



**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2022**

CITY OF RED BANK, TENNESSEE

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2022

Martin Granum, City Manager

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CITY OF RED BANK, TENNESSEE
City Officials
June 30, 2022

Mayor Hollie Berry

Commissioner Ruth Jeno

Vice Mayor Stefanie Dalton

Commissioner Pete Phillips

Commissioner Ed LeCompte

City Judge Johnny Houston

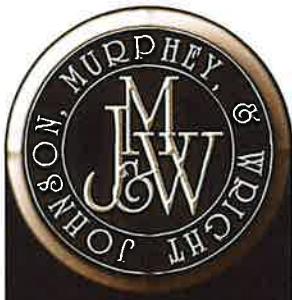
City Manager (10-11-21 through 6-30-22) Martin Granum

Interim City Manager (7-1-21 through 10-10-21) John Alexander

City Recorder Tracey Perry

Finance Director, CMFO John Alexander

II. FINANCIAL SECTION



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Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Commissioners
City of Red Bank, Tennessee

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Red Bank, Tennessee's basic financial statements as listed in the Table of Contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Red Bank, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Red Bank, Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Red Bank, Tennessee's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Red Bank, Tennessee's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we have identified during the audit.

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 is the responsibility of management and, 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 non-major governmental fund financial statements, financial schedules, and Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, financial schedules, and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Mayor and Commissioners
City of Red Bank, Tennessee
Page Four

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Red Bank, Tennessee's 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
February 6, 2023

BASIC FINANCIAL STATEMENTS

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, 2022. 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, 2022, by \$17,996,284 (net position). Of this amount, \$8,076,769 (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 \$1,550,667. The City's business-type activities operated at a surplus of \$72,910.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$10,058,595.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,124,199, or 96.89%, of total General Fund expenditures.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's enterprise fund reported an ending net position of \$399,445. Of that balance, \$348,841, or 87.33%, 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 activity of the City of Red Bank, Tennessee is the Stormwater Fund.

The government-wide financial statements can be found on pages 18 and 19 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, which is considered to be a major fund. 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 61.

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 fund, the General 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 20 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 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 information for the Stormwater Fund, which is considered to be a major fund of the City of Red Bank, Tennessee.

The basic proprietary fund financial statements can be found on pages 30 through 32 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 33 through 55 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 61 and 62 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 \$17,996,284 at the close of this fiscal year.

The largest portion of the City of Red Bank, Tennessee's net position (40.33%) 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	
	2022	2021	2022	2021	2022	2021
Capital assets	\$ 8,939,751	\$ 9,112,184	\$ 28,793	\$ 39,666	\$ 8,968,544	\$ 9,151,850
Other assets	<u>15,944,342</u>	<u>12,834,517</u>	<u>455,000</u>	<u>305,642</u>	<u>16,399,342</u>	<u>13,140,159</u>
Total assets	<u>\$ 24,884,093</u>	<u>\$ 21,946,701</u>	<u>\$ 483,793</u>	<u>\$ 345,308</u>	<u>\$ 25,367,886</u>	<u>\$ 22,292,009</u>
Deferred outflows of resources	<u>\$ 1,751,872</u>	<u>\$ 697,331</u>	<u>\$ 52,041</u>	<u>\$ 19,060</u>	<u>\$ 1,803,913</u>	<u>\$ 716,391</u>
Long-term liabilities	<u>\$ 1,720,613</u>	<u>\$ 2,084,678</u>	<u>\$ 10,575</u>	<u>\$ 23,041</u>	<u>\$ 1,731,188</u>	<u>\$ 2,107,719</u>
Other liabilities	<u>1,958,762</u>	<u>613,921</u>	<u>70,464</u>	<u>4,167</u>	<u>2,029,226</u>	<u>618,088</u>
Total liabilities	<u>\$ 3,679,375</u>	<u>\$ 2,698,599</u>	<u>\$ 81,039</u>	<u>\$ 27,208</u>	<u>\$ 3,760,414</u>	<u>\$ 2,725,807</u>
Deferred inflows of resources	<u>\$ 5,359,751</u>	<u>\$ 3,899,261</u>	<u>\$ 55,350</u>	<u>\$ 10,625</u>	<u>\$ 5,415,101</u>	<u>\$ 3,909,886</u>
Net investment in capital assets	<u>\$ 7,229,448</u>	<u>\$ 7,071,784</u>	<u>\$ 28,793</u>	<u>\$ 39,666</u>	<u>\$ 7,258,241</u>	<u>\$ 7,111,450</u>
Restricted	<u>2,639,463</u>	<u>1,937,192</u>	<u>21,811</u>	<u>-</u>	<u>2,661,274</u>	<u>1,937,192</u>
Unrestricted	<u>7,727,928</u>	<u>7,037,196</u>	<u>348,841</u>	<u>286,869</u>	<u>8,076,769</u>	<u>7,324,065</u>
Total net position	<u>\$ 17,596,839</u>	<u>\$ 16,046,172</u>	<u>\$ 399,445</u>	<u>\$ 326,535</u>	<u>\$ 17,996,284</u>	<u>\$ 16,372,707</u>

14.79%, or \$2,661,274, 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 \$8,076,769 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2022, 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 \$1,550,667.

The City of Red Bank, Tennessee's main revenue sources for 2022 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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,364,314	\$ 1,341,824	\$ 285,754	\$ 283,507	\$ 1,650,068	\$ 1,625,331
Operating grants and contributions	507,598	508,026	-	-	507,598	508,026
Capital grants and contributions	1,527,063	766,238	-	-	1,527,063	766,238
General revenues:						
Property taxes	3,468,627	3,118,022	-	-	3,468,627	3,118,022
Other taxes	3,786,409	3,520,525	-	-	3,786,409	3,520,525
Other	107,992	162,848	1,858	102	109,850	162,950
Total revenues	<u>10,762,003</u>	<u>9,417,483</u>	<u>287,612</u>	<u>283,609</u>	<u>11,049,615</u>	<u>9,701,092</u>
Expenses:						
General government	2,450,604	1,953,185	-	-	2,450,604	1,953,185
Public safety	3,226,043	3,064,781	-	-	3,226,043	3,064,781
Public works	1,902,315	2,757,237	-	-	1,902,315	2,757,237
State street aid	1,331,044	954,719	-	-	1,331,044	954,719
Public welfare and recreation	259,575	245,840	-	-	259,575	245,840
Interest on long-term debt	41,755	83,252	-	-	41,755	83,252
Stormwater	-	-	214,702	318,002	214,702	318,002
Total expenses	<u>9,211,336</u>	<u>9,059,014</u>	<u>214,702</u>	<u>318,002</u>	<u>9,426,038</u>	<u>9,377,016</u>
Excess (deficiency) before transfer	1,550,667	358,469	72,910	(34,393)	1,623,577	324,076
Transfer	-	35,646	-	(35,646)	-	-
Change in net position	1,550,667	394,115	72,910	(70,039)	1,623,577	324,076
Net position - beginning	<u>16,046,172</u>	<u>15,652,057</u>	<u>326,535</u>	<u>396,574</u>	<u>16,372,707</u>	<u>16,048,631</u>
Net position - ending	<u>\$ 17,596,839</u>	<u>\$ 16,046,172</u>	<u>\$ 399,445</u>	<u>\$ 326,535</u>	<u>\$ 17,996,284</u>	<u>\$ 16,372,707</u>

Net position for governmental activities increased \$1,550,667, or 9.66%, largely due to the following key factors:

Capital grant revenue totaled \$1,527,063.

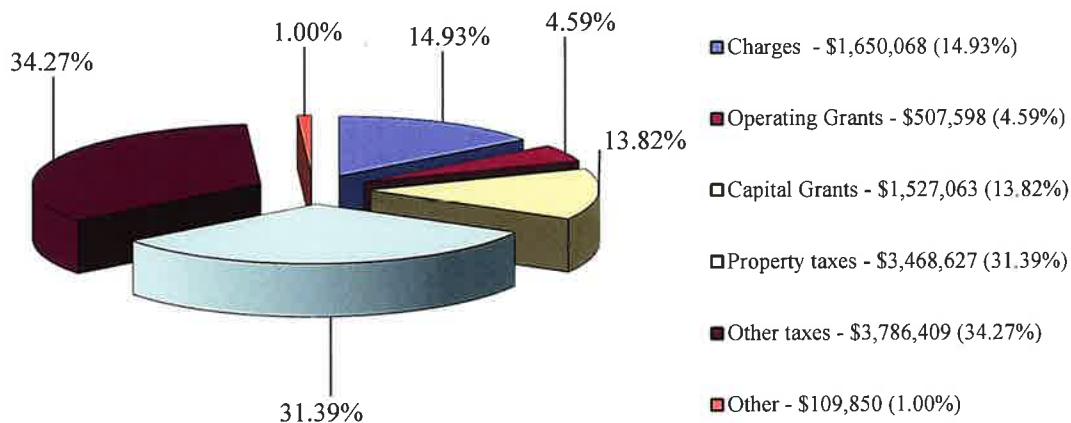
Property taxes totaled \$3,468,627.

Net position for business-type activities increased by \$72,910, or 22.33%, largely due to the following:

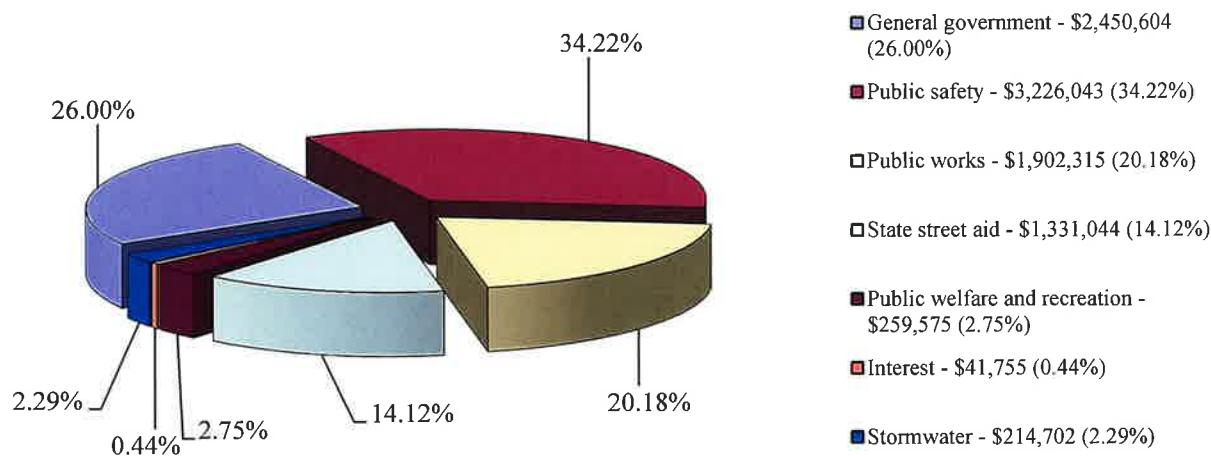
Stormwater Fund operating supplies expenses decreased \$76,846.

The graphs below summarize the \$11,049,615 of city-wide revenues by source and the associated \$9,426,038 of expense by program. The graphs combine data from both governmental and business-type activities.

City-Wide Sources of Revenue



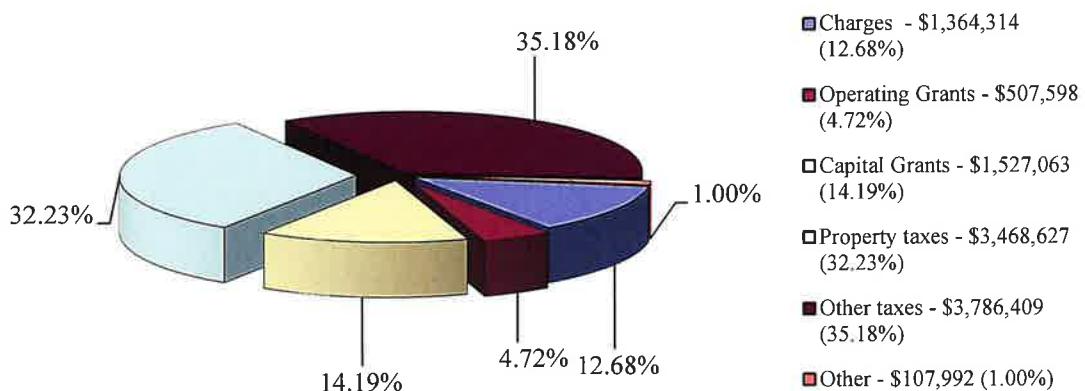
City-Wide Program Expenses



Governmental Activities

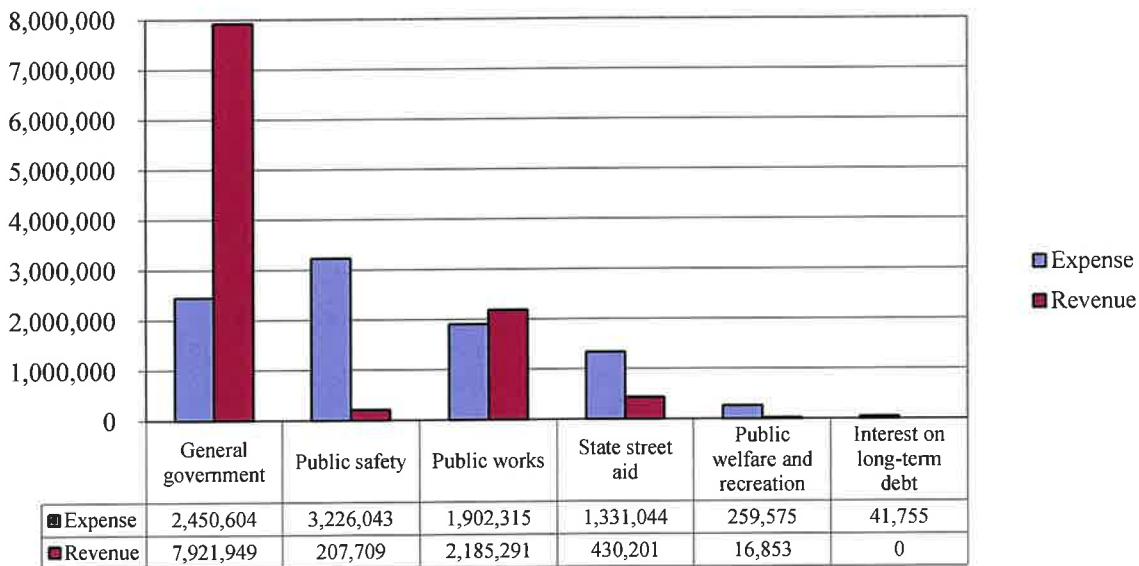
Governmental activities accounted for revenues of \$10,762,003. The following graph summarizes the revenue by source.

Revenue by Source - Governmental Activities



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.

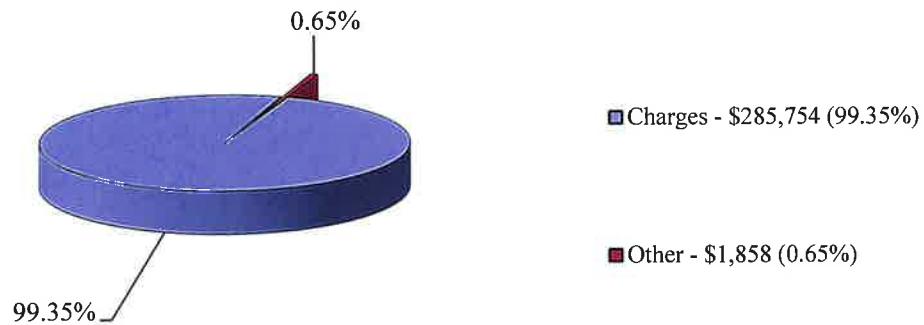
Expenses and Program Revenues - Governmental Activities



Business-type Activities

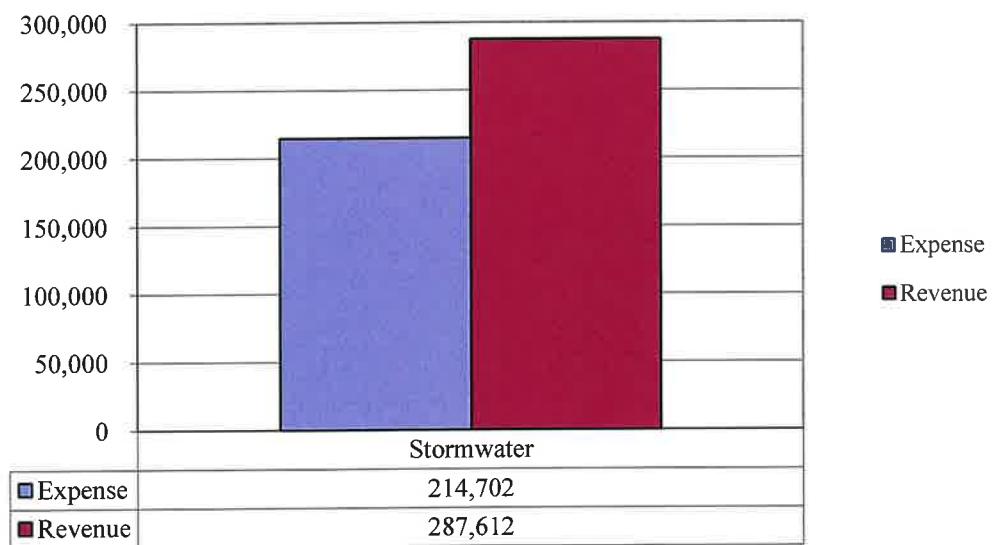
Business-type activities accounted for revenues of \$287,612. The following graph summarizes the revenue by source.

Revenue by Source - Business-Type Activities



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

**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 \$10,058,595. The fund balance increased by \$989,938, which was largely due to the following:

\$1,527,063 General Fund federal and state grant revenue.

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 \$8,124,199. 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 96.89% of total fund expenditures.

Proprietary Funds

The City of Red Bank, Tennessee's proprietary fund provides 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 \$348,841 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget netted to \$(7,364,596). The details are listed below:

There was a \$3,582,769 increase in the budget for general government ARPA grant expenditures.

There was a \$3,657,692 increase in the budget for capital outlay expenditures, due largely to the increased budget for paving projects.

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

Differences between the final amended budget and actual amounts are as follows:

The City had budgeted for \$6,419,877 of grant revenues but only received \$1,527,063.

ARPA grant expenditures were budgeted at \$3,513,087 but only \$315,516 was spent during the year.

Capital outlay expenditures for the street department were budgeted at \$3,747,214 but only \$1,187,016 was spent during the year.

Capital Assets and Debt Administration

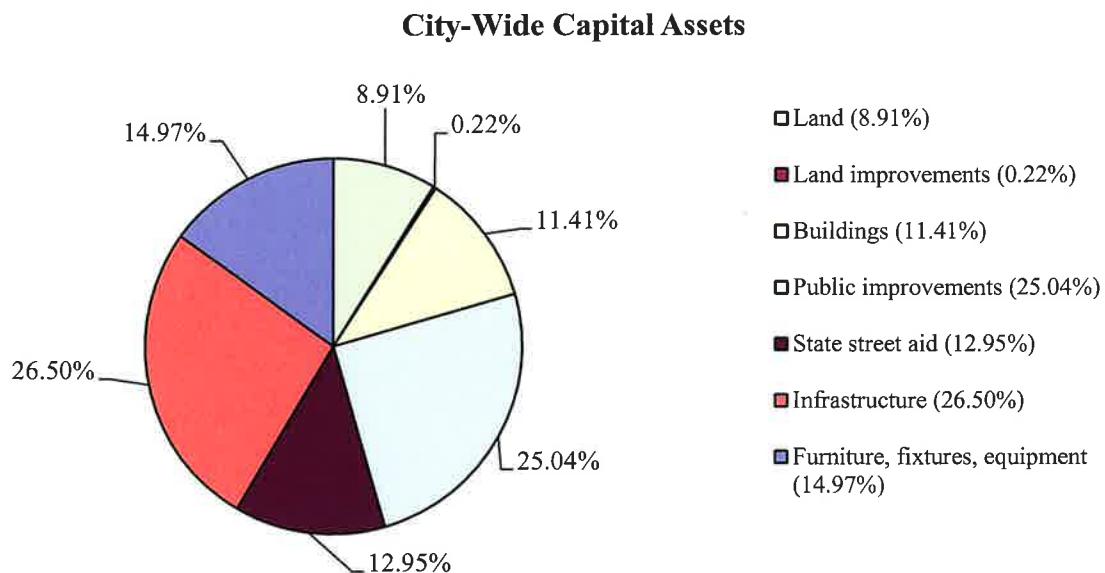
City of Red Bank, Tennessee's Capital Assets (Net of Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 798,832	\$ -	\$ 798,832
Land improvements	-	19,712	19,712
Buildings	1,023,289	-	1,023,289
Public improvements	2,245,311	-	2,245,311
State street aid	1,161,350	-	1,161,350
Infrastructure	2,376,850	-	2,376,850
Furniture, fixtures and equipment	1,334,119	9,081	1,343,200
Total capital assets	<u>\$ 8,939,751</u>	<u>\$ 28,793</u>	<u>\$ 8,968,544</u>

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

Three (3) 2022 Ford police interceptors	\$ 135,095
Sidewalks	\$ 153,007
Community center playground	\$ 83,304
Lullwater bridge	\$ 53,558
2022 Ford Explorer	\$ 34,993

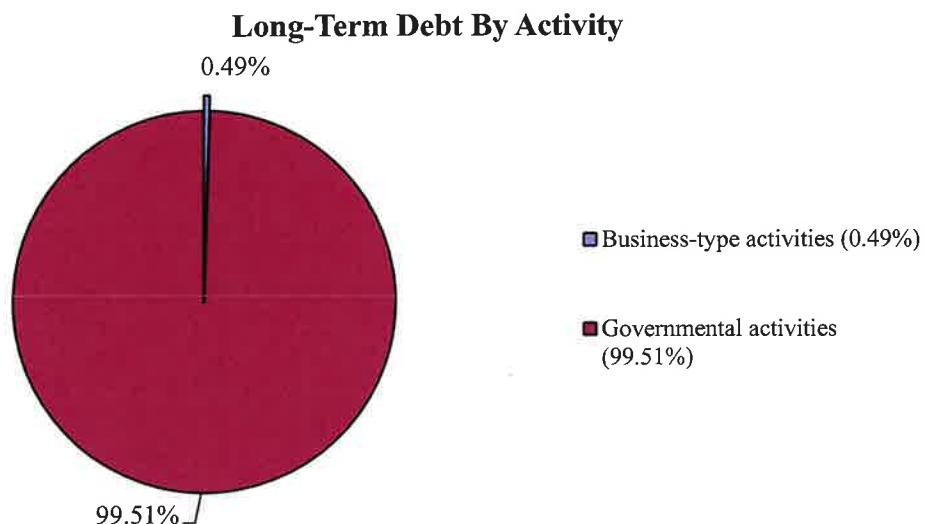
Additional information on the City of Red Bank, Tennessee's capital assets can be found in Note 8 on pages 42 and 43 of this report.



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 \$2,161,191. Of that amount, \$430,003 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 1,710,303	\$ -	\$ 1,710,303
Landfill closure and post-closure	53,900	-	53,900
Accrued leave	386,413	10,575	396,988
Current portion	(430,003)	-	(430,003)
Total long-term debt	<u>\$ 1,720,613</u>	<u>\$ 10,575</u>	<u>\$ 1,731,188</u>



Additional information on outstanding debt can be found in Note 11 on pages 44 through 46 of this report.

Currently Known Conditions Effecting Future Years

The Business and Economic Environment in Red Bank is Active and Thriving

For the last 6 years, Red Bank has benefitted from a robust residential housing market. Developers have built multiple housing subdivisions throughout the city, and on a smaller scale, numerous parcels of land have been routinely subdivided for new homes. And that trend is continuing with a 48-unit condo and a 210-unit apartment complex planned, along with several other major housing initiatives. Similarly, older homes are being purchased and renovated, keeping our housing stock updated and healthy. Due to a number of positive attributes including the proximity of Red Bank to downtown Chattanooga, according to the Hamilton County Assessor's Office, property values rose an average of 40% over this 6-year period. And the one-year jump from 2021 to 2022 for single family houses was approximately 18 %, with the average climbing to \$313,000 from \$265,000 in 2021 and the median climbing to \$295,000 from \$250,000 in 2021.

On the commercial side there is also positive movement for small businesses filling in vacant locations along Dayton Boulevard, our main thoroughfare. These include local coffee shops, craft brewery taproom and restaurant, liquor store (complete with new construction of their facility), ethnic restaurants, mattress and home décor shops, a national investment advisor, and others. On a larger scale, Food City renovated their store and added several new in-store features including a florist and Starbucks, and Erlanger shared they are planning a \$7-9M renovation of their facility in Red Bank to update their service delivery model.

Establishment of City of Red Bank's Mission, Vision, and Commission Goals

These were developed at the Commission's initial retreat in March 2022, and ongoing follow-up this past year yielded satisfying results across the board:

- **Mission** (should explain the purpose of a city's being and why it exists):
The City of Red Bank is a safe and thriving small-town community with an engaging, transparent government that builds on our rich history, provides excellent and efficient services, and welcomes all who live, work, worship, and play.
- **Vision** (builds upon the city's mission and takes it to the next level; a desired future state):
Red Bank will lead our vibrant and proud community with a commitment to excellence, safety, and enhancing our neighborhood character for future generations.
- **Goals** (after an environmental analysis and applying the SWOT methodology, issues were identified and ultimately goals were set that: address the key issues, meet the mission of the City and help the City to achieve its vision):
 - Create adequate digital capacity
(Mayor Berry; Chief Seymour)
 - Revamp stormwater ordinance and operations and stormwater fee structure
(Vice Mayor Dalton; Director Alexander)
 - Develop a comprehensive plan for Red Bank
(Commissioner Phillips; City Manager Granum)
 - Develop parks within ten-minute walk initiative
(Commissioner LeCompte, Director Tate)
 - Beautification of city – throughout with an emphasis on Dayton Blvd
(Commissioner Jeno; Chief Sylar)

Leadership Stability; Planning and Community Engagement

The previous commission, politically diverse in composition, placed a priority on planning and community engagement. This strategy yielded clear direction and goals for staff that are well-grounded in community desires. Looking ahead, the newly-seated commission is just beginning a two-year term and looks to build on that leadership stability and continue with community-engagement and long-term planning. Specific examples of community engagement include: well-attended Commission meetings, frequent press releases and positive media coverage, well-followed Facebook page with fresh and engaging content, monthly newsletters, participation at numerous ribbon cuttings, civic associations (Lions, Rotary, Chamber of Commerce) and robust participation in community events. Formal Commission-appointed citizen advisory panels have grown in number from two to six with more on the way. Lastly, a new electronic sign on Dayton Boulevard for messaging and a new website for community engagement are forthcoming this year.

Regarding strategic planning, the Commission has adopted a three-pronged approach: an annual retreat in late-February to set Commission goals, a robust budget process to hear from department leadership and the community, and a Comprehensive Plan process in partnership with SETDD and the RPA which includes both Chattanooga and Hamilton County. The goal of this comprehensive planning process, which will take several years to complete, is a Commission-adopted Comprehensive Plan addressing land use, transportation, parks and recreation, and a Small Area Plan to guide the development of the Former Red Bank Middle School Site. A final word on leadership stability; the city manager and all department directors have now been in their positions for at least a year and that leadership team looks to be very stable for the foreseeable future... this bodes well for these long-term efforts.

Major Capital Projects

We have seven major capital projects underway, plus a comprehensive planning effort just getting started. The capital projects include five transportation-related projects, often in partnership with TDOT, to enhance transportation and address safety concerns around the City. We are currently in the process of resurfacing Dayton Boulevard on the north end, upgrading sidewalks on the south end to make them ADA compatible, a signalization project to upgrade five signalized intersections with pedestrian crosswalks and signals, a project to replace a one-lane bridge on Lullwater Road with a two-lane bridge, and a project to construct a bike boulevard in the center of town. Lastly, an Urban Transportation Planning Grant is underway to identify future system improvements for vehicle, bike and pedestrian modes across the city.

The city remains in a sewer moratorium impacting approximately half of the city which hinders construction in those areas. In response, the WWTA is executing a \$7.2M sewer rehab project to remedy the sewer moratorium; based upon progress thus far it appears we are still several years away from this relief. We are executing a stormwater project using ARPA and TDEC funds beginning with a system-wide assessment, followed by spot repairs, and culminating in a reset of our SW fees in the coming years with the result being an adequate and sustainable stormwater program city-wide. Lastly, we have begun a comprehensive planning effort that will result in land use, transportation, parks and recreation plans for the city, including a plan for the 12-acre Former Red Bank Middle School Site. In total these capital projects constitute a sweeping program with significant long-term benefits to the city.

ARPA

Like most public entities across Tennessee, Red Bank was a recipient of ARPA funding from the Federal level. We received a little over \$3.5M and, in a unanimous vote, the Commission allocated the funds across the following areas: stormwater, internet/technology/digital transformation, facilities improvements, equipment for our first responders, non-profit relief endeavors, employee pay bonuses, Hamilton County 911, and roads. Full execution of these funds will stretch into CY 2026 and will make improvements in many functions of our operations that would have been beyond our reach in the short term.

Key Partnerships

A look into the future is not complete without highlighting the numerous key partnerships that serve the City of Red bank so well. Here are a few: McKamey Animal Shelter provides our animal services and so much more. CARTA is re-establishing public transit in Red Bank with its CARE-A-VAN paratransit services, with an eye for new services under consideration. Southeast Tennessee Development District (SETDD) assists with planning. Administrative Hearing Officer Jim Exum assists with code compliance.

The Small Cities Coalition assists with communications, media relations and legislative liaison. A thriving relationship with Hamilton County, especially regarding 911 dispatch services, GIS, Recycling and Trustee... earn them top marks for these four county services that serve Red Bank superbly. The Municipal Technical Advisory Service (MTAS) provides topic-specific assistance as needed. All utility providers serving Red Bank: Tennessee American, Hixon Utilities, EPB with fiber and power, Chattanooga Gas, WWTA and the city itself (stormwater management). And lastly the Transportation Planning Organization (TPO) which is the gatekeeper for all regional transportation projects and federal (and TDOT) funding which Red Bank has used so successfully. An understanding of Red Bank is simply not complete without an appreciation of these, and other, key partnerships.

Stewardship and Excellence

Staff are focused on providing a wide spectrum of excellent municipal services the city depends upon every day: fire protection, law enforcement, roads, solid waste and recycling, stormwater management, planning and building official services, parks, facilities and fleet services, general session court, and more. And the customer service from City Hall, be it developers seeking plan review, homeowners seeking a permit, business owners seeking a license, or any of the other reasons to stop by City Hall... all are promptly greeted and expeditiously served. And everything is done with an eye for financial stewardship as exemplified by earning the Tennessee Comptrollers Certificate of Budget Excellence in September 2022 for the fiscal year beginning 1 July 2022.

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.

CITY OF RED BANK, TENNESSEE
Statement of Net Position
June 30, 2022

	Primary Government		
	Business-		
	Governmental	type	
	Activities	Activities	Total
ASSETS			
Current assets			
Cash	\$ 3,102,029	\$ 422,911	\$ 3,524,940
Investments	7,633,453	-	7,633,453
Property tax receivable - net	3,663,490	-	3,663,490
Accounts receivable - net	755,971	16,020	771,991
Prepaid expenses	153	-	153
Due from grantor	78,284	-	78,284
Internal balances	5,742	(5,742)	-
Total current assets	<u>15,239,122</u>	<u>433,189</u>	<u>15,672,311</u>
Non-current assets			
Restricted assets			
Net pension assets	705,220	21,811	727,031
Capital assets			
Land	798,832	-	798,832
Other capital assets - net of accumulated depreciation	8,140,919	28,793	8,169,712
Total capital assets	<u>8,939,751</u>	<u>28,793</u>	<u>8,968,544</u>
Total non-current assets	<u>9,644,971</u>	<u>50,604</u>	<u>9,695,575</u>
TOTAL ASSETS	<u>\$ 24,884,093</u>	<u>\$ 483,793</u>	<u>\$ 25,367,886</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	\$ 1,682,662	\$ 52,041	\$ 1,734,703
Deferred outflows related to bond refinancing	69,210	-	69,210
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,751,872</u>	<u>\$ 52,041</u>	<u>\$ 1,803,913</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 22,750	\$ 70,464	\$ 93,214
Accrued liabilities	61,258	-	61,258
Unearned grant revenue	1,444,751	-	1,444,751
Bonds payable - due in one year	422,303	-	422,303
Landfill closure and post-closure cost - due in one year	7,700	-	7,700
Total current liabilities	<u>1,958,762</u>	<u>70,464</u>	<u>2,029,226</u>
Non-current liabilities			
Bonds payable	1,288,000	-	1,288,000
Landfill closure and post-closure cost	46,200	-	46,200
Accrued leave	386,413	10,575	396,988
Total non-current liabilities	<u>1,720,613</u>	<u>10,575</u>	<u>1,731,188</u>
TOTAL LIABILITIES	<u>\$ 3,679,375</u>	<u>\$ 81,039</u>	<u>\$ 3,760,414</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	\$ 3,570,100	\$ -	\$ 3,570,100
Deferred inflows related to pensions	1,789,651	55,350	1,845,001
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 5,359,751</u>	<u>\$ 55,350</u>	<u>\$ 5,415,101</u>
NET POSITION			
Net investment in capital assets	\$ 7,229,448	\$ 28,793	\$ 7,258,241
Restricted for:			
Non-recurring police expenses	57,671	-	57,671
State street aid expenses	810,036	-	810,036
Impound expenses	4,679	-	4,679
Solid waste expenses	1,061,857	-	1,061,857
Pension expenses	705,220	21,811	727,031
Unrestricted	<u>7,727,928</u>	<u>348,841</u>	<u>8,076,769</u>
TOTAL NET POSITION	<u>\$ 17,596,839</u>	<u>\$ 399,445</u>	<u>\$ 17,996,284</u>

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

CITY OF RED BANK, TENNESSEE
Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Primary Government</u>	Net (Expense) Revenue and Changes In Net Position				<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental activities:						
General government	\$ 2,450,604	\$ 203,953	\$ 43,175	\$ 311,793	\$ (1,891,683)	\$ (1,891,683)
Public safety	3,226,043	145,624	26,400	35,685	(3,018,334)	(3,018,334)
Public works	1,902,315	983,784	21,922	1,179,585	282,976	282,976
State street aid	1,331,044	14,100	416,101	-	(900,843)	(900,843)
Public welfare and recreation	259,575	16,853	-	-	(242,722)	(242,722)
Interest on long-term debt	41,755	-	-	-	(41,755)	(41,755)
Total governmental activities	9,211,336	1,364,314	507,598	1,527,063	(5,812,361)	(5,812,361)
Business-type activities:						
Stormwater	214,702	285,754	-	-	71,052	71,052
Total primary government	\$ 9,426,038	\$ 1,650,068	\$ 507,598	\$ 1,527,063	(5,812,361)	(5,741,309)
General revenues:						
Unrestricted:						
Property tax				3,468,627	-	3,468,627
Minimum business tax				110,864	-	110,864
Local sales tax				1,574,618	-	1,574,618
Alcoholic beverage tax				315,164	-	315,164
Franchise tax				128,372	-	128,372
In lieu of tax				123,836	-	123,836
Other state taxes				1,533,555	-	1,533,555
Interest				26,318	817	27,135
Other				81,674	1,041	82,715
Total general revenues				7,363,028	1,858	7,364,886
Change in net position				1,550,667	72,910	1,623,577
Net position - beginning				16,046,172	326,535	16,372,707
Net position - end				\$ 17,596,839	\$ 399,445	\$ 17,996,284

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

CITY OF RED BANK, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,695,739	\$ 406,290	\$ 3,102,029
Investments	5,859,932	1,773,521	7,633,453
Property tax receivable - net	3,663,490	-	3,663,490
Accounts receivable - net	680,800	75,171	755,971
Prepaid expenses	153	-	153
Due from grantor	78,284	-	78,284
Due from other funds	323,752	1,898	325,650
TOTAL ASSETS	\$13,302,150	\$ 2,256,880	\$ 15,559,030
LIABILITIES			
Accounts payable	\$ 22,750	\$ -	\$ 22,750
Accrued liabilities	58,529	2,729	61,258
Due to other funds	-	319,908	319,908
Unearned grant revenue	1,444,751	-	1,444,751
TOTAL LIABILITIES	\$ 1,526,030	\$ 322,637	\$ 1,848,667
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	<u>\$ 3,651,768</u>	<u>\$ -</u>	<u>\$ 3,651,768</u>
FUND BALANCES			
Nonspendable	\$ 153	\$ -	\$ 153
Restricted	-	1,934,243	1,934,243
Unassigned	<u>8,124,199</u>	<u>-</u>	<u>8,124,199</u>
TOTAL FUND BALANCES	\$ 8,124,352	\$ 1,934,243	\$ 10,058,595

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, 2022

Total fund balances per governmental funds balance sheet	\$ 10,058,595
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,939,751
Long-term liabilities, including bonds 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.	(2,150,616)
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.	81,668
Deferred outflows related to bond refinancing are not due and payable in the current period and, therefore, are not reported in the funds.	69,210
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>598,231</u>
Net position of governmental activities	<u><u>\$ 17,596,839</u></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, 2022

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 5,715,580	\$ -	\$ 5,715,580
License and permits	156,643	14,100	170,743
Intergovernmental	3,096,776	416,101	3,512,877
Charges for services	47,310	983,784	1,031,094
Fines and forfeitures	110,839	15,074	125,913
Other revenues	113,222	74,508	187,730
TOTAL REVENUES	<u>9,240,370</u>	<u>1,503,567</u>	<u>10,743,937</u>
EXPENDITURES			
Current expenditures			
General government	2,503,397	-	2,503,397
Public safety	3,065,684	30,657	3,096,341
Public works	758,364	836,886	1,595,250
State street aid	-	443,586	443,586
Public welfare and recreation	166,609	-	166,609
Capital outlay	1,555,658	21,306	1,576,964
Debt service	335,374	174,081	509,455
TOTAL EXPENDITURES	<u>8,385,086</u>	<u>1,506,516</u>	<u>9,891,602</u>
Excess (deficiency) of revenues over (under) expenditures	855,284	(2,949)	852,335
OTHER FINANCING SOURCES (USES)			
Proceeds from debt issuance	137,603	-	137,603
Net changes in fund balances	992,887	(2,949)	989,938
Fund balances - beginning	<u>7,131,465</u>	<u>1,937,192</u>	<u>9,068,657</u>
Fund balances - end	<u>\$ 8,124,352</u>	<u>\$ 1,934,243</u>	<u>\$ 10,058,595</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, 2022

Net changes in fund balances for total governmental funds	\$ 989,938
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.	(172,433)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	18,066
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.	475,400
Bonds issued are reported as a financial resource in the governmental funds. However, this is reported as an increase in long-term liabilities in the Statement of Net Position. During the current year additional loan proceeds were drawn on bonds payable.	(137,603)
Bond refinance savings are not reported in the governmental funds but are reported in the Statement of Activities.	(11,865)
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.	(34,163)
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.	423,327
Change in net position of governmental activities	<u>\$ 1,550,667</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, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Taxes				
Property tax	\$ 3,119,000	\$ 3,119,000	\$ 3,450,562	\$ 331,562
Minimum business tax	75,800	75,800	110,864	35,064
Local sales tax	1,200,000	1,200,000	1,574,618	374,618
Alcoholic beverage tax	322,000	322,000	315,164	(6,836)
Franchise tax	135,000	135,000	128,372	(6,628)
Occupancy tax	2,500	2,500	12,164	9,664
In lieu of tax	120,000	120,000	123,836	3,836
Total taxes	<u>4,974,300</u>	<u>4,974,300</u>	<u>5,715,580</u>	<u>741,280</u>
License and permits				
Privilege license	2,200	2,200	3,604	1,404
Wrecker permits	550	550	550	-
Building license and permits	<u>51,900</u>	<u>51,900</u>	<u>152,489</u>	<u>100,589</u>
Total license and permits	<u>54,650</u>	<u>54,650</u>	<u>156,643</u>	<u>101,993</u>
Intergovernmental				
State sales tax	1,130,000	1,130,000	1,368,922	238,922
State beer tax	5,500	5,500	5,435	(65)
State mixed drink tax	2,500	2,500	6,435	3,935
State income tax	15,000	15,000	5,089	(9,911)
State city streets and transportation system	23,000	23,000	21,922	(1,078)
Sportsbetting	6,000	6,000	11,966	5,966
TVA in lieu of tax	135,000	135,000	123,544	(11,456)
Federal and state grants	<u>6,419,877</u>	<u>6,419,877</u>	<u>1,527,063</u>	<u>(4,892,814)</u>
Police and fire supplemental	<u>30,400</u>	<u>30,400</u>	<u>26,400</u>	<u>(4,000)</u>
Total intergovernmental	<u>7,767,277</u>	<u>7,767,277</u>	<u>3,096,776</u>	<u>(4,670,501)</u>
Charges for service				
Administrative services	21,000	21,000	21,000	-
Rent of facilities	<u>18,598</u>	<u>18,598</u>	<u>26,310</u>	<u>7,712</u>
Total charges for service	<u>39,598</u>	<u>39,598</u>	<u>47,310</u>	<u>7,712</u>
Fines and forfeitures				
Court fines and costs	<u>116,250</u>	<u>116,250</u>	<u>110,839</u>	<u>(5,411)</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
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Other revenues				
Miscellaneous	\$ -	\$ -	\$ 17,262	\$ 17,262
Sale of assets	- -	- -	4,650	4,650
Insurance recoveries and refund	- -	- -	13,290	13,290
Fees and commissions	6,000	6,000	16,853	10,853
Interest	10,020	10,020	17,992	7,972
Donations	43,150	43,150	43,175	25
Total other revenues	<u>59,170</u>	<u>59,170</u>	<u>113,222</u>	<u>54,052</u>
TOTAL REVENUES	<u>13,011,245</u>	<u>13,011,245</u>	<u>9,240,370</u>	<u>(3,770,875)</u>
EXPENDITURES				
Current expenditures				
General government				
Financial administration				
Salaries	345,343	354,843	433,307	(78,464)
Payroll tax	26,821	26,821	32,773	(5,952)
Employee benefits	832,456	843,179	835,475	7,704
Contract services	164,450	188,450	198,668	(10,218)
ARPA grant expenses	- -	3,513,087	315,516	3,197,571
Dues and subscriptions	15,000	15,000	16,827	(1,827)
Insurance	257,030	257,030	289,306	(32,276)
Miscellaneous	2,820	2,820	3,353	(533)
Office supplies and expenses	13,350	13,350	15,101	(1,751)
Operating supplies	10,100	10,270	6,455	3,815
Professional services	107,600	107,600	123,789	(16,189)
Relief to indigents	7,200	8,600	3,682	4,918
Repairs and maintenance	6,000	6,000	5,549	451
Special events	5,000	23,750	23,106	644
Telephone	20,880	20,880	21,357	(477)
Training	1,500	1,500	7,673	(6,173)
Travel	1,750	6,889	10,869	(3,980)
Utilities	31,000	31,000	21,573	9,427
Total financial administration	<u>1,848,300</u>	<u>5,431,069</u>	<u>2,364,379</u>	<u>3,066,690</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
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance		
	Original	Final				
EXPENDITURES (Continued)						
Current expenditures (Continued)						
General government (Continued)						
Judicial						
Salaries	\$ 108,183	\$ 108,183	\$ 101,483	\$ 6,700		
Payroll tax	8,137	8,137	7,781	356		
Employee benefits	10,747	10,747	10,179	568		
Contract services	20,000	20,000	15,925	4,075		
Office supplies and expenses	1,500	1,500	1,238	262		
Operating supplies	600	600	52	548		
Telephone	750	750	1,042	(292)		
Training	500	500	200	300		
Travel	-	-	1,118	(1,118)		
Total judicial	<u>150,417</u>	<u>150,417</u>	<u>139,018</u>	<u>11,399</u>		
Total general government	<u>1,998,717</u>	<u>5,581,486</u>	<u>2,503,397</u>	<u>3,078,089</u>		
Public safety						
Police department						
Salaries	1,355,220	1,440,354	1,326,155	114,199		
Payroll tax	94,166	100,067	95,546	4,521		
Employee benefits	158,174	168,086	160,514	7,572		
Contract services	215,500	215,500	194,266	21,234		
Dues and subscriptions	2,000	2,000	2,042	(42)		
Insurance	4,500	4,500	4,567	(67)		
Miscellaneous	250	250	517	(267)		
Operating supplies	36,100	43,400	43,191	209		
Professional services	2,200	2,200	1,676	524		
Repairs and maintenance	24,240	24,240	44,375	(20,135)		
Telephone	13,000	13,000	12,566	434		
Training	10,000	10,000	8,732	1,268		
Travel	8,000	8,458	8,086	372		
Uniforms	22,200	22,200	16,171	6,029		
Vehicle	55,500	55,500	87,973	(32,473)		
Total police department	<u>2,001,050</u>	<u>2,109,755</u>	<u>2,006,377</u>	<u>103,378</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
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance		
	Original	Final				
EXPENDITURES (Continued)						
Current expenditures (Continued)						
Public safety (Continued)						
Fire department						
Salaries	\$ 741,511	\$ 755,882	\$ 745,062	\$ 10,820		
Payroll tax	56,726	57,785	54,897	2,888		
Employee benefits	84,998	84,998	82,976	2,022		
Contract services	28,951	28,951	27,824	1,127		
Dues and subscriptions	1,375	1,375	1,158	217		
Fire hydrant rental	2,752	2,752	2,752	-		
Insurance	7,225	7,225	5,453	1,772		
Office supplies and expenses	1,000	1,000	828	172		
Operating supplies	16,725	16,725	22,114	(5,389)		
Repairs and maintenance	11,683	11,683	16,468	(4,785)		
Telephone	2,890	2,890	3,026	(136)		
Training	9,713	9,713	9,673	40		
Travel	3,500	3,500	7,333	(3,833)		
Uniforms	29,560	29,560	27,336	2,224		
Utilities	21,200	21,200	18,924	2,276		
Vehicle	33,500	33,500	33,483	17		
Total fire department	<u>1,053,309</u>	<u>1,068,739</u>	<u>1,059,307</u>	<u>9,432</u>		
Total public safety	<u>3,054,359</u>	<u>3,178,494</u>	<u>3,065,684</u>	<u>112,810</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
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance		
	Original	Final				
EXPENDITURES (Continued)						
Current expenditures (Continued)						
Public works						
Street department						
Salaries	\$ 514,672	\$ 514,672	\$ 492,566	\$ 22,106		
Payroll tax	38,894	38,894	35,758	3,136		
Employee benefits	65,403	65,403	62,231	3,172		
Contract services	59,500	59,500	55,187	4,313		
Insurance	1,000	1,000	298	702		
Office supplies	3,250	3,250	2,882	368		
Operating supplies	68,775	68,775	41,663	27,112		
Repairs and maintenance	14,250	14,250	12,538	1,712		
Telephone	2,000	2,000	2,187	(187)		
Training	3,000	3,000	2,149	851		
Travel	500	500	-	500		
Uniforms	3,900	3,900	2,451	1,449		
Utilities	8,000	8,000	6,236	1,764		
Vehicle	<u>48,800</u>	<u>48,800</u>	<u>42,218</u>	<u>6,582</u>		
Total street department	<u>831,944</u>	<u>831,944</u>	<u>758,364</u>	<u>73,580</u>		
Public welfare and recreation						
Animal control						
Contract services	<u>69,992</u>	<u>69,992</u>	<u>69,990</u>	<u>2</u>		
Parks and recreation						
Contract services	800	800	-	800		
Operating supplies	7,400	7,400	4,763	2,637		
Repairs and maintenance	34,000	34,000	32,527	1,473		
Utilities	<u>73,300</u>	<u>73,300</u>	<u>59,329</u>	<u>13,971</u>		
Total parks and recreation	<u>115,500</u>	<u>115,500</u>	<u>96,619</u>	<u>18,881</u>		
Total public welfare and recreation	<u>185,492</u>	<u>185,492</u>	<u>166,609</u>	<u>18,883</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
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
EXPENDITURES (Continued)				
Capital outlay				
General government	\$ 5,500	\$ 5,500	\$ 2,073	\$ 3,427
Police department	14,500	152,103	199,617	(47,514)
Fire department	63,500	63,500	61,815	1,685
Street department	227,125	3,747,214	1,187,016	2,560,198
Parks and recreation	<u>108,505</u>	<u>108,505</u>	<u>105,137</u>	<u>3,368</u>
Total capital outlay	<u>419,130</u>	<u>4,076,822</u>	<u>1,555,658</u>	<u>2,521,164</u>
Debt service				
Principal and interest	<u>471,057</u>	<u>471,057</u>	<u>335,374</u>	<u>135,683</u>
TOTAL EXPENDITURES	<u>6,960,699</u>	<u>14,325,295</u>	<u>8,385,086</u>	<u>5,940,209</u>
Excess (deficiency) of revenues over (under) expenditures	6,050,546	(1,314,050)	855,284	2,169,334
OTHER FINANCING SOURCES (USES)				
Proceeds from debt issuance	<u>137,603</u>	<u>137,603</u>	<u>137,603</u>	<u>-</u>
Net changes in fund balances	6,188,149	(1,176,447)	992,887	2,169,334
Fund balances - beginning	<u>7,131,465</u>	<u>7,131,465</u>	<u>7,131,465</u>	<u>-</u>
Fund balances - end	<u>\$ 13,319,614</u>	<u>\$ 5,955,018</u>	<u>\$ 8,124,352</u>	<u>\$ 2,169,334</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, 2022

	Enterprise Fund Stormwater Fund
ASSETS	
Current assets	
Cash	\$ 422,911
Accounts receivable - net	16,020
Total current assets	<u>438,931</u>
Non-current assets	
Restricted assets	
Net pension asset	21,811
Capital assets	
Other capital assets - net of accumulated depreciation	28,793
Total non-current assets	<u>50,604</u>
TOTAL ASSETS	<u>\$ 489,535</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 52,041</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 70,464
Due to other funds	<u>5,742</u>
Total current liabilities	<u>76,206</u>
Non-current liabilities	
Accrued leave	<u>10,575</u>
TOTAL LIABILITIES	<u>\$ 86,781</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>\$ 55,350</u>
NET POSITION	
Investment in capital assets	\$ 28,793
Restricted for pension	21,811
Unrestricted	<u>348,841</u>
TOTAL NET POSITION	<u>\$ 399,445</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, 2022

	<u>Enterprise Fund</u> <u>Stormwater</u> <u>Fund</u>
OPERATING REVENUES	
Stormwater fees	\$ 284,958
Other	796
Total operating revenues	<u>285,754</u>
OPERATING EXPENSES	
Stormwater collection	180,225
Administration	23,604
Depreciation	<u>10,873</u>
Total operating expenses	<u>214,702</u>
Operating income (loss)	<u>71,052</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest earnings	817
Miscellaneous revenues	<u>1,041</u>
Total non-operating revenues (expenses)	<u>1,858</u>
Change in net position	72,910
Net position - beginning	<u>326,535</u>
Net position - end	<u>\$ 399,445</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, 2022

	<u>Enterprise Fund</u> <u>Stormwater</u> <u>Fund</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 286,021
Payments to suppliers	(93,248)
Payments to employees	<u>(66,781)</u>
Net cash provided (used) by operating activities	<u>125,992</u>
Cash Flows from Noncapital Financing Activities	
Miscellaneous revenues	<u>1,041</u>
Cash Flows from Investing Activities	
Interest income	<u>817</u>
Net increase (decrease) in cash	127,850
Cash - beginning	<u>295,061</u>
Cash - end	<u>\$ 422,911</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	<u>\$ 71,052</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	10,873
Increase (decrease) in net pension liability	(24,837)
Increase (decrease) in deferred inflows related to pensions	44,725
(Increase) decrease in deferred outflows related to pensions	(32,981)
(Increase) decrease in accounts receivable - net	267
Increase (decrease) in accrued liabilities	(4,167)
Increase (decrease) in accounts payable	70,464
Increase (decrease) in due to other funds	36
Increase (decrease) in accrued leave	<u>(9,440)</u>
Total adjustments	<u>54,940</u>
Net cash provided (used) by operating activities	<u>\$ 125,992</u>

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

CITY OF RED BANK, TENNESSEE
Notes to Financial Statements
June 30, 2022

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. Certain indirect costs are included in program expenses reported for individual functions. 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. Fiduciary funds are not included in the government-wide financial statements.

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 fund:

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.

The City reports the following major enterprise fund:

Stormwater Fund

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus - Basis of Accounting (Continued)

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.

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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting (Continued)

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 \$(8,352,615) in the governmental funds. The City amended its General Fund budget to include \$3,582,769 of ARPA grant expenditures, \$124,135 of public safety expenditures, and \$3,657,692 of capital outlay expenditures which were mostly attributable to the street department. The State Street Aid Fund, Solid Waste Fund and Impound Fund budgeted expenditures were increased by \$805,108, \$176,911, and \$6,000 respectively.

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, 2022, 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.

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 2022 levy is \$1.10 per \$100 of assessed valuation, and the tax rate for the 2021 levy is \$1.39 per \$100 of assessed valuation.

Property taxes for the 2022 levy are considered to be owed to the City as of the lien date on January 1, 2022. Therefore, the entire 2022 levy was recorded as a receivable and deferred revenue as of June 30, 2022.

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".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Interfund Transactions (Continued)

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.

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 \$1,000 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 extend 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

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
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 two types of items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to bond refinancing.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022, and February 6, 2023, 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, 2022, the carrying amount of the City's deposits was \$3,524,424, and the bank balance was \$4,072,024. 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	\$ 3,524,940
Investments	<u>7,633,453</u>
	11,158,393
Less: petty cash	(516)
Less: LGIP	<u>(7,633,453)</u>
Total	<u>\$ 3,524,424</u>

Investments

The City's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP). 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, 2022. The LGIP is not rated. The weighted average maturity for the LGIP balances at June 30, 2022 was 44 days. The City's investments are listed on the Statement of Net Position as follows:

LGIP	<u>\$ 7,633,453</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, 2022, consists of the following:

<u>Year of Levy</u>	
2022	\$ 3,570,100
2021	106,484
2020	32,861
2019	8,853
2018	21,154
2017	3,533
2016	4,827
2015	5,238
2014	6,301
2013	<u>7,628</u>
	<u>3,766,979</u>
Less: allowance for uncollectibles	<u>(103,489)</u>
Property taxes receivable - net	<u>\$ 3,663,490</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net at June 30, 2022, consists of the following:

	General Fund	State Street Aid Fund	Solid Waste Fund	Stormwater Fund	Total
State shared revenue receivables	\$ 540,240	\$ -	\$ -	\$ -	\$ 540,240
Local beer and liquor tax	25,405	-	-	-	25,405
Court fines	186,679	-	-	-	186,679
Franchise tax	28,842	-	-	-	28,842
Room occupancy tax	26,575	-	-	-	26,575
Stormwater tax	-	-	-	19,677	19,677
State street aid	-	72,099	-	-	72,099
Sanitation fee	-	-	3,072	-	3,072
Less: allowance for doubtful accounts	(126,941)	-	-	(3,657)	(130,598)
Total	\$ 680,800	\$ 72,099	\$ 3,072	\$ 16,020	\$ 771,991

NOTE 5 - DUE FROM GRANTOR

Due from grantor at June 30, 2022, consists of the following:

Department of Transportation	\$ 75,533
Department of Justice	2,751
Total	\$ 78,284

NOTE 6 - INTERNAL BALANCES

Internal balances at June 30, 2022, consist of the following:

	Due from:				
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Stormwater Fund	Total
<u>Due to:</u>					
General Fund	\$ 277,665	\$ 40,373	\$ -	\$ 5,714	\$ 323,752
Solid Waste Fund	-	-	-	28	28
Impound Fund	-	-	1,870	-	1,870
Total	\$ 277,665	\$ 40,373	\$ 1,870	\$ 5,742	\$ 325,650

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

NOTE 7 - NET PENSION ASSETS

Net pension assets at June 30, 2022, consists of the following:

Beginning balance	\$ (100,854)
Service cost	(245,223)
Interest expense	(844,368)
Differences between expected and actual experience	(288,621)
Changes of assumptions	(1,145,775)
Employer contributions	392,845
Net investment income	2,965,043
Plan administrative expenses	(6,016)
 Total	 <u>\$ 727,031</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>\$ 798,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,832</u>
Capital assets being depreciated:				
Buildings	1,906,303	-	-	1,906,303
Public improvements	3,316,053	100,213	-	3,416,266
State street aid	2,169,007	47,565	(5,191)	2,211,381
Infrastructure	3,062,620	175,964	-	3,238,584
Furniture, fixtures and equipment	<u>6,103,140</u>	<u>296,800</u>	<u>(93,625)</u>	<u>6,306,315</u>
Total capital assets being depreciated	<u>16,557,123</u>	<u>620,542</u>	<u>(98,816)</u>	<u>17,078,849</u>
Less accumulated depreciation for:				
Buildings	828,131	54,883	-	883,014
Public improvements	1,072,033	98,922	-	1,170,955
State street aid	983,381	71,841	(5,191)	1,050,031
Infrastructure	798,722	63,012	-	861,734
Furniture, fixtures and equipment	<u>4,561,504</u>	<u>504,317</u>	<u>(93,625)</u>	<u>4,972,196</u>
Total accumulated depreciation	<u>8,243,771</u>	<u>792,975</u>	<u>(98,816)</u>	<u>8,937,930</u>
Total capital assets being depreciated - net	<u>8,313,352</u>	<u>(172,433)</u>	<u>-</u>	<u>8,140,919</u>
Governmental activities capital assets - net	<u>\$ 9,112,184</u>	<u>\$ (172,433)</u>	<u>\$ -</u>	<u>\$ 8,939,751</u>

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

General government	\$ 53,722
Public safety	308,436
Public works	287,646
State street aid	55,128
Public welfare and recreation	<u>88,043</u>
 Total	 <u>\$ 792,975</u>

NOTE 8 - CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets being depreciated:				
Land improvements	\$ 35,841	\$ -	\$ -	\$ 35,841
Equipment	90,809	-	-	90,809
Total capital assets being depreciated	126,650	-	-	126,650
Less accumulated depreciation for:				
Land improvements	14,336	1,793	-	16,129
Equipment	72,648	9,080	-	81,728
Total accumulated depreciation	86,984	10,873	-	97,857
Total capital assets being depreciated - net	39,666	(10,873)	-	28,793
Business-type activities capital assets - net	\$ 39,666	\$ (10,873)	\$ -	\$ 28,793

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, 2022, consists of the following:

Beginning balance	\$ 635,317
Differences between expected and actual experience	288,621
Changes of assumptions	1,145,775
Amortization of deferrals	(345,489)
Prior year employer contributions	(392,845)
Current year employer contributions	436,695
Current change in net investment income	(33,371)
 Total	 <u>\$ 1,734,703</u>

NOTE 10 - UNEARNED GRANT REVENUE

Unearned grant revenue at June 30, 2022, consists of \$1,444,751 from the U.S. Department of Finance and Administration.

NOTE 11 - LONG-TERM DEBT

A. Governmental Debt

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

	Principal Balance
Tennessee Municipal Bond, Series 2018, issued in the original amount of \$285,000 for police and fire equipment, payable in varying amounts of approximately \$102,900, including interest at 3.92%, due February 2022, direct borrowings	\$ -
Tennessee Municipal Bond, Series 2021, issued in the original amount of \$1,527,000 for paving, payable in varying amounts, including interest at 2.05%, due May 2028, net of unamortized bond premiums of \$69,210, direct borrowings	1,391,210
Tennessee Municipal Bond, Series 2022, issued in the original amount of \$137,603 for acquisition of vehicles for police department, payable in varying annual installments of approximately \$47,654, including interest at 1.98%, due February 2025, direct borrowings	137,603
Tennessee Municipal Bond, 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, direct borrowings	124,700
Tennessee Municipal Bond, Series 2018, issued in the original amount of \$478,400 for paving, payable in varying amounts of approximately \$129,088, including interest at 3.88%, due October 2022, direct borrowings	126,000
Accrued leave	386,413
Landfill closure and post-closure cost	53,900
Less: current portion of governmental long-term debt	<u>2,219,826</u> <u>(430,003)</u>
Total governmental long-term debt	<u><u>\$ 1,789,823</u></u>

During 2021, the City issued debt which defeased the Tennessee Municipal Bond, Series 2019. The reacquisition price exceeded the net carrying amount of the old debt. The unamortized deferred amount on refunding is reported as a deferred outflow of resources and charged to expense when amortized.

NOTE 11 - LONG-TERM DEBT (Continued)

A. Governmental Debt (Continued)

A summary of changes in governmental long-term debt for the year ended June 30, 2022, are as follows:

	<u>Balance</u> <u>July 1, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Refunded</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
<u>Direct borrowings:</u>						
Series 2018	\$ 99,000	\$ -	\$ (99,000)	\$ -	\$ -	\$ -
Series 2021	1,527,000	-	(205,000)	-	1,322,000	209,000
Series 2022	-	137,603	-	-	137,603	45,603
Series 2012	166,400	-	(41,700)	-	124,700	41,700
Series 2018	248,000	-	(122,000)	-	126,000	126,000
Total direct borrowings	<u>2,040,400</u>	<u>137,603</u>	<u>(467,700)</u>	<u>-</u>	<u>1,710,303</u>	<u>422,303</u>
<u>Other debt:</u>						
Accrued leave	352,250	34,163	-	-	386,413	-
Landfill closure and post-closure	61,600	-	(7,700)	-	53,900	7,700
Total other debt	<u>413,850</u>	<u>34,163</u>	<u>(7,700)</u>	<u>-</u>	<u>440,313</u>	<u>7,700</u>
Total	<u>\$ 2,454,250</u>	<u>\$ 171,766</u>	<u>\$ (475,400)</u>	<u>\$ -</u>	<u>2,150,616</u>	<u>\$ 430,003</u>
Less: current portion of governmental long-term debt						(430,003)
Total governmental long-term debt						<u>\$ 1,720,613</u>

The Series 2018, 2021, 2022, 2012 and 2018 Tennessee Municipal Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. The City's full faith and credit are irrevocably pledged as collateral. If in default and there are insufficient funds from ad valorem taxes, the principal and interest will be paid from the current funds of the City.

The City does not have unused lines of credit.

Government fund debt service requirements to maturity, including interest of \$109,690 are as follows:

<u>Year ended</u> <u>June 30</u>	<u>Direct Borrowings</u>		<u>Other Debt</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2023	\$ 422,303	\$ 35,175	\$ 7,700	\$ -	\$ 465,178
2024	301,200	26,440	7,700	-	335,340
2025	305,800	19,950	7,700	-	333,450
2026	222,000	13,960	7,700	-	243,660
2027	227,000	9,409	7,700	-	244,109
2028-2029	<u>232,000</u>	<u>4,756</u>	<u>15,400</u>	<u>-</u>	<u>252,156</u>
Total	<u>\$ 1,710,303</u>	<u>\$ 109,690</u>	<u>\$ 53,900</u>	<u>\$ -</u>	<u>\$ 1,873,893</u>

Note: The above debt service requirements schedule does not include accrued leave.

Interest paid during the year ended June 30, 2022 on governmental debt was \$41,755.

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

NOTE 11 - LONG-TERM DEBT (Continued)

B. Business-Type Debt

Stormwater Fund:

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

Accrued leave					\$ 10,575
Less: current portion					<u> </u>
					<u>\$ 10,575</u>

A summary of changes in Stormwater Fund long-term debt for the year ended June 30, 2022 are as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022	Amount Due Within One Year
Accrued leave	\$ 20,015	\$ <u> </u>	\$ (9,440)	\$ 10,575	\$ <u> </u>
Less: current portion				<u> </u>	
				<u>\$ 10,575</u>	

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

NOTE 12 - 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	Amount
<u>June 30:</u>	
2023	\$ 7,700
2024	7,700
2025	7,700
2026	7,700
2027	7,700
2028-2029	<u>15,400</u>
Total	<u>\$ 53,900</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>\$ 81,668</u>	<u>\$ 3,570,100</u>	<u>\$ 3,651,768</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, 2022, consists of the following:

Beginning balance	\$ 354,150
Differences between projected and actual investment earnings	2,131,743
Amortization of deferrals	(607,521)
Current change in net investment income	(33,371)
 Total	 <u>\$ 1,845,001</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 \$57,671 are legally restricted for non-recurring police expenditures.

State street aid funds in the amount of \$810,036 are legally restricted for state street aid expenditures.

Impound funds in the amount of \$4,679 are restricted for impound related expenditures.

Solid waste funds in the amount of \$1,061,857 are legally restricted for solid waste expenditures.

Pension funds in the amount of \$727,031 are legally restricted for pension expenditures.

NOTE 16 - FUND BALANCES

Fund balances are as follows:

Nonspendable: Prepaid expenses of \$153 are nonspendable due to form.

Restricted: Drug funds in the amount of \$57,671 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$810,036 are legally restricted for state street aid expenditures. Impound funds in the amount of \$4,679 are restricted for impound related expenditures. Solid waste funds in the amount of \$1,061,857 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 - 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, 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 \$(2,150,616) difference are as follows:

Bonds payable	\$ (1,710,303)
Landfill closure and post-closure cost	(53,900)
Accrued leave	<u>(386,413)</u>
Net adjustment	<u><u>\$ (2,150,616)</u></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 \$598,231 difference are as follows:

Deferred outflows related to pensions	\$ 1,682,662
Net pension assets	705,220
Deferred inflows related to pensions	<u>(1,789,651)</u>
Net adjustment	<u><u>\$ 598,231</u></u>

NOTE 17 - 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 \$(172,433) difference are as follows:

Capital outlay	\$ 620,542
Depreciation expense	<u>(792,975)</u>
Net adjustment	<u><u>\$ (172,433)</u></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 \$475,400 difference are as follows:

Bonds payable	\$ 467,700
Landfill closure and post-closure cost	<u>7,700</u>
Net adjustment	<u><u>\$ 475,400</u></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 \$423,327 difference are as follows:

Pension expense	\$ (267)
Contributions	<u>423,594</u>
Net adjustment	<u><u>\$ 423,327</u></u>

NOTE 18 - 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 defendable cases.

NOTE 19 - POST EMPLOYEE BENEFITS OTHER THAN PENSIONS

The City does not have any post employee benefits other than the pension disclosed in Note 23.

NOTE 20 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

There were no compliance issues with finance related legal and contractual provisions.

NOTE 21 - 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 Public Entity Partners Risk Management Pool (Pool). The membership allows the City to share liability, motor vehicle, and employee injury risks.

The 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:

Property	\$ 14,388,284
Workers compensation	\$ 300,000 per accident
	\$ 700,000 policy limit
	\$ 300,000 per employee
Liability	\$ 5,000,000 each other loss- per occurrence

The responsibilities of the City are as follows:

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

To allow the Pool 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 the Pool during the coverage period and up to (3) three years afterward.

To allow attorneys appointed by the Pool 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 the Pool.

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

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

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

To furnish to the Pool 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 the Pool 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 the Pool 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.

NOTE 21 - RISK MANAGEMENT POOL (Continued)

The responsibilities of the Pool are as follows:

The Pool 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.

The Pool'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, 2022. No provision has been made in the financial statements for the year ended June 30, 2022, for any estimate of potential unpaid claims.

NOTE 22 - 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 23 - 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 publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

NOTE 23 - PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees covered by benefit terms

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	105
Active employees	<u>65</u>
Total employees	<u>225</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, 2022, the employer contributions for Red Bank were \$436,695 based on a rate of 12.68 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.

Net Pension Liability (Asset)

Pension liabilities (assets)

Red Bank's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

NOTE 23 - PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

Actuarial assumptions

The total pension liability as of June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

NOTE 23 - PENSION PLAN (Continued)

Net Pension Liability (Asset) (Continued)

Discount rate

The discount rate used to measure the total pension liability was 6.75 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 6/30/20	<u>\$ 11,629,593</u>	<u>\$ 11,528,739</u>	<u>\$ 100,854</u>
Changes for the year:			
Service cost	245,223	-	245,223
Interest	844,368	-	844,368
Differences between expected and actual experience	288,621	-	288,621
Changes in benefit terms	-	-	-
Changes in assumptions	1,145,775	-	1,145,775
Contributions - employer	-	392,845	(392,845)
Contributions - employees	-	-	-
Net investment income	-	2,965,043	(2,965,043)
Benefit payments, including refunds of employee contributions	(456,710)	(456,710)	-
Administrative expense	-	(6,016)	6,016
Other changes	-	-	-
Net changes	<u>2,067,277</u>	<u>2,895,162</u>	<u>(827,885)</u>
Balance at 6/30/21	<u>\$ 13,696,870</u>	<u>\$ 14,423,901</u>	<u>\$ (727,031)</u>

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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Red Bank's net pension liability (asset)	\$ 1,264,886	\$ (727,031)	\$ (2,356,851)

NOTE 23 - PENSION PLAN (Continued)

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

Pension expense (negative pension expense)

For the year ended June 30, 2022, Red Bank recognized pension expense (negative pension expense) of \$275.

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2022, Red Bank reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 268,790	\$ 262,835
Net difference between projected and actual earnings on pension plan investments	-	1,582,166
Changes in assumptions	1,029,218	-
Contributions subsequent to the measurement date of June 30, 2021	<u>436,695</u>	<u>(not applicable)</u>
Total	<u>\$ 1,734,703</u>	<u>\$ 1,845,001</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” 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:

2023	\$ (201,795)
2024	\$ (166,836)
2025	\$ (182,591)
2026	\$ (234,835)
2027	\$ 239,067
Thereafter	\$ -

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

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, 2022

Last Fiscal Year Ending June 30

	2014	2015	2016
<u>Total pension liability</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	<u>(287,182)</u>	<u>(302,907)</u>	<u>(344,122)</u>
Net change in total pension liability	366,267	544,345	424,207
Total pension liability - beginning	<u>8,031,803</u>	<u>8,398,070</u>	<u>8,942,415</u>
Total pension liability - ending (a)	<u>\$ 8,398,070</u>	<u>\$ 8,942,415</u>	<u>\$ 9,366,622</u>

Plan fiduciary net position

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	<u>6,965,528</u>	<u>8,121,625</u>	<u>8,381,862</u>
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%

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvement. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

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, 2022

2017	2018	2019	2020	2021
\$ 210,569	\$ 223,221	\$ 228,773	\$ 236,561	\$ 245,223
705,270	727,903	775,068	819,620	844,368
-	-	-	-	-
(202,036)	68,735	10,726	(285,318)	288,621
260,416	-	-	-	1,145,775
(347,179)	(353,675)	(396,049)	(419,634)	(456,710)
627,040	666,184	618,518	351,229	2,067,277
<u>9,366,622</u>	<u>9,993,662</u>	<u>10,659,846</u>	<u>11,278,364</u>	<u>11,629,593</u>
<u><u>\$ 9,993,662</u></u>	<u><u>\$10,659,846</u></u>	<u><u>\$11,278,364</u></u>	<u><u>\$11,629,593</u></u>	<u><u>\$13,696,870</u></u>
\$ 342,089	\$ 357,913	\$ 348,070	\$ 356,143	\$ 392,845
-	-	-	-	-
972,335	792,404	767,737	546,451	2,965,043
(347,179)	(353,675)	(396,049)	(419,634)	(456,710)
(5,808)	(6,410)	(5,785)	(5,867)	(6,016)
-	-	-	-	-
961,437	790,232	713,973	477,093	2,895,162
<u>8,586,003</u>	<u>9,547,440</u>	<u>10,337,673</u>	<u>11,051,646</u>	<u>11,528,739</u>
<u><u>\$ 9,547,440</u></u>	<u><u>\$10,337,672</u></u>	<u><u>\$11,051,646</u></u>	<u><u>\$11,528,739</u></u>	<u><u>\$14,423,901</u></u>
<u><u>\$ 446,222</u></u>	<u><u>\$ 322,174</u></u>	<u><u>\$ 226,718</u></u>	<u><u>\$ 100,854</u></u>	<u><u>\$ (727,031)</u></u>
95.53%	96.98%	97.99%	99.13%	105.31%
\$ 2,834,208	\$ 2,965,311	\$ 2,883,759	\$ 2,938,477	\$ 3,057,161
15.74%	10.86%	7.86%	3.43%	-23.78%

CITY OF RED BANK, TENNESSEE
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of the TCRS
June 30, 2022

Last Fiscal Year Ending June 30

	2014	2015	2016	2017
Actuarially determined contribution	\$ 293,723	\$ 314,749	\$ 331,019	\$ 342,089
Contributions in relation to the actuarially determined contribution	<u>293,723</u>	<u>314,749</u>	<u>331,019</u>	<u>342,089</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%	12.07%

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

CITY OF RED BANK, TENNESSEE
Schedule of Contributions Based on Participation
in the Public Employee Pension Plan of the TCRS
June 30, 2022

2018	2019	2020	2021	2022
\$ 357,913	\$ 348,070	\$ 356,143	\$ 391,622	\$ 441,108
<u>357,913</u>	<u>348,070</u>	<u>356,143</u>	<u>392,845</u>	<u>436,695</u>
<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ (1,223)</u>	<hr/> <u>\$ 4,413</u>
\$ 2,965,311	\$ 2,883,759	\$2,938,477	\$3,057,161	\$3,443,467
12.07%	12.07%	12.12%	12.85%	12.68%

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.

State Street Aid Fund

This fund is used to account for the expenditures of the City's streets that are 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.

Solid Waste Fund

This fund is used to account for the City's collection and disposal of solid waste. The City does not operate a solid waste disposal site.

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.

CITY OF RED BANK, TENNESSEE
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2022

	Special Revenue				Total Non-major Governmental Funds
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Impound Fund	
ASSETS					
Cash	\$ 244,208	\$ 99,732	\$ 59,541	\$ 2,809	\$ 406,290
Investments	774,123	999,398	-	-	1,773,521
Accounts receivable	72,099	3,072	-	-	75,171
Due from other funds	-	28	-	1,870	1,898
TOTAL ASSETS	\$ 1,090,430	\$ 1,102,230	\$ 59,541	\$ 4,679	\$ 2,256,880
LIABILITIES					
Accrued liabilities	\$ 2,729	\$ -	\$ -	\$ -	\$ 2,729
Due to other funds	277,665	40,373	1,870	-	319,908
TOTAL LIABILITIES	\$ 280,394	\$ 40,373	\$ 1,870	\$ -	\$ 322,637
FUND BALANCES					
Restricted	<u>\$ 810,036</u>	<u>\$ 1,061,857</u>	<u>\$ 57,671</u>	<u>\$ 4,679</u>	<u>\$ 1,934,243</u>

CITY OF RED BANK, TENNESSEE
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2022

	Special Revenue				Total
	State Street Aid Fund	Solid Waste Fund	Drug Fund	Impound Fund	Non-major Governmental Funds
REVENUES					
License and permits	\$ 14,100	\$ -	\$ -	\$ -	\$ 14,100
Intergovernmental	416,101	-	-	-	416,101
Charges for services	-	983,784	-	-	983,784
Fines and forfeitures	-	-	15,074	-	15,074
Other revenues	2,189	34,826	35,268	2,225	74,508
TOTAL REVENUES	432,390	1,018,610	50,342	2,225	1,503,567
EXPENDITURES					
Current Expenditures					
Public safety	-	-	11,991	18,666	30,657
Public works	-	836,886	-	-	836,886
State street aid	443,586	-	-	-	443,586
Capital Outlay	8,795	5,071	7,440	-	21,306
Debt Service	174,081	-	-	-	174,081
TOTAL EXPENDITURES	626,462	841,957	19,431	18,666	1,506,516
Excess (deficiency) of revenues over (under) expenditures	(194,072)	176,653	30,911	(16,441)	(2,949)
Fund balances - beginning	1,004,108	885,204	26,760	21,120	1,937,192
Fund balances - end	\$ 810,036	\$ 1,061,857	\$ 57,671	\$ 4,679	\$ 1,934,243

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, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
License and permits				
Building permits	\$ _____ -	\$ _____ -	\$ 14,100	\$ 14,100
Intergovernmental				
State highway and street	1,199,040	1,199,040	416,101	(782,939)
Other revenues				
Insurance recoveries	- - -	- - -	58	58
Interest earnings	2,000	2,000	2,131	131
Total other revenues	2,000	2,000	2,189	189
TOTAL REVENUES	<u>1,201,040</u>	<u>1,201,040</u>	<u>432,390</u>	<u>(768,650)</u>
EXPENDITURES				
Current Expenditures				
State street aid				
Highways and street maintenance				
Street lighting (electricity)	85,000	85,000	79,277	5,723
Repairs and maintenance	62,700	62,700	62,537	163
Street resurfacing	30,000	551,106	278,194	272,912
Bridge maintenance	- - -	108,200	712	107,488
Miscellaneous	150	58,150	7,719	50,431
Operating supplies	22,000	22,000	15,147	6,853
Professional services	11,000	11,000	- - -	11,000
Total state street aid	<u>210,850</u>	<u>898,156</u>	<u>443,586</u>	<u>454,570</u>
Capital Outlay				
Public works				
Drainage improvements	13,000	13,000	- - -	13,000
Equipment	- - -	117,802	8,795	109,007
Total public works	<u>13,000</u>	<u>130,802</u>	<u>8,795</u>	<u>122,007</u>
Debt Service				
Principal and interest	<u>175,177</u>	<u>175,177</u>	<u>174,081</u>	<u>1,096</u>
TOTAL EXPENDITURES	<u>399,027</u>	<u>1,204,135</u>	<u>626,462</u>	<u>577,673</u>
Excess (deficiency) of revenues over (under) expenditures	802,013	(3,095)	(194,072)	(190,977)
Fund balances - beginning	<u>1,004,108</u>	<u>1,004,108</u>	<u>1,004,108</u>	<u>- - -</u>
Fund balances - end	<u>\$ 1,806,121</u>	<u>\$ 1,001,013</u>	<u>\$ 810,036</u>	<u>\$ (190,977)</u>

CITY OF RED BANK, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Charges for services				
Garbage fees	\$ 950,000	\$ 950,000	\$ 983,784	\$ 33,784
Other revenues				
Penalties	-	-	3,918	3,918
Sale of assets	-	-	26,200	26,200
Interest earnings	1,000	1,000	2,208	1,208
Miscellaneous	2,500	2,500	2,500	-
Total other revenues	<u>3,500</u>	<u>3,500</u>	<u>34,826</u>	<u>31,326</u>
TOTAL REVENUES	<u>953,500</u>	<u>953,500</u>	<u>1,018,610</u>	<u>65,110</u>
EXPENDITURES				
Current expenditures				
Public works				
Salaries	309,302	309,302	341,357	(32,055)
Payroll tax	23,340	23,340	23,815	(475)
Employee benefits	151,157	152,563	169,863	(17,300)
Contract services	43,000	43,000	47,262	(4,262)
Insurance	1,000	1,000	-	1,000
Miscellaneous	800	800	455	345
Operating supplies	27,100	27,100	4,704	22,396
Repairs and maintenance	20,000	20,000	6,046	13,954
Telephone	325	325	354	(29)
Uniforms	1,800	1,800	813	987
Utilities	750	750	668	82
Vehicle expense	64,000	64,000	75,661	(11,661)
Waste disposal	<u>165,000</u>	<u>167,500</u>	<u>165,888</u>	<u>1,612</u>
Total public works	<u>807,574</u>	<u>811,480</u>	<u>836,886</u>	<u>(25,406)</u>
Capital outlay				
Sanitation department	<u>1,200</u>	<u>174,205</u>	<u>5,071</u>	<u>169,134</u>
TOTAL EXPENDITURES	<u>808,774</u>	<u>985,685</u>	<u>841,957</u>	<u>143,728</u>
Excess (deficiency) of revenues over (under) expenditures	144,726	(32,185)	176,653	208,838
Fund balances - beginning	<u>885,204</u>	<u>885,204</u>	<u>885,204</u>	<u>-</u>
Fund balances - end	<u>\$ 1,029,930</u>	<u>\$ 853,019</u>	<u>\$ 1,061,857</u>	<u>\$ 208,838</u>

CITY OF RED BANK, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Fines and forfeitures				
Drug fines and seizures	\$ 14,000	\$ 14,000	\$ 15,074	\$ 1,074
Other revenues				
Asset sharing revenue	10,000	10,000	19,710	9,710
Sale of assets	2,000	2,000	15,489	13,489
Interest earnings	100	100	69	(31)
Total other revenues	<u>12,100</u>	<u>12,100</u>	<u>35,268</u>	<u>23,168</u>
TOTAL REVENUES	<u>26,100</u>	<u>26,100</u>	<u>50,342</u>	<u>24,242</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Asset sharing equipment	-	-	7,468	(7,468)
Contract services	200	200	-	200
Dues and subscriptions	55	55	-	55
Miscellaneous	-	-	155	(155)
Repairs and maintenance	1,500	1,500	1,870	(370)
Operating supplies	3,500	3,500	1,625	1,875
Training	1,500	1,500	280	1,220
Travel	<u>1,000</u>	<u>1,000</u>	<u>593</u>	<u>407</u>
Total public safety	<u>7,755</u>	<u>7,755</u>	<u>11,991</u>	<u>(4,236)</u>
Capital Outlay				
Equipment	<u>12,440</u>	<u>12,440</u>	<u>7,440</u>	<u>5,000</u>
TOTAL EXPENDITURES	<u>20,195</u>	<u>20,195</u>	<u>19,431</u>	<u>764</u>
Excess (deficiency) of revenues over (under) expenditures	5,905	5,905	30,911	25,006
Fund balances - beginning	<u>26,760</u>	<u>26,760</u>	<u>26,760</u>	<u>-</u>
Fund balances - end	<u>\$ 32,665</u>	<u>\$ 32,665</u>	<u>\$ 57,671</u>	<u>\$ 25,006</u>

CITY OF RED BANK, TENNESSEE
Impound Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2022

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Fines and forfeitures				
Impound fees	\$ 750	\$ 750	\$ -	\$ (750)
Other revenues				
Sale of equipment	<u>1,500</u>	<u>1,500</u>	<u>2,225</u>	<u>725</u>
TOTAL REVENUES	<u>2,250</u>	<u>2,250</u>	<u>2,225</u>	<u>(25)</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Contract services	1,000	1,000	135	865
Operating supplies	8,000	14,000	16,586	(2,586)
Miscellaneous	-	-	75	(75)
Repairs and maintenance	<u>4,000</u>	<u>4,000</u>	<u>1,870</u>	<u>2,130</u>
Total public safety	<u>13,000</u>	<u>19,000</u>	<u>18,666</u>	<u>334</u>
TOTAL EXPENDITURES	<u>13,000</u>	<u>19,000</u>	<u>18,666</u>	<u>334</u>
Excess (deficiency) of revenues over (under) expenditures	(10,750)	(16,750)	(16,441)	309
Fund balances - beginning	<u>21,120</u>	<u>21,120</u>	<u>21,120</u>	<u>-</u>
Fund balances - end	<u>\$ 10,370</u>	<u>\$ 4,370</u>	<u>\$ 4,679</u>	<u>\$ 309</u>

CITY OF RED BANK, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2022

OPERATING REVENUES

Stormwater fees	\$ 284,958
Other	796
Total operating revenues	<u>285,754</u>

OPERATING EXPENSES

Stormwater collection	
Salaries	66,781
Payroll taxes	5,775
Employee benefits	21,790
Contract services	74,349
Operating supplies	275
Training	375
Uniforms	233
Vehicle expense	10,647
Total stormwater collection	<u>180,225</u>
Administration	
Administration fees	21,098
Supplies	2,506
Total administration	<u>23,604</u>
Depreciation	10,873
Total operating expenses	<u>214,702</u>
Operating income (loss)	<u>71,052</u>

NON-OPERATING REVENUES (EXPENSES)

Interest earnings	817
Miscellaneous revenues	1,041
Total non-operating revenues (expenses)	<u>1,858</u>
Change in net position	72,910
Net position - beginning	<u>326,535</u>
Net position - end	<u>\$ 399,445</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2022

<u>Year of Levy</u>	
2022	\$ 3,570,100
2021	106,484
2020	32,861
2019	8,853
2018	21,154
2017	3,533
2016	4,827
2015	5,238
2014	6,301
2013	<u>7,628</u>
 Total property taxes receivable	 3,766,979
 Less: allowance for uncollectibles	 <u>(103,489)</u>
 Net property taxes receivable	 <u>\$ 3,663,490</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2022

Year of Levy	Taxes Receivable June 30, 2021	Levy	Pickups (Releases)	Collections	Taxes Receivable June 30, 2022
2022	\$ -	\$ 3,570,100	\$ -	\$ -	\$ 3,570,100
2021	3,555,736	-	12,989	(3,462,241)	106,484
2020	97,887	-	-	(65,026)	32,861
2019	26,340	-	-	(17,487)	8,853
2018	31,892	-	-	(10,738)	21,154
2017	4,453	-	-	(920)	3,533
2016	4,950	-	-	(123)	4,827
2015	5,261	-	-	(23)	5,238
2014	6,393	-	-	(92)	6,301
2013	7,628	-	-	-	7,628
2012	28,372	-	(28,372)	-	-
	\$ 3,768,912	\$ 3,570,100	\$ (15,383)	\$ (3,556,650)	\$ 3,766,979

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2022

Tennessee Municipal Bond Fund
Series 2021

Maturing June 30,	Principal	Interest	Total Requirements
2023	\$ 209,000	\$ 27,101	\$ 236,101
2024	214,000	22,817	236,817
2025	218,000	18,430	236,430
2026	222,000	13,960	235,960
2027	227,000	9,409	236,409
2028	<u>232,000</u>	<u>4,756</u>	<u>236,756</u>
Total	<u>\$ 1,322,000</u>	<u>\$ 96,473</u>	<u>\$ 1,418,473</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2022

Tennessee Municipal Bond Fund
Series 2022

Maturing June 30,	Principal	Interest	Total Requirements
2023	\$ 45,603	\$ 2,618	\$ 48,221
2024	45,500	1,821	47,321
2025	<u>46,500</u>	<u>921</u>	<u>47,421</u>
Total	<u><u>\$ 137,603</u></u>	<u><u>\$ 5,360</u></u>	<u><u>\$ 142,963</u></u>

CITY OF RED BANK, TENNESSEE
State Street Aid Fund
Schedule of Debt Service Requirements
June 30, 2022

Tennessee Municipal Bond Fund
Series 2012

Maturing June 30,	Principal	Interest	Total Requirements
2023	\$ 41,700	\$ 3,012	\$ 44,712
2024	41,700	1,802	43,502
2025	41,300	599	41,899
Total	<u>\$ 124,700</u>	<u>\$ 5,413</u>	<u>\$ 130,113</u>

CITY OF RED BANK, TENNESSEE
State Street Aid Fund
Schedule of Debt Service Requirements
June 30, 2022

Tennessee Municipal Bond Fund
Series 2018

Maturing June 30, 2023	Principal	Interest	Total Requirements
	<u>\$ 126,000</u>	<u>\$ 2,444</u>	<u>\$ 128,444</u>
Total	<u>\$ 126,000</u>	<u>\$ 2,444</u>	<u>\$ 128,444</u>

CITY OF RED BANK, TENNESSEE
Schedule of Changes in Long-term Debt by Individual Issue
June 30, 2022

Governmental Activities	Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Bonds Payable through General Fund										
	Tennessee Municipal Bond - 2018	\$ 285,000	3.92%	12/28/18	02/01/22	\$ 99,000	\$ -	\$ (99,000)	\$ -	\$ -
	Tennessee Municipal Bond - 2021	\$ 1,527,000	2.05%	06/28/21	05/01/28	1,527,000	\$ -	(205,000)	\$ -	1,322,000
	Tennessee Municipal Bond - 2022	\$ 137,603	1.98%	02/15/22	02/01/25	\$ -	\$ 137,603	\$ -	\$ -	137,603
	Total Bonds Payable through General Fund					\$1,626,000	\$ 137,603	\$ (304,000)	\$ -	\$1,459,603
Bonds Payable through State Street Aid Fund										
	Tennessee Municipal Bond - 2012	\$ 500,000	2.90%	11/14/12	08/01/24	\$ 166,400	\$ -	\$ (41,700)	\$ -	\$ 124,700
	Tennessee Municipal Bond - 2018	\$ 478,400	3.88%	10/30/18	10/01/22	\$ 248,000	\$ -	(122,000)	\$ -	126,000
	Total Bonds Payable through State Street Aid Fund					\$ 414,400	\$ -	\$ (163,700)	\$ -	\$ 250,700

CITY OF RED BANK, TENNESSEE
Schedule of Rates
June 30, 2022

Analysis of Tax Rates and Assessments

<u>Tax Year</u>	<u>Rates per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2022	\$1.10	\$ 324,554,545	\$ 3,570,100
2021	\$1.10	\$ 313,171,727	\$ 3,444,889
2020	\$1.39	\$ 230,457,983	\$ 3,203,366
2019	\$1.39	\$ 230,264,437	\$ 3,200,676
2018	\$1.39	\$ 224,445,416	\$ 3,119,791
2017	\$1.18266	\$ 221,227,572	\$ 2,616,370
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

UNCOLLECTED DELINQUENT ACCOUNTS

Delinquent taxes filed for collection by years are as follows:

<u>Year of Levy</u>	<u>Delinquent Taxes Filed</u>
2021	\$ 106,484
2020	32,861
2019	8,853
2018	21,154
2017	3,533
2016	4,827
2015	5,238
2014	6,301
2013	<u>7,628</u>
	<u>\$ 196,879</u>

CITY OF RED BANK, TENNESSEE
Schedule of Insurance
June 30, 2022

Public Entity Partners Risk Management Pool:

Property	\$ 14,388,284
Workers compensation	\$ 300,000 per accident
	\$ 700,000 policy limit
	\$ 300,000 per employee
Liability	\$ 5,000,000 each other loss - per occurrence

OFFICIAL BONDS

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

III. SINGLE AUDIT SECTION

CITY OF RED BANK, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

FEDERAL GRANTOR/PASS-THROUGH AGENCY	Assistance Listing Number	State Grant/ Project Number	Grant Revenues July 1, 2021	Grant Receipts	Grant Expenditures	Costs	Disallowment	(Accrued) Deferred	Grant Revenues June 30, 2022
						Costs	Disallowment	Adjustment	(Accrued) Deferred
FEDERAL ASSISTANCE PROGRAMS									
Department of Transportation									
Distracted Driving Reduction Program	20.600	Z22THS232	\$ (17,800)	\$ 8,653	\$ 17,616	\$	\$	\$	\$ (8,963)
Distracted Driving Reduction Program	20.600	Z21THS239	\$ (15,488)	\$ 24,086	\$ 6,286	\$	\$	\$	\$ -
Transportation Enhancement - Paving	20.205	33LPLM-F3-161	\$ (245,005)	\$ 950,171	\$ 934,683	\$	\$	\$	\$ -
Sidewalks	20.205	33LPLM-F0-162	\$ (11,888)	\$ 256,246	\$ 13,031	\$ 1,790	\$	\$	\$ -
Transportation Enhancement - Signals	20.205	33LPLM-F3-158	\$ -	\$ 14,516	\$ 2,907	\$ 279	\$	\$	\$ -
Brownstown/Gadd - Paving	20.205	33LPLM-F3-268	\$ -	\$ 245	\$ 10,704	\$	\$	\$	\$ (10,459)
Signal Mtn to Newberry - Sidewalks	20.205	33LPLM-F3-272	\$ -	\$ 17,610	\$ 30,874	\$	\$	\$	\$ (13,264)
Lullwater - Bridge	20.205	33LPLM-F3-265	\$ -	\$ -	\$ 42,847	\$	\$	\$	\$ (42,847)
Total Department of Transportation		(290,181)	1,271,527	1,058,948	2,069				(\$75,533)
U.S. Department of Finance and Administration									
ARPA NEU Distribution	93,498			\$ 1,756,544	\$ 311,793				\$ 1,444,751
Department of Justice									
High Intensity Drug Trafficking Area									
Office of National Drug Control Policy	95.001	G16AP0001A	\$ (1,816)	\$ 6,939	\$ 5,123	\$	\$	\$	\$ -
Office of National Drug Control Policy	95.001	G22AP0001A	\$ -	\$ 3,909	\$ 6,660				\$ (2,751)
Total Department of Justice			\$ (1,816)	\$ 10,848	\$ 11,783				\$ (2,751)
Total Federal Assistance Programs			\$ (291,997)	\$ 3,038,919	\$ 1,382,524	\$ 2,069			\$ 1,366,467
STATE ASSISTANCE PROGRAMS									
Tennessee Department of Finance and Administration									
2022 Local Government Direct Appropriations Grant									
TOTAL FEDERAL AND STATE ASSISTANCE			\$ (291,997)	\$ 3,183,458	\$ 1,527,063	\$ 2,069			\$ 1,366,467

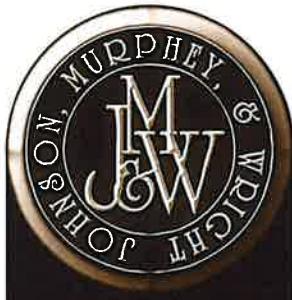
CITY OF RED BANK, TENNESSEE
Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

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. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - INDIRECT COST RATE

The City of Red Bank, Tennessee has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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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, 2022, 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 February 6, 2023.

Report on 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) as a basis for designing 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

Report on Compliance and Other Matters

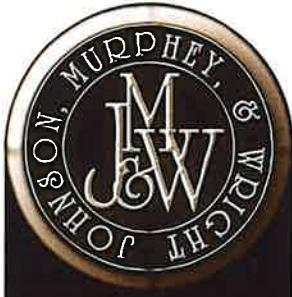
As part of obtaining reasonable assurance about whether City of Red Bank, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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
February 6, 2023



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

To the Mayor and Commissioners
City of Red Bank, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Red Bank, Tennessee's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Red Bank, Tennessee's major federal programs for the year ended June 30, 2022. The City of Red Bank, Tennessee's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Red Bank, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Red Bank, Tennessee and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Red Bank, Tennessee's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Red Bank, Tennessee's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Red Bank, Tennessee's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Red Bank, Tennessee's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Red Bank, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Red Bank, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Red Bank, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Johnson, Mungley & Wright, P.C.

Chattanooga, Tennessee
February 6, 2023

CITY OF RED BANK, TENNESSEE
Schedule of Findings and Questioned Costs
June 30, 2022

SUMMARY OF AUDIT RESULTS

Opinion:

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.

Internal Control Deficiencies:

No instances were disclosed.

Material Noncompliance:

No instances were disclosed.

Internal Control Deficiencies over Major Programs:

None disclosed.

Opinion on Compliance for Major Programs

Unmodified opinion.

Findings Disclosed under the Uniform Guidance:

None disclosed.

Major Programs:

U.S. Department of Transportation 20.205

Dollar Threshold Level between Type A and Type B Programs:

\$750,000

Low-Risk Auditee under the Uniform Guidance:

No

CITY OF RED BANK, TENNESSEE
Schedule of Findings and Questioned Costs (Continued)
June 30, 2022

**FINDINGS RELATING TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO
BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT
AUDITING STANDARDS**

None disclosed.

CITY OF RED BANK, TENNESSEE
Schedule of Findings and Questioned Costs (Continued)
June 30, 2022

**FINDINGS RELATING TO FEDERAL AWARDS WHICH ARE REQUIRED TO BE REPORTD
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

None disclosed.

CITY OF RED BANK, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2022

Prior Year		Status/Current Year
<u>Finding Number</u>	<u>Finding Title</u>	<u>Finding Number</u>

There were no prior findings reported.