

# Facing Reality: Lake County's Fiscal Challenges and Next Steps

Lake County, Tennessee

May 18, 2026

TENNESSEE COMPTROLLER OF THE TREASURY



# Comptroller's Mission Statement

Make Government Work Better

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# Agenda

- **The Challenges**
- **The Options**
- **Next Steps**



# Structural Challenges Facing Lake County

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# Why Are We Here?

Lake County faces long-term financial sustainability challenges driven by the following structural factors:



Financial management



Declining Population



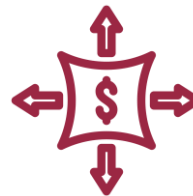
High tax burden



Economic Distress



Constrained tax base



Limited Budget Flexibility

# Why Are We Here (Cont.)?

These challenges make it increasingly difficult to maintain essential services, such as:

- Schools
- Public Safety
- Infrastructure



Today's discussion focuses on **understanding these pressures and exploring potential paths forward.**

# Goal

To develop a stable and sustainable path forward for your citizens that:

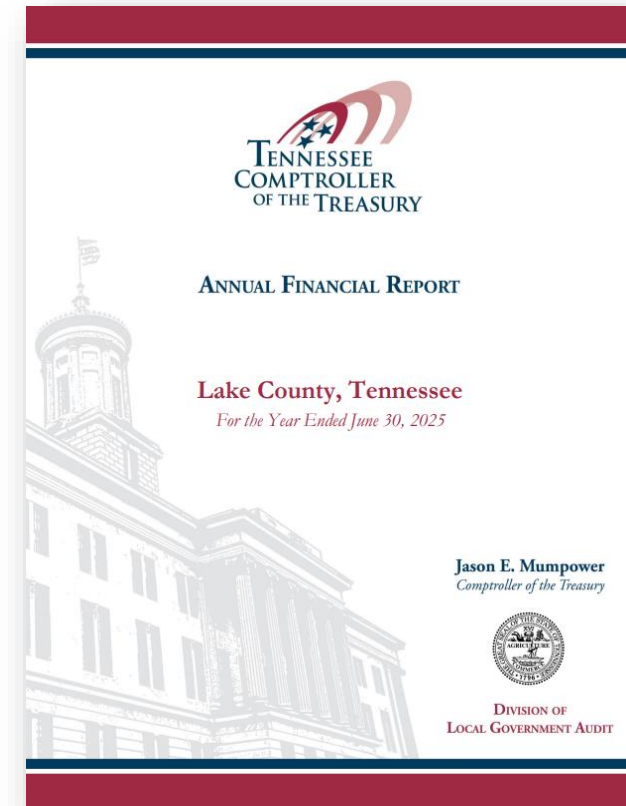
- Maintains essential public services,
- Protects residents and students,
- Strengthens financial management of taxpayer dollars, and
- Builds a foundation for long-term stability.

# Challenge 1: Financial Management



- Lake County averages ~11 audit findings per year.
- Majority are repeat findings.
- Corrective actions have often been incomplete or ineffective.

Weak financial controls increase risk when resources are already limited.



# Common Types of Audit Findings



## Accounting and Financial Reporting

- Unreconciled accounts
- Incomplete records
- Material audit adjustments

## Internal Control Weaknesses

- Lack of segregation of duties
- Failure to review audit logs

## Operational Oversight Issues

- Purchasing deficiencies
- Capital asset controls

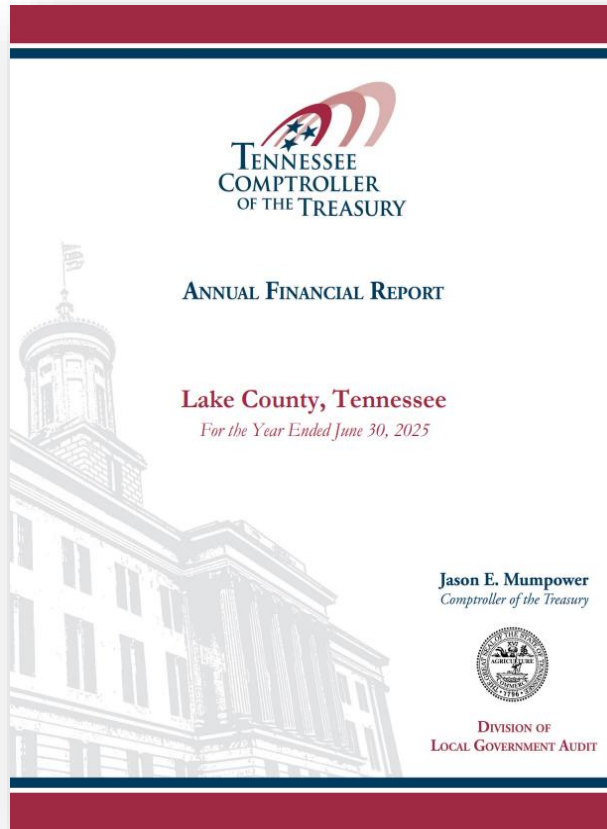
# Consequences of Weak Controls

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- IRS interest and penalties of **\$160,000** assessed to the school department as of early 2026
- Substantial reduction in cash balance at the school system
- Increased risk of financial misstatements
- Reduced transparency for decision-makers
- Higher risk of fraud, waste and abuse in an already financially constrained environment

# 2025 Audit Results: [tncot.cc/lake25](https://tncot.cc/lake25)



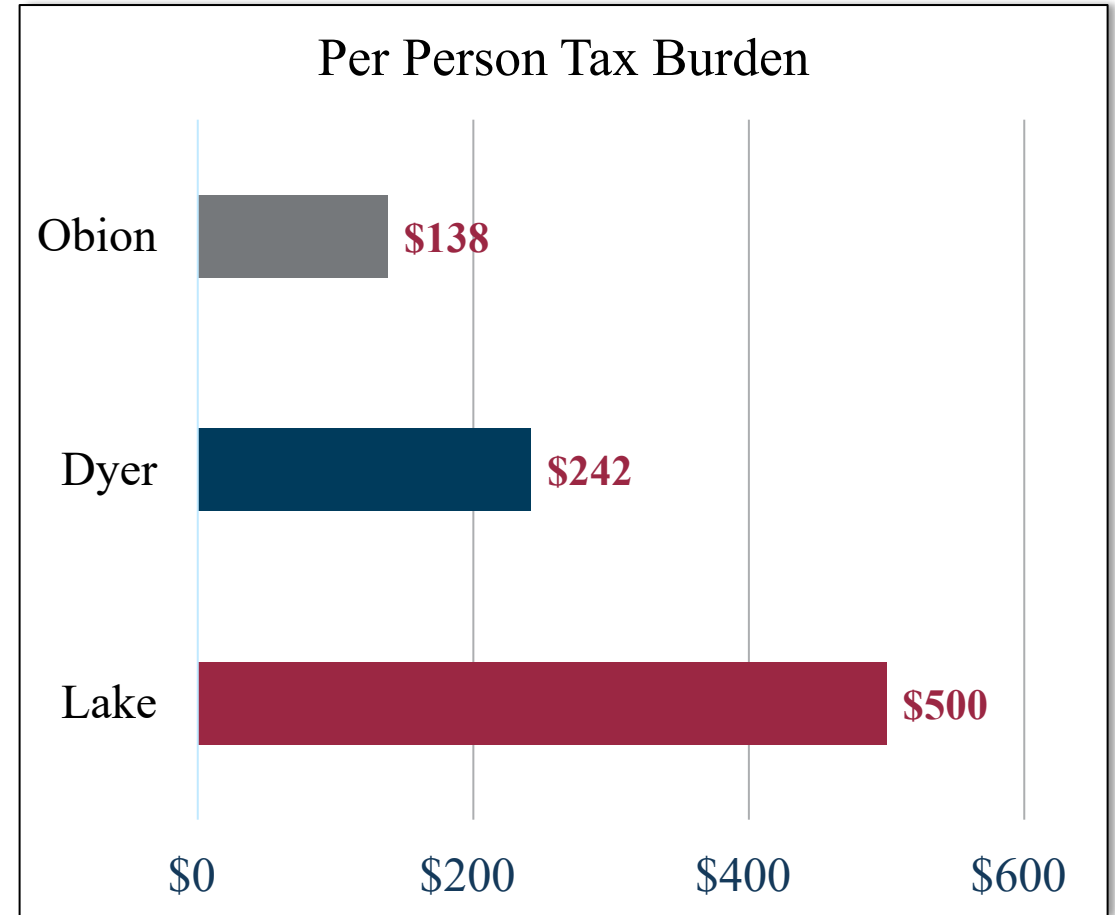
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# Challenge 2: High Tax Burden



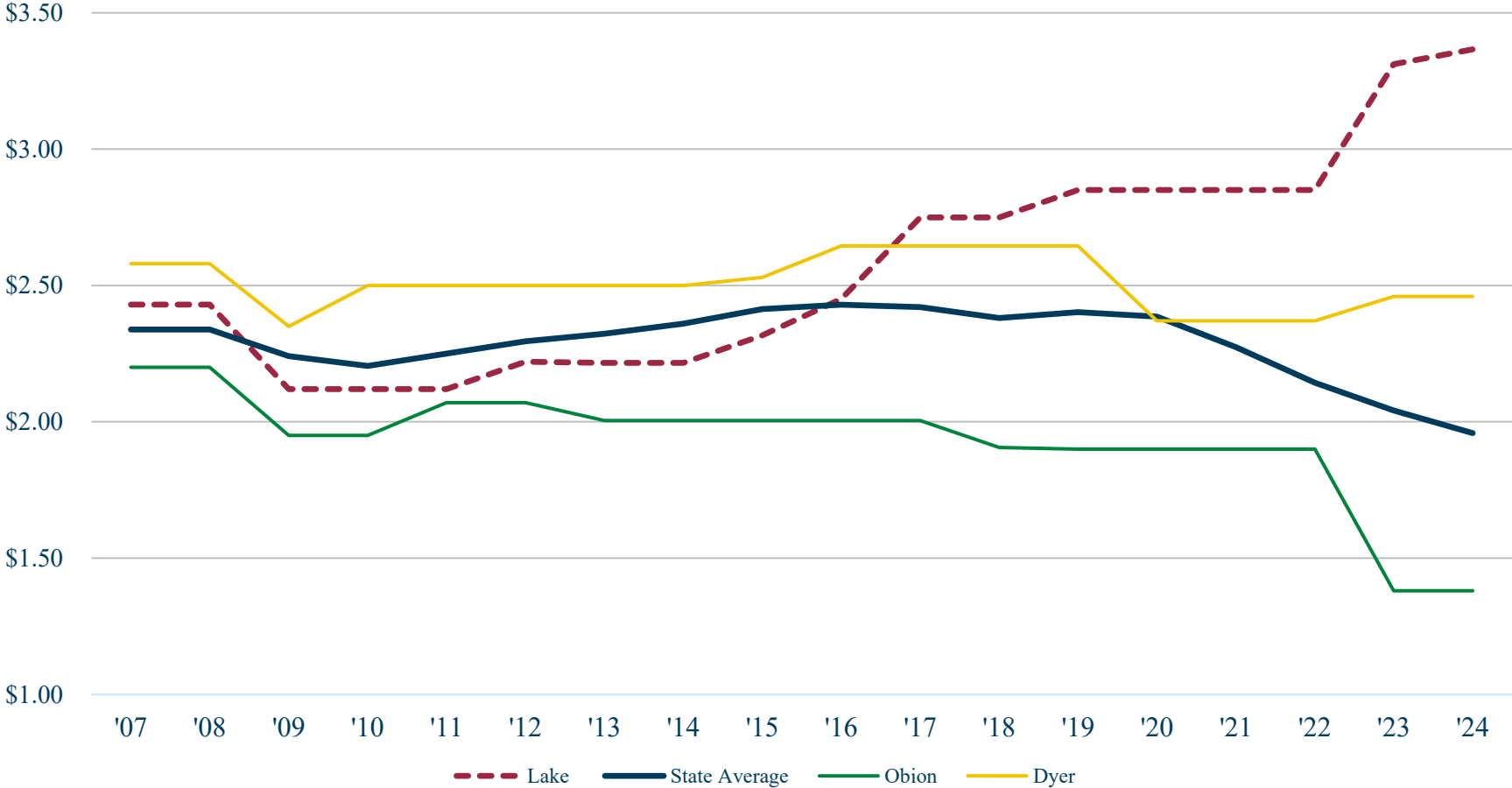
- Lake County has the highest county property tax rate in Tennessee (\$3.366).
- County + City rates place Ridgely & Tiptonville in the highest six combined rates for the state.
- The County required ~\$500 per resident in property tax to fund the General Fund in FY2025.
- A high rate makes additional increases more difficult for residents to absorb.



# Challenge 2: High Tax Burden (Cont.)



Property Tax per \$100 of Assessed



# Challenge 3: Constrained Tax Base



Disproportionate share of the taxable property is on Greenbelt which, by law, is assessed at a reduced value.



About 20% of taxable property is subject to the appraisal ratio (FY2023 ratio 0.7615).



34% of the population earns below the federal poverty rate.



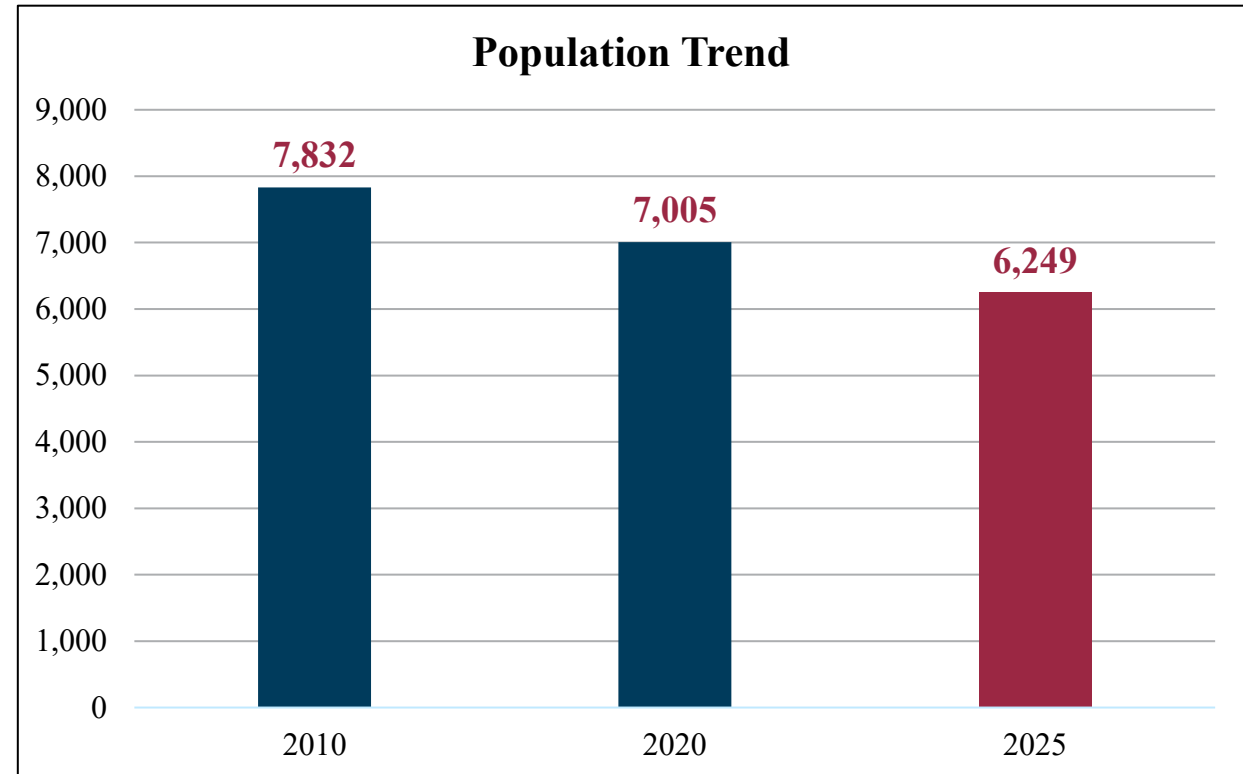
Result: the tax rate must work harder to generate the same service dollars, and most of the taxes are paid by homeowners.

# Challenge 4: Declining population



Population decline means:

- Fewer taxpayers supporting county services
- Reduced school enrollment results in less state funding for schools
- Reduced state and federal funding tied to population



**Many county costs do not decline when population declines.**

# Declining Population: Impact on Schools



## Student Enrollment

FY16: 806 ADM

FY26: 676 ADM

## Maintenance of Effort

FY16: \$1,347,263  
\$1,672 per student

FY26: \$1,445,163  
\$2,138 per student

# Challenge 5: Economically Distressed Area



Lake County is among the most economically distressed counties in the U.S. and the most distressed in Tennessee.

## Median Disposable Income

- **Lake County: \$30,118**
- Dyer County: \$50,086
- Obion County: \$56,322

## Poverty Rate

- **Lake County: 32%**
- Dyer County: 18%
- Obion County: 17%

**Impact:** Lower household income limits residents' ability to absorb tax increases.

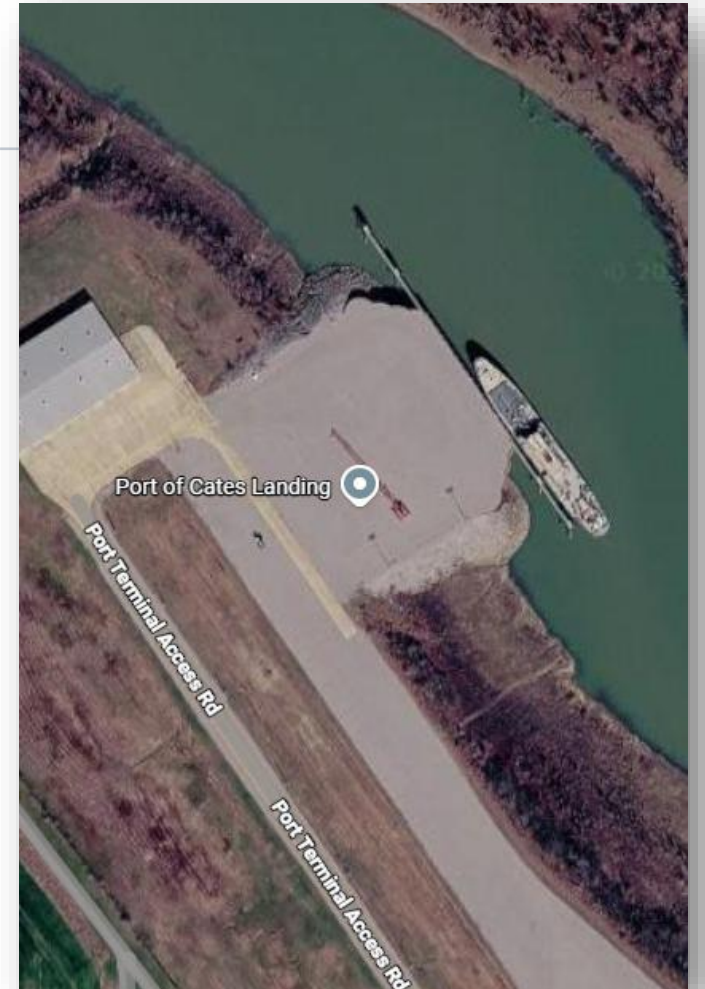
# Challenge 5: Economically Distressed Area

## Northwest Tennessee Regional Port Authority

A joint venture between Lake, Dyer, and Obion.

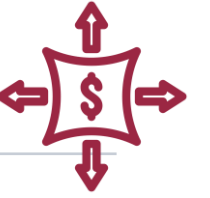
- For Fiscal Year 2025:
  - A significant portion of the Authority's limited revenue comes from renting land for farms.
  - Bad debt expenses of \$480,151.
  - State and Federal grants of \$13,098,879 for a rail line.

A vessel has been abandoned at the port since 2017.



# Challenge 6: Limited Budget Flexibility

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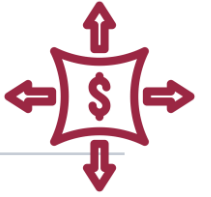


## Expenditures

- Many county expenses are mandated or fixed.
  - Minimum salaries for elected officials
  - Maintenance of Effort (MOE) requirements
  - State and federal mandates
- Result: A large share of the budget cannot be reduced.

# Challenge 6: Limited Budget Flexibility

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## Revenues

- Property taxes represented 49% of FY2025 general fund revenues.
  - Lake County has the highest county property tax rate in Tennessee and produces the second lowest revenue per penny increase.
  - Lake County has the highest wheel tax at \$100.
  - As property taxes increase, the capacity to generate additional revenue diminishes.
- **Result:** The taxpayers of Lake County are not getting the bang for their taxpayer buck.

# Why the math gets harder each year

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Structural realities impacting Lake County's sustainability moving forward:

- Many services are fixed and cannot scale down (e.g., schools, ambulance services, constitutional offices)
- Maintenance of Effort laws limit reductions
- Population decline increases per-resident costs

Without structural changes, the county will likely face:

- Increased financial risk
- Additional tax increases to sustain services
- Service reductions

**These challenges leave the county with little ability to absorb unexpected economic shocks (e.g., natural disasters).**

# Your Savings Won't Last Forever

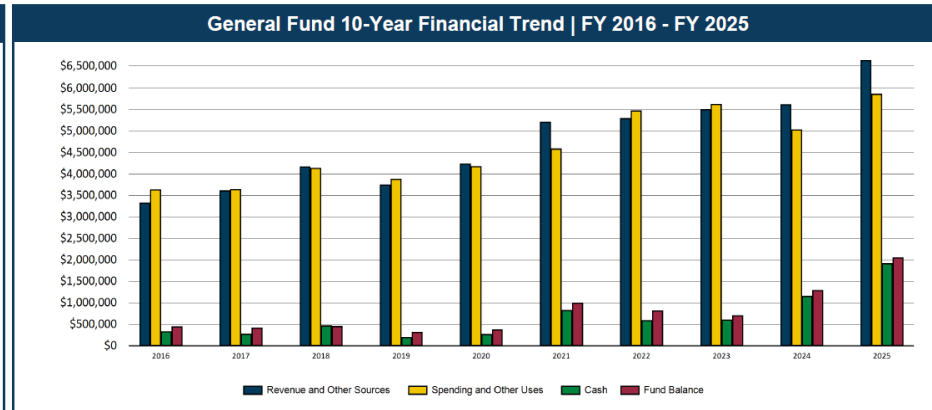
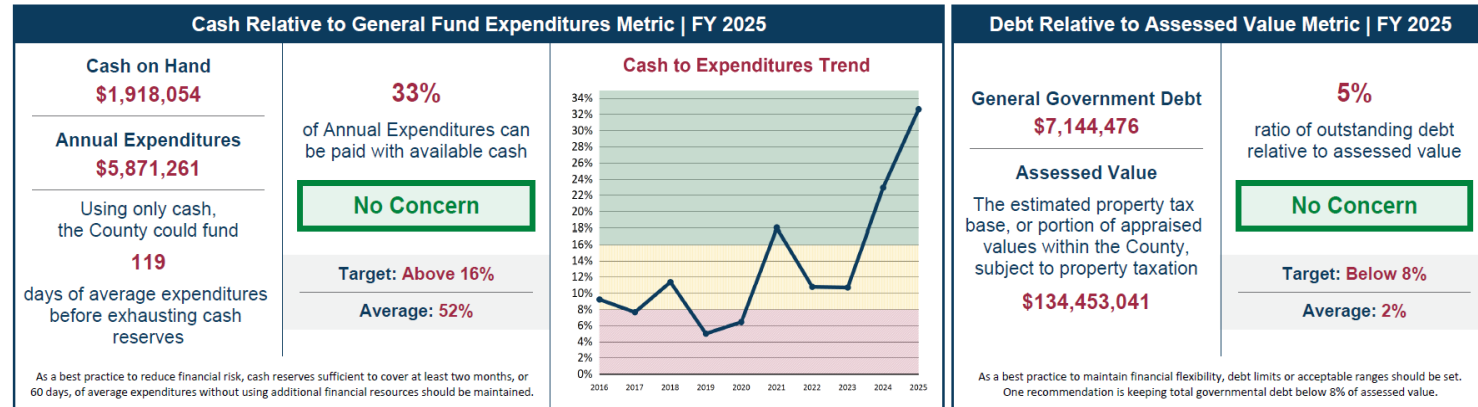
Lake County has good financial metrics, however:

- Tax increases are limited
- Constantly increasing costs
- No growth, no increased revenue
- Needed repairs

## Lake County

Fiscal Year: 2025

Contacts: [tncot.cc/lgf-contacts](http://tncot.cc/lgf-contacts) | Email: [LGF@cot.tn.gov](mailto:LGF@cot.tn.gov)



# Challenges in Context

## Financial Management

- Internal control weaknesses
- Audit findings
- Limited resources
- Qualified staff limitations
- Public service constraints

## Financial Sustainability

- High tax burden
- Constrained tax base
- Declining population
- Economic distress
- Limited budget flexibility

# Potential Next Steps

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# What success looks like

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Reliably delivers essential public services



Ensures the safety and wellbeing of residents and students



Demonstrates strong financial management and accountability



Achieves long-term financial stability with reduced risk to taxpayers

# Options Overview

## Option 1

Strengthen  
financial  
management +  
pursue economic  
development

# Option 1: Centralized Accounting + Economic Development

## Key Actions

- Centralize financial system
- Strengthen controls and audit compliance
- Add financial leadership
- Expand economic development

## Who is Involved

- County Commission
- Mayor
- Economic development partners

# Option 1: Benefits and Limitations

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- **Benefits:**

- Stronger internal controls and reduced audit risk
- Better transparency and reporting
- Increased efficiency and less duplication
- Maintains current county structure
- Long-term revenue potential

- **Limitations:**

- Economic development uncertain
- Workforce constraints
- Slow/limited revenue impact

**This option improves management,  
but it does not fundamentally change the county's fiscal capacity.**

# Options Overview

## Option 1

Strengthen financial management + pursue economic development

## Option 2

Adopt a metropolitan form of government

# Option 2: Adopt a Metropolitan Form of Government under Tenn. Code Ann. § 7-2-101, et seq.

## Key Actions

- City + County merge into one government
- Single leadership and legislative body
- Unified budgeting and financial oversight

## How It Works

- Consolidation of services (where feasible)
- Charter commission formed
- Requires voter approval

*This option improves structure and efficiency,  
but it does not fundamentally change the county's economic base.*

# Option 2: Benefits and Limitations

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## Benefits:

- Reduced duplication of administrative services
- Unified financial oversight
- Clearer lines of authority and accountability
- Potential administrative cost savings
- More coordinated economic development strategy

## Limitations:

- Requires strong political and community support
- Must be approved by voters
- Upfront transition and restructuring costs
- Does not automatically solve revenue constraints

# Options Overview

## Option 1

Strengthen financial management + pursue economic development

## Option 2

Adopt a metropolitan form of government

## Option 3

Consolidate with an Adjoining County or Counties

# Option 3: Consolidation with Adjoining County or Counties under Tenn. Code Ann. § 5-3-101 et seq.

## Key Actions

- Merge Lake + Adjoining County governments
- Combine school systems
- Single countywide structure

## How It Works

- Consolidate services and administration
- Approval of 2/3 of the qualified voters

*This option offers the most financially sustainable path.*

# Option 3: Benefits and Challenges

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## Benefits:

- Economies of scale in administration and service
- Access to stronger financial management and infrastructure
- Broader tax base supporting services
- Improved long-term sustainability

This option represents the **most significant** structural change.

## Limitations:

- Requires significant political and community support
- Must protect taxpayers and students in both counties
- Debt and liabilities must be addressed (e.g., special assessment zone)
- Geographic and service delivery considerations

# Options Comparison

Option	Financial Sustainability Improvement	Timeline	Impact on Services
1) Economic Development + Centralized Accounting	Minimal	Short	Improves management
2) Metropolitan Government	Moderate	Medium	Improves efficiency
3) County Consolidation	Significant	Long	Structural sustainability

# Next Steps

- Community discussions with residents and stakeholders
- Additional financial and operational analysis (i.e., feasibility studies)
- Exploration of legislative pathways where necessary



The goal is to identify the path that best ensures long-term sustainability for Lake County residents and taxpayers.

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