

# **CITY OF LAKELAND, TENNESSEE**

## **FINANCIAL STATEMENTS**

**For the Fiscal Year Ended June 30, 2018**



**CITY OF LAKELAND, TENNESSEE  
TABLE OF CONTENTS**

---

	Page
<b><u>INTRODUCTORY SECTION (UNAUDITED)</u></b>	
City and Board of Education Officials	1
<b><u>FINANCIAL SECTION</u></b>	
<b>INDEPENDENT AUDITOR’S REPORT</b>	<b>2</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements:</b>	
Balance Sheet	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	17
– General Purpose School Fund	21
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Position	25
Statement of Revenues, Expenses, and Changes in Net Position	26
Statement of Cash Flows	27
<b>Fiduciary Fund Financial Statements</b>	
Statement of Fiduciary Net Position	28
Statement of Changes in Fiduciary Net Position	29
<b>Notes to Financial Statements</b>	<b>30</b>

**CITY OF LAKELAND, TENNESSEE  
TABLE OF CONTENTS (CONTINUED)**

---

	Page
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
City of Lakeland – Legacy Public Employee Retirement Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	60
– Schedule of Contributions	61
Lakeland School System Board of Education – Legacy Public Employee Retirement Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	62
– Schedule of Contributions	63
Lakeland School System – Teacher Legacy Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	64
– Schedule of Contributions	65
Lakeland School System – Teacher Retirement Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	66
– Schedule of Contributions	67
Lakeland School System Other Postemployment Benefits Plan	
– Schedule of Changes in Net OPEB Liability and Related Ratios	68
– Schedule of Contributions	69
– Schedule of Money-Weighted Rate of Return	70
<b>SUPPLEMENTARY INFORMATION</b>	
<b>COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES</b>	
<b>Nonmajor Governmental Fund Combining Financial Statements</b>	
Combining Balance Sheet	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	72
<b>Nonmajor Governmental Individual Fund Schedules:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– State Street Aid Fund	73
– Storm Water Fund	74
– Solid Waste Fund	75
– School Federal Projects Fund	76
– School Nutrition Fund	77
– School Discretionary Grants Fund	78
– Lakeland Extended Activities Program (LEAP) Fund	79
– Debt Service Fund	80
<b>Major Governmental Individual Fund Schedules:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– School Capital Projects Fund	81
<b>Agency Fund Combining Financial Statements</b>	
Combining Schedule of Changes in Assets and Liabilities	82

**CITY OF LAKELAND, TENNESSEE  
TABLE OF CONTENTS (CONTINUED)**

---

	Page
<b>SUPPORTING SCHEDULES (UNAUDITED)</b>	
Schedule of Principle and Interest Requirements	
– Governmental Funds – General Obligation Bonds and Notes Payable	83
– Governmental Funds – Settlement Liability and Capital Leases	84
– Sewer Fund	85
Property Taxes	86
Schedule of Official Bonds of Principal Officials	87
Schedule of Utility Rate Structure and Number of Customers	88
Schedule of Debt	89
Analysis of Value of Taxable Property for Fiscal Year 2018	90
Analysis of Value of Taxable Property by Fiscal Year	91
Schedule of Principle Taxpayers	92
Sales Tax Revenue by Fiscal Year	93
General Fund Revenue by Fiscal Year	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund	95

**GOVERNMENT AUDITING STANDARDS SECTION**

Schedule of Expenditures of Federal Awards and State Financial Assistance	96
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	98
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 <i>Government Auditing Standards</i>	99
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	101
Schedule of Findings and Questioned Costs	103
Summary of Prior Year Audit Findings	105

**INTRODUCTORY SECTION (UNAUDITED)**

**CITY OF LAKELAND, TENNESSEE**  
**CITY AND BOARD OF EDUCATION OFFICIALS**  
June 30, 2018

---

**MAYOR**

Wyatt Bunker(2018\*)

**COMMISSIONERS**

Josh Roman, Vice Mayor (2020\*)  
Clark Plunk, Commissioner (2018\*)  
Matt Wright, Commissioner (2018\*)  
Wesley Wright, Commissioner (2020\*)

**CITY OFFICIALS**

City Manager..... Jim Atkinson  
City Attorney ..... Wiseman Bray, PLLC  
Finance Director/City Recorder .....Jessica Millspaugh\*\*

**BOARD OF EDUCATION OFFICIALS**

Chairman ..... Kevin Floyd  
Vice-Chairman ..... Laura Harrison  
Board Member ..... Kelley Hale  
Board Member ..... Teresa Henry  
Board Member ..... Geoff Hicks  
  
Superintendent..... William E. Horrell, III  
School System Attorney ..... Burch, Porter & Johnson, PLLC  
Finance Director and HR Coordinator .....Jessie Rosales\*\*

\* Date elected term expires

\*\* Designated CMFO and employee with financial oversight responsibility.

## **FINANCIAL SECTION**

## 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 activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, (the "City") as of and for the year ended June 30, 2018, 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 activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, as of June 30, 2018, 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.

## 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 of Lakeland's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as presented in the government auditing standards section, 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 and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance 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 and individual fund financial statements and schedules and the schedule of expenditures of federal awards and state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the City of Lakeland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lakeland's internal control over financial reporting and compliance.



Memphis, Tennessee  
November 9, 2018

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2018

---

As management of the City of Lakeland, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal and notes to the financial statements.

**Financial Highlights**

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$69,058,221 (net position). The net position of the City of Lakeland consists of \$53,198,712 in net investment in capital assets, \$8,151,681 in restricted, and \$7,707,828 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 \$8,151,681 in fiscal year 2018.
- As of June 30, 2018, the City of Lakeland's governmental funds reported combined ending fund balances of \$21,754,023, a decrease of \$302,705 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,756,900 or 90.8% of total general fund balance.
- The City of Lakeland's total debt decreased \$995,243 during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Lakeland's basic financial statements. The City's basic financial statements consist of 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's finances in a manner similar to a private-sector business.

The government-wide financial statements are:

- **Statement of Net Position** -- presents information on all of the City's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial net position of the City is improving or deteriorating.
- **Statement of Activities** -- presents information showing how the City's net position changed during the most recent fiscal year. All current year revenues and expenses are taken into account regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and 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 include general government, public works, parks and recreation, and education. The business-type activities of the City include the operations of the sewer facilities.

The government-wide financial statements also include the operations of the Lakeland School System which is not considered legally separate for reporting purposes.

The government-wide financial statements can be found on pages 11-12 of this report.

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

---

**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, 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 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 adopts an annual appropriated budget for all funds, including the funds of the Lakeland School System. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 13 and 15 of this report.

**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.

The basic proprietary fund financial statements can be found on page 25-27 of this report.

**Fiduciary funds --** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 28-29 of this report.

**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. The notes to the financial statements can be found on pages 31-67 of this report.

**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.

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

**Government-Wide Financial Analysis**

**Net Position:** Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$69,058,221 at the close of the most recent fiscal year, an increase of \$1,983,745, or 2.97%, from last year.

The largest portion of the City's net position (77.3%) reflects its net investment in capital assets (e.g., land, buildings, equipment, and infrastructure). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The following provides a summary of the City's net position for the years ended June 30, 2018 and 2017:

	<b>Condensed Statement of Net Position</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 28,392,895	\$ 29,974,868	\$ 1,939,587	\$ 1,751,630	\$ 30,332,482	\$ 31,726,498
Capital assets	63,712,777	62,653,074	13,345,618	13,557,603	77,058,395	76,210,677
<b>Total Assets</b>	<b>92,105,672</b>	<b>92,627,942</b>	<b>15,285,205</b>	<b>15,309,233</b>	<b>107,390,877</b>	<b>107,937,175</b>
<b>Deferred Outflows of Resources</b>	2,011,269	2,154,620	18,651	23,441	2,029,920	2,178,061
Long-term liabilities outstanding	27,926,579	29,212,375	3,015,898	5,541,269	30,942,477	34,753,644
Other liabilities	2,051,849	3,155,947	2,051,849	160,461	4,103,698	3,316,408
<b>Total Liabilities</b>	<b>29,978,428</b>	<b>32,368,322</b>	<b>5,067,747</b>	<b>5,701,730</b>	<b>35,046,175</b>	<b>38,070,052</b>
<b>Deferred Inflows of Resources</b>	5,296,986	5,219,667	19,415	4,172	5,316,401	5,223,839
<b>Net Asset</b>						
Invested in capital assets	44,863,094	42,975,044	8,335,618	8,024,603	53,198,712	50,999,647
Restricted	8,135,361	8,288,185	16,320	-	8,151,681	8,288,185
Unrestricted	5,843,072	5,931,344	1,864,756	1,602,169	7,707,828	7,533,513
<b>Total Net Position</b>	<b>\$ 58,841,527</b>	<b>\$ 57,194,573</b>	<b>\$ 10,216,694</b>	<b>\$ 9,626,772</b>	<b>\$ 69,058,221</b>	<b>\$ 66,821,345</b>

An additional portion of the City's net position of \$8,151,681 (11.85%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7,707,828 (10.83%) may be used to meet the government's ongoing obligations to citizens and creditors.

**Changes in Net Position:** Governmental activities increased the City's net position by \$1,646,954 while Business-type activities increased the City's net position by \$589,922 resulting in a net increase of \$2,236,876. Key elements of this increase are as follows:

- Additions to net position were provided primarily by increases in capital assets due to the addition of Lakeland Middle Preparatory School and a reduction to long-term liabilities. Further, increases in capital assets were offset by decreases in cash and increase in accounts payable.

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

The following provides a summary of activities for the City for the years ended June 30, 2018 and 2017:

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 2,520,638	\$ 2,229,122	\$ 1,481,646	\$ 1,502,522	\$ 4,002,284	\$ 3,731,644
Operating grants and contributions	8,958,325	5,718,014	-	-	8,958,325	5,718,014
Capital grants and contributions	918,423	1,046,256	390,600	133,300	1,309,023	1,179,556
General Revenues:						
Property taxes	8,632,865	7,102,514	-	-	8,632,865	7,102,514
Local taxes	3,421,520	2,617,499	-	-	3,421,520	2,617,499
Intergovernmental	1,545,903	1,587,101	-	-	1,545,903	1,587,101
Interest on investments	86,221	76,616	5,378	3,998	91,599	80,614
Other revenue	61,408	24,941	-	-	61,408	24,941
Gain on disposal of capital assets	172	8,923	-	-	172	8,923
<b>Total Revenues</b>	<b>26,145,475</b>	<b>20,410,986</b>	<b>1,877,624</b>	<b>1,639,820</b>	<b>28,023,099</b>	<b>22,050,806</b>
Expenses:						
General government	\$ 2,444,545	\$ 1,984,530	\$ -	\$ -	\$ 2,444,545	\$ 1,984,530
Public works	5,310,397	5,524,380	-	-	5,310,397	5,524,380
Parks and recreation	493,440	680,872	-	-	493,440	680,872
Education	15,526,261	8,866,714	-	-	15,526,261	8,866,714
Interest and fiscal charges	694,074	120,027	-	-	694,074	120,027
Debt Issuance costs	29,804	32,158	-	-	29,804	32,158
Water and sewer	-	-	1,287,702	1,171,287	1,287,702	1,171,287
<b>Total Expenses</b>	<b>24,498,521</b>	<b>17,208,681</b>	<b>1,287,702</b>	<b>1,171,287</b>	<b>25,786,223</b>	<b>18,379,968</b>
Increase/(Decrease) in net position	1,646,954	3,202,305	589,922	468,533	2,236,876	3,670,838
Net position, July 1, 2016	57,194,573	53,992,268	9,626,772	9,158,239	66,821,345	63,150,507
Prior period adjustment	-	-	-	-	-	-
Net position, June 30, 2017	<b>\$ 58,841,527</b>	<b>\$ 57,194,573</b>	<b>\$ 10,216,694</b>	<b>\$ 9,626,772</b>	<b>\$ 69,058,221</b>	<b>\$ 66,821,345</b>

**Governmental Activities:** Current fiscal year revenues for the City's governmental activities were \$26,145,303 compared to \$20,410,986 last year. Expenses for the same period were \$24,498,521 compared to \$17,208,681 last year.

General and program revenue increased for the year; the most notable of which are discussed below.

- The driving factor increasing revenue in almost every area was the increase of students in Lakeland School System ("LSS"). In August of fiscal year 2018, Lakeland Middle Preparatory School opened. The opening of the school allowed LSS to serve more children which increased the school system's proportionate share of City, County, and State revenue streams. Prior year revenue was \$20,410,986, revenue increased \$5,568,498 to \$25,979,484 in fiscal year 2018.

**Business-type activities:** Business-type activities increased the City's net position by \$589,922. Of that, \$390,000 in revenue was attributable to residential developments..

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

---

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to help control and manage money for particular purposes or to ensure and demonstrate compliance with finance-related legal requirements. The following provides a more detailed analysis of the City's funds.

**Governmental funds:** Governmental funds focus on providing information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$21,754,023, a decrease of \$302,705, in comparison with the prior year. The decrease was due to capital outlays incurred with the construction of Lakeland Middle Preparatory School Athletic Complex. Approximately 35.7% of this total amount (\$7,767,189) constitutes unassigned fund balance, which is available for spending at the government's discretion. All of the governmental funds reported a positive ending fund balance.

**General Fund:** The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,756,900, while total fund balance reached \$8,540,305. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 158% of total General Fund expenditures, while total fund balance represents 174% of that same amount.

The fund balance of the City's General Fund decreased \$2,037,017 during the fiscal year ended June 30, 2018. Key factors are as follows:

- The City contributed \$3,000,000 to a capital expansion of Lakeland Elementary School from funds set aside for Lakeland School System capital needs. This contribution included a use of Assigned Fund Balance for Education in the amount of \$2,617,696 and Unassigned Fund Balance in the amount of \$382,304.

**General Purpose School Fund:** The general purpose school fund is the chief operating fund of Lakeland School System and focuses on providing educational instruction for students enrolled in the City's municipal school system. At June 30, 2018, the fund had a fund balance of \$4,326,764 which is assigned for educational expenditures.

The fund balance of the General Purpose School Fund increased \$1,531,286 during fiscal year ended June 30, 2018. Key factors are as follows:

- Property tax revenue increased \$1,707,665 to \$4,172,890. This revenue is allocated to Lakeland School System and other Shelby County School districts based upon their percentage of the weighted full-time equivalency of average daily attendance.
- Intergovernmental revenue, which represents primarily State of Tennessee education funding and Shelby County, Tennessee property and other tax allocations, increased \$3,026,480 to \$7,898,797.
- Total expenditures for the fund increased \$5,209,214 to \$13,198,492 primarily due to an increase in educational instruction.

**Proprietary funds:** The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position for the Sewer fund increased during the year by \$262,587 to \$1,864,756 at the end of the year. Other factors concerning the finances have already been addressed in the discussion of the City's business-type activities.

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget in the General Fund can be briefly summarized as follows:

- The difference between the original and final budget for revenues increased slightly by \$31,100. The difference between the original and final budget for expenditures increased by \$381,103. Of this, general government budget was increased by \$350,000 for legal fees for litigation pertaining to a lawsuit and carryover grant projects. \$31,100 was due to increased participation in the City's recreational programs.
- The General Fund revenues were \$1,270,391 less than budgeted. The variance was due primarily to \$1,798,474 in lower than expected grant revenue related to the timing of associated grant expenditures, but revenue was more than anticipated in property taxes, local taxes, intergovernmental revenue, and charges for services.
- General Fund expenditures were less than budgeted by \$3,142,591. Of this, \$2,978,575 is related to lower than expected expenditures for capital outlays related to grants in the Engineering department. The difference of \$164,016 is attributed to conservative spending.

**Capital Asset and Debt Administration**

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of June 30, 2018 amounts to \$63,712,777 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure including streets. The total increase in City's investment in capital assets for the current fiscal year was \$4,855,716. Depreciation expense for the year was \$4,239,873 mostly from depreciation of infrastructure.

**Condensed Statement of Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 8,290,943	\$ 8,670,846	\$ 75,360	\$ 75,360	\$ 8,366,303	\$ 8,746,206
Buildings and improvements	31,927,329	14,435,227	7,565,941	7,494,393	39,493,270	21,929,620
Improvements other than buildings	1,323,924	1,606,245	5,241,493	5,335,597	6,565,417	6,941,842
Machinery and equipment	2,362,218	655,998	272,581	275,487	2,634,799	931,485
Vehicles	107,186	143,634	-	-	107,186	143,634
Infrastructure	15,948,426	15,956,283	-	-	15,948,426	15,956,283
Construction in progress	3,752,751	21,184,841	190,243	376,766	3,942,994	21,561,607
<b>Total capital assets, net</b>	<b>\$ 63,712,777</b>	<b>\$ 62,653,074</b>	<b>\$ 13,345,618</b>	<b>\$ 13,557,603</b>	<b>\$ 77,058,395</b>	<b>\$ 76,210,677</b>

Governmental activities saw an increase of \$4,577,801 in capital assets primarily related to the construction of the Lakeland Middle School. Additional information can be found in note 3(C) of this report.

**CITY OF LAKELAND, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
For the Year Ended June 30, 2018

**Long-term debt:** At the end of the current fiscal year, the City had total debt outstanding of \$30,171,894. Of this amount \$24,993,492 comprises debt backed by the full faith and credit of the government and \$5,010,000 represents notes secured primarily by a specified revenue source with a full faith and credit pledge.

	Condensed Statement of Outstanding Debt					
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Notes payable	\$ 23,365,163	\$ 25,362,495	\$ 5,010,000	\$ 5,533,000	\$ 28,375,163	\$ 30,895,495
Settlement liability	440,698	494,556	-	-	440,698	494,556
Construction loan	1,127,632	211,624	-	-	1,127,632	211,624
Capital leases	228,401	88,461	-	-	228,401	88,461
Total debt	\$ 25,161,894	\$ 26,157,136	\$ 5,010,000	\$ 5,533,000	\$ 30,171,894	\$ 31,690,136

The City's total debt decreased \$1,518,243 or 4.7% during the current fiscal year due to debt retirements within the governmental and business-type activities.

Additional information on the City's long-term debt can be found note 3(E) of this report.

**Economic Factors and Next Year's Budgets and Rates**

Factors considered in preparing the City's budget for the 2018/2019 fiscal year are discussed fully in the budget document and include:

- The City uses conservative revenue forecasts for budgeting purposes. The primary source of funds remains property taxes.
- Property tax revenues will be used to operate the City of Lakeland and fund capital projects which include street and road repair and construction, and park acquisition. The property tax rate for fiscal year 2018-2019 is \$1.25 per \$100 of assessed value.
- Sales tax and other state shared revenue are projected to increase as economic growth improves.
- 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 significant effect on revenues.
- The City of Lakeland has approved a total budget of \$37,134,103 for the 2018-2019 fiscal year. The capital budget accounts for \$11,031,761 and the sewer budget accounts for \$1,235,371 leaving \$35,898,732 for operations. The budget for Lakeland School System is \$22,627,615 for the 2018-2019 fiscal year, which represents 74% of the City's total budget.

**Requests for Information**

This financial report is designed to provide a general overview of the City'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 the City of Lakeland, Finance Director, 10001 U.S. Highway 70, Lakeland, Tennessee 38002.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF NET POSITION**  
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activity	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,664,417	\$ 1,785,008	\$ 17,449,425
Receivables			
Property taxes	4,465,803	-	4,465,803
Grants	295,871	-	295,871
Other taxes	21,514	-	21,514
Other	88,189	1,721	89,910
Less allowance for doubtful accounts	(90,646)	-	(90,646)
Due from other governments	1,858,763	136,538	1,995,301
Restricted cash	5,917,081	-	5,917,081
Capital assets, not being depreciated	12,043,694	265,603	12,309,297
Capital assets, being depreciated, net	51,669,083	13,080,015	64,749,098
Net pension asset	171,903	16,320	188,223
Total assets	<u>92,105,672</u>	<u>15,285,205</u>	<u>107,390,877</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pension	1,784,833	18,651	1,803,484
Related to OPEB	226,436	-	226,436
Total deferred outflows of resources	<u>2,011,269</u>	<u>18,651</u>	<u>2,029,920</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	1,034,574	45,949	1,080,523
Accrued interest payable	262,717	-	262,717
Accrued payroll	626,209	11,798	638,007
Customer deposits	101,500	-	101,500
Unearned revenue	26,849	-	26,849
Noncurrent liabilities:			
Due within one year	3,160,964	544,000	3,704,964
Due in more than one year	22,089,446	4,466,000	26,555,446
Net pension liability	6,607	-	6,607
Net other postemployment benefits liability	2,669,562	-	2,669,562
Total liabilities	<u>29,978,428</u>	<u>5,067,747</u>	<u>35,046,175</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Current property taxes assessed for subsequent period	4,215,826	-	4,215,826
Related to pension	920,916	19,415	940,331
Related to other postemployment benefits	160,244	-	160,244
Total deferred inflows of resources	<u>5,296,986</u>	<u>19,415</u>	<u>5,316,401</u>
<b>NET POSITION</b>			
Net investment in capital assets	44,863,094	8,335,618	53,198,712
Restricted for:			
Net pension asset	171,903	16,320	188,223
Storm water	214,602	-	214,602
Solid waste	936,908	-	936,908
School activities	412,597	-	412,597
Education capital projects	6,399,351	-	6,399,351
Unrestricted	5,843,072	1,864,756	7,707,828
Total net position	<u>\$ 58,841,527</u>	<u>\$ 10,216,694</u>	<u>\$ 69,058,221</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
Governmental Activities:							
General government	\$ 2,444,545	\$ 289,925	\$ (3,170)	\$ -	\$ (2,157,790)	\$ -	\$ (2,157,790)
Public works	5,310,397	1,438,322	-	918,423	(2,953,652)	-	(2,953,652)
Parks and recreation	493,440	254,488	-	-	(238,952)	-	(238,952)
Education	15,526,261	537,903	8,961,495	-	(6,026,863)	-	(6,026,863)
Interest on long-term debt	723,878	-	-	-	(723,878)	-	(723,878)
Total governmental activities	24,498,521	2,520,638	8,958,325	918,423	(12,101,135)	-	(12,101,135)
Business-type activity:							
Sewer	1,287,702	1,481,646	-	390,600	-	584,544	584,544
Total business-type activities	1,287,702	1,481,646	-	390,600	-	584,544	584,544
Total primary government	\$ 25,786,223	\$ 4,002,284	\$ 8,958,325	\$ 1,309,023	(12,101,135)	584,544	(11,516,591)
General revenues:							
Property taxes					8,632,865	-	8,632,865
Local option sales tax					3,042,647	-	3,042,647
Other taxes							
Wholesale liquor and beer taxes					84,453	-	84,453
Business, cable tv, and hotel-motel taxes					294,420	-	294,420
Intergovernmental revenues:							
State sales tax					1,059,342	-	1,059,342
State income tax					135,311	-	135,311
Other state revenue					351,250	-	351,250
Other revenue					61,408	-	61,408
Interest on investments					86,221	5,378	91,599
Gain on sale of capital assets					172	-	172
Total general revenues and transfers					13,748,089	5,378	13,753,467
Change in net position					1,646,954	589,922	2,236,876
Net position - beginning					57,194,573	9,626,772	66,821,345
Net position - ending					\$ 58,841,527	\$ 10,216,694	\$ 69,058,221

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	<b>General Fund</b>	<b>General Purpose School Fund</b>	<b>School Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,297,173	\$ 4,116,959	\$ 769,242	\$ 2,481,043	\$ 15,664,417
Receivables					
Property taxes	4,465,803	-	-	-	4,465,803
Grants	214,056	-	-	81,815	295,871
Other taxes	21,514	-	-	-	21,514
Other	82,349	5,643	-	197	88,189
Less allowance for doubtful accounts	(90,646)	-	-	-	(90,646)
Due from other governments	568,326	1,100,713	-	189,724	1,858,763
Due from other funds	13,731	52,584	-	-	66,315
Restricted cash	-	-	5,917,081	-	5,917,081
Prepaid Items	-	-	-	-	-
<b>Total assets</b>	<b>\$ 13,572,306</b>	<b>\$ 5,275,899</b>	<b>\$ 6,686,323</b>	<b>\$ 2,752,779</b>	<b>\$ 28,287,307</b>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 523,051	\$ 26,086	\$ 286,972	\$ 198,465	\$ 1,034,574
Accrued payroll	23,719	580,489	-	22,001	626,209
Customer deposits	101,500	-	-	-	101,500
Due to other funds	18,628	13,731	-	33,956	66,315
Unearned revenue	16,095	-	-	10,754	26,849
<b>Total liabilities</b>	<b>682,993</b>	<b>620,306</b>	<b>286,972</b>	<b>265,176</b>	<b>1,855,447</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue					
Property taxes	4,261,859	-	-	-	4,261,859
Other taxes	-	328,829	-	-	328,829
Grants	53,445	-	-	-	53,445
Other	33,704	-	-	-	33,704
<b>Total deferred inflows of resources</b>	<b>4,349,008</b>	<b>328,829</b>	<b>-</b>	<b>-</b>	<b>4,677,837</b>
<b>FUND BALANCES</b>					
Restricted	-	-	6,399,351	1,564,107	7,963,458
Committed	523,435	-	-	923,496	1,446,931
Assigned	259,970	4,326,764	-	-	4,586,734
Unassigned	7,756,900	-	-	-	7,756,900
<b>Total fund balances</b>	<b>8,540,305</b>	<b>4,326,764</b>	<b>6,399,351</b>	<b>2,487,603</b>	<b>21,754,023</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 13,572,306</b>	<b>\$ 5,275,899</b>	<b>\$ 6,686,323</b>	<b>\$ 2,752,779</b>	<b>\$ 28,287,307</b>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF**  
**NET POSITION**  
June 30, 2018

Total fund balances, governmental funds		\$ 21,754,023
Amounts reported for governmental activities in the statement of net position are different because:		
(1) Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		63,712,777
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		462,011
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: notes payable	(21,438,095)	
Less: settlement obligation	(450,697)	
Less: construction loan	(1,127,632)	
Less: capital leases	(228,401)	
Less: unamortized premiums and discounts on debt	<u>(1,917,069)</u>	(25,161,894)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Less: accrued interest payable	(262,717)	
Less: compensated absences payable	<u>(88,516)</u>	(351,233)
(5) Net pension assets are not a financial resource in the current period, and net pension liabilities and net other postemployment liabilities are not payable with current financial resources and, therefore, are not reported in the funds.		
Add: net pension asset	171,903	
Less: net pension liability	(6,607)	
Less: net other postemployment liability	<u>(2,669,562)</u>	(2,504,266)
(6) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be amortized and recognized as components of pension and OPEB expense in future years.		
Add: deferred outflows of resources related to pensions	1,784,833	
Add: deferred outflows of resources related to OPEB	226,436	
Less: deferred inflows of resources related to pensions	(920,916)	
Less: deferred inflows of resources related to OPEB	<u>(160,244)</u>	930,109
Net position of governmental activities		<u>\$ 58,841,527</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>School Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Property taxes	\$ 4,459,975	\$ 4,172,890	\$ -	\$ -	\$ 8,632,865
Local sales taxes	1,490,556	1,809,715	-	-	3,300,271
Intergovernmental					
State sales, income and other tax	1,545,903	-	-	-	1,545,903
State gas tax	-	-	-	417,818	417,818
State grant revenue	-	7,898,797	147,192	-	8,045,989
Licenses and permits	63,233	-	-	-	63,233
Charges for services	481,180	8,133	-	1,968,092	2,457,405
Grants	821,099	-	-	915,506	1,736,605
Interest on investments	9,719	1,830	73,527	1,145	86,221
Other	19,165	42,336	-	3,647	65,148
Total revenues	<u>8,890,830</u>	<u>13,933,701</u>	<u>220,719</u>	<u>3,306,208</u>	<u>26,351,458</u>
<b>EXPENDITURES</b>					
Current					
General government	3,864,019	-	-	-	3,864,019
Public works	635,091	-	-	2,446,593	3,081,684
Parks and recreation	423,320	-	-	-	423,320
Education	-	12,749,257	-	1,359,401	14,108,658
Debt Service					
Principal	-	130,000	-	1,842,858	1,972,858
Interest and fiscal charges	-	3,933	-	917,264	921,197
Capital outlays	-	315,302	3,423,504	-	3,738,806
Total expenditures	<u>4,922,430</u>	<u>13,198,492</u>	<u>3,423,504</u>	<u>6,566,116</u>	<u>28,110,542</u>
Excess (deficiency) of revenues over (under) expenditures	3,968,400	735,209	(3,202,785)	(3,259,908)	(1,759,084)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	916,008	269,940	-	-	1,185,948
Sale of capital assets	259,970	172	-	-	260,142
Transfers in	-	525,965	3,000,000	3,655,430	7,181,395
Transfers out	(7,181,395)	-	-	-	(7,181,395)
Total other financing sources (uses)	<u>(6,005,417)</u>	<u>796,077</u>	<u>3,000,000</u>	<u>3,655,430</u>	<u>1,446,090</u>
Net change in fund balances	(2,037,017)	1,531,286	(202,785)	395,522	(312,994)
Fund balances - beginning	<u>10,577,322</u>	<u>2,795,478</u>	<u>6,602,136</u>	<u>2,092,081</u>	<u>22,067,017</u>
Fund balances - ending	<u>\$ 8,540,305</u>	<u>\$ 4,326,764</u>	<u>\$ 6,399,351</u>	<u>\$ 2,487,603</u>	<u>\$ 21,754,023</u>

The accompanying notes are an integral part of the financial statements

**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, 2018

Net change in fund balance - total governmental funds \$ (312,994)

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

<p>(1) Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p> <p style="padding-left: 20px;">Add: capital outlays capitalized <span style="float: right;">5,191,814</span></p> <p style="padding-left: 20px;">Less: depreciation expense <span style="float: right;"><u>(3,752,207)</u></span></p>		1,439,607
<p>(2) Gain (losses) from the disposition of capital assets are reported net of any remaining net book value in the statement of activities.</p>		(379,904)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net difference between the amounts deferred in the current and prior years.</p>		(193,366)
<p>(4) The issuance of long-term debt (e.g. bonds, notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p> <p style="padding-left: 20px;">Add: principal payments on long-term debt <span style="float: right;">1,972,859</span></p> <p style="padding-left: 20px;">Add: amortization of premiums and discounts <span style="float: right;">208,331</span></p> <p style="padding-left: 20px;">Less: proceeds from debt issuance <span style="float: right;"><u>(1,185,948)</u></span></p>		995,242
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> <p style="padding-left: 20px;">Change in accrued interest payable <span style="float: right;">(126,692)</span></p> <p style="padding-left: 20px;">Change in compensated absences <span style="float: right;"><u>(11,149)</u></span></p>		(137,841)
<p>(6) Payments of contributions to the pension plans and OPEB plan are recorded as expenditures in the governmental funds. Pension expense and OPEB expense are recorded on an actuarially determined basis in the statement of activities.</p> <p style="padding-left: 20px;">Difference between actual contributions and pension expense <span style="float: right;">368,571</span></p> <p style="padding-left: 20px;">Difference between actual contributions and OPEB expense <span style="float: right;"><u>(132,361)</u></span></p>		<u>236,210</u>
<p>Change in net position of governmental activities</p>		<u><u>\$ 1,646,954</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKE LAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes	\$ 4,339,804	\$ 4,339,804	\$ 4,412,061	\$ 72,257
Payments in lieu of taxes	-	-	38,142	38,142
Property tax interest and penalties	10,000	10,000	9,772	(228)
Total property taxes	<u>4,349,804</u>	<u>4,349,804</u>	<u>4,459,975</u>	<u>110,171</u>
<b>LOCAL TAXES</b>				
Local sales tax	1,091,100	1,091,100	1,111,683	20,583
Wholesale beer and liquor tax	62,750	62,750	84,453	21,703
Business tax	70,000	70,000	98,175	28,175
Hotel/motel tax	45,000	45,000	47,745	2,745
CATV Franchise tax	149,375	149,375	148,500	(875)
Total local taxes	<u>1,418,225</u>	<u>1,418,225</u>	<u>1,490,556</u>	<u>72,331</u>
<b>INTERGOVERNMENTAL</b>				
State of Tennessee shared revenues				
Sales tax	999,372	999,372	1,059,342	59,970
Income tax	125,000	125,000	135,311	10,311
Beer and liquor tax	7,215	7,215	10,918	3,703
City streets and transportation funding	25,482	25,482	25,009	(473)
State road maintenance	1,200	1,200	5,443	4,243
Receipts in lieu of tax - TVA	275,000	275,000	309,880	34,880
Total state shared taxes	<u>1,433,269</u>	<u>1,433,269</u>	<u>1,545,903</u>	<u>112,634</u>
<b>LICENSES AND PERMITS</b>				
Building and related permits	45,000	45,000	48,261	3,261
Other permits	11,900	11,900	14,972	3,072
Total licenses and permits	<u>56,900</u>	<u>56,900</u>	<u>63,233</u>	<u>6,333</u>
<b>CHARGES FOR SERVICES</b>				
Engineering fees	20,000	20,000	79,000	59,000
Administrative fees for developments	27,500	27,500	115,650	88,150
Other	19,550	19,550	32,042	12,492
Recreation fees for services	111,500	142,600	106,941	(35,659)
Parks development fees	3,900	3,900	103,257	99,357
Rental income	23,400	23,400	44,290	20,890
Total charge for services	<u>205,850</u>	<u>236,950</u>	<u>481,180</u>	<u>244,230</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>GRANTS</b>	\$ 2,629,862	\$ 2,629,862	\$ 821,099	\$ (1,808,763)
<b>INTEREST ON INVESTMENTS</b>	6,500	6,500	9,719	3,219
<b>OTHER</b>	40,000	40,000	19,165	(20,835)
Total revenues	10,140,410	10,171,510	8,890,830	(1,280,680)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
General Government				
Salaries	136,919	116,919	119,254	(2,335)
Benefits	74,902	74,902	43,636	31,266
Contractual services	360,500	990,300	1,013,925	(23,625)
Materials and supplies	45,435	45,435	28,397	17,038
Insurance	47,658	47,658	45,549	2,109
Other charges	69,000	69,000	67,973	1,027
Capital outlay	9,000	9,000	8,108	892
	<u>743,414</u>	<u>1,353,214</u>	<u>1,326,842</u>	<u>26,372</u>
Board and Commissions				
Salaries	25,200	25,200	25,200	-
Benefits	1,964	1,964	1,961	3
Other charges	500	500	250	250
	<u>27,664</u>	<u>27,664</u>	<u>27,411</u>	<u>253</u>
Financial Administration				
Salaries	194,028	194,028	175,316	18,712
Benefits	76,941	76,941	60,821	16,120
Contractual services	1,500	1,500	397	1,103
Materials and supplies	100	100	-	100
Other charges	720	720	674	46
	<u>273,289</u>	<u>273,289</u>	<u>237,208</u>	<u>36,081</u>
Engineering				
Salaries	97,747	97,747	95,611	2,136
Benefits	30,684	30,684	23,560	7,124
Contractual services	15,000	15,000	9,645	5,355
Materials and supplies	750	750	269	481
Other charges	6,720	6,720	4,783	1,937
Capital outlay	4,683,359	4,533,359	1,571,817	2,961,542
	<u>4,834,260</u>	<u>4,684,260</u>	<u>1,705,685</u>	<u>2,978,575</u>

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Construction Inspection				
Salaries	\$ 62,324	\$ 62,324	\$ 62,461	\$ (137)
Benefits	32,600	32,600	27,350	5,250
Materials and supplies	3,950	3,950	4,266	(316)
Other charges	3,100	3,100	3,230	(130)
Capital outlay	-	-	-	-
	<u>101,974</u>	<u>101,974</u>	<u>97,307</u>	<u>4,667</u>
Code Enforcement				
Salaries	42,284	42,284	41,701	583
Benefits	9,278	9,278	8,636	642
Materials and supplies	3,300	3,300	2,757	543
Other charges	2,700	2,700	1,032	1,668
	<u>57,562</u>	<u>57,562</u>	<u>54,126</u>	<u>3,436</u>
Planning and Economic Development				
Salaries	124,511	124,511	124,277	234
Benefits	42,626	42,626	39,715	2,911
Contractual services	56,000	59,000	72,322	(13,322)
Materials and supplies	100	1,100	869	231
Other charges	85,270	109,270	55,442	53,828
	<u>308,507</u>	<u>336,507</u>	<u>292,625</u>	<u>43,882</u>
GIS				
Salaries	62,000	62,000	62,024	(24)
Benefits	24,342	24,342	20,860	3,482
Contractual services	41,500	41,500	36,837	4,663
Materials and supplies	450	450	385	65
Other charges	3,650	3,650	2,709	941
	<u>131,942</u>	<u>131,942</u>	<u>122,815</u>	<u>9,127</u>
Total general government	6,478,612	6,966,412	3,864,019	3,102,393
<b>PUBLIC WORKS</b>				
Salaries	291,623	253,625	287,720	(34,095)
Benefits	160,413	160,413	116,064	44,349
Contractual services	75,000	32,530	35,522	(2,992)
Materials and supplies	28,000	28,470	33,008	(4,538)
Other charges	9,720	9,720	9,055	665
Capital outlay	155,000	155,000	153,722	1,278
Total public works	719,756	639,758	635,091	4,667

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>PARKS AND RECREATION</b>				
Senior Citizen				
Contractual services	\$ 1,400	\$ 1,400	\$ 951	\$ 449
Materials and supplies	3,800	3,800	2,808	992
Other charges	15,250	15,250	16,964	(1,714)
	<u>20,450</u>	<u>20,450</u>	<u>20,723</u>	<u>(273)</u>
IH Clubhouse				
Contractual services	2,000	2,000	1,391	609
Materials and supplies	7,000	7,000	6,441	559
Other charges	10,300	10,300	12,424	(2,124)
	<u>19,300</u>	<u>19,300</u>	<u>20,256</u>	<u>(956)</u>
Recreation				
Other charges	142,100	176,849	125,157	51,692
Park Administration				
Salaries	136,880	139,380	136,946	2,434
Benefits	26,800	26,050	47,709	(21,659)
Contractual services	34,500	37,945	36,496	1,449
Materials and supplies	13,200	10,700	10,587	113
Other charges	42,320	23,177	20,815	2,362
Capital outlay	50,000	5,000	4,631	369
	<u>303,700</u>	<u>242,252</u>	<u>257,184</u>	<u>(14,932)</u>
Total parks and recreation	<u>485,550</u>	<u>458,851</u>	<u>423,320</u>	<u>35,531</u>
Total expenditures	<u>7,683,918</u>	<u>8,065,021</u>	<u>4,922,430</u>	<u>3,142,591</u>
Excess of revenues over expenditures	2,456,492	2,106,489	3,968,400	1,861,911
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issuance	1,519,689	1,519,689	916,008	(603,681)
Sale of capital assets	300,000	300,000	259,970	(40,030)
Transfers out	(4,276,181)	(7,276,181)	(7,181,395)	94,786
Total other financing uses	<u>(2,456,492)</u>	<u>(5,456,492)</u>	<u>(6,005,417)</u>	<u>(548,925)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (3,350,003)</u>	<u>(2,037,017)</u>	<u>\$ 1,312,986</u>
Fund balances - beginning			<u>10,577,322</u>	
Fund balances - ending			<u>\$ 8,540,305</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>	\$ 4,238,602	\$ 4,238,602	\$ 4,172,890	\$ (65,712)
<b>LOCAL TAXES</b>	1,183,333	1,183,333	1,809,715	626,382
<b>INTERGOVERNMENTAL</b>				
Basic Education Program	7,579,487	7,607,487	7,507,000	(100,487)
Career Ladder Program	35,000	35,000	21,012	(13,988)
Privilege tax	-	-	366,935	366,935
Other	-	-	3,850	3,850
Total intergovernmental	<u>7,614,487</u>	<u>7,642,487</u>	<u>7,898,797</u>	<u>256,310</u>
<b>CHARGES FOR SERVICES</b>	-	-	8,133	8,133
<b>INTEREST INCOME</b>	-	-	1,830	1,830
<b>OTHER</b>	<u>5,000</u>	<u>5,000</u>	<u>42,336</u>	<u>37,336</u>
Total revenues	13,041,422	13,069,422	13,933,701	864,279
<b>EXPENDITURES</b>				
<b>EDUCATION</b>				
Board of education services				
Salaries	13,500	13,500	13,335	165
Benefits	221,407	410,565	385,632	24,933
Contractual services	87,000	87,000	70,054	16,946
Materials and supplies	3,000	3,000	3,000	-
Other charges	<u>336,853</u>	<u>313,021</u>	<u>285,875</u>	<u>27,146</u>
	661,760	827,086	757,896	69,190
Office of superintendent				
Salaries	170,643	195,704	194,232	1,472
Benefits	67,045	69,966	68,013	1,953
Contractual services	2,000	600	592	8
Materials and supplies	1,100	9,400	8,734	666
Other charges	<u>29,710</u>	<u>14,010</u>	<u>10,601</u>	<u>3,409</u>
	270,498	289,680	282,172	7,508
Office of principal				
Salaries	681,065	671,444	664,456	6,988
Benefits	160,482	170,104	168,156	1,948
Materials and supplies	20,000	30,000	27,979	2,021
Other charges	<u>3,500</u>	<u>3,500</u>	<u>2,336</u>	<u>1,164</u>
	865,047	875,048	862,927	12,121

**(CONTINUED ON NEXT PAGE)**

The accompanying notes are an integral part of the financial statements

**CITY OF LAKE LAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Regular instruction				
Salaries	\$ 5,351,149	\$ 5,377,761	\$ 5,259,541	\$ 118,220
Benefits	1,412,853	1,336,755	1,310,335	26,420
Contractual services	-	3,300	3,264	36
Materials and supplies	200,656	219,856	210,866	8,990
Other charges	-	300	295	5
	<u>6,964,658</u>	<u>6,937,672</u>	<u>6,784,006</u>	<u>153,666</u>
Special education				
Salaries	867,005	853,883	755,702	98,181
Benefits	270,935	275,135	243,675	31,460
Contractual services	25,000	34,000	34,000	-
Materials and supplies	55,150	41,650	24,046	17,604
Other charges	-	-	-	-
	<u>1,218,090</u>	<u>1,204,668</u>	<u>1,057,423</u>	<u>147,245</u>
Other student support				
Salaries	236,177	316,684	316,684	-
Benefits	63,631	62,605	62,605	-
Materials and supplies	8,500	-	-	-
Other charges	17,000	19,175	19,175	-
	<u>325,308</u>	<u>398,464</u>	<u>398,464</u>	<u>-</u>
Regular instruction support				
Salaries	336,228	321,747	285,851	35,896
Benefits	90,777	90,777	71,259	19,518
Materials and supplies	41,200	40,200	31,393	8,807
Other charges	7,000	7,000	2,285	4,715
	<u>475,205</u>	<u>459,724</u>	<u>390,788</u>	<u>68,936</u>
Special education support				
Salaries	166,318	176,818	167,001	9,817
Benefits	48,158	37,264	35,107	2,157
Contractual services	13,000	22,543	22,543	-
Materials and supplies	11,000	1,350	1,288	62
Other charges	3,500	4,000	3,860	140
	<u>241,976</u>	<u>241,975</u>	<u>229,799</u>	<u>12,176</u>
Technology				
Salaries	115,223	176,223	153,252	22,971
Benefits	32,853	39,743	28,366	11,377
Contractual services	169,036	159,036	122,078	36,958
Materials and supplies	10,500	10,500	6,607	3,893
Other charges	249,780	125,921	76,125	49,796
	<u>577,392</u>	<u>511,423</u>	<u>386,428</u>	<u>124,995</u>

**(CONTINUED ON NEXT PAGE)**

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Fiscal services				
Salaries	\$ 53,946	\$ 83,278	\$ 81,510	\$ 1,768
Benefits	7,094	22,278	18,137	4,141
Contractual services	31,175	31,997	32,779	(782)
Materials and supplies	5,000	6,249	6,249	-
Other charges	38,000	37,922	19,846	18,076
	<u>135,215</u>	<u>181,724</u>	<u>158,521</u>	<u>23,203</u>
Human resources				
Salaries	20,000	-	-	-
Benefits	2,530	-	-	-
Contractual services	9,800	35,330	33,460	1,870
Materials and supplies	1,700	1,700	793	907
Other charges	5,000	5,000	2,116	2,884
	<u>39,030</u>	<u>42,030</u>	<u>36,369</u>	<u>5,661</u>
Health services				
Salaries	120,515	150,315	130,431	19,884
Benefits	42,865	35,165	28,344	6,821
Contractual services	2,800	-	-	-
Materials and supplies	27,000	2,000	740	1,260
Other charges	1,600	7,300	6,241	1,059
	<u>194,780</u>	<u>194,780</u>	<u>165,756</u>	<u>29,024</u>
Operation of plant				
Salaries	325,739	314,685	305,091	9,594
Benefits	75,336	67,380	47,305	20,075
Contractual services	46,700	46,700	23,832	22,868
Materials and supplies	-	6,000	5,929	71
Other charges	266,000	260,000	203,296	56,704
	<u>713,775</u>	<u>694,765</u>	<u>585,453</u>	<u>109,312</u>
Maintenance of plant				
Contractual services	46,250	41,250	14,147	27,103
Materials and supplies	29,000	34,000	21,931	12,069
	<u>75,250</u>	<u>75,250</u>	<u>36,078</u>	<u>39,172</u>
Transportation				
Contractual services	666,742	666,742	615,782	50,960
School safety				
Other charges	1,100	1,100	1,100	-
Total education	13,425,826	13,602,431	12,749,257	853,174

(CONTINUED ON NEXT PAGE)

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>DEBT SERVICE</b>				
Principal	\$ -	\$ 130,000	\$ 130,000	\$ -
Interest	-	3,933	3,933	-
Total debt service	-	133,933	133,933	-
<b>CAPITAL PROJECTS</b>	94,600	364,466	315,302	(49,164)
Total expenditures	13,520,426	14,100,830	13,198,492	804,010
Excess (deficiency) of revenues over (under) expenditures	(479,004)	(1,031,408)	735,209	1,766,617
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of equipment	-	-	172	172
Debt issuance	-	269,940	269,940	-
Transfers in	479,000	525,965	525,965	-
Total other financing sources	479,000	795,905	796,077	172
Net change in fund balances	<u>\$ (4)</u>	<u>\$ (235,503)</u>	1,531,286	<u>\$ 1,766,789</u>
Fund balances - beginning			<u>2,795,478</u>	
Fund balances - ending			<u>\$ 4,326,764</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
June 30, 2018

	<b>Enterprise Fund Sewer Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,785,008
Receivables	
Other	1,721
Due from other governments	136,538
Total current assets	<u>1,923,267</u>
Noncurrent assets:	
Capital assets, not being depreciated	265,603
Capital assets, being depreciated, net	13,080,015
Total capital assets, net	<u>13,345,618</u>
Net pension asset	16,320
Total noncurrent assets	<u>13,361,938</u>
Total assets	<u>15,285,205</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pension	18,651
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and other accruals	45,949
Accrued payroll	11,798
Current portion of notes payable	544,000
Total current liabilities	<u>601,747</u>
Noncurrent liabilities:	
Notes payable, net of current portion	4,466,000
Total liabilities	<u>5,067,747</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pension	<u>19,415</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,335,618
Restricted - net pension asset	16,320
Unrestricted	1,864,756
Total net position	<u><u>\$ 10,216,694</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2018

	<b>Enterprise Fund</b>
	<b>Sewer Fund</b>
Operating Revenues:	
Sewer service fee	\$ 1,444,896
Service connections fees	36,750
Total operating revenues	<u>1,481,646</u>
Operating Expenses:	
Salaries	170,205
Benefits	64,630
Materials and supplies	167,962
Utilities	128,102
Professional services	86,314
Other services and charges	47,677
MLGW collection fees	29,059
Depreciation	489,900
Total operating expenses	<u>1,183,849</u>
Operating income	297,797
Nonoperating Revenues (Expenses):	
Interest	5,378
Bond interest and fiscal charges	(103,853)
Total nonoperating expenses	<u>(98,475)</u>
Income (loss) before contributions and transfers	199,322
Capital contributions - development	<u>390,600</u>
Change in net position	589,922
Total net position - beginning	<u>9,626,772</u>
Total net position - ending	<u><u>\$ 10,216,694</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2018

	<u>Enterprise Fund Sewer Fund</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 1,586,482
Payments to suppliers	(563,842)
Payments to employees	(237,377)
Net cash provided by operating activities	<u>785,263</u>
<b>CASH FLOW USED FOR NONCAPITAL FINANCING ACTIVITIES</b>	
Payment to other funds	(574)
<b>CASH FLOW FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital contributions	390,600
Purchases of capital assets	(277,915)
Principal paid on capital debt	(523,000)
Interest paid on capital debt	(103,853)
Net cash used for capital and related financing activities	<u>(514,168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>5,378</u>
Net increase in cash and cash equivalents	275,899
Cash and cash equivalents - beginning of the year	<u>1,509,109</u>
Cash and cash equivalents - end of the year	<u>\$ 1,785,008</u>
<b>Reconciliation of operating income to net cash from operating activities:</b>	
Operating income	\$ 297,797
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	489,900
Pension expense in excess of employer contributions	(4,556)
Change in assets and liabilities	
Receivables	104,836
Accounts payable	(104,728)
Accrued payroll	2,014
Net cash provided by operating activities	<u>\$ 785,263</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
June 30, 2018

---

	<u>OPEB Trust Fund</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 248,913
Inventory	-	2,066
Investments, at fair value:		
Mutual funds	<u>664,446</u>	<u>-</u>
Total assets	<u>\$ 664,446</u>	<u>\$ 250,979</u>
<b>LIABILITIES</b>		
Due to student general fund	\$ -	\$ 211,829
Due to student groups	<u>-</u>	<u>39,150</u>
Total liabilities	<u>-</u>	<u>\$ 250,979</u>
<b>NET POSITION</b>		
Held in trust for OPEB benefits	<u>\$ 664,446</u>	

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended June 30, 2018

---

	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 373,893
Plan members	10,645
Total contributions	<u>384,538</u>
Investment earnings (losses):	
Interest and dividends	13,382
Net appreciation in fair value of investments	11,940
Total investment earnings	<u>25,322</u>
Total additions	409,860
<b>DEDUCTIONS</b>	
Premiums	30,038
Administrative expense	1,682
Total deductions	<u>31,720</u>
Change in net position	378,140
Net position - beginning of the year	<u>286,306</u>
Net position - end of the year	<u>\$ 664,446</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Lakeland, Tennessee (the "City") was incorporated in 1977 and operates under a Board of Mayor and Commissioners form of government.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of a government's operations. The City has one blended component unit (see details below). The City has no discretely presented component units. The significant accounting policies followed by the component unit are generally the same as those followed by the primary government.

*Blended Component Unit:*

*Lakeland School System* ("Board of Education" or "Schools") – The Board of Education is a legally separate organization that includes all the public schools within the City. The Board of Education has a separately elected five member governing board but is fiscally dependent upon the City. The City provides funding, approves its operating budget, and issues debt for its capital projects. The Board of Education's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with the resources of the City. The Board of Education's general purpose fund, federal projects fund, nutrition fund, discretionary grants fund, and LEAP fund are each reported as special revenue funds of the City. The Board of Education's capital projects fund is considered a major fund of the City. The Board of Education's OPEB fund is a fiduciary fund of the City and the student activity funds are an agency fund of the City. The Board of Education does not issue separate financial statements.

**B. Basis of Presentation**

*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 and are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. 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. 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.

The statement of net position presents information on all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences presented as net position. Net position is reported as one of three categories: net investment in capital assets, restricted, or unrestricted. Restricted net position is further classified as either net position restricted by enabling or net position that is otherwise restricted.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The activities of the government are organized into funds, each of which are considered to be separate 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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City has presented all major funds that met the quantitative or qualitative qualifications to be reported as a major fund as separate columns in the fund financial statements. The City's major governmental funds include the General Fund, the General Purpose School Fund and the School Capital Projects Fund. In addition, the City reports the Sewer Fund as a major proprietary fund. Detailed descriptions of these funds are presented below:

*1. Governmental Fund Financial Statements*

Governmental fund financial statements include a balance sheet and statement of revenues, expenditures, and changes in fund balance individually for all major funds and in the aggregate for the remaining nonmajor funds. An accompanying schedule is presented to reconcile and explain the difference in fund balance and changes in fund balances as presented in these statements to net position and changes in net position presented in the government-wide financial statements. The governmental funds of the City are described below:

- a. **General Fund** – The primary operating fund of the City and accounts for all financial resources of the general government not specifically provided for in other funds. Most of the essential governmental services such as general administration, community services, and public works are reported in the general fund.
- b. **Special Revenue Funds** – These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specific purposes. The special revenue funds include the State Street Aid Fund, Storm Water Fund, Solid Waste Control Fund, School Federal Projects Fund, School Nutrition Fund, Lakeland Extended Activities Program (“LEAP”) Fund and School Discretionary Grants Fund. The special revenue funds also include the General Purpose School Fund which is considered a major fund and described in further detail below:

General Purpose School Fund – 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, such as property tax revenue from Shelby County, Tennessee, Basic Education Program (BEP) funds, sales tax, etc. General operating expenditures and capital improvement costs that are not paid through other School funds are paid from the General Purpose School Fund.

- c. **Capital Projects Fund** – These funds account for all the financing of major governmental fund capital asset purchases. A fund is maintained for the School capital improvement projects i.e. School Capital Projects Fund.
- d. **Debt Service Fund** – The fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*2. 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. The proprietary funds of the City are described below:

- a. **Enterprise Fund** – Account for business-like activities provided to the general public. The activities are financed primarily by user charges and the measurement of the financial activity focuses on net income measurement similar to private sector businesses.

Sewer Fund – Accounts for sewer fees in connection with the operation of the City's sewer system. The proceeds of loans have been used specifically for the construction or acquisition of sewer systems and facilities. Since it is the intention of the City to repay these loans through sewer fund operations, these obligations are reported in this fund.

*3. Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a statement of fiduciary net position and statement of changes in 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.

- a. **Other Postemployment Benefit Trust Fund** – This fund accounts for the activities and accumulation or resources that are required to be held in trust for the members and beneficiaries of other postemployment benefit plans. The School maintains an Other Postemployment Benefits Fund (“School OPEB”) to account for activity related to retiree group health and dental benefits.
- b. **Agency Fund** – These funds report resources held by the City in a purely custodial capacity. The School Activity Funds are used to account for cash and inventory held by the Lakeland School System on behalf of the school activity fund for the Lakeland Schools. 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.

*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 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 and fiduciary funds are also accounted for using the “economic resources” measurement focus. Accordingly all assets, deferred outflows of resources, liabilities, and 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 revenues (additions) and expenses (deductions) in total net position. Agency funds do not use the economic resources measurement focus.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

*Basis of Accounting*

The government-wide financial statements are presented using the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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 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 enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental fund financial statements are reported using 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, charges for services, fines and forfeitures, and miscellaneous revenues are considered to be measurable and available only when cash is received by the City. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period. 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. The issuance of long-term debt is reported as other financing sources.

**D - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**

*1. Deposits and investments*

The City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents also include investments in the Local Government Investment Pool (“LGIP”) due to the short-term nature of their maturity.

Investments, including other postemployment benefit investments held in fiduciary funds, are reported at fair value except for those investments in the Local Government Investment Pool (“LGIP”). The LGIP qualifies as a 2a7-like pool and is reported at amortized cost using a Stable Net Asset Value which approximates fair value. Cash equivalents held by the trustee of the School OPEB Fund are included in cash and cash equivalents.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*2. Receivables*

All trade and property taxes receivable are shown net of an allowance for uncollectibles.

Real and personal property taxes are levied by June 1 for each fiscal year on values assessed as of the prior January 1. The City has an enforceable legal claim as of January 1 (the assessment date). Property taxes are due on October 1 and are considered delinquent after February 28, at which time penalties and interest are assessed and property is available for tax lien. All property taxes are billed and collected by the Shelby County Trustee.

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2018. The property tax levy is without legal limit. The rate, as permitted by Tennessee State Law and City Charter, is set annually by the Board of Mayor and Commissioners.

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

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. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned as "unearned revenue". At the end of the current fiscal year, unavailable revenue principally represents amounts relating to property taxes and grants.

*3. Interfund transactions*

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due 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."

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

Interfund transfers

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.

*4. Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*5. 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. Such assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated acquisition value at the date received. 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. 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.

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

Buildings and improvements	15-40 years
Other improvements	20 years
Machinery and equipment	5 years
Vehicles	5 years
Infrastructure	30 years

*6. Deferred outflows of resources*

In addition to assets, the statement of financial position reports 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) until then. The City has qualifying items for reporting in this category. Deferred outflows of resources include those related to pension and other postemployment benefits.

*7. Compensated absences*

Compensated absences for accumulated unpaid vacation are 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. Vacation hours earned may be accrued depending on years of service and subject to maximums ranging from 160 – 200 hours. Compensated absences are paid out of the general fund, the general purpose school fund, LEAP fund, state street aid fund, solid waste control fund, storm water fund, and the proprietary fund. 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.

*8. Long-term obligations*

In the governmental-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 associated debt using the effective interest method. Debt is reported net of the applicable premium or discount. Debt issuance costs are expensed when incurred.

In the governmental fund financial statements, debt premiums and discounts, as well as issuance costs are recognized in the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*9. Deferred inflows of resources*

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is not recognized as an inflow of resources (revenue) until that time. The City has qualifying items for reporting in this category. These items are amounts in the governmental funds that were receivable and measureable at year-end but were not available to finance expenditures for the current year. This includes unavailable revenues from property taxes. In addition, deferred inflows of resources include those related to pensions and other postemployment benefits.

*10. Net position and fund balance*

In the government-wide financial statements and the proprietary fund in the fund financial statements, equity is classified as net position and displayed in three components:

**Net investment in capital assets** – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislations.

**Unrestricted net position** – all other net position that does not meet the definition of restricted or net investment in capital assets.

In the fund financial statements, governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classification consist of the following five components, as applicable:

**Nonspendable** – amounts that cannot be spent because they are either in a (a) non-spendable 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 (i.e. the principal of a permanent fund).

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

**Committed** – amounts constrained to be used for specific purposes by formal action by ordinance adopted by the Board of Mayor and Commissioners and the Lakeland School System Board of Education. 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 removes or changes the commitment by taking the same action it employed to impose the commitment.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assigned** – amounts intended to be used by the City for a specific purpose, but are neither restricted nor committed. The intent shall be expressed by the Board of Mayor and Commissioners or a designee authorized by the Board of Mayor and Commissioners with authority to assign amounts. 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 Mayor and Manager have been authorized to assign amounts in the general fund for a specific purpose in accordance with fund balance policy established by the Board of Mayor and Commissioners. The Lakeland School System Board of Education has the authority to assign the fund balance for the School Funds. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the general fund are reported as assigned fund balance.

**Unassigned** – represents the residual balance available for any purpose in the general fund or deficit balances in other funds.

When an 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.

*11. Pensions and Other Postemployment Benefits*

The City maintains four defined benefit retirement plans sponsored by Tennessee Consolidated Retirement System and one defined benefit other postemployment benefit plan (“OPEB”) sponsored by the City.

For purposes of measuring the net pension and net OPEB asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position, and additions to/deductions from each plan’s fiduciary net position have been determined on the same basis as they are reported by the actuaries. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of each plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plans. However, certain administrative functions are performed by employees of the City and are not reimbursed by the plans. Investments, other than contracts, are reported at fair value. Investment income is recognized as earned. Plan assets do not include any securities of the City nor have any of the plans made any loans to the City.

*12. Fair Value Measurements*

GASB Statement 72, Fair Value Measurement and Application, categorizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs include unadjusted quoted prices in active markets for identical assets or liabilities accessible at the measurement date. Level 2 inputs include quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data. Such inputs include market interest rates and volatilities, spreads and yield curves. Level 3 inputs are inputs which are unobservable for the asset or liability and rely on management’s own assumptions that market participants would use in pricing the asset or liability.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The methods used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*13. Estimates*

The preparation 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**E – New Governmental Accounting Standards Board (GASB) Pronouncements**

The School System adopted GASB Statement No. 82, *Pension Issues*, required for fiscal periods beginning after June 30, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2018. This Statement modifies the measure of payroll that is presented in the required supplementary information.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary information**

The Board of Mayor and Commissioners annually approves the operating budgets of the general, special revenue, capital projects, debt service, and enterprise funds of the City. The capital projects plan is multi-year. The total budgets of these funds constitute legal spending limits, requiring ordinance amendment. Transfers within the funds are authorized by the Board of Commissioners in the budget ordinance, but must be presented to the Board of Commissioners at the next scheduled meeting. The Lakeland School Board of Education annually approves the operating budgets of the general purpose school fund, federal projects, school nutrition, discretionary grants, LEAP, and education capital fund. The Board of Commissioners then approves the Lakeland School System budget. Annual budgets are adopted on a basis consistent with Tennessee Code Annotated, which is not materially different than the modified accrual basis of accounting for all governmental funds.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported in the assigned, committed, and restricted fund balance categories and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2018, no expenditures exceeded appropriations.

**C. Deficit fund equity**

As of June 30, 2018, none of the funds had a deficit fund balance.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

Legal Provisions

Deposits must be collateralized by federal depository insurance, the Tennessee Bank Collateral Pool, collateral held by the City's agent in the City's name, collateral held by the Federal Reserve Banks acting as third party agents, or a combination of these methods. State statute requires that all uninsured deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial risk is to follow state guidelines. As of June 30, 2018, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

**B. Investments**

*1. Primary Government Investments*

Legal Provisions

Investments are limited to those authorized by Tennessee State Law. State statutes authorize the City to make direct investments in in bonds, notes or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the Local Government Investment Pool ("LGIP"); bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and nonconvertible debt securities of certain federal government sponsored enterprises. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction.

The Tennessee Local Government Investment Pool ("LGIP") represents 100% of the primary government's investments at June 30, 2018. These investments are reported at amortized cost which approximates fair value and are included as cash equivalents.

*2. Fiduciary Investments*

The LSS administers one fiduciary fund whose investments are held by a third party trustee bank. Additionally, the LSS utilizes an advisor to select appropriate investment choices. In addition to investments allowed by the LSS, the fiduciary funds' investment policies authorize investments in mutual funds, common stocks, and other equities.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018.

- *Mutual Funds*: Based on trading prices in active markets.

For the year ended June 30, 2018, investments held in fiduciary funds totaled \$664,446 and were held in mutual funds valued using Level 1 inputs.

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Interest Rate Risk – The School System manages its exposure to declines in fair value by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The School System invests operating funds primarily in shorter-term securities or the LGIP and limits the average maturity of the portfolio to those established by TCA 6-5-106 for commercial paper and repurchase agreements and four years for investments in securities of the U.S. Treasury, Federal Government sponsored agencies, or certificates of deposit.

**C. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2018, is as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Funds</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ 13,731	\$ 18,628
General Purpose School Fund		
General Fund	18,628	13,731
Federal Projects Fund	20,528	20,528
Discretionary Grants Fund	13,428	13,428
	<u>52,584</u>	<u>47,687</u>
	<u>\$ 66,315</u>	<u>\$ 66,315</u>

These balances resulted from the time lag between the dates that the interfund goods and services are provided or reimbursable expenditures occur and when payments between funds are made.

**CITY OF LAKE LAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2018

---

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

The composition of interfund transfers for the year ended June 30, 2018 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ -	\$ 525,965
Education Capital Projects Fund	-	3,000,000
State Street Aid Fund	-	884,058
Debt Service Fund	-	<u>2,771,372</u>
	-	<u>7,181,395</u>
General Purpose School Fund		
General Fund	525,965	-
Education Capital Projects Fund		
General Fund	3,000,000	-
Nonmajor Funds		
State Street Aid Fund		
General Fund	884,058	-
Debt Service Fund		
General Fund	<u>2,771,372</u>	-
	<u>3,655,430</u>	-
	<u>\$ 7,181,395</u>	<u>\$ 7,181,395</u>

Transfers out of the major funds, nonmajor governmental funds and enterprise funds generally represent debt service, cost allocation, capital project funding, and payments in lieu of taxes.

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Capital assets**

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,670,846	\$ -	\$ (379,903)	\$ 8,290,943
Construction in progress	21,184,841	4,544,704	(21,976,794)	3,752,751
Total capital assets, not being depreciated	<u>29,855,687</u>	<u>4,544,704</u>	<u>(22,356,697)</u>	<u>12,043,694</u>
Capital assets, being depreciated:				
Buildings and improvements	16,270,493	18,376,936	-	34,647,429
Other improvements	4,792,599	-	-	4,792,599
Machinery and equipment	2,054,515	1,906,003	(99,124)	3,861,394
Vehicles	320,691	13,619	(45,610)	288,700
Infrastructure	63,943,619	2,327,346	-	66,270,965
Total capital assets, being depreciated	<u>87,381,917</u>	<u>22,623,904</u>	<u>(144,734)</u>	<u>109,861,087</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,835,266)	(884,834)	-	(2,720,100)
Other improvements	(3,186,354)	(282,321)	-	(3,468,675)
Machinery and equipment	(1,398,517)	(199,783)	99,124	(1,499,176)
Vehicles	(177,057)	(50,067)	45,610	(181,514)
Infrastructure	(47,987,336)	(2,335,203)	-	(50,322,539)
Total accumulated depreciation	<u>(54,584,530)</u>	<u>(3,752,208)</u>	<u>144,734</u>	<u>(58,192,004)</u>
Total capital assets, being depreciated, net	<u>32,797,387</u>	<u>18,871,696</u>	<u>-</u>	<u>51,669,083</u>
Governmental activities capital assets, net	<u>\$ 62,653,074</u>	<u>\$ 23,416,400</u>	<u>\$ (22,356,697)</u>	<u>\$ 63,712,777</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 75,360	\$ -	\$ -	\$ 75,360
Construction in progress	376,766	139,464	(325,987)	190,243
Total capital assets, not being depreciated	<u>452,126</u>	<u>139,464</u>	<u>(325,987)</u>	<u>265,603</u>
Capital assets, being depreciated:				
Buildings and improvements	10,173,282	325,987	-	10,499,269
Other improvements	8,284,367	95,544	-	8,379,911
Machinery and equipment	446,655	42,907	-	489,562
Total capital assets, being depreciated	<u>18,904,304</u>	<u>464,438</u>	<u>-</u>	<u>19,368,742</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,678,889)	(254,439)	-	(2,933,328)
Other improvements	(2,948,770)	(189,648)	-	(3,138,418)
Machinery and equipment	(171,168)	(45,813)	-	(216,981)
Total accumulated depreciation	<u>(5,798,827)</u>	<u>(489,900)</u>	<u>-</u>	<u>(6,288,727)</u>
Total capital assets, being depreciated, net	<u>13,105,477</u>	<u>(25,462)</u>	<u>-</u>	<u>13,080,015</u>
Business-type activities capital assets, net	<u>\$ 13,557,603</u>	<u>\$ 114,002</u>	<u>\$ (325,987)</u>	<u>\$ 13,345,618</u>

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

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

Governmental Activities:	
General government	\$ 161,900
Public works	2,575,090
Parks and recreation	68,407
Education	944,576
Total depreciation expense - governmental activities	<u>\$ 3,749,973</u>
Business-Type Activities:	
Sewer	<u>\$ 489,900</u>

Construction and other significant commitments

The government has active construction projects as of June 30, 2018. At year-end the government's commitments with contractors are approximately as follows:

Project	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
City construction		
Canada Road	\$ 3,219,000	\$ 106,000
Canada Road Bike Path	25,600	82,000
Education construction		
Lakeland Middle School Athletic Complex	508,000	2,718,000
	<u>\$ 3,752,600</u>	<u>\$ 2,906,000</u>

**E. Long-Term Liabilities**

*1. Long-Term Debt*

General obligation and revenue notes payable

The City periodically issues general obligation notes for the acquisition, construction, and improvement of major capital facilities and infrastructure. The City is not subject to any state or other law that limits the amount of 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 power are pledged to the repayment of all general obligation notes payable and interest and the City is contingently liable for the repayment of revenue notes principal and interest. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt.

**CITY OF LAKE LAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

Debt outstanding as of June 30, 2018 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Outstanding at Year End
Governmental activities:				
TN Municipal League Notes				
Series 2001	1.51*	2024	\$ 3,500,000	\$ 1,053,095
Series 2008	1.51*	2030	4,500,000	3,155,000
			<u>8,000,000</u>	<u>4,208,095</u>
G.O. Capital Outlay Note				
Series 2015	2.0-5.0	2028	20,000,000	17,230,000
Construction Loan**	1.89	-	1,725,000	1,127,632
			<u>\$ 29,725,000</u>	<u>\$ 22,565,727</u>
Business-type activities:				
TN Municipal League Notes				
Series 2005	1.51*	2026	<u>\$ 11,000,000</u>	<u>\$ 5,010,000</u>

\*Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2018 was 1.51%

\*\*The project is in process; repayment will begin once the project is complete. Amounts due are considered current debt.

Annual debt service requirements to maturity for bonds and notes payable are as follows:

Years Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 2,957,632	\$ 848,634	\$ 544,000	\$ 67,437
2020	1,876,000	813,898	565,000	58,905
2021	1,968,000	734,663	588,000	50,026
2022	2,031,000	682,013	612,000	40,785
2023	2,104,095	596,430	636,000	31,182
2024-2028	10,981,000	1,588,776	2,065,000	30,012
2029-2031	648,000	9,891	-	-
	<u>\$ 22,565,727</u>	<u>\$ 5,274,305</u>	<u>\$ 5,010,000</u>	<u>\$ 278,347</u>

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

*2. Settlement Liability*

In January 2014, the City and the School entered into a settlement agreement with the Board of Commissioners of Shelby County, Shelby County, Tennessee, and the Shelby County Board of Education. The City agreed to pay the Shelby County Board of Education twelve annual installments of \$56,337. The City elected to establish the liability incurred through the settlement agreement at its present value with a discount rate of .50%. Future payments under the settlement liability are as follows for the years ending June 30:

Years Ending June 30	Amount
2019	\$ 56,337
2020	56,337
2021	56,337
2022	56,337
2023	56,337
2024-2028	169,011
Total payments	450,696
Less amount representing interest	(9,998)
	<u>\$ 440,698</u>

*3. Capital Leases*

The City has entered into several other lease agreements on behalf of the Schools for financing the acquisition of computer equipment to be used in the classrooms. The scheduled minimum lease payment under the agreements includes interest ranging from 4.11% to 5.24%.

The cumulative amount of assets acquired under all capital leases amounted to approximately \$364,000. Capital leases obligations outstanding under the agreements are as follows:

	Interest Rates	Maturity Date	Original Issue	Outstanding at Year End
Governmental activities:				
Capital Lease 2017	4.11	2019	\$ 93,940	\$ 31,295
Capital Lease 2018	5.24	2021	269,940	197,106
			<u>\$ 363,880</u>	<u>\$ 228,401</u>

The following is a schedule of the future minimum lease payments at June 30:

Years Ending June 30	Amount
2019	\$ 105,791
2020	73,183
2021	73,183
Total payments	252,157
Less amount representing interest	(23,756)
	<u>\$ 228,401</u>

**CITY OF LAKE LAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

*4. Changes in long-term liabilities*

A summary of long-term liability activity, including debt, for the year ended June 30, 2018 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
TML notes payable	\$ 4,597,095	\$ -	\$ (389,000)	\$ 4,208,095	\$ 405,000
Capital outlay notes	18,630,000	-	(1,400,000)	17,230,000	1,425,000
Construction loan	211,624	916,008	-	1,127,632	1,127,632
Settlement obligation	507,033	-	(56,337)	450,696	54,128
Capital lease payable	88,461	269,940	(130,000)	228,401	93,857
Unamortized premiums (discounts), net	2,122,923	-	(205,854)	1,917,069	-
Total long-term debt	26,157,136	1,185,948	(2,181,191)	25,161,893	3,105,617
Compensated absences	77,367	28,548	(17,399)	88,516	55,347
Net pension liability*	692,905	-	(686,298)	6,607	-
Net OPEB liability*	2,284,967	384,595	-	2,669,562	-
	<u>\$ 29,212,375</u>	<u>\$ 1,599,091</u>	<u>\$ (2,884,888)</u>	<u>\$ 27,926,578</u>	<u>\$ 3,160,964</u>
<b>Business-type activities:</b>					
Revenue notes payable	\$ 5,533,000	\$ -	\$ (523,000)	\$ 5,010,000	\$ 544,000
Net pension liability*	8,269	-	(8,269)	-	-
	<u>\$ 5,541,269</u>	<u>\$ -</u>	<u>\$ (531,269)</u>	<u>\$ 5,010,000</u>	<u>\$ 544,000</u>

\*net increase (decrease) shown

For governmental activities, net pension liability, other postemployment benefits, and compensated absences are generally liquidated by the general fund and general purpose school fund. For the year ended June 30, 2018; interest incurred and capitalized was \$115,679. Unspent bond proceeds at June 30, 2018 totaled \$6,399,351 and will be used to finance the construction and improvements of the middle school.

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Fund Balances by Purpose**

Following is more detailed information on the governmental fund balances:

	General Fund	General Purpose School Fund	Capital Projects Fund	Other Governmental Funds	Total
Restricted for:					
Education capital projects	\$ -	\$ -	\$ 6,399,351	\$ -	\$ 6,399,351
Solid waste	-	-	-	936,908	936,908
Storm water	-	-	-	214,602	214,602
Education	-	-	-	412,597	412,597
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>6,399,351</u>	<u>1,564,107</u>	<u>7,963,458</u>
Committed for:					
Park acquisition	523,435	-	-	-	523,435
State street aid	-	-	-	672,201	672,201
Debt service	-	-	-	251,295	251,295
Total committed fund balance	<u>523,435</u>	<u>-</u>	<u>-</u>	<u>923,496</u>	<u>1,446,931</u>
Assigned to:					
Parks - Athletic Complex	259,970	-	-	-	259,970
Education	-	4,326,764	-	-	4,326,764
	<u>259,970</u>	<u>4,326,764</u>	<u>-</u>	<u>-</u>	<u>4,586,734</u>
Unassigned	7,756,900	-	-	-	7,756,900
Total fund balances	<u>\$ 8,540,305</u>	<u>\$ 4,326,764</u>	<u>\$ 6,399,351</u>	<u>\$ 2,487,603</u>	<u>\$ 21,754,023</u>

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**NOTE 4 – PENSIONS**

The City of Lakeland and Lakeland School System participate in the following defined benefit multiple-employer Public Employee Retirement Plans administered by the Tennessee Consolidated Retirement System (“TCRS”):

- I. City of Lakeland, Tennessee Public Employee Retirement Plan (“City TCRS Plan”) – Certain employees of the City of Lakeland with membership in TCRS prior to December 31, 2014 are included in this plan. The City withdrew from this plan in 2015, and the plan is, therefore closed to new membership for employees hired on or after January 1, 2015. This is an agent multiple-employer pension plan.
- II. Lakeland School System Public Employee Retirement Plan (“School Classified TCRS Plan”) – Certain classified employees of the Lakeland School System that were former Legacy Shelby County or Memphis City Schools Employees are included in this plan. The plan was closed to new membership on January 1, 2015, but continues to provide benefits to existing members. This is an agent multiple-employer pension plan.
- III. Teacher Legacy Pension Plan (“School Certified TCRS Plan”) – Certain certified employees with membership in TCRS prior to July 1, 2014 are included in this plan. The plan was closed to new membership on June 30, 2014, but continues to provide benefits to existing members. The plan is a cost sharing multiple-employer pension plan.
- IV. Teacher Retirement Plan (“School Hybrid Plan”) – Certain staff with membership in TCRS beginning on or after July 1, 2014 are included in this plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost sharing multiple-employer pension 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 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](http://www.treasury.tn.gov/tcrs). 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.

The net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to pensions reported on the statement of net position are summarized as follows:

	Net Pension Asset	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
<b>Governmental Activities</b>				
City TCRS Plan	\$ 120,380	\$ 122,474	\$ -	\$ 135,192
School Classified TCRS Plan	-	51,133	6,607	20,622
School Certified TCRS Plan	36,950	1,552,401	-	762,875
School Hybrid Plan	14,573	58,825	-	2,227
Total governmental activities	<u>\$ 171,903</u>	<u>\$ 1,784,833</u>	<u>\$ 6,607</u>	<u>\$ 920,916</u>
<b>Business-type Activities</b>				
City TCRS Plan	<u>\$ 16,320</u>	<u>\$ 18,651</u>	<u>\$ -</u>	<u>\$ 19,415</u>

**NOTE 4 – PENSIONS (CONTINUED)**

**A. General Information about the Pension Plans**

Benefits Provided

Under the City TCRS Plan, Classified TCRS Plan, and Certified TCRS Plan, 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. A reduced early retirement benefit is available at age 55 and vested. Under the Hybrid Plan, members are eligible to retire with an unreduced benefit 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. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80.

Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. 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. Additionally, under the Certified TCRS and Hybrid 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.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms of the agent plans:

	City TCRS Plan	Classified TCRS Plan
Inactive employees or beneficiaries currently receiving benefits	7	1
Inactive employees entitled to but not yet receiving benefits	13	5
Active employees	11	14
	31	20

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or, for the Hybrid Plan, by automatic cost controls set by law. Employees contribute 5 percent of salary. The City and 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 to each plan are required to be paid. TCRS may intercept the City's state shared taxes if the required employer contributions are not remitted. 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. Per the statutory provisions governing TCRS, the employer contribution rate for the Hybrid Plan cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached.

**NOTE 4 – PENSIONS (CONTINUED)**

Employer contributions to each plan for the year ended June 30, 2018 were as follows:

	City TCRS Plan	Classified TCRS Plan	Certified TCRS Plan	Hybrid TCRS Plan
Employer contributions	\$ 46,216	\$ 41,185	\$ 503,691	\$ 55,430
As a percentage of covered payroll	8.60%	8.95%	9.08%	4.00%

**B. Actuarial Assumptions for each TCRS Plan**

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions

In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projects and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2018

**NOTE 4 – PENSIONS (CONTINUED)**

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 the 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 total pension liability.

**C. Net Pension Liability (Asset)**

The net pension liability (asset) for each TCRS plan was measured as of June 30, 2017, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. The components of the net pension liability for the agent plans at June 30, 2018 are as follows:

	Agent Plans		Cost-Sharing Plans	
	City TCRS Plan	Classified TCRS Plan	Certified TCRS Plan	Hybrid TCRS Plan
Total Pension Liability				
Service cost	\$ 47,883	\$ 53,433		
Interest	134,377	13,750		
Changes of benefit items	-	-		
Differences between expected and actual experience	(162,835)	3,977		
Changes in assumptions	43,100	4,057		
Benefit payments, including refunds	(62,631)	(420)		
Net change in total pension liability	(106)	74,797		
Total pension liability - beginning	1,775,125	130,108		
Total pension liability - ending	1,775,019	204,905		
Plan Fiduciary Net Position				
Contributions - employer	\$ 48,686	\$ 36,507		
Contributions - employee	28,306	21,225		
Net investment income	193,901	17,346		
Benefit payments	(62,631)	(420)		
Administrative expense	(933)	(1,188)		
Net change in plan fiduciary net position	207,329	73,470		
Plan fiduciary net position - beginning	1,704,390	124,828		
Plan fiduciary net position -ending	1,911,719	198,298		
Net pension liability (asset)	\$ (136,700)	\$ 6,607		
Proportionate share of net pension liability (asset)			\$ (36,950)	\$ (14,573)
Proportionate share at June 30, 2017 measurement date			0.112938%	0.055238%
Proportionate share at June 30, 2016 measurement date			0.100034%	0.069721%

**CITY OF LAKE LAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2018

**NOTE 4 – PENSIONS (CONTINUED)**

The proportion of the net pension liability (asset) was based on the School's contributions to each cost-sharing plan relative to the contributions of all participating LEAs. Detailed information about each cost-sharing pension plan's fiduciary net position is available in a separately issued TCRS financial report.

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate*

The following presents the net pension liability (asset) or proportionate share of net pension liability (asset) of the City related to each TCRS plan calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) or proportionate share of net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net pension liability (asset)			
City TCRS Plan	\$ 107,708	\$ (136,700)	\$ (330,667)
Classified TCRS Plan	41,650	6,607	(21,998)
Proportionate share of the net pension liability (asset)			
Certified TCRS Plan	\$ 3,315,602	\$ (36,950)	\$ (2,808,058)
Hybrid TCRS Plan	2,908	(14,573)	(27,396)

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

For the year ended June 30, 2018, the City reported pension expense, deferred outflows of resources, and deferred inflows of resources related to each plan from the following sources:

	<u>City TCRS Plan</u>	<u>Classified TCRS Plan</u>	<u>Certified TCRS Plan</u>	<u>Hybrid TCRS Plan</u>
Pension Expense (Negative Pension Expense)	\$ 7,775	\$ 34,272	\$ 229,093	\$ 6,695
Deferred Outflows of Resources				
Differences between expected and actual experience	\$ 60,429	\$ 6,342	\$ 22,277	\$ 511
Net difference between projected and actual earnings on pension plan investments	-	-	5,609	-
Changes in Assumptions	34,480	3,606	312,958	1,280
Changes in proportion of net pension liability (asset)	-	-	707,866	1,604
Contributions subsequent to the measurement date of June 30, 2017	46,216	41,185	503,691	55,430
Total	<u>\$ 141,125</u>	<u>\$ 51,133</u>	<u>\$ 1,552,401</u>	<u>\$ 58,825</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	\$ 154,529	\$ 19,320	\$ 762,875	\$ 1,096
Net difference between projected and actual earnings on pension plan investments	78	1,302	-	784
Changes in Assumptions	-	-	-	-
Changes in proportion of net pension liability (asset)	-	-	-	347
Total	<u>\$ 154,607</u>	<u>\$ 20,622</u>	<u>\$ 762,875</u>	<u>\$ 2,227</u>

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**NOTE 4 – PENSIONS (CONTINUED)**

**CITY OF LAKELAND, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
 June 30, 2018

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

	City TCRS Plan	Classified TCRS Plan	Certified TCRS Plan	Certified TCRS Plan
2019	\$ (18,779)	\$ (1,407)	\$ (35,741)	\$ 15
2020	5,092	(1,407)	342,279	15
2021	(8,945)	(1,713)	133,437	(30)
2022	(37,066)	(2,642)	(154,140)	(232)
2023	-	(1,466)	-	138
Thereafter	-	(2,039)	-	1,262

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

**NOTE 5 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN**

School Hybrid Plan 401(k) Portion

The School Hybrid Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid 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. Enrolled employees may, at their option, contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plan. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. During 2018, the School’s employer contribution to the Hybrid Plan was \$113,391.

City of Lakeland and Lakeland School System 401(k) Plan

The City is the administrator of the State of Tennessee Deferred Compensation Plan II defined contribution 401(k) plan. The plan is available to all full-time City of Lakeland employees and full-time classified Lakeland School System employees hired after January 1, 2015 who have attained the age of eighteen and who are not participating in the TCRS plans. The plan is managed by the City of Lakeland Board of Commissioners 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 and are 100% vested in the employer contributions after 5 years of service. During 2018, the City and School contributed \$33,206 and \$106,190, respectively, to the plan.

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

In addition to the pension benefits described in Note 4, the School administers a single-employer defined benefit other postemployment plan to provide health care benefits to certain School employees who qualify under the provisions of the TCRS i.e. Lakeland School System Other Postemployment Benefit Plan (OPEB).

**A. General Information about the OPEB Plan**

Benefits Provided

Legacy employees that qualify for retirement benefits under the TCRS may be eligible for post-retirement health benefits for life. Eligible employees must complete 15 years of service with the 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 School System, Shelby County, and/or Memphis City Schools prior to retirement. Legacy employees are those employees who have attained at least three years of service as of July 1, 2016 from Lakeland School System, Shelby County School District or Memphis City Schools and were hired by Lakeland School System directly from any Shelby County school system prior to October 15, 2018. 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 premium charged to retirees is the portion of premiums not covered by the Lakeland School System explicit subsidy. The Board of Education has established benefit provisions and contribution obligations.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	88
	<u>92</u>

Contributions

Lakeland School System's intent is to partially fund the annual required contribution at \$200,000 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. Employer contributions are based on an actuarially determined rate. For the year ended June 30, 2018, employer contributions to the plan were \$377,156 which exceeded the actuarially determined contribution for the plan of \$257,746 by \$119,410.

**B. Actuarial Assumptions**

The annual required contribution for the current year was determined as part of the June 30, 2018 actuarial valuation using the entry age normal level percent of pay actuarial cost method. Liabilities as of July 1, 2017 are based on an actuarial valuation date of June 30, 2016 projected to June 30, 2017 on a "no loss/no gain" basis.

Inflation	3.0%
Salary increases	Graded salary ranges from 7.5% to 3.7% based on age
Investment rate of return	7.5%, net of investment expense, including inflation
Mortality table	SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017
Health care cost trend rate	Pre-65 benefits - 9.0% initial, decreasing by 0.5% annually to an ultimate rate of 5.0% for FY2026 Post-65 benefits - 7.0% initial, decreasing by 0.5% annually to an ultimate rate of 5.0% for FY2022

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)**

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. As such, the actuarial calculations of the OPEB plan reflect a long-term perspective. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Changes of Assumptions

In 2018, the following assumptions were changed, modified mortality assumptions from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 resulting in a decrease in liabilities; modified payroll growth assumption to follow the salary growth table used for teachers in the 2016 TCRS actuarial valuation resulting in an increase in liabilities; decreased the discount rate from 8.0% to 7.5% to reflect the long-term expected rate of return for the TSBA OPEB Trust resulting in an increase in liabilities; updated the health care trend rates resulting in a decrease in liabilities; and added the benefit for retirees to receive paid life insurance equal to their final yearly salary, up to \$50,000, resulting in an increase to liabilities.

Investment Policy

Lakeland School System has placed funds with the Tennessee School Board Association OPEB Trust (“TSBA OPEB Trust”) to be used to pre-fund a portion of the OPEB liability. The assets of the TSBA OPEB 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 OPEB Trust’s policy in regard to allocation of invested assets is established and may be amended by the TSBA OPEB Trust Board of Trustees by a majority vote of its members. The TSBA OPEB 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, 2018, was not available from other auditors as of the date of this report.

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 as summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US equity	42%	9.36%
Developed market international equity	18%	7.78%
Emerging market international equity	5%	11.4%
Fixed income	35%	4.69%
	100%	7.55%

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments was 6.25 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)**

Discount Rate Information

The discount rate used in valuing OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate as of June 30, 2018 is 7.5% with the assumption that Lakeland School System will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

**C. Net OPEB Liability**

The components of the School's net OPEB liability based on a measurement date of June 30, 2018 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning of year	\$ 2,571,273	\$ 286,306	\$ 2,284,967
Changes for the year:			
Service cost	112,708	-	112,708
Interest	204,813	-	204,813
Changes of benefit terms	219,591	-	219,591
Changes in assumptions	172,083	-	172,083
Differences between expected and actual experience	76,196	-	76,196
Contributions - employer	-	377,156	(377,156)
Contributions - employees	-	-	-
Net investment income	-	25,322	(25,322)
Benefit payments	(22,656)	(22,656)	-
Administrative expenses	-	(1,682)	1,682
Net changes	<u>762,735</u>	<u>378,140</u>	<u>384,595</u>
End of year	<u>\$ 3,334,008</u>	<u>\$ 664,446</u>	<u>\$ 2,669,562</u>

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the School's net OPEB liability (asset) calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentagepoint higher (8.5 percent) than the current rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ 3,166,313	\$ 2,669,562	\$ 2,259,624

**NOTE 6 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)**

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the School's net OPEB liability (asset) calculated using the healthcare cost trend initial rate of 9.0%/7.0% (pre/post-65) decreasing by 0.5% annually to an ultimate rate of 5.0% 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, 8.0%/6.0% (pre/post-65) decreasing to 4.0%, or 1-percentage-point higher, 10.0%/8.0% (pre/post-65) to 6.0%, than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ 2,233,287	\$ 2,669,562	\$ 3,210,844

**D. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

Other Postemployment Benefit Expense

For the year ended June 30, 2018, the School recognized OPEB expense of \$509,517

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 68,576	\$ 74,969
Changes in assumptions	154,875	85,275
Net difference between projected and actual earnings on OPEB plan investments	2,985	-
Total	<u>\$ 226,436</u>	<u>\$ 160,244</u>

Amounts recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows for the year ending June 30:

2019	\$ 7,480
2020	7,480
2021	7,399
2022	9,457
2023	7,023
Thereafter	27,353

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

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

Shelby County Trustee

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 the general government as other services.

Operating Leases

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

Legal Contingencies

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 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 considers it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for certain general liability, workers' compensation, and property and casualty insurance. As such, the City participates in the Tennessee Municipal League Risk Management Pool (TML Pool), which is a public entity risk pool consisting of member political subdivisions of the State of Tennessee that works in many ways like a traditional insurer. Members can obtain typical insurance coverage limits and deductible options at reasonable rates according to their risk tolerance while the TML Pool provides traditional underwriting, reinsurance, claims processing and loss control services. Unlike commercial insurance, the TML Pool offers the opportunity to earn a pro-rata refund of the surplus premiums according to the City's premium paid and its favorable loss experience in recent years. Each political subdivision that has participated in the TML pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the TML pool. The TML pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The School System continues to carry commercial insurance through Public Risk Insurers for all purposes. The City continues to carry commercial insurance for all other risks of loss, including certain general liability and property and casualty insurance. The City has replacement cost insurance, including earthquake coverage, on all buildings and on mobile equipment and vehicles costing more than \$25,000 each.

The City and School System have not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Health Insurance

The City of Lakeland and Lakeland School System participate in the Interlocal Health Benefits Plan Asset Trust in order to reduce costs of benefit plan administration and lower premium rates related to healthcare benefits. The Interlocal Health Plan is accounted for as a public entity risk pool but operates solely as a risk-sharing pool. Benefits and premium requirements are established and may be amended by an insurance committee. Members have the option of choosing between an Exclusive Provider Organization (EPO) option and a basic option for healthcare benefits. 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

**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

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. 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/](http://www.comptroller.tn.gov/RA_MA_Financial/).

The City and the School are only liable for their portion of plan premiums plus any outstanding capital requirements from the Interlocal Health Plan. The liability for any incurred-but-not-reported claims is borne by the Interlocal Health Plan and not by the individual members. During the year ended June 30, 2018, the City of Lakeland and the Lakeland School System contributed premiums of \$255,895 and \$751,128, respectively to the Interlocal Health Benefits Plan Asset Trust.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**PUBLIC EMPLOYEE RETIREMENT PLAN (CITY TCRS PLAN)**  
Last Ten Fiscal Years June 30

	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 47,883	\$ 55,313	\$ 67,801	\$ 83,026
Interest	134,377	124,402	120,195	103,834
Changes of benefit items	-	-	-	-
Differences between expected and actual experience	(162,835)	32,818	(48,522)	95,059
Changes in assumptions	43,100	-	-	-
Benefit payments	<u>(62,631)</u>	<u>(81,577)</u>	<u>(60,195)</u>	<u>(36,900)</u>
Net change in total pension liability	(106)	130,956	79,279	245,019
Total pension liability - beginning	<u>1,775,125</u>	<u>1,644,169</u>	<u>1,564,890</u>	<u>1,319,871</u>
Total pension liability - ending	<u>1,775,019</u>	<u>1,775,125</u>	<u>1,644,169</u>	<u>1,564,890</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	48,686	57,368	58,557	94,211
Contributions - employee	28,306	33,354	33,602	54,773
Net investment income	193,901	43,936	48,902	216,838
Benefit payments	(62,631)	(81,577)	(60,195)	(36,900)
Administrative expense	<u>(933)</u>	<u>(1,018)</u>	<u>(751)</u>	<u>(862)</u>
Net change in plan fiduciary net position	207,329	52,063	80,115	328,060
Plan fiduciary net position - beginning	<u>1,704,390</u>	<u>1,652,327</u>	<u>1,572,212</u>	<u>1,244,152</u>
Plan fiduciary net position -ending	<u>1,911,719</u>	<u>1,704,390</u>	<u>1,652,327</u>	<u>1,572,212</u>
<b>Net pension liability (asset)</b>	<u>\$ (136,700)</u>	<u>\$ 70,735</u>	<u>\$ (8,158)</u>	<u>\$ (7,322)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	107.70%	96.02%	100.50%	100.47%
<b>Covered payroll</b>	\$ 566,119	\$ 667,074	\$ 680,890	\$ 1,095,479
<b>Net pension liability as a percentage of covered payroll</b>	-24.15%	10.60%	-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.

**NOTE 1 - CHANGES OF ASSUMPTIONS**

In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**PUBLIC EMPLOYEE RETIREMENT PLAN (CITY TCRS PLAN)**  
Last Ten Fiscal Years June 30

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 46,216	\$ 33,175	\$ 57,368	\$ 58,557	\$ 94,211
Contributions	46,216	48,686	57,368	58,557	94,211
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ (15,511)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 537,393	\$ 566,119	\$ 667,074	\$ 680,890	\$ 1,095,479
Contributions as a percentage of covered payroll	8.60%	8.60%	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 contributions for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10 year smoothed with a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.50%, 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 movement
Cost of Living Adjustments	2.50%

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**LAKELAND SCHOOL SYSTEM PUBLIC EMPLOYEE RETIREMENT PLAN (CLASSIFIED TCRS PLAN)**  
Last Ten Fiscal Years June 30

	2017	2016	2015
<b>Total Pension Liability</b>			
Service cost	\$ 53,433	\$ 68,778	\$ 67,465
Interest	13,750	10,853	5,060
Changes of benefit items	-	-	-
Differences between expected and actual experience	3,977	(24,840)	4,010
Changes in assumptions	4,057	-	-
Benefit payments, including refunds of employee contributions	(420)	(1,218)	-
Net change in total pension liability	<u>74,797</u>	<u>53,573</u>	<u>76,535</u>
Total pension liability - beginning	<u>130,108</u>	<u>76,535</u>	<u>-</u>
Total pension liability - ending	<u>204,905</u>	<u>130,108</u>	<u>76,535</u>
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	36,507	36,240	42,661
Contributions - employee	21,225	21,070	24,803
Net investment income	17,346	2,468	961
Benefit payments	(420)	(1,218)	-
Administrative expense	(1,188)	(1,111)	(1,046)
Net change in plan fiduciary net position	<u>73,470</u>	<u>57,449</u>	<u>67,379</u>
Plan fiduciary net position - beginning	<u>124,828</u>	<u>67,379</u>	<u>-</u>
Plan fiduciary net position -ending	<u>198,298</u>	<u>124,828</u>	<u>67,379</u>
<b>Net pension liability (asset)</b>	<u>\$ 6,607</u>	<u>\$ 5,280</u>	<u>\$ 9,156</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	96.78%	95.94%	88.04%
<b>Covered payroll</b>	\$ 424,501	\$ 421,399	\$ 496,063
<b>Net pension liability as a percentage of covered payroll</b>	1.56%	1.25%	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.

**NOTE 1 - CHANGES OF ASSUMPTIONS**

In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth, and mortality improvements.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAKELAND SCHOOL SYSTEM PUBLIC EMPLOYEE RETIREMENT PLAN (CLASSIFIED TCRS PLAN)**  
Last Ten Fiscal Years June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 41,185	\$ 36,507	\$ 36,240	\$ 42,661
Contributions	<u>41,185</u>	<u>36,507</u>	<u>36,240</u>	<u>42,661</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 460,163	\$ 424,501	\$ 421,399	\$ 496,063
Contributions as a percentage of covered payroll	8.95%	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 contributions rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10 year smoothed with 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
Investment rate of return	7.50%, 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 movement
Cost of Living Adjustments	2.5%

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**TEACHER LEGACY PENSION PLAN (CERTIFIED TCRS PLAN)**  
 Last Ten Fiscal Years June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.112938%	0.100034%	0.908630%	0.217500%
Proportionate share of the net pension liability (asset)	\$ (36,950)	\$ 625,158	\$ 37,221	\$ (353)
Covered payroll	\$ 3,904,255	\$ 3,611,030	\$ 3,401,445	\$ 85,374
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.95%	17.31%	1.094270%	-0.413475%
Plan fiduciary net position as a percentage of the total pension liability	100.14%	97.14%	99.81%	100.08%

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 CONTRIBUTIONS**  
**TEACHER LEGACY PENSION PLAN (CERTIFIED TCRS PLAN)**  
Last Ten Fiscal Years June 30

	2018	2017	2016	2015	2014
Contractually required	\$ 503,691	\$ 360,905	\$ 326,437	\$ 307,490	\$ 7,581
Contribution in relation to the contractually required contribution	<u>503,691</u>	<u>360,905</u>	<u>326,437</u>	<u>307,490</u>	<u>7,581</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,547,257	\$ 3,904,255	\$ 3,611,030	\$ 3,401,445	\$ 85,374
Contributions as a percentage of covered payroll	9.08%	9.24%	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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)**  
**TEACHER RETIREMENT PLAN (SCHOOL HYBRID PLAN)**  
 Last Ten Fiscal Years June 30

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.055238%	0.069721%	0.057412%
Proportionate share of the net pension liability (asset)	\$ (14,573)	\$ (7,258)	\$ (2,309)
Covered payroll	\$ 450,602	\$ 306,781	\$ 119,286
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-3.23%	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	126.81%	121.88%	127.46%

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 CONTRIBUTIONS**  
**TEACHER RETIREMENT PLAN (SCHOOL HYBRID PLAN)**  
Last Ten Fiscal Years June 30

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 55,430	\$ 18,024	\$ 7,679	\$ 2,982
Contribution in relation to the contractually required contribution	<u>55,430</u>	<u>18,024</u>	<u>12,271</u>	<u>4,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,592)</u>	<u>\$ (1,789)</u>
Covered payroll	\$ 1,385,759	\$ 450,602	\$ 306,781	\$ 119,286
Contributions as a percentage of covered payroll	4.00%	4.00%	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 NET OPEB LIABILITY AND RELATED RATIOS**  
**SCHOOL OTHER POSTEMPLOYMENT BENEFIT PLAN**  
Last Ten Fiscal Years June 30

	2018	2017	2016
<b>Total OPEB Liability</b>			
Service cost	\$ 112,708	\$ 104,359	\$ 12,471
Interest	204,813	183,967	45,368
Changes of benefit items	219,591	-	1,910,502
Differences between expected and actual experience	76,196	-	(99,959)
Changes in assumptions	172,083	-	(113,700)
Benefit payments	(22,656)	(32,649)	(12,134)
Net change in total OPEB liability	762,735	255,677	1,742,548
Total OPEB liability - beginning	2,571,273	2,315,596	573,048
Total OPEB liability - ending	3,334,008	2,571,273	2,315,596
<b>Plan Fiduciary Net Position</b>			
Contributions - employer	377,156	128,500	99,869
Contributions - employer pay-go	-	32,649	12,134
Net investment income	25,322	25,907	5,683
Benefit payments	(22,656)	(32,649)	(12,134)
Administrative expense	(1,682)	(653)	-
Net change in plan fiduciary net position	378,140	153,754	105,552
Plan fiduciary net position - beginning	286,306	132,552	27,000
Plan fiduciary net position -ending	664,446	286,306	132,552
<b>Net OPEB liability (asset)</b>	<b>\$ 2,669,562</b>	<b>\$ 2,284,967</b>	<b>\$ 2,183,044</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	19.93%	11.13%	5.72%
<b>Covered payroll</b>	<b>\$ 5,184,986</b>	<b>\$ 3,300,603</b>	<b>\$ 3,204,469</b>
<b>Net OPEB liability as a percentage of covered payroll</b>	51.49%	69.23%	68.12%

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 CONTRIBUTIONS**  
**SCHOOL OTHER POSTEMPLOYMENT BENEFIT PLAN**  
Last Ten Fiscal Years June 30

	2018	2017	2016	2015
Actuarially determined contribution	\$ 257,746	\$ 240,597	\$ 67,209	\$ 74,970
Contributions	<u>377,156</u>	<u>128,500</u>	<u>99,869</u>	<u>27,000</u>
Contribution deficiency (surplus)	<u>\$ (119,410)</u>	<u>\$ 112,097</u>	<u>\$ (32,660)</u>	<u>\$ 47,970</u>
Covered payroll	\$ 5,184,986	\$ 3,300,603	\$ 3,204,469	N/A
Contributions as a percentage of covered payroll	7.27%	3.89%	3.12%	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.

**NOTE 1 - VALUATION DATE**

June 30, 2018 with no adjustments to get to the June 30, 2018 measurement date. Liabilities as of July 1, 2017 are based on an actuarial valuation date of June 30, 2016 projected to June 30, 2017 on a "no loss/no gain" basis.

**NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	Pre-65 benefits - 9.0% initial, decreasing by 0.5% annually to an ultimate rate of 5.0% for FY2026 Post-65 benefits - 7.0% initial, decreasing by 0.5% annually to an ultimate rate of 5.0% for FY2022
Salary increases	Graded salary ranges from 7.5% to 3.7% based on age, including inflation
Investment rate of return	7.5%, net of investment expenses, including inflation
Mortality	SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN**  
**SCHOOL OTHER POSTEMPLOYMENT BENEFIT PLAN**  
Last Ten Fiscal Years June 30

---

	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
2018	6.25%
2017	14.10%
2016	-2.12%

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 AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

**CITY OF LAKELAND, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

	Special Revenue Funds							Debt Service	Total Nonmajor Governmental Funds
	State Street Aid Fund	Storm Water Fund	Solid Waste Fund	School Federal Projects	School Nutrition Fund	School Discretionary Grants	LEAP Fund		
<b>ASSETS</b>									
Cash and cash equivalents	\$ 696,468	\$ 219,467	\$ 916,663	\$ 11,415	\$ 131,135	\$ 6,457	\$ 248,143	\$ 251,295	\$ 2,481,043
Receivables									
Grants	-	-	-	69,263	-	12,552	-	-	81,815
Other	-	-	-	-	197	-	-	-	197
Due from other governments	73,213	15,177	101,334	-	-	-	-	-	189,724
<b>Total assets</b>	<b>\$ 769,681</b>	<b>\$ 234,644</b>	<b>\$ 1,017,997</b>	<b>\$ 80,678</b>	<b>\$ 131,332</b>	<b>\$ 19,009</b>	<b>\$ 248,143</b>	<b>\$ 251,295</b>	<b>\$ 2,752,779</b>
<b>LIABILITIES</b>									
Accounts payable and accrued liabilities	\$ 94,819	\$ 19,612	\$ 80,699	\$ 3,001	\$ 62	\$ -	\$ 272	\$ -	\$ 198,465
Accrued payroll	2,661	430	390	13,691	-	4,600	229	-	22,001
Due to other funds	-	-	-	20,528	-	13,428	-	-	33,956
Unearned revenue	-	-	-	-	10,754	-	-	-	10,754
<b>Total liabilities</b>	<b>97,480</b>	<b>20,042</b>	<b>81,089</b>	<b>37,220</b>	<b>10,816</b>	<b>18,028</b>	<b>501</b>	<b>-</b>	<b>265,176</b>
<b>FUND BALANCES</b>									
Restricted	-	214,602	936,908	43,458	120,516	981	247,642	-	1,564,107
Committed	672,201	-	-	-	-	-	-	251,295	923,496
<b>Total fund balances</b>	<b>672,201</b>	<b>214,602</b>	<b>936,908</b>	<b>43,458</b>	<b>120,516</b>	<b>981</b>	<b>247,642</b>	<b>251,295</b>	<b>2,487,603</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 769,681</b>	<b>\$ 234,644</b>	<b>\$ 1,017,997</b>	<b>\$ 80,678</b>	<b>\$ 131,332</b>	<b>\$ 19,009</b>	<b>\$ 248,143</b>	<b>\$ 251,295</b>	<b>\$ 2,752,779</b>

**CITY OF LAKELAND, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended June 30, 2018

	Special Revenue Funds							Debt Service	Total Nonmajor Governmental Funds
	State Street Aid Fund	Storm Water Fund	Solid Waste Fund	School Federal Projects	School Nutrition Fund	School Discretionary Grants	LEAP Fund		
<b>REVENUES</b>									
Intergovernmental gas tax	\$ 417,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 417,818
Licenses and permits	-	-	-	-	-	-	-	-	-
Charges for services	-	190,603	1,247,719	-	261,707	-	268,063	-	1,968,092
Grants	-	-	-	682,621	152,865	80,020	-	-	915,506
Interest on investments	490	105	390	-	-	-	-	160	1,145
Other	3,647	-	-	-	-	-	-	-	3,647
Total revenues	421,955	190,708	1,248,109	682,621	414,572	80,020	268,063	160	3,306,208
<b>EXPENDITURES</b>									
Current									
Public works	1,103,482	149,511	1,193,600	-	-	-	-	-	2,446,593
Education	-	-	-	666,703	376,127	80,020	236,551	-	1,359,401
Debt Service									
Principal	-	-	-	-	-	-	-	1,842,858	1,842,858
Interest and fiscal charges	-	-	-	-	-	-	-	917,264	917,264
Total expenditures	1,103,482	149,511	1,193,600	666,703	376,127	80,020	236,551	2,760,122	6,566,116
Excess (deficiency) of revenues over (under) expenditures	(681,527)	41,197	54,509	15,918	38,445	-	31,512	(2,759,962)	(3,259,908)
<b>OTHER FINANCING SOURCES (USES)</b>									
Transfers in	884,058	-	-	-	-	-	-	2,771,372	3,655,430
Net change in fund balances	202,531	41,197	54,509	15,918	38,445	-	31,512	11,410	395,522
Fund balances - beginning	469,670	173,405	882,399	27,540	82,071	981	216,130	239,885	2,092,081
Fund balances - ending	\$ 672,201	\$ 214,602	\$ 936,908	\$ 43,458	\$ 120,516	\$ 981	\$ 247,642	\$ 251,295	\$ 2,487,603

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STATE STREET AID FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental - state gas tax				
Gas motor fuel	\$ 235,225	\$ 235,225	\$ 238,008	\$ 2,783
Gas 1989	70,155	70,155	70,362	207
Gas 3 cent	107,296	107,296	107,996	700
Excise tax	-	-	1,452	1,452
Interest on investments	1,200	1,200	490	(710)
Other income	-	-	3,647	3,647
Total revenues	<u>413,876</u>	<u>413,876</u>	<u>421,955</u>	<u>8,079</u>
<b>EXPENDITURES</b>				
Public Works				
Salaries	144,978	144,978	116,606	28,372
Benefits	76,806	76,806	49,836	26,970
Contractual services	5,000	5,000	4,931	69
Materials and supplies	974,150	974,150	858,196	115,954
Other charges	37,000	37,000	21,332	15,668
Capital outlay	60,000	60,000	52,581	7,419
Total expenditures	<u>1,297,934</u>	<u>1,297,934</u>	<u>1,103,482</u>	<u>194,452</u>
Deficiency of revenues under expenditures	(884,058)	(884,058)	(681,527)	202,531
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>884,058</u>	<u>884,058</u>	<u>884,058</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>202,531</u>	<u>\$ 202,531</u>
Fund balances - beginning			<u>469,670</u>	
Fund balances - ending			<u>\$ 672,201</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**STORM WATER FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for Services	\$ 185,000	\$ 185,000	\$ 190,603	\$ 5,603
Interest on investments	750	750	105	(645)
Total revenues	<u>185,750</u>	<u>185,750</u>	<u>190,708</u>	<u>4,958</u>
<b>EXPENDITURES</b>				
Public Works				
Salaries	20,708	20,708	20,824	(116)
Benefits	12,520	12,520	8,781	3,739
Contractual services	10,000	10,000	26,047	(16,047)
Materials and supplies	7,500	7,500	3,223	4,277
Other charges	12,560	12,560	7,810	4,750
Capital outlay	100,000	100,000	82,826	17,174
Total expenditures	<u>163,288</u>	<u>163,288</u>	<u>149,511</u>	<u>13,777</u>
Excess of revenues over expenditures	<u>22,462</u>	<u>22,462</u>	<u>41,197</u>	<u>18,735</u>
Net change in fund balances	<u>\$ 22,462</u>	<u>\$ 22,462</u>	<u>41,197</u>	<u>\$ 18,735</u>
Fund balances - beginning			<u>173,405</u>	
Fund balances - ending			<u>\$ 214,602</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SOLID WASTE FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for Services	\$ 1,224,428	\$ 1,224,428	\$ 1,247,719	\$ 23,291
Interest on investments	2,000	2,000	390	(1,610)
Total revenues	<u>1,226,428</u>	<u>1,226,428</u>	<u>1,248,109</u>	<u>21,681</u>
<b>EXPENDITURES:</b>				
Public Works				
Salaries	19,357	19,357	18,919	438
Benefits	28,311	28,311	8,118	20,193
Contractual services	959,856	959,856	957,912	1,944
Materials and supplies	5,850	5,850	3,253	2,597
Other charges	70,050	70,050	55,519	14,531
Capital outlay	150,000	150,000	149,879	121
Total expenditures	<u>1,233,424</u>	<u>1,233,424</u>	<u>1,193,600</u>	<u>39,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,996)</u>	<u>(6,996)</u>	<u>54,509</u>	<u>61,505</u>
Net change in fund balances	<u>\$ (6,996)</u>	<u>\$ (6,996)</u>	<u>54,509</u>	<u>\$ 61,505</u>
Fund balances - beginning			<u>882,399</u>	
Fund balances - ending			<u>\$ 936,908</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL FEDERAL PROJECTS FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grants	\$ 393,249	\$ 834,876	\$ 682,621	\$ (152,255)
Other Income	-	-	-	-
Total revenues	<u>393,249</u>	<u>834,876</u>	<u>682,621</u>	<u>(152,255)</u>
<b>EXPENDITURES:</b>				
Education				
Regular instruction				
Salaries	52,637	100,315	100,315	-
Benefits	8,784	33,322	32,581	741
Materials and supplies	16,241	175,709	145,440	30,269
Other charges	-	4,065	3,759	306
Special education				
Salaries	24,500	50,563	50,563	-
Benefits	7,129	15,000	12,920	2,080
Contractual services	40,965	-	-	-
Materials and supplies	60,409	41,078	35,360	5,718
Other Student support				
Contractual services	-	23,886	11,987	11,899
Materials and supplies	21,786	23,900	22,913	987
Other charges	-	1,000	-	1,000
Regular instruction support				
Salaries	9,500	13,500	13,500	-
Benefits	1,586	2,020	2,020	-
Materials and supplies	-	53,124	49,861	3,263
Other charges	38,823	62,501	50,095	12,406
Special education support				
Salaries	5,000	10,000	5,054	4,946
Benefits	835	1,799	861	938
Contractual services	85,516	194,857	113,433	81,424
Materials and supplies	5,410	2,410	1,502	908
Other charges	14,103	25,800	14,539	11,261
Total expenditures	<u>393,224</u>	<u>834,849</u>	<u>666,703</u>	<u>168,146</u>
Excess of revenues over expenditures	<u>25</u>	<u>27</u>	<u>15,918</u>	<u>15,891</u>
Net change in fund balances	<u>\$ 25</u>	<u>\$ 27</u>	<u>15,918</u>	<u>\$ 15,891</u>
Fund balances - beginning			<u>27,540</u>	
Fund balances - ending			<u>\$ 43,458</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL NUTRITION FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 267,644	\$ 283,485	\$ 261,707	\$ (21,778)
Grants	91,646	75,805	152,865	77,060
Total revenues	<u>359,290</u>	<u>359,290</u>	<u>414,572</u>	<u>55,282</u>
<b>EXPENDITURES:</b>				
Education				
Cafeteria				
Salaries	131,822	174,392	174,392	-
Benefits	29,500	38,029	38,029	-
Contractual services	25,276	308	308	-
Materials and supplies	172,692	145,803	162,642	(16,839)
Other charges	-	758	756	2
Capital outlay	-	-	-	-
Total expenditures	<u>359,290</u>	<u>359,290</u>	<u>376,127</u>	<u>(16,837)</u>
Excess of revenues over expenditures	-	-	38,445	38,445
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	38,445	<u>\$ 38,445</u>
Fund balances - beginning			<u>82,071</u>	
Fund balances - ending			<u>\$ 120,516</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL DISCRETIONARY GRANTS FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grants	\$ 77,530	\$ 80,020	\$ 80,020	\$ -
Other Income	-	-	-	-
Total revenues	<u>77,530</u>	<u>80,020</u>	<u>80,020</u>	<u>-</u>
<b>EXPENDITURES:</b>				
Education				
Regular instruction support				
Materials and supplies	4,530	-	-	-
Health services				
Salaries	52,300	53,084	53,084	-
Benefits	15,848	8,752	8,752	-
Contractual Services	2,094	7,020	7,020	-
Materials and supplies	2,758	5,768	5,768	-
Other Charges	-	5,396	5,396	-
Maintenance of Plant				
Materials and supplies	-	-	-	-
Total expenditures	<u>77,530</u>	<u>80,020</u>	<u>80,020</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balances - beginning			<u>981</u>	
Fund balances - ending			<u>\$ 981</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**LAKELAND EXTENDED ACTIVITIES PROGRAM (LEAP) FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services	\$ 374,795	\$ 374,795	\$ 268,063	\$ (106,732)
Grants	-	-	-	-
Other income	-	-	-	-
Total revenues	<u>374,795</u>	<u>374,795</u>	<u>268,063</u>	<u>(106,732)</u>
<b>EXPENDITURES:</b>				
Education				
Student services				
Salaries	170,045	199,945	147,045	52,900
Benefits	48,250	48,250	18,898	29,352
Contractual services	10,000	10,000	1,508	8,492
Materials and supplies	71,000	71,000	9,323	61,677
Other charges	75,500	75,500	59,777	15,723
Total expenditures	<u>374,795</u>	<u>404,695</u>	<u>236,551</u>	<u>168,144</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>(29,900)</u>	<u>31,512</u>	<u>61,412</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (29,900)</u>	<u>31,512</u>	<u>\$ 61,412</u>
Fund balances - beginning			<u>216,130</u>	
Fund balances - ending			<u>\$ 247,642</u>	

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income	\$ 300	\$ 300	\$ 160	\$ (140)
<b>EXPENDITURES:</b>				
Debt Service				
Principal	1,917,859	1,917,859	1,842,858	75,001
Interest	897,599	897,599	887,460	10,139
Other fees	51,000	51,000	29,804	21,196
Total expenditures	<u>2,866,458</u>	<u>2,866,458</u>	<u>2,760,122</u>	<u>106,336</u>
Deficiency of revenues under expenditures	(2,866,158)	(2,866,158)	(2,759,962)	106,196
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>2,866,158</u>	<u>2,866,158</u>	<u>2,771,372</u>	<u>(94,786)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	11,410	<u>\$ 11,410</u>
Fund balances - beginning			<u>239,885</u>	
Fund balances - ending			<u>\$ 251,295</u>	

**CITY OF LAKE LAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**SCHOOL CAPITAL PROJECTS FUND**  
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernment - shelby county	\$ -	\$ -	\$ 147,192	\$ 147,192
Interest income	-	-	73,527	73,527
Total revenues	-	-	220,719	220,719
<b>EXPENDITURES:</b>				
Capital Outlay				
Architectural and engineering	23,135	608,135	295,012	313,123
Construction contracts	1,921,077	8,710,612	3,128,492	5,582,120
Total expenditures	1,944,212	9,318,747	3,423,504	5,895,243
Deficiency of revenues under expenditures	(1,944,212)	(9,318,747)	(3,202,785)	6,115,962
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	3,000,000	3,000,000	-
Net change in fund balances	\$ (1,944,212)	\$ (6,318,747)	(202,785)	\$ 6,115,962
Fund balances - beginning			6,602,136	
Fund balances - ending			\$ 6,399,351	

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND - STUDENT ACTIVITY FUNDS**  
For the Year Ended June 30, 2018

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Assets</b>				
Cash	\$ 197,429	\$ 489,058	\$ (437,574)	\$ 248,913
Inventory	2,639	33,882	(34,455)	2,066
	<u>\$ 200,068</u>	<u>\$ 522,940</u>	<u>\$ (472,029)</u>	<u>\$ 250,979</u>
<b>Liabilities</b>				
Due to student general fund	\$ 188,298	\$ 227,338	\$ (203,807)	\$ 211,829
Due to student groups	11,770	267,728	(240,348)	39,150
	<u>\$ 200,068</u>	<u>\$ 495,066</u>	<u>\$ (444,155)</u>	<u>\$ 250,979</u>

**SUPPORTING SCHEDULES (UNAUDITED)**

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS AND NOTES PAYABLE**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	2004 Loan Agreement Public Building Authority Clarksville <sup>(1)</sup>		2008 Loan Agreement Public Building Authority Montgomery Co. <sup>(1)</sup>		Series 2015 Capital Outlay Notes		2011 Note Payable TLDA Loan <sup>(2)</sup>		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 201,000	\$ 14,384	\$ 204,000	\$ 46,100	\$ 1,425,000	\$ 788,150	\$ 71,051	\$ 32,603	\$ 1,901,051	\$ 881,237
2020	208,000	11,296	213,000	42,952	1,455,000	759,650	72,394	31,260	1,948,394	845,158
2021	215,000	8,103	223,000	39,660	1,530,000	686,900	73,762	29,891	2,041,762	764,554
2022	223,000	4,796	233,000	36,217	1,575,000	641,000	75,156	28,497	2,106,156	710,510
2023	206,095	1,556	243,000	32,624	1,655,000	562,250	76,577	27,077	2,180,672	623,507
2024	-	-	254,000	28,871	1,735,000	479,500	78,024	25,630	2,067,024	534,001
2025	-	-	266,000	24,945	1,820,000	392,750	79,499	24,155	2,165,499	441,850
2026	-	-	278,000	20,838	1,915,000	301,750	81,001	22,652	2,274,001	345,240
2027	-	-	290,000	16,550	2,010,000	206,000	82,532	21,121	2,382,532	243,671
2028	-	-	303,000	12,072	2,110,000	105,500	84,092	19,562	2,497,092	137,134
2029	-	-	317,000	7,391	-	-	85,681	17,972	402,681	25,363
2030	-	-	331,000	2,499	-	-	87,301	16,353	418,301	18,852
2031	-	-	-	-	-	-	88,951	14,703	88,951	14,703
2032	-	-	-	-	-	-	90,632	13,022	90,632	13,022
2033	-	-	-	-	-	-	92,345	11,309	92,345	11,309
2034	-	-	-	-	-	-	94,090	9,563	94,090	9,563
2035	-	-	-	-	-	-	95,868	7,785	95,868	7,785
2036	-	-	-	-	-	-	97,680	5,973	97,680	5,973
2037	-	-	-	-	-	-	99,527	4,127	99,527	4,127
2038	-	-	-	-	-	-	118,836	2,576	118,836	2,576
	<u>\$ 1,053,095</u>	<u>\$ 40,135</u>	<u>\$ 3,155,000</u>	<u>\$ 310,719</u>	<u>\$ 17,230,000</u>	<u>\$ 4,923,450</u>	<u>\$ 1,725,000</u>	<u>\$ 365,831</u>	<u>\$ 23,163,095</u>	<u>\$ 5,640,135</u>

<sup>(1)</sup> Interest rate as of June 30, 2018 was 1.51%; however, the City budget 1.0%

<sup>(2)</sup> City currently pays interest only on the amount due which was \$1,127,632 at June 30, 2018. 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.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - SETTLEMENT LIABILITY AND CAPITAL LEASES**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	Shelby Count Settlement		2017 Capital Lease ARS Education Finance <sup>(3)</sup>		2018 Capital Lease ARS Education Finance <sup>(3)</sup>		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 54,128	\$ 2,209	\$ 32,608	\$ 1,312	\$ 73,183	\$ 10,623	\$ 159,919	\$ 14,144
2020	54,400	1,937	-	-	73,183	7,265	127,583	9,202
2021	54,672	1,665	-	-	73,183	3,727	127,855	5,392
2022	54,946	1,391	-	-	-	-	54,946	1,391
2023	55,222	1,115	-	-	-	-	55,222	1,115
2024	55,498	839	-	-	-	-	55,498	839
2025	55,777	560	-	-	-	-	55,777	560
2026	56,056	281	-	-	-	-	56,056	281
	<u>\$ 440,699</u>	<u>\$ 9,997</u>	<u>\$ 32,608</u>	<u>\$ 1,312</u>	<u>\$ 219,549</u>	<u>\$ 21,615</u>	<u>\$ 692,856</u>	<u>\$ 32,924</u>

<sup>(3)</sup> Payable from General Purpose School Fund, but not backed by full faith and credit of City.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - REVENUE BONDS**  
**SEWER FUND**  
 June 30, 2018

---

Fiscal Year	2006 Loan Agreement Public Building Authority Clarksville <sup>(1)</sup>	
2019	\$ 544,000	\$ 50,100
2020	565,000	44,660
2021	588,000	39,010
2022	612,000	33,130
2023	636,000	27,010
2024	661,000	20,650
2025	688,000	14,040
2026	716,000	7,160
	<u>\$ 5,010,000</u>	<u>\$ 235,760</u>

<sup>(1)</sup> Interest rate as of June 30, 2018 was 1.51%; however, the City budget 1.0%

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULES OF PROPERTY TAXES**  
For the Year Ended June 30, 2018

**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR**

Year of Levy	Balance June 30, 2017	Assessment	Adjustments/ Abatements	Collections	June 30, 2018
2018	\$ -	\$ 4,439,428	\$ -	\$ -	\$ 4,439,428
2017	4,414,291	-	-	(4,382,555)	31,736
2016	39,791	-	-	(31,080)	8,711
2015	7,469	-	-	(3,857)	3,612
2014	3,288	-	-	(1,880)	1,408
2013	3,089	-	-	(1,809)	1,280
2012	1,419	-	-	(277)	1,142
<b>Total</b>	<b>4,469,347</b>	<b>\$ 4,439,428</b>	<b>\$ -</b>	<b>\$ (4,421,458)</b>	<b>4,487,317</b>
Allowance for uncollectible property taxes	(91,089)				(90,646)
<b>Net receivables</b>	<b>\$ 4,378,258</b>				<b>\$ 4,396,671</b>

**PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS**

Year of Levy	Realty and Personalty	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
2018	\$ 353,433,080	\$ 1,721,120	\$ 355,154,200	\$ 1.25	\$ 4,439,428
2017	350,643,485	2,499,805	\$ 353,143,290	1.25	4,414,291
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	323,076,055	-	\$ 323,076,055	0.85	2,746,146

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**  
**SCHEDULE OF OFFICIAL BONDS AND PRINCIPAL OFFICIALS**  
For the Year Ended June 30, 2018

---

	<u>Amount of Bond</u>
<b>Mayor</b>	\$ 10,000
<b>City Manager</b>	10,000
<b>Finance Director/City Recorder</b>	10,000
<b>Finance &amp; Inventory Clerk</b>	10,000
<b>Community Services Representative</b>	10,000
<b>Community Development Specialist</b>	10,000
<b>Senior Center Coordinator</b>	10,000
<b>Receptionist</b>	10,000
<b>Human Resources &amp; Payroll Clerk</b>	10,000
<b>Lakeland School System Superintendent</b>	375,453

\* City employees are covered under the City's insurance policy for dishonesty, forgery, alterations, theft, disappearance or destruction, and computer fraud subject to a \$1,000 deductible. Lakeland School System employees are covered by a blanket bond.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF UTILITY RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
For the Year Ended June 30, 2018

---

As of June 30, 2018, the City of Lakeland, Tennessee, served approximately 2,900, 4,300, and 4,700 sewer, sanitation, and storm water customers, respectively, and had the following rate structure in place:

<b>Sewer Rates:</b>		
	Gallons Used	Rate/ccf
Residential:		
	First 0 - 5 ccf.	\$ 7.00
	Additional 6 - 20 ccf.	\$ 2.50
	Additional 21+ ccf.	\$ 0.50
City of Memphis Sewer System Users		
	Monthly charge	\$ 17.25
Commercial:		
	First 40 ccf.	\$ 60.35
	Each additional ccf.	\$ 1.30
<b>Sanitation Rates:</b>		Monthly Charge
	Type	
	Residential	\$ 24.70
<b>Storm Water Rates:</b>		Monthly Charge
	Type	
	Residential	\$ 3.20

**CITY OF LAKELAND, TENNESSEE**  
**STATEMENT OF DEBT**  
June 30, 2018

General Obligation Bonded Debt:		
Existing G.O. Bonds <sup>(1)</sup>	\$ 4,597,095	
Series 2015 Capital Outlay Notes	18,630,000	
Total Public Improvement Bonded Debt		\$ 23,227,095
Existing Sewer Debt	\$ 5,533,000	
Total Sewer Bonded Debt		\$ 5,533,000
Total Bonded Debt		28,760,095
Less Self Supporting Debt		(5,533,000)
Net Bonded Debt		\$ 23,227,095
Net Overlapping Bonded Debt		\$ 14,203,151
Less: Self-Supporting Bonded Debt		-
Net Overlapping Bonded Debt		14,203,151
Bonded Debt Outstanding Including Overlapping Bonded Debt		\$ 42,963,246
Net Bonded Debt Outstanding Including Net Overlapping Bonded Debt		\$ 37,430,246

	City of <u>Lakeland</u>	City and Net <u>Overlapping</u>
Net Direct Debt Per Capita	\$ 1,841	\$ 2,966
Total Debt Per Capita	\$ 2,279	\$ 3,405
Net Debt / Actual Value	1.74%	3.42%
Total Debt / Actual Value	2.16%	3.84%
Net Debt / Assessed Value	6.62%	13.00%
Total Debt / Assessed Value	8.20%	14.58%

	<u>Lakeland</u>	Shelby <u>County</u>
2017 Assessed Value	\$ 350,643,485	\$ 18,963,394,275
2017 Appraised Value	\$ 1,332,324,200	\$ 65,003,718,100
2017 Estimated Population <sup>(2)</sup>	12,618	936,961

Shelby County's Net Bonded Debt as of June 30, 2017<sup>(3)</sup> \$ 1,054,667,812

Lakeland's Assessed Value as a Percentage of Shelby County's Assessed Value: 1.85 %

(1) Does not include debt under Shelby County Settlement Agreement or Capital Leases.

(2) Source: shelbycountyttn.gov

(3) Source: Census.gov

**CITY OF LAKELAND, TENNESSEE**  
**ANALYSIS OF VALUE OF TAXABLE PROPERTY FOR FISCAL YEAR 2018**  
For the Year Ended June 30, 2018

<b>Year of Levy: 2018</b>	<b>Appraised Value</b>	<b>Percent of Total</b>	<b>Assessment Value</b>	<b>Percent of Total</b>
<b>Market Real Estate</b>				
Farm	\$ 18,581,700	1.4%	\$ 4,645,425	1.4%
Residential	1,174,839,000	89.9%	293,709,750	85.5%
Commercial	109,595,900	8.4%	43,838,360	12.8%
Industrial	1,282,800	0.1%	513,120	0.1%
Multiple	2,156,100	0.2%	664,240	0.2%
<b>Total</b>	<b>1,306,455,500</b>		<b>343,370,895</b>	
<b>Greenbelt Real Estate</b>				
Farm	11,831,200	52.4%	2,957,800	51.9%
Residential	10,078,600	44.7%	2,519,650	44.2%
Commercial	28,000	0.1%	7,000	0.1%
Industrial	-	0.0%	-	0.0%
Multiple	627,900	2.8%	210,745	3.7%
<b>Total</b>	<b>22,565,700</b>		<b>5,695,195</b>	
<b>Personal Property</b>				
Tangible	14,555,000	100.0%	4,366,990	100.0%
Intangible	-	0.0%	-	0.0%
Local Utility	-	0.0%	-	0.0%
<b>Total</b>	<b>14,555,000</b>		<b>4,366,990</b>	
<b>TOTAL</b>	<b>\$ 1,343,576,200</b>		<b>\$ 353,433,080</b>	

**CITY OF LAKELAND, TENNESSEE**  
**ANALYSIS OF VALUE OF TAXABLE PROPERTY BY FISCAL YEAR**  
For the Year Ended June 30, 2018

<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<sup>(1)</sup></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
2017	2016	1,332,324,200	350,643,485	26.32%	105,589
2018	2017	1,343,576,200	353,433,080	26.31%	106,481

Source: Shelby County Assessor of Property

(1) 2017 estimated population (Census.gov) = 12,618

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF PRINCIPLE TAXPAYERS**  
For the Year Ended June 30, 2018

Name of Taxpayers	Nature of Property	Tax Year 2018 Levy	Percent of Total Tax Year 2018 Levy	2018 Assessment
Lakeland Apartments TN Assoc LLC	Apartments	\$ 154,748	3.49%	\$ 12,379,840
CB Associates LLC	Grocery	42,220	0.95%	3,377,560
Lakeland 64 LLC	Fitness Center	27,672	0.62%	2,213,720
Music City Publishing LLC	Strip Center	25,994	0.59%	2,079,480
Orange Grove Utilities Inc (Walgreens)	Retail	22,627	0.51%	1,810,120
CountryBridge Partners LP	Strip Center	17,282	0.39%	1,382,520
Highway 64 Center LLC	Strip Center	15,972	0.36%	1,277,720
Lake District LLC	Vacant Commercial Property	10,511	0.24%	840,880
Fayette County Investment Company LLC	Undeveloped Commercial Property	9,192	0.21%	735,320
McDonalds Real Estate Company	Fast Food Restaurant	8,062	0.18%	644,920
Total for Ten Largest Taxpayers		334,280	7.53%	26,742,080
Total for All Other Taxpayers		4,105,148	92.47%	326,691,000
Total for All Taxpayers		<u>\$ 4,439,428</u>	<u>100%</u>	<u>\$ 353,433,080</u>

**CITY OF LAKELAND, TENNESSEE**  
**SALES TAX BY FISCAL YEAR**  
 Last Five Fiscal Years Ended June 30

---

	2018	2017	2016	2015	2014
Local sales tax	\$ 772,360	\$ 784,428	\$ 773,378	\$ 655,993	\$ 547,990
Local option sales tax	339,323	345,286	339,857	288,272	246,010
State-shared sales tax	1,059,342	1,030,176	1,005,384	941,407	888,074
Total sales tax revenue	<u>\$ 2,171,025</u>	<u>\$ 2,159,890</u>	<u>\$ 2,118,619</u>	<u>\$ 1,885,672</u>	<u>\$ 1,682,074</u>

**CITY OF LAKELAND, TENNESSEE**  
**REVENUES BY FISCAL YEAR**  
**GENERAL FUND**  
Last Five Fiscal Years Ended June 30

	2018	2017	2016	2015	2014
Property Taxes					
Property taxes	\$ 4,385,265	\$ 4,556,460	\$ 4,199,800	\$ 2,646,911	\$ 2,605,119
Personalty taxes	19,049	23,637	23,465	19,556	22,962
Payments in lieu of tax	38,142	28,406	-	-	-
Interest and penalties	9,772	14,850	14,153	10,433	-
Utility tax	7,747	14,188	24,256	11,332	11
Local Taxes					
Local sales tax	1,111,683	1,129,714	1,113,235	944,265	794,000
Wholesale beer and liquor tax	84,453	84,610	42,754	120,272	69,926
Business tax	98,175	83,758	76,994	73,140	47,452
Room occupancy tax	47,745	59,501	63,455	61,889	51,751
CATV franchise tax	148,500	149,472	148,102	146,346	116,007
Intergovernmental					
Sales tax	1,059,342	1,030,176	1,005,384	941,407	888,074
Income tax (Hall)	135,311	143,984	192,645	193,766	152,702
Beer and liquor tax	10,918	6,521	8,752	6,573	9,309
State road maintenance	25,009	25,106	25,288	25,357	25,438
Payments in lieu of tax -TVA	309,880	292,083	293,085	238,635	231,386
Other state revenue	5,443	926	1,056	1,217	1,271
Licenses and Permits					
Building permit fees	48,261	44,759	31,023	49,345	46,381
Other permits	14,972	16,064	13,457	12,527	11,219
Charges for Services					
Engineering fees	79,000	31,900	17,900	8,800	9,800
Administrative fees - Developments	115,650	170,335	31,960	5,200	5,595
Other fees	32,042	16,999	13,707	20,411	22,296
City service fees	-	-	-	-	-
Recreation fees	106,941	103,437	57,124	14,152	11,577
Parks development fees	103,257	25,660	14,948	-	-
Rental income	44,290	24,698	48,781	40,437	39,834
Federal and State Grants					
Operating grants	320,494	38,500	36,500	-	-
Capital grants	500,605	248,996	155,201	1,122,339	154,899
Interst Income	9,719	7,893	7,198	9,468	13,680
Other Income	19,165	14,963	38,661	26,974	120,080
<b>Total general fund revenue</b>	<b>\$ 8,890,830</b>	<b>\$ 8,387,596</b>	<b>\$ 7,698,884</b>	<b>\$ 6,750,752</b>	<b>\$ 5,450,769</b>

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
Last Five Fiscal Years

	2018	2017	2016	2015	2014
<b>Revenues</b>					
Property taxes	\$ 4,459,975	\$ 4,637,541	\$ 4,261,674	\$ 2,688,232	\$ 2,628,092
Local sales taxes	1,490,556	1,507,055	1,444,540	1,345,912	1,079,136
Intergovernmental	1,545,903	1,498,796	1,526,210	1,406,955	1,308,180
Licenses and permits	63,233	60,823	44,480	61,872	57,600
Charges for services	481,180	373,029	184,420	89,000	89,102
Federal, state and local grants	821,099	287,496	191,701	1,122,339	154,899
Interest income	9,719	7,893	7,198	9,468	13,680
Other	19,165	14,963	38,661	26,974	120,080
Total Revenues	8,890,830	8,387,596	7,698,884	6,750,752	5,450,769
<b>Expenditures</b>					
Current					
General government	3,864,019	2,861,943	1,817,676	1,332,988	1,894,147
Public safety	-	-	-	2,252	32,730
Public works	635,091	896,622	138,676	101,769	9,884
Parks and recreation	423,320	607,642	449,309	1,485,716	762,557
Natural resources	-	-	-	-	59,039
Education	-	-	-	69,574	-
Debt Service					
Principal	-	-	-	-	342,411
Interest and fiscal charges	-	-	-	13,985	11,644
Bond issuance costs	-	-	101,684	35,310	26,037
Capital outlays	-	-	-	741,324	3,187,109
Total Expenditures	4,922,430	4,366,207	2,507,345	3,782,918	6,325,558
Excess (deficiency) of revenues expenditures over (under)	3,968,400	4,021,389	5,191,539	2,967,834	(874,789)
Other Financing Sources (Uses)					
Issuance of debt	916,008	94,165	20,000,000	91,643	2,718,827
Premium on bonds issued	-	-	2,499,981	-	-
Sale of capital assets	259,970	-	-	496	32,925
Transfers out	(7,181,395)	(4,461,554)	(24,335,102)	(1,974,722)	(414,681)
Total other financing sources	(6,005,417)	(4,367,389)	(1,835,121)	(1,882,583)	2,337,071
Net change in fund balances	(2,037,017)	(346,000)	3,356,418	1,085,251	1,462,282
Fund balances - beginning of the year	10,577,322	10,923,322	7,566,904	6,481,653	5,019,371
Fund balances - ending of the year	<u>\$ 8,540,305</u>	<u>\$ 10,577,322</u>	<u>\$ 10,923,322</u>	<u>\$ 7,566,904</u>	<u>\$ 6,481,653</u>

**GOVERNMENT AUDITING STANDARDS SECTION**

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
<b><u>FEDERAL AWARDS</u></b>						
U.S. Department of Agriculture/TN Department of Education						
Child Nutrition Cluster						
School Breakfast Program	10.553		\$ -	\$ 17,873	\$ 17,873	\$ -
National School Lunch Program - Cash Assistance	10.555		-	115,180	115,180	-
Subtotal - Child Nutrition Cluster / U.S. Department of Agriculture			-	133,053	133,053	-
State Administrative Expenses for Child Nutrition	10.560		-	2,618	2,618	-
Commodity Supplemental Food Program	10.565		-	17,194	17,194	-
Total U.S. Department of Agriculture			-	152,865	152,865	-
U.S. Department of Transportation/TN Dept. of Transportation						
Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205	STP-M-9409(107)	104,651	156,889	61,690	9,452
Highway Planning and Construction	20.205	STP-M-5429(10)	22,510	220,527	357,855	159,838
Highway Planning and Construction	20.205	STP-M-7900(59)	-	2,758	20,400	17,642
Total U.S. Department of Transportation			127,161	380,174	439,945	186,932
U.S. Department of Education/TN Department of Education						
Title I Grants to Local Education Agencies						
Special Education Cluster (IDEA)						
Special Education - IDEA Part B	84.027		9,679	220,546	228,380	17,513
Special Education - IDEA Discretionary Supplement	84.027		3,210	3,210	-	-
Special Education - IDEA Preschool	84.173		-	5,317	5,855	538
Subtotal - Special Education Cluster (IDEA)			12,889	229,073	234,235	18,051
English Language Acquisition State Grants	84.365		-	8,817	8,951	134
Improving Teacher Quality State Grants	84.367		2,020	12,280	27,994	17,734
Student Support and Academic Enrichment, Title IV, Part A	84.424		-	5,483	5,483	-
Impact Aid	84.041		1,176	37,603	36,427	-
Total U.S. Department of Education			24,610	635,948	682,621	71,283
U.S. Department of Homeland Security/TN Emergency Management Agency						
Hazard Mitigation Grant	97.039	4189-0003	253,595	251,105	24,634	27,124
Total Federal Awards			405,366	1,420,092	1,300,065	285,339

See independent auditor's report and accompanying notes to the schedule.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
For the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
<b><u>STATE FINANCIAL ASSISTANCE</u></b>						
Tennessee Dept. of Education, Safe Schools	N/A		\$ -	\$ 7,020	\$ 7,020	\$ -
Tennessee Dept. of Education, Coordinated School Health	N/A		11,878	72,326	73,000	12,552
Tennessee Dept. of Military, TEMA Hazard Mitigation Grant Program	N/A	4189-0003	42,266	42,266	-	-
Total State Financial Assistance			<u>54,144</u>	<u>121,612</u>	<u>80,020</u>	<u>12,552</u>
Total Federal Awards and State Financial Assistance			<u>\$ 459,510</u>	<u>\$ 1,541,704</u>	<u>\$ 1,380,085</u>	<u>\$ 297,891</u>

See independent auditor's report and accompanying notes to the schedule.

**CITY OF LAKELAND TENNESSEE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

For the Year Ended June 30, 2018

---

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards and state financial assistance (the Schedule) includes the federal and state grant activity of the City of Lakeland, Tennessee (the City) under programs of the federal government for the year ended June 30, 2018. 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, Costs 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 assets, or cash flows of the City.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 1) Expenditures reported on the Schedule are reported on the 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 in the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity identifying numbers are presented where available.
- 3) There were no federal awards passed through to subrecipients.
- 4) The City has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.
- 5) Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE 3 – RECONCILIATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE TO THE FINANCIAL STATEMENTS**

The following is a reconciliation of expenditures per the schedule of expenditures of federal awards and state financial assistance to the revenue balances in the City's financial statements.

Total grant revenue per governmental funds financial statements	\$ 1,736,605
Less: Decrease in unavailable revenue at the fund level	(323,664)
Less: Non-federal and non-state grants	(32,856)
Total federal awards and state financial assistance	<u>\$ 1,380,085</u>

## **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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee (the "City"), as of and for the year ended June 30, 2018, 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 9, 2018.

### **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 opinions 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 or significant deficiencies. However, material weaknesses may exist that were not identified.

### **Compliance and Other Matters**

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

A schedule of cash shortages and thefts has been filed with the State of Tennessee Division of Local Government Audit.

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

*Watkins Mikusall, PLLC*

Memphis, Tennessee  
November 9, 2018

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

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

### Report on Compliance for Each Major Federal Program

We have audited the City of Lakeland, Tennessee (the "City")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

### Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Memphis, Tennessee  
November 9, 2018

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2018

---

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Lakeland, Tennessee (the "City") were prepared in accordance with accounting principles generally accepted in the United State of America
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
5. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion on the major program.
6. An audit finding that is required to be reported in accordance with 2 CFR Section 200.516(a) is reported in this schedule.
7. The programs tested as major programs were  

CFDA number 20.205 Highway Planning and Construction  
CFDA number 84.010 Title I Grants to Local Education Agencies
8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. The City does not qualify as a low risk auditee.

**B. FINDINGS – FINANCIAL STATEMENTS**

None reported.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

**Finding 2018-001 – Special Tests and Provisions**

**Highway Planning and Construction**  
**CFDA #20.205**  
**Grant Period - Year ended June 30, 2018**

Questioned Costs

*Condition:* One of the certified payrolls did not have the properly executed statement of compliance to attest to the compliance of the prevailing wage rate requirement.

*Criteria:* The prevailing wage rate requirement states that certified payrolls must have a signed statement of compliance.

*Cause:* The statement of compliance for a selected payroll was not properly executed by the contractor.

**CITY OF LAKELAND, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2018

---

Questioned Costs

*Effect:* Failure to properly execute the statement of compliance may result in a suspension of any payment, advance, or guarantee of funds. Further, failure to provide certified payrolls may be grounds for debarment of the contractor.

*Context:* A sample of 20 prevailing wage rate compliance forms totaling \$142,674 were selected for audit from a population of 36 totaling \$307,099. The test found one form was not in compliance. \$10,907

*Recommendation:* All statements of compliance are properly executed and reviewed to ensure compliance.

*View of the Responsible Officials and Planned Corrective Actions:*  
The City relies on external contractors to monitor and ensure compliance with local, state, and federal regulations. In this instance, the contractor failed to properly ensure compliance by not properly executing the statement of compliance for certain payroll documents. While the City feels that the frequency of this oversight is limited, the City will monitor future documents to ensure the contractors are performing their duties satisfactorily. If contractors fail to perform the obligations detailed in their contracts the City may elect to void the contract and the status of the contractor as an eligible participant in the contracting pool may be in jeopardy.

Total \$10,907

*Contact Person:* Kyle Wright, Finance Director

*Anticipated Date of Completion:* November 7, 2018

**CITY OF LAKELAND, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
For the Year Ended June 30, 2018

---

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None