

CITY OF
LAKELAND
TENNESSEE

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2019

**CITY OF LAKELAND, TENNESSEE
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INTRODUCTORY SECTION (UNAUDITED)

MAYOR

Mike Cunningham (2022*)

COMMISSIONERS

Josh Roman, Vice Mayor (2020*)
Wesley Wright, Commissioner (2020*)
Michele Dial, Commissioner (2022*)
Richard Gonzales, Jr., Commissioner (2022*)

CITY OFFICIALS

City Manager..... Shane Horn
City Attorney Wiseman Bray, PLLC
Finance and Human Resources Director.....Michael Walker, CPA**

BOARD OF EDUCATION OFFICIALS

Chairman Kevin Floyd
Vice-Chairman Laura Harrison
Board Member Michelle Childs
Board Member Jeremy Burnett
Board Member Deborah Thomas

Superintendent..... William E. Horrell, III
School System Attorney..... Burch, Porter & Johnson, PLLC
Finance Director..... Jessie Rosales**

* Date elected term expires

** Designated CMFO and employee with financial oversight responsibility.

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the statements of budgetary comparison for the general fund and general purpose school fund, and the aggregate remaining fund information of the City of Lakeland, Tennessee, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019, on our consideration of the City of Lakeland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lakeland's internal control over financial reporting and compliance.

Watkins Mikusall, PLLC

Memphis, Tennessee
December 6, 2019

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the 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 \$75,982,677 (net position). The net position of the City of Lakeland consists of \$56,231,738 in net investment in capital assets, \$3,408,097 in restricted, and \$16,342,842 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 was \$6,924,456 for the year ended June 30, 2019, an increase of \$4,687,580 over the prior fiscal year.
- As of June 30, 2019, the City of Lakeland's governmental funds reported combined ending fund balances of \$19,445,811, a decrease of \$2,308,212 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,778,081 or 86.4% of total general fund balance.
- The City of Lakeland's total debt decreased \$2,297,155 during the current fiscal year.

Overview of the Financial Statements

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

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

The government-wide financial statements are:

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

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

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

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

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2019

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

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

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

The City of Lakeland maintains five individual governmental funds and Lakeland School System maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general purpose school fund, and the school capital projects funds.

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

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

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

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

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

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

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-59 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, 2019

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 \$75,982,677 at the close of the most recent fiscal year, an increase of \$6,924,456, or 10%, from last year.

The largest portion of the City's net position (74.0%) 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, 2019 and 2018:

	Condensed Statement of Net Position					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 26,872,973	\$ 28,392,895	\$ 1,964,205	\$ 1,939,587	\$ 28,837,178	\$ 30,332,482
Capital assets	69,410,222	63,712,777	13,928,547	13,345,618	83,338,769	77,058,395
Total Assets	96,283,195	92,105,672	15,892,752	15,285,205	112,175,947	107,390,877
Deferred Outflows of Resources	2,241,974	2,011,269	32,280	18,651	2,274,254	2,029,920
Long-term liabilities outstanding	26,023,572	27,926,579	2,312,460	3,015,898	28,336,032	30,942,477
Other liabilities	2,222,593	2,051,849	2,222,593	2,051,849	4,445,186	4,103,698
Total Liabilities	28,246,165	29,978,428	4,535,053	5,067,747	32,781,218	35,046,175
Deferred Inflows of Resources	5,672,443	5,296,986	13,863	19,415	5,686,306	5,316,401
Net Asset						
Invested in capital assets	46,769,191	44,863,094	9,462,547	8,335,618	56,231,738	53,198,712
Restricted	3,408,097	8,135,361	-	16,320	3,408,097	8,151,681
Unrestricted	14,429,273	5,843,072	1,913,569	1,864,756	16,342,842	7,707,828
Total Net Position	\$ 64,606,561	\$ 58,841,527	\$ 11,376,116	\$ 10,216,694	\$ 75,982,677	\$ 69,058,221

An additional portion of the City's net position of \$3,408,097 (4.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$16,342,842 (21.5%) 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 \$5,765,034 while business-type activities increased the City's net position by \$1,159,422 resulting in a net increase of \$6,924,456. Key elements of this increase are as follows:

- Additions to net position were provided primarily by increases in capital assets due to several capital projects in progress during fiscal year 2019 (see further details in Note 6 to the financial statements) and a reduction to long-term liabilities.

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2019

The following provides a summary of activities for the City for the years ended June 30, 2019 and 2018:

	Condensed Statement of Activities					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 2,475,070	\$ 2,558,780	\$ 1,497,126	\$ 1,481,646	\$ 3,972,196	\$ 4,040,426
Operating grants and contributions	11,016,750	8,958,325	-	-	11,016,750	8,958,325
Capital grants and contributions	2,463,353	918,423	930,093	390,600	3,393,446	1,309,023
General Revenues:						
Property taxes	8,870,195	8,594,723	-	-	8,870,195	8,594,723
Local taxes	3,552,664	3,421,520	-	-	3,552,664	3,421,520
Intergovernmental	1,593,976	1,545,903	-	-	1,593,976	1,545,903
Interest on investments	103,713	86,221	12,785	5,378	116,498	91,599
Other revenue	125,449	61,408	-	-	125,449	61,408
Gain on disposal of capital assets	-	172	-	-	-	172
Total Revenues	30,201,170	26,145,475	2,440,004	1,877,624	32,641,174	28,023,099
Expenses:						
General government	\$ 2,241,345	\$ 2,444,545	\$ -	\$ -	\$ 2,241,345	\$ 2,444,545
Public works	5,237,019	5,310,397	-	-	5,237,019	5,310,397
Parks and recreation	603,062	493,440	-	-	603,062	493,440
Education	15,648,246	15,526,261	-	-	15,648,246	15,526,261
Interest and fiscal charges	678,113	694,074	-	-	678,113	694,074
Debt Issuance costs	28,351	29,804	-	-	28,351	29,804
Water and sewer	-	-	1,280,582	1,287,702	1,280,582	1,287,702
Total Expenses	24,436,136	24,498,521	1,280,582	1,287,702	25,716,718	25,786,223
Increase/(Decrease) in net position	5,765,034	1,646,954	1,159,422	589,922	6,924,456	2,236,876
Net position, beginning	58,841,527	57,194,573	10,216,694	9,626,772	69,058,221	66,821,345
Net position, ending	<u>\$ 64,606,561</u>	<u>\$ 58,841,527</u>	<u>\$ 11,376,116</u>	<u>\$ 10,216,694</u>	<u>\$ 75,982,677</u>	<u>\$ 69,058,221</u>

Governmental Activities: Current fiscal year revenues for the City's governmental activities were \$30,201,170 compared to \$26,145,475 last year. Expenses for the same period were \$24,436,136 compared to \$24,498,521 last year.

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

- The primary factor increasing revenue in the current fiscal year was an increase in capital contributions related to economic developments in the City. Completed developments of streets and drainage systems were contributed to the City related to Evergreen Manor and several phases within the Oakwood Grove subdivision.

Business-type activities: Business-type activities increased the City's net position by \$1,159,422. Of that, \$930,093 in revenue was attributable to residential developments.

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2019

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 \$19,445,811, a decrease of \$2,308,212, in comparison with the prior year. The decrease was due to capital outlays incurred with the construction of Lakeland Middle Preparatory School Athletic Complex and an addition to Lakeland Elementary School. Approximately 45.1% of this total amount (\$8,778,081) constitutes unassigned fund balance, which is available for spending at the government's discretion. All of the governmental funds reported a positive ending fund balance.

General Fund: The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,778,081, while total fund balance reached \$10,150,524. 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 269% of total General Fund expenditures, while total fund balance represents 311% of that same amount.

The fund balance of the City's General Fund increased \$1,610,219 during the fiscal year ended June 30, 2019. Key factors are as follows:

- Planned capital outlays of \$2,128,581 in general government expenditures were delayed and deferred to fiscal year 2020.

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, 2019, the fund had a fund balance of \$6,166,249 which is assigned for educational expenditures.

The fund balance of the General Purpose School Fund increased \$1,839,485 during fiscal year ended June 30, 2019. Key factors are as follows:

- Property tax revenue increased \$259,672 to \$4,432,562. 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 \$1,344,894 to \$9,243,691.
- Total expenditures for the fund increased \$875,872 to \$14,074,364 primarily due to an increase in regular instruction salaries and benefits.

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 \$50,690 to \$1,913,569 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, 2019

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 by \$568,100. The difference between the original and final budget for expenditures increased by \$1,570,035. Of this, general government budget was increased by \$199,350 for legal fees for litigation pertaining to a lawsuit and carryover grant projects. \$1,369,585 was due to increased participation in the City's recreational programs.
- The General Fund revenues were \$2,216,142 less than budgeted. The variance was due primarily to \$2,466,289 in lower than expected grant revenue related to the timing of associated grant expenditures, but revenue was more than anticipated in local taxes and intergovernmental revenue.
- General Fund expenditures were less than budgeted by \$4,202,858. Of this, \$3,404,131 is related to lower than expected expenditures for capital outlays related to grants in the Engineering and Parks Administration departments. The difference of \$798,727 is attributed to conservative spending.

Capital Asset and Debt Administration

Capital assets: The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019 amounts to \$69,410,222 (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 \$5,697,445. Depreciation expense for the year was \$3,273,625 mostly from depreciation of infrastructure.

	Condensed Statement of Capital Assets (Net of Depreciation)					
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land	\$ 8,290,943	\$ 8,290,943	\$ 75,360	\$ 75,360	\$ 8,366,303	\$ 8,366,303
Buildings and improvements	31,000,398	31,927,329	7,303,353	7,565,941	38,303,751	39,493,270
Improvements other than buildings	1,262,822	1,323,924	5,995,051	5,241,493	7,257,873	6,565,417
Machinery and equipment	2,356,556	2,362,218	233,681	272,581	2,590,237	2,634,799
Vehicles	63,276	107,186	-	-	63,276	107,186
Infrastructure	15,999,026	15,948,426	-	-	15,999,026	15,948,426
Construction in progress	10,437,201	3,752,751	321,102	190,243	10,758,303	3,942,994
Total capital assets, net	<u>\$ 69,410,222</u>	<u>\$ 63,712,777</u>	<u>\$ 13,928,547</u>	<u>\$ 13,345,618</u>	<u>\$ 83,338,769</u>	<u>\$ 77,058,395</u>

Governmental activities saw an increase of \$5,697,445 in capital assets primarily related to the construction of the Lakeland Preparatory School Athletic Complex and construction in progress related to an addition to Lakeland Elementary School. Additional information can be found in Note 6 of this report.

CITY OF LAKELAND, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
For the Year Ended June 30, 2019

Long-term debt: At the end of the current fiscal year, the City had total debt outstanding of \$27,874,739. Of this amount \$23,203,799 comprises debt backed by the full faith and credit of the government and \$4,466,000 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	
	2019	2018	2019	2018	2019	2018
Notes payable	\$ 21,326,831	\$ 23,365,163	\$ 4,466,000	\$ 5,010,000	\$ 25,792,831	\$ 28,375,163
Settlement liability	386,571	440,698	-	-	386,571	440,698
Construction loan	1,490,397	1,127,632	-	-	1,490,397	1,127,632
Capital leases	204,940	228,401	-	-	204,940	228,401
Total debt	<u>\$ 23,408,739</u>	<u>\$ 25,161,894</u>	<u>\$ 4,466,000</u>	<u>\$ 5,010,000</u>	<u>\$ 27,874,739</u>	<u>\$ 30,171,894</u>

The City's total debt decreased \$2,297,155 or 7.6% 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 7 of this report.

Economic Factors and Next Year's Budgets and Rates

Factors considered in preparing the City's budget for the 2019/2020 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 2019-2020 is \$1.24 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 \$32,620,121 (net of interfund transfers) for the 2019-2020 fiscal year. The capital budget accounts for \$5,869,643 and the sewer budget accounts for \$1,408,902 leaving \$25,341,576 for operations. The budget for Lakeland School System is \$18,373,878 for the 2019-2020 fiscal year, which represents 56% 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 and Human Resources Director, 10001 U.S. Highway 70, Lakeland, Tennessee 38002.

BASIC FINANCIAL STATEMENTS

CITY OF LAKELAND, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and cash equivalents	\$ 18,139,735	\$ 1,836,022	\$ 19,975,757
Receivables			
Property taxes	4,509,533	-	4,509,533
Grants	235,036	-	235,036
Other taxes	22,399	-	22,399
Other	84,656	1,721	86,377
Less allowance for doubtful accounts	(47,660)	-	(47,660)
Due from other governments	2,307,036	126,462	2,433,498
Restricted cash	892,841	-	892,841
Prepaid items	69,998	-	69,998
Capital assets, not being depreciated	18,728,144	396,462	19,124,606
Capital assets, being depreciated, net	50,682,078	13,532,085	64,214,163
Net pension asset	629,375	-	629,375
Restricted investments	30,024	-	30,024
Total assets	<u>96,283,195</u>	<u>15,892,752</u>	<u>112,175,947</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension	2,040,700	32,280	2,072,980
Related to OPEB	201,274	-	201,274
Total deferred outflows of resources	<u>2,241,974</u>	<u>32,280</u>	<u>2,274,254</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,152,187	51,043	1,203,230
Accrued interest payable	253,217	-	253,217
Accrued payroll	708,710	12,028	720,738
Customer deposits	94,400	-	94,400
Unearned revenue	14,079	-	14,079
Noncurrent liabilities:			
Due within one year	2,100,348	565,000	2,665,348
Due in more than one year	21,383,860	3,901,000	25,284,860
Net pension liability	50,594	5,982	56,576
Net other postemployment benefits liability	2,488,770	-	2,488,770
Total liabilities	<u>28,246,165</u>	<u>4,535,053</u>	<u>32,781,218</u>
DEFERRED INFLOWS OF RESOURCES			
Current property taxes assessed for subsequent period	4,351,842	-	4,351,842
Related to pension	1,022,865	13,863	1,036,728
Related to other postemployment benefits	297,736	-	297,736
Total deferred inflows of resources	<u>5,672,443</u>	<u>13,863</u>	<u>5,686,306</u>
NET POSITION			
Net investment in capital assets	46,769,191	9,462,547	56,231,738
Restricted for:			
Net pension asset	629,375	-	629,375
Stabilization reserve trust	30,024	-	30,024
Storm water	144,138	-	144,138
Solid waste	1,031,181	-	1,031,181
School activities	577,270	-	577,270
Education capital projects	996,109	-	996,109
Unrestricted	14,429,273	1,913,569	16,342,842
Total net position	<u>\$ 64,606,561</u>	<u>\$ 11,376,116</u>	<u>\$ 75,982,677</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, 2019

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	\$ 2,241,345	\$ 182,005	\$ 12,521	\$ -	\$ (2,046,819)	\$ -	\$ (2,046,819)
Public works	5,237,019	1,450,391	9,235	2,463,353	(1,314,040)	-	(1,314,040)
Parks and recreation	603,062	246,530	-	-	(356,532)	-	(356,532)
Education	15,648,246	596,144	10,994,994	-	(4,057,108)	-	(4,057,108)
Interest on long-term debt	706,464	-	-	-	(706,464)	-	(706,464)
Total governmental activities	24,436,136	2,475,070	11,016,750	2,463,353	(8,480,963)	-	(8,480,963)
Business-type activity:							
Sewer	1,280,582	1,497,126	-	930,093	-	1,146,637	1,146,637
Total business-type activities	1,280,582	1,497,126	-	930,093	-	1,146,637	1,146,637
Total primary government	<u>\$ 25,716,718</u>	<u>\$ 3,972,196</u>	<u>\$ 11,016,750</u>	<u>\$ 3,393,446</u>	(8,480,963)	1,146,637	(7,334,326)
General revenues:							
Property taxes					8,870,195	-	8,870,195
Local option sales tax					3,145,566	-	3,145,566
Other taxes							
Wholesale liquor and beer taxes					91,344	-	91,344
Business, cable tv, and hotel-motel taxes					315,754	-	315,754
Intergovernmental revenues:							
State sales tax					1,120,284	-	1,120,284
State income tax					131,374	-	131,374
Other state revenue					342,318	-	342,318
Other revenue					125,449	-	125,449
Interest on investments					103,713	12,785	116,498
Total general revenues and transfers					14,245,997	12,785	14,258,782
Change in net position					5,765,034	1,159,422	6,924,456
Net position - beginning					58,841,527	10,216,694	69,058,221
Net position - ending					<u>\$ 64,606,561</u>	<u>\$ 11,376,116</u>	<u>\$ 75,982,677</u>

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	General Purpose School Fund	School Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,536,565	\$ 5,665,151	\$ 899,738	\$ 2,038,281	\$ 18,139,735
Receivables					
Property taxes	4,509,533	-	-	-	4,509,533
Grants	67,271	-	-	167,765	235,036
Other taxes	22,399	-	-	-	22,399
Other	81,763	2,841	-	52	84,656
Less allowance for doubtful accounts	(47,660)	-	-	-	(47,660)
Due from other governments	581,215	1,386,558	145,531	193,732	2,307,036
Due from other funds	-	102,051	-	-	102,051
Prepaid Items	69,998	-	-	-	69,998
Restricted cash	94,400	-	798,441	-	892,841
Restricted investments	-	30,024	-	-	30,024
Total assets	<u>\$ 14,915,484</u>	<u>\$ 7,186,625</u>	<u>\$ 1,843,710</u>	<u>\$ 2,399,830</u>	<u>\$ 26,345,649</u>
LIABILITIES					
Accounts payable and accrued liabilities	\$ 138,530	\$ 39,551	\$ 847,601	\$ 126,505	\$ 1,152,187
Accrued payroll	24,757	656,612	-	27,341	708,710
Customer deposits	94,400	-	-	-	94,400
Due to other funds	-	-	-	102,051	102,051
Unearned revenue	3,075	-	-	11,004	14,079
Total liabilities	<u>260,762</u>	<u>696,163</u>	<u>847,601</u>	<u>266,901</u>	<u>2,071,427</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue					
Property taxes	4,407,428	-	-	-	4,407,428
Other taxes	-	324,213	-	-	324,213
Grants	65,966	-	-	-	65,966
Other	30,804	-	-	-	30,804
Total deferred inflows of resources	<u>4,504,198</u>	<u>324,213</u>	<u>-</u>	<u>-</u>	<u>4,828,411</u>
FUND BALANCES					
Nonspendable	69,998	-	-	-	69,998
Restricted	-	30,024	996,109	1,752,589	2,778,722
Committed	1,087,610	-	-	380,340	1,467,950
Assigned	214,835	6,136,225	-	-	6,351,060
Unassigned	8,778,081	-	-	-	8,778,081
Total fund balances	<u>10,150,524</u>	<u>6,166,249</u>	<u>996,109</u>	<u>2,132,929</u>	<u>19,445,811</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,915,484</u>	<u>\$ 7,186,625</u>	<u>\$ 1,843,710</u>	<u>\$ 2,399,830</u>	<u>\$ 26,345,649</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, 2019

Total fund balances, governmental funds		\$ 19,445,811
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.		69,410,222
(2) Other long-term assets are not available to pay for current-period expenditures and, therefore, are unearned or unavailable in the funds.		476,569
(3) Long-term debt is not due and payable in the current period and, therefore is not reported in the funds.		
Less: notes payable	(19,608,095)	
Less: settlement obligation	(394,359)	
Less: construction loan	(1,490,397)	
Less: capital leases	(204,940)	
Less: unamortized premiums and discounts on debt	<u>(1,710,948)</u>	(23,408,739)
(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	(253,217)	
Less: compensated absences payable	<u>(75,469)</u>	(328,686)
(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	629,375	
Less: net pension liability	(50,594)	
Less: net other postemployment liability	<u>(2,488,770)</u>	(1,909,989)
(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	2,040,700	
Add: deferred outflows of resources related to OPEB	201,274	
Less: deferred inflows of resources related to pensions	(1,022,865)	
Less: deferred inflows of resources related to OPEB	<u>(297,736)</u>	<u>921,373</u>
Net position of governmental activities		<u>\$ 64,606,561</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, 2019

	<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	\$ 4,437,633	\$ 4,432,562	\$ -	\$ -	\$ 8,870,195
Local sales taxes	1,609,593	1,965,534	-	-	3,575,127
Intergovernmental					
State sales, income and other tax	1,576,129	-	-	-	1,576,129
State gas tax	-	-	-	438,663	438,663
State grant revenue	-	9,243,691	579,581	-	9,823,272
Licenses and permits	100,172	-	-	-	100,172
Charges for services	328,363	22,479	-	2,024,056	2,374,898
Federal, state, and local grants	197,711	-	-	1,180,957	1,378,668
Interest on investments	18,400	3,875	81,360	78	103,713
Other	77,924	50,425	-	-	128,349
Total revenues	<u>8,345,925</u>	<u>15,718,566</u>	<u>660,941</u>	<u>3,643,754</u>	<u>28,369,186</u>
EXPENDITURES					
Current					
General government	2,283,517	-	-	-	2,283,517
Public works	401,566	-	-	2,917,492	3,319,058
Parks and recreation	587,539	-	-	-	587,539
Education	-	13,792,071	-	1,579,459	15,371,530
Debt Service					
Principal	-	126,943	-	1,884,128	2,011,071
Interest and fiscal charges	-	12,502	-	913,029	925,531
Capital outlays	-	142,848	6,504,183	-	6,647,031
Total expenditures	<u>3,272,622</u>	<u>14,074,364</u>	<u>6,504,183</u>	<u>7,294,108</u>	<u>31,145,277</u>
Excess (deficiency) of revenues over (under) expenditures	5,073,303	1,644,202	(5,843,242)	(3,650,354)	(2,776,091)
OTHER FINANCING SOURCES (USES)					
Issuance of debt	364,001	103,482	-	-	467,483
Sale of capital assets	-	396	-	-	396
Transfers in	-	531,405	440,000	3,296,935	4,268,340
Transfers out	(3,827,085)	(440,000)	-	(1,255)	(4,268,340)
Total other financing sources (uses)	<u>(3,463,084)</u>	<u>195,283</u>	<u>440,000</u>	<u>3,295,680</u>	<u>467,879</u>
Net change in fund balances	1,610,219	1,839,485	(5,403,242)	(354,674)	(2,308,212)
Fund balances - beginning	<u>8,540,305</u>	<u>4,326,764</u>	<u>6,399,351</u>	<u>2,487,603</u>	<u>21,754,023</u>
Fund balances - ending	<u>\$ 10,150,524</u>	<u>\$ 6,166,249</u>	<u>\$ 996,109</u>	<u>\$ 2,132,929</u>	<u>\$ 19,445,811</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, 2019

Net change in fund balance - total governmental funds \$ (2,308,212)

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		7,184,284	
Less: depreciation expense		<u>(3,273,625)</u>	3,910,659
(2) Contributed capital assets do not provide current financial resources and are not reported as revenues in the funds. In the statement of activities, these contributions are recognized as revenue and capitalized in the current period.			1,826,978
(3) Gain (losses) from the disposition of capital assets are reported net of any remaining net book value in the statement of activities.			(40,192)
(4) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net difference between the amounts deferred in the current and prior years.			14,558
(5) 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		2,011,071	
Add: amortization of premiums and discounts		209,567	
Less: proceeds from debt issuance		<u>(467,483)</u>	1,753,155
(6) 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		9,500	
Change in compensated absences		<u>13,047</u>	22,547
(7) Payments of contributions to the pension plans and OPEB plan are recorded as expenditures in the governmental funds. Pension expense and OPEB expense are recorded on an actuarially determined basis in the statement of activities.			
Difference between actual contributions and pension expense		567,403	
Difference between actual contributions and OPEB expense		<u>18,138</u>	<u>585,541</u>
Change in net position of governmental activities			<u><u>\$ 5,765,034</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, 2019

	<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	\$ 4,430,510	\$ 4,430,510	\$ 4,428,449	\$ (2,061)
Property tax interest and penalties	10,000	10,000	9,184	(816)
Total property taxes	4,440,510	4,440,510	4,437,633	(2,877)
LOCAL TAXES				
Local sales tax	1,023,529	1,023,529	1,202,495	178,966
Wholesale beer and liquor tax	76,720	76,720	91,344	14,624
Business tax	75,000	75,000	89,615	14,615
Hotel/motel tax	45,000	45,000	79,384	34,384
CATV Franchise tax	149,810	149,810	146,755	(3,055)
Total local taxes	1,370,059	1,370,059	1,609,593	239,534
INTERGOVERNMENTAL				
State of Tennessee shared revenues				
Sales tax	1,031,690	1,031,690	1,102,437	70,747
Income tax	90,000	90,000	131,374	41,374
Beer and liquor tax	7,215	7,215	5,754	(1,461)
City streets and transportation funding	25,482	25,482	24,681	(801)
State road maintenance	1,500	1,500	4,636	3,136
Receipts in lieu of tax - TVA	290,000	290,000	307,247	17,247
Total state shared taxes	1,445,887	1,445,887	1,576,129	130,242
LICENSES AND PERMITS				
Building and related permits	50,000	50,000	64,375	14,375
Other permits	13,200	13,200	35,797	22,597
Total licenses and permits	63,200	63,200	100,172	36,972
CHARGES FOR SERVICES				
Engineering fees	81,500	81,500	30,200	(51,300)
Administrative fees for developments	108,515	108,515	27,758	(80,757)
Other	27,150	27,150	23,875	(3,275)
Recreation fees for services	179,000	211,600	196,354	(15,246)
Parks development fees	27,526	27,526	19,371	(8,155)
Rental income	47,000	47,000	30,805	(16,195)
Total charge for services	470,691	503,291	328,363	(174,928)

(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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
GRANTS	\$ 2,164,000	\$ 2,664,000	\$ 197,711	\$ (2,466,289)
INTEREST ON INVESTMENTS	8,000	8,000	18,400	10,400
OTHER	15,620	51,120	77,924	26,804
Total revenues	9,977,967	10,546,067	8,345,925	(2,200,142)
EXPENDITURES				
GENERAL GOVERNMENT				
General Government				
Salaries	152,633	169,233	153,251	15,982
Benefits	49,177	52,411	44,458	7,953
Contractual services	607,081	682,181	636,764	45,417
Materials and supplies	33,800	33,800	25,461	8,339
Insurance	64,000	64,150	45,431	18,719
Other charges	70,800	132,766	70,162	62,604
Capital outlay	10,000	10,000	9,928	72
	<u>987,491</u>	<u>1,144,541</u>	<u>985,455</u>	<u>159,086</u>
Board and Commissions				
Salaries	25,200	25,200	25,200	-
Benefits	2,965	2,965	2,801	164
Other charges	-	-	-	-
	<u>28,165</u>	<u>28,165</u>	<u>28,001</u>	<u>164</u>
Financial Administration				
Salaries	202,026	194,430	171,533	22,897
Benefits	71,081	79,127	66,864	12,263
Contractual services	1,000	-	-	-
Other charges	720	1,270	600	670
	<u>274,827</u>	<u>274,827</u>	<u>238,997</u>	<u>35,830</u>
Engineering				
Salaries	151,629	151,629	132,749	18,880
Benefits	50,172	52,372	38,441	13,931
Contractual services	322,000	322,000	8,154	313,846
Materials and supplies	750	750	187	563
Other charges	6,720	6,720	5,616	1,104
Capital outlay	2,405,000	2,405,000	276,419	2,128,581
	<u>2,936,271</u>	<u>2,938,471</u>	<u>461,566</u>	<u>2,476,905</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, 2019

	<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	\$ 63,290	\$ 63,290	\$ 62,336	\$ 954
Benefits	28,434	28,434	26,143	2,291
Materials and supplies	4,450	4,450	4,243	207
Other charges	4,200	4,200	2,896	1,304
	<u>100,374</u>	<u>100,374</u>	<u>95,618</u>	<u>4,756</u>
Code Enforcement				
Salaries	42,703	42,703	42,721	(18)
Benefits	10,401	9,401	8,447	954
Materials and supplies	3,600	4,600	4,439	161
Other charges	1,900	1,900	1,493	407
	<u>58,604</u>	<u>58,604</u>	<u>57,100</u>	<u>1,504</u>
Planning and Economic Development				
Salaries	128,695	132,795	109,928	22,867
Benefits	49,367	49,367	35,452	13,915
Contractual services	96,000	96,000	92,401	3,599
Materials and supplies	250	250	-	250
Other charges	49,470	85,470	56,617	28,853
	<u>323,782</u>	<u>363,882</u>	<u>294,398</u>	<u>69,484</u>
GIS				
Salaries	63,240	63,240	63,568	(328)
Benefits	23,452	23,452	18,491	4,961
Contractual services	41,500	41,500	39,879	1,621
Materials and supplies	450	450	409	41
Other charges	3,650	3,650	35	3,615
	<u>132,292</u>	<u>132,292</u>	<u>122,382</u>	<u>9,910</u>
Total general government	4,841,806	5,041,156	2,283,517	2,757,639
PUBLIC WORKS				
Salaries	270,201	270,201	236,025	34,176
Benefits	126,078	127,178	101,128	26,050
Contractual services	30,000	30,000	23,336	6,664
Materials and supplies	34,000	34,000	30,519	3,481
Other charges	11,800	11,800	9,789	2,011
Capital outlay	5,000	5,000	769	4,231
	<u>477,079</u>	<u>478,179</u>	<u>401,566</u>	<u>76,613</u>
Total public works	477,079	478,179	401,566	76,613

(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, 2019

	<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	\$ 1,700	\$ 1,575	\$ 1,468	\$ 107
Materials and supplies	2,800	2,800	2,086	714
Other charges	21,950	21,840	17,297	4,543
	<u>26,450</u>	<u>26,215</u>	<u>20,851</u>	<u>5,364</u>
IH Clubhouse				
Contractual services	4,500	4,625	4,637	(12)
Materials and supplies	37,000	37,000	34,139	2,861
Other charges	15,450	15,450	11,158	4,292
Capital outlay	6,000	10,000	8,662	1,338
	<u>62,950</u>	<u>67,075</u>	<u>58,596</u>	<u>8,479</u>
Recreation				
Other charges	181,000	213,600	171,442	42,158
Park Administration				
Salaries	137,874	139,674	140,581	(907)
Benefits	94,616	94,235	57,165	37,070
Contractual services	25,500	26,491	26,565	(74)
Materials and supplies	13,300	13,825	13,336	489
Other charges	44,870	54,345	53,868	477
Capital outlay	-	1,320,685	45,135	1,275,550
	<u>316,160</u>	<u>1,649,255</u>	<u>336,650</u>	<u>1,312,605</u>
Total parks and recreation	<u>586,560</u>	<u>1,956,145</u>	<u>587,539</u>	<u>1,368,606</u>
Total expenditures	<u>5,905,445</u>	<u>7,475,480</u>	<u>3,272,622</u>	<u>4,202,858</u>
Excess of revenues over expenditures	4,072,522	3,070,587	5,073,303	2,002,716
OTHER FINANCING SOURCES (USES)				
Debt Issuance	-	-	364,001	364,001
Transfers out	(4,072,522)	(4,072,522)	(3,827,085)	245,437
Total other financing uses	<u>(4,072,522)</u>	<u>(4,072,522)</u>	<u>(3,463,084)</u>	<u>609,438</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (1,001,935)</u>	1,610,219	<u>\$ 2,612,154</u>
Fund balances - beginning			<u>8,540,305</u>	
Fund balances - ending			<u>\$ 10,150,524</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, 2019

	<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	\$ 4,597,629	\$ 4,597,629	\$ 4,432,562	\$ (165,067)
LOCAL TAXES	1,183,333	1,183,333	1,965,534	782,201
INTERGOVERNMENTAL				
Basic Education Program	7,862,238	8,181,001	8,760,000	578,999
Career Ladder Program	19,000	19,000	19,495	495
Privilege tax	-	-	403,708	403,708
Other	-	-	60,488	60,488
Total intergovernmental	<u>7,881,238</u>	<u>8,200,001</u>	<u>9,243,691</u>	<u>1,043,690</u>
CHARGES FOR SERVICES	15,000	15,000	22,479	7,479
INTEREST INCOME	-	-	3,875	3,875
OTHER	<u>5,000</u>	<u>5,000</u>	<u>50,425</u>	<u>45,425</u>
Total revenues	13,682,200	14,000,963	15,718,566	1,717,603
EXPENDITURES				
EDUCATION				
Board of education services				
Salaries	13,500	14,895	14,412	483
Benefits	214,025	433,509	403,266	30,243
Contractual services	77,000	77,000	56,844	20,156
Materials and supplies	3,000	3,000	2,997	3
Other charges	<u>219,300</u>	<u>229,322</u>	<u>227,798</u>	<u>1,524</u>
	526,825	757,726	705,317	52,409
Office of superintendent				
Salaries	175,252	163,302	163,135	167
Benefits	66,118	69,970	62,123	7,847
Contractual services	600	589	589	-
Materials and supplies	2,400	593	593	-
Other charges	<u>25,258</u>	<u>9,568</u>	<u>9,561</u>	<u>7</u>
	269,628	244,022	236,001	8,021
Office of principal				
Salaries	734,822	741,785	702,706	39,079
Benefits	188,035	202,825	187,651	15,174
Materials and supplies	5,500	15,506	13,225	2,281
Other charges	<u>6,000</u>	<u>4,459</u>	<u>3,886</u>	<u>573</u>
	934,357	964,575	907,468	57,107

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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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Regular instruction				
Salaries	\$ 5,741,000	\$ 5,885,072	\$ 5,737,385	\$ 147,687
Benefits	1,534,020	1,588,496	1,554,835	33,661
Contractual services	2,500	2,089	2,076	13
Materials and supplies	114,656	164,253	149,330	14,923
	<u>7,392,176</u>	<u>7,639,910</u>	<u>7,443,626</u>	<u>196,284</u>
Special education				
Salaries	926,000	918,630	897,403	21,227
Benefits	305,915	313,285	289,511	23,774
Contractual services	23,400	23,400	3,035	20,365
Materials and supplies	32,000	32,000	10,440	21,560
Other charges	1,150	1,150	850	300
	<u>1,288,465</u>	<u>1,288,465</u>	<u>1,201,239</u>	<u>87,226</u>
Other student support				
Salaries	280,000	343,651	310,112	33,539
Benefits	77,650	84,830	73,852	10,978
Materials and supplies	8,000	3,250	2,974	276
Other charges	17,500	22,250	21,662	588
	<u>383,150</u>	<u>453,981</u>	<u>408,600</u>	<u>45,381</u>
Regular instruction support				
Salaries	344,000	344,000	322,672	21,328
Benefits	102,780	95,780	87,032	8,748
Materials and supplies	10,200	10,200	8,937	1,263
Other charges	7,000	7,000	1,571	5,429
	<u>463,980</u>	<u>456,980</u>	<u>420,212</u>	<u>36,768</u>
Special education support				
Salaries	234,001	163,599	161,119	2,480
Benefits	71,920	45,159	42,499	2,660
Contractual services	22,943	32,943	32,943	-
Materials and supplies	950	596	596	-
Other charges	4,000	1,685	1,685	-
	<u>333,814</u>	<u>243,982</u>	<u>238,842</u>	<u>5,140</u>
Technology				
Salaries	215,000	212,500	169,477	43,023
Benefits	47,500	50,400	47,382	3,018
Contractual services	159,036	159,036	148,240	10,796
Materials and supplies	10,500	10,500	2,369	8,131
Other charges	125,921	90,921	24,910	66,011
	<u>557,957</u>	<u>523,357</u>	<u>392,378</u>	<u>130,979</u>

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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, 2019

	<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	\$ 107,000	\$ 73,985	\$ 67,879	\$ 6,106
Benefits	28,910	23,233	20,052	3,181
Contractual services	35,000	35,000	35,682	(682)
Materials and supplies	7,170	7,170	1,314	5,856
Other charges	3,000	3,000	2,502	498
	<u>181,080</u>	<u>142,388</u>	<u>127,429</u>	<u>14,959</u>
Human resources				
Salaries	-	59,692	59,692	-
Benefits	-	11,125	10,010	1,115
Contractual services	35,330	29,330	29,330	-
Materials and supplies	1,700	1,700	1,691	9
Other charges	5,000	1,380	1,340	40
	<u>42,030</u>	<u>103,227</u>	<u>102,063</u>	<u>1,164</u>
Student services				
Other charges	4,000	4,000	613	3,387
	<u>4,000</u>	<u>4,000</u>	<u>613</u>	<u>3,387</u>
Health services				
Salaries	156,000	156,000	128,058	27,942
Benefits	42,080	38,080	30,632	7,448
Materials and supplies	2,000	2,000	358	1,642
Other charges	6,700	6,700	1,297	5,403
	<u>206,780</u>	<u>202,780</u>	<u>160,345</u>	<u>42,435</u>
Operation of plant				
Salaries	343,000	343,000	331,936	11,064
Benefits	80,440	70,940	61,832	9,108
Contractual services	30,700	58,700	53,394	5,306
Materials and supplies	20,000	20,000	17,791	2,209
Other charges	276,500	266,500	219,983	46,517
	<u>750,640</u>	<u>759,140</u>	<u>684,936</u>	<u>74,204</u>
Maintenance of plant				
Contractual services	15,000	17,000	14,206	2,794
Materials and supplies	35,000	33,000	21,762	11,238
	<u>50,000</u>	<u>50,000</u>	<u>35,968</u>	<u>14,032</u>
Transportation				
Contractual services	666,582	691,582	691,482	100

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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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
School safety				
Salaries	\$ -	\$ 38,155	\$ 31,259	\$ 6,896
Benefits	-	8,145	3,296	4,849
Other charges	1,100	6,100	997	5,103
	<u>1,100</u>	<u>52,400</u>	<u>35,552</u>	<u>16,848</u>
Total education	14,052,564	14,578,515	13,792,071	786,444
DEBT SERVICE				
Principal	-	-	126,943	(126,943)
Interest	-	-	12,502	(12,502)
Total debt service	<u>-</u>	<u>-</u>	<u>139,445</u>	<u>(139,445)</u>
CAPITAL PROJECTS	<u>155,601</u>	<u>172,601</u>	<u>142,848</u>	<u>(29,753)</u>
Total expenditures	<u>14,208,165</u>	<u>14,751,116</u>	<u>14,074,364</u>	<u>617,246</u>
Excess (deficiency) of revenues over (under) expenditures	(525,965)	(750,153)	1,644,202	2,394,355
OTHER FINANCING SOURCES (USES)				
Sale of equipment	-	-	396	396
Debt issuance	-	-	103,482	103,482
Transfers in	525,965	530,150	531,405	1,255
Transfers out	<u>-</u>	<u>(440,000)</u>	<u>(440,000)</u>	<u>-</u>
Total other financing sources	<u>525,965</u>	<u>90,150</u>	<u>195,283</u>	<u>105,133</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (660,003)</u>	<u>1,839,485</u>	<u>\$ 2,499,488</u>
Fund balances - beginning			<u>4,326,764</u>	
Fund balances - ending			<u>\$ 6,166,249</u>	

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019

	<u>Enterprise Fund Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,836,022
Receivables	
Other	1,721
Due from other governments	126,462
Total current assets	<u>1,964,205</u>
Noncurrent assets:	
Capital assets, not being depreciated	396,462
Capital assets, being depreciated, net	13,532,085
Total capital assets, net	<u>13,928,547</u>
Total assets	<u>15,892,752</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	32,280
 LIABILITIES	
Current liabilities:	
Accounts payable and other accruals	51,043
Accrued payroll	12,028
Current portion of notes payable	565,000
Total current liabilities	<u>628,071</u>
Noncurrent liabilities:	
Notes payable, net of current portion	3,901,000
Net pension liability	5,982
Total noncurrent liabilities	<u>3,906,982</u>
Total liabilities	<u>4,535,053</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to pension	<u>13,863</u>
 NET POSITION	
Net investment in capital assets	9,462,547
Unrestricted	1,913,569
Total net position	<u><u>\$ 11,376,116</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	<u>Enterprise Fund Sewer Fund</u>
Operating Revenues:	
Sewer service fee	\$ 1,439,376
Service connections fees	<u>57,750</u>
Total operating revenues	<u>1,497,126</u>
Operating Expenses:	
Salaries	156,673
Benefits	66,202
Materials and supplies	160,311
Utilities	138,675
Professional services	72,306
Other services and charges	42,803
MLGW collection fees	29,012
Depreciation	<u>501,043</u>
Total operating expenses	<u>1,167,025</u>
Operating income	330,101
Nonoperating Revenues (Expenses):	
Interest	12,785
Bond interest and fiscal charges	<u>(113,557)</u>
Total nonoperating expenses	<u>(100,772)</u>
Income (loss) before contributions and transfers	229,329
Capital contributions - development	<u>930,093</u>
Change in net position	1,159,422
Total net position - beginning	<u>10,216,694</u>
Total net position - ending	<u>\$ 11,376,116</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, 2019

	Enterprise Fund Sewer Fund
CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,507,202
Payments to suppliers	(438,013)
Payments to employees	(219,524)
Net cash provided by operating activities	<u>849,665</u>
CASH FLOW USED FOR NONCAPITAL FINANCING ACTIVITIES	
Payment to other funds	-
CASH FLOW FROM (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	77,499
Purchases of capital assets	(231,378)
Principal paid on capital debt	(544,000)
Interest paid on capital debt	(113,557)
Net cash used for capital and related financing activities	<u>(811,436)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>12,785</u>
Net increase in cash and cash equivalents	51,014
Cash and cash equivalents - beginning of the year	<u>1,785,008</u>
Cash and cash equivalents - end of the year	<u><u>\$ 1,836,022</u></u>
Reconciliation of operating income to net cash from operating activities:	
Operating income	\$ 330,101
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	501,043
Pension expense in excess of employer contributions	3,121
Change in assets and liabilities	
Receivables	10,076
Accounts payable	5,094
Accrued payroll	230
Net cash provided by operating activities	<u><u>\$ 849,665</u></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, 2019

	OPEB Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 17,845	\$ 334,348
Inventory	-	3,609
Investments		
Mutual funds	1,076,554	-
	<u>1,076,554</u>	<u>-</u>
Total assets	<u>\$ 1,094,399</u>	<u>\$ 337,957</u>
LIABILITIES		
Due to student general fund	\$ -	\$ 240,958
Due to student groups	-	96,999
	<u>-</u>	<u>337,957</u>
Total liabilities	<u>-</u>	<u>\$ 337,957</u>
NET POSITION		
Restricted for OPEB benefits	<u>\$ 1,094,399</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, 2019

	<u>OPEB Trust Fund</u>
ADDITIONS	
Contributions	
Employer	\$ 403,075
Plan members	15,233
Total contributions	<u>418,308</u>
Investment earnings (losses):	
Interest and dividends	36,857
Net appreciation in fair value of investments	26,155
Total investment earnings	<u>63,012</u>
Total additions	481,320
DEDUCTIONS	
Premiums	48,308
Administrative expense	3,059
Total deductions	<u>51,367</u>
Change in net position	429,953
Net position - beginning of the year	<u>664,446</u>
Net position - end of the year	<u><u>\$ 1,094,399</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF LAKELAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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. However, there are currently no component units. The financial statements of the City include the financial statements of Lakeland School System ("Board of Education" or "Schools"). The Board of Education's General Purpose Fund, Federal Projects Fund, Nutrition Fund, Discretionary Grants Fund, and LEAP Fund are reported as special revenue funds of the City while the Education Capital Projects Fund is reported as such for the City. The Board of Education's OPEB Trust Fund represents a fiduciary fund of the City and the School Activity Funds are an agency fund of the City. The Board of Education does not issue separate financial statements.

B. Basis of Presentation

1. Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government 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 legislation 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.

2. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds are as follows:

Major Governmental Funds: General Fund, General Purpose School Fund, and Education Capital Projects Fund

Major Proprietary Funds: Sewer Fund

Detailed descriptions of these funds are presented below.

3. 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, Federal Projects Fund, Nutrition Fund, Lakeland Extended Activities Program (“LEAP”) Fund and Discretionary Grants Fund. The special revenue funds also include the General Purpose School Fund which is 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. **Education Capital Projects Fund** – This fund accounts for the School's financing of major capital improvement projects and capital asset purchases.
- 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.

4. 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 in this fund 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. *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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 held by the trustee of the School OPEB Fund are included in cash and cash equivalents. Cash equivalents also include investments in the Local Government Investment Pool ("LGIP") due to the short-term nature of their maturity.

Investments, including other postemployment benefit investments held in fiduciary funds, are reported at fair value except for those investments in the Local Government Investment Pool ("LGIP"). The LGIP qualifies as a 2a7-like pool and is reported at amortized cost using a Stable Net Asset Value which approximates fair value.

Restricted investments consist of assets held in an irrevocable trust for future TCRS pension benefits.

2. Receivables

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

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

Property taxes receivable are recognized as of the date the City has an enforceable legal claim. Property taxes are reflected as revenues in the fiscal period for which they are levied, which is the subsequent fiscal year for the current fiscal year's assessment, provided they are received and collected within the current period or within 60 days following the fiscal year end (August 31). Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30. Delinquent taxes estimated to be collected subsequent to August 31 are included in the balance sheet as property taxes receivable and a deferred inflow of resources to reflect amounts that were not available as revenues at June 30, 2019. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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

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

6. Deferred outflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The City has qualifying items for reporting in this category. Deferred outflows of resources include those related to pension and other postemployment benefits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 sewer 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and Other Postemployment Benefits

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets and liabilities recorded at fair value in the statements of net position are categorized based on the level of judgment associated with the inputs used to measure their value. The three categories of level inputs are as follows: 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 for identical or similar assets or liabilities 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 implemented GASB Statement No. 82, *Certain Asset Retirement Obligations* which requires accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. As of June 30, 2019, the City of Lakeland has not identified asset retirement obligations that have been incurred.

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal year 2020. The City of Lakeland is currently evaluating the impact of GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of the Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements are effective for fiscal periods beginning after December 15, 2019, with early implementation encouraged. The City of Lakeland implemented the new standard as of June 30, 2019.

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, 2019, no expenditures exceeded appropriations.

C. Deficit fund equity

As of June 30, 2019, none of the funds had a deficit fund balance.

NOTE 3 – 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, 2019, all bank deposits were entirely insured by federal depository insurance and collateralized by the Bank Collateral Pool of the State of Tennessee.

Restricted Cash and Cash Equivalents

Restricted cash in the City's general fund represent various deposits to be refunded to customers in the future. Restricted cash in Lakeland School System's Capital Projects Fund represent deposits in the Local Government Investment Pool ("LGIP") that are restricted for school capital projects.

NOTE 4 – INVESTMENTS

Legal Provisions

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

The School is a member of the Tennessee Consolidated Retirement System (“TCRS”) Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by 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 trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member’s funds are restricted for the payment of retirement benefits of that member’s employees. Trust funds are not subject to the claims of general creditors of the School or City. The trust is authorized to make investments as directed by the TCRS Board of Trustees. The School may not impose restrictions on investments placed by the trust on their behalf.

In addition to investments allowed by the School, the fiduciary funds’ investment policies authorize investments in mutual funds, common stocks, and other equities.

A. *Primary Government Investments*

The Tennessee Local Government Investment Pool (“LGIP”) represents 100% of the primary government’s investments at June 30, 2019. These investments are reported at amortized cost which approximates fair value and are included as cash equivalents.

B. *Restricted Investments – TCRS Stabilization Reserve Trust*

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (“TRGT”). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool’s underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares. For further information concerning the School’s investments with the TCRS Stabilization Reserve Trust, audited financial statements of the TCRS may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advancedsearch/disclaimer/2019/ag18092.pdf>. The following table summarizes fair value disclosures and measurements for the School’s investments held by the TRGT on its behalf June 30, 2019:

Investments at Fair Value	Level 1	Level 2	Level 3	Total
U.S. equity	\$ 9,308	\$ -	\$ -	\$ 9,308
Developed market international equity	4,203	-	-	4,203
Emerging market international equity	1,201	-	-	1,201
U.S. fixed income	6,005	-	-	6,005
Short-term securities	300	-	-	300
Real estate	3,002	-	-	3,002
	24,019	-	-	24,019
<u>Investments at amortized cost using NAV</u>				
Private equity and strategic lending	-	-	-	6,005
Total restricted investments	\$ -	\$ -	\$ -	\$ 30,024

NOTE 4 – INVESTMENTS (CONTINUED)

C. Fiduciary Investments

The School administers one fiduciary fund, the OPEB Trust Fund, whose investments are held by a third party trustee bank. Additionally, the School utilizes an advisor to select appropriate investment choices. For the year ended June 30, 2019, investments held in fiduciary funds totaled \$1,076,554 and were held in mutual funds valued using Level 1 inputs.

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, 2019:

- *Short-term securities:* generally include investments in money market-type securities reported at cost plus accrued interest.
- *Equity and equity derivative securities:* Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are securities whose values are derived daily from associated traded securities. Level 3 are valued with last trade data having limited trading volume.
- *US Treasury Bills, Bonds, Notes and Futures:* Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.
- *Real estate investments:* Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.
- *Private mutual funds, traditional private equity funds, strategic lending funds and real estate funds:* Those funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter’s NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

Risks and Uncertainties – The fiduciary fund trust’s and TRGT’s investments include various types of investment funds, which in turn invest in any combination of stock, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School does not have the ability to limit TRGT investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City and School 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 and School 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.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the investment in a single issuer. The School places no limit on the amount the TRGT may invest in one issuer. The City and School have adopted the investment policy established by TCA 6-5-106 for investments other than those held for Pension and OPEB benefits. The School diversifies its fiduciary fund investment portfolios so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. The School had no investments that comprised more than 5% of its total investments at June 30, 2019.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investments in the LGIP are held by the State Treasury, not in the name of the City. The third party bank is also a participant in the State collateral pool. Pursuant to the trust agreements, investments are held in the TRGT and each fiduciary trust are for the benefit of the School to pay retirement benefits of their respective employees.

Interest Rate Risk – The School manages its exposure to declines in fair value by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The School 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.

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund balances as of June 30, 2019, is as follows:

	<u>Due from Other Fund</u>	<u>Due to Other Funds</u>
Major Funds		
General Purpose School Fund		
Federal Projects Fund	\$ 99,478	\$ -
Discretionary Grants Fund	<u>2,573</u>	<u>-</u>
	102,051	-
Nonmajor Funds		
Federal Projects Fund		
General Purpose School Fund	\$ -	\$ 99,478
Discretionary Grants Fund		
General Purpose School Fund	<u>-</u>	<u>2,573</u>
	<u>\$ 102,051</u>	<u>\$ 102,051</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.

NOTE 5 – INTERFUND TRANSACTIONS

The composition of interfund transfers for the year ended June 30, 2019 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds		
General Fund		
General Purpose School Fund	\$ -	\$ 530,150
State Street Aid Fund	-	670,804
Debt Service Fund	-	2,626,131
	<u>-</u>	<u>3,827,085</u>
General Purpose School Fund		
General Fund	530,150	440,000
Federal Projects Fund	274	-
Discretionary Grants Fund	981	-
	<u>531,405</u>	<u>440,000</u>
Education Capital Projects Fund		
General Purpose School Fund	440,000	-
Total major funds	<u>971,405</u>	<u>4,267,085</u>
Nonmajor Funds		
State Street Aid Fund		
General Fund	670,804	-
Debt Service Fund		
General Fund	2,626,131	-
Federal Projects Fund		
General Purpose School Fund	-	274
Discretionary Grants Fund		
General Purpose School Fund	-	981
Total nonmajor funds	<u>3,296,935</u>	<u>1,255</u>
	<u>\$ 4,268,340</u>	<u>\$ 4,268,340</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.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 8,290,943	\$ -	\$ -	\$ 8,290,943
Construction in progress	3,752,751	6,684,450	-	10,437,201
Total capital assets, not being depreciated	<u>12,043,694</u>	<u>6,684,450</u>	<u>-</u>	<u>18,728,144</u>
Capital assets, being depreciated:				
Buildings and improvements	34,647,429	210,307	(213,542)	34,644,194
Other improvements	4,792,599	213,542	-	5,006,141
Machinery and equipment	3,861,394	289,527	(62,175)	4,088,746
Vehicles	288,700	-	(25,380)	263,320
Infrastructure	66,270,965	1,826,978	-	68,097,943
Total capital assets, being depreciated	<u>109,861,087</u>	<u>2,540,354</u>	<u>(301,097)</u>	<u>112,100,344</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,720,100)	(923,696)	-	(3,643,796)
Other improvements	(3,468,675)	(274,644)	-	(3,743,319)
Machinery and equipment	(1,499,176)	(254,997)	21,983	(1,732,190)
Vehicles	(181,514)	(43,910)	25,380	(200,044)
Infrastructure	(50,322,539)	(1,776,378)	-	(52,098,917)
Total accumulated depreciation	<u>(58,192,004)</u>	<u>(3,273,625)</u>	<u>47,363</u>	<u>(61,418,266)</u>
Total capital assets, being depreciated, net	<u>51,669,083</u>	<u>(733,271)</u>	<u>(253,734)</u>	<u>50,682,078</u>
Governmental activities capital assets, net	<u>\$ 63,712,777</u>	<u>\$ 5,951,179</u>	<u>\$ (253,734)</u>	<u>\$ 69,410,222</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 75,360	\$ -	\$ -	\$ 75,360
Construction in progress	190,243	138,059	(7,200)	321,102
Total capital assets, not being depreciated	<u>265,603</u>	<u>138,059</u>	<u>(7,200)</u>	<u>396,462</u>
Capital assets, being depreciated:				
Buildings and improvements	10,499,269	-	-	10,499,269
Other improvements	8,379,911	925,721	-	9,305,632
Machinery and equipment	489,562	27,392	-	516,954
Total capital assets, being depreciated	<u>19,368,742</u>	<u>953,113</u>	<u>-</u>	<u>20,321,855</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,933,328)	(262,588)	-	(3,195,916)
Other improvements	(3,138,418)	(172,163)	-	(3,310,581)
Machinery and equipment	(216,981)	(66,292)	-	(283,273)
Total accumulated depreciation	<u>(6,288,727)</u>	<u>(501,043)</u>	<u>-</u>	<u>(6,789,770)</u>
Total capital assets, being depreciated, net	<u>13,080,015</u>	<u>452,070</u>	<u>-</u>	<u>13,532,085</u>
Business-type activities capital assets, net	<u>\$ 13,345,618</u>	<u>\$ 590,129</u>	<u>\$ (7,200)</u>	<u>\$ 13,928,547</u>

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:		
General government	\$	230,645
Public works		1,940,167
Parks and recreation		66,024
Education		1,036,789
Total depreciation expense - governmental activities	\$	<u>3,273,625</u>
Business-Type Activities:		
Sewer	\$	<u>501,043</u>

Construction and other significant commitments

The government has active construction projects as of June 30, 2019. At year end the government's commitments with contractors are approximately as follows:

Project	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
City construction		
Canada Road	\$ 3,415,000	\$ 107,000
Canada Road Bike Path	105,000	82,000
Education construction		
Lakeland Middle School Athletic Complex	4,165,000	-
Lakeland Elementary School addition	2,707,000	1,460,000
	<u>\$ 10,392,000</u>	<u>\$ 1,649,000</u>

NOTE 7 – 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.

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

Debt outstanding as of June 30, 2019 consisted of the following:

	Interest Rates	Maturity Date	Original Issue	Outstanding at Year End
Governmental activities:				
TN Municipal League Notes				
Series 2001	2.07*	2024	\$ 3,500,000	\$ 852,095
Series 2008	2.07*	2030	4,500,000	2,951,000
			<u>8,000,000</u>	<u>3,803,095</u>
G.O. Capital Outlay Note				
Series 2015	2.0-5.0	2028	20,000,000	15,805,000
Construction Loan	1.89	2040	1,725,000	1,490,397
			<u>\$ 29,725,000</u>	<u>\$ 21,098,492</u>
Business-type activities:				
TN Municipal League Notes				
Series 2005	2.07*	2026	\$ 11,000,000	\$ 4,466,000

*Variable rate Tennessee Municipal Bond Fund loan rate for June 30, 2019 was 2.07%

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
2020	\$ 1,932,705	\$ 866,451	\$ 565,000	\$ 92,446
2021	2,030,988	791,058	588,000	80,751
2022	2,095,188	730,229	612,000	68,579
2023	2,169,507	646,362	636,000	55,911
2024	2,055,660	555,754	661,000	42,746
2025-2029	9,661,860	1,275,325	1,404,000	43,884
2030-2034	718,804	63,342	-	-
2035-2039	426,204	21,516	-	-
2040	7,576	12	-	-
	<u>\$ 21,098,492</u>	<u>\$ 4,950,049</u>	<u>\$ 4,466,000</u>	<u>\$ 384,317</u>

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

2. Settlement Liability

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

Years Ending June 30	Amount
2020	\$ 56,337
2021	56,337
2022	56,337
2023	56,337
2024	56,337
2025-2026	112,674
Total payments	394,359
Less amount representing interest	(7,788)
	<u>\$ 386,571</u>

3. Capital Leases

The City has entered into several other lease agreements on behalf of the Schools for financing the acquisition of computer equipment to be used in the classrooms. The scheduled minimum lease payment under the agreements includes interest ranging from 2.49% to 5.24%.

The cumulative amount of assets acquired under all capital leases amounted to approximately \$374,000. Capital leases obligations outstanding under the agreements are as follows:

	Interest Rates	Maturity Date	Original Issue	Outstanding at Year End
Governmental activities:				
Capital Lease 2018	5.24	2021	\$ 269,940	\$ 136,380
Capital Lease 2019	2.49	2021	103,482	68,560
			<u>\$ 373,422</u>	<u>\$ 204,940</u>

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

Years Ending June 30	Amount
2020	\$ 108,749
2021	109,754
Total payments	218,503
Less amount representing interest	(13,563)
	<u>\$ 204,940</u>

NOTE 7 – LONG-TERM LIABILITIES (CONTINUED)

4. Changes in long-term liabilities

A summary of long-term liability activity, including debt, for the year ended June 30, 2019 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	\$ 4,208,095	\$ -	\$ (405,000)	\$ 3,803,095	\$ 421,000
Capital outlay notes	17,230,000	-	(1,425,000)	15,805,000	1,455,000
Construction loan	1,127,632	364,001	(1,236)	1,490,397	56,705
Settlement obligation	450,696	-	(56,337)	394,359	54,400
Capital lease payable	228,401	103,482	(126,943)	204,940	65,918
Unamortized premiums	1,917,070	-	(206,122)	1,710,948	-
Total long-term debt	25,161,894	467,483	(2,220,638)	23,408,739	2,053,023
Compensated absences	88,516	20,113	(33,160)	75,469	47,325
Net pension liability*	6,607	43,987	-	50,594	-
Net OPEB liability*	2,669,562	-	(180,792)	2,488,770	-
	<u>\$ 27,926,579</u>	<u>\$ 531,583</u>	<u>\$ (2,434,590)</u>	<u>\$ 26,023,572</u>	<u>\$ 2,100,348</u>
Business-type activities:					
Revenue notes payable	\$ 5,010,000	\$ -	\$ (544,000)	\$ 4,466,000	\$ 565,000
Net pension liability*	-	5,982	-	5,982	-
	<u>\$ 5,010,000</u>	<u>\$ 5,982</u>	<u>\$ (544,000)</u>	<u>\$ 4,471,982</u>	<u>\$ 565,000</u>

*net increase (decrease) shown

For governmental activities, net pension liability, net OPEB liability, and compensated absences are generally liquidated by the general fund and general purpose school fund. Unspent bond proceeds at June 30, 2019 totaled \$996,109 and will be used to finance the construction and improvements of the middle school.

5. Subsequent event

On November 4, 2019, the City's Board of Commissioners approved Resolution 2019/11-01 authorizing the issuance of a General Obligation Bond Anticipation Note ("BAN") in an amount not to exceed \$45 million. The BAN is for an initial planned term of 3 years and is expected to be repaid on an interest-only basis until maturity. The BAN will ultimately be repaid with proceeds from authorized and approved General Obligation Bonds issued to the United States Department of Agriculture. Proceeds from the BAN will be used primarily to fund the construction of a new high school facility for the Lakeland School System.

NOTE 8 – FUND BALANCES BY PURPOSE

Following is more detailed information on the governmental fund balances:

	General Fund	General Purpose School Fund	Capital Projects Fund	Other Governmental Funds	Total
Nonspendable for:					
Prepaid expenditures	\$ 69,998	\$ -	\$ -	\$ -	\$ 69,998
Restricted for:					
Education capital projects	-	-	996,109	-	996,109
Solid waste	-	-	-	1,031,181	1,031,181
Storm water	-	-	-	144,138	144,138
Education	-	-	-	577,270	577,270
Stabalization reserve trust	-	30,024	-	-	30,024
Total restricted fund balance	<u>-</u>	<u>30,024</u>	<u>996,109</u>	<u>1,752,589</u>	<u>2,778,722</u>
Committed for:					
Park acquisition	525,935	-	-	-	525,935
Education	495,126	-	-	-	495,126
Major roads	66,549	-	-	-	66,549
State street aid	-	-	-	299,993	299,993
Debt service	-	-	-	80,347	80,347
Total committed fund balance	<u>1,087,610</u>	<u>-</u>	<u>-</u>	<u>380,340</u>	<u>1,467,950</u>
Assigned to:					
Parks - Athletic Complex	214,835	-	-	-	214,835
Education	-	6,136,225	-	-	6,136,225
	<u>214,835</u>	<u>6,136,225</u>	<u>-</u>	<u>-</u>	<u>6,351,060</u>
Unassigned					
Total fund balances	<u>8,778,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,778,081</u>
	<u>\$ 10,150,524</u>	<u>\$ 6,166,249</u>	<u>\$ 996,109</u>	<u>\$ 2,132,929</u>	<u>\$ 19,445,811</u>

NOTE 9 – 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. Public Employee Retirement Plan of TCRS (“Classified Plan”) – Certain employees of the City of Lakeland and 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.
- II. Teacher Legacy Pension Plan of TCRS (“School Certified 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.
- III. Teacher Retirement Plan of TCRS (“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				
Classified Plan	\$ -	\$ 309,163	\$ 50,594	\$ 117,231
School Certified Plan	557,457	1,692,862	-	873,379
School Hybrid Plan	71,918	38,675	-	32,255
Total governmental activities	<u>\$ 629,375</u>	<u>\$ 2,040,700</u>	<u>\$ 50,594</u>	<u>\$ 1,022,865</u>
Business-type Activities				
Classified Plan	<u>\$ -</u>	<u>\$ 32,280</u>	<u>\$ 5,982</u>	<u>\$ 13,863</u>

NOTE 9 – PENSIONS (CONTINUED)

A. General Information about the Pension Plans

Benefits Provided

Under the Classified Plan and School Certified Plan, members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. A reduced early retirement benefit is available at age 55 and vested. Under the School Hybrid Plan, members are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member’s age and service credit total 90. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80.

Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Additionally, under the School Certified Plan and School Hybrid Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms

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

	Classified Plan
Inactive employees or beneficiaries currently receiving benefits	11
Inactive employees entitled to but not yet receiving benefits	16
Active employees	23
	<u>50</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or, for the School Hybrid Plan, by automatic cost controls set by law. Employees contribute 5 percent of salary. The City and School make employer contributions at the rate set by the Board of Commissioners as determined by an actuarial valuation. By law, employer contributions to each plan are required to be paid. TCRS may intercept the City’s state shared taxes if the required employer contributions are not remitted. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability. Per the statutory provisions governing TCRS, the employer contribution rate for the School Hybrid Plan cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached. Employer contributions to each plan for the year ended June 30, 2019 were as follows:

	Classified Plan	School Certified Plan	School Hybrid Plan
Employer contributions	\$ 76,290	\$ 644,686	\$ 29,729
Covered payroll	846,528	6,163,343	1,532,436
As a percentage of covered payroll	9.01%	10.46%	1.94%

NOTE 9 – PENSIONS (CONTINUED)

B. Actuarial Assumptions for each TCRS Plan

The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Cost-of-Living Adjustment	2.25%
Mortality rates	Actual experience including an adjustment for anticipated movement

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Investment Policy

The long-term expected rate of return on pension plan investments were established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projects and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

NOTE 9 – PENSIONS (CONTINUED)

C. Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS plan was measured as of June 30, 2018, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date. The components of the net pension liability for the agent plans at June 30, 2019 are as follows:

	Agent Plans	Cost-Sharing Plans	
	Classified Plan	School Certified Plan	School Hybrid Plan
Total Pension Liability			
Service cost	\$ 102,416		
Interest	148,324		
Changes of benefit items	-		
Differences between expected and actual experience	248,675		
Changes in assumptions	-		
Benefit payments, including refunds	<u>(72,988)</u>		
Net change in total pension liability	426,427		
Total pension liability - beginning	<u>1,979,924</u>		
Total pension liability - ending	<u>2,406,351</u>		
Plan Fiduciary Net Position			
Contributions - employer	\$ 87,400		
Contributions - employee	49,878		
Net investment income	177,719		
Benefit payments	(72,988)		
Administrative expense	<u>(2,251)</u>		
Net change in plan fiduciary net position	239,758		
Plan fiduciary net position - beginning	<u>2,110,017</u>		
Plan fiduciary net position -ending	<u>2,349,775</u>		
Net pension liability (asset)	<u>\$ 56,576</u>		
Proportionate share of net pension liability (asset)		<u>\$ (557,457)</u>	<u>\$ (71,918)</u>
Proportionate share at June 30, 2018 measurement date		0.158417%	0.158576%
Proportionate share at June 30, 2017 measurement date		0.112938%	0.055238%

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

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

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

	1% Decrease	Current Rate	1% Increase
Net pension liability (asset)			
Classified Plan	\$ 406,868	\$ 56,576	\$ (222,798)
Proportionate share of the net pension liability (asset)			
School Certified Plan	\$ 4,297,229	\$ (557,457)	\$ (4,574,033)
School Hybrid Plan	11,119	(71,918)	(133,097)

NOTE 9 – PENSIONS (CONTINUED)

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

For the year ended June 30, 2019, the City reported pension expense, deferred outflows of resources, and deferred inflows of resources related to each plan from the following sources:

	Classified Plan	School Certified Plan	School Hybrid Plan
Pension Expense (Negative Pension Expense)	\$ 69,638	\$ 94,224	\$ 22,562
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 234,684	\$ 112,681	\$ 4,073
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in Assumptions	30,469	329,237	3,393
Changes in proportion of net pension liability (asset)	-	606,258	1,480
Contributions subsequent to the measurement date of June 30, 2017	76,290	644,686	29,729
Total	<u>\$ 341,443</u>	<u>\$ 1,692,862</u>	<u>\$ 38,675</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ 118,549	\$ 752,053	\$ 2,865
Net difference between projected and actual earnings on pension plan investments	12,545	121,326	4,062
Changes in Assumptions	-	-	-
Changes in proportion of net pension liability (asset)	-	-	25,328
	<u>\$ 131,094</u>	<u>\$ 873,379</u>	<u>\$ 32,255</u>

The amounts shown above for “Contributions subsequent to the measurement date of June 30, 2018,” 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:

	Classified Plan	School Certified Plan	School Hybrid Plan
2020	\$ 45,622	\$ 368,715	\$ (2,525)
2021	31,279	75,773	(2,654)
2022	711	(249,168)	(3,233)
2023	15,000	(20,523)	(2,171)
2024	41,447	-	(1,630)
Thereafter	-	-	(11,096)

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

NOTE 10 – DEFINED CONTRIBUTION EMPLOYEE BENEFIT PLAN

School Hybrid Plan 401(k) Portion

The School Hybrid Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Hybrid Plan is managed by TCRS. The defined contribution assets are deposited into the State’s 401(k) plan where the employee manages the investments within the 401(k) plan. Enrolled employees may, at their option, contribute 2% of their salaries and employers are required to contribute 5% of those salaries to the defined contribution (401(k)) portion of the Hybrid Plan. Contributions are made on a tax-deferred basis. Employees are immediately vested in contributions. During 2019, the School’s employer contribution to the Hybrid Plan was \$128,366.

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 2019, the City and School contributed \$37,004 and \$133,894, respectively, to the plan.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)

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

A. General Information about the OPEB Plan

Benefits Provided

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

Employees Covered by Benefit Terms

Plan membership as of the actuarial valuate date of June 30, 2018 consisted of the following:

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

Contributions

Lakeland School System’s intent, at a minimum, is to partially fund the annual required contribution at \$200,000 per year and pay for the pay-as-you-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, 2019, employer contributions to the plan were \$402,183 which exceeded the actuarially determined contribution for the plan of \$366,572 by \$35,611.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

B. Actuarial Assumptions

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

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018 using the entry age normal level percent of pay, actuarial cost method applied to all period included in the measurement and rolled forward to the measurement date of June 30, 2019 on a “no loss/no gain” basis. Significant actuarial assumptions used in the valuation include:

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

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, 2019, was not available from other auditors as of the date of this report.

It is the policy of the TSBA OPEB Trust Board to pursue an investment strategy that reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future rates of return are developed for each major asset class. These expected future rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2019 as summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
US equity	42%	9.36%
Developed market international equity	18%	7.78%
Emerging market international equity	5%	11.40%
Fixed income	35%	4.69%
	100%	7.55%

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments was 7.32 percent. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

Discount Rate Information

The discount rate used in valuing OPEB liabilities in funded plans as of the measurement date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that they are sufficient to pay for projected benefit payments and the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used. The final equivalent single discount rate as of June 30, 2019 is 7.5% with the assumption that Lakeland School System will eventually pay the pay-go costs out of the OPEB Trust at the time the Trust is expected to be sufficient to finance all future benefit payments.

C. Net OPEB Liability

The components of the School's net OPEB liability based on a measurement date of June 30, 2019 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Beginning of year	\$ 3,334,008	\$ 664,446	\$ 2,669,562
Changes for the year:			
Service cost	189,121	-	189,121
Interest	263,050	-	263,050
Changes of benefit terms	-	-	-
Changes in assumptions	-	-	-
Differences between expected and actual experience	(170,827)	-	(170,827)
Contributions - employer	-	403,075	(403,075)
Contributions - employees	-	15,233	(15,233)
Net investment income	-	63,012	(63,012)
Benefit payments	(32,183)	(48,308)	16,125
Administrative expenses	-	(3,059)	3,059
Net changes	249,161	429,953	(180,792)
End of year	\$ 3,583,169	\$ 1,094,399	\$ 2,488,770

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

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

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ 3,002,874	\$ 2,488,770	\$ 2,062,782

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

The following presents the School's net OPEB liability (asset) calculated using the healthcare cost trend initial rate of 8.5% decreasing by 0.5% annually to an ultimate rate of 5.0% as well as what the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower, 7.5% decreasing to 4.0%, or 1-percentagepoint higher, 9.5% to 6.0%, than the current rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB liability (asset)	\$ 2,012,767	\$ 2,488,770	\$ 3,079,271

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

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, 2019, the School recognized OPEB expense of \$384,336.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2019, 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	\$ 60,956	\$ 221,936
Changes in assumptions	137,667	75,800
Net difference between projected and actual earnings on OPEB plan investments	2,651	-
Total	<u>\$ 201,274</u>	<u>\$ 297,736</u>

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

2020	\$ (8,204)
2021	(8,283)
2022	(6,226)
2023	(8,661)
2024	(8,507)
Thereafter	(56,581)

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

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (CONTINUED)

E. Trusted OPEB Plans without Stand-Alone Financial Statements

The School OPEB plan does not issue stand-alone financial reports and they are not included in the report of a public employee retirement system or report of another entity. The plan financial statements are as follows:

<u>Statement of OPEB Trust Net Position</u>	
ASSETS	
Cash and cash equivalents	\$ 17,845
Investments	
Mutual funds	<u>1,076,554</u>
Total assets	<u>1,094,399</u>
NET POSITION	
Restricted for OPEB	<u>\$ 1,094,399</u>
 <u>Statement of Changes in OPEB Plan Net Position</u>	
ADDITIONS	
Contributions:	
Employer	\$ 403,075
Plan members	<u>15,233</u>
Total contributions	<u>418,308</u>
Investment earnings (losses):	
Interest and dividends	36,857
Net appreciation in fair value of investments	<u>26,155</u>
Total investment earnings	<u>63,012</u>
Total additions	<u>481,320</u>
DEDUCTIONS	
Premiums	48,308
Administrative expense	<u>3,059</u>
Total deductions	<u>51,367</u>
 Change in net position	 429,953
NET POSITION RESTRICTED FOR OPEB	
Beginning of year	<u>664,446</u>
End of year	<u>\$ 1,094,399</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Shelby County Trustee

The City has contracted with the Shelby County Trustee (the "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

Legal proceedings against the City, many of which normally recur in governmental operations, can arise periodically. City officials are not aware of any future legal contingencies to record on the financial statements as of June 30, 2019.

NOTE 13 - RISK MANAGEMENT

Insurance Other Than Health Insurance

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 Public Entity Partners Risk Management Pool (the "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 Pool provides traditional underwriting, reinsurance, claims processing and loss control services. Unlike commercial insurance, the 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 pool is subject to assessment if the funds it paid as premiums are insufficient to meet the obligations of the pool. The pool may reinsure through the Local Government Reinsurance Fund of Tennessee or a commercial insurance company.

The School continues to carry commercial insurance through Public Risk Insurers for all purposes. The City continues to carry commercial insurance for all other risks of loss, including certain general liability and property and casualty insurance. The City has replacement cost insurance, including earthquake coverage, on all buildings and on mobile equipment and vehicles costing more than \$25,000 each. The City and School have not incurred any losses in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Health Insurance

The City and School 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. 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, 2019, the City and the School contributed premiums of \$291,296 and \$1,016,110, respectively to the Interlocal Health Benefits Plan Asset Trust.

REQUIRED SUPPLEMENTARY INFORMATION

**LAKELAND SCHOOL SYSTEM BOARD OF EDUCATION AND CITY OF LAKELAND
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
PUBLIC EMPLOYEE RETIREMENT PLAN (TCRS AGENT PLAN)**

Last Ten Fiscal Years June 30

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 102,416	\$ 101,316	\$ 124,091	\$ 135,266	\$ 83,026
Interest	148,324	148,127	135,255	125,255	103,834
Changes of benefit items	-	-	-	-	-
Differences between expected and actual experience	248,675	(158,858)	7,978	(44,512)	95,059
Changes in assumptions	-	47,157	-	-	-
Benefit payments	(72,988)	(63,051)	(82,795)	(60,195)	(36,900)
Net change in total pension liability	426,427	74,691	184,529	155,814	245,019
Total pension liability - beginning	1,979,924	1,905,233	1,720,704	1,564,890	1,319,871
Total pension liability - ending	2,406,351	1,979,924	1,905,233	1,720,704	1,564,890
Plan Fiduciary Net Position					
Contributions - employer	87,400	85,193	93,608	101,218	94,211
Contributions - employee	49,878	49,531	54,424	58,405	54,773
Net investment income	177,719	211,247	46,404	49,863	216,838
Benefit payments	(72,988)	(63,051)	(82,795)	(60,195)	(36,900)
Administrative expense	(2,251)	(2,121)	(2,129)	(1,797)	(862)
Net change in plan fiduciary net position	239,758	280,799	109,512	147,494	328,060
Plan fiduciary net position - beginning	2,110,017	1,829,218	1,719,706	1,572,212	1,244,152
Plan fiduciary net position -ending	2,349,775	2,110,017	1,829,218	1,719,706	1,572,212
Net pension liability (asset)	\$ 56,576	\$ (130,093)	\$ 76,015	\$ 998	\$ (7,322)
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.65%	106.57%	96.01%	99.94%	100.47%
Covered payroll	\$ 997,556	\$ 990,620	\$ 1,088,473	\$ 1,176,953	\$ 1,095,479
Net pension liability (asset) as a percentage of covered payroll	5.67%	-13.13%	6.98%	0.08%	-0.67%

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

NOTE 1 - CHANGES OF ASSUMPTIONS

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

LAKELAND SCHOOL SYSTEM BOARD OF EDUCATION AND CITY OF LAKELAND
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEE RETIREMENT PLAN (TCRS AGENT PLAN)
 Last Ten Fiscal Years June 30

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 56,433	\$ 87,400	\$ 69,682	\$ 93,608	\$ 101,218	\$ 94,211
Contributions	<u>76,290</u>	<u>87,400</u>	<u>69,682</u>	<u>93,608</u>	<u>101,218</u>	<u>94,211</u>
Contribution deficiency (excess)	<u>\$ (19,857)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 846,528	\$ 997,556	\$ 990,620	\$ 1,088,473	\$ 1,176,953	\$ 1,095,479
Contributions as a percentage of covered payroll	9.01%	8.76%	7.03%	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 2019 were calculated based on the June 30, 2017 actuarial valuation.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation method	10 year smoothed with a 20% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, 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	2.25%

NOTE 3 - CHANGES OF ASSUMPTIONS

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

LAKELAND SCHOOL SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER LEGACY PENSION PLAN (CERTIFIED TCRS PLAN)
Last Ten Fiscal Years June 30

	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.158417%	0.112938%	0.100034%	0.908630%	0.217500%
Proportionate share of the net pension liability (asset)	\$ (557,457)	\$ (36,950)	\$ 625,158	\$ 37,221	\$ (353)
Covered payroll	\$ 5,547,257	\$ 3,904,255	\$ 3,611,030	\$ 3,401,445	\$ 85,374
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-10.05%	-0.95%	17.31%	1.09%	-0.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.49%	100.14%	97.14%	99.81%	100.08%

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

LAKELAND SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
TEACHER LEGACY PENSION PLAN (CERTIFIED TCRS PLAN)
Last Ten Fiscal Years June 30

	2019	2018	2017	2016	2015	2014
Contractually required	\$ 644,686	\$ 503,691	\$ 360,905	\$ 326,437	\$ 307,490	\$ 7,581
Contribution in relation to the contractually required contribution	<u>644,686</u>	<u>503,691</u>	<u>360,905</u>	<u>326,437</u>	<u>307,490</u>	<u>7,581</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 6,163,343	\$ 5,547,257	\$ 3,904,255	\$ 3,611,030	\$ 3,401,445	\$ 85,374
Contributions as a percentage of covered payroll	10.46%	9.08%	9.24%	9.04%	9.04%	8.88%

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

NOTE 1 - CHANGES OF ASSUMPTIONS

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

LAKELAND SCHOOL SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER RETIREMENT PENSION PLAN (TCRS HYBRID PLAN)
Last Ten Fiscal Years June 30

	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.158576%	0.055238%	0.069721%	0.057412%
Proportionate share of the net pension liability (asset)	\$ (71,918)	\$ (14,573)	\$ (7,258)	\$ (2,309)
Covered payroll	\$ 1,385,759	\$ 450,602	\$ 306,781	\$ 119,286
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-5.19%	-3.23%	-2.37%	-1.94%
Plan fiduciary net position as a percentage of the total pension liability	126.97%	126.81%	121.88%	127.46%

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

LAKELAND SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
TEACHER RETIREMENT PENSION PLAN (TCRS HYBRID PLAN)
Last Ten Fiscal Years June 30

	2019	2018	2017	2016	2015
Contractually required	\$ 29,729	\$ 22,598	\$ 14,502	\$ 7,679	\$ 2,982
Contribution in relation to the contractually required contribution	<u>29,729</u>	<u>55,430</u>	<u>14,502</u>	<u>12,271</u>	<u>4,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (32,832)</u>	<u>\$ -</u>	<u>\$ (4,592)</u>	<u>\$ (1,789)</u>
Covered payroll	\$ 1,532,436	\$ 1,385,759	\$ 450,602	\$ 306,781	\$ 119,286
Contributions as a percentage of covered payroll*	1.94%	4.00%	3.22%	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.

* In FY 2019, the School Department placed the actuarially determined contribution rate (1.94%) of covered employee payroll into the pension plan and placed 2.06% of covered employee payroll into the Pension Stabilization Reserve Trust.

NOTE 1 - CHANGES OF ASSUMPTIONS

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

LAKELAND SCHOOL SYSTEM
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30

	2019	2018	2017	2016
Total OPEB Liability				
Service cost	\$ 189,121	\$ 112,708	\$ 104,359	\$ 12,471
Interest	263,050	204,813	183,967	45,368
Changes of benefit items	-	219,591	-	1,910,502
Differences between expected and actual experience	(170,827)	76,196	-	(99,959)
Changes in assumptions	-	172,083	-	(113,700)
Benefit payments	(32,183)	(22,656)	(32,649)	(12,134)
Net change in total OPEB liability	249,161	762,735	255,677	1,742,548
Total OPEB liability - beginning	3,334,008	2,571,273	2,315,596	573,048
Total OPEB liability - ending	3,583,169	3,334,008	2,571,273	2,315,596
Plan Fiduciary Net Position				
Contributions - employer	402,183	377,156	128,500	99,869
Contributions - employer pay-go	15,233	-	32,649	12,134
Net investment income	64,059	24,583	25,907	5,683
Benefit payments	(47,416)	(22,656)	(32,649)	(12,134)
Administrative expense	(3,658)	(1,391)	(653)	-
Net change in plan fiduciary net position	430,401	377,692	153,754	105,552
Plan fiduciary net position - beginning	663,998	286,306	132,552	27,000
Plan fiduciary net position -ending	1,094,399	663,998	286,306	132,552
Net OPEB liability (asset)	\$ 2,488,770	\$ 2,670,010	\$ 2,284,967	\$ 2,183,044
Plan fiduciary net position as a percentage of the total OPEB liability	30.54%	19.92%	11.13%	5.72%
Covered payroll	\$ 5,306,108	\$ 5,184,986	\$ 3,300,603	\$ 3,204,469
Net OPEB liability as a percentage of covered payroll	46.90%	51.50%	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.

**LAKELAND SCHOOL SYSTEM
SCHEDULE OF CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 366,572	\$ 257,746	\$ 240,597	\$ 67,209	\$ 74,970
Contributions	402,183	377,156	128,500	99,869	27,000
Contribution deficiency (excess)	<u>\$ (35,611)</u>	<u>\$ (119,410)</u>	<u>\$ 112,097</u>	<u>\$ (32,660)</u>	<u>\$ 47,970</u>
Covered payroll	\$ 5,306,108	\$ 5,184,986	\$ 3,300,603	\$ 3,204,469	N/A
Contributions as a percentage of covered payroll	7.58%	7.27%	3.89%	3.12%	N/A

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

NOTE 1 - VALUATION DATE

June 30, 2018 with liabilities actuarially rolled forward to the June 30, 2019 measurement date on a "no loss/no gain" basis.

NOTE 2 - METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Asset valuation method	Market value
Inflation	3.0%
Healthcare cost trend rates	Pre-65 benefits - 8.5% initial, decreasing by 0.5% annually to an ultimate rate of 5.0% for FY2026 Post-65 benefits - 6.5% initial, decreasing by 0.5% annually to an ultimate rate of 5.0% for FY2022
Salary increases	Graded salary ranges from 7.5% to 3.7% based on age, including inflation
Investment rate of return	7.5%, net of investment expenses, including inflation
Mortality	SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017

LAKELAND SCHOOL SYSTEM
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN
OTHER POSTEMPLOYMENT BENEFIT PLAN
Last Ten Fiscal Years June 30

	Annual Money-Weighted Rate of Return <u>Net of Investment Expenses</u>
2019	7.32%
2018	6.25%
2017	14.10%
2016	-2.12%

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

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF LAKELAND, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	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	\$ 234,632	\$ 132,899	\$ 1,019,120	\$ 21,147	\$ 202,768	\$ -	\$ 347,368	\$ 80,347	\$ 2,038,281
Receivables									
Grants	-	-	-	160,523	-	7,242	-	-	167,765
Other	-	-	-	-	52	-	-	-	52
Due from other governments	75,456	15,477	102,799	-	-	-	-	-	193,732
Total assets	\$ 310,088	\$ 148,376	\$ 1,121,919	\$ 181,670	\$ 202,820	\$ 7,242	\$ 347,368	\$ 80,347	\$ 2,399,830
LIABILITIES									
Accounts payable and accrued liabilities	\$ 8,001	\$ 3,811	\$ 89,784	\$ 24,880	\$ -	\$ -	\$ 29	\$ -	\$ 126,505
Accrued payroll	2,094	427	954	18,961	-	4,669	236	-	27,341
Due to other funds	-	-	-	99,478	-	2,573	-	-	102,051
Unearned revenue	-	-	-	-	11,004	-	-	-	11,004
Total liabilities	10,095	4,238	90,738	143,319	11,004	7,242	265	-	266,901
FUND BALANCES									
Restricted	-	144,138	1,031,181	38,351	191,816	-	347,103	-	1,752,589
Committed	299,993	-	-	-	-	-	-	80,347	380,340
Total fund balances	299,993	144,138	1,031,181	38,351	191,816	-	347,103	80,347	2,132,929
Total liabilities, deferred inflows of resources and fund balances	\$ 310,088	\$ 148,376	\$ 1,121,919	\$ 181,670	\$ 202,820	\$ 7,242	\$ 347,368	\$ 80,347	\$ 2,399,830

CITY OF LAKELAND, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	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 - state gas tax	\$ 438,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 438,663
Charges for services	-	191,663	1,258,728	-	278,707	-	294,958	-	2,024,056
Federal, state, and local grants	9,235	-	-	877,542	163,180	131,000	-	-	1,180,957
Interest on investments	-	-	-	-	-	-	-	78	78
Total revenues	<u>447,898</u>	<u>191,663</u>	<u>1,258,728</u>	<u>877,542</u>	<u>441,887</u>	<u>131,000</u>	<u>294,958</u>	<u>78</u>	<u>3,643,754</u>
EXPENDITURES									
Current									
Public works	1,490,910	262,127	1,164,455	-	-	-	-	-	2,917,492
Education	-	-	-	882,375	370,587	131,000	195,497	-	1,579,459
Debt Service									
Principal	-	-	-	-	-	-	-	1,884,128	1,884,128
Interest and fiscal charges	-	-	-	-	-	-	-	913,029	913,029
Total expenditures	<u>1,490,910</u>	<u>262,127</u>	<u>1,164,455</u>	<u>882,375</u>	<u>370,587</u>	<u>131,000</u>	<u>195,497</u>	<u>2,797,157</u>	<u>7,294,108</u>
Excess (deficiency) of revenues over (under) expenditures	(1,043,012)	(70,464)	94,273	(4,833)	71,300	-	99,461	(2,797,079)	(3,650,354)
OTHER FINANCING SOURCES (USES)									
Transfers in	670,804	-	-	-	-	-	-	2,626,131	3,296,935
Transfers out	-	-	-	(274)	-	(981)	-	-	(1,255)
Total other financing sources and uses	<u>670,804</u>	<u>-</u>	<u>-</u>	<u>(274)</u>	<u>-</u>	<u>(981)</u>	<u>-</u>	<u>2,626,131</u>	<u>3,295,680</u>
Net change in fund balances	(372,208)	(70,464)	94,273	(5,107)	71,300	(981)	99,461	(170,948)	(354,674)
Fund balances - beginning	672,201	214,602	936,908	43,458	120,516	981	247,642	251,295	2,487,603
Fund balances - ending	<u>\$ 299,993</u>	<u>\$ 144,138</u>	<u>\$ 1,031,181</u>	<u>\$ 38,351</u>	<u>\$ 191,816</u>	<u>\$ -</u>	<u>\$ 347,103</u>	<u>\$ 80,347</u>	<u>\$ 2,132,929</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, 2019

	<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	\$ 300,185	\$ 233,425	\$ 235,363	\$ 1,938
Gas 1989	87,010	68,999	69,572	573
Gas 3 cent	47,856	37,238	37,547	309
Gas 2017	-	93,271	94,045	774
Excise tax	-	2,118	2,136	18
Federal, state, and local grants	-	-	9,235	9,235
Total revenues	<u>435,051</u>	<u>435,051</u>	<u>447,898</u>	<u>12,847</u>
EXPENDITURES				
Public Works				
Salaries	131,514	137,214	128,822	8,392
Benefits	71,640	73,190	63,274	9,916
Contractual services	5,000	5,000	576	4,424
Materials and supplies	1,282,200	1,291,200	1,250,531	40,669
Other charges	35,200	35,200	21,710	13,490
Capital outlay	26,000	26,000	25,997	3
Total expenditures	<u>1,551,554</u>	<u>1,567,804</u>	<u>1,490,910</u>	<u>76,894</u>
Deficiency of revenues under expenditures	(1,116,503)	(1,132,753)	(1,043,012)	89,741
OTHER FINANCING SOURCES				
Transfers in	<u>670,804</u>	<u>670,804</u>	<u>670,804</u>	<u>-</u>
Net change in fund balances	<u>\$ (445,699)</u>	<u>\$ (461,949)</u>	<u>(372,208)</u>	<u>\$ 89,741</u>
Fund balances - beginning			<u>672,201</u>	
Fund balances - ending			<u>\$ 299,993</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, 2019

	<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	\$ 191,663	\$ 6,663
EXPENDITURES				
Public Works				
Salaries	21,305	21,305	20,779	526
Benefits	11,645	11,645	8,941	2,704
Contractual services	10,000	10,000	3,927	6,073
Materials and supplies	7,500	7,500	5,824	1,676
Other charges	12,560	12,560	8,496	4,064
Capital outlay	250,000	250,000	214,160	35,840
Total expenditures	<u>313,010</u>	<u>313,010</u>	<u>262,127</u>	<u>50,883</u>
Deficiency of revenues under expenditures	<u>(128,010)</u>	<u>(128,010)</u>	<u>(70,464)</u>	<u>(44,220)</u>
Net change in fund balances	<u>\$ (128,010)</u>	<u>\$ (128,010)</u>	<u>(70,464)</u>	<u>\$ (44,220)</u>
Fund balances - beginning			<u>214,602</u>	
Fund balances - ending			<u>\$ 144,138</u>	

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SOLID WASTE FUND
For the Year Ended June 30, 2019

	<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	\$ 1,237,970	\$ 1,237,970	\$ 1,258,728	\$ 20,758
EXPENDITURES:				
Public Works				
Salaries	52,773	52,773	45,699	7,074
Benefits	23,227	23,227	18,859	4,368
Contractual services	980,416	1,047,416	1,030,583	16,833
Materials and supplies	6,400	6,400	5,858	542
Other charges	75,050	75,050	63,456	11,594
Total expenditures	<u>1,137,866</u>	<u>1,204,866</u>	<u>1,164,455</u>	<u>40,411</u>
Excess of revenues over expenditures	<u>100,104</u>	<u>33,104</u>	<u>94,273</u>	<u>(19,653)</u>
Net change in fund balances	<u>\$ 100,104</u>	<u>\$ 33,104</u>	<u>94,273</u>	<u>\$ (19,653)</u>
Fund balances - beginning			<u>936,908</u>	
Fund balances - ending			<u>\$ 1,031,181</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal, state, and local grants	\$ 846,091	\$ 1,005,805	\$ 877,542	\$ (128,263)
EXPENDITURES:				
Education				
Regular Instruction				
Salaries	140,900	104,980	99,943	5,037
Benefits	39,716	36,868	29,593	7,275
Contractual services	-	1,500	1,500	-
Materials and supplies	176,000	252,053	243,802	8,251
Other charges	7,361	-	-	-
Special Education				
Salaries	52,000	51,588	51,584	4
Benefits	14,993	23,675	13,044	10,631
Materials and supplies	56,000	78,860	78,114	746
Other Student Support				
Salaries	-	9,470	9,017	
Benefits	-	1,530	690	
Contractual services	15,000	20,641	13,802	6,839
Materials and supplies	42,000	42,803	33,373	9,430
Other charges	-	3,099	3,097	2
Regular Instruction Support				
Salaries	16,000	17,750	16,350	1,400
Benefits	2,898	3,217	2,890	327
Materials and supplies	1,000	-	-	-
Other charges	63,680	92,457	69,208	23,249
Special Education Support				
Salaries	10,000	72,000	62,647	9,353
Benefits	1,831	28,939	22,682	6,257
Contractual services	167,895	97,846	90,057	7,789
Materials and supplies	2,439	35,607	14,061	21,546
Other charges	36,378	30,922	26,921	4,001
Total expenditures	<u>846,091</u>	<u>1,005,805</u>	<u>882,375</u>	<u>122,137</u>
Deficiency of revenues under expenditures	<u>-</u>	<u>-</u>	<u>(4,833)</u>	<u>(250,400)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(5,107)</u>	<u>\$ (250,674)</u>
Fund balances - beginning			<u>43,458</u>	
Fund balances - ending			<u>\$ 38,351</u>	

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL NUTRITION FUND
For the Year Ended June 30, 2019

	<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	\$ 253,900	\$ 263,900	\$ 278,707	\$ 14,807
Federal, state, and local grants	123,398	123,398	163,180	39,782
Total revenues	<u>377,298</u>	<u>387,298</u>	<u>441,887</u>	<u>54,589</u>
EXPENDITURES:				
Education				
Cafeteria				
Salaries	182,024	181,754	174,627	7,127
Benefits	38,320	33,590	27,912	5,678
Contractual services	1,000	700	540	160
Materials and supplies	152,954	168,604	166,455	2,149
Other charges	3,000	2,650	1,053	1,597
Total expenditures	<u>377,298</u>	<u>387,298</u>	<u>370,587</u>	<u>16,711</u>
Excess of revenues over expenditures	-	-	71,300	71,300
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	71,300	<u>\$ 71,300</u>
Fund balances - beginning			<u>120,516</u>	
Fund balances - ending			<u>\$ 191,816</u>	

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SCHOOL DISCRETIONARY GRANTS FUND
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal, state, and local grants	\$ 80,020	\$ 131,000	\$ 131,000	\$ -
EXPENDITURES:				
Education				
Health Services				
Salaries	53,881	53,881	53,881	-
Benefits	9,466	7,057	6,918	139
Contractual Services	7,020	16,570	16,570	-
Materials and supplies	5,400	5,260	5,399	(139)
Other Charges	4,253	6,802	6,802	-
Maintenance of Plant				
Materials and supplies	-	41,430	41,430	-
Total expenditures	<u>80,020</u>	<u>131,000</u>	<u>131,000</u>	<u>-</u>
Deficiency of revenues under expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(981)	(981)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(981)</u>	<u>(981)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>(981)</u>	<u>\$ (981)</u>
Fund balances - beginning			981	
Fund balances - ending			<u>\$ -</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, 2019

	<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	\$ 261,100	\$ 261,100	\$ 294,958	\$ 33,858
EXPENDITURES:				
Education				
Student Services				
Salaries	171,314	186,314	143,263	43,051
Benefits	25,251	27,751	17,687	10,064
Contractual services	6,500	6,500	1,870	4,630
Materials and supplies	31,535	14,035	7,224	6,811
Other charges	1,500	1,500	619	881
Maintenance of Plant				
Other charges	25,000	25,000	24,834	166
Total expenditures	<u>261,100</u>	<u>261,100</u>	<u>195,497</u>	<u>65,603</u>
Excess of revenues over expenditures	-	-	99,461	(31,745)
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	99,461	<u>\$ (31,745)</u>
Fund balances - beginning			<u>247,642</u>	
Fund balances - ending			<u>\$ 347,103</u>	

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2019

	<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	\$ 300	\$ 300	\$ 78	\$ (222)
EXPENDITURES:				
Debt Service				
Principal	1,959,128	1,959,128	1,884,128	75,000
Interest	865,440	892,440	884,678	7,762
Other fees	47,300	47,300	28,351	18,949
Total expenditures	<u>2,871,868</u>	<u>2,898,868</u>	<u>2,797,157</u>	<u>101,711</u>
Deficiency of revenues under expenditures	(2,871,568)	(2,898,568)	(2,797,079)	101,489
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>2,871,568</u>	<u>2,871,568</u>	<u>2,626,131</u>	<u>(245,437)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (27,000)</u>	<u>(170,948)</u>	<u>\$ (143,948)</u>
Fund balances - beginning			<u>251,295</u>	
Fund balances - ending			<u>\$ 80,347</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental - Shelby County	\$ -	\$ 389,759	\$ 579,581	\$ 189,822
Interest income	-	-	81,360	81,360
Total revenues	-	389,759	660,941	271,182
EXPENDITURES:				
Capital Outlay				
Architectural and engineering	393,241	280,621	193,672	86,949
Construction contracts	5,961,700	6,364,490	6,086,408	278,082
Equipment	500,000	564,000	224,103	339,897
Total expenditures	6,854,941	7,209,111	6,504,183	704,928
Deficiency of revenues under expenditures	(6,854,941)	(6,819,352)	(5,843,242)	976,110
OTHER FINANCING SOURCES (USES)				
Transfers in	-	440,000	440,000	-
Net change in fund balances	<u>\$ (6,854,941)</u>	<u>\$ (6,379,352)</u>	<u>(5,403,242)</u>	<u>\$ 976,110</u>
Fund balances - beginning			<u>6,399,351</u>	
Fund balances - ending			<u>\$ 996,109</u>	

CITY OF LAKELAND, TENNESSEE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND - STUDENT ACTIVITY FUNDS
For the Year Ended June 30, 2019

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Assets				
Cash	\$ 248,913	\$ 581,098	\$ (495,663)	\$ 334,348
Inventory	2,066	45,655	(44,112)	3,609
	<u>\$ 250,979</u>	<u>\$ 626,753</u>	<u>\$ (539,775)</u>	<u>\$ 337,957</u>
Liabilities				
Due to student general fund	\$ 211,829	\$ 266,374	\$ (237,245)	\$ 240,958
Due to student groups	39,150	333,526	(275,677)	96,999
	<u>\$ 250,979</u>	<u>\$ 599,900</u>	<u>\$ (512,922)</u>	<u>\$ 337,957</u>

SUPPORTING SCHEDULES (UNAUDITED)

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - GENERAL OBLIGATION BONDS AND NOTES PAYABLE
GOVERNMENTAL FUNDS
 June 30, 2019

	Series 2001 Tennessee Municipal League Note Payable (1)		Series 2008 Tennessee Municipal League Note Payable (1)		Series 2015 Capital Outlay Notes		2011 Note Payable TLDA Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 208,000	\$ 15,486	\$ 213,000	\$ 58,881	\$ 1,455,000	\$ 764,400	\$ 56,705	\$ 27,684	\$ 1,932,705
2021	215,000	11,108	223,000	54,369	1,530,000	699,025	62,988	26,556	2,030,988	791,058
2022	223,000	6,574	233,000	49,649	1,575,000	648,650	64,188	25,356	2,095,188	730,229
2023	206,095	2,133	243,000	44,722	1,655,000	575,375	65,412	24,132	2,169,507	646,362
2024	-	-	254,000	39,578	1,735,000	493,292	66,660	22,884	2,055,660	555,754
2025	-	-	266,000	34,196	1,820,000	407,208	67,932	21,612	2,153,932	463,016
2026	-	-	278,000	28,566	1,915,000	316,917	69,228	20,316	2,262,228	365,799
2027	-	-	290,000	22,687	2,010,000	221,958	70,548	18,996	2,370,548	263,641
2028	-	-	303,000	16,550	2,110,000	122,250	71,892	17,652	2,484,892	156,452
2029	-	-	317,000	10,133	-	-	73,260	16,284	390,260	26,417
2030	-	-	331,000	3,426	-	-	74,664	14,880	405,664	18,306
2031	-	-	-	-	-	-	76,080	13,464	76,080	13,464
2032	-	-	-	-	-	-	77,532	12,012	77,532	12,012
2033	-	-	-	-	-	-	79,008	10,536	79,008	10,536
2034	-	-	-	-	-	-	80,520	9,024	80,520	9,024
2035	-	-	-	-	-	-	82,056	7,488	82,056	7,488
2036	-	-	-	-	-	-	83,616	5,928	83,616	5,928
2037	-	-	-	-	-	-	85,212	4,332	85,212	4,332
2038	-	-	-	-	-	-	86,832	2,712	86,832	2,712
2039	-	-	-	-	-	-	88,488	1,056	88,488	1,056
2040	-	-	-	-	-	-	7,576	12	7,576	12
	<u>\$ 852,095</u>	<u>\$ 35,301</u>	<u>\$ 2,951,000</u>	<u>\$ 362,757</u>	<u>\$ 15,805,000</u>	<u>\$ 4,249,075</u>	<u>\$ 1,490,397</u>	<u>\$ 302,916</u>	<u>\$ 21,098,492</u>	<u>\$ 4,950,049</u>

⁽¹⁾ Interest rate as of June 30, 2019 was 2.07%; however, the City budget 1.0%

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - SETTLEMENT LIABILITY AND CAPITAL LEASES
GOVERNMENTAL FUNDS
June 30, 2019

	Shelby Count Settlement		2018 Capital Lease ARS Education Finance ⁽¹⁾		2019 Capital Lease Apple, Inc. ⁽¹⁾		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 54,400	\$ 1,937	\$ 65,918	\$ 7,265	\$ 33,859	\$ 1,707	\$ 154,177	\$ 10,909
2021	54,672	1,665	70,462	3,727	34,701	864	159,835	6,256
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>\$ 386,571</u>	<u>\$ 7,788</u>	<u>\$ 136,380</u>	<u>\$ 10,992</u>	<u>\$ 68,560</u>	<u>\$ 2,571</u>	<u>\$ 591,511</u>	<u>\$ 21,351</u>

⁽¹⁾ Payable from General Purpose School Fund, but backed by full faith and credit of City.

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS - REVENUE BONDS
SEWER FUND
June 30, 2019

Fiscal Year	2006 Loan Agreement Public Building Authority Clarksville ⁽¹⁾	
2020	\$ 565,000	\$ 92,446
2021	588,000	80,751
2022	612,000	68,579
2023	636,000	55,911
2024	661,000	42,746
2025	688,000	29,063
2026	716,000	14,821
	<u>\$ 4,466,000</u>	<u>\$ 384,317</u>

⁽¹⁾ Interest rate as of June 30, 2019 was 2.07%; however, the City budget 1.0%

CITY OF LAKELAND, TENNESSEE
SCHEDULES OF PROPERTY TAXES
For the Year Ended June 30, 2019

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - BY LEVY YEAR

Year of Levy	Balance June 30, 2018	Assessment	Adjustments/ Abatements	Collections	June 30, 2019
2019	\$ -	\$ 4,498,530	\$ (25,111)	\$ -	\$ 4,473,419
2018	4,439,428	-	57,929	(4,460,647)	36,710
2017	31,736	-	68	(22,274)	9,530
2016	8,711	-	-	(1,909)	6,802
2015	3,612	-	15	(818)	2,809
2014	1,408	-	-	(467)	941
2013	1,280	-	(170)	(253)	857
2012	1,142	-	165	(443)	864
Total	4,487,317	\$ 4,498,530	\$ 32,896	\$ (4,486,811)	4,531,932
Allowance for uncollectible property taxes	(90,646)				(47,660)
Net receivables	\$ 4,396,671				\$ 4,484,272

PROPERTY TAX RATES AND ASSESSMENTS - LAST 10 YEARS

Year of Levy	Realty and Personalty	Public Utility	Total Assessed Valuation	Tax Rate per \$100	Levy
2019	\$ 360,978,295	\$ 1,806,390	\$ 362,784,685	\$ 1.24	\$ 4,498,530
2018	353,433,080	1,721,120	\$ 355,154,200	1.25	4,439,428
2017	350,643,485	2,499,805	\$ 353,143,290	1.25	4,414,291
2016	315,999,720	2,045,929	\$ 318,045,649	1.40	4,452,639
2015	311,542,540	1,905,617	\$ 313,448,157	1.40	4,388,274
2014	306,409,940	1,888,500	\$ 308,298,440	0.85	2,620,537
2013	307,262,405	1,901,200	\$ 309,163,605	0.85	2,627,891
2012	329,076,055	-	\$ 329,076,055	0.85	2,797,146

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

DELINQUENT PROPERTY TAXES

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

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF OFFICIAL BONDS AND PRINCIPAL OFFICIALS
For the Year Ended June 30, 2019

	<u>Amount of Bond</u>
Mayor	\$ 10,000
Commissioners (each)	10,000
City Manager	10,000
Finance and Human Resources Director	10,000
City Recorder	10,000
Finance and Inventory Clerk	10,000
Community Services Representative	10,000
Senior Center Manager	10,000
Receptionist	10,000
Human Resources and Payroll Clerk	10,000
Lakeland School System Superintendent	431,616

* 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, 2019

SEWER:

Number of Customers as of June 30, 2019: 2,847

Rates:

Gallons Used	Rate/ccf
Residential:	
Base - up to 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:	
Base - up to 30 ccf.	\$ 60.35
Each additional ccf.	\$ 1.39

SANITATION:

Number of Customers as of June 30, 2019: 4,186

Rates:

Type	Monthly Charge
Residential	\$ 24.70

STORM WATER:

Number of Customers as of June 30, 2019: 4,554

Type	Monthly Charge
Residential	\$ 3.20

CITY OF LAKELAND, TENNESSEE
STATEMENT OF DEBT
June 30, 2019

General Obligation Bonded Debt:		
Existing G.O. bonds (1)	\$ 3,803,095	
Series 2015 capital outlay notes	15,805,000	
Total public improvement bonded debt		\$ 19,608,095
Existing sewer debt	\$ 4,446,000	
Total sewer bonded debt		4,446,000
Total bonded debt		24,054,095
Less: self-supporting debt		(4,446,000)
Net bonded debt		<u>\$ 19,608,095</u>
Overlapping Shelby County bonded debt (2)		\$ 16,852,933
Less: self-supporting bonded debt		-
Net overlapping Shelby County bonded debt		<u>\$ 16,852,933</u>
Bonded debt outstanding including overlapping bonded debt		\$ 40,907,028
Net bonded debt outstanding including net overlapping bonded debt		\$ 36,461,028

	City of <u>Lakeland</u>	City and Net <u>Overlapping</u>
Net direct debt per capita	\$ 1,554	\$ 2,890
Total debt per capita	\$ 1,906	\$ 3,242
Net debt / appraised value	1.46%	2.71%
Total debt / appraised value	1.79%	3.04%
Net debt / assessed value	5.55%	10.32%
Total debt / assessed value	6.81%	11.57%

	City of <u>Lakeland</u>	Shelby <u>County</u>
2018 assessed value ⁽³⁾	\$ 353,433,080	\$ 20,247,539,027
2018 appraised value ⁽³⁾	\$ 1,343,576,200	\$ 67,338,526,740
2018 estimated population ⁽⁴⁾	12,617	935,764

Shelby County's net bonded debt as of June 30, 2019⁽⁵⁾ \$ 965,473,891

Lakeland's assessed value as a percentage of Shelby County's assessed value 1.75%

- (1) Does not include debt under Shelby County Settlement Agreement or Capital Leases.
(2) Estimate of overlapping debt calculated from Shelby County's net bonded debt multiplied by Lakeland's assessed value as a percentage of Shelby County's assessed value.
(3) As reported in City of Lakeland, Tennessee and Shelby County, Tennessee annual financial statements.
(4) Source: Census.gov
(5) Information provided by Shelby County, Tennessee

CITY OF LAKELAND, TENNESSEE
ANALYSIS OF VALUE OF TAXABLE PROPERTY FOR FISCAL YEAR 2019
For the Year Ended June 30, 2019

Year of Levy: 2019	Appraised Value	Percent of Total	Assessment Value	Percent of Total
Market Real Estate				
Farm	\$ 16,801,200	1.3%	\$ 4,200,300	1.2%
Residential	1,197,758,300	90.0%	299,439,575	85.5%
Commercial	113,538,300	8.5%	45,415,320	13.0%
Industrial	1,282,800	0.1%	513,120	0.1%
Multiple	2,156,100	0.2%	664,240	0.2%
Subtotal	<u>1,331,536,700</u>		<u>350,232,555</u>	
Greenbelt Real Estate				
Farm	12,440,100	54.2%	3,110,025	53.7%
Residential	9,863,100	43.0%	2,465,775	42.6%
Commercial	18,600	0.1%	4,650	0.1%
Industrial	-	0.0%	-	0.0%
Multiple	627,900	2.7%	210,745	3.6%
Subtotal	<u>22,949,700</u>		<u>5,791,195</u>	
Personal Property				
Tangible	13,977,000	100.0%	4,193,830	100.0%
Intangible	-	0.0%	-	0.0%
Local utility	-	0.0%	-	0.0%
Subtotal	<u>13,977,000</u>		<u>4,193,830</u>	
Total as of April 2019	1,368,463,400		360,217,580	
Tax roll edits through June 30, 2019	<u>8,744,900</u>		<u>760,715</u>	
Total	<u>\$ 1,377,208,300</u>		<u>\$ 360,978,295</u>	

CITY OF LAKELAND, TENNESSEE
ANALYSIS OF VALUE OF TAXABLE PROPERTY BY FISCAL YEAR
For the Year Ended June 30, 2019

<u>Fiscal Year</u>	<u>Total Appraised Value</u>	<u>Assessed Value</u>	<u>to Estimated Actual Value</u>	<u>Appraised Value per Capita⁽¹⁾</u>
2012	\$ 1,258,399,500	\$ 329,076,055	26.15%	\$ 100,159
2013	1,172,492,400	307,262,405	26.21%	93,322
2014	1,173,143,500	306,409,940	26.12%	93,373
2015	1,191,240,000	311,542,540	26.15%	94,814
2016	1,206,227,100	315,999,720	26.20%	95,596
2017	1,332,324,200	350,643,485	26.32%	105,589
2018	1,343,576,200	353,433,080	26.31%	106,481
2019	1,377,208,300	360,978,295	26.21%	109,155

Source: Shelby County Assessor of Property

(1) The City of Lakeland 2018 estimated population per census.gov is 12,617.

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF PRINCIPAL TAXPAYERS
For the Year Ended June 30, 2019

Name of Taxpayers	Nature of Property	Tax Year 2019 Levy	Percent of Total Tax Year 2019 Levy	2019 Assessment
Lakeland Apartments TN Assoc LLC	Apartments	\$ 153,510	3.41%	\$ 12,379,840
CB Associates LLC	Strip center	41,882	0.93%	3,377,560
Lakeland 64 LLC	Fitness center	27,450	0.61%	2,213,720
Music City Publishing LLC	Strip center	25,786	0.57%	2,079,480
Orange Grove Utilities Inc (Walgreens)	Retail pharmacy	22,445	0.50%	1,810,120
Countrybridge Partners LP	Strip center	17,143	0.38%	1,382,520
Highway 64 Center LLC	Strip center	15,844	0.35%	1,277,720
Infinite Wealth Properties USA LLC	Vacant commercial land	10,222	0.23%	824,360
Lake District LLC	Developing commercial property	9,671	0.21%	779,920
Haymarket Gardens LLC	Vacant commercial land	9,118	0.20%	735,320
Total for ten largest taxpayers		333,071	7.40%	26,860,560
Total for all other taxpayers		4,165,459	92.60%	334,117,735
Total		<u>\$ 4,498,530</u>	<u>100.00%</u>	<u>\$ 360,978,295</u>

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

	2019	2018	2017	2016	2015
Local sales tax	\$ 835,377	\$ 772,360	\$ 784,428	\$ 773,378	\$ 655,993
Local option sales tax	367,118	339,323	345,286	339,857	288,272
State-shared sales tax	1,102,437	1,059,342	1,030,176	1,005,384	941,407
Total sales tax revenue	<u>\$ 2,304,932</u>	<u>\$ 2,171,025</u>	<u>\$ 2,159,890</u>	<u>\$ 2,118,619</u>	<u>\$ 1,885,672</u>

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

	2019	2018	2017	2016	2015
Property Taxes					
Property taxes	\$ 4,404,320	\$ 4,385,265	\$ 4,556,460	\$ 4,199,800	\$ 2,646,911
Personalty taxes	17,787	19,049	23,637	23,465	19,556
Interest and penalties	9,184	9,772	14,850	14,153	10,433
Utility tax	6,342	7,747	14,188	24,256	11,332
Local Taxes					
Local sales tax	1,202,495	1,111,683	1,129,714	1,113,235	944,265
Wholesale beer and liquor tax	91,344	84,453	84,610	42,754	120,272
Business tax	89,615	98,175	83,758	76,994	73,140
Room occupancy tax	79,384	47,745	59,501	63,455	61,889
CATV franchise tax	146,755	148,500	149,472	148,102	146,346
Intergovernmental					
Sales tax	1,102,437	1,059,342	1,030,176	1,005,384	941,407
Income tax (Hall)	131,374	135,311	143,984	192,645	193,766
Beer and liquor tax	5,754	10,918	6,521	8,752	6,573
State road maintenance	24,681	25,009	25,106	25,288	25,357
Payments in lieu of tax -TVA	307,247	309,880	292,083	293,085	238,635
Other state revenue	4,636	5,443	926	1,056	1,217
Licenses and Permits					
Building permit fees	64,375	48,261	44,759	31,023	49,345
Other permits	35,797	14,972	16,064	13,457	12,527
Charges for Services					
Engineering fees	30,200	79,000	31,900	17,900	8,800
Administrative fees - Developments	27,758	115,650	170,335	31,960	5,200
Other fees	23,875	70,184	45,405	13,707	20,411
Recreation fees	196,354	106,941	103,437	57,124	14,152
Parks development fees	19,371	103,257	25,660	14,948	-
Rental income	30,805	44,290	24,698	48,781	40,437
Federal and State Grants					
Operating grants	-	320,494	13,500	36,500	-
Capital grants	197,711	500,605	248,996	155,201	1,122,339
Interest Income	18,400	9,719	7,893	7,198	9,468
Other Income	77,924	19,165	39,963	38,661	26,974
Total general fund revenue	<u>\$ 8,345,925</u>	<u>\$ 8,890,830</u>	<u>\$ 8,387,596</u>	<u>\$ 7,698,884</u>	<u>\$ 6,750,752</u>

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

	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$ 4,437,633	\$ 4,421,833	\$ 4,609,135	\$ 4,261,674	\$ 2,688,232
Local sales taxes	1,609,593	1,490,556	1,507,055	1,444,540	1,345,912
Intergovernmental	1,576,129	1,545,903	1,498,796	1,526,210	1,406,955
Licenses and permits	100,172	63,233	60,823	44,480	61,872
Charges for services	328,363	519,322	401,435	184,420	89,000
Federal, state and local grants	197,711	821,099	262,496	191,701	1,122,339
Interest income	18,400	9,719	7,893	7,198	9,468
Other	77,924	19,165	39,963	38,661	26,974
Total Revenues	8,345,925	8,890,830	8,387,596	7,698,884	6,750,752
Expenditures					
Current					
General government	2,283,517	3,864,019	2,861,943	1,817,676	1,332,988
Public safety	-	-	-	-	2,252
Public works	401,566	635,091	896,622	138,676	101,769
Parks and recreation	587,539	423,320	607,642	449,309	1,426,677
Natural resources	-	-	-	-	59,039
Education	-	-	-	-	69,574
Debt Service					
Interest and fiscal charges	-	-	-	-	13,985
Bond issuance costs	-	-	-	101,684	35,310
Capital outlays	-	-	-	-	741,324
Total Expenditures	3,272,622	4,922,430	4,366,207	2,507,345	3,782,918
Excess (deficiency) of revenues expenditures over (under)	5,073,303	3,968,400	4,021,389	5,191,539	2,967,834
Other Financing Sources (Uses)					
Issuance of debt	364,001	916,008	94,165	20,000,000	91,643
Premium on bonds issued	-	-	-	2,499,981	-
Sale of capital assets	-	259,970	-	-	496
Transfers out	(3,827,085)	(7,181,395)	(4,461,554)	(24,335,102)	(1,974,722)
Total other financing sources	(3,463,084)	(6,005,417)	(4,367,389)	(1,835,121)	(1,882,583)
Net change in fund balances	1,610,219	(2,037,017)	(346,000)	3,356,418	1,085,251
Fund balances - beginning of the year	8,540,305	10,577,322	10,923,322	7,566,904	6,481,653
Fund balances - ending of the year	<u>\$ 10,150,524</u>	<u>\$ 8,540,305</u>	<u>\$ 10,577,322</u>	<u>\$ 10,923,322</u>	<u>\$ 7,566,904</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, 2019

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
U.S. Department of Agriculture						
<u>Passed through TN Department of Education</u>						
<i>Child Nutrition Cluster</i>						
School Breakfast Program	10.553		\$ -	\$ 18,742	\$ 18,742	\$ -
National School Lunch Program - Cash Assistance	10.555		-	120,207	120,207	-
<i>Subtotal - Child Nutrition Cluster</i>			-	138,949	138,949	-
State Administrative Expenses for Child Nutrition	10.560		-	19,882	19,882	-
Commodity Supplemental Food Program	10.565		-	4,349	4,349	-
Total U.S. Department of Agriculture			-	163,180	163,180	-
U.S. Department of Transportation						
<u>Passed through TN Department of Transportation</u>						
<i>Highway Planning and Construction Cluster</i>						
Highway Planning and Construction	20.205	STP-M-9409(107)	9,452	161,980	157,123	4,595
Highway Planning and Construction	20.205	STP-M-5429(10)	159,838	160,247	409	-
Highway Planning and Construction	20.205	STP-M-7900(59)	17,642	17,642	62,676	62,676
Total U.S. Department of Transportation			186,932	339,869	220,208	67,271
U.S. Department of Education						
<u>Passed through TN Department of Education</u>						
Title I Grants to Local Education Agencies	84.010	S010A140042	35,364	388,931	434,791	81,224
<i>Special Education Cluster (IDEA)</i>						
Special Education - IDEA Part B	84.027	H027A140052	17,513	284,476	324,748	57,785
Special Education - IDEA Discretionary Supplement	84.027	H027A140052	-	3,407	3,407	-
Special Education - IDEA Preschool	84.173	H173A140095	538	7,936	10,613	3,215
<i>Subtotal - Special Education Cluster (IDEA)</i>			18,051	295,819	338,768	61,000
State Personnel Development Grant	84.323	S367A140040	-	10,477	20,000	9,523
English Language Acquisition State Grants	84.365	S365A150042	134	10,995	12,125	1,264
Improving Teacher Quality State Grants	84.367	S424A170044	15,714	48,403	33,700	1,011
Student Support and Academic Enrichment, Title IV, Part A	84.424	N/A	-	10,580	17,081	6,501
Impact Aid	84.041	N/A	-	21,077	21,077	-
Total U.S. Department of Education			69,263	786,282	877,542	160,523
U.S. Department of Homeland Security						
<u>TN Emergency Management Agency</u>						
Disaster Grants - Public Assistance	97.036	4320	-	9,235	9,235	-
Hazard Mitigation Grant	97.039	4189-0003	27,124	27,124	-	-
Total U.S. Department of Homeland Security			27,124	36,359	9,235	-
Total Federal Awards			283,319	1,325,690	1,270,165	227,794

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

CITY OF LAKELAND, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the year ended June 30, 2019

State Financial Assistance	CFDA Number	Contract Number	Beginning Accrued (Deferred)	Cash Receipts	Expenditures	Ending Accrued (Deferred)
TN Department of Education						
Safe Schools	N/A		\$ -	\$ 16,570	\$ 16,570	\$ -
School Safety			-	41,430	41,430	-
Coordinated School Health	N/A		12,552	78,310	73,000	7,242
Total State Financial Assistance			<u>12,552</u>	<u>136,310</u>	<u>131,000</u>	<u>7,242</u>
Total Federal Awards and State Financial Assistance			<u>\$ 295,871</u>	<u>\$ 1,462,000</u>	<u>\$ 1,401,165</u>	<u>\$ 235,036</u>

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

CITY OF LAKELAND TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 For the Year Ended June 30, 2019

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, 2019. 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 the Uniform Guidance, 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	\$ 1,378,668
Less: Decrease in unavailable revenue at the fund level	22,497
Total federal awards and state financial assistance	<u>\$ 1,401,165</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, 2019, 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 6, 2019.

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 6, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lakeland, Tennessee (the "City")'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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



Memphis, Tennessee
December 6, 2019

CITY OF LAKE LAND, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

SECTION I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether financial statements audited were prepared in accordance with accounting principles generally accepted in the United State of America Unmodified

Internal control over financial reporting:
Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditors report issued on compliance for major programs: Unmodified

Internal control over major programs:
Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None Reported

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

Identification of major programs:

CFDA Number: 84.010 – Title I Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Did auditee qualify as a low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENTS FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF LAKELAND, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2019

A. FINANCIAL STATEMENT FINDINGS

None reported.

B. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Finding Number	Finding Title	Status
2018-001	Special Tests and Provisions (Original Finding #2018-001)	Corrected