321</u>
LIABILITIES			
Accounts payable	1,080,425	34,975	1,115,400
Accrued expenses	586,948	6,209	593,157
Unearned revenue	9,925	-	9,925
Customer deposits	89,123	-	89,123
Due to other governments	47,470	-	47,470
Long-term liabilities:			
Due within one year	1,941,751	503,000	2,444,751
Due in more than one year	26,152,016	5,533,000	31,685,016
Net pension liability	46,377	-	46,377
Net other postemployment benefit liability	2,183,044	-	2,183,044
Total liabilities	<u>32,137,079</u>	<u>6,077,184</u>	<u>38,214,263</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	868,585	7,715	876,300
Related to other post-employment benefits	195,854	-	195,854
Unavailable revenue - property taxes	4,363,586	-	4,363,586
Total deferred inflows of resources	<u>5,428,025</u>	<u>7,715</u>	<u>5,435,740</u>
NET POSITION			
Net investment in capital assets	41,237,807	7,548,065	48,785,872
Restricted for:			
Street activities	261,539	-	261,539
School activities	737,055	-	737,055
Solid waste activities	709,906	-	709,906
Unrestricted	11,045,961	1,610,174	12,656,135
Total net position	<u>\$ 53,992,268</u>	<u>\$ 9,158,239</u>	<u>\$ 63,150,507</u>

CITY OF LAKELAND, TENNESSEE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activity	Total
Functions/Programs							
Primary government:							
Governmental Activities:							
General government	\$ 1,663,019	\$ 115,735	\$ -	\$ -	\$ (1,547,284)	\$ -	\$ (1,547,284)
Public works	4,845,979	1,411,948	341,748	171,116	(2,921,167)	-	(2,921,167)
Parks and recreation	435,148	116,720	-	-	(318,428)	-	(318,428)
Education	9,452,381	372,705	4,625,478	-	(4,454,198)	-	(4,454,198)
Interest on long-term debt	52,145	-	-	-	(52,145)	-	(52,145)
Bond issuance costs	214,684	-	-	-	(214,684)	-	(214,684)
Total governmental activities	<u>16,663,356</u>	<u>2,017,108</u>	<u>4,967,226</u>	<u>171,116</u>	<u>(9,507,906)</u>	-	<u>(9,507,906)</u>
Business-type activity:							
Sewer	<u>1,046,611</u>	<u>1,268,923</u>	-	-	-	222,312	222,312
Total primary government	<u>\$ 17,709,967</u>	<u>\$ 3,286,031</u>	<u>\$ 4,967,226</u>	<u>\$ 171,116</u>	<u>(9,507,906)</u>	222,312	<u>(9,285,594)</u>
General revenues:							
Local taxes					8,451,536	-	8,451,536
Intergovernmental					2,897,031	-	2,897,031
Interest on investments					43,145	4,083	47,228
Other revenues					100,121	-	100,121
Total general revenues and transfers					<u>11,491,833</u>	<u>4,083</u>	<u>11,495,916</u>
Change in net position					1,983,927	226,395	2,210,322
Net position, beginning of the year, as previously reported					52,506,419	8,931,844	61,438,263
Effect of change in accounting principle					(498,078)	-	(498,078)
Net position, beginning of the year, as restated					<u>52,008,341</u>	<u>8,931,844</u>	<u>60,940,185</u>
Net position, end of the year					<u>\$ 53,992,268</u>	<u>\$ 9,158,239</u>	<u>\$ 63,150,507</u>

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE

BALANCE SHEET – GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	General Purpose Schools	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,438,999	\$ 1,903,260	\$ 20,623,383	\$ 1,736,295	\$ 34,701,937
Receivables					
Taxes	4,499,619	-	-	-	4,499,619
Other taxes	28,643	-	-	-	28,643
Accounts	113,818	1,360	404,066	-	519,244
Other	41,720	-	-	-	41,720
Less: allowance for uncollectibles	(92,834)	-	-	-	(92,834)
Other assets	496	-	-	298	794
Due from other funds	-	61,376	-	137,223	198,599
Due from other governments and agencies	870,422	247,732	-	74,045	1,192,199
Total assets	<u>\$ 15,900,883</u>	<u>\$ 2,213,728</u>	<u>\$ 21,027,449</u>	<u>\$ 1,947,861</u>	<u>\$ 41,089,921</u>
LIABILITIES					
Accounts payable	168,753	15,654	425,789	470,229	\$ 1,080,425
Accrued liabilities	11,742	285,522	-	8,501	305,765
Unearned revenue	-	-	-	9,925	9,925
Refundable deposits	89,123	-	-	-	89,123
Due to other funds	215,803	-	-	59,483	275,286
Due to other governments and agencies	-	46,919	-	551	47,470
Total liabilities	<u>485,421</u>	<u>348,095</u>	<u>425,789</u>	<u>548,689</u>	<u>1,807,994</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	4,418,862	-	-	-	4,418,862
Unavailable revenue - grants	30,764	-	-	8,088	38,852
Unavailable revenue - restitution	42,514	-	-	-	42,514
Total deferred inflows of resources	<u>4,492,140</u>	<u>-</u>	<u>-</u>	<u>8,088</u>	<u>4,500,228</u>
FUND BALANCES					
Restricted for:					
Street activities	-	-	-	261,539	261,539
School activities	-	-	20,601,660	166,663	20,768,323
Solid waste activities	-	-	-	709,906	709,906
Committed to:					
Storm Water activities	-	-	-	121,851	121,851
Debt Service	-	-	-	133,471	133,471
Park acquisition	408,718	-	-	-	408,718
Assigned to:					
School activities	2,404,227	1,865,633	-	-	4,269,860
Unassigned	8,110,377	-	-	(2,346)	8,108,031
Total fund balances	<u>10,923,322</u>	<u>1,865,633</u>	<u>20,601,660</u>	<u>1,391,084</u>	<u>34,781,699</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,900,883</u>	<u>\$ 2,213,728</u>	<u>\$ 21,027,449</u>	<u>\$ 1,947,861</u>	<u>\$ 41,089,921</u>

CITY OF LAKELAND, TENNESSEE

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

June 30, 2016

Total fund balances, governmental funds	\$ 34,781,699
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	49,240,804
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	136,642
Interest on long-term debt is not payable with current financial resources and, therefore, is not reported in the funds	(281,183)
Long-term liabilities, including notes payable, settlement liability and capital leases are not due and payable in the current period and, therefore, are not reported in the funds.	(28,034,265)
Compensated absence that are not due and payable in the current period are not reported in the governmental funds	(59,502)
Net pension asset, deferred outflows, and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	586,655
Net other postemployment benefit liability, deferred outflows, and deferred inflows of resources related to other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.	<u>(2,378,582)</u>
Net position of governmental activities	<u><u>\$ 53,992,268</u></u>

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	General Fund	General Purpose School	School Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 5,289,363	\$ 3,175,495	\$ -	\$ -	\$ 8,464,858
Licenses and permits	108,980	-	-	-	108,980
Intergovernmental	1,943,061	4,346,266	863,361	342,372	7,495,060
Charges for services	116,720	4,536	-	1,780,117	1,901,373
Federal, state, and local grants	191,701	-	-	364,738	556,439
Interest income	7,198	-	31,268	4,679	43,145
Other	41,861	14,326	49,434	-	105,621
Total revenues	<u>7,698,884</u>	<u>7,540,623</u>	<u>944,063</u>	<u>2,491,906</u>	<u>18,675,476</u>
EXPENDITURES					
Current					
General government	1,817,676	-	-	-	1,817,676
Public works	138,676	-	-	1,816,673	1,955,349
Parks and recreation	449,309	-	-	-	449,309
Education	-	6,863,698	-	577,143	7,440,841
Capital outlay	-	-	3,866,544	102,027	3,968,571
Debt Service					
Principal	-	-	-	413,323	413,323
Interest and fiscal charges	-	-	-	439,071	439,071
Bond issuance costs	101,684	-	113,000	-	214,684
Total expenditures	<u>2,507,345</u>	<u>6,863,698</u>	<u>3,979,544</u>	<u>3,348,237</u>	<u>16,698,824</u>
Excess (deficiency) of revenues over (under) expenditures	5,191,539	676,925	(3,035,481)	(856,331)	1,976,652
OTHER FINANCING SOURCES (USES)					
Issuance of debt	20,000,000	-	-	-	20,000,000
Premium on debt issuance	2,499,981	-	-	-	2,499,981
Transfers in	-	467,314	22,398,297	1,469,491	24,335,102
Transfers out	<u>(24,335,102)</u>	-	-	-	<u>(24,335,102)</u>
Total other financing sources	<u>(1,835,121)</u>	<u>467,314</u>	<u>22,398,297</u>	<u>1,469,491</u>	<u>22,499,981</u>
Net change in fund balances	3,356,418	1,144,239	19,362,816	613,160	24,476,633
Fund balances - beginning of the year	<u>7,566,904</u>	<u>721,394</u>	<u>1,238,844</u>	<u>777,924</u>	<u>10,305,066</u>
Fund balances - ending of the year	<u>\$ 10,923,322</u>	<u>\$ 1,865,633</u>	<u>\$ 20,601,660</u>	<u>\$ 1,391,084</u>	<u>\$ 34,781,699</u>

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

Net change in fund balances- total governmental funds	\$ 24,476,633
Amounts reported for governmental activities in the statement of net activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays and contributions in the current period.	1,385,880
Some revenues will not be collected for several months after fiscal year end and are reported as unavailable revenues in the funds. This is the net difference between the amounts unavailable in the current and prior year.	(28,193)
Changes in interest payable on long-term debt	(281,183)
The issuance of long-term debt (e.g. notes payable, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debts consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Governmental funds report the effect of premiums, discounts, and similar items when first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt. Also, compensated absence expenses are reported in the government-wide statement of activities, but do not require the use of current financial resources.	(21,902,342)
Compensated absence expenses are reported in the statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(18,370)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, are reported as pension expense.	184,036
Governmental funds report other postemployment benefit contributions as expenditures. However, in the Statement of Activities, the cost of other postemployment benefits earned, are reported as other postemployment benefit expense.	<u>(1,832,534)</u>
Change in net position of governmental activities	<u>\$ 1,983,927</u>

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property tax	\$4,314,408	\$4,314,408	\$4,261,674	\$ (52,734)
Local sales tax	650,000	650,000	773,378	123,378
Wholesale beer tax	70,000	70,000	42,754	(27,246)
CATV franchise tax	120,000	120,000	148,102	28,102
Hotel/Motel tax	45,000	45,000	63,455	18,455
Total taxes	<u>5,199,408</u>	<u>5,199,408</u>	<u>5,289,363</u>	<u>89,955</u>
Licenses and permits				
Building permit fees	50,850	50,850	31,023	(19,827)
Inspection fees	14,400	14,400	17,900	3,500
Plat approval fees	9,000	9,000	6,610	(2,390)
Others	20,450	20,450	53,447	32,997
Total licenses and permits	<u>94,700</u>	<u>94,700</u>	<u>108,980</u>	<u>14,280</u>
Intergovernmental				
State of Tennessee shared taxes				
Sales tax	938,465	938,465	1,005,384	66,919
Local option sales tax	275,000	275,000	339,857	64,857
Business tax	50,000	50,000	76,994	26,994
Income tax	160,000	160,000	192,645	32,645
Petroleum special tax	25,482	25,482	25,288	(194)
Other tax	8,415	8,415	9,808	1,393
Receipts in lieu of tax - TVA	142,324	142,324	293,085	150,761
Total intergovernmental	<u>1,599,686</u>	<u>1,599,686</u>	<u>1,943,061</u>	<u>343,375</u>
Charges for services				
Recreation fees	41,764	98,714	69,339	(29,375)
Rental income	36,200	36,200	47,381	11,181
Total charges for services	<u>77,964</u>	<u>134,914</u>	<u>116,720</u>	<u>(18,194)</u>
Grants	2,160,250	2,180,750	191,701	(1,989,049)
Interest income	6,000	6,000	7,198	1,198
Other revenue	<u>22,500</u>	<u>24,500</u>	<u>41,861</u>	<u>17,361</u>
Total revenues	9,160,508	9,239,958	7,698,884	(1,541,074)

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
General Government				
Personnel compensation	377,335	382,209	370,198	12,011
Fringe benefits	132,579	135,279	125,515	9,764
Office communication expense	26,750	29,250	29,158	92
Utility services	36,520	35,020	31,401	3,619
Contractual services	193,000	191,850	189,228	2,622
Repair/travel/supplies	49,300	67,300	76,545	(9,245)
Insurance	53,525	63,025	62,034	991
Other services	141,270	174,520	169,892	4,628
Total general government	<u>1,010,279</u>	<u>1,078,453</u>	<u>1,053,971</u>	<u>24,482</u>
Planning and Economic Development				
Personnel compensation	122,559	122,559	113,823	8,736
Fringe benefits	38,159	38,159	33,149	5,010
Office expense	3,020	3,020	1,929	1,091
Professional services	65,000	65,000	32,222	32,778
Repair/travel/supplies	4,500	4,500	2,449	2,051
Capital projects	70,000	70,000	55,238	14,762
Capital outlay	12,500	12,500	6,000	6,500
Total planning division	<u>315,738</u>	<u>315,738</u>	<u>244,810</u>	<u>70,928</u>
Code Enforcement				
Personnel compensation	36,160	36,160	31,485	4,675
Fringe benefits	16,515	16,515	7,109	9,406
Office expense	1,500	2,250	1,732	518
Repair/travel/supplies	4,500	9,250	7,017	2,233
Capital Outlay	20,000	14,500	14,500	-
Total construction inspection	<u>78,675</u>	<u>78,675</u>	<u>61,843</u>	<u>16,832</u>
Construction Inspection				
Personnel compensation	39,904	39,904	40,062	(158)
Fringe benefits	19,716	19,716	18,791	925
Repair/travel/supplies	2,500	2,500	1,823	677
Total construction inspection	<u>62,120</u>	<u>62,120</u>	<u>60,676</u>	<u>1,444</u>

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

Expenditures (continued)	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
GIS				
Personnel compensation	50,437	50,437	43,642	6,795
Fringe benefits	18,717	18,717	15,376	3,341
Contractual services	58,200	58,200	37,205	20,995
Repair/travel/supplies	3,650	3,650	352	3,298
Total GIS	<u>131,004</u>	<u>131,004</u>	<u>96,575</u>	<u>34,429</u>
Engineering				
Personnel Compensation	75,000	50,000	47,642	2,358
Fringe benefits	22,749	22,749	12,357	10,392
General Office Expenses	1,220	1,220	1,375	(155)
Professional services	10,000	35,000	32,708	2,292
Repair/travel/supplies	5,150	5,150	652	4,498
Capital projects	3,837,791	3,837,791	199,067	3,638,724
Capital outlay	12,500	12,500	6,000	6,500
Total engineering	<u>3,964,410</u>	<u>3,964,410</u>	<u>299,801</u>	<u>19,385</u>
Total general government	5,562,226	5,630,400	1,817,676	3,812,724
Public works				
Personnel compensation	52,855	69,505	59,599	9,906
Fringe benefits	13,593	14,443	10,503	3,940
Utility services	3,020	4,020	3,557	463
Other professional services	30,000	45,500	46,001	(501)
Repair/travel/supplies	32,550	35,550	19,016	16,534
Total public works	<u>132,018</u>	<u>169,018</u>	<u>138,676</u>	<u>30,342</u>
Parks and Recreation				
Recreation				
Senior citizen activities	31,358	36,058	30,945	5,113
Recreation	40,700	121,750	75,659	46,091
IH Clubhouse	24,650	136,650	61,208	75,442
Total recreation	<u>96,708</u>	<u>294,458</u>	<u>167,812</u>	<u>126,646</u>

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued)				
Park Administration				
Personnel compensation	142,861	170,861	141,917	28,944
Fringe benefits	37,554	38,379	48,004	(9,625)
General office expense	900	2,400	1,451	949
Recreation activities	-	-	11,033	(11,033)
Repair/travel/supplies	29,350	34,450	10,659	23,791
Capital projects	310,000	781,769	68,433	713,336
Total park administration	<u>520,665</u>	<u>1,027,859</u>	<u>281,497</u>	<u>746,362</u>
Total parks and recreation	617,373	1,322,317	449,309	873,008
Education				
School Reserves	299,492	299,492	-	299,492
Total education	<u>299,492</u>	<u>299,492</u>	<u>-</u>	<u>299,492</u>
Debt service				
Bond issuance costs	-	-	101,684	(101,684)
Total debt service	<u>-</u>	<u>-</u>	<u>101,684</u>	<u>(101,684)</u>
Total expenditures	<u>6,611,109</u>	<u>7,421,227</u>	<u>2,507,345</u>	<u>4,913,882</u>
Excess of revenues over expenditures	2,549,399	1,818,731	5,191,539	3,372,808
OTHER FINANCING SOURCES (USES)				
Debt issuance	1,607,541	24,005,838	22,499,981	1,505,857
Transfers out	(1,550,174)	(24,335,098)	(24,335,102)	4
Total other financing sources (uses)	<u>57,367</u>	<u>(329,260)</u>	<u>(1,835,121)</u>	<u>1,505,861</u>
Net change in fund balance	<u>\$ 2,606,766</u>	<u>\$ 1,489,471</u>	3,356,418	<u>\$ 4,878,669</u>
Fund balance - beginning of the year			<u>7,566,904</u>	
Fund balance - ending of the year			<u>\$ 10,923,322</u>	

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,198,104	\$ 2,198,104	\$ 2,254,203	\$ 56,099
Sales taxes	790,000	790,000	921,292	131,292
Intergovernmental				
Business taxes	-	-	602	602
Other taxes	2,786	2,786	89,383	86,597
Basic Education Program	3,796,000	4,009,000	4,228,390	219,390
Career Ladder Program	25,000	20,000	25,613	5,613
Other	-	-	2,278	2,278
Charges for services	7,600	7,600	4,536	(3,064)
Other revenues	-	-	14,326	14,326
Total revenues	6,819,490	7,027,490	7,540,623	513,133
EXPENDITURES				
Regular instruction program	3,888,890	4,112,205	3,834,310	(277,895)
Special education program	801,527	729,170	709,915	(19,255)
Planning	4,000	4,000	3,582	(418)
Health services	68,264	68,905	45,982	(22,923)
Other student support	78,083	73,083	62,684	(10,399)
Regular instruction support	187,400	165,056	144,568	(20,488)
Special education instruction support	115,710	138,054	120,412	(17,642)
Board of education services	435,469	525,469	443,984	(81,485)
Office of Superintendent		268,350	261,151	(7,199)
Office of Principal	443,450	443,450	434,767	(8,683)
Fiscal services	64,796	106,197	84,589	(21,608)
Human resources	7,285	7,285	6,176	(1,109)
Operation of plant	362,767	362,767	294,357	(68,410)
Maintenance of plant	64,250	64,250	31,714	(32,536)
Transportation	219,265	229,265	177,877	(51,388)
Technology	225,498	225,498	199,328	(26,170)
Capital outlay	60,700	60,700	7,202	(53,498)
School safety	1,100	1,100	1,100	-
Total expenditures	7,028,454	7,584,804	6,863,698	(721,106)
Excess (deficiency) of revenues over (under) expenditures	(208,964)	(557,314)	676,925	1,234,239

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES)				
Transfers in	462,448	467,314	467,314	-
Transfers out	(10,000)	(10,000)	-	10,000
Total other financing sources	<u>452,448</u>	<u>457,314</u>	<u>467,314</u>	<u>10,000</u>
Net change in fund balance	<u>\$ 243,484</u>	<u>\$ (100,000)</u>	1,144,239	<u>\$ 1,244,239</u>
Fund balance - beginning of the year			<u>721,394</u>	
Fund balance - ending of the year			<u>\$ 1,865,633</u>	

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ 990,000	\$ 863,361	\$ (126,639)
Interest	-	-	31,268	31,268
Other	-	-	49,434	49,434
Total revenues	-	990,000	944,063	(45,937)
EXPENDITURES				
Capital outlay	\$ 1,238,844	\$ 24,627,141	\$ 3,979,544	\$ 20,647,597
Deficiency of revenues under expenditures	(1,238,844)	(23,637,141)	(3,035,481)	(20,693,534)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	22,398,297	22,398,297	-
Net change in fund balance	\$ (1,238,844)	\$ (1,238,844)	19,362,816	\$ (20,693,534)
Fund balance - beginning of the year			1,238,844	
Fund balance - ending of the year			\$ 20,601,660	

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF NET POSITION – PROPRIETARY FUND
SEWER FUND**

June 30, 2016

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,538,026
Receivables	1,721
Due from other funds	76,687
Due from other governments	24,605
Total current assets	1,641,039

Capital assets:

Capital assets, not being depreciated	197,496
Capital assets, being depreciated - net	13,386,569
Total capital assets	13,584,065

Other assets

Net pension asset	179
Total assets	1,083
	15,226,366

DEFERRED OUTFLOWS OF RESOURCES

Pension changes in actuarial experience	9,146
Pension contribution after measurement date	7,626
Total deferred outflows of resources	16,772

LIABILITIES

Current liabilities:

Accounts payable	34,975
Accrued expenses	6,209
Current portion of notes payable	503,000
Total current liabilities	544,184

Noncurrent liabilities:

Notes payable, net of current portion	5,533,000
Total liabilities	6,077,184

DEFERRED INFLOWS OF RESOURCES

Pension changes in investment earnings	2,584
Pension changes in actuarial experience	5,131
	7,715

NET POSITION

Net investment in capital assets	7,548,065
Unrestricted	1,610,174
Total net position	\$ 9,158,239

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

Operating revenues:	
Sewer service fee	\$ 1,244,773
Service connections fees	24,150
Total operating revenues	<u>1,268,923</u>
Operating expenses:	
Personnel expenses	177,236
General and administrative	344,763
Depreciation	468,934
Total operating expenses	<u>990,933</u>
Operating income	277,990
Nonoperating revenues (expenses):	
Interest income	4,083
Interest and agent fee expense	(55,678)
Total non-operating expenses	<u>(51,595)</u>
Change in net position	226,395
Net position - beginning of the year	<u>8,931,844</u>
Net position - ending of the year	<u>\$ 9,158,239</u>

CITY OF LAKELAND, TENNESSEE

**STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SEWER FUND**

For the Year Ended June 30, 2016

CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,288,093
Payments to suppliers	(252,967)
Payments to employees	(177,236)
Net cash provided by operating activities	857,890
 CASH FLOWS USED FOR NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	(83,558)
 CASH FLOWS FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on capital debt	(483,000)
Acquisition and construction of capital assets	(122,135)
Interest paid on capital debt	(55,678)
Net cash used by capital and related financing activities	(660,813)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income received	4,083
Net increase in cash and cash equivalents	117,602
Cash and cash equivalents - beginning of the year	1,420,424
Cash and cash equivalents - end of the year	\$ 1,538,026
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income	\$ 277,990
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	468,934
Employer contributions in excess of pension expense	(3,258)
Change in assets and liabilities:	
Receivables - customers	19,170
Receivables - other governments	74,738
Other assets	(179)
Accounts payable and accrued expenses	20,495
Net cash provided by operating activities	\$ 857,890

CITY OF LAKELAND, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
STUDENT ACTIVITY FUNDS

June 30, 2016

ASSETS

Cash	\$	196,844
Inventory		3,591
Total assets	\$	<u>200,435</u>

LIABILITIES

Due to student general fund	\$	152,977
Due to student groups		47,458
Total liabilities	\$	<u>200,435</u>

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The financial statements of the City include the operations of Lakeland School System (the “School”) of City of Lakeland, Tennessee. The School began operations on June 2, 2014 upon transfer of property from the Shelby County Board of Education. The School is governed by a five member Board of Education. The City has determined that the School’s general purpose fund, federal projects fund, nutrition fund, capital projects fund, discretionary grants fund, and before and after school care fund represent special revenue funds of the City and the School’s student activity fund is an agent fund of the City.

The financial statements of the City have been prepared in accordance with *generally accepted accounting principles* (GAAP) followed in the United States of America. In the United States the Governmental Accounting Standards Board (GASB) is the established and recognized standard-setting body for governmental accounting and financial reporting. The GASB periodically issues new or revised standards that are implemented by the City. As required by GAAP, these financial statements present the government and its component units, legally separate entities for which the City is considered to be financially accountable. However, currently there are no component units.

B. Basis of Presentation

1. Government-Wide Financial Statements

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

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

2. Governmental Fund Financial Statements

The governmental fund financial statements of the City are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures/expenses. Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major governmental funds and in the aggregate for the remaining nonmajor funds. 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 position and changes in net position presented in the government-wide financial statements. The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund. The governmental funds of the City are described below:

a. Major Governmental funds:

The **General Fund** is the primary operating fund of the City and accounts for all financial resources of the general government, except those required to be accounted for in another fund. Most of the essential governmental services such as general administration and community services are reported in the General Fund.

The **General Purpose School Fund** is a special revenue fund used as the operating fund of the Lakeland School System and accounts for all general revenues and other receipts that are not allocated by law or contractual agreement to another Lakeland School System fund. General operating expenditures and capital improvement costs that are not paid through other school system funds are paid from the General Purpose School Fund.

The **School Capital Projects Fund** is used to account for the financial resources to be used for the acquisition or construction of fixed assets pertaining to the schools.

b. Nonmajor Governmental funds:

The **State Street Aid Fund** accounts for the receipts and expenditures related to street aid services.

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

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

The **School Nutrition Fund** accounts for the financial activities related to the Lakeland School System school breakfast and lunch programs.

The **School Federal Projects Fund** and **School Discretionary Grants Fund** account for programs and expenditures of the Lakeland School System which are funded by grants from various federal and state grant programs.

The **School Before and After Care Fund** accounts for the receipts and expenditures related to the participant funded before and after care programs.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

3. *Proprietary Fund Financial Statements*

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to private sector businesses.

The reporting entity includes the following enterprise fund:

a. Major Proprietary Fund:

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

4. *Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a statement of fiduciary net position. Agency funds are fiduciary funds used to account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

The **School Student Activities Fund** accounts for student activity funds that record transactions for the general school population, or in some cases, for a specific segment of the school population. These funds were audited in a separate report and can be obtained by contacting the Lakeland School System.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Certain eliminations have been made in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, those transactions between governmental and business-type activities have not been eliminated.

1. *Measurement Focus*

On the government-wide statement of net position and statement of activities, both governmental and business-type activities are presented using the "economic resources" measurement focus. Accordingly, all of the City's assets and liabilities, including capital assets as well as current year infrastructure assets and long-term liabilities, along with deferred inflows and outflows of resources, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

Proprietary funds are accounted for using the "economic resources" measurement focus. Accordingly, all assets, deferred outflows of resources, liabilities, deferred inflows of resources (whether current or noncurrent) are included in the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period. These funds use fund balance as their measure of available resources at the end of the period.

2. *Basis of Accounting*

In the government-wide financial statements, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when

earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Governmental fund financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available to finance expenditures of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, other local taxes, and intergovernmental revenues. Licenses and permits, fines and forfeitures, and miscellaneous revenues (except for investment earnings) are considered to be measurable and available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position/fund balance

1. Deposits

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

2. Receivables and payables

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. All property values are assessed on January 1 of each year. All real and personal property taxes are levied in October of each year, at which time the receivable is recognized as revenue. All unpaid property taxes become delinquent on February 28. Property taxes are recorded as revenue in the fiscal year of the levy if collected within two months (by August 31) following the end of the fiscal year. Property taxes receivable are recorded at the lien date. Deferred inflows of resources are recorded if the related revenue is not available. Penalties and interest are assessed on unpaid property taxes after the delinquent date.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances

between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Permanent reallocations of resources between funds of the City are classified as interfund transfers. For the purpose of the statement of activities, all transfers between individual governmental funds have been eliminated.

Receivables due from other governments are primarily from the State of Tennessee and the United States government. No allowance for uncollectible amounts has been recognized.

3. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

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

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

Land and construction in progress are not depreciated. The other property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	15-40 years
Improvements other than buildings	20 years
Machinery, equipment and vehicles	5 years
Infrastructure	30 years

5. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

6. *Compensated absences*

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

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Amounts payable are reported net of the applicable premium or discount over the term of the related debt.

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

8. Fund balance and flow assumption policy

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

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

Nonspendable – amounts that cannot be spent either because they are either in a (a) nonspendable form, including items not expected to be converted to cash (i.e. inventories, prepaid amounts, long-term portion of loans and notes receivable), or (b) legally or contractually required to be maintained intact.

Restricted – amounts constrained to be used for a specific purpose per external parties, constitutional provisions, or enabling legislation.

Committed – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Mayor and Board of Commissioners and the Board of Education for the Lakeland School System. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purpose unless the Board reviews or changes the commitment by taking the same action it employed to impose the commitment.

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

Unassigned – amounts available for any purpose in the General Fund.

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

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lakeland's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Teacher Legacy Plan and Teacher Retirement Plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

E. Use of Estimates

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

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

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

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

Governmental funds capital assets	\$ 100,360,937
Less: accumulated depreciation	<u>(51,120,133)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 49,240,804</u>

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

Notes payable, including issued premiums	\$ (27,314,827)
Settlement liability, net of issuance discount	(548,146)
Construction loan	(117,459)
Capital leases	<u>(53,833)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (28,034,265)</u>

Another element of that reconciliation explains that "net pension asset, deferred outflows, and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds."

The details of this difference are as follows:

Net pension asset (liability)	\$ (36,993)
Pension changes in experience	(523,163)
Pension contributions after measurement date	424,690
Pension changes in investment earnings	(251,779)
Pension changes in proportionate share	<u>973,900</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 586,655</u>

Lastly the reconciliation explains that “net other postemployment liability, deferred outflows, an deferred inflows of resources related to other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.” The details of this difference are as follows:

Net OPEB liability	\$ (2,183,044)
OPEB changes in experience	(91,629)
OPEB changes in investment earnings	316
OPEB changes in assumptions	<u>(104,225)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (2,378,582)</u>

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

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

Capital outlay	\$ 4,845,755
Depreciation expense	<u>(3,459,875)</u>
Net adjustment to increase net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,385,880</u>

The reconciliation also states that “the issuance of long-term debt (e.g. notes payable and capital leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debts consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position”.

The details of this difference are as follows:

Debt issued or incurred:	
Issuance of capital notes	\$ (20,000,000)
Issuance of premium	(2,499,981)
Amortization of premiums	156,249
Amortization of issuance discount	(3,014)
Principal repayment on long-term debt	<u>444,404</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (21,902,342)</u></u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The mayor and board of commissioners annually approve the budgets for all governmental funds. The budget is adopted at the department level presented in the basic financial statements. The schedules with budgetary comparison information shown in the supplementary information are the support required in preparing the budget at the adopted department level.

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

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2016, no expenditures of the City exceeded appropriations.

C. Deficit fund balance

As of June 30, 2016, the School Discretionary Grants Fund had a deficit fund balance of \$2,346.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the City's carrying amount of deposits was \$36,239,963 (excluding agency funds) and the bank balance was \$36,971,478. Of the bank balance, \$750,000 was covered by the Federal Deposit Insurance Corporation with the remaining balance of \$36,221,478 being collateralized with the State of Tennessee Bank Collateral Pool with securities held by the pledging financial institution's trust department or agent in the City's name.

State statutes authorize the City to invest in bonds, notes or treasury bills of the United States of America or any of its agencies, certificates of deposit, repurchase agreements utilizing obligations of the United States of America or its agencies as the underlying securities, state pooled investment funds, and mortgage-backed securities. Statutes require that (1) deposits have securities as collateral whose market value is equal to 105

percent of the value of the deposits, less so much of such amount as is insured by federal deposit insurances and (2) securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase agreement. Tennessee Code Annotated Sections 9-4-105 and 9-4-404 state that collateralization coverage for cash deposits may be computed based on average daily balances of the preceding month. City deposit policies follow the State statutes.

B. Receivables

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

	General Fund	Purpose School Fund	Capital Projects	Governmental Funds	Sewer Fund	Total
Receivables:						
Property taxes	\$ 4,499,619	\$ -	\$ -	\$ -	\$ -	\$ 4,499,619
Other taxes	28,643	-	-	-	-	28,643
Accounts receivable	113,818	1,360	404,066	-	-	519,244
Other receivables	41,720	-	-	-	1,721	43,441
Gross receivables	4,683,800	1,360	404,066	-	1,721	5,090,947
Less: allowance for uncollectibles	(92,834)	-	-	-	-	(92,834)
Net total receivables	<u>\$ 4,590,966</u>	<u>\$ 1,360</u>	<u>\$ 404,066</u>	<u>\$ -</u>	<u>\$ 1,721</u>	<u>\$ 4,998,113</u>

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

C. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 7,349,690	\$ -	\$ 1,261,156	\$ 8,610,846
Construction in progress	3,257,862	4,698,888	(1,451,696)	6,505,054
Total capital assets, not being depreciated	10,607,552	4,698,888	(190,540)	15,115,900
Capital assets, being depreciated:				
Buildings and improvements	15,055,679	-	-	15,055,679
Improvements other than buildings	4,792,599	-	-	4,792,599
Machinery and equipment	2,011,426	51,155	-	2,062,581
Infrastructure	63,047,926	95,712	190,540	63,334,178
Total capital assets, being depreciated	84,907,630	146,867	190,540	85,245,037
Less accumulated depreciation for:				
Buildings and improvements	(1,073,991)	(377,023)	-	(1,451,014)
Improvements other than buildings	(2,639,139)	(275,571)	-	(2,914,710)
Machinery and equipment	(1,337,315)	(123,152)	-	(1,460,467)
Infrastructure	(42,609,813)	(2,684,129)	-	(45,293,942)
Total accumulated depreciation	(47,660,258)	(3,459,875)	-	(51,120,133)
Total capital assets, being depreciated, net	37,247,372	(3,313,008)	190,540	34,124,904
Governmental activities capital assets, net	<u>\$ 47,854,924</u>	<u>\$ 1,385,880</u>	<u>\$ -</u>	<u>\$ 49,240,804</u>

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Business-type activity:				
Capital assets, not being depreciated:				
Land	\$ 75,360	\$ -	\$ -	\$ 75,360
Construction in progress	30,526	122,135	(30,525)	122,136
Total capital assets, not being depreciated	<u>105,886</u>	<u>122,135</u>	<u>(30,525)</u>	<u>197,496</u>
Capital assets, being depreciated:				
Sewer plant and improvements	18,421,262	-	36,387	18,457,649
Vehicles and equipment	290,241	-	(5,862)	284,379
Total capital assets, being depreciated	<u>18,711,503</u>	<u>-</u>	<u>30,525</u>	<u>18,742,028</u>
Less accumulated depreciation for:				
Sewer plant and improvements	(4,741,947)	(442,967)	-	(5,184,914)
Vehicles and equipment	(144,578)	(25,967)	-	(170,545)
Total accumulated depreciation	<u>(4,886,525)</u>	<u>(468,934)</u>	<u>-</u>	<u>(5,355,459)</u>
Total capital assets, being depreciated, net	<u>13,824,978</u>	<u>(468,934)</u>	<u>30,525</u>	<u>13,386,569</u>
Business-type activity capital assets, net	<u>\$ 13,930,864</u>	<u>\$ (346,799)</u>	<u>\$ -</u>	<u>\$ 13,584,065</u>

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

Governmental Activities:	
General government	\$ 127,308
Public Works	2,906,722
Parks and recreation	67,609
Education	358,236
Total depreciation expense - governmental activities	<u>\$ 3,459,875</u>
Business-Type Activity:	
Sewer	<u>\$ 468,934</u>

The City has active construction projects as of June 30, 2016. At year end, the government's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Huff N Puff Road	\$ 64,071	\$ 2,280
New Canada Road	1,179,715	124,232
Beverle Rivera Road	1,641,331	2,280
IH improvements	80,305	105,066
Gateway signs	43,238	8,470
Lakeland Middle School Construction	2,188,059	20,336,000
Lakeland Elementary School Roof	411,779	193,000
Lakeland Elementary School HVAC	266,706	118,000
	<u>\$ 5,875,204</u>	<u>\$ 20,889,328</u>

D. Interfund Receivables, Payables, and Transfers

At June 30, 2016, amounts to be received or paid with current available resources are reported as receivable and payable to other funds. Outstanding balances result from the time lag between the dates reimbursable expenditures occur and payments between funds are made. The composition of interfund balances as of June 30, 2016 is as follows:

Due to:	Due from:		
	General Fund	Nonmajor Governmental Funds	Total
General purpose school fund	\$ 1,893	\$ 59,483	\$ 61,376
Sewer Fund	76,687	-	76,687
Nonmajor governmental funds	137,223	-	137,223
	<u>\$ 215,803</u>	<u>\$ 59,483</u>	<u>\$ 275,286</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations. Transfers occurring between the general fund, the general purpose school fund, the school capital projects fund, and nonmajor governmental funds for the year ended June 30, 2016 totaled \$24,335,102.

E. Leases

1. Capital Lease

The City entered into a lease agreement as lessee for financing the acquisition of computers for the schools for a cost of \$81,900. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The lease is for a term of 36 months and commenced on June 1, 2015, with three annual payments, including amounts representing interest, of \$28,067 due on July 15 of each year. At June 30, 2016, the balance outstanding was \$53,833.

F. Long-Term Debt

1. General obligation notes payable

On July 26, 2004, the City entered into a 20 year loan agreement with the Public Building Authority of the City of Clarksville, Tennessee ("Clarksville PBA") through the Tennessee Municipal League (the "League") for \$3,500,000. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2016, the balance outstanding was \$1,434,095 and the interest rate on this loan was 0.58%.

On June 30, 2006, the City entered into a 20 year loan agreement for the City's sewer fund to borrow \$11,000,000 from the Clarksville PBA through the League. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2016, the balance outstanding was \$6,036,000 and the interest rate on this loan was 0.58%.

On December 22, 2008, the City entered into a 21 year loan agreement with the Clarksville PBA through the Tennessee Municipal League (the "League") for up to \$4,500,000. Money is drawn as needed for various ongoing City construction projects. The principal on this loan is paid annually while the interest is paid monthly based on a variable interest rate determined monthly by the remarketing agent. At June 30, 2016, the balance outstanding was \$3,537,000 and the interest rate on this loan was 0.58%.

On July 21, 2015, the City issued 12-year general obligation capital outlay notes in the amount of \$20,000,000. The notes bear interest at fixed rates ranging from 2%-5%. Interest is payable semi-annually on March 1 and September 1, commencing on March 1, 2016. Principal payments are due annually. Proceeds of the notes are to be used to finance the acquisition of land and construction and furnishing of a middle school to be used by Lakeland School System. At June 30, 2016, the balance outstanding was \$20,000,000

2. Construction loan payable

On November 10, 2010, the City entered into a financing agreement for a transportation infrastructure project with the Tennessee Department of Transportation (“the Department”) for up to \$1,750,000. Money is drawn as needed for the construction project. Repayments of principal will begin ninety days after the Project is completed. At June 30, 2016, the balance outstanding was \$117,459 and the interest rate on this loan was 1.89%. Until the project is complete the full balance is considered current and there are no future maturities.

3. Settlement liability

On January 6, 2014, the Lakeland School System (LSS) entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. LSS agreed to make 12 annual payments of \$56,337 by November 1 of each year commencing on November 1, 2014. If the payments are not received by November 1 of each year, the building and property described in Note 4 Part C will revert back to the Shelby County Board of Education. The LSS elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of 0.50%. At June 30, the balance outstanding was \$548,146.

4. Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	\$ 5,331,095	\$ 20,000,000	\$ (360,000)	\$ 24,971,095	\$ 1,744,000
Unamortized Premium	-	2,499,981	(156,249)	2,343,732	-
Total notes payable	5,331,095	22,499,981	(516,249)	27,314,827	1,744,000
Shelby County Board of Education settlement liability	619,707	-	(56,337)	563,370	53,588
Less deferred amount for issuance discount	(18,238)	-	3,014	(15,224)	-
Construction loan	117,459	-	-	117,459	117,459
Capital leases	81,900	-	(28,067)	53,833	26,704
Total long-term debt	6,131,923	22,499,981	(597,639)	28,034,265	1,941,751
Compensated absences	41,132	18,370	-	59,502	-
Net other postemployment benefit liability*	546,048	1,636,996	-	2,183,044	-
Net pension liability*	-	46,377	-	46,377	-
Governmental-type activities noncurrent liabilities	\$ 6,719,103	\$ 24,201,724	\$ (597,639)	\$ 30,323,188	\$ 1,941,751

*net increase is shown

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activity:					
Notes payable	\$ 6,519,000	\$ -	\$ (483,000)	\$ 6,036,000	\$ 503,000

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

Years Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 1,941,751	\$ 877,629	\$ 503,000	\$ 32,091
2018	1,869,988	844,853	523,000	29,058
2020	1,884,128	813,591	544,000	25,903
2019	1,930,400	782,424	565,000	22,626
2021	2,022,672	706,911	588,000	19,215
2022-2026	10,680,594	2,438,993	3,313,000	39,939
2027-2030	5,361,000	326,293	-	-
	<u>\$ 25,690,533</u>	<u>\$ 6,790,694</u>	<u>\$ 6,036,000</u>	<u>\$ 168,832</u>

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

NOTE 5 – DEFINED BENEFIT PENSION PLANS

The City of Lakeland and Lakeland School System participate in the following defined benefit pension plans administered by the Tennessee Consolidated Retirement System ("TCRS").

- I. City of Lakeland, Tennessee Agent Plan
- II. Lakeland School System Teacher Legacy Pension Plan
- III. Lakeland School System Teacher Retirement Plan
- IV. Lakeland School System Board of Education Agent Plan

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Lakeland's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Lakeland's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

The net pension asset deferred outflows of resources, deferred inflows of resources, and net pension liability reported on the statement of net position are summarized as follows for each plan:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Governmental activities:				
City of Lakeland, Tennessee Agent Plan	\$ 7,075	\$ 108,495	\$ -	\$ 48,187
Lakeland School System Teacher Legacy Pension Plan	-	1,330,208	37,221	819,647
Lakeland School System Teacher Retirement Plan	2,309	12,457	-	751
Lakeland School System Board of Education Agent Plan	-	41,073	9,156	-
Total governmental activities	<u>\$ 9,384</u>	<u>\$ 1,492,233</u>	<u>\$ 46,377</u>	<u>\$ 868,585</u>
Business-type activity:				
City of Lakeland, Tennessee Agent Plan	<u>\$ 1,083</u>	<u>\$ 16,772</u>	<u>\$ -</u>	<u>\$ 7,715</u>

Details of the components of deferred outflows of resources and deferred inflows of resources are presented in further detail on the following pages.

I. City of Lakeland, Tennessee Agent Plan (81180)

A. General Information about the Pension Plan

Plan description

Employees of Lakeland, hired before December 31, 2014, are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	13
Active employees	14
	<hr/>
	33
	<hr/> <hr/>

The City of Lakeland withdrew from the plan in 2015, and is, therefore, closed to new entrants.

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Lakeland makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Lakeland were \$58,557 based on a rate of 8.60% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lakeland's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Net Pension Liability (Asset)

Lakeland's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by

weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Lakeland will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/14	\$ 1,564,890	\$ 1,572,212	\$ (7,322)
Changes for the year:			
Service cost	67,801	-	67,801
Interest	120,195	-	120,195
Differences between expected and actual experience	(48,522)	-	(48,522)
Contributions - employer	-	58,557	(58,557)
Contributions - employees	-	33,602	(33,602)
Net investment income	-	48,902	(48,902)
Benefit payments, including refunds of employee contributions	(60,195)	(60,195)	-
Administrative expenses	-	(751)	751
Net changes	<u>79,279</u>	<u>80,115</u>	<u>(836)</u>
Balance at 6/30/15	<u>\$ 1,644,169</u>	<u>\$ 1,652,327</u>	<u>\$ (8,158)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Lakeland calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Lakeland's net pension liability (asset)	<u>\$ 206,254</u>	<u>\$ (8,158)</u>	<u>\$ (184,527)</u>

D. Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the year ended June 30, 2016, Lakeland recognized pension expense of \$31,718.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, Lakeland reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 67,899	\$ 40,435
Net difference between projected and actual earnings on pension plan investments	-	15,467
Contributions subsequent to the measurement date of June 30, 2015	<u>57,368</u>	n/a
Total	<u>\$ 125,267</u>	<u>\$ 55,902</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2015," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (4,341)
2018	(4,341)
2019	(4,341)
2020	19,530
2021	5,493
Thereafter	-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

E. Payable to the Pension Plan

At June 30, 2016, Lakeland reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

II. Lakeland School System Teacher Legacy Pension Plan (TLPP)

A. General Information about the Pension Plan

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lakeland School System are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement plan is a separate cost-sharing, multiple employer defined benefit plan.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related to disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Lakeland School System for the year ended June 30, 2016 to the Teacher Legacy Pension Plan were \$326,437 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (asset)

At June 30, 2015, the Lakeland School System reported a liability of \$37,220 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Lakeland School System' proportion of the net pension liability was based on Lakeland School System' employer contributions to the pension plan during the year ended June 30, 2015 relative to the contributions of all LEAs for the year ended June 30, 2015. At the June 30, 2015 measurement date, Lakeland School System' proportion was 0.090863 percent. The proportion measured as of June 30, 2014 was 0.002175 percent.

Pension expense

For the year ended June 30, 2016, Lakeland School System recognized a pension expense of \$163,357.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, Lakeland School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,871	\$ 579,341
Net difference between projected and actual earnings of pension plan investments	-	240,306
Changes in proportion of Net Pension Liability (Asset)	973,900	-
LEA's contributions subsequent to the measurement date of June 30, 2015	326,437	N/A
Total	\$ 1,330,208	\$ 819,647

Lakeland School System employer contributions of \$326,437, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (51,223)
2018	(51,223)
2019	(51,223)
2020	252,907
2021	84,886
Thereafter	-

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 20, 2012, (2) the historical market returns of

asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following present Lakeland Municipal School’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Lakeland Municipal School’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Lakeland School System's proportionate share of the net pension liability (asset)	\$ 2,537,561	\$ 37,221	\$ (2,032,767)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

C. Payable to the Pension Plan

At June 30, 2016, Lakeland School System reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

III. Lakeland School System Teacher Retirement Plan (TRP)

A. General Information about the Pension Plan:

Plan description

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Lakeland School System are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement plan is a separate cost-sharing, multiple employer defined benefit plan.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016 to the Teacher Retirement Plan were \$12,271 which is 4.0 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (asset)

At June 30, 2015, the Lakeland School System reported an asset of \$2,310 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. Lakeland School System' proportion of the net pension asset was based on Lakeland School System' employer contributions to the pension plan relative to the contributions of all LEAs. At the measurement date of June 30, 2015, Lakeland School System' proportion was 0.057412 percent.

Pension expense

For the year ended June 30, 2016, Lakeland School System recognized a pension expense of \$3,027.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, Lakeland School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ -	\$ 751
Net difference between projected and actual earnings of pension plan investments	186	-
LEA's contributions subsequent to the measurement date of June 30, 2015	12,271	N/A
	<u> </u>	<u> </u>
Total	<u>\$ 12,457</u>	<u>\$ 751</u>

Lakeland School System employer contributions of \$12,271, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2017	\$	(16)
2018		(16)
2019		(16)
2020		(16)
2021		(63)
Thereafter		(439)

Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 20, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		<u>100.00%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial

valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following present Lakeland Municipal School's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Lakeland Municipal School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Lakeland School System's proportionate share of the net pension liability (asset)	\$ 410	\$ (2,309)	\$ (4,304)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

C. Payable to the Pension Plan

At June 30, 2016, Lakeland School System reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

IV. Lakeland School System Board of Education

A. General Information about the Pension Plan:

Plan description

Classified employees of Lakeland School System Board of Education, that were former Legacy Shelby County or Memphis City Schools employees, are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by TCRS.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half

percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	1
Active employees	20
	22
	22

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Lakeland School System Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Lakeland School System Board of Education was \$42,661 based on a rate of 8.60% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lakeland School System Board of Education’s state shared taxes if required employer contributions are not remitted. The employer’s ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Net Pension Liability (Asset)

Lakeland School System Board of Education net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary Increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real

rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33.00%
Developed market international equity	6.26%	17.00%
Emerging market international equity	6.40%	5.00%
Private equity and strategic lending	4.61%	8.00%
U.S. fixed income	0.98%	29.00%
Real estate	4.73%	7.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Lakeland School System Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

C. Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/14	\$ -	\$ -	\$ -
Changes for the year:			
Service cost	67,465	-	67,465
Interest	5,060	-	5,060
Differences between expected and actual experience	4,010	-	4,010
Contributions - employer	-	42,661	(42,661)
Contributions - employees	-	24,803	(24,803)
Net investment income	-	961	(961)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	-	(1,046)	1,046
Net changes	<u>76,535</u>	<u>67,379</u>	<u>9,156</u>
Balance at 6/30/15	<u>\$ 76,535</u>	<u>\$ 67,379</u>	<u>\$ 9,156</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Lakeland School System Board of Education calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
	Lakeland School Systems Board of Education net pension liability (asset)	<u>\$ 22,452</u>	<u>\$ 9,156</u>

D. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense

For the year ended June 30, 2016, Lakeland School System Board of Education recognized pension expense of \$46,984.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, Lakeland School System Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,609	\$ -
Net difference between projected and actual earnings of pension plan investments	1,224	-
Contributions subsequent to the measurement date of June 30, 2015	36,240	N/A
Total	\$ 41,073	\$ -

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ 707
2018	707
2019	707
2020	707
2021	401
Thereafter	1,604

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

E. Payable to the Pension Plan

At June 30, 2016, Lakeland School System Board of Education reported a payable of \$0 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

NOTE 6 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

401(k) Plan

The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement Plan is managed by TCRS. The defined contribution assets are deposited into the State’s 401(k) plan where the employee manages the investments within the 401(k) plan. Public school teachers are required to contribute 2% of their salaries to the defined contribution (401(k)) portion of the Teacher Retirement Plan. Contributions are made on a tax-deferred basis. During 2016, Lakeland School System’s Employer Contribution to the defined contribution plan was \$31,154

City of Lakeland and Lakeland School System Deferred Compensation Plan II 401(k) Plan

The City administers a defined contribution plan in the form of a 401(k) plan (State of Tennessee Deferred Compensation Plan II – 401k) available to all full time City employees and full time classified School System employees hired after January 1, 2015 who have attained the age of eighteen and who are not participating in TCRS. The plan is managed by the Board of Commissioners of the City of Lakeland who has the authority for establishing and amending the plan's provisions. Under the plan terms, the City will match participant contributions up to 5% of the participant's salary. Participants are required to contribute 5% of their compensation. Participants are 100% vested in their contributions when they are made. Participants are 100% vested in employer matching contributions after five years of service. During 2016, the City contributed \$15,339 to the plan.

NOTE 7 – SELF-INSURED HEALTH CARE

The City of Lakeland and Lakeland School System participate in the Interlocal Health Benefits Plan Asset Trust for healthcare benefits. Benefits are established and amended by an insurance committee created by Section 8-27-601, *Tennessee Code Annotated (TCA)* for local education employees. Lakeland School System members have the option of choosing between a Health Reimbursement Account (HRA) option, an Exclusive Provider Organization (EPO) option, and a basic option for healthcare benefits. The plan has a separately issued Comprehensive Annual Report (CAFR) and can be found on the state's website at http://www.comptroller.tn.gov/RA_MA_Financial/.

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in term of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. During the year ended June 30, 2016, the Lakeland School System contributed premiums of \$440,582 and the City contributed premiums of \$147,178 to the Interlocal Health Benefits Plan Asset Trust.

NOTE 8 – OTHER POSTEMPLOYMENT BENEFIT PLAN (“OPEB”)

A. General Information about the Plan

Plan Description

Lakeland School System is the administrator of a single-employer other postemployment benefit plan. The plan provides for continuation of medical benefits for certain retirees and their spouses and can be amended by action of the LSS. Lakeland School System has placed funds with the Tennessee School Board Association (TSBA) GASB 45 Trust to be used to pre-fund a portion of the OPEB liability. The assets of the GASB 45 Trust are commingled with other participant's funds for investment purposes, but are held in an irrevocable trust for each plan participant and may be used only for the payment of benefits to the members of the plan in accordance with the terms of their plan. The TSBA GASB 45 Trust obtains an annual audit, which may be obtained from the TSBA at 525 Brick Church Park Drive, Nashville, TN 37207; however, the audit for the year ended June 30, 2016, was not available from other auditors as of the date of this report.

Benefits Provided

Legacy employees that qualify for retirement benefits under the TCRS are eligible for post-retirement health benefits for life. Eligible employees must complete 15 years of service with Lakeland School System and meet the requirements under TCRS. Those who are former employees of Shelby County School District or Memphis

City Schools must have 15 years of continuous service with Lakeland, Shelby County, and/or Memphis City Schools prior to retirement. Non-Legacy employees are not eligible for any post-retirement health benefits. Surviving spouses of legacy retirees are able to stay on the plan at their own expense until eligible for Medicare. The LSS has established benefit provisions and contribution obligations. The premium charged to retirees is the portion of premiums not covered by the LSS explicit subsidy.

Employees covered by benefit terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Active employees	59
	61
	61

Contributions

Lakeland School System’s intention is to fund \$100,000 per year and pay for the pay-go costs from the General Purpose School Fund until the Trust balance is sufficient to meet future benefit payments. The Trust Actuarially Determined Contribution is determined each year as the sum of (a) the actuarial normal cost for benefits accruing during the year, (b) an amortization component of the unfunded actuarial liability amortized over a declining number of year (but not less than five years) and (c) an interest adjustment to reflect quarterly contributions. For the year ended June 30, 2016, LSS contributions to the plan were \$99,869.

B. Net OPEB Liability (Asset)

Lakeland School System’s net OPEB liability (asset) was measured as of June 30, 2016, and the total OPEB liability used to calculate net OPEB liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions

The actuarially determined information presented here is based upon actuarial assumptions and substantive projected plan provisions and participant information furnished to the actuary by the plan sponsor. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates for the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Since this plan is new, however, only one year is presented and years will be added to this schedule in future fiscal years until 10 years of information is available.

The total OPEB liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Measurement Date	July 1, 2016
Discount Rate	8.0%
Payroll Growth	Graded salary ranges from 7.8% to 4.0% based on age, including inflation, averaging 5.63%
Inflation	3.0%
Actuarial cost method	Entry age normal
Amortization type	Level % of salary
Health Care Cost Trend Rate	7.6% for 2016 decreasing annually to an ultimate rate of 4.5% for 2033
Investment rate of return	8.0%, net pension plan investment expenses, including inflation
Mortality rates	SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015

The methodology for equities' expected returns includes income from dividends and buybacks, earnings growth and repricing assuming that half of earnings are returned to investors, trend real earnings growth is near the 30-60 year average with some sort of EPS trend reversion, and that price-to-earnings ratios mean-revert. Risk-free government bonds' long-run expected returns are modeled based on initial level of yields plus returns from average rolldown while expected returns for EM government bond and corporate bonds incorporate credit risk and include the same factors as risk-free government bonds less average credit loss.

The long-term expected rate of return on OPEB plan investments was established by weighting the 10 year expected rate of return by the target asset allocation and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>10 Year Expected Rate of Return</u>	<u>Weighted Rate of Return</u>	<u>Target Asset Allocation</u>
Equities			
S&P 500 Equity Index	5.00%	1.50%	30.0%
MSCI Europe Equity Index	6.00%	0.90%	15.0%
MSCI UK Equity Index	7.50%	0.38%	5.0%
MSCI Japan Equity Index	9.00%	0.45%	5.0%
MSCI EM Equity Index	9.10%	0.46%	5.0%
Barclay Aggregate Fixed Income	3.10%	0.62%	20.0%
Barclay Credit Fixed Income	4.50%	0.90%	20.0%
		<u>5.20%</u>	<u>100.0%</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 8.0 percent. The project of cash flows used to determine the discount rate assumed that the System's funding policy is expected to finance the projected benefit expense for its retired employees. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/15	\$ 573,048	\$ 27,000	\$ 546,048
Changes for the year:			
Service cost	12,471	-	12,471
Interest	45,368	-	45,368
Changes of benefit terms	1,910,502	-	1,910,502
Changes in assumptions	(113,700)	-	(113,700)
Differences between actual and expected experience	(99,959)	-	(99,959)
Benefit payments	(12,134)	(12,134)	-
Contributions - employer pre-funding	-	99,869	(99,869)
Contributions - pay-go	-	12,134	(12,134)
Contributions - retired members	-	-	-
Net investment income	-	5,683	(5,683)
Trust administrative expenses	-	-	-
Net changes	<u>1,742,548</u>	<u>105,552</u>	<u>1,636,996</u>
Balance at 6/30/16	<u>\$ 2,315,596</u>	<u>\$ 132,552</u>	<u>\$ 2,183,044</u>

Sensitivity of the net OPEB liability (asset) to changes in the discount rate and health care trend rate

The following presents the net OPEB liability (asset) of Lakeland School System calculated using the discount rate of 8.0 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0 percent) or 1-percentage-point higher (9.0 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	<u>\$ 2,531,621</u>	<u>\$ 2,183,044</u>	<u>\$ 1,893,371</u>

The following presents the net OPEB liability (asset) of Lakeland School System calculated using the health care trend rate of 7.6 percent decreasing annually to an ultimate rate of 4.5 percent, as well as what the net OPEB liability (asset) would be if it were calculated using a health care trend rate that is 1-percentage-point lower (6.6 percent decreasing annually to an ultimate rate of 3.5 percent) or 1-percentage-point higher (8.6 percent decreasing annually to an ultimate rate of 5.5 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	<u>\$ 1,837,980</u>	<u>\$ 2,183,044</u>	<u>\$ 2,612,954</u>

D. OPEB Expense (Income), Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Other postemployment benefit expense

For the year ended June 30, 2016, LSS recognized OPEB expense of \$1,944,537.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2016, LSS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 91,629
Changes in assumptions	-	104,225
Net difference between projected and actual earnings in OPEB plan investments	316	-
Total	\$ 316	\$ 195,854

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

Year Ended June 30:	
2017	(17,726)
2018	(17,726)
2019	(17,726)
2020	(17,726)
2021	(17,726)
Thereafter	(106,829)

In the table shown above, positive amounts will increase OPEB expense while negative amounts will decrease OPEB expense.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 8 - RISK MANAGEMENT

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

NOTE 9 – RESTATEMENT OF NET POSITION

Effective for the fiscal year ended June 30, 2016, the City of Lakeland, Tennessee implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This has been accounted for as a change in accounting principle with a prior year adjustment as determined by an actuary.

The effect of this adjustment decreases net position for governmental activities on the statement of activities by \$498,078.

Required Supplementary Information

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF CHANGES IN CITY OF LAKELAND'S NET PENSION ASSET AND RELATED RATIOS
BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 67,801	\$ 83,026
Interest	120,195	103,834
Changes in benefit terms	-	-
Differences between actual and expected experience	(48,522)	95,059
Change of assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(60,195)</u>	<u>(36,900)</u>
Net change in total pension liability	79,279	245,019
Total pension liability - beginning	<u>1,564,890</u>	<u>1,319,871</u>
Total pension liability - ending	<u>\$ 1,644,169</u>	<u>\$ 1,564,890</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 58,557	\$ 94,211
Contributions - employee	33,602	54,773
Net investment income	48,902	216,838
Benefit payments, including refunds of employee contributions	<u>(60,195)</u>	<u>(36,900)</u>
Administrative expense	<u>(751)</u>	<u>(862)</u>
Net change in plan fiduciary net position	80,115	328,060
Plan fiduciary net position - beginning	<u>1,572,212</u>	<u>1,244,152</u>
Plan fiduciary net position - ending	<u>\$ 1,652,327</u>	<u>\$ 1,572,212</u>
Net Pension Liability (Asset)	<u>\$ (8,158)</u>	<u>\$ (7,322)</u>
Plan fiduciary net position as a percentage of total pension liability	100.50%	100.47%
Covered payroll	\$ 680,890	\$ 1,095,479
Net pension liability (asset) as a percentage of covered payroll	-1.20%	-0.67%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF CITY OF LAKELAND'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

Last Fiscal Year Ending June 30

	2016	2015	2014
Actuarially determined contribution	\$ 57,368	\$ 58,557	\$ 94,211
Contributions in relation to the actuarially determined contribution	<u>57,368</u>	<u>58,557</u>	<u>94,211</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 667,074	\$ 680,890	\$ 1,095,479
Contributions as a percentage of covered payroll	8.60%	8.60%	8.60%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Note 1 - VALUATION DATE

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial

Note 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 Year
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment Rate of Return	7.5%, net of investment expenses, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5%

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF LAKELAND SCHOOL SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION ASSET – TEACHER LEGACY PLAN OF TCRS

Fiscal Year Ending June 30*

	<u>2016</u>	<u>2015</u>
Lakeland School System's proportion of the net pension asset	0.090863%	0.002175%
Lakeland School System's proportionate share of the net pension asset	\$ 37,221	\$ (353)
Lakeland School System's covered payroll	\$ 3,401,445	\$ 85,374
Lakeland School System's proportionate share of the net pension asset as a percentage of its covered payroll	1.094270%	-0.413475%
Plan fiduciary net position as a percentage of the total pension liability	99.81%	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF LAKELAND SCHOOL SYSTEM'S CONTRIBUTIONS –
TEACHER LEGACY PENSION PLAN OF TCRS**

Fiscal Year Ending June 30

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 326,437	\$ 307,490	\$ 7,581
Contributions in relation to the contractually required contributio	<u>326,437</u>	<u>307,490</u>	<u>7,581</u>
 Contribution deficiency (excess)	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>
 Lakeland School System's covered payroll	 \$ 3,611,029	 \$ 3,401,445	 \$ 85,374
Contributions as a percentage of Lakeland School System's covered payroll	9.04%	9.04%	8.88%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF LAKELAND SCHOOL SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION ASSET – TEACHER RETIREMENT PLAN OF TCRS

Fiscal Year Ending June 30*

	<u>2016</u>
Lakeland School System's proportion of the net pension asset	0.057412%
Lakeland School System's proportionate share of the net pension asset	\$ (2,309)
Lakeland School System's covered payroll	\$ 119,286
Lakeland School System's proportionate share of the net pension asset as a percentage of its covered payroll	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	127.46%

* The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF LAKELAND SCHOOL SYSTEM'S CONTRIBUTIONS –
TEACHER RETIREMENT PLAN OF TCRS**

Fiscal Year Ending June 30

	<u>2016</u>	<u>2015</u>
Contractually required	\$ 12,271	\$ 2,982
Contributions in relation to the contractually required contribution	<u>12,271</u>	<u>4,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1,789)</u>
Lakeland School System's covered payroll	\$ 306,781	\$ 119,286
Contributions as a percentage of Lakeland School System's covered payroll	4.00%	4.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF CHANGES IN LAKELAND SCHOOL SYSTEM BOARD OF EDUCATION NET PENSION LIABILITY (ASSET) AND REALTED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	<u>2015</u>
Total Pension Liability	
Service cost	\$ 67,465
Interest	5,060
Changes in benefit terms	-
Differences between actual and expected experience	4,010
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	<u>76,535</u>
Total pension liability - beginning	-
Total pension liability - ending	<u>\$ 76,535</u>
Plan Fiduciary Net Position	
Contributions - employer	\$ 42,661
Contributions - employee	24,803
Net investment income	961
Benefit payments, including refunds of employee contributions	-
Administrative expense	<u>(1,046)</u>
Net change in plan fiduciary net position	67,379
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u>\$ 67,379</u>
Net Pension Liability (Asset) - ending	<u><u>\$ 9,156</u></u>
Plan fiduciary net position as a percentage of total pension liability	88.04%
Covered payroll	\$ 496,063
Net pension liability (asset) as a percentage of covered payroll	1.85%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

SCHEDULE LAKELAND SCHOOL SYSTEM BOARD OF EDUCATION CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS

Last Fiscal Year Ending June 30

	2016	2015
Actuarially determined contribution	\$ 36,240	\$ 42,661
Contributions in relation to the actuarially determined contribution	36,240	42,661
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 421,399	\$ 496,063
Contributions as a percentage of covered payroll	8.60%	8.60%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Note 1 - VALUATION DATE

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013 actuarial

Note 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	0 Year
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging
Investment Rate of Return	7.5%, net of investment expenses, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated
Cost of Living Adjustments	2.5%

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF CHANGES IN LAKELAND SCHOOL SYSTEM NET OPEB LIABILITY (ASSET) AND REALTED RATIOS

Last Fiscal Year Ending June 30

	<u>2016</u>
Total OPEB Liability	
Service cost	\$ 12,471
Interest	45,368
Changes in benefit terms	1,910,502
Changes in assumptions	(113,700)
Differences between actual and expected experience	(99,959)
Benefit payments	<u>(12,134)</u>
Net change in total pension liability	1,742,548
Total OPEB liability - beginning of year	<u>573,048</u>
Total pension liability - end of year	<u>2,315,596</u>
 Plan Fiduciary Net Position	
Contributions - employer pre-funding	99,869
Contributions - employer pay-go	12,134
Contributions - retired members	-
Net investment income	5,683
Benefit payments	(12,134)
Trust administrative expenses	-
Net change in total pension liability	<u>105,552</u>
Plan fiduciary net position - beginning of year	<u>27,000</u>
Plan fiduciary net position - end of year	<u>132,552</u>
 Net OPEB Liability - end of year	 <u><u>\$ 2,183,044</u></u>
 Plan fiduciary net position as percentage of total OPEB liability	 5.7%
 Covered employee payroll	 3,204,469
 Net OPEB liability as a percentage of covered payroll	 68.1%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF LAKELAND, TENNESSEE

SCHEDULE LAKELAND SCHOOL SYSTEM CONTRIBUTIONS – OPEB

Last Fiscal Year Ending June 30

	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution (ADC)	\$ 67,209	\$ 74,970
Contributions in relation to the ADC	99,869	27,000
Contribution deficiency (excess)	<u>\$ (32,660)</u>	<u>\$ 47,970</u>
Covered-employee payroll	\$ 3,204,469	N/A
Contributions as a percentage of covered employee payroll	3.1%	N/A

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION

COMBINING FINANCIAL STATEMENTS

CITY OF LAKELAND, TENNESSEE

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	State Street Aid	Storm Water	Solid Waste	School Federal Projects	School Nutrition	School Discretionary Grants	School Before/After Care	Debt Service	Total Nonmajor Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 547,818	\$ 180,588	\$ 699,498	\$ -	\$ 52,620	\$ -	\$ 122,300	\$ 133,471	\$ 1,736,295
Due from other funds	42,411	3,989	90,823	-	-	-	-	-	137,223
Due from other governments	-	-	-	53,104	-	20,941	-	-	74,045
Other assets	134	81	53	-	-	-	30	-	298
Total assets	\$ 590,363	\$ 184,658	\$ 790,374	\$ 53,104	\$ 52,620	\$ 20,941	\$ 122,330	\$ 133,471	\$ 1,947,861
LIABILITIES									
Accounts payable	\$ 326,494	\$ 62,604	\$ 80,159	\$ 378	\$ -	\$ -	\$ 594	\$ -	\$ 470,229
Accrued liabilities	2,330	203	309	3,313	-	2,346	-	-	8,501
Unearned revenue	-	-	-	-	9,925	-	-	-	9,925
Due to other funds	-	-	-	40,888	-	18,595	-	-	59,483
Due to other governments	-	-	-	551	-	-	-	-	551
Total liabilities	328,824	62,807	80,468	45,130	9,925	20,941	594	-	548,689
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue - grants	-	-	-	5,742	-	2,346	-	-	8,088
FUND BALANCES									
Restricted	261,539	-	709,906	2,232	42,695	-	121,736	-	1,138,108
Committed	-	121,851	-	-	-	-	-	-	121,851
Assigned	-	-	-	-	-	-	-	133,471	133,471
Unassigned	-	-	-	-	-	(2,346)	-	-	(2,346)
Total fund balances	261,539	121,851	709,906	2,232	42,695	(2,346)	121,736	133,471	1,391,084
Total liabilities and fund balances	\$ 590,363	\$ 184,658	\$ 790,374	\$ 53,104	\$ 52,620	\$ 20,941	\$ 122,330	\$ 133,471	\$ 1,947,861

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	State Street Aid	Storm Water	Solid Waste	School Federal Projects	School Nutrition	School Discretionary Grants	School Before/After Care	Debt Service	Total Nonmajor Governmental Funds
REVENUES									
Intergovernmental									
Gasoline & motor fuel tax	\$ 234,237	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 234,237
Three cent tax	37,644	-	-	-	-	-	-	-	37,644
Gas 1989 tax	69,867	-	-	-	-	-	-	-	69,867
Excise tax	624	-	-	-	-	-	-	-	624
Charges for services	-	184,652	1,227,296	-	137,048	-	231,121	-	1,780,117
Grants	3,629	-	-	219,016	70,555	71,538	-	-	364,738
Interest income	1,355	785	2,493	-	-	-	-	46	4,679
Total revenues	<u>347,356</u>	<u>185,437</u>	<u>1,229,789</u>	<u>219,016</u>	<u>207,603</u>	<u>71,538</u>	<u>231,121</u>	<u>46</u>	<u>2,491,906</u>
EXPENDITURES									
Current									
Public works	663,047	134,817	1,018,809	-	-	-	-	-	1,816,673
Education	-	-	-	218,340	175,534	73,884	109,385	-	577,143
Capital Outlay	-	102,027	-	-	-	-	-	-	102,027
Debt Service									
Principal	-	-	-	-	-	-	-	413,323	413,323
Interest and fiscal charges	-	-	-	-	-	-	-	439,071	439,071
Total expenditures	<u>663,047</u>	<u>236,844</u>	<u>1,018,809</u>	<u>218,340</u>	<u>175,534</u>	<u>73,884</u>	<u>109,385</u>	<u>852,394</u>	<u>3,348,237</u>
Excess (deficiency) of revenues over (under)expenditures	(315,691)	(51,407)	210,980	676	32,069	(2,346)	121,736	(852,348)	(856,331)
OTHER FINANCING SOURCES (USES)									
Transfers in	483,672	-	-	-	-	-	-	985,819	1,469,491
Net change in fund balances	167,981	(51,407)	210,980	676	32,069	(2,346)	121,736	133,471	613,160
Fund balances - beginning of the year	93,558	173,258	498,926	1,556	10,626	-	-	-	777,924
Fund balances - ending of the year	<u>\$ 261,539</u>	<u>\$ 121,851</u>	<u>\$ 709,906</u>	<u>\$ 2,232</u>	<u>\$ 42,695</u>	<u>\$ (2,346)</u>	<u>\$ 121,736</u>	<u>\$ 133,471</u>	<u>\$ 1,391,084</u>

SCHEDULES

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – STATE STREET AID**

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental				
Gasoline and motor fuel tax	\$ 326,288	\$ 326,288	\$ 234,237	\$ (92,051)
Gas 1989 tax	-	-	37,644	37,644
Three cent tax	-	-	69,867	69,867
Excise tax	-	-	624	624
Grants	-	-	3,629	3,629
Interest income	99	99	1,355	1,256
Total revenues	<u>326,387</u>	<u>326,387</u>	<u>347,356</u>	<u>20,969</u>
EXPENDITURES				
Public Works				
Personnel compensation	111,821	111,821	110,568	1,253
Fringe benefits	51,884	52,384	50,838	1,546
Utility services	350	350	233	117
Professional services	5,000	7,500	2,430	5,070
Repair and maintenance	625,250	622,550	483,039	139,511
Supplies	3,250	2,950	1,218	1,732
Street Lighting	12,500	12,500	14,721	(2,221)
Total expenditures	<u>810,055</u>	<u>810,055</u>	<u>663,047</u>	<u>147,008</u>
Excess (deficiency) of revenues over (under)expenditures	-	(483,668)	(315,691)	167,977
OTHER FINANCING SOURCES				
Transfers in	<u>483,668</u>	<u>483,668</u>	<u>483,672</u>	<u>4</u>
Net change in fund balance	<u>\$ 483,668</u>	<u>\$ -</u>	<u>167,981</u>	<u>\$ 167,981</u>
Fund balance - beginning of the year			<u>93,558</u>	
Fund balance - ending of the year			<u>\$ 261,539</u>	

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – STORM WATER**

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 179,565	\$ 179,565	\$ 184,652	\$ 5,087
Interest income	1,000	1,000	785	(215)
Total revenues	<u>180,565</u>	<u>180,565</u>	<u>185,437</u>	<u>4,872</u>
EXPENDITURES				
Personnel compensation	70,361	70,361	71,649	(1,288)
Fringe benefits	32,045	32,045	28,176	3,869
General office expense	3,460	4,460	4,323	137
MLGW collection fee	4,200	4,200	4,146	54
Professional services	10,000	17,500	14,290	3,210
Contracted services	10,000	10,000	5,716	4,284
Repairs and maintenance	7,100	10,850	6,442	4,408
Supplies	700	700	75	625
Capital outlay	175,000	162,750	102,027	60,723
Total expenditures	<u>312,866</u>	<u>312,866</u>	<u>236,844</u>	<u>76,022</u>
Net change in fund balance	<u>\$ (132,301)</u>	<u>\$ (132,301)</u>	(51,407)	<u>\$ 80,894</u>
Fund balance - beginning of the year			<u>173,258</u>	
Fund balance - ending of the year			<u>\$ 121,851</u>	

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 1,195,678	\$ 1,195,678	\$ 1,227,296	\$ 31,618
Interest income	500	500	2,493	1,993
Total revenues	<u>1,196,178</u>	<u>1,196,178</u>	<u>1,229,789</u>	<u>33,611</u>
EXPENDITURES				
Personnel compensation	62,478	62,478	45,531	16,947
Fringe benefits	15,542	15,542	11,823	3,719
General office expense	6,000	6,000	1,185	4,815
MLGW collection fee	24,500	24,500	27,889	(3,389)
Other professional services	6,000	6,000	6,328	(328)
Contracted service	767,260	917,260	898,545	18,715
Litter control	25,000	25,000	24,656	344
Other	5,500	5,500	2,852	2,648
Total expenditures	<u>912,280</u>	<u>1,062,280</u>	<u>1,018,809</u>	<u>43,471</u>
Net change in fund balance	<u>\$ 283,898</u>	<u>\$ 133,898</u>	210,980	<u>\$ 77,082</u>
Fund balance - beginning of the year			<u>498,926</u>	
Fund balance - ending of the year			<u>\$ 709,906</u>	

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 271,244	\$ 303,178	\$ 219,016	\$ (84,162)
EXPENDITURES				
Personnel compensation	62,137	62,137	55,058	7,079
Fringe benefits	38,130	50,051	22,107	27,944
Contracted services	136,710	136,710	128,845	7,865
Supplies	24,988	42,280	11,093	31,187
Capital outlay	9,279	12,000	1,237	10,763
Total expenditures	<u>271,244</u>	<u>303,178</u>	<u>218,340</u>	<u>84,838</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	676	<u>\$ 676</u>
Fund balance - beginning of the year			<u>1,556</u>	
Fund balance - ending of the year			<u>\$ 2,232</u>	

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 114,122	\$ 202,972	\$ 137,048	\$ (65,924)
Grants	31,982	31,982	70,555	38,573
Total revenues	<u>146,104</u>	<u>234,954</u>	<u>207,603</u>	<u>(27,351)</u>
EXPENDITURES				
Personnel compensation	60,517	60,517	59,254	1,263
Fringe benefits	15,067	14,267	15,212	(945)
Contracted services	10,638	10,638	10,192	446
Supplies	68,382	88,382	86,830	1,552
Capital outlay	1,500	2,300	4,046	(1,746)
Total expenditures	<u>156,104</u>	<u>176,104</u>	<u>175,534</u>	<u>570</u>
Excess (deficiency) of revenues over (under)expenditures	(10,000)	58,850	32,069	(26,781)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 68,850</u>	<u>32,069</u>	<u>\$ (16,781)</u>
Fund balance - beginning of the year			<u>10,626</u>	
Fund balance - ending of the year			<u>\$ 42,695</u>	

CITY OF LAKELAND, TENNESSEE

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

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ -	\$ 77,530	\$ 71,538	\$ (5,992)
EXPENDITURES				
Personnel compensation	-	52,300	52,300	-
Fringe benefits	-	13,848	10,931	2,917
Supplies	-	11,382	10,653	729
Total expenditures	-	77,530	73,884	3,646
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	(2,346)	<u>\$ (2,346)</u>
Fund balance - beginning of the year			<u>-</u>	
Fund balance - ending of the year			<u>\$ (2,346)</u>	

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – LAKELAND SCHOOL SYSTEM – BEFORE/AFTER CARE**

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 191,500	\$ 191,500	\$ 231,121	\$ 39,621
EXPENDITURES				
Personnel compensation	128,345	92,145	53,458	38,687
Fringe benefits	21,105	21,105	4,094	17,011
Contracted services	5,000	5,000	1,220	3,780
Supplies	37,050	73,250	50,613	22,637
Total expenditures	<u>191,500</u>	<u>191,500</u>	<u>109,385</u>	<u>82,115</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	121,736	<u>\$ 121,736</u>
Fund balance - beginning of the year			<u>-</u>	
Fund balance - ending of the year			<u>\$ 121,736</u>	

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – DEBT SERVICE**

For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 1,000	\$ 1,000	\$ 46	\$ (954)
EXPENDITURES				
Principal retirement	488,323	488,323	413,323	75,000
Interest and fiscal charges	111,869	498,496	439,071	59,425
Total expenditures	<u>600,192</u>	<u>986,819</u>	<u>852,394</u>	<u>134,425</u>
Deficiency of revenues under expenditures	(599,192)	(985,819)	(852,348)	(135,379)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>599,192</u>	<u>985,819</u>	<u>985,819</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	133,471	<u>\$ (135,379)</u>
Fund balance - beginning of the year			<u>-</u>	
Fund balance - ending of the year			<u>\$ 133,471</u>	

CITY OF LAKELAND, TENNESSEE

**SCHEDULE CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
– STUDENT ACTIVITY FUNDS**

For the Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS				
Cash	\$ 164,385	\$ 300,871	\$ 268,412	\$ 196,844
Inventory	2,629	37,514	36,552	3,591
Total assets	<u>\$ 167,014</u>	<u>\$ 338,385</u>	<u>\$ 304,964</u>	<u>\$ 200,435</u>
LIABILITIES				
Due to student general fund	\$ 146,767	\$ 196,066	\$ 189,856	\$ 152,977
Due to student groups	20,247	104,807	77,596	47,458
Total liabilities	<u>\$ 167,014</u>	<u>\$ 300,873</u>	<u>\$ 267,452</u>	<u>\$ 200,435</u>

SUPPORTING SCHEDULES

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

Federal Grantor/ Pass-Through Agency/Program	CFDA Number	Contract Number	Beginning Receivable	Cash Receipts	Expenditures	Ending Receivable
<u>Federal Awards</u>						
U.S. Department of Agriculture						
TN Department of Education						
Child Nutrition Cluster						
School Breakfast Program	10.553	N/A	\$ -	\$ 47,501	\$ 47,501	\$ -
School Lunch Program	10.555	N/A	-	7,270	7,270	-
State Administrative Expenses For Child Nutrition	10.560	N/A	-	450	450	-
Total U.S. Department of Agriculture			-	55,221	55,221	-
U.S. Department of Transportation						
TN Department of Transportation						
Highway Planning and Construction	20.205	STP-M-9409(107)	54,978	154,627	142,999	43,350
Highway Planning and Construction	20.205	STP-M-5429(10)	-	-	2,720	2,720
Total U.S. Department of Transportation			54,978	154,627	145,719	46,070
U.S. Department of Education						
TN Department of Education						
Special Education Cluster (IDEA)						
Special Education - Grants to States	84.027	H027A140052	2,893	115,475	134,176	21,594
Special Education - IDEA Discretionary Supplement	84.027	H027A140052	-	2,800	3,239	439
Special Education - Preschool Grants	84.173	H173A140095	-	1,254	3,314	2,060
Subtotal Special Education Cluster			2,893	119,529	140,729	24,093
Title I Grants to Local Education Agencies	84.010	S010A140042		40,545	55,966	15,421
Title II Improving Teacher Quality State Grants	84.367	S367A140040	2,276	10,123	19,381	11,534
Title III Immigrant Supplement	84.365	S365A150042		1,199	1,813	614
			2,276	51,867	77,160	27,569
Total U.S. Department of Education			5,169	171,396	217,889	51,662
Total Federal Awards			60,147	381,244	418,829	97,732
<u>State Awards</u>						
TN Department of Education						
Safe Schools	N/A	N/A	-	1,263	4,530	3,267
Coordinated School Health	N/A	N/A	44,605	96,285	69,354	17,674
Total State Awards			44,605	97,548	73,884	20,941
Total Federal and State Awards			\$ 104,752	\$ 478,792	\$ 492,713	\$ 118,673

CITY OF LAKELAND, TENNESSEE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2016

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Lakeland, Tennessee, (the "City") under programs of those governments for the year ended June 30, 2016. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in either OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Pass-through entity contract numbers are presented where available.
3. There were no federal awards passed through to subrecipients.
4. The City has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO THE FINANCIAL STATEMENTS

The following is a reconciliation of expenditures per the Schedule to the revenue balances in the City's financial statements:

Total grant revenue per governmental funds financial statements	\$	556,439
Non-federal and state grant awards		(55,913)
Change in unavailable revenue at fund level		(25,126)
Change in unavailable revenue not related to grant awards		9,000
Grant revenue received but unspent		(4,977)
Unbilled grant expenditures		13,290
		<hr/>
Total federal and state award expenditures	\$	<u>492,713</u>

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS

For the Year Ended June 30, 2016

As of June 30, 2016, the City of Lakeland, Tennessee served approximately 2,991, 4,200, and 4,587 sewer, sanitation, and storm water customers, respectively, and had the following rate structure in place:

Sewer Rates:	
<u>Gallons Used</u>	<u>Rate</u>
Residential	
First 6,000 gallons	\$ 31.50
Each additional 100 ccf.	\$ 1.27
Monthly maximum	\$ 46.00
City of Memphis Sewer System Users	
Monthly Charge	\$ 11.50
Commercial	
First 30,600 gallons	\$ 60.35
Each additional 100 ccf.	\$ 1.39
Sanitation Rates:	
<u>Type</u>	<u>Monthly Charge</u>
Residential	\$ 24.70
Storm Water Rates:	
<u>Type</u>	<u>Monthly Charge</u>
Residential	\$ 3.20

CITY OF LAKELAND, TENNESSEE

SCHEDULE OF OFFICIAL BONDS OF PRINCIPAL OFFICIALS

For the Year Ended June 30, 2016

	<u>Amount of Bond</u>
Mayor	\$ 10,000
City Manager	10,000
City Recorder/Finance Director	10,000
Finance / Inventory Clerk	10,000
Community Services Representative	10,000
Community Development Specialist	10,000
Grant Administrator	10,000
Receptionist	10,000
HR Coordinator	10,000

CITY OF LAKELAND, TENNESSEE

DEBT SERVICE REQUIREMENTS – GENERAL FUND

For the Year Ended June 30, 2016

	2004 Loan Agreement - Public Building Authority - Clarksville ⁽¹⁾		2008 Loan Agreement - Public Building Authority - Montgomery Co. ⁽¹⁾		Series 2015 Capital Outlay Notes		Shelby Count Settlement		2011 Note Payable - TLDA Loan ⁽²⁾		2015 Capital Lease - ARS Education Finance ⁽³⁾		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 187,000	\$ 6,235	\$ 187,000	\$ 16,750	\$ 1,370,000	\$ 843,550	\$ 53,588	\$ 2,749	\$ 71,051	\$ 32,603	\$ 26,704	\$ 1,362	\$ 1,895,343	\$ 903,249
2018	194,000	5,265	195,000	15,775	1,400,000	816,150	53,859	2,478	72,394	31,260	27,129	690	1,942,382	871,618
2019	201,000	4,260	204,000	14,755	1,425,000	788,150	54,128	2,209	73,762	29,891	-	-	1,957,890	839,266
2020	208,000	3,220	213,000	13,690	1,455,000	759,650	54,400	1,937	75,156	28,497	-	-	2,005,556	806,995
2021	215,000	2,145	223,000	12,575	1,530,000	686,900	54,672	1,665	76,577	27,077	-	-	2,099,249	730,362
2022	223,000	1,030	233,000	11,410	1,575,000	641,000	54,946	1,391	78,024	25,630	-	-	2,163,970	680,461
2023	206,095	-	243,000	10,195	1,655,000	562,250	55,222	1,115	79,499	24,155	-	-	2,238,816	597,715
2024	-	-	254,000	8,925	1,735,000	479,500	55,498	839	81,001	22,652	-	-	2,125,499	511,916
2025	-	-	266,000	7,595	1,820,000	392,750	55,777	560	82,532	21,121	-	-	2,224,309	422,026
2026	-	-	278,000	6,205	1,915,000	301,750	56,056	281	84,092	19,562	-	-	2,333,148	327,798
2027	-	-	290,000	4,755	2,010,000	206,000	-	-	85,681	17,972	-	-	2,385,681	228,727
2028	-	-	303,000	3,240	2,110,000	105,500	-	-	87,301	16,353	-	-	2,500,301	125,093
2029	-	-	317,000	1,655	-	-	-	-	88,951	14,703	-	-	405,951	16,358
2030	-	-	331,000	-	-	-	-	-	90,632	13,022	-	-	421,632	13,022
2031	-	-	-	-	-	-	-	-	92,345	11,309	-	-	92,345	11,309
2032	-	-	-	-	-	-	-	-	94,090	9,563	-	-	94,090	9,563
2033	-	-	-	-	-	-	-	-	95,868	7,785	-	-	95,868	7,785
2034	-	-	-	-	-	-	-	-	97,680	5,973	-	-	97,680	5,973
2035	-	-	-	-	-	-	-	-	99,527	4,127	-	-	99,527	4,127
2036	-	-	-	-	-	-	-	-	118,836	2,575	-	-	118,836	2,575
	<u>\$ 1,434,095</u>	<u>\$ 22,158</u>	<u>\$ 3,537,000</u>	<u>\$ 127,525</u>	<u>\$ 20,000,000</u>	<u>\$ 6,583,150</u>	<u>\$ 548,146</u>	<u>\$ 15,224</u>	<u>\$ 1,725,000</u>	<u>\$ 365,830</u>	<u>\$ 53,833</u>	<u>\$ 2,052</u>	<u>\$ 27,298,074</u>	<u>\$ 7,115,938</u>

⁽¹⁾ Variable rate loan with an assumed interest rate of 5%. Interest rate as of June 30, 2016 was 0.58%

⁽²⁾ City currently pays interest only on the amount due which was \$117,459 at June 30, 2016. If needed for the project, the City may make future draws under this loan up to a total borrowed amount of \$1,725,000. When the project is complete, the City will begin making principal payments.

⁽³⁾ Payable from General Fund, but not backed by full faith and credit of City.

CITY OF LAKELAND, TENNESSEE

DEBT SERVICE REQUIREMENTS – SEWER FUND

For the Year Ended June 30, 2016

	2006 Loan Agreement - Public Building Authority - Clarksville ⁽¹⁾	
	<u>Principal</u>	<u>Interest</u>
2017	\$ 503,000	\$ 11,619
2018	523,000	10,521
2019	544,000	9,379
2020	565,000	8,192
2021	588,000	6,957
2022	612,000	5,672
2023	636,000	4,337
2024	661,000	2,948
2025	688,000	1,504
2026	716,000	-
	<u>\$ 6,036,000</u>	<u>\$ 61,129</u>

⁽¹⁾ Variable rate loan with an assumed interest rate of 5%. Interest rate as of June 30, 2016 was 0.58%

CITY OF LAKELAND, TENNESSEE

STATEMENT OF DEBT

For the Year Ended June 30, 2016

General Obligation Bonded Debt:		
Existing G.O. Bonds ⁽¹⁾	\$ 6,696,095	
Series 2015 Capital Outlay Notes	<u>20,000,000</u>	
Total Public Improvement Bonded Debt		\$ 26,696,095
Existing Sewer Debt ⁽²⁾	<u>\$ 6,036,000</u>	
Total Sewer Bonded Debt		\$ 6,036,000
Total Bonded Debt		32,732,095
Less Self Supporting Debt		<u>(6,036,000)</u>
Net Bonded Debt		\$ 26,696,095
Net Overlapping Bonded Debt		\$ 19,997,299
Less: Self-Supporting Bonded Debt		<u>-</u>
Net Overlapping Bonded Debt		19,997,299
Bonded Debt Outstanding Including Overlapping Bonded Debt		52,729,394
Net Bonded Debt Outstanding Including Net Overlapping Bonded Debt		\$ 46,693,394
	<u>City of Lakeland</u>	<u>City and Net Overlapping</u>
Net Direct Debt Per Capita	\$2,125	\$3,716
Total Debt Per Capita	\$2,605	\$4,197
Net Debt / Actual Value	2.24%	3.92%
Total Debt / Actual Value	2.75%	4.43%
Net Debt / Assessed Value	8.57%	14.99%
Total Debt / Assessed Value	10.51%	16.93%
	<u>Lakeland</u>	<u>Shelby County</u>
FY 2015 Assessed Value	\$ 311,542,540	\$ 17,966,889,260
FY 2015 Appraised Value	\$ 1,191,240,000	\$ 59,884,233,964
2014 Estimated Population	12,564	938,069
Shelby County's Net Bonded Debt as of June 30, 2015 ⁽³⁾		\$ 1,153,259,057

Lakeland's Assessed Value as a Percentage of Shelby County's Assessed Value: 1.73 %

- (1) Does not include debt under Shelby County Settlement Agreement or Capital Leases.
- (2) Self-supporting debt backed by general obligation of City.
- (3) Unaudited.

CITY OF LAKELAND, TENNESSEE

PROPERTY TAXES

For the Year Ended June 30, 2016

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR

Year of Levy	Balance June 30, 2015	Levy	Adjustments/ Abatements	Collections	June 30, 2016
2016	\$ -	\$ 4,452,639			\$ 4,452,639
2015	4,388,275		-	(4,330,322)	57,953
2014	60,750		-	(51,342)	9,408
2013	10,831		-	(5,181)	5,650
2012	4,222		-	(1,610)	2,612
Total	4,464,078	\$ 4,452,639	\$ -	\$ (4,388,455)	4,528,262
Allowance for uncollectible property taxes	(91,556)				(92,834)
Net receivables	\$ 4,372,522				\$ 4,435,428

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS - LAST 5 YEARS

Year of Levy	Realty and Personalty Assessment	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
2016	\$ 315,999,720	\$ 2,045,929	\$ 318,045,649	\$ 1.40	\$ 4,452,639
2015	311,542,540	1,905,617	313,448,157	1.40	4,388,274
2014	306,409,940	1,888,500	308,298,440	0.85	2,620,537
2013	307,262,405	1,901,200	309,163,605	0.85	2,627,891
2012	329,076,055	-	329,076,055	0.85	2,797,146

Note - The City implemented a property tax effective January 1, 2012

DELINQUENT PROPERTY TAXES

The City of Lakeland files delinquent property taxes with the Chancery Court on the first business day of April each year once taxes become two years old.

CITY OF LAKELAND, TENNESSEE

ANALYSIS OF VALUE OF TAXABLE PROPERTY FOR FISCAL YEAR 2016

For the Year Ended June 30, 2016

Year of Levy: 2015				
	<u>Appraised Value</u>	<u>Percent of Total</u>	<u>Appraised Value</u>	<u>Percent of Total</u>
Market Real Estate				
Farm	\$ 17,125,500	1.5%	\$ 4,281,375	1.4%
Residential	1,052,770,100	90.8%	263,192,525	86.8%
Commercial	85,655,600	7.4%	34,262,240	11.3%
Industrial	1,258,400	0.1%	503,360	0.2%
Multiple	3,091,900	0.3%	836,495	0.3%
Total	\$ 1,159,901,500		\$ 303,075,995	
Greenbelt Real Estate				
Farm	\$ 10,361,800	53.0%	\$ 2,590,450	52.5%
Residential	8,622,400	44.1%	2,155,600	43.7%
Commercial	27,600	0.1%	6,900	0.1%
Industrial	-	0.0%	-	0.0%
Multiple	556,900	2.8%	182,185	3.7%
Total	\$ 19,568,700		\$ 4,935,135	
Personal Property				
Tangible	\$ 11,769,800	100.0%	\$ 3,531,410	100.0%
Intangible	-	0.0%	-	0.0%
Local Utility	-	0.0%	-	0.0%
Total	\$ 11,769,800		\$ 3,531,410	
TOTAL	\$ 1,191,240,000		\$ 311,542,540	

CITY OF LAKELAND, TENNESSEE

ANALYSIS OF VALUE OF TAXABLE PROPERTY BY FISCAL YEAR

For the Year Ended June 30, 2016

<u>Fiscal Year</u>	<u>Year of Levy</u>	<u>Total Appraised Value</u>	<u>Assessed Value</u>	<u>to Estimated Actual Value</u>	<u>Appraised Value per Capita⁽¹⁾</u>
2013	2012	\$ 1,258,399,500	\$ 329,076,055	26.15%	\$ 100,159
2014	2013	1,172,492,400	307,262,405	26.21%	93,322
2015	2014	1,173,143,500	306,409,940	26.12%	93,373
2016	2015	1,191,240,000	311,542,540	26.15%	94,814

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPAL TAXPAYERS

For the Year Ended June 30, 2016

<u>Name of Taxpayers</u>	<u>Nature of Property</u>	<u>Tax Year 2016 Levy</u>	<u>Percent of Total Tax Year 2016 Levy</u>	<u>2016 Assessment</u>
Lakeland Apartments TN Assoc LLC	Apartments	\$ 122,012	2.74%	\$ 8,715,120
CB Associates LLC	Grocery	40,228	0.90%	2,873,400
Banking Consultants of America LLC	Strip Center	28,032	0.63%	2,002,320
Lakeland 64 LLC	Fitness Center	26,400	0.59%	1,885,680
CountryBridge Partners LP	Strip Center	15,219	0.34%	1,087,080
Orange Grove Utilities Inc (Walgreens)	Retail	13,009	0.29%	929,240
PPM XIV LP	Undeveloped Commercial Property	10,470	0.24%	747,840
Lakeland Station Holding LLC	Vacant Commercial Property	10,360	0.23%	740,000
Highway 64 Center LLC	Strip Center	10,345	0.23%	738,960
Cracker Barrel Old Country Store Inc	Restaurant	9,009	0.20%	643,520
Total for Ten Largest Taxpayers		285,084	6.40%	20,363,160
Total for All Other Taxpayers		4,167,555	93.60%	295,636,560
Total for All Taxpayers		<u>\$ 4,452,639</u>	<u>100%</u>	<u>\$ 315,999,720</u>

CITY OF LAKELAND, TENNESSEE

SALES TAX BY FISCAL YEAR

For the Year Ended June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Local sales tax	\$ 773,378	\$ 655,993	\$ 547,990	\$ 514,879	\$ 567,861
State-shared sales tax	1,005,384	941,407	888,074	859,186	843,191
Local option sales tax	339,857	288,272	246,010	173,419	-
Total sales tax revenue	<u>\$ 2,118,619</u>	<u>\$ 1,885,672</u>	<u>\$ 1,682,074</u>	<u>\$ 1,547,484</u>	<u>\$ 1,411,052</u>

CITY OF LAKELAND, TENNESSEE

GENERAL FUND REVENUES BY FISCAL YEAR

For the Year Ended June 30, 2016

	2016	2015	2014	2013	2012
Property tax	\$ 4,261,674	\$ 2,688,232	\$ 2,628,092	\$ 2,684,242	\$ 50,181
Local sales tax	773,378	655,993	547,990	514,879	567,861
Wholesale beer tax	42,754	120,272	69,926	69,794	116,843
CATV franchise tax	148,102	146,346	116,007	121,805	116,472
Hotel/Motel tax	63,455	61,889	51,751	48,554	47,356
Building permit fees	31,023	49,345	46,381	40,779	46,452
Inspection fees	17,900	8,800	9,800	12,050	16,300
Plat approval fees	6,610	12,650	13,620	5,600	3,100
Other license and permit fees	53,447	24,577	25,314	29,744	23,231
Sales tax	1,005,384	941,407	888,074	859,186	843,191
Local option sales tax	339,857	288,272	246,010	173,419	-
Business tax	76,994	73,140	47,452	47,936	61,387
Income tax	192,645	193,766	152,702	179,140	139,418
Transportation/petroleum special tax	25,288	25,357	25,438	25,469	25,512
Other tax	9,808	7,790	10,580	9,160	8,319
PILOT payments - TVA	293,085	238,635	231,386	228,646	143,611
Recreation fees	69,339	16,463	12,378	10,546	52,371
Rental income	47,381	39,037	38,409	33,278	28,629
Payments in-lieu-of roads/parks	-	-	-	-	-
State grants	191,701	1,122,339	154,899	403,926	806,360
Interest income	7,198	9,468	13,680	13,614	21,883
Other revenue	41,861	27,470	153,805	129,124	289,676
Total general fund revenue	\$ 7,698,884	\$ 6,751,248	\$ 5,483,694	\$ 5,640,891	\$ 3,408,153

CITY OF LAKELAND, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
- GENERAL FUND**

For the Year Ended June 30, 2016

	2016	2015	2014	2013	2012
Revenues					
Taxes	\$ 5,289,363	\$ 3,672,732	\$ 3,413,766	\$ 3,439,274	960,100
Licenses and permits	108,980	95,372	95,115	88,173	89,083
Intergovernmental	1,943,061	1,768,367	1,601,642	1,522,956	1,160,051
Charges for services	116,720	55,500	50,787	43,824	81,000
Federal, state and local grants	191,701	1,122,339	154,899	403,926	806,360
Interest income	7,198	9,468	13,680	13,614	21,883
Other	41,861	27,470	153,805	129,124	289,676
Total Revenues	7,698,884	6,751,248	5,483,694	5,640,891	3,408,153
Expenditures					
Current					
General government	1,817,676	1,332,988	1,836,717	1,602,295	1,785,326
Capital projects	-	1,426,460	3,640,967	993,678	1,527,635
Public safety	-	2,252	32,730	30,798	2,012
Public works	138,676	315,536	9,884	-	-
Parks and recreation	449,309	240,813	366,129	440,685	137,750
Natural resources	-	-	59,039	82,192	1,860
Education	-	13,237	-	168,798	-
Debt Service					
Principal	-	402,337	342,411	337,115	345,147
Interest and fiscal charges	-	49,295	37,681	43,632	42,137
Bond issuance costs	101,684	-	-	-	-
Total Expenditures	2,507,345	3,782,918	6,325,558	3,699,193	3,841,867
Excess (deficiency) of revenues expenditures over (under)	5,191,539	2,968,330	(841,864)	1,941,698	(433,714)
Other Financing Sources (Uses)					
Issuance of debt	22,499,981	91,643	2,718,827	262,149	79,779
Transfers in	-	-	-	-	-
Transfers out	(24,335,102)	(1,974,722)	(414,681)	-	-
Total other financing sources	(1,835,121)	(1,883,079)	2,304,146	262,149	79,779
Net change in fund balances	3,356,418	1,085,251	1,462,282	2,203,847	(353,935)
Fund balances - beginning of the year	7,566,904	6,481,653	5,019,371	2,815,524	3,169,459
Fund balances - ending of the year	\$ 10,923,322	\$ 7,566,904	\$ 6,481,653	\$ 5,019,371	\$ 2,815,524

GOVERNMENT AUDITING STANDARDS

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activity, each major fund, the statements of budgetary comparison for the general fund, the general purpose school fund, and the Lakeland School System capital projects fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee (the "City") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 8, 2016

Internal Control over Financial Reporting

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

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

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

Watkins Mikusall, PLLC

Memphis, Tennessee
November 8, 2016

CITY OF LAKELAND, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

For the Year Ended June 30, 2016

None reported.