



**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

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CITY OF RED BANK, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

Randall Smith, City Manager

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I. INTRODUCTORY SECTION

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CITY OF RED BANK, TENNESSEE
City Officials
June 30, 2017

Mayor John Roberts

Vice-Mayor Eddie Pierce

Commissioner..... Terry Pope

Commissioner..... Ed LeCompte

Commissioner..... Carol Rose

City Judge..... Johnny Houston

City Manager..... Randall Smith

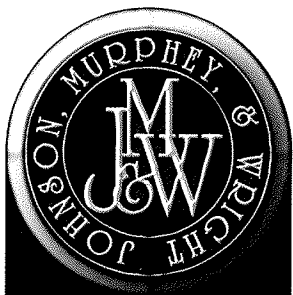
City Recorder Ruth Rohen

Finance Director, CMFO..... John Alexander

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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Commissioners
City of Red Bank, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Red Bank, Tennessee, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Bank, Tennessee, as of June 30, 2017, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Solid Waste Fund 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, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Red Bank, Tennessee's basic financial statements. The Introductory Section, non-major governmental fund financial statements and financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The non-major governmental fund financial statements and financial schedules 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 non-major governmental fund financial statements and financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Mayor and Commissioners
City of Red Bank, Tennessee
Page Three

The Introductory Section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of the City of Red Bank, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Red Bank, Tennessee's internal control over financial reporting and compliance.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
October 31, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Red Bank, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Red Bank, Tennessee for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

The assets and deferred outflows of the City of Red Bank, Tennessee exceeded its liabilities and deferred inflows at June 30, 2017, by \$14,139,800 (net position). Of this amount, \$5,069,944 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's governmental activities operated at a surplus of \$563,988. The City's business-type activities operated at a surplus of \$27,557.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$6,699,367.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,358,682, or 89.26%, of total General Fund expenditures.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's enterprise funds reported combined ending net position of \$382,045. Of that balance, \$298,887, or 78.23%, is unrestricted.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City of Red Bank, Tennessee's basic financial statements. The City of Red Bank, Tennessee's basic financial statements comprise 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 of Red Bank, Tennessee's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City of Red Bank, Tennessee's assets, deferred outflows, liabilities, and deferred inflows with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Red Bank, Tennessee is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, 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 vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Red Bank, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 of Red Bank, Tennessee includes general government, public safety, public works, state street aid and public welfare and recreation. The business-type activities of the City of Red Bank, Tennessee include the Sewer Fund and the Stormwater Fund.

The government-wide financial statements can be found on pages 15 through 17 of this report.

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 of Red Bank, Tennessee, 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 of Red Bank, Tennessee can be divided into two categories: governmental funds and proprietary 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 governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Red Bank, Tennessee maintains five 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 and Solid Waste Fund, which are considered to be major funds. Data from the non-major governmental funds is combined into a single aggregated presentation. Individual fund data for the non-major governmental funds is provided in the form of combining statements later in this report beginning on page 64.

The City of Red Bank, Tennessee adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the major governmental funds, the General Fund and Solid Waste Fund, to demonstrate compliance with this budget, as well as for the non-major funds.

The basic governmental fund financial statements can be found on pages 18 through 29 of this report.

Proprietary Funds

The City of Red Bank, Tennessee maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Red Bank, Tennessee uses enterprise funds to account for its sewer and stormwater 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 separate information for the Sewer Fund and Stormwater Fund, both of which are considered to be major funds of the City of Red Bank, Tennessee.

The basic proprietary fund financial statements can be found on pages 30 through 33 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 34 through 59 of this report.

Required Supplementary Information other than MD&A

The schedules related to the Tennessee Consolidated Retirement System are presented as Required Supplementary Information other than MD&A.

Other Information

The combining statements referred to earlier in connection with the non-major governmental funds can be found on pages 64 and 65 of this report.

Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Red Bank, Tennessee, assets and deferred outflows exceeded liabilities and deferred inflows by \$14,139,800 at the close of this fiscal year.

The largest portion of the City of Red Bank, Tennessee's net position (54.68%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any debt used to acquire those assets that is still outstanding. The City of Red Bank, Tennessee uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Red Bank, Tennessee'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.

City of Red Bank, Tennessee's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Capital assets	\$ 8,310,593	\$ 8,634,538	\$ 83,158	\$ 94,031	\$ 8,393,751	\$ 8,728,569
Other assets	9,619,587	9,076,158	1,833,802	2,360,625	11,453,389	11,436,783
Total assets	<u>\$ 17,930,180</u>	<u>\$ 17,710,696</u>	<u>\$ 1,916,960</u>	<u>\$ 2,454,656</u>	<u>\$ 19,847,140</u>	<u>\$ 20,165,352</u>
Deferred outflows of resources	<u>\$ 637,143</u>	<u>\$ 645,759</u>	<u>\$ 19,704</u>	<u>\$ 19,970</u>	<u>\$ 656,847</u>	<u>\$ 665,729</u>
Long-term liabilities	\$ 1,492,792	\$ 1,633,257	\$ 1,102,127	\$ 1,536,339	\$ 2,594,919	\$ 3,169,596
Other liabilities	558,185	481,665	447,474	569,548	1,005,659	1,051,213
Total liabilities	<u>\$ 2,050,977</u>	<u>\$ 2,114,922</u>	<u>\$ 1,549,601</u>	<u>\$ 2,105,887</u>	<u>\$ 3,600,578</u>	<u>\$ 4,220,809</u>
Deferred inflows of resources	<u>\$ 2,758,591</u>	<u>\$ 3,047,766</u>	<u>\$ 5,018</u>	<u>\$ 14,251</u>	<u>\$ 2,763,609</u>	<u>\$ 3,062,017</u>
Net investment in capital assets	\$ 7,648,393	\$ 7,700,638	\$ 83,158	\$ 94,031	\$ 7,731,551	\$ 7,794,669
Restricted	1,338,305	1,113,611	-	-	1,338,305	1,113,611
Unrestricted	4,771,057	4,379,518	298,887	260,457	5,069,944	4,639,975
Total net position	<u>\$ 13,757,755</u>	<u>\$ 13,193,767</u>	<u>\$ 382,045</u>	<u>\$ 354,488</u>	<u>\$ 14,139,800</u>	<u>\$ 13,548,255</u>

9.46%, or \$1,338,305, of the City of Red Bank, Tennessee's net position represent resources that are subject to external restrictions on how they may be used. The remaining \$5,069,944 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2017, the City of Red Bank, Tennessee is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities increased the City of Red Bank, Tennessee's net position by \$563,988.

The City of Red Bank, Tennessee's main revenue sources for 2017 were property tax and local sales tax. These taxes helped to grow the City's net position since related expense for this revenue is very low.

The table below provides a summary of the City's net position broken down by governmental and business-type activities.

City of Red Bank, Tennessee's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,323,343	\$ 1,415,281	\$ 280,111	\$ 246,974	\$ 1,603,454	\$ 1,662,255
Operating grants and contributions	466,900	412,671	70,895	83,586	537,795	496,257
Capital grants and contributions	100,182	84,157	-	-	100,182	84,157
General revenues:						
Property taxes	2,580,433	2,529,490	-	-	2,580,433	2,529,490
Other taxes	3,068,284	2,930,165	-	-	3,068,284	2,930,165
Other	109,457	136,425	1,062	452	110,519	136,877
Total revenues	<u>7,648,599</u>	<u>7,508,189</u>	<u>352,068</u>	<u>331,012</u>	<u>8,000,667</u>	<u>7,839,201</u>
Expenses:						
General government	1,783,465	1,609,189	-	-	1,783,465	1,609,189
Public safety	3,026,226	2,824,670	-	-	3,026,226	2,824,670
Public works	1,672,544	1,465,476	-	-	1,672,544	1,465,476
State street aid	238,534	205,861	-	-	238,534	205,861
Public welfare and recreation	337,990	231,307	-	-	337,990	231,307
Interest on long-term debt	25,852	30,513	-	-	25,852	30,513
Sewer	-	-	70,895	83,586	70,895	83,586
Stormwater	-	-	253,616	244,761	253,616	244,761
Total expenses	<u>7,084,611</u>	<u>6,367,016</u>	<u>324,511</u>	<u>328,347</u>	<u>7,409,122</u>	<u>6,695,363</u>
Change in net position	563,988	1,141,173	27,557	2,665	591,545	1,143,838
Net position - beginning	<u>13,193,767</u>	<u>12,052,594</u>	<u>354,488</u>	<u>351,823</u>	<u>13,548,255</u>	<u>12,404,417</u>
Net position - ending	<u>\$ 13,757,755</u>	<u>\$ 13,193,767</u>	<u>\$ 382,045</u>	<u>\$ 354,488</u>	<u>\$ 14,139,800</u>	<u>\$ 13,548,255</u>

Net position for governmental activities increased \$563,988, or 4.27%, largely due to the following key factors:

Grant and contribution revenue increased \$70,254.

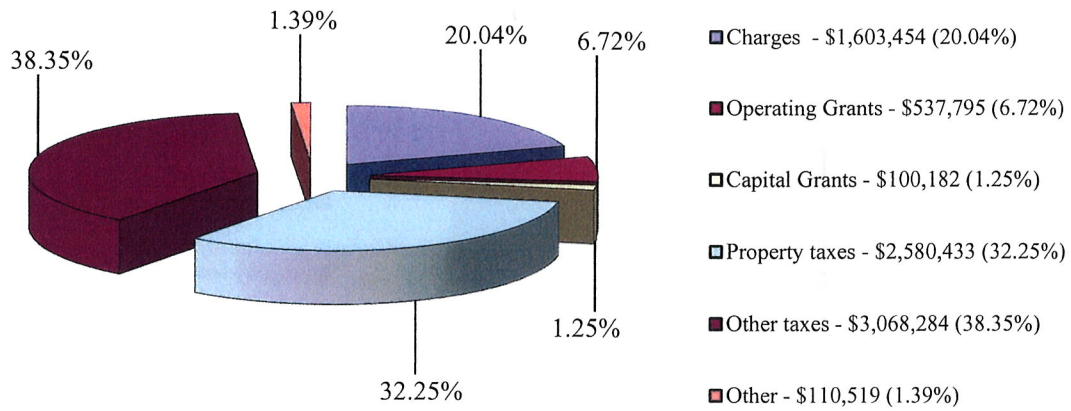
Local sales revenue increased \$73,834.

Net position for business-type activities increased by \$27,557, or 7.77%, largely due to the following:

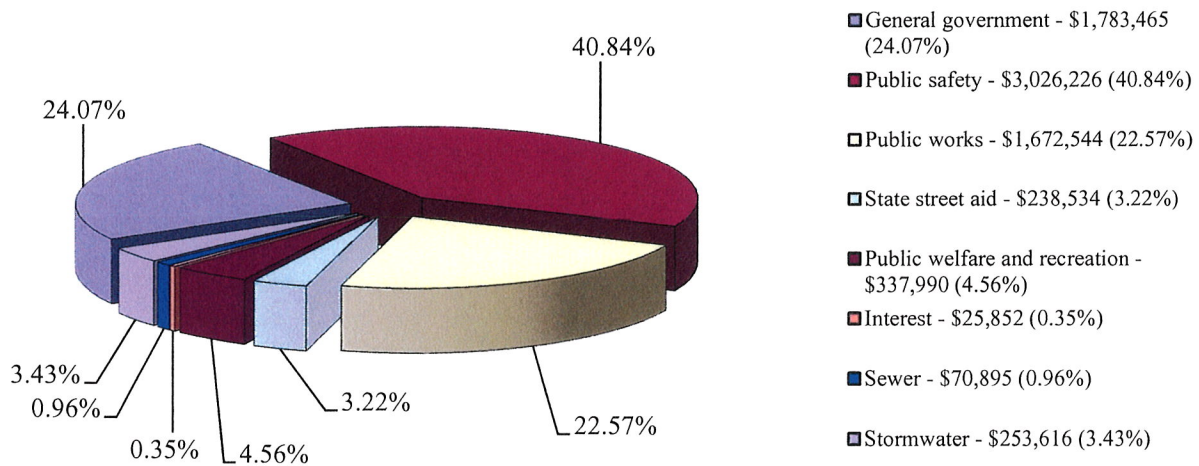
Stormwater fees increased \$33,362.

The graphs below summarize the \$8,000,667 of city-wide revenues by source and the associated \$7,409,122 of expense by program. The graphs combine data from both governmental and business-type activities.

City-Wide Sources of Revenue

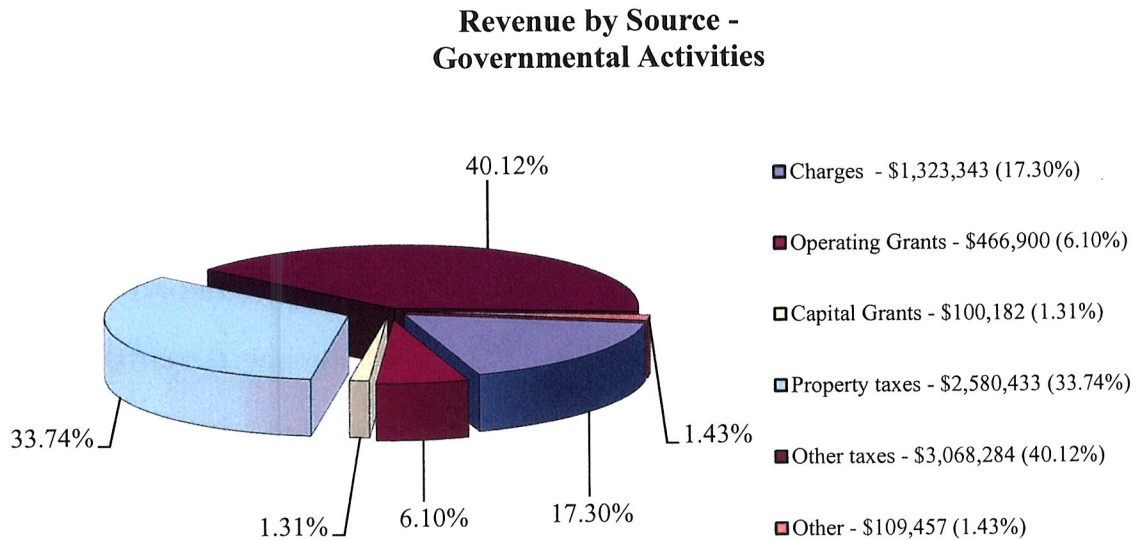


City-Wide Program Expenses

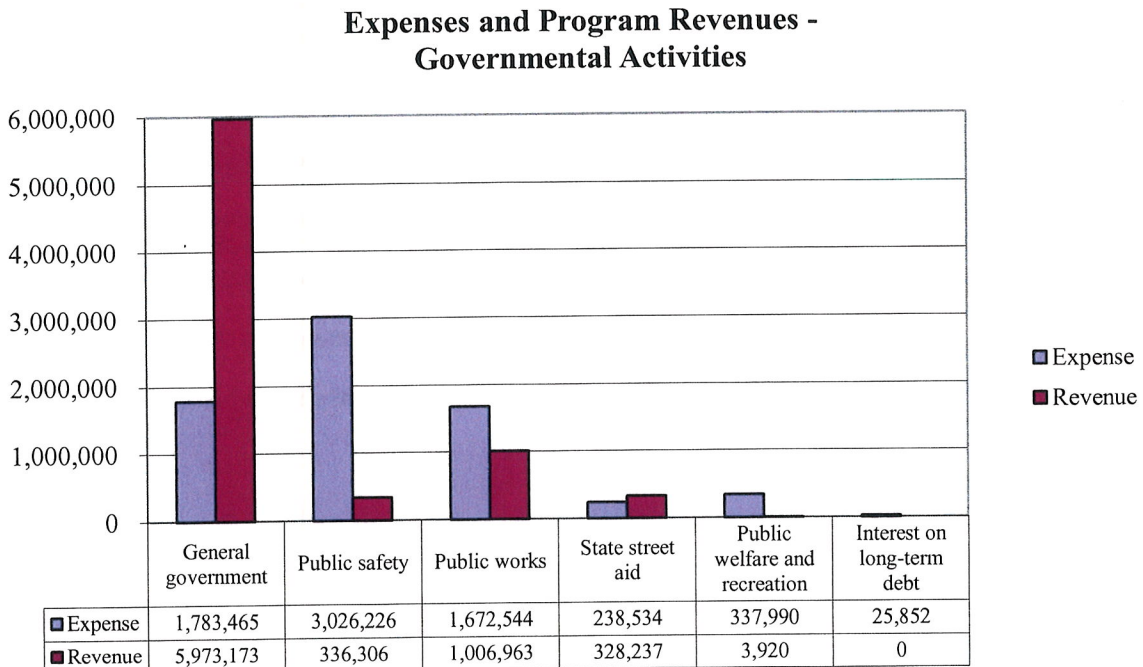


Governmental Activities

Governmental activities accounted for revenues of \$7,648,599. The following graph summarizes the revenue by source.



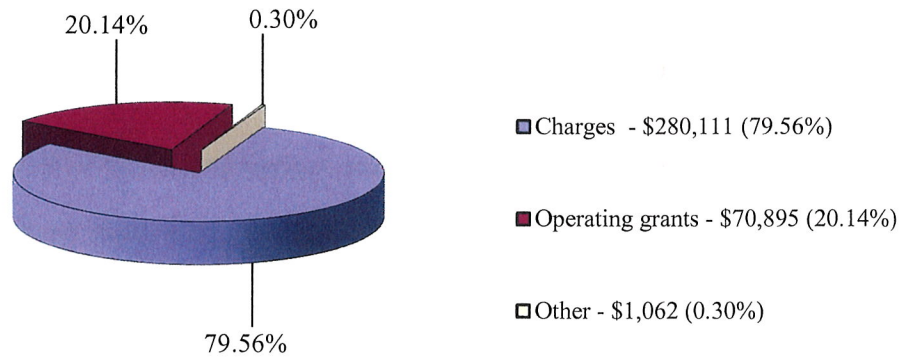
The following graph summarizes the revenue and related expense for each government program of the City. The difference between expense and revenue is the financial burden placed on the City's taxpayers for each program.



Business-type Activities

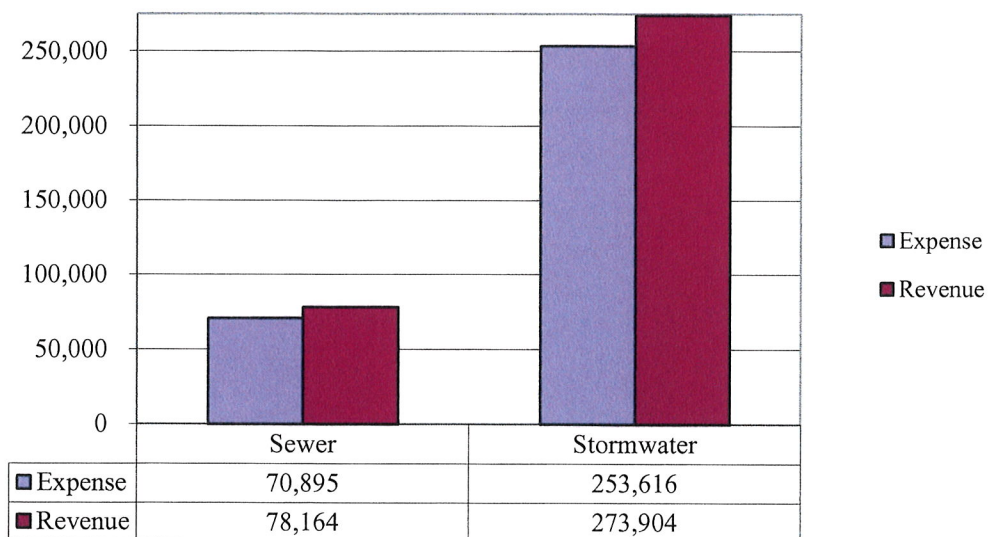
Business-type activities accounted for revenues of \$352,068. The following graph summarizes the revenue by source.

Revenue by Source - Business-Type Activities



The following graph summarizes the revenue and related expense of operating the sewer and stormwater systems.

Expenses and Program Revenues - Business-Type Activities



Financial Analysis of the City's Funds

As noted earlier, the City of Red Bank, Tennessee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Red Bank, Tennessee's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Red Bank, Tennessee's financial requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$6,699,367. The fund balance increased by \$426,325, which was largely due to the following:

Tax revenues increased \$123,092 from the prior year, representing a 2.83% increase.

Capital outlay expenditures decreased by \$247,975 from the prior year, representing a 27.36% increase.

The General Fund is the chief operating fund of the City of Red Bank, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,358,682. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 89.26% of total fund expenditures.

Proprietary Funds

The City of Red Bank, Tennessee's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$34,381 for the Sewer Fund and \$264,506 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget netted to \$(704,358). The details are listed below:

There was a \$2,655,790 increase in the budget for revenues, due largely to an increased budget for federal grants of \$2,447,080.

There was a \$23,921 increase in the budget for the general government expenditures, due largely to an increased budget of \$20,421 for relief to indigents.

There was a \$27,865 increase in the budget for public safety expenditures, due largely to an increased budget of \$23,025 for police salaries.

There was an \$11,193 increase in the budget for public works expenditures, due to an increased budget for street department contract services.

There was a \$48,591 increase in the budget for public welfare and recreation expenditures, due to an increased budget for parks and recreation repairs and maintenance.

There was an \$3,248,578 increase in the budget for capital outlay expenditures, due largely to the increased budget of the street department of \$2,863,585 and \$299,450 for police department.

Departmental budget officers closely monitored expenditures during the fiscal year in order to minimize budget amendments.

Capital Assets and Debt Administration

City of Red Bank, Tennessee's Capital Assets (Net of Depreciation)

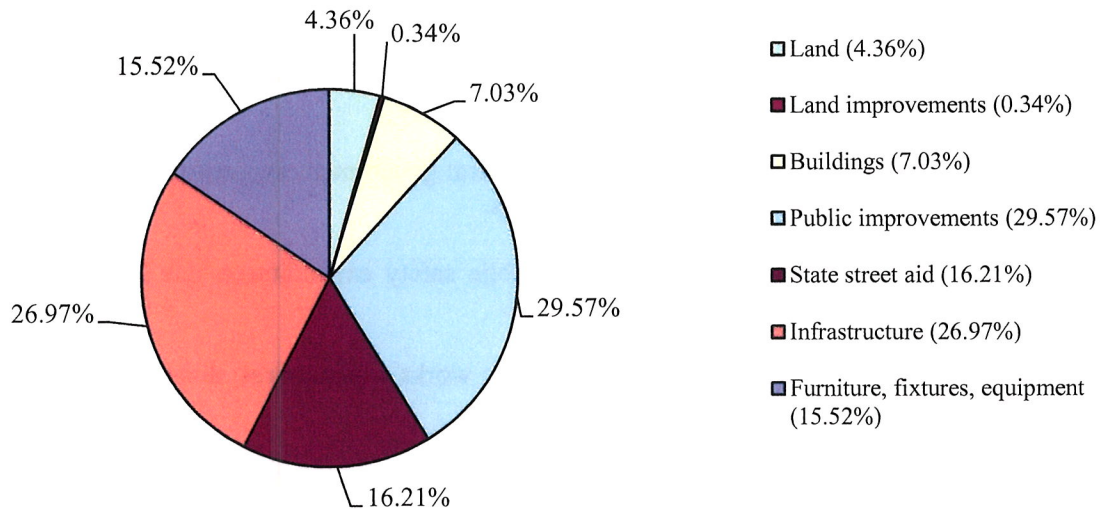
	Governmental Activities	Business-type Activities	Total
Land	\$ 366,258	\$ -	\$ 366,258
Land improvements	-	28,673	28,673
Buildings	590,361	-	590,361
Public improvements	2,481,620	-	2,481,620
State street aid	1,360,650	-	1,360,650
Infrastructure	2,264,019	-	2,264,019
Furniture, fixtures and equipment	1,247,685	54,485	1,302,170
Total capital assets	<u>\$ 8,310,593</u>	<u>\$ 83,158</u>	<u>\$ 8,393,751</u>

Major capital asset events during the current fiscal year include the following:

2 solar speed signs	\$ 5,986
Equipment for police cars	\$ 24,024
2017 Ford F-550 bucket truck	\$ 97,500
Leaf machine	\$ 30,638
7 Ford utility vehicles	\$ 210,019

Additional information on the City of Red Bank, Tennessee's capital assets can be found in Note 8 on pages 44 and 45 of this report.

City-Wide Capital Assets

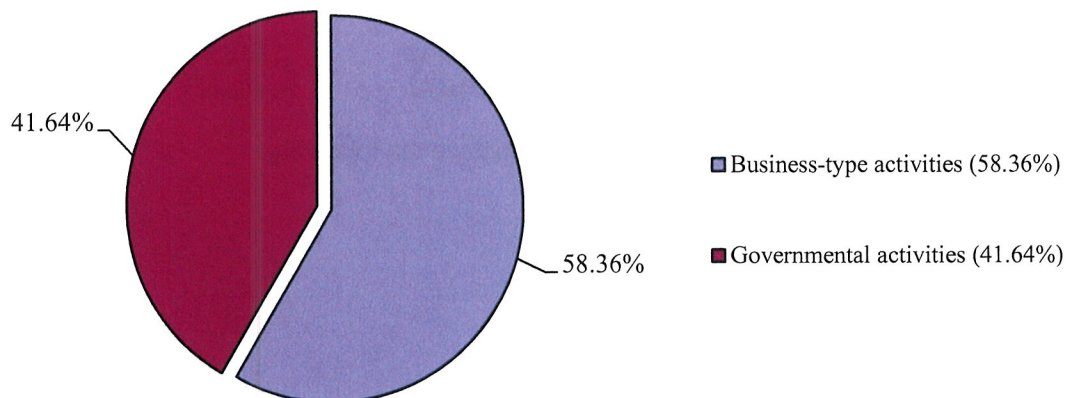


City of Red Bank, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Red Bank, Tennessee had total long-term debt outstanding of \$2,608,063. Of that amount, \$793,764 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 258,000	\$ -	\$ 258,000
Notes payable	467,200	1,503,842	1,971,042
Landfill closure and post-closure	92,400	-	92,400
Accrued leave	268,390	18,231	286,621
Current portion	(350,400)	(443,364)	(793,764)
Total long-term debt	<u>\$ 735,590</u>	<u>\$ 1,078,709</u>	<u>\$ 1,814,299</u>

Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 10 on pages 46 through 49 of this report.

Currently Known Conditions Effecting Future Years

The City is experiencing a surge in the residential property market through homes being renovated and sold and new home construction. The past fiscal year we've had 22 new homes built with an average price tag of \$240,000. There are plans to complete a 69 lot development, with homes priced in the \$300,000 range within the next two years, and planning commission approval has been given to other residential developments with over 35 lots. The City's proximity and accessibility to downtown Chattanooga is enabling it to feed off the resurgence the north shore areas residential property. Our lower property tax rate, newer schools, public parks, recreational opportunities, and ease of movement continue to make Red Bank an attractive place for young professionals and families to locate.

Commercial activity is also expanding. There were twenty-seven (27) new businesses opened in the city during the past fiscal year ranging from a large self-storage facility to a bakery. There are new businesses in the final stages of building renovation/construction that will be open during this fiscal year. Investments in commercial improvements during fiscal year 2017 totaled just over \$8,319,000. We continue to recruit business owners to either locate their start-up or relocate their existing business in our city.

Fiscal year 2017 was a quadrennial year for property assessments in Hamilton County. Due to State mandated Property Tax Equalization, the residential tax rate per \$100 decreased from \$1.35 to \$1.18. This is the lowest property tax rate in Hamilton County.

The City has been awarded grants totaling approximately \$3,000,000 from different federal and state agencies. These grants are enabling the City to resurface a section of Dayton Boulevard, add sidewalks and enhance pedestrian safety along a section of Dayton Blvd, improve signalized intersections at select locations, and add sidewalks along a section of Ashland Terrace.

Red Bank was transferred ownership from Hamilton County of an 11 acre tract in the heart of our city. This property, the former Middle School, is adjacent to Dayton Boulevard and is prime commercial property. The City has held public meetings for the purpose of engaging our citizens and gathering their ideas and input on how they would like to see the property developed. No firm decision has been determined at this time, but it is expected to be an area of mixed commercial and residential property that will enhance and define our central district concept.

Request for Information

This financial report is designed to provide a general overview of the City of Red Bank, Tennessee's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Red Bank, Tennessee, 3117 Dayton Boulevard, Red Bank, TN 37415.

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BASIC FINANCIAL STATEMENTS

CITY OF RED BANK, TENNESSEE
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental	Business-	
	Activities	type	Total
	Activities	Activities	
ASSETS			
Current assets			
Cash	\$ 3,958,341	\$ 297,261	\$ 4,255,602
Investments	2,068,308	-	2,068,308
Property tax receivable - net	2,736,682	-	2,736,682
Accounts receivable - net	747,142	35,598	782,740
Prepaid expenses	2,380	-	2,380
Due from grantor	103,835	-	103,835
Internal balances	2,899	(2,899)	-
Notes receivable - WWTA	-	443,364	443,364
Total current assets	<u>9,619,587</u>	<u>773,324</u>	<u>10,392,911</u>
Non-current assets			
Other assets			
Notes receivable - WWTA	-	1,060,478	1,060,478
Capital assets			
Land	366,258	-	366,258
Other capital assets - net of accumulated depreciation	7,944,335	83,158	8,027,493
Total capital assets	<u>8,310,593</u>	<u>83,158</u>	<u>8,393,751</u>
Total non-current assets	<u>8,310,593</u>	<u>1,143,636</u>	<u>9,454,229</u>
TOTAL ASSETS	<u><u>\$ 17,930,180</u></u>	<u><u>\$ 1,916,960</u></u>	<u><u>\$ 19,847,140</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 637,143</u>	<u>\$ 19,704</u>	<u>\$ 656,847</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Statement of Net Position (Continued)
June 30, 2017

	Primary Government		
	Governmental	Business-	
	Activities	type	
		Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	\$ 62,872	\$ -	\$ 62,872
Accrued liabilities	144,913	4,110	149,023
Bonds payable - due in one year	258,000	-	258,000
Notes payable - due in one year	84,700	443,364	528,064
Landfill closure and post-closure cost - due in one year	7,700	-	7,700
Total current liabilities	<u>558,185</u>	<u>447,474</u>	<u>1,005,659</u>
Non-current liabilities			
Notes payable	382,500	1,060,478	1,442,978
Landfill closure and post-closure cost	84,700	-	84,700
Accrued leave	268,390	18,231	286,621
Net pension liability	757,202	23,418	780,620
Total non-current liabilities	<u>1,492,792</u>	<u>1,102,127</u>	<u>2,594,919</u>
TOTAL LIABILITIES	<u>\$ 2,050,977</u>	<u>\$ 1,549,601</u>	<u>\$ 3,600,578</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	\$ 2,596,350	\$ -	\$ 2,596,350
Deferred inflows related to pensions	162,241	5,018	167,259
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 2,758,591</u>	<u>\$ 5,018</u>	<u>\$ 2,763,609</u>
NET POSITION			
Net investment in capital assets	\$ 7,648,393	\$ 83,158	\$ 7,731,551
Restricted for:			
Non-recurring police expenses	94,015	-	94,015
State street aid expenses	654,098	-	654,098
Impound expenses	4,814	-	4,814
Solid waste expenses	585,378	-	585,378
Unrestricted	4,771,057	298,887	5,069,944
TOTAL NET POSITION	<u>\$ 13,757,755</u>	<u>\$ 382,045</u>	<u>\$ 14,139,800</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Statement of Activities
Year Ended June 30, 2017

<u>Functions/Programs</u>	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,783,465	\$ 114,891	\$ 100,108	\$ -	\$ (1,568,466)	\$ -	\$ (1,568,466)
Public safety	3,026,226	264,934	18,615	52,757	(2,689,920)	-	(2,689,920)
Public works	1,672,544	938,498	25,696	42,769	(665,581)	-	(665,581)
State street aid	238,534	1,100	322,481	4,656	89,703	-	89,703
Public welfare and recreation	337,990	3,920	-	-	(334,070)	-	(334,070)
Interest on long-term debt	25,852	-	-	-	(25,852)	-	(25,852)
Total governmental activities	7,084,611	1,323,343	466,900	100,182	(5,194,186)	-	(5,194,186)
Business-type activities:							
Sewer	70,895	7,191	70,895	-	-	7,191	7,191
Stormwater	253,616	272,920	-	-	-	19,304	19,304
Total business-type activities	324,511	280,111	70,895	-	-	26,495	26,495
Total primary government	\$ 7,409,122	\$ 1,603,454	\$ 537,795	\$ 100,182	(5,194,186)	26,495	(5,167,691)
General revenues:							
Unrestricted:							
Property tax					2,580,433	-	2,580,433
Minimum business tax					103,693	-	103,693
Local sales tax					1,225,467	-	1,225,467
Alcoholic beverage tax					339,150	-	339,150
Franchise tax					171,405	-	171,405
In lieu of tax					93,715	-	93,715
Other state taxes					1,134,854	-	1,134,854
Interest					27,662	662	28,324
Other					81,795	400	82,195
Total general revenues					5,758,174	1,062	5,759,236
Change in net position					563,988	27,557	591,545
Net position - beginning					13,193,767	354,488	13,548,255
Net position - end					\$13,757,755	\$ 382,045	\$ 14,139,800

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 2,945,694	\$ 616,236	\$ 396,411	\$ 3,958,341
Investments	1,801,219	-	267,089	2,068,308
Property tax receivable - net	2,736,682	-	-	2,736,682
Accounts receivable - net	648,167	6,659	92,316	747,142
Prepaid expenses	2,380	-	-	2,380
Due from grantor	99,179	-	4,656	103,835
Due from other funds	38,495	2,043	-	40,538
TOTAL ASSETS	<u>\$ 8,271,816</u>	<u>\$ 624,938</u>	<u>\$ 760,472</u>	<u>\$ 9,657,226</u>
LIABILITIES				
Accounts payable	\$ 62,572	\$ -	\$ 300	\$ 62,872
Accrued liabilities	135,747	9,166	-	144,913
Due to other funds	-	30,394	7,245	37,639
TOTAL LIABILITIES	<u>\$ 198,319</u>	<u>\$ 39,560</u>	<u>\$ 7,545</u>	<u>\$ 245,424</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property tax	<u>\$ 2,712,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,712,435</u>
FUND BALANCES				
Nonspendable	\$ 2,380	\$ -	\$ -	\$ 2,380
Restricted	-	585,378	752,927	1,338,305
Unassigned	5,358,682	-	-	5,358,682
TOTAL FUND BALANCES	<u>\$ 5,361,062</u>	<u>\$ 585,378</u>	<u>\$ 752,927</u>	<u>\$ 6,699,367</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances per governmental funds balance sheet	\$ 6,699,367
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,310,593
Long-term liabilities, including bonds payable, notes payable, landfill closure and post-closure cost, and accrued leave are not due and payable in the current period and, therefore, are not reported in the funds.	(1,085,990)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	116,085
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(282,300)</u>
Net position of governmental activities	<u>\$ 13,757,755</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
June 30, 2017

	General Fund	Solid Waste Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,473,103	\$ -	\$ -	\$ 4,473,103
License and permits	79,013	-	1,100	80,113
Intergovernmental	1,273,414	2,163	327,137	1,602,714
Charges for services	35,878	938,249	-	974,127
Fines and forfeitures	202,836	-	61,418	264,254
Other revenues	138,219	7,093	67,238	212,550
TOTAL REVENUES	<u>6,202,463</u>	<u>947,505</u>	<u>456,893</u>	<u>7,606,861</u>
EXPENDITURES				
Current expenditures				
General government	1,742,855	-	-	1,742,855
Public safety	2,568,141	-	16,548	2,584,689
Public works	808,780	653,200	-	1,461,980
State street aid	-	-	172,775	172,775
Public welfare and recreation	202,406	-	-	202,406
Capital outlay	501,285	128,498	28,496	658,279
Debt service	179,775	62,905	114,872	357,552
TOTAL EXPENDITURES	<u>6,003,242</u>	<u>844,603</u>	<u>332,691</u>	<u>7,180,536</u>
Excess (deficiency) of revenues over (under) expenditures	199,221	102,902	124,202	426,325
OTHER FINANCING SOURCES (USES)				
Transfers	2,410	-	(2,410)	-
Net changes in fund balances	201,631	102,902	121,792	426,325
Fund balances - beginning	<u>5,159,431</u>	<u>482,476</u>	<u>631,135</u>	<u>6,273,042</u>
Fund balances - end	<u>\$ 5,361,062</u>	<u>\$ 585,378</u>	<u>\$ 752,927</u>	<u>\$ 6,699,367</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Year Ended June 30, 2017

Net changes in fund balances for total governmental funds	\$ 426,325
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(323,945)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	42,235
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	339,400
Accrued leave reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	3,529
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>76,444</u>
Change in net position of governmental activities	<u>\$ 563,988</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property tax	\$ 2,475,000	\$ 2,475,000	\$ 2,538,198	\$ 63,198
Minimum business tax	80,500	80,500	103,693	23,193
Local sales tax	1,075,000	1,075,000	1,225,467	150,467
Alcoholic beverage tax	265,000	265,000	339,150	74,150
Franchise tax	175,000	175,000	171,405	(3,595)
Occupancy tax	-	-	1,475	1,475
In lieu of tax	90,000	90,000	93,715	3,715
Total taxes	4,160,500	4,160,500	4,473,103	312,603
License and permits				
Privilege license	2,800	2,800	3,748	948
Wrecker permits	500	500	500	-
Building license and permits	41,000	41,000	74,765	33,765
Total license and permits	44,300	44,300	79,013	34,713
Intergovernmental				
State sales tax	915,000	915,000	966,482	51,482
State beer tax	5,000	5,000	5,626	626
State mixed drink tax	3,000	3,000	2,155	(845)
State income tax	19,800	19,800	27,658	7,858
State city streets and transportation system	23,000	23,000	23,533	533
TVA in lieu of tax	130,000	130,000	131,458	1,458
Federal grants	-	2,447,080	99,102	(2,347,978)
Police supplemental	24,000	24,000	17,400	(6,600)
Total intergovernmental	1,119,800	3,566,880	1,273,414	(2,293,466)
Charges for service				
Administrative services	21,000	21,000	21,000	-
Rent of facilities	14,878	14,878	14,878	-
Total charges for service	35,878	35,878	35,878	-
Fines and forfeitures				
Court fines and costs	225,900	225,900	202,836	(23,064)

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Other revenues				
Miscellaneous	\$ -	\$ -	\$ 12,709	\$ 12,709
Sale of assets	-	-	6,900	6,900
Insurance recoveries and refund	-	-	20,459	20,459
Fees and commissions	3,000	3,000	3,920	920
Interest	7,000	7,000	18,955	11,955
Donations	-	208,710	75,276	(133,434)
Total other revenues	10,000	218,710	138,219	(80,491)
TOTAL REVENUES				
	5,596,378	8,252,168	6,202,463	(2,049,705)
EXPENDITURES				
Current expenditures				
General government				
Financial administration				
Salaries	309,059	309,059	276,617	32,442
Payroll tax	24,033	24,033	22,922	1,111
Employee benefits	663,827	663,827	588,636	75,191
Contract services	731,000	731,000	287,612	443,388
Dues and subscriptions	14,900	14,900	18,017	(3,117)
Election	3,400	3,400	4,495	(1,095)
Insurance	261,900	261,900	249,012	12,888
Miscellaneous	2,225	2,225	1,956	269
Office supplies and expenses	13,650	13,650	8,956	4,694
Operating supplies	5,050	8,550	5,996	2,554
Penalties	-	-	7	(7)
Professional services	87,650	87,650	87,402	248
Relief to indigents	-	20,421	20,000	421
Repairs and maintenance	5,000	5,000	5,202	(202)
Special events	3,000	3,000	5,575	(2,575)
Telephone	9,850	9,850	5,132	4,718
Training	2,300	2,300	2,464	(164)
Travel	4,000	4,000	5,433	(1,433)
Utilities	42,526	42,526	21,410	21,116
Total financial administration	2,183,370	2,207,291	1,616,844	590,447

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
General government (Continued)				
Judicial				
Salaries	\$ 95,389	\$ 95,389	\$ 90,810	\$ 4,579
Payroll tax	7,297	7,297	7,357	(60)
Employee benefits	8,789	8,789	8,408	381
Contract services	26,823	26,823	13,891	12,932
Office supplies and expenses	4,500	4,500	100	4,400
Operating supplies	-	-	1,602	(1,602)
Repairs and maintenance	-	-	1,688	(1,688)
Telephone	1,425	1,425	1,083	342
Training	375	375	550	(175)
Travel	1,500	1,500	522	978
Total judicial	146,098	146,098	126,011	20,087
Total general government	2,329,468	2,353,389	1,742,855	610,534
Public safety				
Police department				
Salaries	1,184,548	1,207,573	1,136,457	71,116
Payroll tax	90,618	92,379	88,768	3,611
Employee benefits	142,975	145,754	135,362	10,392
Contract services	181,250	181,250	181,369	(119)
Dues and subscriptions	1,500	1,500	2,029	(529)
Insurance	3,500	3,500	8,686	(5,186)
Miscellaneous	500	500	335	165
Operating supplies	16,900	17,200	19,166	(1,966)
Professional services	2,500	2,500	4,012	(1,512)
Repairs and maintenance	20,000	20,000	17,997	2,003
Telephone	16,000	16,000	16,357	(357)
Training	8,000	8,000	6,416	1,584
Travel	8,000	8,000	6,263	1,737
Uniforms	15,900	15,900	17,280	(1,380)
Vehicle	41,900	41,900	44,983	(3,083)
Total police department	1,734,091	1,761,956	1,685,480	76,476

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety (Continued)				
Fire department				
Salaries	\$ 644,748	\$ 644,748	\$ 637,542	\$ 7,206
Payroll tax	49,323	49,323	50,087	(764)
Employee benefits	71,096	71,096	62,610	8,486
Contract services	28,127	28,127	27,756	371
Dues and subscriptions	1,100	1,100	1,218	(118)
Fire hydrant rental	2,752	2,752	4,905	(2,153)
Insurance	7,443	7,443	5,077	2,366
Office supplies and expenses	500	500	111	389
Operating supplies	17,725	17,725	13,473	4,252
Repairs and maintenance	8,100	8,100	16,247	(8,147)
Telephone	5,000	5,000	4,912	88
Training	9,713	9,713	3,320	6,393
Travel	2,500	2,500	2,801	(301)
Uniforms	23,980	23,980	15,167	8,813
Utilities	20,300	20,300	14,232	6,068
Vehicle	30,500	30,500	23,203	7,297
Total fire department	<u>922,907</u>	<u>922,907</u>	<u>882,661</u>	<u>40,246</u>
Total public safety	<u>2,656,998</u>	<u>2,684,863</u>	<u>2,568,141</u>	<u>116,722</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)

Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works				
Street department				
Salaries	\$ 445,553	\$ 445,553	\$ 530,149	\$ (84,596)
Payroll tax	34,291	34,291	42,220	(7,929)
Employee benefits	60,706	60,706	70,955	(10,249)
Contract services	113,500	124,693	65,190	59,503
Insurance	2,000	2,000	1,000	1,000
Office supplies	3,250	3,250	993	2,257
Operating supplies	44,100	44,100	34,175	9,925
Professional services	-	-	173	(173)
Repairs and maintenance	18,750	18,750	17,647	1,103
Telephone	4,500	4,500	3,761	739
Training	1,500	1,500	621	879
Travel	450	450	-	450
Uniforms	2,075	2,075	2,057	18
Utilities	9,500	9,500	4,486	5,014
Vehicle	56,400	56,400	35,353	21,047
Total street department	796,575	807,768	808,780	(1,012)
Public welfare and recreation				
Animal control				
Contract services	69,971	69,971	69,990	(19)
Parks and recreation				
Contract services	18,500	18,500	14,640	3,860
Operating supplies	4,650	4,650	1,551	3,099
Repairs and maintenance	8,500	57,091	60,947	(3,856)
Utilities	62,900	62,900	55,278	7,622
Total parks and recreation	94,550	143,141	132,416	10,725
Total public welfare and recreation	164,521	213,112	202,406	10,706

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES (Continued)				
Capital outlay				
General government	\$ 7,000	\$ 7,000	\$ 3,256	\$ 3,744
Police department	88,500	387,950	367,755	20,195
Fire department	33,076	41,076	30,876	10,200
Street department	250	2,863,835	36,062	2,827,773
Parks and recreation	35,000	112,543	63,336	49,207
Total capital outlay	<u>163,826</u>	<u>3,412,404</u>	<u>501,285</u>	<u>2,911,119</u>
Debt service				
Principal and interest	<u>180,942</u>	<u>180,942</u>	<u>179,775</u>	<u>1,167</u>
TOTAL EXPENDITURES	<u>6,292,330</u>	<u>9,652,478</u>	<u>6,003,242</u>	<u>3,649,236</u>
Excess (deficiency) of revenues over (under) expenditures	(695,952)	(1,400,310)	199,221	1,599,531
OTHER FINANCING SOURCES (USES)				
Transfer	<u>-</u>	<u>-</u>	<u>2,410</u>	<u>2,410</u>
Net changes in fund balances	(695,952)	(1,400,310)	201,631	1,601,941
Fund balances - beginning	<u>5,159,431</u>	<u>5,159,431</u>	<u>5,159,431</u>	<u>-</u>
Fund balances - end	<u>\$ 4,463,479</u>	<u>\$ 3,759,121</u>	<u>\$ 5,361,062</u>	<u>\$ 1,601,941</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Solid Waste Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Intergovernmental				
State grants	\$ -	\$ -	\$ 2,163	\$ 2,163
Charges for services				
Garbage fees	900,000	900,000	938,249	38,249
Other revenues				
Penalties	-	-	5,060	5,060
Interest earnings	750	750	1,784	1,034
Miscellaneous	-	-	249	249
Total other revenues	750	750	7,093	6,343
TOTAL REVENUES	900,750	900,750	947,505	46,755
EXPENDITURES				
Current expenditures				
Public works				
Salaries	250,433	250,433	252,495	(2,062)
Payroll tax	18,929	18,929	17,885	1,044
Employee benefits	120,224	120,224	120,468	(244)
Contract services	40,000	40,000	37,351	2,649
Insurance	1,000	1,000	-	1,000
Miscellaneous	400	400	242	158
Operating supplies	12,100	12,100	9,630	2,470
Repairs and maintenance	6,000	6,000	5,995	5
Telephone	200	200	193	7
Uniforms	500	500	450	50
Utilities	550	550	630	(80)
Vehicle expense	60,000	60,000	39,082	20,918
Waste disposal	165,000	165,000	168,779	(3,779)
Total public works	675,336	675,336	653,200	22,136
Capital outlay				
Sanitation department	170,800	170,800	128,498	42,302

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Solid Waste Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
EXPENDITURES				
Debt service				
Principal and interest	\$ 64,145	\$ 64,145	\$ 62,905	\$ 1,240
TOTAL EXPENDITURES	<u>910,281</u>	<u>910,281</u>	<u>844,603</u>	<u>65,678</u>
Excess (deficiency) of revenues over (under) expenditures	(9,531)	(9,531)	102,902	112,433
Fund balances - beginning	<u>482,476</u>	<u>482,476</u>	<u>482,476</u>	<u>-</u>
Fund balances - end	<u>\$ 472,945</u>	<u>\$ 472,945</u>	<u>\$ 585,378</u>	<u>\$ 112,433</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Proprietary Funds
Statement of Net Position
June 30, 2017

	Enterprise Funds		
	Sewer Fund	Stormwater Fund	Totals
ASSETS			
Current assets			
Cash	\$ 34,381	\$ 262,880	\$ 297,261
Accounts receivable - net	-	35,598	35,598
Notes receivable - WWTa	443,364	-	443,364
Total current assets	<u>477,745</u>	<u>298,478</u>	<u>776,223</u>
Non-current assets			
Other assets			
Notes receivable - WWTa	<u>1,060,478</u>	<u>-</u>	<u>1,060,478</u>
Capital assets			
Other capital assets - net of accumulated depreciation	-	83,158	83,158
Total non-current assets	<u>1,060,478</u>	<u>83,158</u>	<u>1,143,636</u>
TOTAL ASSETS	<u><u>\$ 1,538,223</u></u>	<u><u>\$ 381,636</u></u>	<u><u>\$ 1,919,859</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ -</u>	<u>\$ 19,704</u>	<u>\$ 19,704</u>
LIABILITIES			
Current liabilities			
Accrued liabilities	\$ -	\$ 4,110	\$ 4,110
Due to other funds	-	2,899	2,899
Notes payable - due in one year	443,364	-	443,364
Total current liabilities	<u>443,364</u>	<u>7,009</u>	<u>450,373</u>
Non-current liabilities			
Notes payable	1,060,478	-	1,060,478
Accrued leave	-	18,231	18,231
Net pension liability	-	23,418	23,418
Total non-current liabilities	<u>1,060,478</u>	<u>41,649</u>	<u>1,102,127</u>
TOTAL LIABILITIES	<u><u>\$ 1,503,842</u></u>	<u><u>\$ 48,658</u></u>	<u><u>\$ 1,552,500</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ -</u>	<u>\$ 5,018</u>	<u>\$ 5,018</u>
NET POSITION			
Net investment in capital assets	\$ -	\$ 83,158	\$ 83,158
Unrestricted	34,381	264,506	298,887
TOTAL NET POSITION	<u><u>\$ 34,381</u></u>	<u><u>\$ 347,664</u></u>	<u><u>\$ 382,045</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2017

	Enterprise Funds		
	Sewer Fund	Stormwater Fund	Totals
OPERATING REVENUES			
Rent of facilities	\$ 7,191	\$ -	\$ 7,191
Stormwater fees	-	271,754	271,754
Other	-	1,166	1,166
Total operating revenues	<u>7,191</u>	<u>272,920</u>	<u>280,111</u>
OPERATING EXPENSES			
Stormwater collection	-	213,780	213,780
Administration	-	28,963	28,963
Depreciation	-	10,873	10,873
Total operating expenses	<u>-</u>	<u>253,616</u>	<u>253,616</u>
Operating income (loss)	<u>7,191</u>	<u>19,304</u>	<u>26,495</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	78	584	662
Miscellaneous revenues	-	400	400
Intergovernmental revenue	70,895	-	70,895
Interest expense	<u>(70,895)</u>	<u>-</u>	<u>(70,895)</u>
Total non-operating revenues (expenses)	<u>78</u>	<u>984</u>	<u>1,062</u>
Changes in net position	7,269	20,288	27,557
Net position - beginning	<u>27,112</u>	<u>327,376</u>	<u>354,488</u>
Net position - end	<u>\$ 34,381</u>	<u>\$ 347,664</u>	<u>\$ 382,045</u>

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2017

	Enterprise Funds		
	Sewer Fund	Stormwater Fund	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 7,191	\$ 275,661	\$ 282,852
Payments to suppliers	-	(217,566)	(217,566)
Payments to employees	-	(92,153)	(92,153)
Net cash provided (used) by operating activities	<u>7,191</u>	<u>(34,058)</u>	<u>(26,867)</u>
Cash Flows from Noncapital Financing Activities			
Miscellaneous revenues	<u>-</u>	<u>400</u>	<u>400</u>
Cash Flows from Investing Activities			
Interest income	<u>78</u>	<u>584</u>	<u>662</u>
Net increase (decrease) in cash	7,269	(33,074)	(25,805)
Cash - beginning	<u>27,112</u>	<u>295,954</u>	<u>323,066</u>
Cash - end	<u>\$ 34,381</u>	<u>\$ 262,880</u>	<u>\$ 297,261</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ 7,191	\$ 19,304	\$ 26,495
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	10,873	10,873
Increase (decrease) in net pension liability	-	6,603	6,603
Increase (decrease) in deferred inflows related to pensions	-	(9,233)	(9,233)
(Increase) decrease in deferred outflows related to pensions	-	266	266
(Increase) decrease in accounts receivable - net	-	2,741	2,741
Increase (decrease) in accrued liabilities	-	411	411
Increase (decrease) in accounts payable	-	(69,782)	(69,782)
Increase (decrease) in due to other funds	-	2,210	2,210
Increase (decrease) in accrued leave	-	2,549	2,549
Total adjustments	<u>-</u>	<u>(53,362)</u>	<u>(53,362)</u>
Net cash provided (used) by operating activities	<u>\$ 7,191</u>	<u>\$ (34,058)</u>	<u>\$ (26,867)</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2017

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	
Non-cash Investing and Financing Activities			
Debt payments made on behalf of the Sewer Fund by HCWWTA (Note 22)			
Principal	\$ 496,067	\$ -	\$ 496,067
Interest	<u>70,895</u>	<u>-</u>	<u>70,895</u>
Total	<u>\$ 566,962</u>	<u>\$ -</u>	<u>\$ 566,962</u>

Non-cash transaction during year ended June 30, 2004, when Hamilton County Water and Wastewater Treatment Authority (HCWWTA) bought Red Bank's sewer system, as part of the sale, HCWWTA agreed to pay the principal and interest on the City's debt of the sewer system. During year ended June 30, 2017, HCWWTA paid \$496,067 in principal and \$70,895 in interest directly to the payees.

The accompanying notes are an integral part of the financial statements.

CITY OF RED BANK, TENNESSEE
Notes to Financial Statements
June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Red Bank, Tennessee operates under a Mayor and Board of Commissioners within the following departments: general government, public safety, public works, public welfare and recreation, and state street aid.

The financial statements of the City of Red Bank, Tennessee have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting Entity*. This statement requires that the financial statements present the City of Red Bank, Tennessee (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting one of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board and the primary government is able to impose its will upon the potential component unit); or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

Based on the foregoing criteria, there are no entities, which meet the above criteria for inclusion in the City of Red Bank, Tennessee's financial statements.

B. Basic Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize activities as either governmental activities or business-type activities.

Government-wide Statements

The Statement of Net Position and Statement of Activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis for column, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basic Financial Statements (Continued)

Government-wide Statements (Continued)

The Statement of Activities presents both a gross and net cost comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The net cost (by function or business-type activity) is normally covered by general revenue (property or sales taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is designed to view the City as a complete city and the change in aggregate financial position resulting from the activities of the fiscal period.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its governmental funds and enterprise funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste Fund

This fund is used to account for the City's disposal of solid waste.

The City reports the following major enterprise funds:

Sewer Fund

This fund is used to account for the provision of sewer services to the City.

Stormwater Fund

This fund is used to account for the provision of stormwater services to the City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, gasoline taxes, wholesale beer taxes, income taxes, mixed drink taxes, and in-lieu of taxes are susceptible to accrual. Licenses and permits, fines and forfeitures, gross receipts taxes and excise taxes are recorded as revenue when received in cash because they are generally not measurable until actually received. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the governmental activities column in the government-wide financial statements, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. 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 non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

During April and May, budget requests from departments are submitted to the City Manager. Budget items submitted are discussed at these regularly scheduled meetings and in special work session meetings in June. Subsequently the budget is enacted through vote of the Commissioners, with an operative date of July 1.

Formal budgets are adopted for the General Fund, Solid Waste Fund and Special Revenue Funds on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgets for Enterprise Funds are adopted by the Commissioners for a management tool. Therefore, no adjustments are necessary to convert to the actual GAAP data from the budgetary basis. These formal budgets are adopted on a departmental basis. The Finance Director is authorized to transfer budgeted amounts between departments within any fund. However, any revision that alters the total expenditures of any fund must be approved by the Board of Commissioners.

Budgeted amounts reflected in the accompanying final budget and actual comparison are as originally adopted in accordance with GAAP, or as amended by the Commissioners throughout the year. All appropriations which are not expended lapse at year-end.

During the year, supplementary appropriations were necessary. The effect of the amendments netted to \$(704,358) in the governmental funds. No amendments were necessary in the enterprise funds.

E. Cash and Cash Equivalents

Cash consists of cash-on-hand and cash-on-deposit with financial institutions. For purposes of reporting cash on the Statement of Cash Flows, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Net Position as "Cash". At June 30, 2017, the City had no cash equivalents.

F. Investments

All investments are reported at fair value, which is based on quoted market prices.

The City is authorized by State Statutes to invest in the following:

Bonds, notes or treasury bills of the United States.

Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank and the Student Loan Marketing Association.

Any obligation guaranteed by the United States or any of its agencies.

Certificates-of-deposit at state and federal chartered banks and savings and loan associations.

The Local Government Investment Pool created by Title 9.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Taxes

Property taxes are secured by a statutory lien effective as of the original levy date of January 1st on property values assessed by the county for that calendar year. The billings are mailed October 1st and are considered due upon receipt by the taxpayer; however the actual due date is based on a period ending approximately 60 days after the calendar year end. On this date, March 1st, the bill becomes delinquent and penalties and interest may be assessed.

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2017 levy is \$1.35 per \$100 of assessed valuation, and the tax rate for the 2016 levy is \$1.35 per \$100 of assessed valuation.

Property taxes for the 2017 levy are considered to be owed to the City as of the lien date on January 1, 2017. Therefore, the entire 2017 levy was recorded as a receivable and deferred revenue as of June 30, 2017.

H. Interfund Transactions

Interfund Receivables and Payables

Short-term advances between funds are not eliminated but accounted for in the appropriate interfund receivable and payable accounts classified as due to other funds and due from other funds in the fund financial statements, and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Transactions between Funds

Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures or expense in the fund that is reimbursed. All other legally authorized transfers are not eliminated but treated as transfers and are included as other financing sources or uses in the governmental funds and reported after non-operating revenues or expenses in the enterprise funds.

I. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are allocated between the accounting periods to which they relate.

J. Inventories

Supplies and materials are recorded as expenditures/expenses at the time items are purchased and are not inventoried at year-end due to lack of materiality.

K. Restricted Assets

Certain resources can be classified as restricted assets on the Statement of Net Position because their use is limited. At year-end, there were no restricted assets to be reported.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings	10-50
Public improvements	5-50
State street aid	5-40
Infrastructure	50
Furniture, fixtures and equipment	3-10

Capital assets of the proprietary funds are accounted for in the proprietary fund and are stated at cost or estimated fair value when original cost is not available. Major additions are capitalized while maintenance and repairs, including the cost of minor items of property, are expensed as incurred. Upon disposal of such assets, the accounts are relieved of the related costs and accumulated depreciation, and resulting gains or losses are reflected in income. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets. The estimated useful lives are as follows:

Land improvements	20 years
Plant in service	20 years
Equipment	10 years

Donated capital assets are valued at their estimated fair value on the date donated. The City's policy is to capitalize the net interest cost incurred during the year resulting from borrowings utilized to finance the construction of assets.

M. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Entity has only one type of item that qualifies for reporting in this category: deferred outflows related to pensions.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Currently, the City has two types of items that qualify for reporting in this category: deferred revenue - property taxes and deferred inflows related to pensions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

City employees are granted annual leave in varying amounts. In the event of termination, an employee is paid for accumulated annual leave. Government-wide proprietary funds accrue vacation benefits in the period they are earned. A liability for these amounts is reported in governmental funds only if they have matured.

O. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Red Bank's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Red Bank's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Q. Net Position

Net position is the residual of all elements presented in the Statement of Financial Position (i.e., assets + deferred outflows - liabilities - deferred inflows). Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction or improvement of those assets. Restricted net position represents restricted assets reduced by any related outstanding debt.

R. Fund Balance

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* established standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable: The City cannot spend these amounts due to form.

Restricted: The State or other sources can restrict funds to specific purposes by externally imposing restrictions or imposing by law through constitutional provisions or enabling legislation.

Committed: The Board of Commissioners has the authority to commit funds for a specific purpose. Any funds set aside as committed fund balance requires, at a minimum, the passage of a resolution by a simple majority vote. An ordinance may also be used.

Assigned: The Board of Commissioners has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as assigned fund balance requires a simple majority vote and must be recorded in the minutes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance (Continued)

Unassigned: Amounts not classified as nonspendable, restricted, committed, or assigned.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When restricted, committed, assigned and unassigned funds are available for use, restricted funds should be spent first, committed funds second, assigned funds third and unassigned funds last.

S. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

T. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2017, and October 31, 2017, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

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 does not have a deposit or investment policy for custodial credit risk, however, the State of Tennessee requires its governmental entities to either meet the deposit and collateralization regulations under TCA Title 9, Chapter 4, Parts 1 and 4, or as provided in the collateral pool. As of June 30, 2017, the carrying amount of the City's deposits was \$4,978,121, and the bank balance was \$5,055,890. None of the City's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool or are fully collateralized.

The carrying amount of the City's deposits is classified as follows on the Statement of Net Position:

Cash	\$ 4,255,602
Investments	<u>2,068,308</u>
	6,323,910
Less: petty cash	(419)
Less: LGIP	<u>(1,345,370)</u>
Total	<u>\$ 4,978,121</u>

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**Investments**

The City's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP) and a certificate-of-deposit. The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2017. The LGIP is not rated. The City's investments are listed on the Statement of Net Position as follows:

LGIP	\$ 1,345,370
Certificate-of-deposit	<u>722,938</u>
Total	<u>\$ 2,068,308</u>

The City does not have any derivative instruments as defined by GASB statement No. 53.

NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes receivable as of June 30, 2017, consists of the following:

<u>Year of Levy</u>	
2017	\$ 2,596,350
2016	118,984
2015	43,125
2014	26,749
2013	11,401
2012	30,142
2011	13,735
2010	20,662
2009	2,802
2008	<u>12,435</u>
	2,876,385
Less: allowance for uncollectibles	<u>(139,703)</u>
Property taxes receivable - net	<u>\$ 2,736,682</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net at June 30, 2017, consists of the following:

	General Fund	Solid Waste Fund	Drug Fund	State Street Aid Fund	Stormwater Fund	Total
State shared revenue receivables	\$ 449,788	\$ -	\$ -	\$ -	\$ -	\$ 449,788
Local beer and liquor tax	31,413	-	-	-	-	31,413
Court fines	282,290	-	-	-	-	282,290
Franchise tax	71,591	-	-	-	-	71,591
Stormwater tax	-	-	-	-	78,212	78,212
State street aid	-	-	-	56,059	-	56,059
Sanitation fee	-	6,659	-	-	-	6,659
Other	5,042	-	21,257	15,000	-	41,299
Less: allowance for doubtful accounts	<u>(191,957)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,614)</u>	<u>(234,571)</u>
Total	<u>\$ 648,167</u>	<u>\$ 6,659</u>	<u>\$21,257</u>	<u>\$ 71,059</u>	<u>\$ 35,598</u>	<u>\$ 782,740</u>

NOTE 5 - DUE FROM GRANTOR

Due from other governments at June 30, 2017, consists of the following:

Department of Transportation	\$ 79,552
Department of Justice	16,283
Department of Homeland Security	<u>8,000</u>
Total	<u>\$ 103,835</u>

NOTE 6 - INTERNAL BALANCES

Internal balances at June 30, 2017, consist of the following:

Due to:	Due from:			
	Solid Waste Fund	State Street Aid Fund	Stormwater Fund	Total
General Fund	\$ 30,394	\$ 7,245	\$ 856	\$ 38,495
Solid Waste Fund	<u>-</u>	<u>-</u>	<u>2,043</u>	<u>2,043</u>
Total	<u>\$ 30,394</u>	<u>\$ 7,245</u>	<u>\$ 2,899</u>	<u>\$ 40,538</u>

Internal balance represents amounts paid by the General Fund on behalf of the Solid Waste Fund, State Street Aid Fund and Stormwater Fund that are to be reimbursed in the next fiscal year.

The Solid Waste Fund will also be reimbursed by the Stormwater Fund in the next fiscal year.

NOTE 7 - NOTE RECEIVABLE - WWTa

The note receivable from the Waste Water Treatment Authority (WWTa) of Hamilton County, Tennessee, represents future amounts due to the City to pay off the long-term debt that was left in the City's name after the City sold the sewer system to the WWTa.

Future notes receivable receipts are as follows:

2018	\$ 443,364
2019	460,284
2020	477,852
2021	<u>122,342</u>
	1,503,842
Less: current portion	<u>(443,364)</u>
Total	<u>\$ 1,060,478</u>

NOTE 8 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 366,258	\$ -	\$ -	\$ 366,258
Capital assets being depreciated:				
Buildings	1,191,721	-	-	1,191,721
Public improvements	3,179,795	-	-	3,179,795
State street aid	2,052,035	5,986	-	2,058,021
Infrastructure	2,833,752	-	-	2,833,752
Furniture, fixtures and equipment	4,503,103	362,181	(289,297)	4,575,987
Total capital assets being depreciated	13,760,406	368,167	(289,297)	13,839,276
Less accumulated depreciation for:				
Buildings	560,799	40,561	-	601,360
Public improvements	615,047	83,128	-	698,175
State street aid	635,447	61,924	-	697,371
Infrastructure	513,058	56,675	-	569,733
Furniture, fixtures and equipment	3,167,775	449,824	(289,297)	3,328,302
Total accumulated depreciation	5,492,126	692,112	(289,297)	5,894,941
Total capital assets being depreciated - net	8,268,280	(323,945)	-	7,944,335
Governmental activities capital assets - net	\$ 8,634,538	\$ (323,945)	\$ -	\$ 8,310,593

Depreciation expense was charged to the functions of the primary government as follows:

General government	\$ 35,283
Public safety	319,813
Public works	202,842
State street aid	61,924
Public welfare and recreation	72,250
Total	<u>\$ 692,112</u>

NOTE 8 - CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Land improvements	\$ 35,841	\$ -	\$ -	\$ 35,841
Plant in service	33,920	-	-	33,920
Equipment	<u>110,129</u>	<u>-</u>	<u>-</u>	<u>110,129</u>
Total capital assets being depreciated	<u>179,890</u>	<u>-</u>	<u>-</u>	<u>179,890</u>
Less accumulated depreciation for:				
Land improvements	5,376	1,792	-	7,168
Plant in service	33,920	-	-	33,920
Equipment	<u>46,563</u>	<u>9,081</u>	<u>-</u>	<u>55,644</u>
Total accumulated depreciation	<u>85,859</u>	<u>10,873</u>	<u>-</u>	<u>96,732</u>
Total capital assets being depreciated - net	<u>94,031</u>	<u>(10,873)</u>	<u>-</u>	<u>83,158</u>
Business-type activities capital assets - net	<u>\$ 94,031</u>	<u>\$ (10,873)</u>	<u>\$ -</u>	<u>\$ 83,158</u>

Depreciation expense was charged to the functions of the primary government as follows:

Sewer	\$ -
Stormwater	<u>10,873</u>
Total	<u>\$ 10,873</u>

The City did not acquire any intangible assets that would require reporting under GASB Statement No. 51.

NOTE 9 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2017, consists of the following:

June 30, 2016 balance	\$ 665,729
Employer contribution made during 2016	(331,019)
Amortization of actuarial experience	(158,540)
Investment earnings different than assumption	405,880
Netting of investment earnings	(251,793)
Employer contributions made during 2017	340,803
Adjust 2016 contributions to actual	<u>(14,213)</u>
Total	<u>\$ 656,847</u>

NOTE 10 - LONG-TERM DEBT

A. Governmental Debt

Long-term debt, which consists of a bond payable, notes payable, accrued leave, landfill closure and post-closure cost, is summarized as follows:

	<u>Principal Balance</u>
Tennessee Municipal Bond Fund, Series 1997, issued in the original amount of \$2,401,000 for landfill capping/ a new fire hall/ and street paving, payable in varying amounts including interest at variable interest rates, due May, 2018	\$ 189,000
Capital outlay note, Series 2012, issued in the original amount of \$337,880 for a fire truck, payable in varying annual installments of approximately \$46,743, including interest at 2.31%, due October, 2019	134,000
Tennessee Municipal Bond Fund, Series 2014, issued in the original amount of \$261,934 for construction, payable in varying annual installments of approximately \$70,548, including interest at 2.37%, due June, 2018	69,000
TML capital outlay note, Series 2012, issued in the original amount of \$500,000 for highway and street improvements, payable in varying annual installments of approximately \$55,595, including interest at 2.90%, due August 2024	333,200
Accrued leave	268,390
Landfill closure and post-closure cost	<u>92,400</u>
	1,085,990
Less: current portion of governmental long-term debt	<u>(350,400)</u>
Total governmental long-term debt	<u>\$ 735,590</u>

NOTE 10 - LONG-TERM DEBT (Continued)**A. Governmental Debt (Continued)**

A summary of changes in governmental long-term debt for the year ended June 30, 2017, are as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
TML Bond Fund	\$ 369,000	\$ -	\$ (180,000)	\$ 189,000	\$ 189,000
Capital outlay note 2012, due 2019	177,000	-	(43,000)	134,000	43,000
TML Bond Fund, 2014	136,000	-	(67,000)	69,000	69,000
TML capital outlay note 2012, due 2024	374,900	-	(41,700)	333,200	41,700
Accrued leave	271,919	-	(3,529)	268,390	-
Landfill closure and post- closure cost	100,100	-	(7,700)	92,400	7,700
	<u>\$ 1,428,919</u>	<u>\$ -</u>	<u>\$ (342,929)</u>	<u>1,085,990</u>	<u>\$ 350,400</u>
Less: current portion of governmental long-term debt				<u>(350,400)</u>	
Total governmental long-term debt				<u>\$ 735,590</u>	

Interest paid during the year ended June 30, 2017, on governmental long-term debt was \$25,852.

Governmental debt service requirements to maturity, including interest of \$44,958 is as follows:

Year ended June 30	Principal	Interest	Total Requirements
2018	\$ 342,700	\$ 13,292	\$ 355,992
2019	86,700	9,431	96,131
2020	87,700	7,171	94,871
2021	41,700	5,430	47,130
2022	41,700	4,221	45,921
2023-2025	<u>124,700</u>	<u>5,413</u>	<u>130,113</u>
Total	<u>\$ 725,200</u>	<u>\$ 44,958</u>	<u>\$ 770,158</u>

**TML Bond Fund - Interest on the bonds is variable and paid each month at the prime rate. Because the total interest obligation cannot be determined, only the principal payments are included in the preceding table. The preceding table does not take into account accrued leave or landfill closure and post-closure cost due to the nature of these items.

For the governmental activities, compensated absences are generally liquidated by the General Fund.

NOTE 10 - LONG-TERM DEBT (Continued)

B. Business-Type Debt

Sewer Fund:

Long-term debt payable by the Sewer Fund, which consists of notes payable, is summarized as follows:

	<u>Principal Balance</u>
Note to Tennessee Department of Health and Environment, for sewer improvements, payable in monthly installments of \$11,138, including interest at 7.65%, through July, 2017.	\$ -
Note to Tennessee Department of Environment and Conservation, for sewer improvements, to be repaid in variable annual installments through September, 2021, with interest payable monthly at a variable rate, currently 3.75%.	1,503,842
	<u>1,503,842</u>
Less: current portion of sewer long-term debt	<u>(443,364)</u>
Total sewer long-term debt	<u>\$ 1,060,478</u>

A summary of changes in Sewer Fund long-term debt for the year ended June 30, 2017, are as follows:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Amount Due Within One Year</u>
Note - Tennessee Dept. of Health and Environment	\$ 69,011	\$ -	\$ (69,011)	\$ -	\$ -
Note - Tennessee Dept. of Environment and Conservation	<u>1,930,898</u>	<u>-</u>	<u>(427,056)</u>	<u>1,503,842</u>	<u>443,364</u>
	<u>\$ 1,999,909</u>	<u>\$ -</u>	<u>\$ (496,067)</u>	<u>1,503,842</u>	<u>\$ 443,364</u>
Less: current portion of sewer long-term debt				<u>(443,364)</u>	
Total sewer long-term debt				<u>\$ 1,060,478</u>	

Interest paid during the year ended June 30, 2017, on sewer long-term debt was \$70,895.

Sewer debt service requirements to maturity, including interest of \$95,881 is as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 443,364	\$ 48,840	\$ 492,204
2019	460,284	31,920	492,204
2020	477,852	14,352	492,204
2021	<u>122,342</u>	<u>769</u>	<u>123,111</u>
Total	<u>\$ 1,503,842</u>	<u>\$ 95,881</u>	<u>\$ 1,599,723</u>

NOTE 10 - LONG-TERM DEBT (Continued)**B. Business-Type Debt (Continued)****Stormwater Fund:**

Long-term debt payable by the Stormwater Fund, which consists of accrued leave, is summarized as follows:

Accrued leave	\$ 18,231
Less: current portion	<u>-</u>
Total stormwater long-term debt	<u>\$ 18,231</u>

A summary of changes in Stormwater Fund long-term debt for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Amount Due Within One Year
Accrued leave	\$ 15,682	\$ 2,549	\$ -	\$ 18,231	\$ -
Less: current portion				<u>-</u>	
Total stormwater long-term debt				<u>\$ 18,231</u>	

Stormwater debt service requirements are not presented due to the nature of accrued leave.

NOTE 11 - LANDFILL CLOSURE AND POST-CLOSURE

On December 10, 1996, the City received a letter from the Chattanooga Environmental Field Office of the Department of Environmental and Conservation relative to notice of violation of the Water Quality Act due to leachate contamination from the City's closed landfill. The City is required to environmentally cap the landfill. State and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City has complied with these laws and the landfill was closed on August 17, 2000. The cost of closure totaled approximately \$1,925,846. The current estimated cost for post-closure care is \$7,700 per year. The City has complied with Environmental Protection Agency rules regarding financial assurance relative to projected closure and post-closure care costs. The total current cost has been estimated subject to changes resulting from inflation, deflation, technology or changes in applicable laws or regulations.

Maturities of the estimated landfill obligation included in long-term debt are as follows:

Year Ended June 30:	Amount
2018	\$ 7,700
2019	7,700
2020	7,700
2021	7,700
2022	7,700
2023-2027	38,500
2028-2029	<u>15,400</u>
Total	<u>\$ 92,400</u>

NOTE 12 - NET PENSION LIABILITY

Net pension liability at June 30, 2017, consists of the following:

June 30, 2016 balance	\$ 560,553
Employer contributions made during 2016	(331,019)
Pension expense	247,781
Actuarial experience different than assumption	(104,297)
Amortization of actuarial experience	1,722
Investment earnings different than assumption	<u>405,880</u>
Total	<u>\$ 780,620</u>

NOTE 13 - DEFERRED REVENUE - PROPERTY TAX

Governmental funds report deferred 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. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 116,085</u>	<u>\$ 2,596,350</u>	<u>\$ 2,712,435</u>

Funds that are earned, but not available, are realized as revenue under GASB #33.

NOTE 14 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2017, consists of the following:

June 30, 2016 balance	\$ 475,017
Amortization of deferred inflows for actuarial experience	(160,262)
Investment earnings different than assumption	104,297
Netting investment earnings	<u>(251,793)</u>
Total	<u>\$ 167,259</u>

NOTE 15 - NET POSITION RESTRICTIONS

The City can restrict net position to be maintained for specific purposes. The nature and purpose of these restrictions are explained as follows:

Drug funds in the amount of \$94,015 are legally restricted for non-recurring police expenditures.

State street aid funds in the amount of \$654,098 are legally restricted for state street aid expenditures.

Impound funds in the amount of \$4,814 are restricted for impound related expenditures.

Solid waste funds in the amount of \$585,378 are legally restricted for solid waste expenditures.

NOTE 16 - FUND BALANCES

Fund balances are as follows:

Nonspendable: Inventory of \$2,380 is nonspendable due to form.

Restricted: Drug funds in the amount of \$94,015 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$654,098 are legally restricted for state street aid expenditures. Impound funds in the amount of \$4,814 are restricted for impound related expenditures. Solid waste funds in the amount of \$585,378 are legally restricted for solid waste expenditures.

Unassigned: In accordance with generally accepted accounting principles, the General Fund is the only fund at the Town that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the General Fund.

NOTE 17 - TRANSFERS

During the fiscal year, the City transferred \$2,410 from the Impound Fund to the General Fund to reimburse funds spent on behalf of the Impound Fund.

NOTE 18 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Balance Sheet and the government-wide Statement of Net Position:

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including bonds payable, notes payable, landfill closure and post-closure costs, and accrued leave are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(1,085,990) difference are as follows:

Bonds payable	\$(258,000)
Notes payable	(467,200)
Landfill closure and post-closure cost	(92,400)
Accrued leave	<u>(268,390)</u>
Net adjustment	<u>\$(1,085,990)</u>

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(282,300) difference are as follows:

Deferred outflows related to pensions	\$ 637,143
Net pension liability	(757,202)
Deferred inflows related to pensions	<u>(162,241)</u>
Net adjustment	<u>\$ (282,300)</u>

NOTE 18 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities:

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$(323,945) difference are as follows:

Capital outlay	\$ 368,167
Depreciation expense	<u>(692,112)</u>
Net adjustment	<u>\$ (323,945)</u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$339,400 difference are as follows:

Bonds payable	\$ 247,000
Notes payable	84,700
Landfill closure and post-closure cost	<u>7,700</u>
Net adjustment	<u>\$ 339,400</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$76,444 difference are as follows:

Pension expense	\$ (240,348)
Contributions	330,578
Difference in prior year contributions to actual	<u>(13,786)</u>
Net adjustment	<u>\$ 76,444</u>

NOTE 19 - LITIGATION AND CLAIMS

The City is currently the defendant in various legal actions which are being vigorously defended. It is the overall impression of management that these suits are defensible cases.

NOTE 20 - OPERATING LEASE

The City has entered into a 60 month operating lease for two (2) copiers through MSA. Future minimum lease payments are as follows:

Year ended	
<u>June 30</u>	
2018	\$ 1,919
2019	1,919
2020	<u>1,439</u>
Total	<u>\$ 5,277</u>

NOTE 21 - TRANSFER OF SEWER SYSTEM

On March 1, 2004, the City of Red Bank, Tennessee, transferred the City's sewer system to the Hamilton County Water and Wastewater Treatment Authority (HCWWTA). The HCWWTA is organized under the Water and Wastewater Treatment Authority Act of the State of Tennessee. Under the Act, Hamilton County is authorized to form the HCWWTA and other local governments in Hamilton County may join the HCWWTA at their discretion.

NOTE 22 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash transaction during year ended June 30, 2004, when Hamilton County Water and Wastewater Treatment Authority (HCWWTA) bought Red Bank's sewer system, as part of the sale, HCWWTA agreed to pay the principal and interest on the City's debt of the sewer system. During year ended June 30, 2017, HCWWTA paid \$496,067 in principal and \$70,895 in interest directly to the payees.

NOTE 23 - POST EMPLOYEE BENEFITS OTHER THAN PENSIONS

The City does not have any post employee benefits other than the pension disclosed in Note 27.

NOTE 24 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City has no material violations of finance related legal and contractual provisions.

NOTE 25 - RISK MANAGEMENT POOL

The City is exposed to various risk of loss related to torts, errors and omissions, damages to assets and injuries to employees. The City has joined the Tennessee Municipal League Risk Management Pool (TML). The membership allows the City to share liability, motor vehicle, and employee injury risks.

The TML Risk Management Pool is a governmental city organized by Tennessee cities as a not-for-profit corporation to provide liability and workers' compensation coverage to Tennessee cities. Emphasis is on risk management and controlling losses, as all costs are shared by the Pool member cities. An extensive program of loss prevention, employee training, and legal counsel supplements experienced claims processing for member cities.

Coverages are as follows:

Buildings and personal property	\$11,197,704	
Workmen's compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per person
General and personal injury liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property
	\$ 1,000,000	each other loss - per occurrence
Automobile liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property

The responsibilities of the City are as follows:

To pay all contributions or other sums due to TML at such times and in such amounts as shall be established by TML.

To allow TML and its agents reasonable access to all facilities of the City and all records, including but not limited to financial records, which relate to the purposes of TML during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by TML to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by TML.

NOTE 25 - RISK MANAGEMENT POOL (Continued)

The responsibilities of the City are as follows: (Continued)

To assist and cooperate in the defense and settlement of claims against the City.

To furnish full cooperation to TML's attorneys, claims adjusters, and any agent, employee, officer or independent contractor of TML relating to the purposes of TML.

To follow all loss reduction and prevention procedures established by TML where possible.

To furnish to TML such operating and underwriting information as may be requested.

To report as promptly as possible, and in accordance with any conditions issued, all incidents which could result in TML being required to pay claim for loss or injuries to municipal property or injuries to persons or property when such loss or injury is within the scope of the protection in which the City participates.

To allow TML to inspect and appraise any damaged property before its repair or disposition.

The City must cooperate with the pool in any dispute resolutions with other insurance companies.

The responsibilities of TML are as follows:

TML will defend any suit against the City or covered party seeking damages even if any of the allegations of the suit are groundless, false, or fraudulent.

TML's duty to pay on behalf of or to indemnify a covered party other than the City does not apply to any act, error or omission:

- (1) That constitutes malfeasance in office;
- (2) That constitutes willful and wanton neglect of duty;
- (3) That constitutes dishonesty on the part of a covered party; or
- (4) That constitutes the willful violation of a statute or ordinance by any official, employee, or agent of the municipality.

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2017. No provision has been made in the financial statements for the year ended June 30, 2017, for any estimate of potential unpaid claims.

NOTE 26 - DEFERRED COMPENSATION PLAN

The City offers all employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation in the plan is optional for full-time employees with one year of service. Employees can contribute additional funds to the plan through an elective deferred compensation arrangement up to the Section 457 limits. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in a qualifying trust for the benefit of each participant. A third-party provider administers the plan and trust. The plan assets are not subject to the claims of the City's general creditors and are not considered assets of the City.

NOTE 27 - PENSION PLAN

General Information about the Pension Plan

Plan description

Employees of Red Bank 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 publically available financial report that can be obtained at www.treasury.tn.gov/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 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 and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	90
Active employees	<u>63</u>
	<u>197</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Red Bank makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for Red Bank were \$340,803 based on a rate of 12.02 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Red Bank'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.

NOTE 27 - PENSION PLAN (Continued)

Net Pension Liability (Asset)

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

Actuarial assumptions

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

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

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

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

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

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

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

NOTE 27 - PENSION PLAN (Continued)**Net Pension Liability (Asset) (Continued)****Discount rate**

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

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/15	\$ 8,942,415	\$ 8,381,863	\$ 560,553
Changes for the year:			
Service cost	199,860	-	199,860
Interest	672,766	-	672,766
Differences between expected and actual experience	(104,297)	-	(104,297)
Contributions - employer	-	331,019	(331,019)
Contributions - employees	-	-	-
Net investment income	-	222,087	(222,087)
Benefit payments, including refunds of employee contributions	(344,122)	(344,122)	-
Administrative expense	-	(4,844)	4,844
Other changes	-	-	-
Net changes	424,207	204,140	220,067
Balance at 6/30/16	\$ 9,366,622	\$ 8,586,003	\$ 780,620

Sensitivity of the net pension liability (asset) to changes in the discount rate

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Red Bank's net pension liability (asset)	\$ 2,084,892	\$ 780,620	\$ (301,411)

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

For the year ended June 30, 2017, Red Bank recognized pension expense of \$247,781.

NOTE 27 - PENSION PLAN (Continued)

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

Deferred outflows of resources and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 27,612	\$(167,259)
Net difference between projected and actual earnings on pension plan investments	288,432	-
Contributions subsequent to the measurement date of June 30, 2016	<u>340,803</u>	<u>(not applicable)</u>
Total	<u>\$ 656,847</u>	<u>\$(167,259)</u>

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

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

Year Ended June 30:

2018	
2019	\$ (1,722)
2020	\$ (1,722)
2021	\$ 124,174
2022	\$ 52,333
Thereafter	\$ (9,377)
	\$ (14,900)

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, 2017, Red Bank reported a payable of \$28,833 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF RED BANK, TENNESSEE
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
June 30, 2017

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Total pension liability (asset)</u>			
Service cost	\$ 184,273	\$ 176,835	\$ 199,860
Interest	605,436	631,759	672,766
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(136,260)	38,658	(104,297)
Change of assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(287,182)	(302,907)	(344,122)
Net change in total pension liability	366,267	544,345	424,207
Total pension liability - beginning	8,031,803	8,398,070	8,942,415
Total pension liability - ending (a)	<u>\$ 8,398,070</u>	<u>\$ 8,942,415</u>	<u>\$ 9,366,622</u>
 <u>Plan fiduciary net position</u>			
Contributions - employer	\$ 293,723	\$ 314,749	\$ 331,019
Contributions - employee	-	1,361	-
Net investment income	1,152,047	250,292	222,087
Benefit payments, including refunds of employee contributions	(287,182)	(302,907)	(344,122)
Administrative expense	(2,491)	(3,258)	(4,844)
Other	-	-	-
Net change in plan fiduciary net position	1,156,097	260,237	204,140
Plan fiduciary net position - beginning	6,965,528	8,121,625	8,381,862
Plan fiduciary net position - ending (b)	<u>\$ 8,121,625</u>	<u>\$ 8,381,862</u>	<u>\$ 8,586,002</u>
 Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 276,445</u>	<u>\$ 560,553</u>	<u>\$ 780,620</u>
 Plan fiduciary net position as a percentage of total pension liability	96.71%	93.73%	91.67%
 Covered payroll	\$ 2,429,467	\$ 2,607,696	\$ 2,742,495
 Net pension liability (asset) as a percentage of covered payroll	11.38%	21.50%	28.46%

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

CITY OF RED BANK, TENNESSEE
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of the TCRS
June 30, 2017

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 293,723	\$ 314,749	\$ 331,019	\$ 340,803
Contributions in relation to the actuarially determined contribution	<u>293,723</u>	<u>314,749</u>	<u>331,019</u>	<u>340,803</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,429,467	\$ 2,607,696	\$ 2,742,495	\$ 2,834,208
Contributions as a percentage of covered payroll	12.09%	12.07%	12.07%	12.02%

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

CITY OF RED BANK, TENNESSEE
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of the TCRS (Continued)
June 30, 2017

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Vaires by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Drug Fund: This fund is used to account for investigations of violations of controlled substance laws and is funded primarily by the state statute from the receipt of fines and costs related to drug enforcement cases.

Impound Fund: This fund is used to account for impound related revenues and expenditures of the City.

State Street Aid Fund: This fund is used to account for the expenditures of the City's streets that is funded by tax revenues from the gasoline and motor fuels tax received from the State of Tennessee and other general tax revenue transferred from the General Fund.

CITY OF RED BANK, TENNESSEE
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2017

	<u>Special Revenue</u>			Total
	Drug	Impound	State Street	Non-major
	Fund	Fund	Aid Fund	Governmental
				Funds
ASSETS				
Cash	\$ 72,758	\$ 5,114	\$ 318,539	\$ 396,411
Investments	-	-	267,089	267,089
Accounts receivable	21,257	-	71,059	92,316
Due from grantor	-	-	4,656	4,656
TOTAL ASSETS	<u>\$ 94,015</u>	<u>\$ 5,114</u>	<u>\$ 661,343</u>	<u>\$ 760,472</u>
LIABILITIES				
Accounts payable	\$ -	\$ 300	\$ -	\$ 300
Due to other funds	-	-	7,245	7,245
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 7,245</u>	<u>\$ 7,545</u>
FUND BALANCES				
Restricted	<u>\$ 94,015</u>	<u>\$ 4,814</u>	<u>\$ 654,098</u>	<u>\$ 752,927</u>

CITY OF RED BANK, TENNESSEE
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue			Total
	Drug	Impound	State Street	Non-major
	Fund	Fund	Aid Fund	Governmental
				Funds
REVENUES				
License and permits	\$ -	\$ -	\$ 1,100	\$ 1,100
Intergovernmental	-	-	327,137	327,137
Fines and forfeitures	60,738	680	-	61,418
Other revenues	38,621	5,327	23,290	67,238
TOTAL REVENUES	<u>99,359</u>	<u>6,007</u>	<u>351,527</u>	<u>456,893</u>
EXPENDITURES				
Current Expenditures				
Public safety	13,394	3,154	-	16,548
State street aid	-	-	172,775	172,775
Capital Outlay	27,171	1,325	-	28,496
Debt Service	<u>-</u>	<u>-</u>	<u>114,872</u>	<u>114,872</u>
TOTAL EXPENDITURES	<u>40,565</u>	<u>4,479</u>	<u>287,647</u>	<u>332,691</u>
Excess (deficiency) of revenues over (under) expenditures	58,794	1,528	63,880	124,202
OTHER FINANCING SOURCES (USES)				
Transfers	<u>-</u>	<u>(2,410)</u>	<u>-</u>	<u>(2,410)</u>
Net changes in fund balances	58,794	(882)	63,880	121,792
Fund balances - beginning	<u>35,221</u>	<u>5,696</u>	<u>590,218</u>	<u>631,135</u>
Fund balances - end	<u>\$ 94,015</u>	<u>\$ 4,814</u>	<u>\$ 654,098</u>	<u>\$ 752,927</u>

CITY OF RED BANK, TENNESSEE

Drug Fund

**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017**

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Fines and forfeitures				
Drug fines and seizures	\$ 50,000	\$ 50,000	\$ 60,738	\$ 10,738
Other revenues				
Impound charges	1,500	1,500	680	(820)
Sale of assets	5,000	5,000	16,591	11,591
Donation	-	-	21,257	21,257
Interest earnings	200	200	93	(107)
Total other revenues	<u>6,700</u>	<u>6,700</u>	<u>38,621</u>	<u>31,921</u>
TOTAL REVENUES	<u>56,700</u>	<u>56,700</u>	<u>99,359</u>	<u>42,659</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Drug enforcement	5,000	5,000	740	4,260
Miscellaneous	200	200	573	(373)
Repairs and maintenance	1,500	1,500	2,477	(977)
Operating supplies	17,650	17,650	8,878	8,772
Telephone	500	500	-	500
Training	2,000	2,000	325	1,675
Travel	1,500	1,500	-	1,500
Vehicle	500	500	401	99
Total public safety	<u>28,850</u>	<u>28,850</u>	<u>13,394</u>	<u>15,456</u>
Capital Outlay				
Equipment	<u>40,000</u>	<u>40,000</u>	<u>27,171</u>	<u>12,829</u>
TOTAL EXPENDITURES	<u>68,850</u>	<u>68,850</u>	<u>40,565</u>	<u>28,285</u>
Excess (deficiency) of revenues over (under) expenditures	(12,150)	(12,150)	58,794	70,944
Fund balances - beginning	<u>35,221</u>	<u>35,221</u>	<u>35,221</u>	<u>-</u>
Fund balances - end	<u>\$ 23,071</u>	<u>\$ 23,071</u>	<u>\$ 94,015</u>	<u>\$ 70,944</u>

CITY OF RED BANK, TENNESSEE
Impound Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Fines and forfeitures				
Impound fees	\$ -	\$ -	\$ 680	\$ 680
Other revenues				
Sale of equipment	1,500	1,500	5,327	3,827
TOTAL REVENUES	<u>1,500</u>	<u>1,500</u>	<u>6,007</u>	<u>4,507</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Contract services	2,500	2,500	2,815	(315)
Operating supplies	-	-	260	(260)
Miscellaneous	-	-	79	(79)
Total public safety	<u>2,500</u>	<u>2,500</u>	<u>3,154</u>	<u>(654)</u>
Capital Outlay				
Equipment	<u>5,500</u>	<u>5,500</u>	<u>1,325</u>	<u>4,175</u>
TOTAL EXPENDITURES	<u>8,000</u>	<u>8,000</u>	<u>4,479</u>	<u>3,521</u>
Excess (deficiency) of revenues over (under) expenditures	(6,500)	(6,500)	1,528	8,028
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	(2,410)	(2,410)
Net changes in fund balances	(6,500)	(6,500)	(882)	5,618
Fund balances - beginning	<u>5,696</u>	<u>5,696</u>	<u>5,696</u>	<u>-</u>
Fund balances - end	<u>\$ (804)</u>	<u>\$ (804)</u>	<u>\$ 4,814</u>	<u>\$ 5,618</u>

CITY OF RED BANK, TENNESSEE
State Street Aid Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
License and permits				
Building permits	\$ -	\$ -	\$ 1,100	\$ 1,100
Intergovernmental				
State highway and street	305,000	305,000	322,481	17,481
Federal grants	-	-	4,656	4,656
Total intergovernmental	<u>305,000</u>	<u>305,000</u>	<u>327,137</u>	<u>22,137</u>
Other revenues				
Insurance recoveries	-	-	6,170	6,170
Interest earnings	700	700	1,770	1,070
Miscellaneous	-	-	15,350	15,350
Total other revenues	<u>700</u>	<u>700</u>	<u>23,290</u>	<u>22,590</u>
TOTAL REVENUES	<u>305,700</u>	<u>305,700</u>	<u>351,527</u>	<u>45,827</u>
EXPENDITURES				
Current Expenditures				
State street aid				
Highways and street maintenance				
Street lighting (electricity)	85,000	85,000	89,250	(4,250)
Repairs and maintenance	18,000	18,000	24,211	(6,211)
Street resurfacing	61,588	61,588	35,426	26,162
Operating supplies	20,000	20,000	23,888	(3,888)
Professional services	5,000	5,000	-	5,000
Total state street aid	<u>189,588</u>	<u>189,588</u>	<u>172,775</u>	<u>16,813</u>
Debt Service				
Principal and interest	<u>116,112</u>	<u>116,112</u>	<u>114,872</u>	<u>1,240</u>
TOTAL EXPENDITURES	<u>305,700</u>	<u>305,700</u>	<u>287,647</u>	<u>18,053</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	63,880	63,880
Fund balances - beginning	<u>590,218</u>	<u>590,218</u>	<u>590,218</u>	<u>-</u>
Fund balances - end	<u>\$ 590,218</u>	<u>\$ 590,218</u>	<u>\$ 654,098</u>	<u>\$ 63,880</u>

CITY OF RED BANK, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

Federal Grantor/Pass-through Agency		Federal CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues July 1, 2016	Grant Receipts	Reduction	Grant Expenditures	(Accrued) Deferred Grant Revenues June 30, 2017
FEDERAL ASSISTANCE PROGRAMS								
Department of Transportation								
Distracted Driving Reduction Program		20.600	Z17THS056	\$ -	\$ 358	\$ -	\$ 1,933	\$ (1,575)
Transportation Enhancement		20.205	33LPLM-F0-080	(908)	908	-	1,416	(1,416)
Transportation Enhancement		20.205	33LPLM-F3-079	(18,149)	14,145	-	9,117	(13,121)
Transportation Enhancement		20.205	33LPLM-F1-081	(7,554)	6,404	1,150	4,656	(4,656)
Transportation Enhancement		20.205	33LPLM-F3-161	(17,312)	-	-	7,856	(25,168)
Transportation Enhancement		20.205	33LPLM-F0-162	(13,760)	-	-	-	(13,760)
Transportation Enhancement		20.205	33LPLM-F3-158	(16,455)	2,831	-	6,232	(19,856)
Total Department of Transportation				(74,138)	24,646	1,150	31,210	(79,552)
Department of Justice								
Justice Assistance		16.738	JAG 29915	-	-	-	14,744	(14,744)
High Intensity Drug Trafficking Area								
Office of National Drug Control Policy		95.001	G16AP0001A	(1,364)	17,974	-	18,149	(1,539)
Bullet Proof Vest Grant		16.607		-	3,575	-	3,575	-
Total Department of Justice				(1,364)	21,549	-	36,468	(16,283)
Department of Homeland Security								
Homeland Security		97.067	EMW-2013-SS-00008	(4,000)	32,080	-	36,080	(8,000)
Total Federal Assistance Programs				(79,502)	78,275	1,150	103,758	(103,835)
STATE ASSISTANCE PROGRAMS								
Department of Environment and Conservation								
Recycling Rebate Funds			Unavailable	-	2,163	-	2,163	-
TOTAL FEDERAL AND STATE ASSISTANCE				\$ (79,502)	\$ 80,438	\$ 1,150	\$ 105,921	\$ (103,835)

CITY OF RED BANK, TENNESSEE
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Red Bank, Tennessee and is presented on the modified accrual basis of accounting.

CITY OF RED BANK, TENNESSEE
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
OPERATING REVENUES				
Rent of facilities	\$ 7,191	\$ 7,191	\$ 7,191	\$ -
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	55	55	78	23
Intergovernmental revenue	492,204	492,204	70,895	(421,309)
Interest expense	(492,204)	(492,204)	(70,895)	421,309
Total non-operating revenues (expenses)	55	55	78	23
Changes in net position	7,246	7,246	7,269	23
Net position - beginning	27,112	27,112	27,112	-
Net position - end	\$ 34,358	\$ 34,358	\$ 34,381	\$ 23

CITY OF RED BANK, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance
OPERATING REVENUES				
Stormwater fees	\$ 285,000	\$ 285,000	\$ 271,754	\$ (13,246)
Other	1,150	1,150	1,166	16
Total operating revenues	<u>286,150</u>	<u>286,150</u>	<u>272,920</u>	<u>(13,230)</u>
OPERATING EXPENSES				
Stormwater collection				
Salaries	89,022	89,022	92,153	(3,131)
Payroll taxes	6,757	6,757	6,629	128
Employee benefits	38,014	38,014	30,234	7,780
Insurance	1,000	1,000	-	1,000
Contract services	79,410	79,410	77,603	1,807
Operating supplies	850	850	546	304
Training	500	500	-	500
Uniforms	400	400	360	40
Vehicle expense	9,000	9,000	6,255	2,745
Total stormwater collection	<u>224,953</u>	<u>224,953</u>	<u>213,780</u>	<u>11,173</u>
Administration				
Administration fees	21,000	21,000	21,232	(232)
Supplies	10,500	10,500	7,731	2,769
Total administration	<u>31,500</u>	<u>31,500</u>	<u>28,963</u>	<u>2,537</u>
Depreciation	<u>-</u>	<u>-</u>	<u>10,873</u>	<u>(10,873)</u>
Total operating expenses	<u>256,453</u>	<u>256,453</u>	<u>253,616</u>	<u>2,837</u>
Operating income (loss)	<u>29,697</u>	<u>29,697</u>	<u>19,304</u>	<u>(10,393)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	400	400	584	184
Miscellaneous revenues	-	-	400	400
Total non-operating revenues (expenses)	<u>400</u>	<u>400</u>	<u>984</u>	<u>584</u>
Changes in net position	30,097	30,097	20,288	(9,809)
Net position - beginning	<u>327,376</u>	<u>327,376</u>	<u>327,376</u>	<u>-</u>
Net position - end	<u>\$ 357,473</u>	<u>\$ 357,473</u>	<u>\$ 347,664</u>	<u>\$ (9,809)</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2017

<u>Year of Levy</u>	
2017	\$ 2,596,350
2016	118,984
2015	43,125
2014	26,749
2013	11,401
2012	30,142
2011	13,735
2010	20,662
2009	2,802
2008	<u>12,435</u>
Total property taxes receivable	2,876,385
Less: allowance for uncollectibles	<u>(139,703)</u>
Net property taxes receivable	<u>\$ 2,736,682</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2017

<u>Year of Levy</u>	<u>Taxes Receivable June 30, 2016</u>	<u>Levy</u>	<u>Pickups (Releases)</u>	<u>Collections</u>	<u>Taxes Receivable June 30, 2017</u>
2017	\$ -	\$ 2,596,350	\$ -	\$ -	\$ 2,596,350
2016	2,587,000	-	7,738	(2,475,754)	118,984
2015	124,274	-	-	(81,149)	43,125
2014	49,862	-	-	(23,113)	26,749
2013	30,783	-	-	(19,382)	11,401
2012	32,422	-	-	(2,280)	30,142
2011	13,861	-	-	(126)	13,735
2010	20,668	-	-	(6)	20,662
2009	2,802	-	-	-	2,802
2008	12,435	-	-	-	12,435
	<u>\$ 2,874,107</u>	<u>\$ 2,596,350</u>	<u>\$ 7,738</u>	<u>\$ (2,601,810)</u>	<u>\$ 2,876,385</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2017

**Tennessee Municipal Bond
Fund****

Maturing June 30,	Principal	Interest	Total Requirements
<u>2018</u>	<u>\$ 189,000</u>	<u>\$ -</u>	<u>\$ 189,000</u>
Total	<u>\$ 189,000</u>	<u>\$ -</u>	<u>\$ 189,000</u>

**TML Bond Fund - Interest on the bonds is variable and paid each month at the prime rate and, therefore, cannot be estimated.

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2017

Fire Truck Capital Outlay Note
Series 2012

Maturing June 30,	Principal	Interest	Total Requirements
2018	\$ 43,000	\$ 2,599	\$ 45,599
2019	45,000	1,582	46,582
2020	<u>46,000</u>	<u>531</u>	<u>46,531</u>
Total	<u>\$ 134,000</u>	<u>\$ 4,712</u>	<u>\$ 138,712</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2017

Tennessee Municipal Bond Fund
Series 2014

<u>Maturing</u> <u>June 30,</u> <u>2018</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
	<u>\$ 69,000</u>	<u>\$ 1,635</u>	<u>\$ 70,635</u>
Total	<u>\$ 69,000</u>	<u>\$ 1,635</u>	<u>\$ 70,635</u>

CITY OF RED BANK, TENNESSEE
State Street Aid Fund
Schedule of Debt Service Requirements
June 30, 2017

TML Capital Outlay Note
Series 2012

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 41,700	\$ 9,058	\$ 50,758
2019	41,700	7,849	49,549
2020	41,700	6,640	48,340
2021	41,700	5,430	47,130
2022	41,700	4,221	45,921
2023	41,700	3,012	44,712
2024	41,700	1,802	43,502
2025	<u>41,300</u>	<u>599</u>	<u>41,899</u>
Total	<u>\$ 333,200</u>	<u>\$ 38,611</u>	<u>\$ 371,811</u>

CITY OF RED BANK, TENNESSEE
Sewer Fund
Schedule of Debt Service Requirements
June 30, 2017

**Tennessee Department of
Environment and Conservation**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ 443,364	\$ 48,840	\$ 492,204
2019	460,284	31,920	492,204
2020	477,852	14,352	492,204
2021	<u>122,342</u>	<u>769</u>	<u>123,111</u>
Total	<u>\$1,503,842</u>	<u>\$ 95,881</u>	<u>\$ 1,599,723</u>

CITY OF RED BANK, TENNESSEE
Schedule of Rates
June 30, 2017

Analysis of Tax Rates and Assessments

<u>Tax Year</u>	<u>Rates per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2017	\$1.35	\$ 192,322,222	\$ 2,596,350
2016	\$1.35	\$ 192,327,466	\$ 2,596,421
2015	\$1.35	\$ 191,575,579	\$ 2,586,270
2014	\$1.35	\$ 194,072,268	\$ 2,619,976
2013	\$1.35	\$ 189,746,620	\$ 2,573,154
2012	\$1.35	\$ 187,028,872	\$ 2,524,890
2011	\$1.10	\$ 189,363,636	\$ 2,083,000
2010	\$1.10	\$ 188,418,182	\$ 2,072,600
2009	\$1.26	\$ 161,746,032	\$ 2,038,000
2008	\$1.26	\$ 164,418,651	\$ 2,071,675

Delinquent Taxes Filed

The City has filed uncollected delinquent taxes.

CITY OF RED BANK, TENNESSEE
Schedule of Insurance
June 30, 2017

TML POOL:

Buildings and personal property	\$11,197,704	
Workmen's compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per person
General and personal injury liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property
	\$ 1,000,000	each other loss - per occurrence
Automobile liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property

OFFICIAL BONDS

City Recorder	\$ 100,000
City Manager	\$ 100,000
City Financial Director	\$ 100,000

III. INTERNAL CONTROL AND COMPLIANCE SECTION

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**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 Commissioners
City of Red Bank, Tennessee

We have audited 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Bank, Tennessee as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Red Bank, Tennessee's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Red Bank, Tennessee'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 of Red Bank, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Red Bank, Tennessee'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. However, material weaknesses may exist that have not been identified.

To the Mayor and Commissioners
City of Red Bank, Tennessee
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Red Bank, Tennessee'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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
October 31, 2017

CITY OF RED BANK, TENNESSEE
Schedule of Findings and Responses
June 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Opinion on Financial Statements:

Unmodified opinion issued on the financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States of America.

Internal Control Reportable Conditions:

No instances of internal control reportable conditions were disclosed.

Material Noncompliance:

No instances of material noncompliance were disclosed.

CITY OF RED BANK, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2017

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2016-001	Enterprise Fund Operating at a Loss (Original finding 2016-001)	Corrected