



**ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2019**

**CITY OF RED BANK, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2019**

**Tim Thornbury, City Manager**

## **I. INTRODUCTORY SECTION**

**CITY OF RED BANK, TENNESSEE**  
**Table of Contents**  
**June 30, 2019**

	Page
<b>I. INTRODUCTORY SECTION</b>	
Table of Contents	i-ii
City Officials	iii
 <b>II. FINANCIAL SECTION</b>	
<b>Independent Auditor's Report</b>	1-3
<b>Management's Discussion and Analysis</b>	4-14
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	15-16
Statement of Activities	17
Fund Financial Statements	
Governmental Funds	
Balance Sheet	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	21
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	22-27
State Street Aid Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	28
Proprietary Funds	
Statement of Net Position	29
Statement of Revenues, Expenses and Changes in Net Position	30
Statement of Cash Flows	31-32
Notes to Financial Statements	33-58
<b>Required Supplementary Information Other than MD&amp;A</b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS	59
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS	60-61
<b>Other Supplementary Information</b>	
Non-major Governmental Funds	62
Combining Balance Sheet	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	64
Drug Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	65
Impound Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	66
Solid Waste Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	67

**CITY OF RED BANK, TENNESSEE**  
**Table of Contents (Continued)**  
**June 30, 2019**

	Page
<b>II. FINANCIAL SECTION (Continued)</b>	
<b>Other Supplementary Information (Continued)</b>	
Financial Schedules	
Schedule of Expenditures of Federal and State Awards	68
Notes to the Schedule of Expenditures of Federal and State Awards	69
Sewer Fund	
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual	70
Stormwater Fund	
Schedule of Revenues, Expenses and Changes in Net Position- Budget and Actual	71
Schedule of Property Taxes Receivable - General Fund	72
Schedule of Changes in Property Taxes Receivable - General Fund	73
Schedule of Debt Service Requirements	74-79
Schedule of Changes in Long-term Debt by Individual Issue	80
Schedule of Rates	81
Schedule of Insurance	82
<b>III. INTERNAL CONTROL AND COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	83-84
Schedule of Findings and Responses	85
Schedule of Prior Audit Findings	86
Management's Corrective Action Plan	87

**CITY OF RED BANK, TENNESSEE**  
**City Officials**  
**June 30, 2019**

Mayor ..... Eddie Pierce

Vice-Mayor ..... Terry Pope

Commissioner.....Ruth Jenó

Commissioner..... Ed LeCompte

Commissioner..... Carol Rose

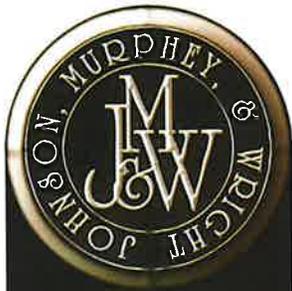
City Judge.....Johnny Houston

City Manager..... Tim Thornbury

City Recorder ..... Ruth Rohen

Finance Director, CMFO.....John Alexander

## **II. FINANCIAL SECTION**



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Accountants

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Marianne Greene, CPA

Jennifer Waycaster, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Commissioners  
City of Red Bank, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Red Bank, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

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

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of the TCRS and Schedule of Contributions Based on Participation in the Public Employee Pension Plan of the TCRS listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Supplementary Information

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

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

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

The Introductory Section and Management's Corrective Action Plan have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, 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, Murreley & Wright, P.C.*

Chattanooga, Tennessee  
November 12, 2019

## 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, 2019. 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, 2019, by \$15,379,020 (net position). Of this amount, \$7,020,008 (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 \$288,867. The City's business-type activities operated at a surplus of \$8,420.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$9,455,331.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,953,714, or 89.39%, of total General Fund expenditures.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's enterprise funds reported combined ending net position of \$405,765. Of that balance, \$344,353, or 84.87%, is unrestricted.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction of the City of Red Bank, Tennessee's basic financial statements. The City of Red Bank, Tennessee's basic financial statements comprise three components: (1) government-wide financial statements; (2) fund financial statements, and (3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

The *Government-wide Financial Statements* are designed to provide readers with a broad overview of the City of Red Bank, Tennessee's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Red Bank, Tennessee that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Red Bank, Tennessee includes general government, public safety, public works, state street aid and public welfare and recreation. The business-type activities of the City of Red Bank, Tennessee include the Sewer Fund and the Stormwater Fund.

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities.

The City of Red Bank, Tennessee maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and State Street Aid Fund, which are considered to be major funds. Data from the non-major governmental funds is combined into a single aggregated presentation. Individual fund data for the non-major governmental funds is provided in the form of combining statements later in this report beginning on page 63.

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

The basic governmental fund financial statements can be found on pages 18 through 28 of this report.

### **Proprietary Funds**

The City of Red Bank, Tennessee maintains one type of proprietary fund: enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Red Bank, Tennessee uses enterprise funds to account for its sewer and stormwater operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund and Stormwater Fund, both of which are considered to be major funds of the City of Red Bank, Tennessee.

The basic proprietary fund financial statements can be found on pages 29 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 58 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 63 and 64 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 \$15,379,020 at the close of this fiscal year.

The largest portion of the City of Red Bank, Tennessee's net position (38.09%) 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	
	2019	2018	2019	2018	2019	2018
Capital assets	\$ 12,853,581	\$ 8,271,904	\$ 61,412	\$ 72,285	\$ 12,914,993	\$ 8,344,189
Other assets	8,756,066	10,253,493	1,033,815	1,446,534	9,789,881	11,700,027
Total assets	<u>\$ 21,609,647</u>	<u>\$ 18,525,397</u>	<u>\$ 1,095,227</u>	<u>\$ 1,518,819</u>	<u>\$ 22,704,874</u>	<u>\$ 20,044,216</u>
Deferred outflows of resources	\$ 589,212	\$ 585,122	\$ 18,715	\$ 18,094	\$ 607,927	\$ 603,216
Long-term liabilities	\$ 3,161,698	\$ 1,066,338	\$ 150,102	\$ 631,854	\$ 3,311,800	\$ 1,698,192
Other liabilities	665,733	367,344	549,491	498,481	1,215,224	865,825
Total liabilities	<u>\$ 3,827,431</u>	<u>\$ 1,433,682</u>	<u>\$ 699,593</u>	<u>\$ 1,130,335</u>	<u>\$ 4,527,024</u>	<u>\$ 2,564,017</u>
Deferred inflows of resources	\$ 3,398,173	\$ 2,992,449	\$ 8,584	\$ 9,233	\$ 3,406,757	\$ 3,001,682
Net investment in capital assets	\$ 5,796,866	\$ 7,889,404	\$ 61,412	\$ 72,285	\$ 5,858,278	\$ 7,961,689
Restricted	2,500,734	1,658,269	-	-	2,500,734	1,658,269
Unrestricted	6,675,655	5,136,715	344,353	325,060	7,020,008	5,461,775
Total net position	<u>\$ 14,973,255</u>	<u>\$ 14,684,388</u>	<u>\$ 405,765</u>	<u>\$ 397,345</u>	<u>\$ 15,379,020</u>	<u>\$ 15,081,733</u>

16.26%, or \$2,500,734, 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 \$7,020,008 of unrestricted net position may be used to meet the government’s ongoing obligations to its citizens and creditors.

At June 30, 2019, 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 \$288,867.

The City of Red Bank, Tennessee’s main revenue sources for 2019 were property tax and local sales tax. These taxes helped to grow the City’s net position since related expense for this revenue is very low.

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

**City of Red Bank, Tennessee’s Changes in Net Position**

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,324,534	\$ 1,389,964	\$ 289,067	\$ 282,898	\$ 1,613,601	\$ 1,672,862
Operating grants and contributions	546,234	614,536	31,921	48,840	578,155	663,376
Capital grants and contributions	301,624	59,619	87,853	49,418	389,477	109,037
General revenues:						
Property taxes	3,067,279	2,496,890	-	-	3,067,279	2,496,890
Other taxes	3,085,148	2,972,969	-	-	3,085,148	2,972,969
Other	212,943	181,310	4,300	2,442	217,243	183,752
Total revenues	<u>8,537,762</u>	<u>7,715,288</u>	<u>413,141</u>	<u>383,598</u>	<u>8,950,903</u>	<u>8,098,886</u>
Expenses:						
General government	1,935,232	1,654,449	-	-	1,935,232	1,654,449
Public safety	2,904,300	2,965,927	-	-	2,904,300	2,965,927
Public works	2,833,776	1,706,184	-	-	2,833,776	1,706,184
State street aid	294,493	209,999	-	-	294,493	209,999
Public welfare and recreation	239,362	233,217	-	-	239,362	233,217
Interest on long-term debt	41,732	18,879	-	-	41,732	18,879
Sewer	-	-	119,774	98,258	119,774	98,258
Stormwater	-	-	284,947	270,040	284,947	270,040
Total expenses	<u>8,248,895</u>	<u>6,788,655</u>	<u>404,721</u>	<u>368,298</u>	<u>8,653,616</u>	<u>7,156,953</u>
Change in net position	288,867	926,633	8,420	15,300	297,287	941,933
Net position - beginning	<u>14,684,388</u>	<u>13,757,755</u>	<u>397,345</u>	<u>382,045</u>	<u>15,081,733</u>	<u>14,139,800</u>
Net position - ending	<u>\$ 14,973,255</u>	<u>\$ 14,684,388</u>	<u>\$ 405,765</u>	<u>\$ 397,345</u>	<u>\$ 15,379,020</u>	<u>\$ 15,081,733</u>

Net position for governmental activities increased \$288,867, or 1.97%, largely due to the following key factors:

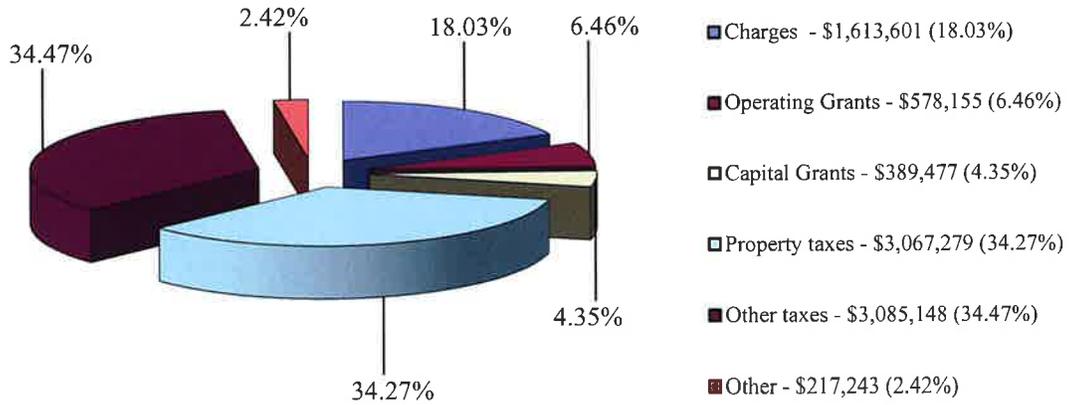
- Capital grant and contribution revenue increased \$242,005.
- Property tax revenue increased \$570,389.

Net position for business-type activities increased by \$8,420, or 2.12%, largely due to the following:

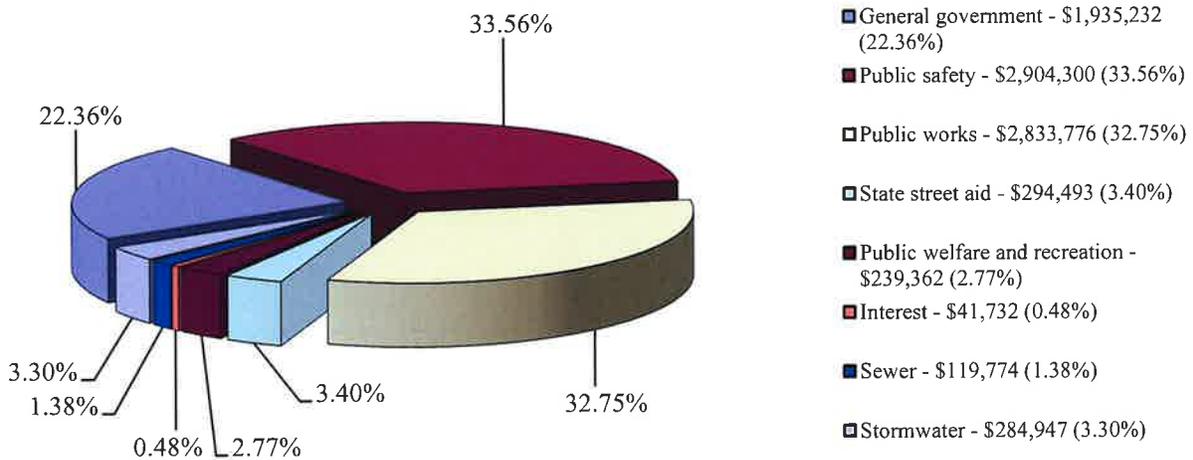
- Capital grant and contribution revenue increased \$38,435.

The graphs below summarize the \$8,950,903 of city-wide revenues by source and the associated \$8,653,616 of expense by program. The graphs combine data from both governmental and business-type activities.

### City-Wide Sources of Revenue

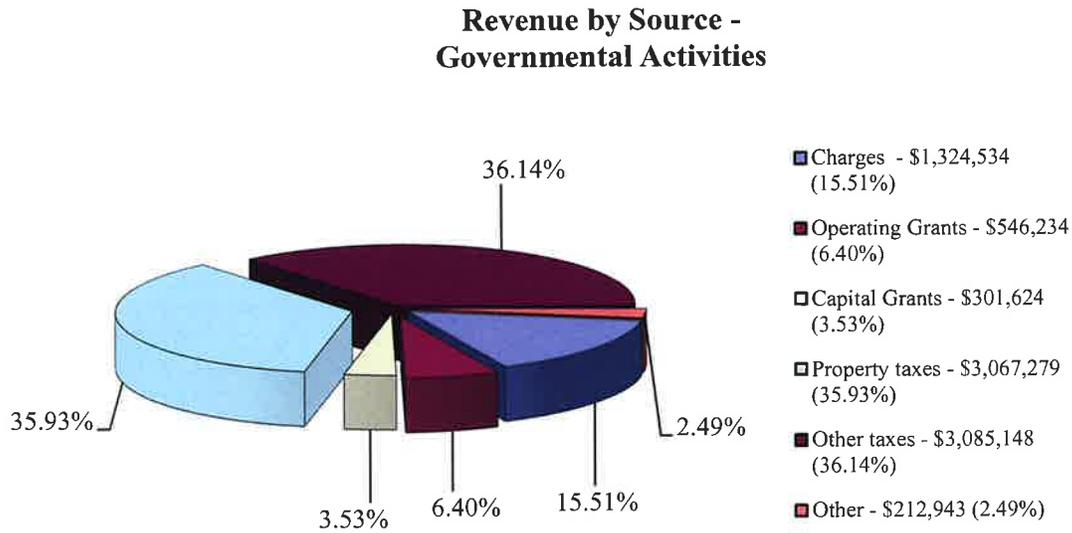


### City-Wide Program Expenses

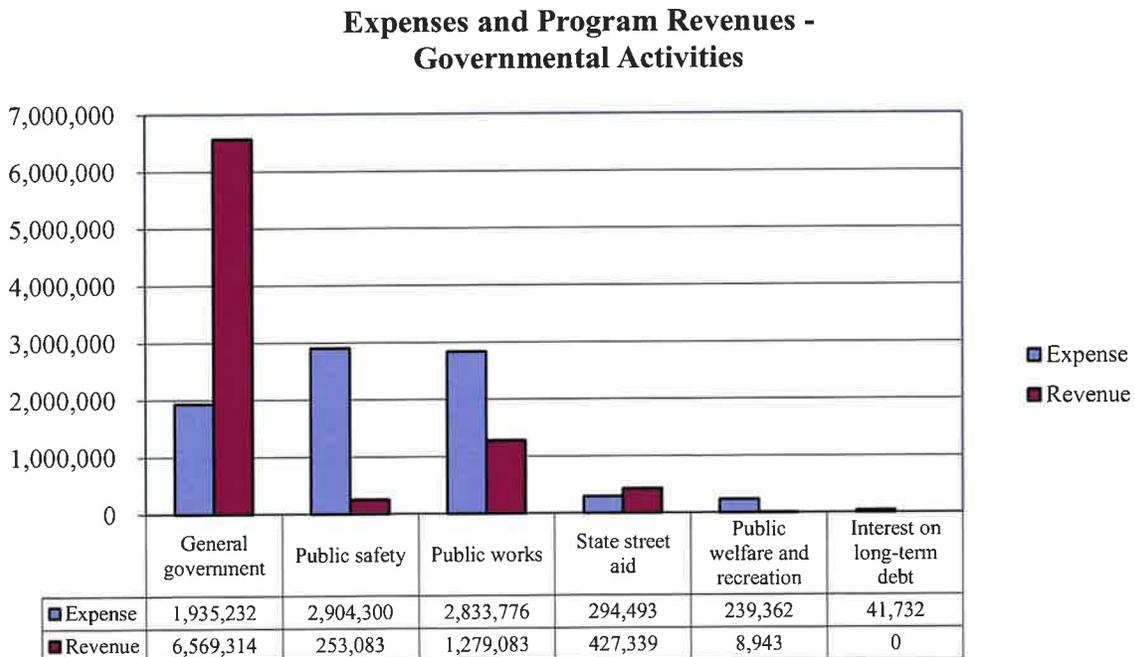


**Governmental Activities**

Governmental activities accounted for revenues of \$8,537,762. The following graph summarizes the revenue by source.



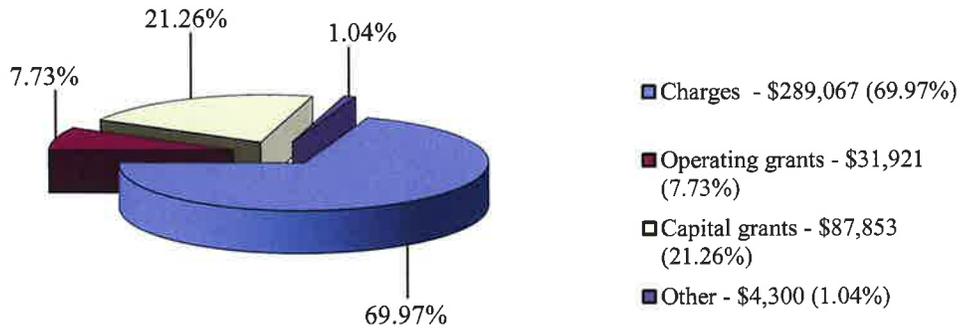
The following graph summarizes the revenue and related expense for each government program of the City. The difference between expense and revenue is the financial burden placed on the City’s taxpayers for each program.



**Business-type Activities**

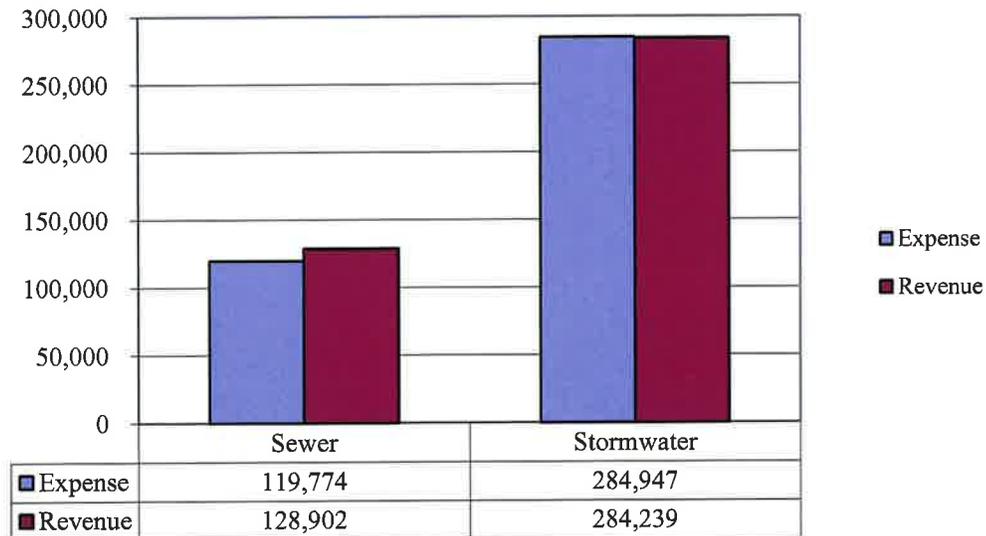
Business-type activities accounted for revenues of \$413,141. The following graph summarizes the revenue by source.

**Revenue by Source - Business-Type Activities**



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

**Expenses and Program Revenues - Business-Type Activities**



### **Financial Analysis of the City's Funds**

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

### **Governmental Funds**

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

As of the end of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$9,455,331. The fund balance increased by \$2,250,440, which was largely due to the following:

Proceeds from debt issuance of \$2,663,400.

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 \$6,953,714. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 89.39% of total fund expenditures.

### **Proprietary Funds**

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

Unrestricted net position at the end of the year amounted to \$51,184 for the Sewer Fund and \$293,169 for the Stormwater Fund.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget netted to \$(335,420). The details are listed below:

There was a \$325,587 increase in the budget for revenues, due to an increased budget for grants.

There was a \$2,185,000 increase in the budget for proceeds from debt issuance.

There was a \$118,879 increase in the budget for general government expenditures, due largely to an increased budget for financial administration salaries of \$97,521.

There was a \$97,236 increase in the budget for public safety expenditures, due largely to an increased budget of \$68,115 for police salaries.

There was a \$11,552 increase in the budget for public works expenditures, due largely to an increased budget of \$9,650 for salaries.

There was a \$2,618,340 increase in the budget for capital outlay expenditures, due largely to the increased budget of the street department of \$2,238,240.

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

**Capital Assets and Debt Administration**

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

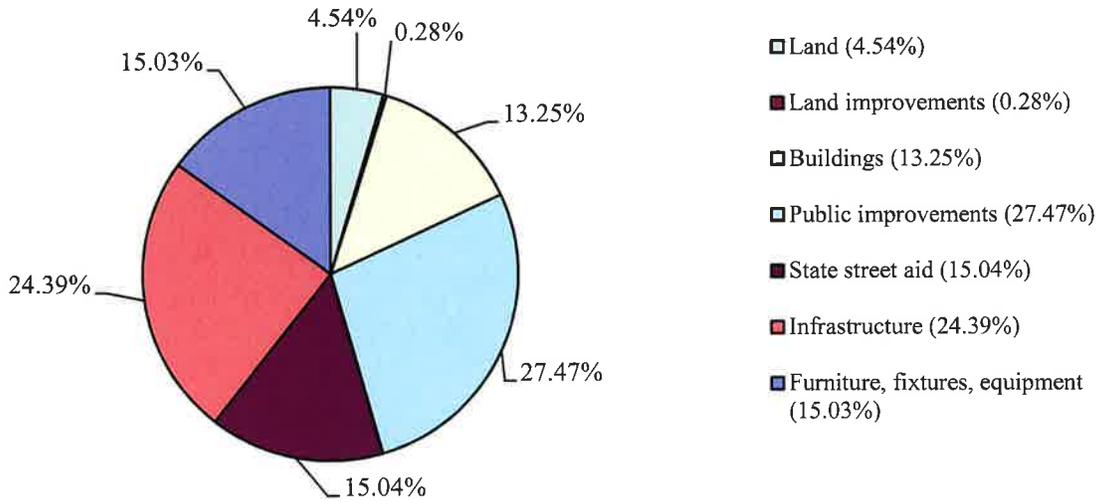
	Governmental Activities	Business-type Activities	Total
Land	\$ 400,016	\$ -	\$ 400,016
Land improvements	-	25,089	25,089
Buildings	1,168,494	-	1,168,494
Public improvements	2,421,903	-	2,421,903
State street aid	1,325,929	-	1,325,929
Infrastructure	2,150,669	-	2,150,669
Furniture, fixtures and equipment	<u>1,289,055</u>	<u>36,323</u>	<u>1,325,378</u>
Total capital assets	<u>\$ 8,756,066</u>	<u>\$ 61,412</u>	<u>\$ 8,817,478</u>

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

Breathing apparatus	\$ 194,102
City Hall	\$ 550,341
4 Ford Interceptors	\$ 150,928
Holland Row tractor	\$ 95,959
2 police Interceptors	\$ 55,098

Additional information on the City of Red Bank, Tennessee’s capital assets can be found in Note 8 on pages 43 and 44 of this report.

### City-Wide Capital Assets

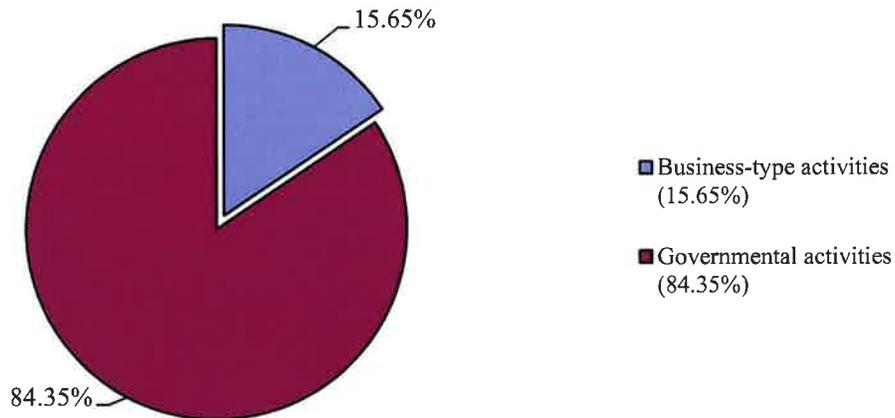


### City of Red Bank, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Red Bank, Tennessee had total long-term debt outstanding of \$3,950,278. Of that amount, \$960,652 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Notes payable	\$ -	\$ 600,194	\$ 600,194
Bonds payable	2,959,200	-	2,959,200
Landfill closure and post-closure	77,000	-	77,000
Accrued leave	295,789	18,095	313,884
Current portion	( 482,800)	( 477,852)	( 960,652)
Total long-term debt	<u>\$ 2,849,189</u>	<u>\$ 140,437</u>	<u>\$ 2,989,626</u>

### Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 11 on pages 45 through 48 of this report.

## **Currently Known Conditions Effecting Future Years**

This past year, the City of Red Bank and the surrounding area endured a significant amount of rain. As with many locales, this rain resulted in an unusual amount of repair and maintenance to our stormwater drainage culverts, roads, and streams. One of our main intersections, Dayton Boulevard and Ashland Terrace, incurred culvert damage underneath the intersection. Repair costs to this intersection amounted to \$571,917. There were also side road culverts and road damage that resulted in a combined total of \$132,000 in repairs. The latest situation is related to Stringers Branch (creek) that runs through the center of the city. There was erosion occurring under another Dayton Blvd culvert. The bid amount to repair this issue came in at \$398,638. We were able to pay for half of these repairs from our Operating Budget reserves but found it prudent to fund the remaining portion in the form of a loan. This was decided in order to keep our emergency reserves at a safe level for future unplanned issues.

State Transportation and Improvement Grants continue to play a large role in maintaining and improving the City's streets and right of ways. Planned and fully funded grant projects include \$1,575,300 in primary street paving, \$915,200 in improved signalization and crosswalks, \$335,889 for additional sidewalks along primary streets, \$541,000 to replace a single lane bridge off a main thoroughfare, and \$290,000 for American Disabilities Act (ADA) upgrades to existing facilities. It should be noted that the City will be reimbursed 80% on all money spent on these projects.

New home building and refurbished home improvements continue throughout the city. The residential housing throughout the Municipal Statistical Area (MSA) is growing, as well. This growth has created a strain on the sewer services throughout the MSA and Red Bank was no exception. This resulted in a sewer moratorium that is in effect citywide for any new connections to the sewer system until the sewer capacity is improved, which is underway at this time. As previously noted, we still have the 11 acre tract of prime undeveloped property abutting Dayton Boulevard in the heart of the city. No decision has been finalized on the intended concept. We continue with our effort to improve secondary roads throughout the city. \$1,200,000 has been budgeted for this purpose. As with the housing, there have been delays in some areas of paving due to significant utility expansions and repairs.

### **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.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF RED BANK, TENNESSEE**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 4,773,697	\$ 356,635	\$ 5,130,332
Investments	4,091,790	-	4,091,790
Property tax receivable - net	3,247,983	-	3,247,983
Accounts receivable - net	639,614	35,911	675,525
Prepaid expenses	883	-	883
Due from grantor	72,253	68,436	140,689
Internal balances	27,361	(27,361)	-
Notes receivable - WWTA	-	477,852	477,852
Total current assets	<u>12,853,581</u>	<u>911,473</u>	<u>13,765,054</u>
Non-current assets			
Other assets			
Notes receivable - WWTA	-	122,342	122,342
Capital assets			
Land	400,016	-	400,016
Other capital assets - net of accumulated depreciation	<u>8,356,050</u>	<u>61,412</u>	<u>8,417,462</u>
Total capital assets	<u>8,756,066</u>	<u>61,412</u>	<u>8,817,478</u>
Total non-current assets	<u>8,756,066</u>	<u>183,754</u>	<u>8,939,820</u>
<b>TOTAL ASSETS</b>	<u>\$ 21,609,647</u>	<u>\$ 1,095,227</u>	<u>\$ 22,704,874</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ 589,212</u>	<u>\$ 18,715</u>	<u>\$ 607,927</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**  
**Statement of Net Position (Continued)**  
**June 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 14,815	\$ -	\$ 14,815
Accrued liabilities	142,277	3,203	145,480
Payable to pension	25,841	-	25,841
Grant payable	-	68,436	68,436
Bonds payable - due in one year	475,100	-	475,100
Notes payable - due in one year	-	477,852	477,852
Landfill closure and post-closure cost - due in one year	7,700	-	7,700
Total current liabilities	<u>665,733</u>	<u>549,491</u>	<u>1,215,224</u>
Non-current liabilities			
Bonds payable	2,484,100	-	2,484,100
Notes payable	-	122,342	122,342
Landfill closure and post-closure cost	69,300	-	69,300
Accrued leave	295,789	18,095	313,884
Net pension liability	312,509	9,665	322,174
Total non-current liabilities	<u>3,161,698</u>	<u>150,102</u>	<u>3,311,800</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,827,431</u>	<u>\$ 699,593</u>	<u>\$ 4,527,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	\$ 3,120,600	\$ -	\$ 3,120,600
Deferred inflows related to pensions	277,573	8,584	286,157
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 3,398,173</u>	<u>\$ 8,584</u>	<u>\$ 3,406,757</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 5,796,866	\$ 61,412	\$ 5,858,278
Restricted for:			
Non-recurring police expenses	95,982	-	95,982
State street aid expenses	1,382,688	-	1,382,688
Impound expenses	12,202	-	12,202
Solid waste expenses	1,009,862	-	1,009,862
Unrestricted	6,675,655	344,353	7,020,008
<b>TOTAL NET POSITION</b>	<u>\$ 14,973,255</u>	<u>\$ 405,765</u>	<u>\$ 15,379,020</u>

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

**CITY OF RED BANK, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2019**

Functions/Programs	Net (Expense) Revenue and Changes In Net Position					
	Program Revenues		Primary Government			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 1,935,232	\$ 63,750	\$ -	\$ (1,731,288)	\$ -	\$ (1,731,288)
Public safety	2,904,300	20,546	32,269	(2,651,217)	-	(2,651,217)
Public works	2,833,776	54,769	269,355	(1,554,693)	-	(1,554,693)
State street aid	294,493	407,169	-	132,846	-	132,846
Public welfare and recreation	239,362	-	-	(230,419)	-	(230,419)
Interest on long-term debt	41,732	-	-	(41,732)	-	(41,732)
Total governmental activities	<u>8,248,895</u>	<u>546,234</u>	<u>301,624</u>	<u>(6,076,503)</u>	-	<u>(6,076,503)</u>
Business-type activities:						
Sewer	119,774	31,921	87,853	-	8,414	8,414
Stormwater	284,947	-	-	-	(4,294)	(4,294)
Total business-type activities	<u>404,721</u>	<u>31,921</u>	<u>87,853</u>	-	<u>4,120</u>	<u>4,120</u>
Total primary government	<u>\$ 8,653,616</u>	<u>\$ 578,155</u>	<u>\$ 389,477</u>	<u>(6,076,503)</u>	<u>4,120</u>	<u>(6,072,383)</u>
	<b>General revenues:</b>					
	<b>Unrestricted:</b>					
Property tax				3,067,279	-	3,067,279
Minimum business tax				94,808	-	94,808
Local sales tax				1,180,924	-	1,180,924
Alcoholic beverage tax				317,120	-	317,120
Franchise tax				153,750	-	153,750
In lieu of tax				100,785	-	100,785
Other state taxes				1,237,761	-	1,237,761
Interest				131,329	4,300	135,629
Other				81,614	-	81,614
Total general revenues				<u>6,365,370</u>	<u>4,300</u>	<u>6,369,670</u>
Change in net position				288,867	8,420	297,287
Net position - beginning				14,684,388	397,345	15,081,733
Net position - end				<u>\$ 14,973,255</u>	<u>\$ 405,765</u>	<u>\$ 15,379,020</u>

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

**CITY OF RED BANK, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2019**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 3,551,119	\$ 42,851	\$ 1,179,727	\$ 4,773,697
Investments	2,730,122	1,361,668	-	4,091,790
Property tax receivable - net	3,247,983	-	-	3,247,983
Accounts receivable - net	559,662	70,727	9,225	639,614
Prepaid expenses	883	-	-	883
Due from grantor	72,253	-	-	72,253
Due from other funds	<u>172,917</u>	<u>-</u>	<u>3,379</u>	<u>176,296</u>
<b>TOTAL ASSETS</b>	<u>\$ 10,334,939</u>	<u>\$ 1,475,246</u>	<u>\$ 1,192,331</u>	<u>\$ 13,002,516</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 14,815	\$ -	\$ -	\$ 14,815
Accrued liabilities	124,033	7,659	10,585	142,277
Payable to pension	25,841	-	-	25,841
Due to other funds	<u>336</u>	<u>84,899</u>	<u>63,700</u>	<u>148,935</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 165,025</u>	<u>\$ 92,558</u>	<u>\$ 74,285</u>	<u>\$ 331,868</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property tax	<u>\$ 3,215,317</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,215,317</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 883	\$ -	\$ -	\$ 883
Restricted	-	1,382,688	1,118,046	2,500,734
Unassigned	<u>6,953,714</u>	<u>-</u>	<u>-</u>	<u>6,953,714</u>
<b>TOTAL FUND BALANCES</b>	<u>\$ 6,954,597</u>	<u>\$ 1,382,688</u>	<u>\$ 1,118,046</u>	<u>\$ 9,455,331</u>

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

**CITY OF RED BANK, TENNESSEE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2019**

Total fund balances per governmental funds balance sheet	\$ 9,455,331
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,756,066
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.	(3,331,989)
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.	94,717
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>(870)</u>
Net position of governmental activities	<u>\$ 14,973,255</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, 2019**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 4,905,001	\$ -	\$ -	\$ 4,905,001
License and permits	100,596	20,170	-	120,766
Intergovernmental	1,576,633	407,169	-	1,983,802
Charges for services	39,598	-	954,959	994,557
Fines and forfeitures	142,669	-	56,924	199,593
Other revenues	<u>237,439</u>	<u>35,685</u>	<u>47,968</u>	<u>321,092</u>
<b>TOTAL REVENUES</b>	<u>7,001,936</u>	<u>463,024</u>	<u>1,059,851</u>	<u>8,524,811</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government	1,862,205	-	-	1,862,205
Public safety	2,696,111	-	12,495	2,708,606
Public works	676,314	-	675,218	1,351,532
State street aid	-	146,471	-	146,471
Public welfare and recreation	155,005	-	-	155,005
<b>Capital outlay</b>	2,325,887	173,410	86,223	2,585,520
<b>Debt service</b>	<u>63,439</u>	<u>64,993</u>	<u>-</u>	<u>128,432</u>
<b>TOTAL EXPENDITURES</b>	<u>7,778,961</u>	<u>384,874</u>	<u>773,936</u>	<u>8,937,771</u>
Excess (deficiency) of revenues over (under) expenditures	(777,025)	78,150	285,915	(412,960)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	<u>2,185,000</u>	<u>478,400</u>	<u>-</u>	<u>2,663,400</u>
Net changes in fund balances	1,407,975	556,550	285,915	2,250,440
<b>Fund balances - beginning</b>	<u>5,546,622</u>	<u>826,138</u>	<u>832,131</u>	<u>7,204,891</u>
<b>Fund balances - end</b>	<u>\$ 6,954,597</u>	<u>\$ 1,382,688</u>	<u>\$ 1,118,046</u>	<u>\$ 9,455,331</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, 2019**

Net changes in fund balances for total governmental funds	\$ 2,250,440
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 capital outlay exceeds depreciation in the current period.	484,162
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	12,951
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.	94,400
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.	(2,663,400)
Accrued leave reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(35,087)
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>145,401</u>
Change in net position of governmental activities	<u>\$ 288,867</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes				
Property tax	\$ 2,500,000	\$ 2,500,000	\$ 3,054,328	\$ 554,328
Minimum business tax	80,500	80,500	94,808	14,308
Local sales tax	1,050,000	1,050,000	1,180,924	130,924
Alcoholic beverage tax	310,000	310,000	317,120	7,120
Franchise tax	170,000	170,000	153,750	(16,250)
Occupancy tax	-	-	3,286	3,286
In lieu of tax	95,000	95,000	100,785	5,785
Total taxes	<u>4,205,500</u>	<u>4,205,500</u>	<u>4,905,001</u>	<u>699,501</u>
License and permits				
Privilege license	3,300	3,300	2,542	(758)
Wrecker permits	500	500	400	(100)
Building license and permits	56,150	56,150	97,654	41,504
Total license and permits	<u>59,950</u>	<u>59,950</u>	<u>100,596</u>	<u>40,646</u>
Intergovernmental				
State sales tax	950,000	950,000	1,042,797	92,797
State beer tax	5,000	5,000	5,394	394
State mixed drink tax	2,400	2,400	6,119	3,719
State income tax	15,000	15,000	42,194	27,194
State city streets and transportation system	23,000	23,000	23,134	134
TVA in lieu of tax	130,000	130,000	137,971	7,971
Federal grants	-	325,587	301,624	(23,963)
Police and fire supplemental	22,800	22,800	17,400	(5,400)
Total intergovernmental	<u>1,148,200</u>	<u>1,473,787</u>	<u>1,576,633</u>	<u>102,846</u>
Charges for service				
Administrative services	21,000	21,000	21,000	-
Rent of facilities	18,598	18,598	18,598	-
Total charges for service	<u>39,598</u>	<u>39,598</u>	<u>39,598</u>	<u>-</u>
Fines and forfeitures				
Court fines and costs	180,800	180,800	142,669	(38,131)

(Continued)

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

**CITY OF RED BANK, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>REVENUES</b>				
Other revenues				
Miscellaneous	\$ -	\$ -	\$ 48,619	\$ 48,619
Sale of assets	-	-	12,647	12,647
Insurance recoveries and refund	-	-	16,425	16,425
Fees and commissions	4,000	4,000	8,943	4,943
Interest	20,000	20,000	87,055	67,055
Donations	-	-	63,750	63,750
Total other revenues	<u>24,000</u>	<u>24,000</u>	<u>237,439</u>	<u>213,439</u>
<b>TOTAL REVENUES</b>	<u>5,658,048</u>	<u>5,983,635</u>	<u>7,001,936</u>	<u>1,018,301</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government				
Financial administration				
Salaries	320,856	418,377	421,545	(3,168)
Payroll tax	24,905	25,372	30,680	(5,308)
Employee benefits	643,401	644,138	649,019	(4,881)
Contract services	144,192	162,440	173,177	(10,737)
Dues and subscriptions	16,400	16,400	14,241	2,159
Election	7,000	7,000	4,999	2,001
Insurance	243,800	243,800	240,816	2,984
Miscellaneous	2,800	2,800	2,912	(112)
Office supplies and expenses	12,900	12,900	17,807	(4,907)
Operating supplies	16,900	16,900	7,918	8,982
Professional services	94,550	94,550	92,536	2,014
Repairs and maintenance	40,000	40,000	21,058	18,942
Special events	5,500	5,500	5,993	(493)
Telephone	10,300	10,300	10,544	(244)
Training	2,500	2,500	1,305	1,195
Travel	4,800	4,800	966	3,834
Utilities	57,000	57,000	21,675	35,325
Total financial administration	<u>1,647,804</u>	<u>1,764,777</u>	<u>1,717,191</u>	<u>47,586</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
General government (Continued)				
Judicial				
Salaries	\$ 100,256	\$ 101,853	\$ 100,926	\$ 927
Payroll tax	7,670	7,792	7,715	77
Employee benefits	9,377	9,564	9,572	(8)
Contract services	19,927	19,927	22,290	(2,363)
Office supplies and expenses	400	400	1,029	(629)
Operating supplies	-	-	1,010	(1,010)
Telephone	1,050	1,050	923	127
Training	700	700	437	263
Travel	700	700	1,112	(412)
Total judicial	<u>140,080</u>	<u>141,986</u>	<u>145,014</u>	<u>(3,028)</u>
Total general government	<u>1,787,884</u>	<u>1,906,763</u>	<u>1,862,205</u>	<u>44,558</u>
Public safety				
Police department				
Salaries	1,209,189	1,277,304	1,148,713	128,591
Payroll tax	91,945	97,156	85,116	12,040
Employee benefits	145,068	153,290	136,847	16,443
Contract services	185,900	185,900	192,399	(6,499)
Dues and subscriptions	300	300	1,569	(1,269)
Insurance	5,000	5,000	3,419	1,581
Miscellaneous	400	400	39	361
Office supplies and expenses	-	-	14	(14)
Operating supplies	24,500	25,557	26,391	(834)
Professional services	2,200	2,200	4,917	(2,717)
Repairs and maintenance	19,600	19,600	19,842	(242)
Telephone	16,300	16,300	14,422	1,878
Training	8,000	8,000	5,733	2,267
Travel	6,500	6,500	4,884	1,616
Uniforms	15,900	15,900	16,995	(1,095)
Vehicle	53,600	53,600	59,260	(5,660)
Total police department	<u>1,784,402</u>	<u>1,867,007</u>	<u>1,720,560</u>	<u>146,447</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Public safety (Continued)				
Fire department				
Salaries	\$ 673,687	\$ 686,731	\$ 699,342	\$ (12,611)
Payroll tax	51,575	52,259	51,769	490
Employee benefits	72,570	73,473	71,631	1,842
Contract services	28,178	28,178	27,417	761
Dues and subscriptions	1,375	1,375	1,113	262
Fire hydrant rental	2,752	2,752	2,752	-
Insurance	7,577	7,577	1,200	6,377
Office supplies and expenses	500	500	886	(386)
Operating supplies	14,725	14,725	15,592	(867)
Repairs and maintenance	14,165	14,165	16,306	(2,141)
Telephone	5,320	5,320	6,605	(1,285)
Training	9,713	9,713	4,205	5,508
Travel	2,500	2,500	2,829	(329)
Uniforms	23,980	23,980	29,891	(5,911)
Utilities	20,900	20,900	18,957	1,943
Vehicle	25,700	25,700	25,056	644
Total fire department	<u>955,217</u>	<u>969,848</u>	<u>975,551</u>	<u>(5,703)</u>
Total public safety	<u>2,739,619</u>	<u>2,836,855</u>	<u>2,696,111</u>	<u>140,744</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Public works				
Street department				
Salaries	\$ 493,087	\$ 502,737	\$ 415,624	\$ 87,113
Payroll tax	38,211	38,948	30,577	8,371
Employee benefits	66,888	68,053	50,776	17,277
Contract services	101,500	101,500	50,741	50,759
Insurance	2,000	2,000	492	1,508
Office supplies	3,250	3,250	2,390	860
Operating supplies	87,150	87,150	52,177	34,973
Repairs and maintenance	18,750	18,750	12,349	6,401
Telephone	5,000	5,000	3,828	1,172
Training	3,000	3,000	2,418	582
Travel	900	900	-	900
Uniforms	3,650	3,650	2,313	1,337
Utilities	9,500	9,500	6,214	3,286
Vehicle	55,800	55,800	46,415	9,385
Total street department	<u>888,686</u>	<u>900,238</u>	<u>676,314</u>	<u>223,924</u>
Public welfare and recreation				
Animal control				
Contract services	<u>69,971</u>	<u>69,971</u>	<u>69,990</u>	<u>(19)</u>
Parks and recreation				
Contract services	1,500	1,500	-	1,500
Operating supplies	4,650	4,650	3,724	926
Repairs and maintenance	25,000	25,000	22,049	2,951
Utilities	<u>62,215</u>	<u>62,215</u>	<u>59,242</u>	<u>2,973</u>
Total parks and recreation	<u>93,365</u>	<u>93,365</u>	<u>85,015</u>	<u>8,350</u>
Total public welfare and recreation	<u>163,336</u>	<u>163,336</u>	<u>155,005</u>	<u>8,331</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**

**General Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Continued)**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Capital outlay</b>				
General government	\$ 155,150	\$ 155,150	\$ 561,377	\$ (406,227)
Police department	13,500	165,200	162,953	2,247
Fire department	54,000	282,400	313,223	(30,823)
Street department	10,125	2,248,365	1,287,440	960,925
Parks and recreation	3,000	3,000	894	2,106
Total capital outlay	<u>235,775</u>	<u>2,854,115</u>	<u>2,325,887</u>	<u>528,228</u>
<b>Debt service</b>				
Principal and interest	<u>385,023</u>	<u>385,023</u>	<u>63,439</u>	<u>321,584</u>
<b>TOTAL EXPENDITURES</b>	<u>6,200,323</u>	<u>9,046,330</u>	<u>7,778,961</u>	<u>1,267,369</u>
Excess (deficiency) of revenues over (under) expenditures	(542,275)	(3,062,695)	(777,025)	2,285,670
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	<u>-</u>	<u>2,185,000</u>	<u>2,185,000</u>	<u>-</u>
Net changes in fund balances	(542,275)	(877,695)	1,407,975	2,285,670
<b>Fund balances - beginning</b>	<u>5,546,622</u>	<u>5,546,622</u>	<u>5,546,622</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 5,004,347</u>	<u>\$ 4,668,927</u>	<u>\$ 6,954,597</u>	<u>\$ 2,285,670</u>

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

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
License and permits				
Building permits	\$ -	\$ -	\$ 20,170	\$ 20,170
Intergovernmental				
State highway and street	344,936	344,936	407,169	62,233
Other revenues				
Insurance recoveries	-	-	10,811	10,811
Interest earnings	1,000	1,000	24,874	23,874
Total other revenues	1,000	1,000	35,685	34,685
<b>TOTAL REVENUES</b>	<u>345,936</u>	<u>345,936</u>	<u>463,024</u>	<u>117,088</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
State street aid				
Highways and street maintenance				
Street lighting (electricity)	90,000	90,000	80,335	9,665
Repairs and maintenance	16,000	16,000	16,726	(726)
Street resurfacing	37,000	537,000	35,961	501,039
Operating supplies	14,000	14,000	12,829	1,171
Professional services	5,000	5,000	620	4,380
Total state street aid	162,000	662,000	146,471	515,529
<b>Capital Outlay</b>				
Public works				
Equipment	-	98,000	173,410	(75,410)
<b>Debt Service</b>				
Principal and interest	183,936	183,936	64,993	118,943
<b>TOTAL EXPENDITURES</b>	<u>345,936</u>	<u>943,936</u>	<u>384,874</u>	<u>559,062</u>
Excess (deficiency) of revenues over (under) expenditures	-	(598,000)	78,150	676,150
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from debt issuance	-	478,400	478,400	-
Net changes in fund balances	-	(119,600)	556,550	676,150
<b>Fund balances - beginning</b>	<u>826,138</u>	<u>826,138</u>	<u>826,138</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 826,138</u>	<u>\$ 706,538</u>	<u>\$ 1,382,688</u>	<u>\$ 676,150</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, 2019**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	
<b>ASSETS</b>			
Current assets			
Cash	\$ 51,184	\$ 305,451	\$ 356,635
Accounts receivable - net	-	35,911	35,911
Due from grantor	68,436	-	68,436
Notes receivable - WWTA	477,852	-	477,852
Total current assets	<u>597,472</u>	<u>341,362</u>	<u>938,834</u>
Non-current assets			
Other assets			
Notes receivable - WWTA	<u>122,342</u>	<u>-</u>	<u>122,342</u>
Capital assets			
Other capital assets - net of accumulated depreciation	<u>-</u>	<u>61,412</u>	<u>61,412</u>
Total non-current assets	<u>122,342</u>	<u>61,412</u>	<u>183,754</u>
<b>TOTAL ASSETS</b>	<u>\$ 719,814</u>	<u>\$ 402,774</u>	<u>\$ 1,122,588</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ -</u>	<u>\$ 18,715</u>	<u>\$ 18,715</u>
<b>LIABILITIES</b>			
Current liabilities			
Accrued liabilities	\$ -	\$ 3,203	\$ 3,203
Due to other funds	-	27,361	27,361
Grant payable	68,436	-	68,436
Notes payable - due in one year	477,852	-	477,852
Total current liabilities	<u>546,288</u>	<u>30,564</u>	<u>576,852</u>
Non-current liabilities			
Notes payable	122,342	-	122,342
Accrued leave	-	18,095	18,095
Net pension liability	<u>-</u>	<u>9,665</u>	<u>9,665</u>
Total non-current liabilities	<u>122,342</u>	<u>27,760</u>	<u>150,102</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 668,630</u>	<u>\$ 58,324</u>	<u>\$ 726,954</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>\$ -</u>	<u>\$ 8,584</u>	<u>\$ 8,584</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 61,412	\$ 61,412
Unrestricted	51,184	293,169	344,353
<b>TOTAL NET POSITION</b>	<u>\$ 51,184</u>	<u>\$ 354,581</u>	<u>\$ 405,765</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, 2019**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	
<b>OPERATING REVENUES</b>			
Rent of facilities	\$ 8,414	\$ -	\$ 8,414
Stormwater fees	-	279,220	279,220
Other	-	1,433	1,433
Total operating revenues	<u>8,414</u>	<u>280,653</u>	<u>289,067</u>
<b>OPERATING EXPENSES</b>			
Stormwater collection	-	246,199	246,199
Administration	-	27,875	27,875
Depreciation	-	10,873	10,873
Total operating expenses	<u>-</u>	<u>284,947</u>	<u>284,947</u>
Operating income (loss)	<u>8,414</u>	<u>(4,294)</u>	<u>4,120</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest earnings	714	3,586	4,300
Grant revenue	87,853	-	87,853
Grant subrecipient	(87,853)	-	(87,853)
Intergovernmental revenue	31,921	-	31,921
Interest expense	(31,921)	-	(31,921)
Total non-operating revenues (expenses)	<u>714</u>	<u>3,586</u>	<u>4,300</u>
Changes in net position	9,128	(708)	8,420
Net position - beginning	<u>42,056</u>	<u>355,289</u>	<u>397,345</u>
Net position - end	<u>\$ 51,184</u>	<u>\$ 354,581</u>	<u>\$ 405,765</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, 2019**

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 8,414	\$ 280,990	\$ 289,404
Payments to suppliers	-	(173,031)	(173,031)
Payments to employees	-	(90,381)	(90,381)
Net cash provided (used) by operating activities	<u>8,414</u>	<u>17,578</u>	<u>25,992</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Grant revenue	87,853	-	87,853
Grant subrecipient	<u>(87,853)</u>	<u>-</u>	<u>(87,853)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest income	<u>714</u>	<u>3,586</u>	<u>4,300</u>
Net increase (decrease) in cash	9,128	21,164	30,292
<b>Cash - beginning</b>	<u>42,056</u>	<u>284,287</u>	<u>326,343</u>
<b>Cash - end</b>	<u>\$ 51,184</u>	<u>\$ 305,451</u>	<u>\$ 356,635</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	<u>\$ 8,414</u>	<u>\$ (4,294)</u>	<u>\$ 4,120</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	10,873	10,873
Increase (decrease) in net pension liability	-	(3,721)	(3,721)
Increase (decrease) in deferred inflows related to pensions	-	(649)	(649)
(Increase) decrease in deferred outflows related to pensions	-	(621)	(621)
(Increase) decrease in accounts receivable - net	-	337	337
(Increase) decrease in due from grantor	(45,098)	-	(45,098)
Increase (decrease) in accrued liabilities	-	(556)	(556)
Increase (decrease) in accounts payable	-	(11,100)	(11,100)
Increase (decrease) in grant payable	45,098	-	45,098
Increase (decrease) in due to other funds	-	27,488	27,488
Increase (decrease) in accrued leave	-	(179)	(179)
Total adjustments	<u>-</u>	<u>21,872</u>	<u>21,872</u>
Net cash provided (used) by operating activities	<u>\$ 8,414</u>	<u>\$ 17,578</u>	<u>\$ 25,992</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**  
**Proprietary Funds**  
**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2019**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Sewer Fund</b>	<b>Stormwater Fund</b>	
<b>Non-cash Investing and Financing Activities</b>			
Debt payments made on behalf of the Sewer Fund by HCWWTA (Note 22)			
Principal	\$ 460,284	\$ -	\$ 460,284
Interest	31,921	-	31,921
Total	\$ 492,205	\$ -	\$ 492,205

Non-cash transaction during year ended June 30, 2004, when Hamilton County Water and Wastewater Treatment Authority (HCWWTA) bought Red Bank's sewer system, as part of the sale, HCWWTA agreed to pay the principal and interest on the City's debt of the sewer system. During year ended June 30, 2019, HCWWTA paid \$460,284 in principal and \$31,921 in interest directly to the payees.

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

**CITY OF RED BANK, TENNESSEE**  
**Notes to Financial Statements**  
**June 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Reporting Entity**

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

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

**B. Basic Financial Statements**

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

**Government-wide Statements**

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### B. Basic Financial Statements (Continued)

#### Government-wide Statements (Continued)

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

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

#### Fund Financial Statements

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

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

The City reports the following major governmental funds:

#### General Fund

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

#### 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.

The City reports the following major enterprise funds:

#### Sewer Fund

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

#### Stormwater Fund

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### C. Measurement Focus - Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operation. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### D. Budgets and Budgetary Accounting

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

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

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

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

During the year, supplementary appropriations were necessary. The effect of the amendments netted to \$(516,090) in the governmental funds and \$(2,123) in the enterprise funds.

### E. Cash and Cash Equivalents

Cash consists of cash-on-hand and cash-on-deposit with financial institutions. For purposes of reporting cash on the Statement of Cash Flows, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Net Position as "Cash". At June 30, 2019, the City had no cash equivalents.

### F. Investments

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

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

- Bonds, notes or treasury bills of the United States.

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

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

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

- The Local Government Investment Pool created by Title 9.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **G. Property Taxes**

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

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2019 levy is \$1.39 per \$100 of assessed valuation, and the tax rate for the 2018 levy is \$1.39 per \$100 of assessed valuation.

Property taxes for the 2019 levy are considered to be owed to the City as of the lien date on January 1, 2019. Therefore, the entire 2019 levy was recorded as a receivable and deferred revenue as of June 30, 2019.

### **H. Interfund Transactions**

#### **Interfund Receivables and Payables**

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

#### **Transactions between Funds**

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

### **I. Prepayment of Expenditures**

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

### **J. Inventories**

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

### **K. Restricted Assets**

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### L. Capital Assets

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

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

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

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

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

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

### M. Deferred Outflows/Inflows of Resources

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **N. Compensated Absences**

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

### **O. Long-term Obligations**

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

### **P. Pensions**

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

### **Q. Net Position**

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

### **R. Fund Balance**

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

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**R. Fund Balance (Continued)**

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

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

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

**S. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**T. Events Occurring after Reporting Date**

The City has evaluated events and transactions that occurred between June 30, 2019, and November 12, 2019, 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, 2019, the carrying amount of the City's deposits was \$5,129,776, and the bank balance was \$5,447,098. 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	\$ 5,130,332
Investments	<u>4,091,790</u>
	9,222,122
Less: petty cash	( 556)
Less: LGIP	<u>(4,091,790)</u>
Total	<u>\$ 5,129,776</u>

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

**Investments**

The City's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP). 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, 2019. The LGIP is not rated. The weighted average maturity had a range of 1 to 86 days as of June 30, 2019. The City's investments are listed on the Statement of Net Position as follows:

LGIP \$ 4,091,790

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, 2019, consists of the following:

<u>Year of Levy</u>	
2019	\$ 3,120,600
2018	150,447
2017	38,144
2016	23,370
2015	9,087
2014	6,666
2013	7,628
2012	28,376
2011	12,520
2010	<u>19,392</u>
	3,416,230
Less: allowance for uncollectibles	<u>( 168,247)</u>
Property taxes receivable - net	<u>\$ 3,247,983</u>

**NOTE 4 - ACCOUNTS RECEIVABLE - NET**

Accounts receivable - net at June 30, 2019, consists of the following:

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
State shared revenue receivables	\$ 431,384	\$ -	\$ -	\$ -	\$ 431,384
Local beer and liquor tax	26,306	-	-	-	26,306
Court fines	206,713	-	-	-	206,713
Franchise tax	35,824	-	-	-	35,824
Stormwater tax	-	-	-	79,766	79,766
State street aid	-	70,727	-	-	70,727
Sanitation fee	-	-	9,225	-	9,225
Less: allowance for doubtful accounts	<u>(140,565)</u>	<u>-</u>	<u>-</u>	<u>( 43,855)</u>	<u>( 184,420)</u>
Total	<u>\$ 559,662</u>	<u>\$ 70,727</u>	<u>\$ 9,225</u>	<u>\$ 35,911</u>	<u>\$ 675,525</u>

**NOTE 5 - DUE FROM GRANTOR**

Due from other governments at June 30, 2019, consists of the following:

Department of Transportation	\$ 69,864
Department of Justice	2,389
Department of Economic and Community Development	<u>68,436</u>
 Total	 <u>\$ 140,689</u>

**NOTE 6 - INTERNAL BALANCES**

Internal balances at June 30, 2019, consist of the following:

	Due from				Total
	General Fund	State Street Aid Fund	Solid Waste Fund	Stormwater Fund	
<u>Due to:</u>					
General Fund	\$ -	\$ 84,899	\$ 63,700	\$ 24,318	\$ 172,917
Drug Fund	336	-	-	-	336
Solid Waste Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,043</u>	<u>3,043</u>
 Total	 <u>\$ 336</u>	 <u>\$ 84,899</u>	 <u>\$ 63,700</u>	 <u>\$ 27,361</u>	 <u>\$ 176,296</u>

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

**NOTE 7 - NOTE RECEIVABLE - WWTA**

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

Future notes receivable receipts are as follows:

2020	\$ 477,852
2021	<u>122,342</u>
	600,194
Less: current portion	<u>( 477,852)</u>
 Total	 <u>\$ 122,342</u>

## NOTE 8 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 400,016	\$ -	\$ -	\$ 400,016
Capital assets being depreciated:				
Buildings	1,313,724	550,341	-	1,864,065
Public improvements	3,303,155	-	-	3,303,155
State street aid	2,058,021	95,959	-	2,153,980
Infrastructure	2,833,752	-	-	2,833,752
Furniture, fixtures and equipment	4,784,693	585,464	( 30,693)	5,339,464
Total capital assets being depreciated	<u>14,293,345</u>	<u>1,231,764</u>	<u>( 30,693)</u>	<u>15,494,416</u>
Less accumulated depreciation for:				
Buildings	643,663	51,908	-	695,571
Public improvements	786,910	94,342	-	881,252
State street aid	759,284	68,767	-	828,051
Infrastructure	626,408	56,675	-	683,083
Furniture, fixtures and equipment	3,605,192	475,910	( 30,693)	4,050,409
Total accumulated depreciation	<u>6,421,457</u>	<u>747,602</u>	<u>( 30,693)</u>	<u>7,138,366</u>
Total capital assets being depreciated - net	<u>7,871,888</u>	<u>484,162</u>	<u>-</u>	<u>8,356,050</u>
Governmental activities capital assets - net	<u>\$ 8,271,904</u>	<u>\$ 484,162</u>	<u>\$ -</u>	<u>\$ 8,756,066</u>

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

General government	\$ 46,631
Public safety	297,429
Public works	258,166
State street aid	61,913
Public welfare and recreation	<u>83,463</u>
Total	<u>\$ 747,602</u>

**NOTE 8 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Land improvements	\$ 35,841	\$ -	\$ -	\$ 35,841
Plant in service	33,920	-	-	33,920
Equipment	<u>110,129</u>	<u>-</u>	<u>-</u>	<u>110,129</u>
Total capital assets being depreciated	<u>179,890</u>	<u>-</u>	<u>-</u>	<u>179,890</u>
Less accumulated depreciation for:				
Land improvements	8,960	1,792	-	10,752
Plant in service	33,920	-	-	33,920
Equipment	<u>64,725</u>	<u>9,081</u>	<u>-</u>	<u>73,806</u>
Total accumulated depreciation	<u>107,605</u>	<u>10,873</u>	<u>-</u>	<u>118,478</u>
Total capital assets being depreciated - net	<u>72,285</u>	<u>(10,873)</u>	<u>-</u>	<u>61,412</u>
Business-type activities capital assets - net	<u>\$ 72,285</u>	<u>\$ (10,873)</u>	<u>\$ -</u>	<u>\$ 61,412</u>

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

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

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

**NOTE 9 - DEFERRED OUTFLOWS RELATED TO PENSIONS**

Deferred outflows related to pensions at June 30, 2019, consists of the following:

Beginning balance	\$ 603,216
Employer contribution made during 2018	(357,913)
Difference in actuarial experience	51,756
Difference in investment earnings	(153,017)
Netting of investment earnings	153,017
Employer contributions made during 2019	348,070
Changes in assumptions	<u>( 37,202)</u>
Total	<u>\$ 607,927</u>

**NOTE 10 - GRANT PAYABLE**

Grant payable at June 30, 2019, consists of \$68,436 of Sewer Fund grant revenue to be paid to Hamilton County.

## 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:

	<u>Principal Balance</u>
Tennessee Municipal Bond, Series 2011, issued in the original amount of \$337,880 for a fire truck, payable in varying annual installments of approximately \$46,743, including interest at 2.31%, due October, 2019	\$ 46,000
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	285,000
Tennessee Municipal Bond, Series 2019, issued in the original amount of \$1,900,000 for paving, payable in varying amounts of approximately \$249,735, including interest at 3.50%, due May 2028	1,900,000
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	249,800
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	478,400
Accrued leave	295,789
Landfill closure and post-closure cost	<u>77,000</u>
	3,331,989
Less: current portion of governmental long-term debt	<u>( 482,800)</u>
Total governmental long-term debt	<u>\$ 2,849,189</u>

**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, 2019, are as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
Tennessee Municipal Bond, Series 2011	\$ 91,000	\$ -	\$ ( 45,000)	\$ 46,000	\$ 46,000
Tennessee Municipal Bond, Series 2018	-	285,000	-	285,000	91,000
Tennessee Municipal Bond, Series 2019	-	1,900,000	-	1,900,000	183,000
Tennessee Municipal Bond, Series 2012	291,500	-	( 41,700)	249,800	41,700
Tennessee Municipal Bond, Series 2018	-	478,400	-	478,400	113,400
Accrued leave	260,702	35,087	-	295,789	-
Landfill closure and post- closure cost	84,700	-	( 7,700)	77,000	7,700
	<u>\$ 727,902</u>	<u>\$2,698,487</u>	<u>\$ ( 94,400)</u>	<u>\$ 3,331,989</u>	<u>\$ 482,800</u>
Less: current portion of governmental long-term debt				<u>( 482,800)</u>	
Total governmental long-term debt				<u>\$ 2,849,189</u>	

Interest paid during the year ended June 30, 2019, on governmental long-term debt was \$41,732.

Governmental debt service requirements to maturity, including interest of \$431,491 is as follows:

<u>Year ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2020	\$ 475,100	\$ 102,229	\$ 577,329
2021	443,700	85,022	528,722
2022	459,700	68,803	528,503
2023	370,700	52,006	422,706
2024	251,700	41,247	292,947
2025-2028	<u>958,300</u>	<u>82,184</u>	<u>1,040,484</u>
Total	<u>\$ 2,959,200</u>	<u>\$ 431,491</u>	<u>\$ 3,390,691</u>

The preceding table does not take into account accrued leave or landfill closure and post-closure cost due to the nature of these items.

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

**NOTE 11 - LONG-TERM DEBT (Continued)**

**B. Business-Type Debt**

**Sewer Fund:**

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

	<u>Principal Balance</u>
Note to Tennessee Department of Environment and Conservation, for sewer improvements, to be repaid in variable annual installments through September, 2020, with interest payable monthly at a variable rate, currently 3.75%.	\$ 600,194
Less: current portion of sewer long-term debt	<u>( 477,852)</u>
Total sewer long-term debt	<u>\$ 122,342</u>

A summary of changes in Sewer Fund long-term debt for the year ended June 30, 2019, are as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amount Due Within One Year</u>
Note - Tennessee Dept. of Environment and Conservation	<u>\$ 1,060,478</u>	<u>\$ -</u>	<u>\$ ( 460,284)</u>	\$ 600,194	<u>\$ 477,852</u>
Less: current portion of sewer long-term debt				<u>( 477,852)</u>	
Total sewer long-term debt				<u>\$ 122,342</u>	

Interest paid during the year ended June 30, 2019, on sewer long-term debt was \$31,921.

Sewer debt service requirements to maturity, including interest of \$15,121 is as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 477,852	\$ 14,352	\$ 492,204
2021	<u>122,342</u>	<u>769</u>	<u>123,111</u>
Total	<u>\$ 600,194</u>	<u>\$ 15,121</u>	<u>\$ 615,315</u>

**NOTE 11 - LONG-TERM DEBT (Continued)**

**B. Business-Type Debt (Continued)**

**Stormwater Fund:**

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

Accrued leave	\$ 18,095
Less: current portion	<u>          -</u>
Total stormwater long-term debt	<u>\$ 18,095</u>

A summary of changes in Stormwater Fund long-term debt for the year ended June 30, 2019 are as follows:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2019</u>	Amount Due Within <u>One Year</u>
Accrued leave	<u>\$ 18,274</u>	<u>\$ -</u>	<u>\$ ( 179)</u>	\$ 18,095	<u>\$ -</u>
Less: current portion				<u>          -</u>	
Total stormwater long-term debt				<u>\$ 18,095</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 <u>June 30:</u>	<u>Amount</u>
2020	\$ 7,700
2021	7,700
2022	7,700
2023	7,700
2024	7,700
2025-2029	<u>38,500</u>
Total	<u>\$ 77,000</u>

**NOTE 13 - NET PENSION LIABILITY**

Net pension liability at June 30, 2019, consists of the following:

Beginning balance	\$ 446,222
Employer contributions made during 2018	( 357,913)
Pension expense	197,677
Difference in actuarial experience	114,984
Changes in assumptions	( 37,202)
Difference in investment earnings	<u>( 41,594)</u>
Total	<u>\$ 322,174</u>

**NOTE 14 - 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>\$ 94,717</u>	<u>\$ 3,120,600</u>	<u>\$ 3,215,317</u>

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

**NOTE 15 - DEFERRED INFLOWS RELATED TO PENSIONS**

Deferred inflows related to pension at June 30, 2019, consists of the following:

Beginning balance	\$ 307,790
Difference in actuarial experience	( 63,228)
Difference in investment earnings	( 111,422)
Netting investment earnings	<u>153,017</u>
Total	<u>\$ 286,157</u>

**NOTE 16 - 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 \$95,982 are legally restricted for non-recurring police expenditures.

State street aid funds in the amount of \$1,382,688 are legally restricted for state street aid expenditures.

Impound funds in the amount of \$12,202 are restricted for impound related expenditures.

Solid waste funds in the amount of \$1,009,862 are legally restricted for solid waste expenditures.

## NOTE 17 - FUND BALANCES

Fund balances are as follows:

Nonspendable: Inventory of \$883 is nonspendable due to form.

Restricted: Drug funds in the amount of \$95,982 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$1,382,688 are legally restricted for state street aid expenditures. Impound funds in the amount of \$12,202 are restricted for impound related expenditures. Solid waste funds in the amount of \$1,009,862 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 18 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including bonds payable, 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 \$(3,331,989) difference are as follows:

Bonds payable	\$ (2,959,200)
Landfill closure and post-closure cost	( 77,000)
Accrued leave	<u>( 295,789)</u>
Net adjustment	<u>\$ (3,331,989)</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 \$(870) difference are as follows:

Deferred outflows related to pensions	\$ 589,212
Net pension liability	( 312,509)
Deferred inflows related to pensions	<u>( 277,573)</u>
Net adjustment	<u>\$ ( 870)</u>

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

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$484,162 difference are as follows:

Capital outlay	\$ 1,231,764
Depreciation expense	<u>( 747,602)</u>
Net adjustment	<u>\$ 484,162</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 \$94,400 difference are as follows:

Bonds payable	\$ 86,700
Landfill closure and post-closure cost	<u>7,700</u>
Net adjustment	<u>\$ 94,400</u>

Another element of that reconciliation states that, "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." The details of this \$(2,663,400) difference are as follows:

Tennessee Municipal Bond, Series 2018	\$ ( 285,000)
Tennessee Municipal Bond, Series 2019	( 1,900,000)
Tennessee Municipal Bond, Series 2018	<u>( 478,400)</u>
Net adjustment	<u>\$ ( 2,663,400)</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$145,401 difference are as follows:

Pension expense	\$ ( 191,747)
Contributions	<u>337,148</u>
Net adjustment	<u>\$ 145,401</u>

**NOTE 19 - LITIGATION AND CLAIMS**

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

**NOTE 20 - OPERATING LEASE**

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

Year ended	
<u>June 30</u>	
2020	<u>\$ 1,439</u>

**NOTE 21 - TRANSFER OF SEWER SYSTEM**

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

**NOTE 22 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Non-cash transaction during year ended June 30, 2004, when Hamilton County Water and Wastewater Treatment Authority (HCWWTA) bought Red Bank’s sewer system, as part of the sale, HCWWTA agreed to pay the principal and interest on the City’s debt of the sewer system. During year ended June 30, 2019, HCWWTA paid \$460,284 in principal and \$31,921 in interest directly to the payees.

**NOTE 23 - POST EMPLOYEE BENEFITS OTHER THAN PENSIONS**

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

**NOTE 24 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

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

## NOTE 25 - RISK MANAGEMENT POOL

The City is exposed to various risk of loss related to torts, errors and omissions, damages to assets and injuries to employees. The City has joined the 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	\$ 11,738,632
Workers compensation	\$ 300,000 per accident \$ 700,000 policy limit \$ 300,000 per employee
Liability	\$ 1,000,000 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 25 - 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, 2019. No provision has been made in the financial statements for the year ended June 30, 2019, for any estimate of potential unpaid claims.

## **NOTE 26 - DEFERRED COMPENSATION PLAN**

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

## **NOTE 27 - PENSION PLAN**

### **General Information about the Pension Plan**

#### **Plan description**

Employees of Red Bank are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**NOTE 27 - 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 non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	47
Inactive employees entitled to but not yet receiving benefits	96
Active employees	<u>69</u>
Total employees	<u>212</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, 2019, the employer contributions for Red Bank were \$348,070 based on a rate of 12.05 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Red Bank's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

## NOTE 27 - PENSION PLAN (Continued)

### Net Pension Liability (Asset)

#### **Pension liabilities (assets)**

Red Bank's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

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

Inflation	2.5 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 pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

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

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

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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)**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 6/30/17	<u>\$ 9,993,662</u>	<u>\$ 9,547,440</u>	<u>\$ 446,222</u>
Changes for the year:			
Service cost	223,221	-	223,221
Interest	727,903	-	727,903
Differences between expected and actual experience	68,735	-	68,735
Changes in assumptions	-	-	-
Contributions - employer	-	357,913	( 357,913)
Contributions - employees	-	-	-
Net investment income	-	792,404	( 792,404)
Benefit payments, including refunds of employee contributions	( 353,675)	( 353,675)	-
Administrative expense	-	( 6,410)	6,410
Other changes	-	-	-
Net changes	<u>666,184</u>	<u>790,232</u>	<u>( 124,048)</u>
Balance at 6/30/18	<u>\$ 10,659,846</u>	<u>\$ 10,337,672</u>	<u>\$ 322,174</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 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease	Current	1% Increase
	<u>(6.25%)</u>	<u>Discount Rate</u>	<u>(8.25%)</u>
		<u>(7.25%)</u>	
Red Bank's net pension liability (asset)	\$ 1,799,517	\$ 322,174	\$ ( 903,309)

**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, 2019, Red Bank recognized pension expense (negative pension expense) of \$197,677.

**NOTE 27 - PENSION PLAN (Continued)**

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

**Deferred outflows of resources and deferred inflows of resources**

For the year ended June 30, 2019, 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	\$ 73,845	\$ 242,839
Net difference between projected and actual earnings on pension plan investments	-	43,318
Changes in assumptions	186,012	-
Contributions subsequent to the measurement date of June 30, 2018	<u>348,070</u>	<u>(not applicable)</u>
Total	<u>\$ 607,927</u>	<u>\$ 286,157</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2018,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:	
2020	\$ 58,152
2021	\$ (13,689)
2022	\$ (75,399)
2023	\$ (15,163)
2024	\$ 19,796
Thereafter	\$ -

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

**Payable to the Pension Plan**

At June 30, 2019 Red Bank reported a payable of \$25,841 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

**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, 2019**

**Last Fiscal Year Ending June 30**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Total pension liability</u></b>					
Service cost	\$ 184,273	\$ 176,835	\$ 199,860	\$ 210,569	\$ 223,221
Interest	605,436	631,759	672,766	705,270	727,903
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	(136,260)	38,658	(104,297)	(202,036)	68,735
Change of assumptions	-	-	-	260,416	-
Benefit payments, including refunds of employee contributions	<u>(287,182)</u>	<u>(302,907)</u>	<u>(344,122)</u>	<u>(347,179)</u>	<u>(353,675)</u>
Net change in total pension liability	366,267	544,345	424,207	627,040	666,184
Total pension liability - beginning	<u>8,031,803</u>	<u>8,398,070</u>	<u>8,942,415</u>	<u>9,366,622</u>	<u>9,993,662</u>
Total pension liability - ending (a)	<u>\$ 8,398,070</u>	<u>\$ 8,942,415</u>	<u>\$ 9,366,622</u>	<u>\$ 9,993,662</u>	<u>\$10,659,846</u>
<b><u>Plan fiduciary net position</u></b>					
Contributions - employer	\$ 293,723	\$ 314,749	\$ 331,019	\$ 342,089	\$ 357,913
Contributions - employee	-	1,361	-	-	-
Net investment income	1,152,047	250,292	222,087	972,335	792,404
Benefit payments, including refunds of employee contributions	(287,182)	(302,907)	(344,122)	(347,179)	(353,675)
Administrative expense	(2,491)	(3,258)	(4,844)	(5,808)	(6,410)
Other	-	-	-	-	-
Net change in plan fiduciary net position	1,156,097	260,237	204,140	961,437	790,232
Plan fiduciary net position - beginning	<u>6,965,528</u>	<u>8,121,625</u>	<u>8,381,862</u>	<u>8,586,003</u>	<u>9,547,440</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,121,625</u>	<u>\$ 8,381,862</u>	<u>\$ 8,586,002</u>	<u>\$ 9,547,440</u>	<u>\$10,337,672</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 276,445</u>	<u>\$ 560,553</u>	<u>\$ 780,620</u>	<u>\$ 446,222</u>	<u>\$ 322,174</u>
Plan fiduciary net position as a percentage of total pension liability	96.71%	93.73%	91.67%	95.53%	96.98%
Covered payroll	\$ 2,429,467	\$ 2,607,696	\$ 2,742,495	\$ 2,834,208	\$ 2,965,311
Net pension liability (asset) as a percentage of covered payroll	11.38%	21.50%	28.46%	15.74%	10.86%

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

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 Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2019**

<b>Last Fiscal Year Ending June 30</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Actuarially determined contribution	\$ 293,723	\$ 314,749	\$ 331,019	\$ 342,089	\$ 357,913	\$ 348,070
Contributions in relation to the actuarially determined contribution	<u>293,723</u>	<u>314,749</u>	<u>331,019</u>	<u>342,089</u>	<u>357,913</u>	<u>348,070</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered payroll	\$ 2,429,467	\$ 2,607,696	\$ 2,742,495	\$ 2,834,208	\$ 2,965,311	\$ 2,888,191
Contributions as a percentage of covered payroll	12.09%	12.07%	12.07%	12.07%	12.07%	12.05%

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 Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS (Continued)**  
**June 30, 2019**

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 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.

**OTHER SUPPLEMENTARY INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

**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.

**CITY OF RED BANK, TENNESSEE**  
**Non-major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2019**

	<u>Special Revenue</u>			<b>Total Non-major Governmental Funds</b>
	<u>Drug Fund</u>	<u>Impound Fund</u>	<u>Solid Waste Fund</u>	
<b>ASSETS</b>				
Cash	\$ 95,646	\$ 12,202	\$ 1,071,879	\$ 1,179,727
Accounts receivable	-	-	9,225	9,225
Due from other funds	336	-	3,043	3,379
<b>TOTAL ASSETS</b>	<u>\$ 95,982</u>	<u>\$ 12,202</u>	<u>\$ 1,084,147</u>	<u>\$ 1,192,331</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ -	\$ -	\$ 10,585	\$ 10,585
Due to other funds	-	-	63,700	63,700
<b>TOTAL LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,285</u>	<u>\$ 74,285</u>
<b>FUND BALANCES</b>				
Restricted	<u>\$ 95,982</u>	<u>\$ 12,202</u>	<u>\$ 1,009,862</u>	<u>\$ 1,118,046</u>

**CITY OF RED BANK, TENNESSEE**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2019**

	<u>Special Revenue</u>			<u>Total Non-major Governmental Funds</u>
	<u>Drug Fund</u>	<u>Impound Fund</u>	<u>Solid Waste Fund</u>	
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 954,959	\$ 954,959
Fines and forfeitures	56,789	135	-	56,924
Other revenues	<u>20,724</u>	<u>9,202</u>	<u>18,042</u>	<u>47,968</u>
<b>TOTAL REVENUES</b>	<u>77,513</u>	<u>9,337</u>	<u>973,001</u>	<u>1,059,851</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety	10,713	1,782	-	12,495
Public works	-	-	675,218	675,218
<b>Capital Outlay</b>	<u>62,538</u>	<u>-</u>	<u>23,685</u>	<u>86,223</u>
<b>TOTAL EXPENDITURES</b>	<u>73,251</u>	<u>1,782</u>	<u>698,903</u>	<u>773,936</u>
Excess (deficiency) of revenues over (under) expenditures	4,262	7,555	274,098	285,915
<b>Fund balances - beginning</b>	<u>91,720</u>	<u>4,647</u>	<u>735,764</u>	<u>832,131</u>
<b>Fund balances - end</b>	<u>\$ 95,982</u>	<u>\$ 12,202</u>	<u>\$ 1,009,862</u>	<u>\$ 1,118,046</u>

**CITY OF RED BANK, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures				
Drug fines and seizures	\$ 31,000	\$ 31,000	\$ 56,789	\$ 25,789
Other revenues				
Impound charges	300	300	675	375
Insurance recoveries	-	-	1,240	1,240
Sale of assets	10,000	10,000	17,451	7,451
Interest earnings	400	400	1,358	958
Total other revenues	<u>10,700</u>	<u>10,700</u>	<u>20,724</u>	<u>10,024</u>
<b>TOTAL REVENUES</b>	<u>41,700</u>	<u>41,700</u>	<u>77,513</u>	<u>35,813</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Contract services	-	-	2,533	(2,533)
Dues and subscriptions	-	-	30	(30)
Miscellaneous	80	80	64	16
Repairs and maintenance	2,250	2,250	3,042	(792)
Operating supplies	13,500	13,500	3,816	9,684
Training	1,000	1,000	275	725
Travel	1,200	1,200	588	612
Vehicle	900	900	365	535
Total public safety	<u>18,930</u>	<u>18,930</u>	<u>10,713</u>	<u>8,217</u>
<b>Capital Outlay</b>				
Equipment	-	55,098	62,538	(7,440)
<b>TOTAL EXPENDITURES</b>	<u>18,930</u>	<u>74,028</u>	<u>73,251</u>	<u>777</u>
Excess (deficiency) of revenues over (under) expenditures	22,770	(32,328)	4,262	36,590
<b>Fund balances - beginning</b>	<u>91,720</u>	<u>91,720</u>	<u>91,720</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 114,490</u>	<u>\$ 59,392</u>	<u>\$ 95,982</u>	<u>\$ 36,590</u>

**CITY OF RED BANK, TENNESSEE**  
**Impound Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures				
Impound fees	\$ -	\$ -	\$ 135	\$ 135
Other revenues				
Sale of equipment	3,000	3,000	9,202	6,202
<b>TOTAL REVENUES</b>	<u>3,000</u>	<u>3,000</u>	<u>9,337</u>	<u>6,337</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Contract services	2,000	2,000	1,200	800
Operating supplies	920	920	582	338
Miscellaneous	80	80	-	80
<b>TOTAL EXPENDITURES</b>	<u>3,000</u>	<u>3,000</u>	<u>1,782</u>	<u>1,218</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	7,555	7,555
<b>Fund balances - beginning</b>	<u>4,647</u>	<u>4,647</u>	<u>4,647</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 4,647</u>	<u>\$ 4,647</u>	<u>\$ 12,202</u>	<u>\$ 7,555</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Charges for services				
Garbage fees	\$ 900,000	\$ 900,000	\$ 954,959	\$ 54,959
Other revenues				
Penalties	-	-	6,435	6,435
Interest earnings	4,000	4,000	11,607	7,607
Total other revenues	4,000	4,000	18,042	14,042
<b>TOTAL REVENUES</b>	<u>904,000</u>	<u>904,000</u>	<u>973,001</u>	<u>69,001</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public works				
Salaries	255,545	260,562	260,036	526
Payroll tax	19,305	19,689	18,186	1,503
Employee benefits	108,080	108,651	118,275	(9,624)
Contract services	43,000	43,000	38,214	4,786
Insurance	-	-	1,000	(1,000)
Miscellaneous	400	400	308	92
Operating supplies	27,100	27,100	18,336	8,764
Repairs and maintenance	20,000	20,000	15,969	4,031
Telephone	200	200	148	52
Uniforms	1,800	1,800	1,236	564
Utilities	750	750	621	129
Vehicle expense	73,000	73,000	42,402	30,598
Waste disposal	165,000	165,000	160,487	4,513
Total public works	<u>714,180</u>	<u>720,152</u>	<u>675,218</u>	<u>44,934</u>
<b>Capital outlay</b>				
Sanitation department	<u>25,850</u>	<u>25,850</u>	<u>23,685</u>	<u>2,165</u>
<b>TOTAL EXPENDITURES</b>	<u>740,030</u>	<u>746,002</u>	<u>698,903</u>	<u>47,099</u>
Excess (deficiency) of revenues over (under) expenditures	163,970	157,998	274,098	116,100
<b>Fund balances - beginning</b>	<u>735,764</u>	<u>735,764</u>	<u>735,764</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 899,734</u>	<u>\$ 893,762</u>	<u>\$ 1,009,862</u>	<u>\$ 116,100</u>

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2019**

Federal Grantor/Pass-through Agency	Federal CFDA Number	State Grant/Project Number	(Accrued) Deferred Grant Revenues July 1, 2018	Grant Receipts	Grant Expenditures	(Accrued) Deferred Grant Revenues June 30, 2019
<b>FEDERAL ASSISTANCE PROGRAMS</b>						
Department of Transportation						
Distracted Driving Reduction Program	20.600	Z18THS257	\$ (3,445)	\$ 6,634	\$ 3,189	\$ -
Distracted Driving Reduction Program	20.600	Z19THS230	-	3,371	26,220	(22,849)
Transportation Enhancement	20.205	33LPLM-F0-080	(1,328)	1,328	-	-
Transportation Enhancement	20.205	33LPLM-F3-079	(13,121)	13,121	-	-
Transportation Enhancement - Sidewalks	20.205	33LPLM-F1-081	(6,680)	6,680	-	-
Transportation Enhancement - Paving	20.205	33LPLM-F3-161	(20,772)	-	1,804	(22,576)
Transportation Enhancement	20.205	33LPLM-F0-162	(6,384)	257,771	252,802	(1,415)
Transportation Enhancement - Signals	20.205	33LPLM-F3-158	(21,824)	-	1,200	(23,024)
Total Department of Transportation			(73,554)	288,905	285,215	(69,864)
Department of Justice						
High Intensity Drug Trafficking Area	95.001	G16AP0001A	(3,499)	14,659	13,549	(2,389)
Office of National Drug Control Policy	16.607		-	2,860	2,860	-
Bullet Proof Vest Grant			(3,499)	17,519	16,409	(2,389)
Total Department of Justice			(3,499)	34,038	32,818	(2,389)
Department of Homeland Security						
Homeland Security	97.067	EMW-2017-SS-00093	(14,000)	14,000	-	-
Total Federal Assistance Programs			(91,053)	320,424	301,624	(72,253)
<b>STATE ASSISTANCE PROGRAMS</b>						
Department of Economic and Community Development						
CDBG Sewer System		PO#12035	(23,338)	42,755	87,853	(68,436)
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			<u>\$ (114,391)</u>	<u>\$ 363,179</u>	<u>\$ 389,477</u>	<u>\$ (140,689)</u>

**CITY OF RED BANK, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2019**

**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.

**NOTE 2 - INDIRECT COST RATE**

The City of Red Bank, Tennessee has not allocated any indirect cost.

**CITY OF RED BANK, TENNESSEE**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Rent of facilities	\$ 7,191	\$ 7,191	\$ 8,414	\$ 1,223
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	50	50	714	664
Grant revenue	-	-	87,853	87,853
Grant subrecipient	-	-	(87,853)	(87,853)
Intergovernmental revenue	492,204	492,204	31,921	(460,283)
Interest expense	(492,204)	(492,204)	(31,921)	460,283
Total non-operating revenues (expenses)	<u>50</u>	<u>50</u>	<u>714</u>	<u>664</u>
Changes in net position	7,241	7,241	9,128	1,887
Net position - beginning	<u>42,056</u>	<u>42,056</u>	<u>42,056</u>	<u>-</u>
Net position - end	<u>\$ 49,297</u>	<u>\$ 49,297</u>	<u>\$ 51,184</u>	<u>\$ 1,887</u>

**CITY OF RED BANK, TENNESSEE**  
**Stormwater Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Stormwater fees	\$ 270,000	\$ 270,000	\$ 279,220	\$ 9,220
Other	500	500	1,433	933
Total operating revenues	<u>270,500</u>	<u>270,500</u>	<u>280,653</u>	<u>10,153</u>
<b>OPERATING EXPENSES</b>				
Stormwater collection				
Salaries	91,153	92,926	90,381	2,545
Payroll taxes	6,897	7,033	6,641	392
Employee benefits	33,908	34,122	35,563	(1,441)
Insurance	1,000	1,000	-	1,000
Contract services	73,185	73,185	73,359	(174)
Operating supplies	161,455	161,455	36,273	125,182
Training	250	250	200	50
Uniforms	750	750	751	(1)
Vehicle expense	<u>8,000</u>	<u>8,000</u>	<u>3,031</u>	<u>4,969</u>
Total stormwater collection	<u>376,598</u>	<u>378,721</u>	<u>246,199</u>	<u>132,522</u>
Administration				
Administration fees	21,360	21,360	21,551	(191)
Supplies	<u>15,000</u>	<u>15,000</u>	<u>6,324</u>	<u>8,676</u>
Total administration	<u>36,360</u>	<u>36,360</u>	<u>27,875</u>	<u>8,485</u>
Depreciation	<u>-</u>	<u>-</u>	<u>10,873</u>	<u>(10,873)</u>
Total operating expenses	<u>412,958</u>	<u>415,081</u>	<u>284,947</u>	<u>130,134</u>
Operating income (loss)	(142,458)	(144,581)	(4,294)	140,287
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	<u>800</u>	<u>800</u>	<u>3,586</u>	<u>2,786</u>
Changes in net position	(141,658)	(143,781)	(708)	143,073
Net position - beginning	<u>355,289</u>	<u>355,289</u>	<u>355,289</u>	<u>-</u>
Net position - end	<u>\$ 213,631</u>	<u>\$ 211,508</u>	<u>\$ 354,581</u>	<u>\$ 143,073</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Property Taxes Receivable**  
**June 30, 2019**

<u>Year of Levy</u>	
2019	\$ 3,120,600
2018	150,447
2017	38,144
2016	23,370
2015	9,087
2014	6,666
2013	7,628
2012	28,376
2011	12,520
2010	<u>19,392</u>
 Total property taxes receivable	 3,416,230
 Less: allowance for uncollectibles	 <u>(168,247)</u>
 Net property taxes receivable	 <u>\$ 3,247,983</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Changes in Property Taxes Receivable**  
**Year Ended June 30, 2019**

<b>Year of Levy</b>	<b>Taxes Receivable June 30, 2018</b>	<b>Levy</b>	<b>Pickups (Releases)</b>	<b>Collections</b>	<b>Taxes Receivable June 30, 2019</b>
2019	\$ -	\$ 3,120,600	\$ -	\$ -	\$ 3,120,600
2018	2,693,892	-	424,851	(2,968,296)	150,447
2017	133,717	-	-	(95,573)	38,144
2016	42,813	-	-	(19,443)	23,370
2015	27,075	-	-	(17,988)	9,087
2014	9,223	-	-	(2,557)	6,666
2013	9,210	-	-	(1,582)	7,628
2012	29,854	-	-	(1,478)	28,376
2011	13,724	-	-	(1,204)	12,520
2010	20,648	-	-	(1,256)	19,392
2009	2,780	-	(2,780)	-	-
	<u>\$ 2,982,936</u>	<u>\$ 3,120,600</u>	<u>\$ 422,071</u>	<u>\$ (3,109,377)</u>	<u>\$ 3,416,230</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2019**

**Tennessee Municipal Bond Fund**  
**Series 2011**

<u>Maturing</u> <u>June 30,</u> 2020	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
	<u>\$ 46,000</u>	<u>\$ 531</u>	<u>\$ 46,531</u>
Total	<u>\$ 46,000</u>	<u>\$ 531</u>	<u>\$ 46,531</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2019**

**Tennessee Municipal Bond Fund**  
**Series 2018**

<b><u>Maturing</u></b> <b><u>June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b> <b><u>Requirements</u></b>
2020	\$ 91,000	\$ 12,196	\$ 103,196
2021	95,000	7,605	102,605
2022	<u>99,000</u>	<u>3,881</u>	<u>102,881</u>
Total	<u>\$ 285,000</u>	<u>\$ 23,682</u>	<u>\$ 308,682</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2019**

**Tennessee Municipal Bond Fund**  
**Series 2019**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 183,000	\$ 66,500	\$ 249,500
2021	190,000	60,095	250,095
2022	197,000	53,445	250,445
2023	203,000	46,550	249,550
2024	210,000	39,445	249,445
2025	218,000	32,095	250,095
2026	225,000	24,465	249,465
2027	233,000	16,590	249,590
2028	<u>241,000</u>	<u>8,435</u>	<u>249,435</u>
 Total	 <u>\$1,900,000</u>	 <u>\$ 347,620</u>	 <u>\$ 2,247,620</u>

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2019**

**Tennessee Municipal Bond Fund**  
**Series 2012**

<b>Maturing June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2020	\$ 41,700	\$ 6,640	\$ 48,340
2021	41,700	5,430	47,130
2022	41,700	4,221	45,921
2023	41,700	3,012	44,712
2024	41,700	1,802	43,502
2025	<u>41,300</u>	<u>599</u>	<u>41,899</u>
<b>Total</b>	<b><u>\$249,800</u></b>	<b><u>\$ 21,704</u></b>	<b><u>\$ 271,504</u></b>

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2019**

**Tennessee Municipal Bond Fund**  
**Series 2018**

<u>Maturing</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2020	\$ 113,400	\$ 16,362	\$ 129,762
2021	117,000	11,892	128,892
2022	122,000	7,256	129,256
2023	<u>126,000</u>	<u>2,444</u>	<u>128,444</u>
Total	<u>\$ 478,400</u>	<u>\$ 37,954</u>	<u>\$ 516,354</u>

**CITY OF RED BANK, TENNESSEE**  
**Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2019**

**Tennessee Department of  
Environment and Conservation**

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2020	\$ 477,852	\$ 14,352	\$ 492,204
2021	<u>122,342</u>	<u>769</u>	<u>123,111</u>
Total	<u>\$ 600,194</u>	<u>\$ 15,121</u>	<u>\$ 615,315</u>

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Changes in Long-term Debt by Individual Issue**  
**June 30, 2019**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or		Outstanding 6/30/2019
							Matured During Period	Refunded During Period	
<b>Governmental Activities</b>									
Bonds Payable through General Fund									
Tennessee Municipal Bond - 2011	\$ 337,880	2.31%	10/05/11	10/01/19	\$ 91,000	\$ -	\$ (45,000)	\$ -	\$ 46,000
Tennessee Municipal Bond - 2018	\$ 285,000	3.92%	12/28/18	02/01/22	-	285,000	-	-	285,000
Tennessee Municipal Bond - 2019	\$ 1,900,000	3.50%	05/01/19	05/01/28	-	1,900,000	-	-	1,900,000
Total Bonds Payable through General Fund					\$ 91,000	\$ 2,185,000	\$ (45,000)	\$ -	\$ 2,231,000
Bonds Payable through State Street Aid Fund									
Tennessee Municipal Bond - 2012	\$ 500,000	2.90%	11/14/12	08/01/24	\$ 291,500	\$ -	\$ (41,700)	\$ -	\$ 249,800
Tennessee Municipal Bond - 2018	\$ 478,400	3.88%	10/30/18	10/01/22	-	478,400	-	-	478,400
Total Bonds Payable through State Street Aid Fund					\$ 291,500	\$ 478,400	\$ (41,700)	\$ -	\$ 728,200
<b>Business-Type Activities</b>									
Notes Payable through Sewer Fund									
Tenn. Dept. of Environment and Conservation	\$ 6,917,000	3.75%	10/14/97	09/01/20	\$ 1,060,478	\$ -	\$ (460,284)	\$ -	\$ 600,194

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Rates**  
**June 30, 2019**

**Analysis of Tax Rates and Assessments**

<u>Tax Year</u>	<u>Rates per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2019	\$1.39	\$ 224,503,597	\$ 3,120,600
2018	\$1.39	\$ 224,445,416	\$ 3,119,791
2017	\$1.35	\$ 193,805,207	\$ 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
2012	\$1.35	\$ 187,028,872	\$ 2,524,890
2011	\$1.10	\$ 189,363,636	\$ 2,083,000
2010	\$1.10	\$ 188,418,182	\$ 2,072,600

**Delinquent Taxes Filed**

The City has filed uncollected delinquent taxes.

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Insurance**  
**June 30, 2019**

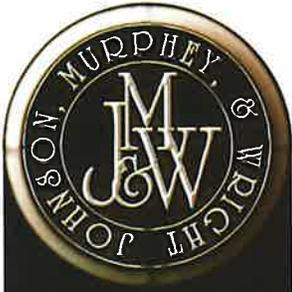
**Public Entity Partners Risk Management Pool:**

Property	\$ 11,738,632	
Workers compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per employee
Liability	\$ 1,000,000	each other loss - per occurrence

**OFFICIAL BONDS**

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

### **III. INTERNAL CONTROL AND COMPLIANCE SECTION**



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Mayor and Commissioners  
City of Red Bank, Tennessee

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Bank, Tennessee as of and for the year ended June 30, 2019, 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 November 12, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Red Bank, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Red Bank, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Red Bank, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2019-001 that we consider to be a significant deficiency.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Red Bank, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**City of Red Bank, Tennessee's Response to Findings**

The City of Red Bank, Tennessee's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Red Bank, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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, Murphey & Wright, P.C.*

Chattanooga, Tennessee  
November 12, 2019

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2019**

**SUMMARY OF AUDITOR'S RESULTS**

**Opinion on Financial Statements:**

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

**Internal Control Reportable Conditions:**

One instance of internal control reportable conditions was disclosed.

**Material Noncompliance:**

No instances of material noncompliance were disclosed.

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

**INTERNAL CONTROL:**

**FINDING 2019-001 - Approval and Documentation**

**Criteria:**

Government Auditing Standards Chapter A.06 (h) states that "inadequate controls for safeguarding of assets" is a control deficiency.

**Condition:**

1. Direct deposit reports are not always reviewed and initialed by the City Manager.
2. Time sheets are not always reviewed and initialed by the Supervisor or City Manager.

**Cause:**

An approval process is not being followed so that all direct deposit reports and time sheets are being reviewed and initialed by the appropriate individual.

**Effect:**

Without following proper procedures payroll could be incorrect.

**Management's Response:**

We concur. We will make every effort to correct the issues as noted.

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Prior Audit Findings**  
**June 30, 2019**

**Finding Number**

**Finding Title**

**Status**

There were no prior findings.



## City of Red Bank

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### MANAGEMENT'S CORRECTIVE ACTION PLAN

Management's corrective action plan for our June 30, 2019 audit is as follows:

#### **2019-001 Approval and Documentation**

We concur. Tim Thornbury, City Manager, will ensure as of the date of this letter that all direct deposit reports and time sheets are properly reviewed and initialed.

Respectfully submitted,

City of Red Bank, Tennessee

  
Tim Thornbury, City Manager