NOTE 7 - RETIREMENT PLANS

Governmental Activities Pension Plan

Plan Description - Employees of the City's Governmental Funds are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. 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 publicly available financial report that can be obtained at www.treasury.state tn.us/tcrs.

Benefits Provided - Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms - At the measurement date of June 30, 2017, the following numbers of employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	62
Inactive Employees Entitled to but not yet Receiving Benefits	99
Active Employees	88
Total	249

Contributions - Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for the City were $295,629 based on a rate of 9.77% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

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

Inflation	2.5%
Salary Increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment Rate of Return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25%

NOTE 7 - RETIREMENT PLANS (Continued)

Governmental Activities Pension Plan (Continued)

Net Pension Liability (Continued)

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

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study A blend of future capital market projections 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 of 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 2.50%. The best estimate of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	1%
		100%

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

NOTE 7 - RETIREMENT PLANS (Continued)

Governmental Activities Pension Plan (Continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2016	$ 12,558,027	$ 11,597,294	$ 960,733
Changes for the Year			
Service Cost	265,629	0	265,629
Interest	934,465	0	934,465
Difference between Expected and Actual Experience	(307,711)	0	(307,711)
Changes in Assumptions	313,514	0	313,514
Contribution - Employer	0	282,489	(282,489)
Contribution - Employee	0	144,569	(144,569)
Net Investment Income	0	1,296,720	(1,296,720)
Benefit Payments, including Refunds of Employee Contributions	(728,233)	(728,233)	0
Administrative Expense	0	(7,187)	7,187
Net Changes	477,664	988,358	(510,694)
Balance at June 30, 2017	$ 13,035,691	$ 12,585,652	$ 450,039

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate -The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's Net Pension Liability	$ 1,978,877	$ 450,039	$ (821,605)

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

Pensions Expense - For the year ended June 30, 2018, the City recognized pension expense of $138,118.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to this Pension Plan in the statement of net position from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 89,484	$ 369,120
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,809	0
Changes in Assumptions	268,726	0
Contributions Subsequent to the Measurement Date of June 30, 2017	295,629	0
Total	$ 656,648	$ 369,120

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

NOTE 7 - RETIREMENT PLANS (Continued)

Governmental Activities Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

Year Ended June 30,		
2019	$	(66,366)
2020		116,154
2021		15,046
2022		(92,490)
2023		18,726
Thereafter		829

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

Payable to the Pension Plan

At June 30, 2018, the City did not have any outstanding accrued contributions to the pension plan, so there is no payable reported in the governmental activities column of the statement of net position.

Electric and Water Department Pension Plan

The Electric and Water Department participate in the Retirement Security Plan (RS Plan) sponsored and administered by the National Rural Electric Cooperative Association (NRECA) which is a cost-sharing pension plan that has the characteristics described in paragraph 2 of GASB Statement No. 78. The RS Plan must file annual reports with the U.S. Department of Labor (Form 5500) that include a copy of the RS Plan annual financial statements. An electronic copy of Form 5500, and the plan's annual financial statements, can be obtained by going to www.efast.dol.gov and using the search tool (EIN 530116145: PN 333). Copies of the RS Plan's annual financial statements are also available to participating employers by calling NRECA's Member Contact Center at 866-673-2299.

The Plan provides defined benefit pension retirement benefits to covered employees. Members are eligible to retire at age 62 or after 30 years of service, beginning in 1970. Benefits are determined by a formula using the member's final average effective salary for each of their years of benefit service. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. As of June 30, 2018, 70 of the Electric Department's employees and 17 of the Water Department's employees were covered under the RS Plan. The Electric Department and Water Department may amend certain terms of the Plan, including benefit levels provided for each year of service, normal retirement age, cost-of-living (COLA) adjustments to retiree annuity payments, eligibility for participation, and required employee contributions to the plan. Other plan terms, such as vesting periods, forms of payment, and factors used to reduce benefits for early retirement and conversion of benefits to optional forms of payment, are governed at the overall plan level and cannot be adjusted by individual employers (such provisions require approval by the NRECA board of directors). Each employer elects to participate in the Plan.

Plan participants do not contribute to the Plan, and the Electric Department and Water Department are required to contribute annually in accordance with the terms of the RS Plan. The total annual contribution is determined actuarially to be sufficient in funding the benefits of the RS Plan as a level percentage of covered payroll over the average expected remaining working lifetime of its participants. The amount is determined annually. This total annual contribution is allocated based on each employer's RS Plan provisions and participant demographics (in particular, the average age of participants and each participant's pay level). The Electric Department and Water Department may amend certain benefit provisions, changing the corresponding contribution level after the effective date of the amendment. For the year ended June 30, 2018, required employer contributions for the Electric Department were $859,172 based on a rate of 27.27% of covered payroll and required employer contributions for the Water Department were $442,604 based on a rate of 27.27% of covered payroll. These amounts represent all of the required contributions for the year, and no amounts are included in accounts payable at year end. The RS Plan must meet minimum funding requirements under ERISA, as determined by Internal Revenue Service regulations. The Electric Department and Water Department can choose to withdraw from the RS Plan, subject to plan provisions that require the departments to fully fund its share of RS Plan liabilities before withdrawing.

NOTE 7 - RETIREMENT PLANS (Continued)

Electric and Water Department Pension Plan (Continued)

The Electric Department and Water Department have recorded a payable to NRECA related to contractual agreements for contributions to the RS Plan related to past service upon the Department's entrance into the Plan. This liability is to be repaid in annual installments, with final payment due in 2047. The Electric and Water Department's contractual liability for past service costs as of June 30, 2018 is as follows:

	Electric Department	Water Department
Contractual Liability - Beginning of Year	$ 630,393	$ 223,203
Amounts Remitted to the NRECA	(82,698)	(35,008)
Contractual Liability - End of Year	547,695	188,195
Less Current Portion of Accrued Liability	(82,776)	(35,008)
Long-Term Portion of Accrued Liability	$ 464,919	$ 153,187

Electric and Water Department Defined Contribution 401(k) Plan

The Electric Department and Water Department also have a defined contribution 401(k) plan through the NRECA which covers substantially all employees. The Electric Department and Water Department match up to 4% of participants' base pay each year. Voluntary participant contributions are allowed and totaled $234,658 for the Electric Department and $120,884 for the Water Department for the year ended June 30, 2018. Contributions by the Electric Department totaled $140,772 and contributions by the Water Department totaled $72,519 for the year ended June 30, 2018.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Governmental Activities

General Information About the OPEB Plan

Plan Description – The City provides certain post-employment benefits to certain retirees. The City will allow the retirees and their dependents to participate in the City's health insurance plan (including former council members). Former employees that have attained the age of 60 and have at least 20 years of service or 30 years of service under TCRS and age 60 may obtain health insurance coverage. The City pays the premiums for these retirees (premiums for dependent coverage is paid for by the retiree). The City also provides an early retirement benefit whereas the City will pay half of the retiree's health insurance premiums after obtaining 20 years of service and age 55 or 30 years of service under TCRS. Coverage for both options are available until the earlier of age 65, Medicare eligibility, or covered by another health insurance plan, but in no event longer than 5 years.

Benefits Provided – The City's healthcare plan is insured and serviced by Humana. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age, as medical costs tend to increase with age. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards.

Employees Covered by Benefit Terms – At July 1, 2017, the following employees of the City were covered by the benefit terms of the Plan:

Retired Employees	8
Disabled Employees	0
Beneficiaries	0
Active Employees	89
Total Participants	97

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

General Information About the OPEB Plan (Continued

The contribution requirements are established and may be amended by the City. The Plan is currently being funded on a pay-as-you-go basis. There are no assets accumulating in a trust that meets that criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2018, the City paid $72,531 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare Cost Trend Rates:	5.00% for 2018, remaining stagnant over the course of the next several periods.
Retiree's Share of Benefit-Related Costs	Members opting to receive full retirement benefits are not required to make monthly contributions to maintain their individual coverage. Members are required to make monthly contributions for dependents to maintain coverage. Members opting for early benefits are required to make monthly contributions of half their premiums to maintain coverage and full contributions to maintain dependent coverage.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The actuarial demographic assumptions used in the July 1, 2017 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 3.87% (3.58% as of June 30, 2017). This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

General Information About the OPEB Plan (Continued

Changes in the Total OPEB Liability

		Total OPEB Liability
Balances at July 1, 2017 - as Restated - See Note 14	$	1,017,793
Changes for the Year		
Service Cost		78,101
Interest		39,233
Change in Assumptions		(30,076)
Benefit Payments		(72,531)
Net Changes		14,727
Balances at June 30, 2018	$	1,032,520

Changes in Assumptions - The discount rate was changed from 3.58% as of the beginning of the measurement period to 3.87% as of June 30, 2018. This change in assumption increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Total OPEB Liability	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
2018	$ 1,141,133	$ 1,032,520	$ 937,060

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate.

Total OPEB Liability	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
2018	$ 905,247	$ 1,032,520	$ 1,187,318

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2018, the City recognized OPEB expense of $117,334.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions	$ 0	$ 26,408

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Governmental Activities (Continued)

General Information About the OPEB Plan (Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

For the Years ended June 30:		
2019	$	(3,301)
2020		(3,301)
2021		(3,301)
2022		(3,301)
2023		(3,301)
Thereafter		(9,903)
Total	$	(26,408)

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

Electric Department and Water Department

Plan Description - In addition to the retirement benefits described in Note 7, The City of LaFollette – Board of Public Utilities' board of commissioners approved a single-employer defined benefit healthcare plan that is self-administered. The Plan provides partial payment of health insurance premiums for eligible retirees and their dependents. The Plan provides for each Department to pay 2% per year of service up to a maximum of 50% of the employee premium for a total of 5 years. It also provides for each Department to pay 1% per year of service up to a maximum of 25% of the dependent and surviving spouse's premium for a total of 5 years.

Benefits Provided - The Water and Electric Department's healthcare plan is insured and serviced by Blue Cross Blue Shield of Tennessee. A premium is paid for medical coverage which is not age related. However, the underlying cost of the medical coverage does vary by age as medical costs tend to increase with age. As a result, older employees receive a more valuable benefit than younger employees. As the premium paid for retirees is the same as for active employees, a more valuable benefit is received by retirees as compared to younger, active employees. GASB 75 defines this benefit as an implicit rate subsidy and it is to be valued under the standards. An adjustment from active employee health costs to retiree medical health costs is made to properly account for this subsidy.

Employees Covered by Benefit Terms - At July 1, 2017, the following employees of the Electric Department were covered by the benefit terms of The Plan:

	Electric Department	Water Department
Retired Employees	5	2
Disabled Employees	1	0
Beneficiaries	1	1
Active Employees	60	31
Total Participants	67	34

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Electric Department and Water Department (Continued)

The contribution requirements are established and may be amended by the board of commissioners. The Plan is currently being funded on a pay-as-you-go basis, whereby amounts paid to retirees and their matching payments are the only contributions. There are no assets accumulating in a trust that meet the criteria of paragraph 4 of GASB Statement No. 75. For the fiscal year ended June 30, 2018, the Electric Department paid $45,432 and the Water Department paid $23,405 to the Plan for OPEB benefits as they came due.

Total OPEB Liability

Actuarial Assumptions - The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Healthcare Cost Trend Rates	5.00% for 2018, remaining stagnant over the course of the next several periods.
Retiree's Share of Benefit-Related Costs	Members are required to make monthly contributions in order to maintain their coverage. The Electric Department pays a portion of eligible retirees' and their dependents' medical premiums, for a total of five years. The portion paid amounts to 2% for each year of service, up to 50% of premiums for retirees and 1% for each year of service up to 25% of premiums for their dependents.

Actuarial valuations of an ongoing plan involve estimates of value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial demographic assumptions used in the July 1, 2017 actuarial valuation were based on the results of past experience. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the Group Annuity 1983 Mortality Table.

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 3.87%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer's 20-Year Municipal GO index.

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Electric Department and Water Department (Continued)

Changes in the Total OPEB Liability

	Electric Department	Water Department
Balances at July 1, 2017 - as Restated - See Note 14	$ 514,030	$ 264,804
Changes for the Year		
Service Cost	9,601	4,946
Interest	18,746	9,657
Change in Assumptions	(13,058)	(6,727)
Benefit Payments	(45,432)	(23,405)
Net Changes	(30,143)	(15,529)
Balances at June 30, 2018	$ 483,887	$ 249,275

Changes in Assumptions - The discount rate was changed from 3.58% as of the beginning of the measurement period to 3.87% as of June 30, 2018. This change in assumption increased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

2018 Total OPEB Liability	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Electric	$ 529,851	$ 483,887	$ 443,043
Water	$ 272,953	$ 249,275	$ 228,235

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to The Plan, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current healthcare cost trend rate.

2018 Total OPEB Liability	1% Decrease (4.00%)	Healthcare Cost Trend Rates (5.00%)	1% Increase (6.00%)
Electric	$ 432,703	$ 483,887	$ 544,647
Water	$ 222,907	$ 249,275	$ 280,575

NOTE 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Electric Department and Water Department (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2018, the Electric and Water Department recognized OPEB expense of $28,347 and $13,856, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2018, the Electric and Water Department reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in Assumptions		
Electric	$ 0	$ 11,607
Water	$ 0	$ 5,980

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

For the Years Ended June 30:	Electric	Water
2019	$ (1,451)	$ (747)
2020	(1,451)	(747)
2021	(1,451)	(747)
2022	(1,451)	(747)
2023	(1,451)	(747)
Thereafter	(4,352)	(2,245)
Total	$ (11,607)	$ (5,980)

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

NOTE 9 - RISK MANAGEMENT

The City of LaFollette and its funds purchase commercial insurance and participate in the Tennessee Municipal League Risk Management Pool to handle risks arising from workers' compensation, torts, asset theft, damage or destruction, errors or omissions, or acts of God, whereby these risks are transferred to the Pool and/or insurance company. Insurance coverage is virtually the same as in prior years, with no major changes. Settled claims have not exceeded the insurance coverage limits in any of the past three fiscal years.

Coverage through the Pool will pay all damage claims and defend the City of LaFollette and its funds in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City of LaFollette and its funds have the responsibility of following any reporting requirements, including timely reporting on any incidents which might result in a damage claim. The City of LaFollette and its funds are to do everything necessary to protect the rights of recovery of the Pool and enforcement of these rights by complying with all terms of the policy.

NOTE 10 - CONTINGENCIES

Various claims and lawsuits are pending against the City and its funds. In the opinion of management, the potential loss on these claims and lawsuits will not be significant to the City's financial statements.

NOTE 11 - COMMITMENTS

The Electric Department and the Water Department periodically enter into work plans for various system improvements. As of June 30, 2018, the Electric Department and the Water Department have approximately $898,000 and $0, respectively in contractual construction commitments.

NOTE 12 - LEASE OF HOSPITAL FACILITIES

In 2011, the City entered into an agreement with Mercy Health Partners. Inc. (successor in interest to St. Mary's Health Systems, Inc.) to assign the lease of the hospital facilities to Campbell County HMA, LLC, a subsidiary of Health Management Associates, Inc. (HMA).

The agreement requires HMA to remit $300,000 per year to the City for 8 years and the City is required to hold these funds and any related earnings thereon in an escrow account until either: (1) HMA constructs additional healthcare facilities and requests reimbursement from the escrowed funds, or (2) upon termination of the lease without construction of additional healthcare facilities by HMA, the City will be allowed to release the funds from escrow and utilize them for City government purposes. As of June 30, 2018, the City held $1,835,350 in the escrow account, which is shown as restricted cash and deferred inflows of resources in the statement of net position and in the general fund balance sheet.

NOTE 13 - CAPITAL CONTRIBUTIONS

Water Department

In 2018, capital contributions in the Water Department consist of contributions from Campbell County totaling $525,000 for a sewer system improvement project.

NOTE 14 - RESTATEMENT FOR NEW ACCOUNTING STANDARD

Effective July 1, 2017, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which addresses reporting by governments that provide postemployment benefits to their employees. See Note 8 for additional information about the City's OPEB plan. No beginning balances for deferred outflows or inflows of resources related to OPEB were reported for the adoption of this standard, as it was not practical for the City to determine these amounts.

As a result of adopting GASB Statement No. 75, the City has recorded a prior period adjustment to the unrestricted net position as of July 1, 2017:

	Governmental Activities	Business-Type Activities	Total Primary Government
Net Position, Beginning of Year, July 1, 2017, as Originally Reported	$ 13,118,436	$ 60,857,909	$ 73,976,345
Net OPEB Liability, Beginning of Year, July 1, 2017, as calculated and reported under GASB Statements No. 75.	(7,140)	41,852	34,712
Net Position, Beginning of Year, July 1, 2017, as Restated	$ 13,111,296	$ 60,899,761	$ 74,011,057