

CITY OF LAKELAND, TENNESSEE

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017



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

	Page
<u>INTRODUCTORY SECTION (UNAUDITED)</u>	
City and Board of Education Officials	1
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITOR’S REPORT	2
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet	14
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	18
– General Purpose School Fund	22
Proprietary Fund Financial Statements	
Statement of Net Position	26
Statement of Revenues, Expenses, and Changes in Net Position	27
Statement of Cash Flows	28
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position	29
Statement of Changes in Fiduciary Net Position	30
Notes to Financial Statements	31

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

	Page
REQUIRED SUPPLEMENTARY INFORMATION	
City of Lakeland – Legacy Public Employee Retirement Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	68
– Schedule of Contributions	69
Lakeland School System Board of Education – Legacy Public Employee Retirement Plan of TCRS	
– Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	70
– Schedule of Contributions	71
Lakeland School System – Teacher Legacy Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	72
– Schedule of Contributions	73
Lakeland School System – Teacher Retirement Pension Plan of TCRS	
– Schedule of Proportionate Share of the Net Pension Liability (Asset)	74
– Schedule of Contributions	75
Lakeland School System Other Postemployment Benefits Plan	
– Schedule of Changes in Net OPEB Liability and Related Ratios	76
– Schedule of Contributions	77
– Schedule of Money-Weighted Rate of Return	78
SUPPLEMENTARY INFORMATION	
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Nonmajor Governmental Fund Combining Financial Statements	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
Nonmajor Governmental Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– State Street Aid Fund	81
– Storm Water Fund	82
– Solid Waste Fund	83
– School Federal Projects Fund	84
– School Nutrition Fund	85
– School Discretionary Grants Fund	86
– Lakeland Extended Activities Program (LEAP) Fund	87
– Debt Service Fund	88
Major Governmental Individual Fund Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	
– School Capital Projects Fund	89
Agency Fund Combining Financial Statements	
Combining Schedule of Changes in Assets and Liabilities	90

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

	Page
SUPPORTING SCHEDULES (UNAUDITED)	
Schedule of Principle and Interest Requirements	
– Governmental Funds	91
– Sewer Fund	93
Property Taxes	94
Schedule of Official Bonds of Principal Officials	95
Schedule of Utility Rate Structure and Number of Customers	96
Schedule of Debt	97
Analysis of Value of Taxable Property for Fiscal Year 2017	98
Analysis of Value of Taxable Property by Fiscal Year	99
Schedule of Principle Taxpayers	100
Sales Tax Revenue by Fiscal Year	101
General Fund Revenue by Fiscal Year	102
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund	103

GOVERNMENT AUDITING STANDARDS SECTION

Schedule of Expenditures of Federal Awards and State Financial Assistance	104
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	106
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>	107
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	109
Schedule of Findings and Questioned Costs	111
Summary of Prior Year Audit Findings	112

INTRODUCTORY SECTION (UNAUDITED)

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
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 CoordinatorJessie 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, 2017, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2017, 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.

Emphasis of a Matter

We draw attention to Note 11 to the financial statements, which describes a restatement increasing the beginning net position for the OPEB Fiduciary fund by \$132,552. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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 December 29, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lakeland's internal control over financial reporting and compliance.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 29, 2017

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017

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, 2017. 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 \$66,821,345 (net position). The net position of the City of Lakeland consists of \$50,999,647 in net investment in capital assets, \$8,288,185 in restricted, and \$7,553,513 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 \$3,670,838 in fiscal year 2017.
- As of June 30, 2017, the City of Lakeland's governmental funds reported combined ending fund balances of \$22,067,017, an decrease of \$12,714,682 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,529,530 or 71.2% of total general fund balance.
- The City of Lakeland's total debt decreased \$2,830,129 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 12-13 of this report.

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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 14 and 16 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 26-28 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 29-30 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, 2017

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 \$66,821,345 at the close of the most recent fiscal year, an increase of \$3,670,838, or 5.81 percent, from last year.

The largest portion of the City's net position (76.3%) 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, 2017 and 2016:

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 29,974,868	\$ 40,824,019	\$ 1,751,630	\$ 1,642,301	\$ 31,726,498	\$ 42,466,320
Capital assets	62,653,074	49,240,804	13,557,603	13,584,065	76,210,677	62,824,869
Total Assets	92,627,942	90,064,823	15,309,233	15,226,366	107,937,175	105,291,189
Deferred Outflows of Resources	2,154,620	1,492,549	23,441	16,772	2,178,061	1,509,321
Long-term liabilities outstanding	29,212,375	30,323,188	5,541,269	6,036,000	34,753,644	36,359,188
Other liabilities	3,155,947	2,089,177	160,461	41,184	3,316,408	2,130,361
Total Liabilities	32,368,322	32,412,365	5,701,730	6,077,184	38,070,052	38,489,549
Deferred Inflows of Resources	5,219,667	5,428,025	4,172	7,715	5,223,839	5,435,740
Net Asset						
Invested in capital assets	42,975,044	41,237,807	8,024,603	7,548,065	50,999,647	48,785,872
Restricted	8,288,185	1,708,500	-	-	8,288,185	1,708,500
Unrestricted	5,931,344	11,045,961	1,602,169	1,610,174	7,533,513	12,656,135
Total Net Position	\$ 57,194,573	\$ 53,992,268	\$ 9,626,772	\$ 9,158,239	\$ 66,821,345	\$ 63,150,507

An additional portion of the City's net position of \$8,288,185 (12.40%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$7,533,513 (11.3%) 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 \$3,202,305 while Business-type activities increased the City's net position by \$468,533 resulting in a net increase of \$3,670,838. Key elements of this increase are as follows:

- Additions to net position were provided primarily by increases in amounts due from other governments of \$821,017 and deferred outflows of resources of related to pensions of \$662,387. 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, 2017

The following provides a summary of activities for the City for the years ended June 30, 2017 and 2016:

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for services	\$ 2,229,122	\$ 2,017,108	\$ 1,502,522	\$ 1,268,923	\$ 3,731,644	\$ 3,286,031
Operating grants and contributions	5,718,014	4,967,226	-	-	5,718,014	4,967,226
Capital grants and contributions	1,046,256	171,116	133,300	-	1,179,556	171,116
General Revenues:						
Property taxes	7,102,514	6,515,877	-	-	7,102,514	6,515,877
Local taxes	2,617,499	1,935,659	-	-	2,617,499	1,935,659
Intergovernmental	1,587,101	2,897,031	-	-	1,587,101	2,897,031
Interest on investments	76,616	43,145	3,998	4,083	80,614	47,228
Other revenue	24,941	100,121	-	-	24,941	100,121
Gain on disposal of capital assets	8,923	-	-	-	8,923	-
Total Revenues	20,410,986	18,647,283	1,639,820	1,273,006	22,050,806	19,920,289
Expenses:						
General government	\$ 1,984,530	\$ 1,663,019	\$ -	\$ -	\$ 1,984,530	\$ 1,663,019
Public works	5,524,380	4,845,979	-	-	5,524,380	4,845,979
Parks and recreation	680,872	435,148	-	-	680,872	435,148
Education	8,866,714	9,452,381	-	-	8,866,714	9,452,381
Interest and fiscal charges	120,027	52,145	-	-	120,027	52,145
Debt Issuance costs	32,158	214,684	-	-	32,158	214,684
Water and sewer	-	-	1,171,287	1,046,611	1,171,287	1,046,611
Total Expenses	17,208,681	16,663,356	1,171,287	1,046,611	18,379,968	17,709,967
Increase/(Decrease) in net position	3,202,305	1,983,927	468,533	226,395	3,670,838	2,210,322
Net position, July 1, 2016	53,992,268	52,506,419	9,158,239	8,931,844	63,150,507	61,438,263
Prior period adjustment	-	(498,078)	-	-	-	(498,078)
Net position, June 30, 2017	\$ 57,194,573	\$ 53,992,268	\$ 9,626,772	\$ 9,158,239	\$ 66,821,345	\$ 63,150,507

Governmental Activities: Current fiscal year revenues for the City's governmental activities were \$20,410,986 compared to \$18,647,283 last year. Expenses for the same period were \$17,208,681 compared to \$16,663,356 last year.

General and program revenue experienced a mixture of increases and decreases for the year; most notable of which are discussed below.

- The single largest source of governmental activity revenue in the prior year, property taxes increased \$586,637 to \$7,102,514 in FY 2017 due to an increase in assessments and an increase in taxes collected.
- Operating grants and contributions increased \$750,788 to \$5,718,014 primarily due to an increased allocation of taxes to the Lakeland School System from Shelby County.

Business-type activities: Business-type activities increased the City's net position by \$468,533 due to a slight increase in charges for services of \$233,599.

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2017

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 \$22,067,017, a decrease of \$12,714,682, in comparison with the prior year. The decrease was due to capital outlays incurred with the construction of Lakeland Middle School. Approximately 34.1% of this total amount (\$7,529,530) 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. Another 38.3% of combined ending fund balance is considered restricted primarily for the continued construction and completion of Lakeland Middle School.

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 \$7,529,530, while total fund balance reached \$10,577,322. 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 172% of total General Fund expenditures, while total fund balance represents 242% of that same amount.

The fund balance of the City's General Fund decreased \$346,000 during the fiscal year ended June 30, 2017. Key factors are as follows:

- Total revenues increased \$688,712 including increases in taxes of \$855,233 offset by decreases in intergovernmental revenues of \$443,691 from previous year.
- Expenditures for current activity in the General Fund increased by \$1,858,862 with the general government and public works expenditures accounting for 56% and 41% of this increase, respectively. Other financing sources and uses played a pivotal role in the change in the fund balance of the General Fund with a net financing use of \$4,367,389. The net financing use of funds included transfers to the State Street Aid fund and Debt Service Fund.

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, 2017, the fund had a fund balance of \$2,795,478 which is assigned for educational expenditures.

The fund balance of the General Purpose School Fund increased \$929,845 during fiscal year ended June 30, 2017. Key factors are as follows:

- Property tax revenue increased \$210,770 to \$2,464,973. 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 \$595,354 to \$5,862,912.
- Total expenditures for the fund increased \$1,125,580 to \$7,989,278 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 \$468,533 to \$9,626,722 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, 2017

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 \$25,000. The difference between the original and final budget for expenditures increased by \$500,420. Of this, general government budget was increased by \$365,620 related to increases in expected contracted services and public works budget was increased by \$106,500 related to increases in expected capital outlays.
- The General Fund revenues were \$891,676 less than budgeted. The variance was due primarily to \$1,744,233 in lower than expected grant revenue related to the timing of associated grant expenditures.
- General Fund expenditures were less than budgeted by \$4,694,902. Of this, \$4,178,590 is related to lower than expected expenditures for capital outlays related to grants in the Engineering and Parks and Recreation departments.

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, 2017 amounts to \$62,653,074 (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 \$13,385,808. Depreciation expense for the year was \$3,479,949 mostly from depreciation of infrastructure.

Condensed Statement of Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 8,670,846	\$ 8,610,846	\$ 75,360	\$ 75,360	\$ 8,746,206	\$ 8,686,206
Buildings and improvements	14,435,227	13,604,665	7,494,393	7,748,832	21,929,620	21,353,497
Improvements other than buildings	1,606,245	1,877,889	5,335,597	5,523,903	6,941,842	7,401,792
Machinery and equipment	655,998	486,576	275,487	113,834	931,485	600,410
Vehicles	143,634	115,538	-	-	143,634	115,538
Infrastructure	15,956,283	18,040,236	-	-	15,956,283	18,040,236
Construction in progress	21,184,841	6,505,054	376,766	122,136	21,561,607	6,627,190
Total capital assets, net	62,653,074	49,240,804	13,557,603	13,584,065	76,210,677	62,824,869

Governmental activities saw an increase of \$13,412,270 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, 2017

Long-term debt: At the end of the current fiscal year, the City had total debt outstanding of \$31,690,136. Of this amount \$26,157,136 comprises debt backed by the full faith and credit of the government and \$5,533,000 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	
	2017	2016	2017	2016	2017	2016
Notes payable	\$ 25,362,495	\$ 27,314,827	\$ 5,533,000	\$ 6,036,000	\$ 30,895,495	\$ 33,350,827
Settlement liability	494,556	548,146	-	-	494,556	548,146
Construction loan	211,624	117,459	-	-	211,624	117,459
Capital leases	88,461	53,833	-	-	88,461	53,833
Total debt	26,157,136	28,034,265	5,533,000	6,036,000	31,690,136	34,070,265

The City's total debt decreased \$2,380,129 or 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 2017/2018 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 2017-2018 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 \$36,132,539 for the 2017-2018 fiscal year. The capital budget accounts for \$7,232,171 and the sewer budget accounts for \$1,942,263 leaving \$26,958,105 for operations. The budget for Lakeland School System is \$16,669,471 for the 2017-2018 fiscal year, which represents 46% 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, 2017

	Primary Government		
	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 15,482,956	\$ 1,509,109	\$ 16,992,065
Receivables			
Property taxes	4,439,790	-	4,439,790
Other taxes	29,557	-	29,557
Other	70,892	1,721	72,613
Less allowance for doubtful accounts	(91,089)	-	(91,089)
Due from other governments	2,013,216	241,374	2,254,590
Internal balances	574	(574)	-
Restricted cash	8,021,696	-	8,021,696
Prepaid items	18	-	18
Capital assets, not being depreciated	29,855,687	452,126	30,307,813
Capital assets, being depreciated, net	32,797,387	13,105,477	45,902,864
Net pension asset	7,258	-	7,258
Total assets	<u>92,627,942</u>	<u>15,309,233</u>	<u>107,937,175</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	2,154,620	23,441	2,178,061
LIABILITIES			
Accounts payable and accrued liabilities	2,623,143	150,677	2,773,820
Accrued interest payable	136,025	-	136,025
Accrued payroll	300,111	9,784	309,895
Customer deposits	87,750	-	87,750
Unearned revenue	8,918	-	8,918
Noncurrent liabilities:			
Due within one year	2,139,027	523,000	2,662,027
Due in more than one year	24,095,476	5,010,000	29,105,476
Net pension liability	692,905	8,269	701,174
Net other postemployment benefits liability	2,284,967	-	2,284,967
Total liabilities	<u>32,368,322</u>	<u>5,701,730</u>	<u>38,070,052</u>
DEFERRED INFLOWS OF RESOURCES			
Current property taxes assessed for subsequent period	4,225,294	-	4,225,294
Related to pension	808,331	4,172	812,503
Related to other postemployment benefits	186,042	-	186,042
Total deferred inflows of resources	<u>5,219,667</u>	<u>4,172</u>	<u>5,223,839</u>
NET POSITION			
Net investment in capital assets	42,975,044	8,024,603	50,999,647
Restricted for:			
Net pension asset	7,258	-	7,258
State street projects	469,670	-	469,670
Solid waste	882,399	-	882,399
School activities	326,722	-	326,722
Education capital projects	6,602,136	-	6,602,136
Unrestricted	5,931,344	1,602,169	7,533,513
Total net position	<u>\$ 57,194,573</u>	<u>\$ 9,626,772</u>	<u>\$ 66,821,345</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, 2017

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
Primary government:							
Governmental Activities:							
General government	\$ 1,984,530	\$ 254,125	\$ 376,757	\$ -	\$ (1,353,648)	\$ -	\$ (1,353,648)
Public works	5,524,380	1,450,836	-	594,341	(3,479,203)	-	(3,479,203)
Parks and recreation	680,872	153,810	-	-	(527,062)	-	(527,062)
Education	8,866,714	370,351	5,341,257	451,915	(2,703,191)	-	(2,703,191)
Interest on long-term debt	120,027	-	-	-	(120,027)	-	(120,027)
Debt issuance costs	32,158	-	-	-	(32,158)	-	(32,158)
Total governmental activities	17,208,681	2,229,122	5,718,014	1,046,256	(8,215,289)	-	(8,215,289)
Business-type activity:							
Sewer	1,171,287	1,502,522	-	133,300	-	464,535	464,535
Total business-type activities	1,171,287	1,502,522	-	133,300	-	464,535	464,535
Total primary government	\$ 18,379,968	\$ 3,731,644	\$ 5,718,014	\$ 1,179,556	(8,215,289)	464,535	(7,750,754)
General revenues:							
Property taxes					7,102,514	-	7,102,514
Local option sales tax					2,240,158	-	2,240,158
Other taxes							
Wholesale liquor and beer taxes					84,610	-	84,610
Business, cable tv, and hotel-motel taxes					292,731	-	292,731
Intergovernmental revenues:							
State sales tax					1,117,907	-	1,117,907
State income tax					143,984	-	143,984
Other state revenue					325,210	-	325,210
Other revenue					24,941	-	24,941
Interest on investments					76,616	3,998	80,614
Gain on sale of capital assets					8,923	-	8,923
Total general revenues and transfers					11,417,594	3,998	11,421,592
Change in net position					3,202,305	468,533	3,670,838
Net position - beginning					53,992,268	9,158,239	63,150,507
Net position - ending					\$ 57,194,573	\$ 9,626,772	\$ 66,821,345

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<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>
ASSETS					
Cash and cash equivalents	\$ 10,392,959	\$ 2,631,724	\$ 968,540	\$ 1,489,733	\$ 15,482,956
Receivables					
Property taxes	4,439,790	-	-	-	4,439,790
Other taxes	29,557	-	-	-	29,557
Other	61,680	9,144	-	68	70,892
Less allowance for doubtful accounts	(91,089)	-	-	-	(91,089)
Due from other governments	985,626	693,855	-	333,735	2,013,216
Due from other funds	9,496	11,619	-	-	21,115
Restricted cash	-	-	7,093,554	928,142	8,021,696
Prepaid Items	18	-	-	-	18
	<u>\$ 15,828,037</u>	<u>\$ 3,346,342</u>	<u>\$ 8,062,094</u>	<u>\$ 2,751,678</u>	<u>\$ 29,988,151</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 468,378	\$ 70,999	\$ 1,459,958	\$ 623,808	\$ 2,623,143
Accrued payroll	21,496	263,363	-	15,252	300,111
Customer deposits	87,750	-	-	-	87,750
Due to other funds	-	8,922	-	11,619	20,541
Unearned revenue	-	-	-	8,918	8,918
Total liabilities	<u>577,624</u>	<u>343,284</u>	<u>1,459,958</u>	<u>659,597</u>	<u>3,040,463</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Property taxes	4,258,538	207,580	-	-	4,466,118
Grants	377,109	-	-	-	377,109
Other	37,444	-	-	-	37,444
Total deferred inflows of resources	<u>4,673,091</u>	<u>207,580</u>	<u>-</u>	<u>-</u>	<u>4,880,671</u>
FUND BALANCES					
Nonspendable	18	-	-	-	18
Restricted	-	-	6,602,136	1,852,196	8,454,332
Committed	430,078	-	-	239,885	669,963
Assigned	2,617,696	2,795,478	-	-	5,413,174
Unassigned	7,529,530	-	-	-	7,529,530
Total fund balances	<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>
	<u>\$ 15,828,037</u>	<u>\$ 3,346,342</u>	<u>\$ 8,062,094</u>	<u>\$ 2,751,678</u>	<u>\$ 29,988,151</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 15,828,037</u>	<u>\$ 3,346,342</u>	<u>\$ 8,062,094</u>	<u>\$ 2,751,678</u>	<u>\$ 29,988,151</u>

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, 2017

Total fund balances, governmental funds		\$ 22,067,017
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.		62,653,074
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		655,377
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: notes payable	(23,227,095)	
Less: settlement obligation	(507,033)	
Less: construction loan	(211,624)	
Less: capital leases	(88,461)	
Less: unamortized premiums and discounts on debt	<u>(2,122,923)</u>	(26,157,136)
(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	(136,025)	
Less: compensated absences payable	<u>(77,367)</u>	(213,392)
(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	7,258	
Less: net pension liability	(692,905)	
Less: net other postemployment liability	<u>(2,284,967)</u>	(2,970,614)
(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	2,154,620	
Less: deferred inflows of resources related to pensions	(808,331)	
Less: deferred inflows of resources related to OPEB	<u>(186,042)</u>	<u>1,160,247</u>
Net position of governmental activities		<u><u>\$ 57,194,573</u></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, 2017

	<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>
REVENUES					
Property taxes	\$ 4,637,541	\$ 2,464,973	\$ -	\$ -	\$ 7,102,514
Local sales taxes	1,507,055	990,595	-	-	2,497,650
Intergovernmental	1,499,370	4,872,317	-	-	6,371,687
Intergovernmental gas tax	-	-	-	345,345	345,345
Licenses and permits	59,323	-	-	-	59,323
Charges for services	373,970	5,655	-	1,790,174	2,169,799
Grants	287,496	-	451,915	468,940	1,208,351
Interest on investments	7,893	724	62,286	5,713	76,616
Other	14,948	7,996	-	2,307	25,251
Total revenues	<u>8,387,596</u>	<u>8,342,260</u>	<u>514,201</u>	<u>2,612,479</u>	<u>19,856,536</u>
EXPENDITURES					
Current					
General government	2,861,943	-	-	-	2,861,943
Public works	896,622	-	-	2,508,694	3,405,316
Parks and recreation	607,642	-	-	-	607,642
Education	-	7,805,457	-	671,231	8,476,688
Debt Service					
Principal	-	59,312	-	1,797,590	1,856,902
Interest and fiscal charges	-	1,362	-	889,363	890,725
Bond issuance costs	-	-	-	32,158	32,158
Capital outlays	-	123,147	14,513,725	-	14,636,872
Total expenditures	<u>4,366,207</u>	<u>7,989,278</u>	<u>14,513,725</u>	<u>5,899,036</u>	<u>32,768,246</u>
Excess (deficiency) of revenues over (under) expenditures	4,021,389	352,982	(13,999,524)	(3,286,557)	(12,911,710)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	94,165	93,940	-	-	188,105
Sale of capital assets	-	8,923	-	-	8,923
Transfers in	-	474,000	-	3,987,554	4,461,554
Transfers out	(4,461,554)	-	-	-	(4,461,554)
Total other financing sources and uses	<u>(4,367,389)</u>	<u>576,863</u>	<u>-</u>	<u>3,987,554</u>	<u>197,028</u>
Net change in fund balances	(346,000)	929,845	(13,999,524)	700,997	(12,714,682)
Fund balances - beginning	<u>10,923,322</u>	<u>1,865,633</u>	<u>20,601,660</u>	<u>1,391,084</u>	<u>34,781,699</u>
Fund balances - ending	<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>

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, 2017

Net change in fund balance - total governmental funds \$ (12,714,682)

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

(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.		
Add: capital outlays capitalized	\$ 16,892,219	
Less: depreciation expense	<u>(3,479,949)</u>	13,412,270
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		518,735
(3) 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.		
Add: principal payments on long-term debt	1,859,649	
Add: amortization of premiums and discounts	205,585	
Less: proceeds from debt issuance	<u>(188,105)</u>	1,877,129
(4) 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.		
Change in accrued interest payable	145,158	
Change in compensated absences	(17,865)	
Change in net pension asset	(2,126)	
Change in net pension liability	(646,528)	
Change in other postemployment benefits obligation	(101,923)	
Change in deferred outflows related to pensions	662,387	
Change in deferred outflows related to OPEB	(316)	
Change in deferred inflows related to pensions	60,254	
Change in deferred inflows related to OPEB	<u>9,812</u>	<u>108,853</u>
Change in net position of governmental activities		<u><u>\$ 3,202,305</u></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 - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES				
Property taxes	\$ 4,281,604	\$ 4,281,604	\$ 4,594,285	\$ 312,681
Payments in lieu of taxes	-	-	28,406	28,406
Property tax interest and penalties	10,000	10,000	14,850	4,850
Total property taxes	<u>4,291,604</u>	<u>4,291,604</u>	<u>4,637,541</u>	<u>345,937</u>
LOCAL TAXES				
Local sales tax	970,000	970,000	1,129,714	159,714
Wholesale beer and liquor tax	84,000	84,000	84,610	610
Business tax	67,000	67,000	83,758	16,758
Hotel/motel tax	57,000	57,000	59,501	2,501
CATV Franchise tax	130,000	130,000	149,472	19,472
Total local taxes	<u>1,308,000</u>	<u>1,308,000</u>	<u>1,507,055</u>	<u>199,055</u>
INTERGOVERNMENTAL				
State of Tennessee shared revenues				
Sales tax	1,006,830	1,006,830	1,030,176	23,346
Income tax	178,000	178,000	143,984	(34,016)
Beer and liquor tax	7,215	7,215	6,521	(694)
State road maintenance	25,482	25,482	25,106	(376)
Receipts in lieu of tax - TVA	146,054	146,054	292,083	146,029
Reimbursements	2,500	2,500	1,500	(1,000)
Total state shared taxes	<u>1,366,081</u>	<u>1,366,081</u>	<u>1,499,370</u>	<u>133,289</u>
LICENSES AND PERMITS				
Building and related permits	50,850	50,850	44,759	(6,091)
Other permits	9,300	9,300	14,564	5,264
Total licenses and permits	<u>60,150</u>	<u>60,150</u>	<u>59,323</u>	<u>(827)</u>
CHARGES FOR SERVICES				
Engineering fees	10,000	10,000	31,900	21,900
Administrative fees for developments	5,500	5,500	144,977	139,477
Other	23,800	23,800	17,925	(5,875)
City service fees	100	100	25,358	25,258
Recreation fees for services	101,750	101,750	103,437	1,687
Parks development fees	-	-	25,675	25,675
Rental income	22,300	22,300	24,698	2,398
Total charge for services	<u>163,450</u>	<u>163,450</u>	<u>373,970</u>	<u>210,520</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GRANTS	\$ 2,006,729	\$ 2,031,729	\$ 287,496	\$ (1,744,233)
INTEREST ON INVESTMENTS	6,500	6,500	7,893	1,393
OTHER	35,000	35,000	14,948	(20,052)
Total Revenues	9,237,514	9,262,514	8,387,596	(874,918)
EXPENDITURES				
GENERAL GOVERNMENT				
General Government				
Salaries	101,748	127,908	114,710	13,198
Benefits	49,410	51,410	48,790	2,620
Contractual services	315,687	451,737	420,126	31,611
Materials and supplies	95,500	97,800	94,403	3,397
Insurance	46,658	45,658	42,266	3,392
Other charges	71,828	108,828	75,427	33,401
Capital outlay	15,000	16,000	15,730	270
	<u>695,831</u>	<u>899,341</u>	<u>811,452</u>	<u>87,889</u>
Board and Commissions				
Salaries	25,200	25,200	24,495	705
Benefits	2,975	2,975	1,938	1,037
Other charges	500	500	-	500
	<u>28,675</u>	<u>28,675</u>	<u>26,433</u>	<u>2,242</u>
Financial Administration				
Salaries	147,248	187,248	147,621	39,627
Benefits	54,705	68,465	50,467	17,998
Contractual services	1,250	600	600	-
Materials and supplies	100	100	-	100
Other charges	4,720	4,370	1,795	2,575
	<u>208,023</u>	<u>260,783</u>	<u>200,483</u>	<u>60,300</u>
Engineering				
Salaries	94,900	94,900	91,295	3,605
Benefits	22,712	25,712	24,037	1,675
Contractual services	25,000	25,000	20	24,980
Materials and supplies	750	750	548	202
Other charges	6,720	6,720	3,129	3,591
Capital outlay	4,154,178	4,154,178	1,122,926	3,031,252
	<u>4,304,260</u>	<u>4,307,260</u>	<u>1,241,955</u>	<u>3,065,305</u>

(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 BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<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	\$ 65,537	\$ 65,537	\$ 57,756	\$ 7,781
Benefits	27,227	27,227	22,742	4,485
Materials and supplies	2,300	4,150	4,854	(704)
Other charges	1,600	3,100	2,287	813
Capital outlay	35,000	35,000	34,401	599
	<u>131,664</u>	<u>135,014</u>	<u>122,040</u>	<u>12,974</u>
Code Enforcement				
Salaries	42,000	42,000	40,883	1,117
Benefits	9,472	9,472	7,883	1,589
Contractual services	7,000	7,000	-	7,000
Materials and supplies	3,300	3,300	3,708	(408)
Other charges	2,320	2,320	1,570	750
	<u>64,092</u>	<u>64,092</u>	<u>54,044</u>	<u>10,048</u>
Planning and Economic Development				
Salaries	115,766	115,766	116,046	(280)
Benefits	36,624	36,624	33,809	2,815
Contractual services	52,500	130,000	121,401	8,599
Materials and supplies	300	300	15	285
Other charges	48,020	73,520	30,850	42,670
	<u>253,210</u>	<u>356,210</u>	<u>302,121</u>	<u>54,089</u>
GIS				
Salaries	51,950	51,950	45,824	6,126
Benefits	18,534	18,534	15,548	2,986
Contractual services	58,200	58,200	41,414	16,786
Materials and supplies	450	450	-	450
Other charges	3,650	3,650	629	3,021
	<u>132,784</u>	<u>132,784</u>	<u>103,415</u>	<u>29,369</u>
Total general government	5,818,539	6,184,159	2,861,943	3,322,216
PUBLIC WORKS				
Salaries	199,833	202,333	186,872	15,461
Benefits	92,972	92,972	77,608	15,364
Contractual services	90,000	85,000	62,790	22,210
Materials and supplies	25,000	29,000	26,067	2,933
Other charges	8,020	8,020	7,177	843
Capital outlay	478,000	583,000	536,108	46,892
	<u>893,825</u>	<u>1,000,325</u>	<u>896,622</u>	<u>103,703</u>

(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 BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
PARKS AND RECREATION				
Senior Citizen				
Contractual services	\$ 1,400	\$ 1,400	\$ 1,032	\$ 368
Materials and supplies	3,800	3,800	3,231	569
Other charges	13,750	13,750	13,189	561
	<u>18,950</u>	<u>18,950</u>	<u>17,452</u>	<u>1,498</u>
IH Clubhouse				
Contractual services	3,000	5,000	3,240	1,760
Materials and supplies	71,000	71,000	20,451	50,549
Other charges	8,500	8,500	10,101	(1,601)
	<u>82,500</u>	<u>84,500</u>	<u>33,792</u>	<u>50,708</u>
Recreation				
Other charges	104,950	109,850	87,414	22,436
Park Administration				
Salaries	213,731	213,731	197,946	15,785
Benefits	81,024	81,024	72,188	8,836
Contractual services	22,000	42,000	35,997	6,003
Materials and supplies	13,500	14,700	13,373	1,327
Other charges	36,670	36,870	21,818	15,052
Capital outlay	1,275,000	1,275,000	127,662	1,147,338
	<u>1,641,925</u>	<u>1,663,325</u>	<u>468,984</u>	<u>1,194,341</u>
Total parks and recreation	<u>1,848,325</u>	<u>1,876,625</u>	<u>607,642</u>	<u>1,268,983</u>
Total Expenditures	<u>8,560,689</u>	<u>9,061,109</u>	<u>4,366,207</u>	<u>4,694,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	676,825	201,405	4,021,389	3,819,984
OTHER FINANCING SOURCES (USES)				
Debt Issuance	1,607,541	1,607,541	94,165	(1,513,376)
Sale of capital assets	1,250,000	1,250,000	-	(1,250,000)
Transfers out	(4,461,554)	(4,461,554)	(4,461,554)	-
Total Other Financing Sources (Uses)	<u>(1,604,013)</u>	<u>(1,604,013)</u>	<u>(4,367,389)</u>	<u>(2,763,376)</u>
Net change in fund balances	<u>\$ (927,188)</u>	<u>\$ (1,402,608)</u>	<u>(346,000)</u>	<u>\$ 1,056,608</u>
Fund balances - beginning			<u>10,923,322</u>	
Fund balances - ending			<u>\$ 10,577,322</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
PROPERTY TAXES	\$ 2,409,076	\$ 2,516,826	\$ 2,464,973	\$ (51,853)
LOCAL TAXES	830,000	830,000	990,595	160,595
INTERGOVERNMENTAL				
Privilege tax	-	-	241,894	241,894
Basic Education Program	4,350,000	4,436,000	4,604,101	168,101
Career Ladder Program	20,000	20,000	22,760	2,760
Other	2,786	2,786	3,562	776
Total intergovernmental	4,372,786	4,458,786	4,872,317	413,531
CHARGES FOR SERVICES	7,600	7,600	5,655	(1,945)
INTEREST INCOME	-	-	724	724
OTHER	-	-	7,996	7,996
Total Revenues	7,619,462	7,813,212	8,342,260	529,048
EXPENDITURES				
EDUCATION				
Board of education services				
Salaries	12,000	12,412	12,412	-
Benefits	165,674	164,380	158,871	5,509
Contractual services	92,000	83,762	77,169	6,593
Materials and supplies	3,000	3,193	3,193	-
Other charges	409,011	417,938	407,380	10,558
	681,685	681,685	659,025	22,660
Office of superintendent				
Salaries	171,402	178,352	170,364	7,988
Benefits	63,196	56,246	52,222	4,024
Contractual services	2,000	2,000	7,838	(5,838)
Materials and supplies	1,100	1,420	1,117	303
Other charges	8,310	7,990	5,787	2,203
	246,008	246,008	237,328	8,680
Office of principal				
Salaries	544,716	539,566	516,959	22,607
Benefits	146,121	143,271	125,283	17,988
Other charges	6,750	14,750	8,348	6,402
	697,587	697,587	650,590	46,997

(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, 2017

	<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	\$ 3,314,186	\$ 3,430,863	\$ 3,319,194	\$ 111,669
Benefits	953,370	880,625	831,229	49,396
Contractual services	-	500	264	236
Materials and supplies	172,350	261,850	124,951	136,899
	<u>4,439,906</u>	<u>4,573,838</u>	<u>4,275,638</u>	<u>298,200</u>
Special education				
Salaries	542,300	549,700	523,725	25,975
Benefits	199,542	191,165	161,266	29,899
Contractual services	12,000	12,777	7,997	4,780
Materials and supplies	15,100	15,100	4,496	10,604
Other charges	-	200	150	50
	<u>768,942</u>	<u>768,942</u>	<u>697,634</u>	<u>71,308</u>
Other student support				
Salaries	51,717	51,717	50,717	1,000
Benefits	16,486	16,486	8,491	7,995
Materials and supplies	3,000	3,000	13	2,987
Other charges	8,500	8,500	3,238	5,262
	<u>79,703</u>	<u>79,703</u>	<u>62,459</u>	<u>17,244</u>
Regular instruction support				
Salaries	122,497	122,497	121,150	1,347
Benefits	37,306	36,611	25,245	11,366
Materials and supplies	5,600	7,427	6,782	645
Other charges	2,500	1,362	1,362	-
	<u>167,903</u>	<u>167,897</u>	<u>154,539</u>	<u>13,358</u>
Special education support				
Salaries	88,968	88,968	78,220	10,748
Benefits	32,006	32,006	18,232	13,774
Contractual services	13,001	17,265	16,065	1,200
Materials and supplies	5,500	1,236	781	455
Other charges	250	250	-	250
	<u>139,725</u>	<u>139,725</u>	<u>113,298</u>	<u>26,427</u>
Technology				
Salaries	94,750	92,881	86,976	5,905
Benefits	21,103	26,150	19,153	6,997
Contractual services	37,269	34,839	33,156	1,683
Materials and supplies	1,500	46,400	13,174	33,226
Other charges	123,170	80,236	51,169	29,067
	<u>277,792</u>	<u>280,506</u>	<u>203,628</u>	<u>76,878</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, 2017

	<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	\$ 48,727	\$ 48,727	\$ 47,726	\$ 1,001
Benefits	22,218	9,868	6,181	3,687
Materials and supplies	-	-	659	(659)
Contractual services	39,796	51,796	51,522	274
Other charges	2,500	2,850	2,811	39
	<u>113,241</u>	<u>113,241</u>	<u>108,899</u>	<u>4,342</u>
Human resources				
Benefits	4,900	6,369	-	6,369
Contractual services	5,900	15,900	15,330	570
Materials and supplies	885	1,085	67	1,018
Other charges	2,500	2,500	-	2,500
	<u>14,185</u>	<u>25,854</u>	<u>15,397</u>	<u>10,457</u>
Student services				
Contractual services	4,200	4,130	3,742	388
Other charges	-	70	70	-
	<u>4,200</u>	<u>4,200</u>	<u>3,812</u>	<u>388</u>
Health services				
Salaries	62,600	62,600	58,644	3,956
Benefits	18,153	21,753	19,034	2,719
Contractual services	1,400	1,400	-	1,400
Materials and supplies	14,578	10,978	7,688	3,290
Other charges	800	800	732	68
	<u>97,531</u>	<u>97,531</u>	<u>86,098</u>	<u>11,433</u>
Operation of plant				
Salaries	46,532	159,008	114,051	44,957
Benefits	15,412	28,282	14,818	13,464
Contractual services	153,200	57,040	51,004	6,036
Materials and supplies	500	500	252	248
Other charges	154,441	154,441	99,675	54,766
	<u>370,085</u>	<u>399,271</u>	<u>279,800</u>	<u>119,471</u>
Maintenance of plant				
Contractual services	46,250	8,650	2,231	6,419
Materials and supplies	19,000	56,600	37,171	19,429
	<u>65,250</u>	<u>65,250</u>	<u>39,402</u>	<u>25,848</u>
Transportation				
Contractual services	231,265	231,265	216,810	14,455
School safety				
Other charges	1,100	1,100	1,100	-
Total education	<u>8,396,108</u>	<u>8,573,603</u>	<u>7,805,457</u>	<u>768,146</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
DEBT SERVICE				
Principal	\$ -	\$ -	\$ 59,312	\$ (59,312)
Interest	-	-	1,362	(1,362)
Total debt service	-	-	60,674	(60,674)
CAPITAL PROJECTS	54,600	54,600	123,147	68,547
Total Expenditures	<u>8,450,708</u>	<u>8,628,203</u>	<u>7,989,278</u>	<u>776,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(831,246)	(814,991)	352,982	1,167,973
OTHER FINANCING SOURCES (USES)				
Sale of equipment	-	-	8,923	8,923
Debt issuance	-	-	93,940	93,940
Transfers in	474,000	474,000	474,000	-
Total Other Financing Sources (Uses)	<u>474,000</u>	<u>474,000</u>	<u>576,863</u>	<u>102,863</u>
Net change in fund balances	<u>\$ (357,246)</u>	<u>\$ (340,991)</u>	929,845	<u>\$ 1,270,836</u>
Fund balances - beginning			<u>1,865,633</u>	
Fund balances - ending			<u>\$ 2,795,478</u>	

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	<u>Enterprise Fund Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,509,109
Receivables	
Other	1,721
Due from other governments	241,374
Total current assets	<u>1,752,204</u>
Noncurrent assets:	
Capital assets, not being depreciated	452,126
Capital assets, being depreciated, net	13,105,477
Total capital assets, net	<u>13,557,603</u>
Total assets	<u>15,309,807</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	23,441
 LIABILITIES	
Current liabilities:	
Accounts payable and other accruals	150,677
Accrued payroll	9,784
Due to other funds	574
Current portion of notes payable	523,000
Total current liabilities	<u>684,035</u>
Noncurrent liabilities:	
Notes payable, net of current portion	5,010,000
Net pension liability	8,269
Total noncurrent liabilities	<u>5,018,269</u>
Total liabilities	<u>5,702,304</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to pension	<u>4,172</u>
 NET POSITION	
Net investment in capital assets	8,024,603
Unrestricted	1,602,169
Total net position	<u>\$ 9,626,772</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, 2017

	Enterprise Fund Sewer Fund
Operating Revenues:	
Sewer service fee	\$ 1,479,422
Service connections fees	23,100
Total operating revenues	<u>1,502,522</u>
Operating Expenses:	
Salaries	165,625
Benefits	60,327
Materials and supplies	80,664
Utilities	127,879
Professional services	96,599
Other services and charges	51,673
MLGW collection fees	31,705
Depreciation	470,760
Total operating expenses	<u>1,085,232</u>
Operating income	417,290
Nonoperating Revenues (Expenses):	
Interest	3,998
Bond interest and fiscal charges	<u>(86,055)</u>
Total nonoperating expenses	<u>(82,057)</u>
Income (loss) before contributions and transfers	335,233
Capital contributions - development	<u>133,300</u>
Change in net position	468,533
Total net position - beginning	<u>9,158,239</u>
Total net position - ending	<u>\$ 9,626,772</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, 2017

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,285,753
Payments to suppliers	(272,639)
Payments to employees	(223,237)
Net cash provided by operating activities	<u>789,877</u>
CASH FLOW FROM (USED FOR) NONCAPITAL FINANCING ACTIVITIES	
Payment from other fund	77,261
CASH FLOW FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	133,300
Purchases of capital assets	(444,298)
Principal paid on capital debt	(503,000)
Interest paid on capital debt	(86,055)
Net cash from (used for) capital and related financing activities	<u>(900,053)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>3,998</u>
Net decrease in cash and cash equivalents	(28,917)
Cash and cash equivalents - beginning of the year	<u>1,538,026</u>
Cash and cash equivalents - end of the year	<u>\$ 1,509,109</u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 417,290
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	470,760
Pension expense in excess of employer contributions	(860)
Change in assets and liabilities	
Receivables	(216,769)
Prepaid expenses	179
Accounts payable	115,702
Accrued payroll	3,575
Net cash provided by operating activities	<u>\$ 789,877</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, 2017

	School OPEB Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ 197,429
Inventory	-	2,639
Investments, at fair value:		
Mutual funds	286,306	-
	<u>\$ 286,306</u>	<u>\$ 200,068</u>
Total assets		
LIABILITIES		
Due to student general fund	\$ -	\$ 188,298
Due to student groups	-	11,770
	<u>-</u>	<u>\$ 200,068</u>
Total liabilities		
NET POSITION		
Held in trust for OPEB benefits	<u>\$ 286,306</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, 2017

	<u>School OPEB Fund</u>
ADDITIONS	
Employer contributions	\$ 128,500
Investment earnings (losses):	
Interest and dividends	8,937
Net appreciation in fair value of investments	<u>17,092</u>
Total investment earnings	<u>26,029</u>
 Total additions	 154,529
DEDUCTIONS	
Administrative expense	<u>775</u>
Total deductions	<u>775</u>
 Change in net position	 153,754
 Net position - beginning of the year, as originally reported	 -
Prior period adjustment	<u>132,552</u>
Net position - beginning of the year, as restated	<u>132,552</u>
 Net position - end of the year	 <u>\$ 286,306</u>

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

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.

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.

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 investment 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.

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

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

as revenues at June 30, 2017. 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.

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.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 pension changes in experience, pension changes in investment earnings, and employer contributions to the pension plan after the measurement date.

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.

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 compromise 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.

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

The City maintains four defined benefit retirement plans sponsored by Tennessee Consolidated Retirement System.

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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.

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 City adopted GASB Statement No. 77, *Tax Abatement Disclosures*, required for fiscal periods beginning after December 15, 2015. This Statement improves financial reporting by giving users of financial statements essential information regarding tax abatements that was not previously reported consistently or comprehensively.

The City adopted GASB Statement No. 82, *Pension Issues*, required for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal periods beginning after June 15, 2017. 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, 2017, no expenditures exceeded appropriations.

C. Deficit fund equity

As of June 30, 2017, 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, 2017, 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.

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017. 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, 2017.

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

For the year ended June 30, 2017, investments held in fiduciary funds totaled \$286,306 and were held in mutual funds valued using Level 1 inputs.

Interest Rate Risk – The City 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 City 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.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2017, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ 8,922	\$ -
Sewer Fund	574	-
	<u>9,496</u>	<u>-</u>
General Purpose School Fund		
General Fund	-	8,922
Discretionary Grants Fund	11,619	-
	<u>11,619</u>	<u>8,922</u>
Sewer Fund		
General Fund	-	574
Nonmajor Funds		
Discretionary Grants Fund		
General Purpose School Fund	-	11,619
	<u>\$ 21,115</u>	<u>\$ 21,115</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.

The composition of interfund transfers for the year ended June 30, 2017 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ -	474,000
State Street Aid Fund	-	1,162,182
Debt Service Fund	-	2,825,372
	<u>-</u>	<u>4,461,554</u>
General Purpose School Fund		
General Fund	474,000	-
Nonmajor Funds		
State Street Aid Fund		
General Fund	1,162,182	-
Debt Service Fund		
General Fund	2,825,372	-
	<u>3,987,554</u>	<u>-</u>
	<u>\$ 4,461,554</u>	<u>\$ 4,461,554</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 LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

D. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,610,846	\$ 60,000	\$ -	\$ 8,670,846
Construction in progress	6,505,054	16,504,042	(1,824,255)	21,184,841
Total capital assets, not being depreciated	15,115,900	16,564,042	(1,824,255)	29,855,687
Capital assets, being depreciated:				
Buildings and improvements	15,055,679	1,214,814	-	16,270,493
Other improvements	4,792,599	-	-	4,792,599
Machinery and equipment	1,811,945	258,122	(15,552)	2,054,515
Vehicles	250,636	70,055	-	320,691
Infrastructure	63,334,178	609,441	-	63,943,619
Total capital assets, being depreciated	85,245,037	2,152,432	(15,552)	87,381,917
Less accumulated depreciation for:				
Buildings and improvements	(1,451,014)	(384,252)	-	(1,835,266)
Other improvements	(2,914,710)	(271,644)	-	(3,186,354)
Machinery and equipment	(1,325,369)	(88,700)	15,552	(1,398,517)
Vehicles	(135,098)	(41,959)	-	(177,057)
Infrastructure	(45,293,942)	(2,693,394)	-	(47,987,336)
Total accumulated depreciation	(51,120,133)	(3,479,949)	15,552	(54,584,530)
Total capital assets, being depreciated, net	34,124,904	(1,327,517)	-	32,797,387
Governmental activities capital assets, net	<u>\$ 49,240,804</u>	<u>\$ 15,236,525</u>	<u>\$ (1,824,255)</u>	<u>\$ 62,653,074</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 75,360	\$ -	\$ -	\$ 75,360
Construction in progress	122,136	376,766	(122,136)	376,766
Total capital assets, not being depreciated	197,496	376,766	(122,136)	452,126
Capital assets, being depreciated:				
Buildings and improvements	10,173,282	-	-	10,173,282
Other improvements	8,284,367	-	-	8,284,367
Machinery and equipment	284,379	189,668	(27,392)	446,655
Total capital assets, being depreciated	18,742,028	189,668	(27,392)	18,904,304
Less accumulated depreciation for:				
Buildings and improvements	(2,424,450)	(254,439)	-	(2,678,889)
Other improvements	(2,760,464)	(188,306)	-	(2,948,770)
Machinery and equipment	(170,545)	(28,015)	27,392	(171,168)
Total accumulated depreciation	(5,355,459)	(470,760)	27,392	(5,798,827)
Total capital assets, being depreciated, net	13,386,569	(281,092)	-	13,105,477
Business-type activities capital assets, net	<u>\$ 13,584,065</u>	<u>\$ 95,674</u>	<u>\$ (122,136)</u>	<u>\$ 13,557,603</u>

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

Governmental Activities:	
General government	\$ 137,173
Public works	2,908,217
Parks and recreation	67,637
Education	366,922
Total depreciation expense - governmental activities	<u>\$ 3,479,949</u>
Business-Type Activities:	
Sewer	<u>\$ 470,760</u>

Construction and other significant commitments

The government has active construction projects as of June 30, 2017. 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		
Huff N Puff road	\$ 135,000	\$ 501,000
Beverle Rivera Road	585,000	115,000
Canada Road	3,107,000	693,000
Public works drainage	50,000	100,000
Education construction		
Lakeland Middle School	15,947,000	6,578,000
	<u>\$ 19,824,000</u>	<u>\$ 7,987,000</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 LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

Debt outstanding as of June 30, 2017 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Outstanding at Year End
Governmental activities:				
TN Municipal League Notes				
Series 2001	0.94*	2024	\$ 3,500,000	\$ 1,247,095
Series 2008	0.94*	2030	4,500,000	3,350,000
			<u>8,000,000</u>	<u>4,597,095</u>
G.O. Capital Outlay Note				
Series 2015	2.0-5.0	2028	20,000,000	18,630,000
Construction Loan**	1.89	-	1,725,000	211,624
			<u>\$ 29,725,000</u>	<u>\$ 23,438,719</u>
Business-type activities:				
TN Municipal League Notes				
Series 2005	0.94*	2026	<u>\$ 11,000,000</u>	<u>\$ 5,533,000</u>

*Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2017 was 0.94%

**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
2018	\$2,000,624	\$857,534	\$ 523,000	\$ 47,094
2019	1,830,000	825,803	544,000	41,980
2020	1,876,000	793,420	565,000	36,669
2021	1,968,000	716,633	588,000	31,142
2022	2,031,000	666,531	612,000	25,389
2023-2027	10,672,095	2,020,303	2,701,000	39,339
2028-2032	3,061,000	119,172	-	-
2033-2037	-	-	-	-
	<u>\$ 23,438,719</u>	<u>\$ 5,999,396</u>	<u>\$ 5,533,000</u>	<u>\$ 221,613</u>

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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:

2018	\$56,337
2019	56,337
2020	56,337
2021	56,337
2022	56,337
2023-2027	<u>225,348</u>
Total payments	\$507,033
Less amount representing interest	<u>(12,477)</u>
	<u>\$ 494,556</u>

3. Capital Leases

In June 2017, the Board of Mayor and Commissioners (the Board) authorized a lease purchase agreement for the acquisition of computers for the Lakeland School System. The Board further executed an agreement with the School Board for reimbursement of payments of obligations under the lease agreement. The 36 month lease term requires annual payments of \$32,608, including amounts representing interest, on June 1 of each year.

In addition, 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 2.49% to 4.11%.

The cumulative amount of assets acquired under all capital leases amounted to \$175,840. Capital leases obligations outstanding under the agreements are as follows:

	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Outstanding at Year End</u>
Governmental activities:				
Capital Lease 2015	2.49	2017	\$ 81,900	\$ 27,129
Capital Lease 2017	4.11	2019	93,940	61,332
			<u>\$ 175,840</u>	<u>\$ 88,461</u>

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

2018	\$60,675
2019	<u>32,607</u>
Total payments	\$93,282
Less amount representing interest	<u>(4,821)</u>
	<u>\$ 88,461</u>

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

4. *Changes in long-term liabilities*

A summary of long-term liability activity, including debt, for the year ended June 30, 2017 is as follows. Additional detailed information is available following the summary.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
TML notes payable	\$ 4,971,095	\$ -	\$ (374,000)	\$ 4,597,095	\$ 389,000
Capital outlay notes	20,000,000	-	(1,370,000)	18,630,000	1,400,000
Construction loan	117,459	94,165	-	211,624	211,624
Settlement obligation	563,370	-	(56,337)	507,033	53,859
Capital lease payable	53,833	93,940	(59,312)	88,461	57,166
Unamortized premiums (discounts), net	2,328,508	-	(205,585)	2,122,923	-
Total long-term debt	28,034,265	188,105	(2,065,234)	26,157,136	2,111,649
Compensated absences	59,502	31,401	(13,536)	77,367	27,378
Net pension liability*	46,377	646,528	-	692,905	-
Net OPEB obligation*	2,183,044	101,923	-	2,284,967	-
	<u>\$ 30,323,188</u>	<u>\$ 967,957</u>	<u>\$ (2,078,770)</u>	<u>\$ 29,212,375</u>	<u>\$ 2,139,027</u>
Business-type activities:					
Revenue notes payable	\$ 6,036,000	\$ -	\$ (503,000)	\$ 5,533,000	\$ 523,000
Net pension liability*	-	8,269	-	8,269	-
	<u>\$ 6,036,000</u>	<u>\$ 8,269</u>	<u>\$ (503,000)</u>	<u>\$ 5,541,269</u>	<u>\$ 523,000</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, 2017; interest incurred and capitalized was \$417,208.

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

G. Fund Balances by Purpose

Following is more detailed information on the governmental fund balances:

	<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:					
Prepaid expenditures	\$ 18	\$ -	\$ -	\$ -	\$ 18
Restricted for:					
Education capital projects	-	-	6,602,136	-	6,602,136
State street aid	-	-	-	469,670	469,670
Solid waste	-	-	-	882,399	882,399
Storm water	-	-	-	173,405	173,405
Education	-	-	-	326,722	326,722
Total restricted fund balance	<u>-</u>	<u>-</u>	<u>6,602,136</u>	<u>1,852,196</u>	<u>8,454,332</u>
Committed for:					
Park acquisition	430,078	-	-	-	430,078
Debt service	-	-	-	239,885	239,885
Total committed fund balance	<u>430,078</u>	<u>-</u>	<u>-</u>	<u>239,885</u>	<u>669,963</u>
Assigned to:					
Education	2,617,696	2,795,478	-	-	5,413,174
Unassigned	7,529,530	-	-	-	7,529,530
Total fund balances	<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>

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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. 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
Governmental Activities				
City TCRS Plan	-	164,419	62,466	28,176
School Classified TCRS Plan	-	44,351	5,280	22,080
School Certified TCRS Plan	-	1,925,935	625,159	756,859
School Hybrid Plan	7,258	19,915	-	1,216
Total governmental activities	<u>\$ 7,258</u>	<u>\$ 2,154,620</u>	<u>\$ 692,905</u>	<u>\$ 808,331</u>
Business-type Activities				
City TCRS Plan	<u>\$ -</u>	<u>\$ 23,441</u>	<u>\$ 8,269</u>	<u>\$ 4,172</u>

I. CITY TCRS PLAN

A. General Information about the Pension Plan

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	12
Active employees	12
	<u>31</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the City TCRS plan were \$48,686 based on a rate of 8.60 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Assumptions

The City's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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 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.

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

C. Net Pension Liability (Asset)

The components of the net pension liability of the City TCRS Plan at June 30, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/15	\$ 1,644,169	\$ 1,652,327	\$ (8,158)
Changes for the year:			
Service cost	55,313	-	55,313
Interest	124,402	-	124,402
Differences between expected and actual experience	32,818	-	32,818
Contributions - employer	-	57,368	(57,368)
Contributions - employees	-	33,354	(33,354)
Net investment income	-	43,936	(43,936)
Benefit payments, including refunds of employee contributions	(81,577)	(81,577)	-
Administrative expenses	-	(1,018)	1,018
Net changes	130,956	52,063	78,893
Balance at 6/30/16	<u>\$ 1,775,125</u>	<u>\$ 1,704,390</u>	<u>\$ 70,735</u>

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

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

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 304,416	\$ 70,735	\$ (119,003)

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

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$41,432 related to the City TCRS plan.

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to the City TCRS plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,573	\$ 32,348
Net difference between projected and actual earnings on pension plan investments	58,601	-
Contributions subsequent to the measurement date of June 30, 2016	48,686	-
Total	<u>\$ 187,860</u>	<u>\$ 32,348</u>

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

2018	\$	18,282
2019		18,282
2020		42,153
2021		28,109

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

II. SCHOOL CLASSIFIED TCRS PLAN

A. General Information about the Pension Plan

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	5
Active employees	15
	21

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The School makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the Classified TCRS plan were \$36,507 based on a rate of 8.60 percent of payroll. By law, employer contributions are required to be paid. The TCRS may intercept the School's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

B. Assumptions

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

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the School 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 position was projected to be available to make projected future benefit

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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 components of the net pension liability of the Classified TCRS plan at June 30, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at 6/30/15	\$ 76,535	\$ 67,379	\$ 9,156
Changes for the year:			
Service cost	68,778	-	68,778
Interest	10,853	-	10,853
Differences between expected and actual experience	(24,840)	-	(24,840)
Contributions - employer	-	36,240	(36,240)
Contributions - employees	-	21,070	(21,070)
Net investment income	-	2,468	(2,468)
Benefit payments, including refunds of employee contributions	(1,218)	(1,218)	-
Administrative expenses	-	(1,111)	1,111
Net changes	53,573	57,449	(3,876)
Balance at 6/30/16	<u>\$ 130,108</u>	<u>\$ 124,828</u>	<u>\$ 5,280</u>

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

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

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net pension liability (asset)	\$ 26,932	\$ 5,280	\$ (12,520)

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

Pension Expense

For the year ended June 30, 2017, the School recognized pension expense of \$51,433 related to the Classified TCRS plan.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Deferred Outflows of Resources and Deferred Inflows of Resources.

For the year ended June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to the Classified TCRS plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,208	\$ 22,080
Net difference between projected and actual earnings on pension plan investments	4,636	-
Contributions subsequent to the measurement date of June 30, 2016	36,507	-
Total	\$ 44,351	\$ 22,080

The amounts shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

2018	\$ (1,124)
2019	(1,124)
2020	(1,124)
2021	(1,430)
2022	(2,359)
Thereafter	(7,075)

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

III. SCHOOL CERTIFIED TCRS PLAN

A. General Information about the Pension Plan

Benefits Provided

Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested 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. Under the Certified TCRS 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.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Contributions

Contributions for certified staff are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (“LEAs”) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Certified TCRS plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions to the Certified TCRS plan for the year ended June 30, 2017 were \$352,945, which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Assumptions

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary 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. Pension Liabilities (Assets)

Pension Liabilities (Assets)

At June 30, 2017, the School reported a liability of \$625,159 for its proportionate share of the net pension liability related to the Certified TCRS plan. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial value as of that date. The School's proportion of the net pension liability was based on School's share of contributions to the Certified TCRS plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the School's proportion was 0.100034 percent. The proportion measured as of June 30, 2015 was 0.090863 percent.

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

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

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability (asset)	\$ 3,432,848	\$ 625,159	\$ (1,700,606)

Pension Plan Fiduciary Net Position

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

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

Pension Expense

For the year ended June 30, 2017, the School recognized pension expense of \$282,367 related to the Certified TCRS plan.

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to the Certified TCRS plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,309	\$ 756,859
Net difference between projected and actual earnings on pension plan investments	697,997	-
Changes in proportion of net pension liability (asset)	848,684	-
Contributions subsequent to the measurement date of June 30, 2016	352,945	-
Total	\$ 1,925,935	\$ 756,859

The School employer contributions of \$352,945, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$ 91,716
2019	91,716
2020	426,544
2021	241,564
2022	(35,409)

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

IV. SCHOOL HYBRID PLAN

A. General Information about the Pension Plan

Benefits Provided

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. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested 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. Under the 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.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (“LEAs”) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. By law, employer contributions for the Hybrid plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions to the Hybrid plan for the year ended June 30, 2017 were \$18,024, which is 4.0 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

B. Assumptions

Actuarial Assumptions

The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

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

CITY OF LAKE LAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary 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. Pension Liabilities (Assets)

Pension Liabilities (Assets)

At June 30, 2017, the School reported an asset of \$7,258 for its proportionate share of the net pension asset related to the Hybrid plan. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. The School's proportion of the net pension asset was based on School's share of contributions to the Hybrid plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the School's proportion was 0.069721 percent. The proportion measured as of June 30, 2015 was 0.057412 percent.

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

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

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Proportionate share of the net pension liability (asset)	\$ 3,427	\$ (7,258)	\$ (15,131)

Pension Plan Fiduciary Net Position

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

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

Pension Expense

For the year ended June 30, 2017, the School recognized pension expense of \$6,045 related to the Hybrid plan.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to the Hybrid plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 703	\$ 837
Net difference between projected and actual earnings on pension plan investments	1,188	-
Changes in proportion of net pension liability (asset)	-	379
Contributions subsequent to the measurement date of June 30, 2016	18,024	-
Total	\$ 19,915	\$ 1,216

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

The School employer contributions of \$18,024, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	262
2019		262
2020		262
2021		206
2022		(49)
Thereafter		(268)

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. During 2017, the School's employer contribution to the Hybrid Plan was \$37,147.

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 2017, the City and School contributed \$41,363 and \$18,711, 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).

Basis of Accounting

The School OPEB plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Plan member contributions are recognized in the period that the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment in accordance with terms of the OPEB plan. The OPEB plan does not issue a separate, audited financial statement.

Method Used to Value Investments

OPEB plan investments are reported at fair market value.

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. 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, 2017, the following employees were covered by the benefit terms:

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

Contributions

Lakeland School System's intent is to partially fund the annual required contribution at \$100,000 per year and pay for the pay-go costs from the general purpose school fund until the Trust balance is sufficient to meet future benefit payments. Employer contributions are based on an actuarially determined rate. For the year ended June 30, 2017, the actuarially determined contribution for the plan was \$240,597 which exceeded the employer contributions to the plan of \$128,500 by \$112,097.

B. Assumptions

Actuarial Assumptions

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

Inflation	3.0%
Salary increases	Graded salary ranges from 9.0% to 3.7% based on age
Investment rate of return	8.0%, net of investment expense, including inflation
Mortality table	RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015
Health care cost trend rate	8.5% initial rate, 5.0% ultimate rate

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 estimated are made about the future.

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, 2017, was not available from other auditors as of the date of this report.

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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 considering several factors including a 7-year strategic return estimate and a 7 to 20 year secular return estimate. These estimates, averaged together, produce a long-term expected rate of return of 6.8%. The following was the Board's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Maximum Allocation</u>	<u>Minimum Allocation</u>
Equity	65%	65%	35%
Fixed Income	35%	65%	20%
Alternatives	0%	35%	0%

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments was 14.10 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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, 2017 is 8.0% 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 at June 30, 2017 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability (Asset)</u>
Balances at 6/30/16	\$ 2,315,596	\$ 132,552	\$ 2,183,044
Changes for the year:			
Service cost	104,359	-	104,359
Interest	183,967	-	183,967
Differences between expected and actual experience	-	-	-
Contributions - employer	-	161,149	(161,149)
Contributions - employees	-	-	-
Net investment income	-	25,907	(25,907)
Benefit payments	(32,649)	(32,649)	-
Administrative expenses	-	(653)	653
Net changes	<u>255,677</u>	<u>153,754</u>	<u>101,923</u>
Balance at 6/30/17	<u>\$ 2,571,273</u>	<u>\$ 286,306</u>	<u>\$ 2,284,967</u>

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

	1% Decrease 7.00%	Current Rate 8.00%	1% Increase 9.00%
Net OPEB liability (asset)	\$ 2,660,283	\$ 2,284,967	\$ 1,972,354

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 rate of 4.6 percent decreasing to 4.5 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 (6.6 percent decreasing to 3.5 percent) or 1-percentagepoint higher (8.6 percent decreasing to 5.5%) than the current rate:

	1% Decrease (6.6% to 3.5%)	Current Rate (7.6% to 4.5%)	1% Increase (8.6% to 5.5%)
Net OPEB liability (asset)	\$ 1,894,421	\$ 2,284,967	\$ 2,772,002

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, 2017, the School recognized OPEB expense of \$253,576

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 83,299
Changes in assumptions	-	94,750
Net difference between projected and actual earnings on OPEB plan investments	-	7,993
Total	\$ -	\$ 186,042

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:

2018	\$ (19,783)
2019	(19,783)
2020	(19,783)
2021	(18,864)
2022	(17,805)
Thereafter	(90,024)

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 continues to carry commercial insurance 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 has 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 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/.

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, 2017, the City of Lakeland and the Lakeland School System contributed premiums of \$242,024 and \$452,053, respectively to the Interlocal Health Benefits Plan Asset Trust.

NOTE 10 – TAX ABATEMENTS

A number of entities located in Shelby County enter into lease or economic development activities which allow for the abatement of real and personal property taxes by the county for the purpose of providing incentives for corporations and industries to locate within the county. The abatement of these taxes flow through to the school systems within Shelby County because property taxes are shared with the systems based on the average daily attendance (ADA) percentage of students within the county. The Lakeland School System shares .65% of all property taxes shared with school systems within the county. The abatement of these taxes results from operations and authority of the following jointly governed organizations.

- The Memphis Center City Revenue Finance Corporation (CCRFC) is a state-chartered industrial development board. The CCRFC is authorized by Tennessee statute to finance, own, lease, and dispose of properties in order to maintain and increase employment opportunities and increase the quantity of housing in the Center City. The CCRFC is also charged with promoting industry, trade, commerce, tourism, and inducing related enterprises to remain in or locate to the Center City. In this effort the CCRFC can grant Payment in Lieu of Taxes (PILOT) tax freezes to property owners who plan to improve or redevelop their property.
- The Economic Development Growth Engine Industrial Development Board of the City of Memphis and County of Shelby Tennessee (EDGE) focuses on developing and fostering public/private partner ships to create jobs, grow the local economy, spark innovation, an encourage entrepreneurship. One of EDGE's programs to promote development is the Payment in Lieu of Taxes (PILOT) incentive. In return for commitment to contract with minority/women owned firms and small businesses to create or retain jobs with specific payroll and benefits the applicant receives a temporary, partial abatement of future real and/or personal property taxes.
- The Health, Housing and Education Facilities Board and the Industrial Development Board of Shelby County Tennessee provide a payment in lieu of taxes (PILOT) program as a financial incentive designed to encourage new construction and rehabilitation of affordable multi-family housing through property tax relief for a period for housing within the city limits of Memphis Tennessee. To be eligible for a PILOT, the value of renovations, site improvements or new construction must be equal to or greater that 50% of the property acquisition cost. Twenty percent (20%) of the applicant's units must be occupied by individuals whose income is 50% or less of the median gross income or 40% or more of the units must be occupied by individuals whose income is 60% or less of the median gross income. The purpose of the program is to benefit low and moderate income tenants. Properties included in this program are subject to quarterly reporting and monitoring for compliance with both the terms of the program and other fair housing practices.
- The cities of Arlington, Bartlett, Collierville, Germantown, and Millington each have created Industrial Development Boards that have the authority to enter into lease agreements with commercial and industrial businesses to provide payment in lieu of taxes (PILOT) programs as a financial incentive to locate with the city limits or make improvements to existing property. These payment-in-lieu-of-tax (PILOT) lease agreements between the respective IDBs and the industries allow for the reduction of real and personal property taxes for three or more years, depending on the project criteria as established by each IDB. In return for this property

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

tax abatement, the industries commit to hiring a certain number of employees over the term of the agreement and/or make significant improvements to the property. In addition to the abatement of city property taxes for each industry, the IDBs also abate county property taxes that would otherwise be shared with each city's municipal school system based on average daily attendance. The Lakeland School System would share .65% of these property taxes which would be submitted to Shelby County.

Information relevant to the disclosure of these programs for the year ended June 30, 2017 is:

Tax Abatement Program	Amount of Taxes Abated during 2017
Lakeland School System Taxes Abated from Shelby County Property Taxes	
Memphis Center City Revenue Finance	58,478
Memphis/Shelby County EDGE Program	163,555
Health, Housing and Education Board	26,542
Municipal Industrial Development Boards	27,429
Total Tax Abatements for 2017	\$276,004

NOTE 11 – CORRECTION OF AN ERROR

During the 2015-2016 fiscal year, the School implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. During the current fiscal year, it was determined that the School has fiduciary responsibilities with respect to its assets deposited with the TSBA Trust. Therefore, the School has recorded a prior period adjustment of \$132,552 for the value of the OPEB assets held in the TSBA Trust as of June 30, 2017. See Note 6 for further information regarding the School OPEB.

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

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

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

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

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	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	7.5%, net of investment expenses, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated
Cost of Living Adjustments	2.5%

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

	2016	2015
Total Pension Liability		
Service cost	\$ 68,778	\$ 67,465
Interest	10,853	5,060
Changes of benefit items	-	-
Differences between expected and actual experience	(24,840)	4,010
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(1,218)	-
Net change in total pension liability	53,573	76,535
Total pension liability - beginning	76,535	-
Total pension liability - ending	\$ 130,108	\$ 76,535
Plan Fiduciary Net Position		
Contributions - employer	\$ 36,240	\$ 42,661
Contributions - employee	21,070	24,803
Net investment income	2,468	961
Benefit payments	(1,218)	-
Administrative expense	(1,111)	(1,046)
Net change in plan fiduciary net position	57,449	67,379
Plan fiduciary net position - beginning	67,379	-
Plan fiduciary net position -ending	\$ 124,828	\$ 67,379
Net pension liability (asset)	\$ 5,280	\$ 9,156
Plan fiduciary net position as a percentage of the total pension liability	95.94%	88.04%
Covered payroll	\$ 421,399	\$ 496,063
Net pension liability as a percentage of covered payroll	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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 36,507	\$ 36,240	\$ 42,661
Contributions	<u>36,507</u>	<u>36,240</u>	<u>42,661</u>
Contribution deficiency (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 424,501	\$ 421,399	\$ 496,063
Contributions as a percentage of covered payroll	8.60%	8.60%	8.60%

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

NOTE 1 - VALUATION DATE

Actuarially determined contributions rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	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	7.5%, net of investment expenses, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated 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

	2016	2015	2014
Proportion of the net pension liability (asset)	0.100034%	0.908630%	0.217500%
Proportionate share of the net pension liability (asset)	\$ 625,158	\$ 37,221	\$ (353)
Covered payroll	\$ 3,611,030	\$ 3,401,445	\$ 85,374
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.31%	1.094270%	-0.413475%
Plan fiduciary net position as a percentage of the total pension liability	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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required	\$ 352,945	\$ 326,437	\$ 307,490	\$ 7,581
Contribution in relation to the contractually required contribution	<u>352,945</u>	<u>326,437</u>	<u>307,490</u>	<u>7,581</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,904,255	\$ 3,611,030	\$ 3,401,445	\$ 85,374
Contributions as a percentage of covered payroll	9.04%	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>2016</u>	<u>2015</u>
Proportion of the net pension liability (asset)	0.069721%	0.057412%
Proportionate share of the net pension liability (asset)	\$ (7,258)	\$ (2,309)
Covered payroll	\$ 306,781	\$ 119,286
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required	\$ 18,024	\$ 7,679	\$ 2,982
Contribution in relation to the contractually required contribution	<u>18,024</u>	<u>12,271</u>	<u>4,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (4,592)</u>	<u>\$ (1,789)</u>
Covered payroll	\$ 450,602	\$ 306,781	\$ 119,286
Contributions as a percentage of covered payroll	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

	2017	2016
Total OPEB Liability		
Service cost	\$ 104,359	\$ 12,471
Interest	183,967	45,368
Changes of benefit items	-	1,910,502
Differences between expected and actual experience	-	(99,959)
Changes in assumptions	-	(113,700)
Benefit payments	(32,649)	(12,134)
Net change in total OPEB liability	255,677	1,742,548
Total OPEB liability - beginning	2,315,596	573,048
Total OPEB liability - ending	\$ 2,571,273	\$ 2,315,596
Plan Fiduciary Net Position		
Contributions - employer	\$ 128,500	\$ 99,869
Contributions - employer pay-go	32,649	12,134
Net investment income	25,907	5,683
Benefit payments	(32,649)	(12,134)
Administrative expense	(653)	-
Net change in plan fiduciary net position	153,754	105,552
Plan fiduciary net position - beginning	132,552	27,000
Plan fiduciary net position -ending	\$ 286,306	\$ 132,552
Net OPEB liability (asset)	\$ 2,284,967	\$ 2,183,044
Plan fiduciary net position as a percentage of the total OPEB liability	11.13%	5.72%
Covered payroll	\$ 3,300,603	\$ 3,204,469
Net OPEB liability as a percentage of covered payroll	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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 240,597	\$ 67,209	\$ 74,970
Contributions	<u>128,500</u>	<u>99,869</u>	<u>27,000</u>
Contribution deficiency (surplus)	<u>\$ 112,097</u>	<u>\$ (32,660)</u>	<u>\$ 47,970</u>
Covered payroll	\$ 3,300,603	\$ 3,204,469	N/A
Contributions as a percentage of covered payroll	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

July 1, 2016 with results actuarially rolled forward 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	7.6% initial, decreasing to an ultimate rate of 4.5% for FY2033
Salary increases	Graded salary ranges from 7.8% to 4.0% based on age, including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
Mortality	SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015

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>
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, 2017

	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		
ASSETS									
Cash and cash equivalents	\$ -	\$ 147,274	\$ 777,438	\$ 11,414	\$ 90,989	\$ 6,457	\$ 216,276	\$ 239,885	\$ 1,489,733
Receivables									
Other	-	-	-	-	-	-	68	-	68
Due from other governments	59,807	30,601	206,839	24,610	-	11,878	-	-	333,735
Restricted cash	928,142	-	-	-	-	-	-	-	928,142
Total assets	\$ 987,949	\$ 177,875	\$ 984,277	\$ 36,024	\$ 90,989	\$ 18,335	\$ 216,344	\$ 239,885	\$ 2,751,678
LIABILITIES									
Accounts payable and accrued liabilities	\$ 516,835	\$ 4,056	\$ 101,458	\$ 1,245	\$ -	\$ -	\$ 214	\$ -	\$ 623,808
Accrued payroll	1,444	414	420	7,239	-	5,735	-	-	15,252
Due to other funds	-	-	-	-	-	11,619	-	-	11,619
Unearned revenue	-	-	-	-	8,918	-	-	-	8,918
Total liabilities	518,279	4,470	101,878	8,484	8,918	17,354	214	-	659,597
FUND BALANCES									
Restricted	469,670	173,405	882,399	27,540	82,071	981	216,130	-	1,852,196
Committed	-	-	-	-	-	-	-	239,885	239,885
Total fund balances	469,670	173,405	882,399	27,540	82,071	981	216,130	239,885	2,092,081
Total liabilities, deferred inflows of resources and fund balances	\$ 987,949	\$ 177,875	\$ 984,277	\$ 36,024	\$ 90,989	\$ 18,335	\$ 216,344	\$ 239,885	\$ 2,751,678

CITY OF LAKELAND, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	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		
REVENUES									
Intergovernmental gas tax	\$ 345,345	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 345,345
Charges for services	-	185,918	1,239,560	-	148,962	-	215,734	-	1,790,174
Grants	-	-	-	317,487	75,325	76,128	-	-	468,940
Interest on investments	2,481	589	2,490	-	-	-	-	153	5,713
Other	-	-	2,307	-	-	-	-	-	2,307
Total revenues	<u>347,826</u>	<u>186,507</u>	<u>1,244,357</u>	<u>317,487</u>	<u>224,287</u>	<u>76,128</u>	<u>215,734</u>	<u>153</u>	<u>2,612,479</u>
EXPENDITURES									
Current									
Public works	1,301,877	134,953	1,071,864	-	-	-	-	-	2,508,694
Education	-	-	-	292,179	184,911	72,801	121,340	-	671,231
Debt Service									
Principal	-	-	-	-	-	-	-	1,797,590	1,797,590
Interest and fiscal charges	-	-	-	-	-	-	-	889,363	889,363
Bond issuance costs	-	-	-	-	-	-	-	32,158	32,158
Total expenditures	<u>1,301,877</u>	<u>134,953</u>	<u>1,071,864</u>	<u>292,179</u>	<u>184,911</u>	<u>72,801</u>	<u>121,340</u>	<u>2,719,111</u>	<u>5,899,036</u>
Excess (deficiency) of revenues over (under) expenditures	(954,051)	51,554	172,493	25,308	39,376	3,327	94,394	(2,718,958)	(3,286,557)
OTHER FINANCING SOURCES (USES)									
Transfers in	1,162,182	-	-	-	-	-	-	2,825,372	3,987,554
Net change in fund balances	208,131	51,554	172,493	25,308	39,376	3,327	94,394	106,414	700,997
Fund balances - beginning	261,539	121,851	709,906	2,232	42,695	(2,346)	121,736	133,471	1,391,084
Fund balances - ending	<u>\$ 469,670</u>	<u>\$ 173,405</u>	<u>\$ 882,399</u>	<u>\$ 27,540</u>	<u>\$ 82,071</u>	<u>\$ 981</u>	<u>\$ 216,130</u>	<u>\$ 239,885</u>	<u>\$ 2,092,081</u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - state gas tax				
Gas motor fuel	\$ 348,040	\$ 348,040	\$ 236,020	\$ (112,020)
Gas 1989	-	-	70,199	70,199
Gas 3 cent	-	-	37,823	37,823
Excise tax	-	-	1,303	1,303
Interest on investments	-	-	2,481	2,481
Total revenues	<u>348,040</u>	<u>348,040</u>	<u>347,826</u>	<u>(214)</u>
EXPENDITURES				
TRANSPORTATION AND ENVIRONMENT				
Public Works				
Salaries	143,833	143,833	135,716	8,117
Benefits	71,389	71,389	65,989	5,400
Contractual services	5,000	5,000	3,500	1,500
Materials and supplies	1,207,500	1,207,500	1,027,144	180,356
Other charges	29,000	29,000	16,021	12,979
Capital outlay	53,500	53,500	53,507	(7)
Total expenditures	<u>1,510,222</u>	<u>1,510,222</u>	<u>1,301,877</u>	<u>208,345</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,162,182)	(1,162,182)	(954,051)	208,131
OTHER FINANCING SOURCES				
Transfers in	<u>1,162,182</u>	<u>1,162,182</u>	<u>1,162,182</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	208,131	<u>\$ 208,131</u>
Fund balances - beginning			<u>261,539</u>	
Fund balances - ending			<u>\$ 469,670</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 185,000	\$ 185,000	\$ 185,918	\$ 918
Interest on investments	750	750	589	(161)
Total revenues	<u>185,750</u>	<u>185,750</u>	<u>186,507</u>	<u>757</u>
EXPENDITURES				
TRANSPORTATION AND ENVIRONMENT				
Public Works				
Salaries	22,579	22,579	19,252	3,327
Benefits	10,684	10,684	7,822	2,862
Contractual services	1,000	1,000	560	440
Materials and supplies	7,630	7,630	863	6,767
Other charges	12,560	12,560	9,009	3,551
Capital outlay	109,000	109,000	97,447	11,553
Total expenditures	<u>163,453</u>	<u>163,453</u>	<u>134,953</u>	<u>28,500</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>22,297</u>	<u>22,297</u>	<u>51,554</u>	<u>29,257</u>
Net change in fund balances	<u>\$ 22,297</u>	<u>\$ 22,297</u>	51,554	<u>\$ 29,257</u>
Fund balances - beginning			<u>121,851</u>	
Fund balances - ending			<u>\$ 173,405</u>	

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for Services	\$ 1,234,802	\$ 1,234,802	\$ 1,239,560	\$ 4,758
Interest on investments	1,500	1,500	2,490	990
Other income	-	-	2,307	2,307
Total revenues	<u>1,236,302</u>	<u>1,236,302</u>	<u>1,244,357</u>	<u>8,055</u>
EXPENDITURES:				
Public Works				
Salaries	18,411	18,411	19,156	(745)
Benefits	7,264	7,264	7,378	(114)
Contractual services	956,850	956,850	934,265	22,585
Materials and supplies	-	-	149	(149)
Other charges	68,750	68,750	48,975	19,775
Capital outlay	60,000	60,000	61,941	(1,941)
Total expenditures	<u>1,111,275</u>	<u>1,111,275</u>	<u>1,071,864</u>	<u>39,411</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>125,027</u>	<u>125,027</u>	<u>172,493</u>	<u>47,466</u>
Net change in fund balances	<u>\$ 125,027</u>	<u>\$ 125,027</u>	172,493	<u>\$ 47,466</u>
Fund balances - beginning			<u>709,906</u>	
Fund balances - ending			<u>\$ 882,399</u>	

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 302,417	\$ 393,220	\$ 317,487	\$ (75,733)
EXPENDITURES:				
Education				
Regular instruction				
Salaries	53,637	52,637	51,137	1,500
Benefits	8,869	8,784	8,523	261
Materials and supplies	5,859	16,241	15,106	1,135
Special education				
Salaries	-	24,500	24,500	-
Benefits	-	7,129	6,026	1,103
Contractual services	51,480	40,965	23,880	17,085
Materials and supplies	25,684	60,409	19,048	41,361
Other Student support				
Materials and supplies	-	1,000	-	1,000
Regular instruction support				
Salaries	9,500	9,500	9,000	500
Benefits	1,586	1,586	1,454	132
Other charges	24,172	38,823	39,978	(1,155)
Special education support				
Salaries	-	5,000	5,000	-
Benefits	-	835	833	2
Contractual services	97,350	85,516	71,517	13,999
Materials and supplies	10,480	26,196	7,365	18,831
Other charges	13,800	14,099	8,812	5,287
Total Expenditures	<u>302,417</u>	<u>393,220</u>	<u>292,179</u>	<u>101,041</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>25,308</u>	<u>25,308</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>25,308</u>	<u>\$ 25,308</u>
Fund balances - beginning			<u>2,232</u>	
Fund balances - ending			<u>\$ 27,540</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 139,122	\$ 139,122	\$ 148,962	\$ 9,840
Grants	31,982	45,823	75,325	29,502
Total Revenues	<u>171,104</u>	<u>184,945</u>	<u>224,287</u>	<u>39,342</u>
EXPENDITURES:				
Education				
Cafeteria				
Salaries	65,911	64,907	64,902	5
Benefits	14,750	15,401	15,401	-
Contractual services	638	10,550	10,550	-
Materials and supplies	84,805	93,740	93,710	30
Other charges	5,000	348	348	-
Capital outlay	-	-	-	-
Total Expenditures	<u>171,104</u>	<u>184,946</u>	<u>184,911</u>	<u>35</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>-</u>	<u>(1)</u>	<u>39,376</u>	<u>39,377</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1)</u>	<u>39,376</u>	<u>\$ 39,377</u>
Fund balances - beginning			<u>42,695</u>	
Fund balances - ending			<u>\$ 82,071</u>	

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL DISCRETIONARY GRANTS FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 77,530	\$ 77,700	\$ 76,128	\$ (1,572)
EXPENDITURES:				
Education				
Regular instruction support				
Materials and supplies	4,530	-	-	-
Health services				
Salaries	52,300	52,300	52,300	-
Benefits	17,848	15,848	11,930	3,918
Materials and supplies	2,852	4,852	3,871	981
Maintenance of Plant				
Materials and supplies	-	4,700	4,700	-
Total Expenditures	<u>77,530</u>	<u>77,700</u>	<u>72,801</u>	<u>4,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>3,327</u>	<u>3,327</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,327</u>	<u>\$ 3,327</u>
Fund balances - beginning			<u>(2,346)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 191,500	\$ 191,500	\$ 215,734	\$ 24,234
EXPENDITURES:				
Education				
Student services				
Salaries	92,145	89,348	76,250	13,098
Benefits	21,105	21,105	8,542	12,563
Contractual services	5,000	5,000	737	4,263
Materials and supplies	52,000	37,000	2,878	34,122
Other charges	21,250	39,047	32,933	6,114
Total Expenditures	<u>191,500</u>	<u>191,500</u>	<u>121,340</u>	<u>70,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>94,394</u>	<u>94,394</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>94,394</u>	<u>\$ 94,394</u>
Fund balances - beginning			<u>121,736</u>	
Fund balances - ending			<u>\$ 216,130</u>	

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest income	\$ 500	\$ 500	\$ 153	\$ (347)
EXPENDITURES:				
Debt Service				
Principal	1,872,590	1,872,590	1,797,590	75,000
Interest	902,282	902,282	889,363	12,919
Bond issuance costs	51,000	51,000	32,158	18,842
Total Expenditures	<u>2,825,872</u>	<u>2,825,872</u>	<u>2,719,111</u>	<u>106,761</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,825,372)	(2,825,372)	(2,718,958)	106,414
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,825,372</u>	<u>2,825,372</u>	<u>2,825,372</u>	-
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	106,414	<u>\$ 106,414</u>
Fund balances - beginning			<u>133,471</u>	
Fund balances - ending			<u>\$ 239,885</u>	

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Grants	\$ 390,000	\$ 311,515	\$ 451,915	\$ 140,400
Interest income	-	-	62,286	62,286
Total Revenues	<u>390,000</u>	<u>311,515</u>	<u>514,201</u>	<u>202,686</u>
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	300,000	278,857	216,129	(62,728)
Construction contracts	<u>18,351,616</u>	<u>20,553,611</u>	<u>14,297,596</u>	<u>(6,256,015)</u>
Total Expenditures	<u>18,651,616</u>	<u>20,832,468</u>	<u>14,513,725</u>	<u>(6,318,743)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(18,261,616)</u>	<u>(20,520,953)</u>	<u>(13,999,524)</u>	<u>6,521,429</u>
Net change in fund balances	<u>\$ (18,261,616)</u>	<u>\$ (20,520,953)</u>	<u>(13,999,524)</u>	<u>\$ 6,521,429</u>
Fund balances - beginning			<u>20,601,660</u>	
Fund balances - ending			<u>\$ 6,602,136</u>	

CITY OF LAKELAND, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITY FUNDS
For the Year Ended June 30, 2017

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets				
Cash	\$ 196,844	\$ 353,819	\$ (353,234)	\$ 197,429
Inventory	3,591	37,514	(38,466)	2,639
	<u>\$ 200,435</u>	<u>\$ 391,333</u>	<u>\$ (391,700)</u>	<u>\$ 200,068</u>
Liabilities				
Due to student general fund	\$ 152,977	\$ 289,759	\$ (254,438)	\$ 188,298
Due to student groups	47,458	69,529	(105,217)	11,770
	<u>\$ 200,435</u>	<u>\$ 359,288</u>	<u>\$ (359,655)</u>	<u>\$ 200,068</u>

SUPPORTING SCHEDULES (UNAUDITED)

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS AND NOTES PAYABLE
GOVERNMENTAL FUNDS
 June 30, 2017

	2004 Loan Agreement Public Building Authority Clarksville ⁽¹⁾		2008 Loan Agreement Public Building Authority Montgomery Co. ⁽¹⁾		Series 2015 Capital Outlay Notes		2011 Note Payable TLDA Loan ⁽²⁾		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 194,000	\$ 12,471	\$ 195,000	\$ 33,500	\$ 1,400,000	\$ 816,150	\$ 72,394	\$ 31,260	\$ 1,861,394	\$ 893,381
2019	201,000	10,531	204,000	31,550	1,425,000	788,150	73,762	29,891	1,903,762	860,122
2020	208,000	8,521	213,000	29,510	1,455,000	759,650	75,156	28,497	1,951,156	826,178
2021	215,000	6,441	223,000	27,380	1,530,000	686,900	76,577	27,077	2,044,577	747,798
2022	223,000	4,291	233,000	25,150	1,575,000	641,000	78,024	25,630	2,109,024	696,071
2023	206,095	2,061	243,000	22,820	1,655,000	562,250	79,499	24,155	2,183,594	611,286
2024	-	-	254,000	20,390	1,735,000	479,500	81,001	22,652	2,070,001	522,542
2025	-	-	266,000	17,850	1,820,000	392,750	82,532	21,121	2,168,532	431,721
2026	-	-	278,000	15,190	1,915,000	301,750	84,092	19,562	2,277,092	336,502
2027	-	-	290,000	12,410	2,010,000	206,000	85,681	17,972	2,385,681	236,382
2028	-	-	303,000	9,510	2,110,000	105,500	87,301	16,353	2,500,301	131,363
2029	-	-	317,000	6,480	-	-	88,951	14,703	405,951	21,183
2030	-	-	331,000	3,310	-	-	90,632	13,022	421,632	16,332
2031	-	-	-	-	-	-	92,345	11,309	92,345	11,309
2032	-	-	-	-	-	-	94,090	9,563	94,090	9,563
2033	-	-	-	-	-	-	95,868	7,785	95,868	7,785
2034	-	-	-	-	-	-	97,680	5,973	97,680	5,973
2035	-	-	-	-	-	-	99,527	4,127	99,527	4,127
2036	-	-	-	-	-	-	118,836	2,576	118,836	2,576
	<u>\$ 1,247,095</u>	<u>\$ 44,316</u>	<u>\$ 3,350,000</u>	<u>\$ 255,050</u>	<u>\$ 18,630,000</u>	<u>\$ 5,739,600</u>	<u>\$ 1,653,949</u>	<u>\$ 333,228</u>	<u>\$ 24,881,044</u>	<u>\$ 6,372,194</u>

⁽¹⁾ Interest rate as of June 30, 2017 was 0.68%; however, the City budget 1.0%

⁽²⁾ City currently pays interest only on the amount due which was \$211,624 at June 30, 2017. 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, 2017

	Shelby Count Settlement		2015 Capital Lease ARS Education Finance ⁽³⁾		2017 Capital Lease ARS Education Finance ⁽³⁾		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 53,859	\$ 2,478	\$ 27,129	\$ 690	\$ 30,037	\$ 2,571	\$ 111,025	\$ 5,739
2019	54,128	2,209	-	-	31,296	13,112	85,424	15,321
2020	54,400	1,937	-	-	-	-	54,400	1,937
2021	54,672	1,665	-	-	-	-	54,672	1,665
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>\$ 494,558</u>	<u>\$ 12,475</u>	<u>\$ 27,129</u>	<u>\$ 690</u>	<u>\$ 61,333</u>	<u>\$ 15,683</u>	<u>\$ 583,020</u>	<u>\$ 28,848</u>

⁽³⁾ Payable from General 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, 2017

Fiscal Year	2006 Loan Agreement Public Building Authority Clarksville ⁽¹⁾	
2018	\$ 523,000	\$ 55,330
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>\$ 5,533,000</u>	<u>\$ 291,090</u>

⁽¹⁾ Interest rate as of June 30, 2017 was 0.68%; however, the City budget 1.0%

CITY OF LAKELAND, TENNESSEE
SCHEDULES OF PROPERTY TAXES
For the Year Ended June 30, 2017

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR

Year of Levy	Balance June 30, 2016	Assessment	Adjustments/ Abatements	Collections	June 30, 2017
2017	\$ -	\$ 4,414,291	\$ -	\$ -	\$ 4,414,291
2016	4,452,639	-	4,373	(4,417,221)	39,791
2015	57,953	-	403	(50,887)	7,469
2014	9,408	-	-	(6,120)	3,288
2013	5,650	-	-	(2,561)	3,089
2012	2,612	-	-	(1,193)	1,419
Total	4,528,262	<u>\$ 4,414,291</u>	<u>\$ 4,776</u>	<u>\$ (4,477,982)</u>	4,469,347
Allowance for uncollectible property taxes	(92,834)				(91,089)
Net receivables	<u>4,435,428</u>				<u>4,378,258</u>

PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS

Year of Levy	Realty and Personalty	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
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, 2017

	<u>Amount of Bond</u>
Mayor	\$ 10,000
City Manager	10,000
Finance Director/City Recorder	10,000
Finance & Inventory Clerk	10,000
Community Services Representative	10,000
Community Development Specialist	10,000
Senior Center Coordinator	10,000
Receptionist	10,000
Human Resources & Payroll Clerk	10,000
Lakeland School System Superintendent	244,520

* 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, 2017

As of June 30, 2017, the City of Lakeland, Tennessee, served approximately 2,900, 4,200, and 4,600 sewer, sanitation, and storm water customers, respectively, and had the following rate structure in place:

Sewer Rates:		
	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
Sanitation Rates:		Monthly Charge
	Type	
	Residential	\$ 24.70
Storm Water Rates:		Monthly Charge
	Type	
	Residential	\$ 3.20

CITY OF LAKELAND, TENNESSEE
STATEMENT OF DEBT
June 30, 2017

General Obligation Bonded Debt:		
Existing G.O. Bonds ⁽¹⁾	\$ 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		\$ 22,347,320
Less: Self-Supporting Bonded Debt		-
Net Overlapping Bonded Debt		22,347,320
Bonded Debt Outstanding Including Overlapping Bonded Debt		\$ 51,107,415
Net Bonded Debt Outstanding Including Net Overlapping Bonded Debt		\$ 45,574,415
	City of	City and Net
	<u>Lakeland</u>	<u>Overlapping</u>
Net Direct Debt Per Capita	\$1,859	\$4,091
Total Debt Per Capita	\$2,302	\$3,648
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>	<u>Shelby</u>
		<u>County</u>
2017 Assessed Value	\$ 350,643,485	\$ 18,963,394,275
2017 Appraised Value	\$ 1,332,324,200	\$ 65,003,718,100
2016 Estimated Population	12,494	934,603
Shelby County's Net Bonded Debt as of June 30, 2016 ⁽²⁾		\$ 1,143,350,000

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) Preliminary, subject to change.

CITY OF LAKELAND, TENNESSEE
ANALYSIS OF VALUE OF TAXABLE PROPERTY FOR FISCAL YEAR 2017
For the Year Ended June 30, 2017

Year of Levy: 2017				
	<u>Appraised Value</u>	<u>Percent of Total</u>	<u>Appraised Value</u>	<u>Percent of Total</u>
Market Real Estate				
Farm	\$ 18,304,300	1.4%	\$ 4,576,075	1.3%
Residential	1,162,799,400	89.7%	290,699,850	85.3%
Commercial	109,635,700	8.5%	43,854,280	12.9%
Industrial	1,326,800	0.1%	530,720	0.2%
Multiple	3,868,700	0.3%	1,083,760	0.3%
Total	\$ 1,295,934,900		\$ 340,744,685	
Greenbelt Real Estate				
Farm	\$ 11,384,600	51.7%	\$ 2,846,150	51.4%
Residential	10,085,800	45.8%	2,521,450	45.6%
Commercial	28,000	0.1%	7,000	0.1%
Industrial	-	0.0%	-	0.0%
Multiple	519,400	2.4%	157,760	2.9%
Total	\$ 22,017,800		\$ 5,532,360	
Personal Property				
Tangible	\$ 14,553,500	100.0%	\$ 4,366,440	100.0%
Intangible	-	0.0%	-	0.0%
Local Utility	-	0.0%	-	0.0%
Total	\$ 14,553,500		\$ 4,366,440	
TOTAL	\$ 1,332,506,200		\$ 350,643,485	

CITY OF LAKELAND, TENNESSEE
ANALYSIS OF VALUE OF TAXABLE PROPERTY BY FISCAL YEAR
For the Year Ended June 30, 2017

Fiscal Year	Year of Levy	Total Appraised Value	Assessed Value	to Estimated Actual Value	Appraised Value per Capita⁽¹⁾
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%	106,637

Source: Shelby County Assessor of Property

(1) 2016 estimated population (Census.gov) = 12,494

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPLE TAXPAYERS
For the Year Ended June 30, 2017

Name of Taxpayers	Nature of Property	Tax Year 2017 Levy	Percent of Total Tax Year 2017 Levy	2017 Assessment
Lakeland Apartments TN Assoc LLC	Apartments	\$ 154,748	3.51%	\$ 12,296,896
CB Associates LLC	Grocery	42,220	0.96%	3,354,931
Lakeland 64 LLC	Fitness Center	27,064	0.61%	2,150,614
Music City Publishing LLC	Strip Center	25,584	0.58%	2,033,007
Orange Grove Utilities Inc (Walgreens)	Retail	22,627	0.51%	1,797,992
CountryBridge Partners LP	Strip Center	17,282	0.39%	1,373,257
Highway 64 Center LLC	Strip Center	15,972	0.36%	1,269,159
Lakeland Station Holding LLC	Vacant Commercial Property	10,511	0.24%	835,246
Bank of Fayette County	Undeveloped Commercial Property	9,192	0.21%	730,393
Harsh Vidhi LLC	Motel	7,859	0.18%	624,508
Total for Ten Largest Taxpayers		333,059	7.55%	26,466,003
Total for All Other Taxpayers		4,079,551	92.45%	324,177,481
Total for All Taxpayers		<u>\$ 4,412,610</u>	<u>100%</u>	<u>\$ 350,643,484</u>

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

	2017	2016	2015	2014	2013
Local sales tax	784,428	773,378	655,993	547,990	514,879
State-shared sales tax	1,030,176	1,005,384	941,407	888,074	859,186
Local option sales tax	345,286	339,857	288,272	246,010	173,419
Total sales tax revenue	<u>\$ 2,159,890</u>	<u>\$ 2,118,619</u>	<u>\$ 1,885,672</u>	<u>\$ 1,682,074</u>	<u>\$ 1,547,484</u>

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

	2017	2016	2015	2014	2013
Property Taxes					
Property taxes	\$ 4,556,460	\$ 4,199,800	\$ 2,646,911	\$ 2,605,119	\$ 2,653,718
Personalty taxes	23,637	23,465	19,556	22,962	30,415
Payments in lieu of tax	28,406	-	-	-	-
Interest and penalties	14,850	14,153	10,433	-	-
Utility tax	14,188	24,256	11,332	11	109
Local Taxes					
Local sales tax	1,129,714	1,113,235	944,265	794,000	688,298
Wholesale beer and liquor tax	84,610	42,754	120,272	69,926	69,794
Business tax	83,758	76,994	73,140	47,452	47,936
Room occupancy tax	59,501	63,455	61,889	51,751	48,554
CATV franchise tax	149,472	148,102	146,346	116,007	121,805
Intergovernmental					
Sales tax	1,030,176	1,005,384	941,407	888,074	859,186
Income tax (Hall)	143,984	192,645	193,766	152,702	179,140
Beer and liquor tax	6,521	8,752	6,573	9,309	7,994
Payments in lieu of tax -TVA	292,083	293,085	238,635	231,386	228,646
Reimbursements	1,500	1,450	2,250	2,450	-
State road maintenance	25,106	25,288	25,357	25,438	25,469
Licenses and Permits					
Building permit fees	44,759	31,023	49,345	46,381	40,779
Other permits	14,564	12,007	10,277	8,769	12,409
Charges for Services					
Engineering fees	31,900	17,900	8,800	9,800	12,050
Administrative fees - Developments	144,977	11,300	5,000	5,565	1,980
Other fees	17,925	14,763	21,628	23,567	18,501
City service fees	25,358	20,660	200	30	-
Recreation fees	103,437	57,124	14,152	11,577	10,546
Parks development fees	25,675	14,948	-	-	-
Rental income	24,698	48,781	40,437	39,834	33,278
Federal and State Grants					
Operating grants	38,500	36,500	-	-	-
Capital grants	248,996	155,201	1,122,339	154,899	403,926
Interest Income	7,893	7,198	9,468	13,680	13,614
Other Income	14,948	38,661	26,974	120,080	132,744
Total general fund revenue	<u>\$ 8,387,596</u>	<u>\$ 7,698,884</u>	<u>\$ 6,750,752</u>	<u>\$ 5,450,769</u>	<u>\$ 5,640,891</u>

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

	2017	2016	2015	2014	2013
Revenues					
Property taxes	\$ 4,637,541	\$ 4,261,674	\$ 2,688,232	\$ 2,628,092	\$ 2,684,242
Local sales taxes	1,507,055	1,444,540	1,345,912	1,079,136	976,387
Intergovernmental	1,499,370	1,526,604	1,407,988	1,309,359	1,300,435
Licenses and permits	59,323	43,030	59,622	55,150	53,188
Charges for services	373,970	185,476	90,217	90,373	76,355
Federal, state and local grants	287,496	191,701	1,122,339	154,899	403,926
Interest income	7,893	7,198	9,468	13,680	13,614
Other	14,948	38,661	26,974	120,080	132,744
Total Revenues	8,387,596	7,698,884	6,750,752	5,450,769	5,640,891
Expenditures					
Current					
General government	2,861,943	1,817,676	1,332,988	1,894,147	1,602,295
Public safety	-	-	2,252	32,730	30,798
Public works	896,622	138,676	101,769	9,884	-
Parks and recreation	607,642	449,309	1,485,716	762,557	440,685
Natural resources	-	-	-	59,039	82,192
Education	-	-	69,574	-	168,798
Debt Service					
Principal	-	-	-	342,411	337,115
Interest and fiscal charges	-	-	13,985	11,644	43,632
Bond issuance costs	-	101,684	35,310	26,037	-
Capital outlays	-	-	741,324	3,187,109	993,678
Total Expenditures	4,366,207	2,507,345	3,782,918	6,325,558	3,699,193
Excess (deficiency) of revenues expenditures over (under)	4,021,389	5,191,539	2,967,834	(874,789)	1,941,698
Other Financing Sources (Uses)					
Issuance of debt	94,165	20,000,000	91,643	2,718,827	262,149
Premium on bonds issued	-	2,499,981	-	-	-
Sale of capital assets	-	-	496	32,925	-
Transfers out	(4,461,554)	(24,335,102)	(1,974,722)	(414,681)	-
Total other financing sources	(4,367,389)	(1,835,121)	(1,882,583)	2,337,071	262,149
Net change in fund balances	(346,000)	3,356,418	1,085,251	1,462,282	2,203,847
Fund balances - beginning of the year	10,923,322	7,566,904	6,481,653	5,019,371	2,815,524
Fund balances - ending of the year	<u>\$ 10,577,322</u>	<u>\$ 10,923,322</u>	<u>\$ 7,566,904</u>	<u>\$ 6,481,653</u>	<u>\$ 5,019,371</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, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
FEDERAL AWARDS						
U.S. Department of Agriculture/TN Department of Education						
Child Nutrition Cluster						
School Breakfast Program	10.553		\$ -	\$ 49,167	\$ 49,167	\$ -
National School Lunch Program - Cash Assistance	10.555		-	8,444	8,444	-
Subtotal - Child Nutrition Cluster / U.S. Department of Agriculture			-	57,611	57,611	-
State Administrative Expenses for Child Nutrition	10.560		-	2,683	2,683	-
Commodity Supplemental Food Program	10.565		-	15,031	15,031	-
Total U.S. Department of Agriculture			-	75,325	75,325	-
U.S. Department of Transportation/TN Dept. of Transportation						
Highway Planning and Construction Cluster						
Highway Planning and Construction	20.205	STP-M-9409(107)	31,338	166,889	240,202	104,651
Highway Planning and Construction	20.205	STP-M-5429(10)	-	36,768	59,278	22,510
Total U.S. Department of Transportation			31,338	203,657	299,480	127,161
U.S. Department of Education/TN Department of Education						
Title I Grants to Local Education Agencies						
	84.010		15,421	81,597	74,701	8,525
Special Education Cluster (IDEA)						
Special Education - IDEA Part B	84.027		22,033	164,761	152,407	9,679
Special Education - IDEA Discretionary Supplement	84.027		-	-	3,210	3,210
Special Education - IDEA Preschool	84.173		2,060	9,180	7,120	-
Subtotal - Special Education Cluster (IDEA)			24,093	173,941	162,737	12,889
English Language Acquisition State Grants	84.365		614	678	64	-
Improving Teacher Quality State Grants	84.367		11,535	59,945	50,430	2,020
Impact Aid	84.041		-	27,603	28,779	1,176
Total U.S. Department of Education			51,663	343,764	316,711	24,610
U.S. Department of Homeland Security/TN Emergency Management Agency						
Hazard Mitigation Grant						
	97.039	4189-0003	-	-	253,595	253,595
Total Federal Awards			83,001	622,746	945,111	405,366

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
For the year ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
STATE FINANCIAL ASSISTANCE						
Tennessee Dept. of Education, Safe Schools	N/A		\$ -	\$ 4,700	\$ 4,700	\$ -
Tennessee Dept. of Education, Coordinated School Health	N/A		-	56,223	68,101	11,878
Tennessee Dept. of Military, TEMA Hazard Mitigation Grant Program	N/A	4189-0003	-	-	42,266	42,266
Total State Financial Assistance			<u>-</u>	<u>60,923</u>	<u>115,067</u>	<u>54,144</u>
Total Federal Awards and State Financial Assistance			<u>\$ 83,001</u>	<u>\$ 683,669</u>	<u>\$ 1,060,178</u>	<u>\$ 459,510</u>

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

For the Year Ended June 30, 2017

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, 2017. 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 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	\$ 1,208,351
Add: Change in deferred revenue at the fund level	338,257
Less: Non-federal and non-state grants	<u>(510,964)</u>
Total federal awards and state financial assistance	<u>\$ 1,035,644</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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2017.

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
December 29, 2017

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 the City's major federal program for the year ended June 30, 2017. The City's major federal program is 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 program 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 compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

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, 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.

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

Memphis, Tennessee
December 29, 2017

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

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 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. There were no audit findings required to be reported in accordance with 2 CFR Section 200.516(a)
7. The programs tested as major programs were

CFDA number 20.205 Highway Planning and Construction
CFDA number 97.039 Hazard Mitigation Grant
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

None reported.

CITY OF LAKELAND, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2017

None reported.