



**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

CITY OF RED BANK, TENNESSEE
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014

Randall Smith, City Manager

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CITY OF RED BANK, TENNESSEE
City Officials
June 30, 2014

MayorJohn Roberts

Vice-Mayor Floy Pierce

Commissioner (7/1/13 through 3/4/14)Kenneth Welch

Commissioner..... Eddie Pierce

Commissioner.....Rick Causer

City Judge.....Johnny Houston

City ManagerRandall Smith

City Recorder Ruth Rohen

Finance Director, CMFO.....John Alexander

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Certified Public
Accountants

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Chattanooga, TN
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Members
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Paul Johnson, III, CPA

Brian T. Wright, CPA

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Marianne Greene, CPA

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, 2014, 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.

To the Mayor and Commissioners
City of Red Bank, Tennessee
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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, 2014, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 and TCRS Schedule of Funding Progress 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, combining and individual non-major 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 combining and individual non-major 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 combining and individual non-major fund financial statements and Financial Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Mayor and Commissioners
City of Red Bank, Tennessee
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the City of Red Bank, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Red Bank, Tennessee's internal control over financial reporting and compliance.

Chattanooga, Tennessee
November 11, 2014

Johnson, Murphey & Wright, P.C.

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, 2014. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

The assets of the City of Red Bank, Tennessee exceeded its liabilities and deferred inflows at June 30, 2014, by \$13,373,431 (net position). Of this amount, \$6,130,011 (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 \$990,596. The City's business-type activities operated at a surplus of \$2,624.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$6,969,038.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,417,344, or 106.87%, 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 \$340,967. Of that balance, \$225,190, or 66.04%, 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, 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 and 16 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 four individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, which is considered to be a major fund. Data from the non-major governmental funds is combined into a single aggregated presentation. Individual fund data for the non-major governmental funds is provided in the form of combining statements later in this report beginning on page 55.

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

The basic governmental fund financial statements can be found on pages 17 through 26 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 27 through 30 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 31 through 52 of this report.

Required Supplementary Information other than MD&A

The Schedule of Funding Progress for the Tennessee Consolidated Retirement System is 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 55 and 56 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 exceeded liabilities and deferred inflows by \$13,373,431 at the close of this fiscal year.

The largest portion of the City of Red Bank, Tennessee's net position (50.04%) 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	
	2014	2013	2014	2013	2014	2013
Capital assets	\$ 7,799,663	\$ 7,956,617	\$ 115,777	\$ -	\$ 7,915,440	\$ 7,956,617
Other assets	9,695,518	8,829,214	3,256,594	3,720,774	12,952,112	12,549,988
Total assets	<u>\$ 17,495,181</u>	<u>\$ 16,785,831</u>	<u>\$ 3,372,371</u>	<u>\$ 3,720,774</u>	<u>\$ 20,867,552</u>	<u>\$ 20,506,605</u>
Long-term liabilities	\$ 1,835,572	\$ 2,136,865	\$ 3,029,996	\$ 3,507,066	\$ 4,865,568	\$ 5,643,931
Other liabilities	54,145	81,098	1,408	2,015	55,553	83,113
Total liabilities	<u>\$ 1,889,717</u>	<u>\$ 2,217,963</u>	<u>\$ 3,031,404</u>	<u>\$ 3,509,081</u>	<u>\$ 4,921,121</u>	<u>\$ 5,727,044</u>
Deferred inflows of resources	<u>\$ 2,573,000</u>	<u>\$ 2,526,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,573,000</u>	<u>\$ 2,526,000</u>
Net investment in capital assets	\$ 6,575,949	\$ 6,494,329	\$ 115,777	\$ -	\$ 6,691,726	\$ 6,494,329
Restricted	551,694	516,717	-	-	551,694	516,717
Unrestricted	5,904,821	5,030,822	225,190	211,693	6,130,011	5,242,515
Total net position	<u>\$ 13,032,464</u>	<u>\$ 12,041,868</u>	<u>\$ 340,967</u>	<u>\$ 211,693</u>	<u>\$ 13,373,431</u>	<u>\$ 12,253,561</u>

4.13%, or \$551,694, 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 \$6,130,011 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2014, 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 \$990,596.

The City of Red Bank, Tennessee's main revenue sources for 2014 were property tax and local sales tax. These taxes contributed greatly to the City's growth in net position since related expense for this revenue is very low.

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

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,345,442	\$ 1,188,315	\$ 255,995	\$ 258,844	\$ 1,601,437	\$ 1,447,159
Operating grants and contributions	430,507	447,063	139,578	160,383	570,085	607,446
Capital grants and contributions	71,909	26,851	-	458,844	71,909	485,695
General revenues:						
Property taxes	2,487,855	2,487,645	-	-	2,487,855	2,487,645
Other taxes	2,754,368	2,618,832	-	-	2,754,368	2,618,832
Other	73,615	98,197	678	1,632	74,293	99,829
Total revenues	<u>7,163,696</u>	<u>6,866,903</u>	<u>396,251</u>	<u>879,703</u>	<u>7,559,947</u>	<u>7,746,606</u>
Expenses:						
General government	1,498,999	1,426,724	-	-	1,498,999	1,426,724
Public safety	2,677,056	2,708,355	-	-	2,677,056	2,708,355
Public works	1,571,651	2,368,436	-	-	1,571,651	2,368,436
State street aid	182,635	961,769	-	-	182,635	961,769
Public welfare and recreation	214,730	223,273	-	-	214,730	223,273
Interest on long-term debt	28,029	30,850	-	-	28,029	30,850
Sewer	-	-	139,697	1,054,109	139,697	1,054,109
Stormwater	-	-	253,930	398,602	253,930	398,602
Total expenses	<u>6,173,100</u>	<u>7,719,407</u>	<u>393,627</u>	<u>1,452,711</u>	<u>6,566,727</u>	<u>9,172,118</u>
Increase (decrease) in net position	990,596	(852,504)	2,624	(573,008)	993,220	(1,425,512)
Net position - beginning (2014 as restated)	<u>12,041,868</u>	<u>12,894,372</u>	<u>338,343</u>	<u>784,701</u>	<u>12,380,211</u>	<u>13,679,073</u>
Net position - ending	<u>\$ 13,032,464</u>	<u>\$ 12,041,868</u>	<u>\$ 340,967</u>	<u>\$ 211,693</u>	<u>\$ 13,373,431</u>	<u>\$ 12,253,561</u>

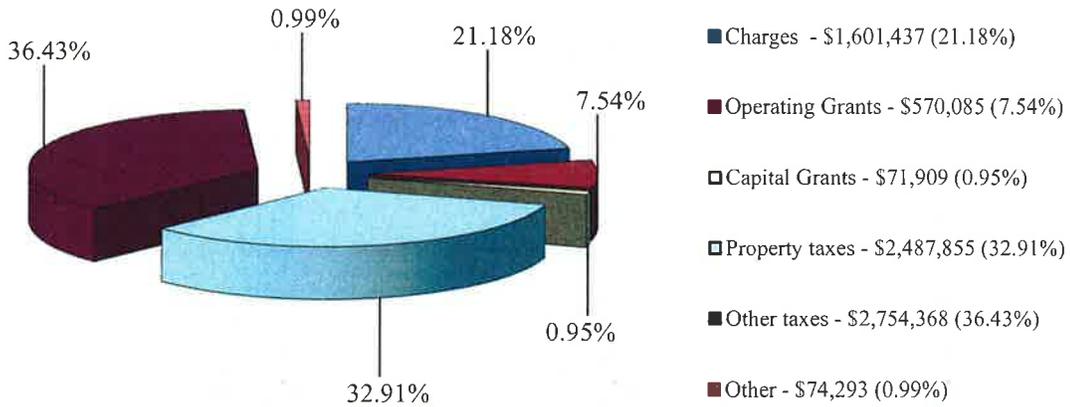
Net position for governmental activities increased \$990,596, or 8.23%, largely due to the following key factors:

Capital expenditures decreased significantly in the departments of public works and state street aid.

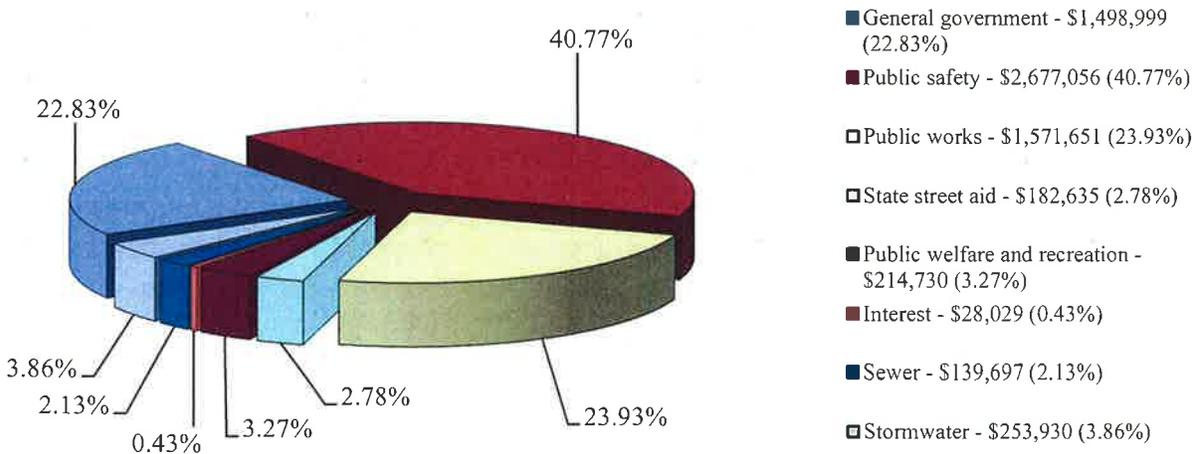
Net position for business-type activities increased by \$2,624, or 0.78%. Both revenues and expenses were down significantly.

The graphs below summarize the \$7,559,947 of city-wide revenues by source and the associated \$6,566,727 of expense by program. The graphs combine data from both governmental and business-type activities.

City-Wide Sources of Revenue

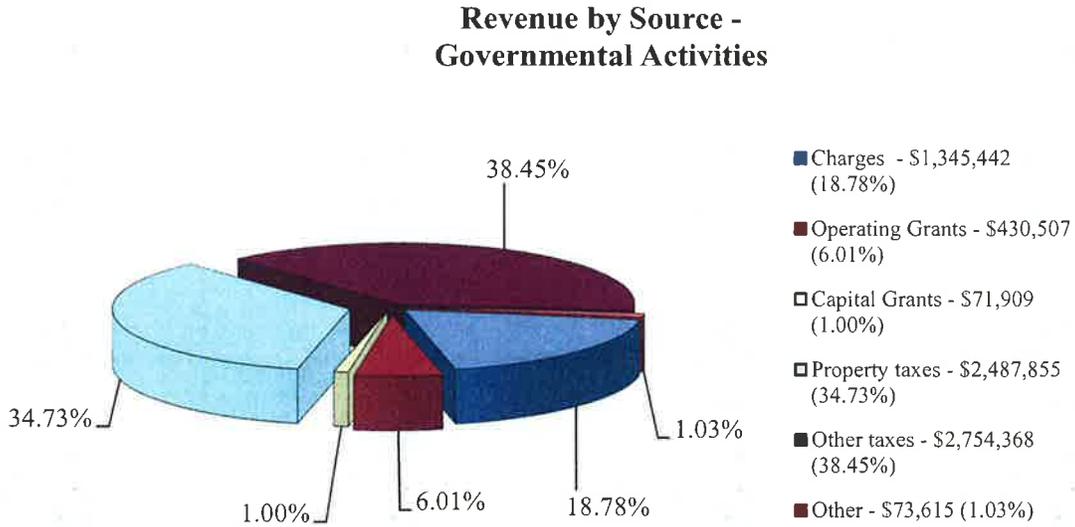


City-Wide Program Expenses

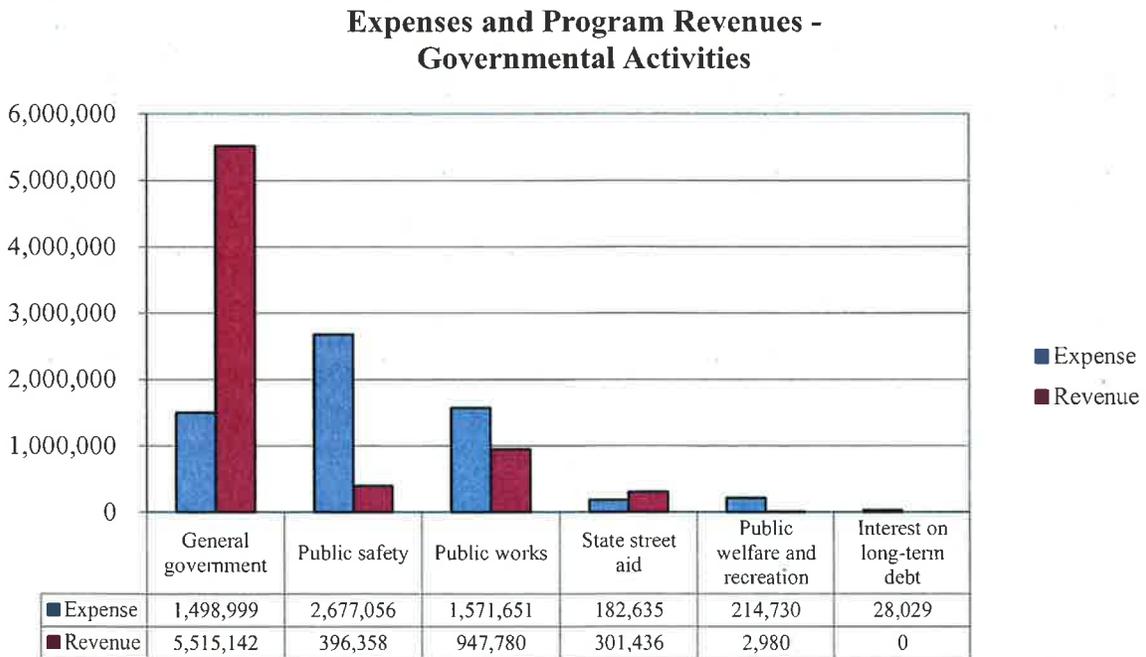


Governmental Activities

Governmental activities accounted for revenues of \$7,163,696. The following graph summarizes the revenue by source.



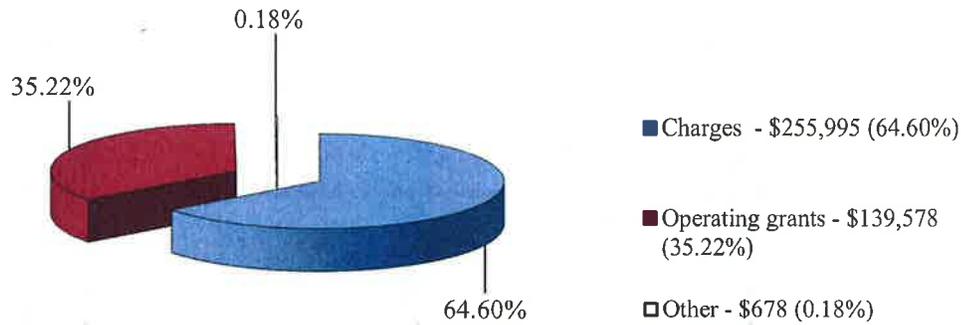
The following graph summarizes the revenue and related expense for each government program of the City. The difference between expense and revenue is the financial burden placed on the City’s taxpayers for each program.



Business-type Activities

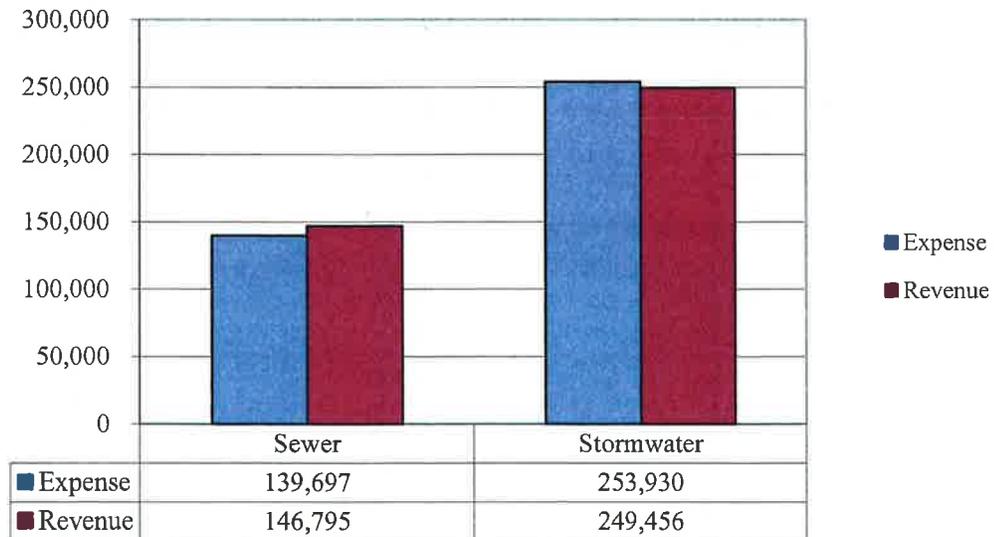
Business-type activities accounted for revenues of \$396,251. The following graph summarizes the revenue by source.

Revenue by Source - Business-Type Activities



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

Expenses and Program Revenues - Business-Type Activities



Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$6,969,038. The fund balance increased by \$873,097, which was largely due to the increase in the General Fund of \$838,120. Key factors are as follows:

Revenues in the General Fund were up \$363,442, representing a 5.16% increase from the prior year.

General Fund's public welfare and recreation expenditures decreased by \$422,638 from the prior year, representing a 73.15% decrease.

General Fund's capital outlay expenditures decreased by \$781,085 from the prior year, representing a 56.06% decrease.

State Street Aid Fund expenditures decreased by \$730,895 from the prior year, representing a 76.17% decrease.

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 \$6,417,344. 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 106.87% 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 \$12,656 for the Sewer Fund and \$212,534 for the Stormwater Fund.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget netted to \$(714,536). The details are listed below:

There was a \$999,502 increase in the budget for revenues, due largely to an increased budget for federal grants of \$870,542.

There was a \$72,883 increase in the budget for the general government expenditures, due largely to a decreased budget of \$37,000 for contract services.

There was a \$26,616 increase in the budget for public safety expenditures, due largely to an increased budget of \$8,929 for police salaries.

There was a \$22,150 increase in the budget for public works expenditures, due largely to an increased budget of \$10,775 for street department salaries.

There was a \$28,004 increase in the budget for public welfare and recreation expenditures due to an increased budget of \$28,004 for contract services.

There was a \$1,564,385 increase in the budget for capital outlay expenditures, due largely to the increased budget of the street department of \$933,282 and \$310,900 for solid waste.

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)**

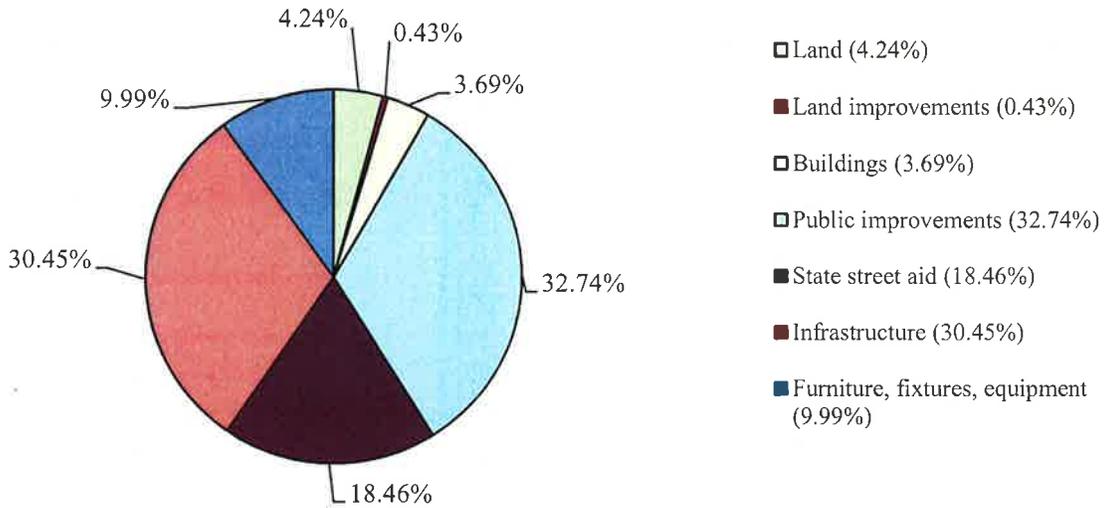
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 335,742	\$ -	\$ 335,742
Land improvements	-	34,049	34,049
Buildings	292,001	-	292,001
Public improvements	2,591,734	-	2,591,734
State street aid	1,461,284	-	1,461,284
Infrastructure	2,410,342	-	2,410,342
Furniture, fixtures and equipment	708,560	81,728	790,288
Total capital assets	<u>\$ 7,799,663</u>	<u>\$ 115,777</u>	<u>\$ 7,915,440</u>

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

Land	\$ 141,672
2 2014 Volkswagen Passats	\$ 50,886
Motorola radios	\$ 49,548
2 welcome signs	\$ 21,459
Equipment for 2 2014 Passats	\$ 11,192

Additional information on the City of Red Bank, Tennessee’s capital assets can be found in Note 8 on pages 40 and 41 of this report.

City-Wide Capital Assets

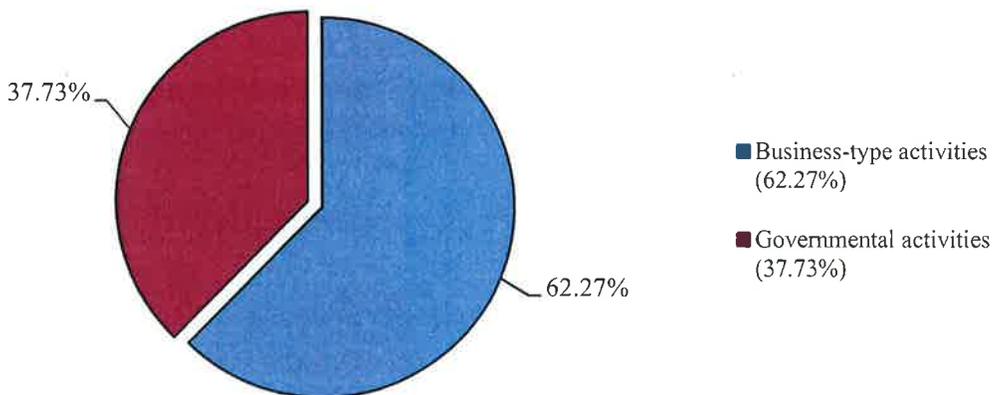


City of Red Bank, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Red Bank, Tennessee had total long-term debt outstanding of \$4,865,568. Of that amount, \$783,219 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 702,000	\$ -	\$ 702,000
Notes payable	755,714	3,007,981	3,763,695
Landfill closure and post-closure	115,500	-	115,500
Accrued leave	262,358	22,015	284,373
Current portion	(276,431)	(506,788)	(783,219)
Total long-term debt	<u>\$ 1,559,141</u>	<u>\$ 2,523,208</u>	<u>\$ 4,082,349</u>

Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 10 on pages 42 through 45 of this report.

Currently Known Conditions Effecting Future Years

The City of Red Bank has seen indications of an economic resurgence throughout the community during this fiscal year. Building permit fees for both residential and commercial entities have increased significantly; almost doubling the \$38,511 from fiscal year 2013. Long dormant commercial properties are being leased or purchased. The most notable are the opening of a Family Dollar store on Dayton Boulevard and the purchase and multiple leasing of space in the former Chattanooga Drug Company building on Lyndon Avenue. Such activity contributed to a record Local Sales Tax collection of \$1,036,000 in 2013. Red Bank is also seeing real estate investment groups acquiring aging apartment complexes and refurbishing these into modern, higher rent commanding units.

The transfer of possession to the City of Red Bank of over 11 acres at the former Middle School property, located in the heart of the City on Dayton Boulevard, is pending from the Hamilton County School Board. The future development of this property is currently under consideration. The final decision as to what would be an appropriate fit for that location is expected to be a landmark event that is seldom experienced within our borders. The City of Red Bank contracted with an independent professional organization to revamp our decades old Zoning Regulations and to develop a city-wide Land Use study, with consideration to include developing the school property. It is highly anticipated that development of this location will significantly change the overall appearance of our main thoroughfare to include a mixed business and residential use accompanied by recreational green space.

We are continuing to budget for improvements on infrastructure throughout the City. The City Commissioners have agreed to budget \$1,000,000 for continued paving of our most needed local streets in fiscal year 2015. With \$1,200,000 in paving conducted in fiscal year 2013, over 50% of all local roads will have been repaved within the last 3 years. We were also awarded a Traffic Improvement Grant totaling \$1,129,150. Construction of sidewalks and paving improvements along Dayton Boulevard related to this grant stalled due to third-party preliminary construction issues. It is expected that this grant work will be completed by the end of fiscal year 2015.

We are optimistic about the near future for Red Bank. We feel the close proximity to the vibrant North Shore and Riverfront areas of Chattanooga continues to draw interested families and businesses to our City. Many of our residential housing units were constructed in the 1920's and 30's. Though many of these may need some modernization and repairs, they offer an excellent value for young families due to their affordability. The City's location is an asset and makes it very accessible to a major of available activities and amenities throughout both Chattanooga and Hamilton County.

Requests 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, 2014

	Primary Government		
	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash	\$ 5,149,386	\$ 214,103	\$ 5,363,489
Investments	1,212,116	-	1,212,116
Property tax receivable - net	2,709,985	-	2,709,985
Accounts receivable - net	562,285	35,307	597,592
Due from grantor	60,949	-	60,949
Internal balances	797	(797)	-
Notes receivable - WWTA	-	3,007,981	3,007,981
Capital assets:			
Land	335,742	-	335,742
Other capital assets - net of accumulated depreciation	7,463,921	115,777	7,579,698
TOTAL ASSETS	<u>\$ 17,495,181</u>	<u>\$ 3,372,371</u>	<u>\$ 20,867,552</u>
LIABILITIES			
Accounts payable	\$ 16,726	\$ -	\$ 16,726
Accrued liabilities	37,419	1,408	38,827
Non-current liabilities:			
Due within one year -			
Bonds payable	162,000	-	162,000
Notes payable	106,731	506,788	613,519
Landfill closure and post-closure cost	7,700	-	7,700
Due in more than one year -			
Bonds payable	540,000	-	540,000
Notes payable	648,983	2,501,193	3,150,176
Landfill closure and post-closure cost	107,800	-	107,800
Accrued leave	262,358	22,015	284,373
TOTAL LIABILITIES	<u>\$ 1,889,717</u>	<u>\$ 3,031,404</u>	<u>\$ 4,921,121</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property tax	\$ 2,573,000	\$ -	\$ 2,573,000
NET POSITION			
Net investment in capital assets	\$ 6,575,949	\$ 115,777	\$ 6,691,726
Restricted for:			
Non-recurring police expenses	34,032	-	34,032
State street aid expenses	502,709	-	502,709
Impound expenses	14,953	-	14,953
Unrestricted	5,904,821	225,190	6,130,011
TOTAL NET POSITION	<u>\$ 13,032,464</u>	<u>\$ 340,967</u>	<u>\$ 13,373,431</u>

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

CITY OF RED BANK, TENNESSEE
Governmental Funds
Balance Sheet
June 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 4,646,582	\$ 502,804	\$ 5,149,386
Investments	1,212,114	2	1,212,116
Property tax receivable - net	2,709,985	-	2,709,985
Accounts receivable - net	506,652	55,633	562,285
Due from grantor	60,949	-	60,949
Due from other funds	7,542	-	7,542
TOTAL ASSETS	\$ 9,143,824	\$ 558,439	\$ 9,702,263
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 16,726	\$ -	\$ 16,726
Accrued liabilities	37,419	-	37,419
Due to other funds	-	6,745	6,745
Total liabilities	54,145	6,745	60,890
 Deferred Inflows of Resources			
Deferred revenue - property tax	2,672,335	-	2,672,335
 Fund Balances			
Restricted	-	551,694	551,694
Unassigned	6,417,344	-	6,417,344
Total fund balances	6,417,344	551,694	6,969,038
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 9,143,824	\$ 558,439	\$ 9,702,263

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, 2014

Total fund balances per governmental funds balance sheet	\$ 6,969,038
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,799,663
Long-term liabilities, including bonds payable, notes payable, landfill closure and post-closure cost, and accrued leave are not due and payable in the current period and, therefore, are not reported in the funds.	(1,835,572)
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.	<u>99,335</u>
Net position of governmental activities	<u>\$ 13,032,464</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
Year Ended June 30, 2014

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 4,264,823	\$ -	\$ 4,264,823
License and permits	80,757	-	80,757
Intergovernmental	1,117,993	301,436	1,419,429
Charges for services	946,990	-	946,990
Fines and forfeitures	288,793	25,527	314,320
Other	<u>143,751</u>	<u>20,465</u>	<u>164,216</u>
TOTAL REVENUES	<u>6,843,107</u>	<u>347,428</u>	<u>7,190,535</u>
EXPENDITURES			
Current expenditures			
General government	1,460,289	-	1,460,289
Public safety	2,426,201	24,238	2,450,439
Public works	1,137,699	-	1,137,699
State street aid	-	124,231	124,231
Public welfare and recreation	155,110	-	155,110
Capital outlay	612,148	59,586	671,734
Debt service	<u>213,540</u>	<u>104,396</u>	<u>317,936</u>
TOTAL EXPENDITURES	<u>6,004,987</u>	<u>312,451</u>	<u>6,317,438</u>
Excess (deficiency) of revenues over (under) expenditures	838,120	34,977	873,097
Fund balances - beginning	<u>5,579,224</u>	<u>516,717</u>	<u>6,095,941</u>
Fund balances - end	<u>\$ 6,417,344</u>	<u>\$ 551,694</u>	<u>\$ 6,969,038</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, 2014

Net changes in fund balances for total governmental funds	\$ 873,097
<p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.</p>	
	(156,954)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	(26,840)
<p>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.</p>	
	297,607
<p>Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:</p>	
Net (increase) decrease in accrued leave	<u>3,686</u>
Change in net position of governmental activities	<u>\$ 990,596</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Taxes				
Property tax	\$ 2,409,091	\$ 2,409,091	\$ 2,514,696	\$ 105,605
Minimum business tax	60,900	60,900	82,827	21,927
Local sales tax	980,000	980,000	1,051,604	71,604
Alcoholic beverage tax	265,000	265,000	307,327	42,327
Franchise tax	154,000	154,000	217,846	63,846
In lieu of tax	35,800	35,800	90,523	54,723
Total taxes	<u>3,904,791</u>	<u>3,904,791</u>	<u>4,264,823</u>	<u>360,032</u>
License and permits				
Privilege license	3,000	3,000	3,124	124
Wrecker permits	400	400	325	(75)
Solicitation permits	-	-	25	25
Building license and permits	22,900	22,900	77,283	54,383
Total license and permits	<u>26,300</u>	<u>26,300</u>	<u>80,757</u>	<u>54,457</u>
Intergovernmental				
State sales tax	765,000	765,000	833,609	68,609
State beer tax	3,000	3,000	5,513	2,513
State mixed drink tax	1,800	1,800	3,539	1,739
State income tax	25,000	25,000	32,678	7,678
State city streets and transportation system	23,000	23,000	23,843	843
TVA in lieu of tax	132,864	132,864	128,902	(3,962)
Federal grants	-	870,542	71,909	(798,633)
Police supplemental	19,800	19,800	18,000	(1,800)
Total intergovernmental	<u>970,464</u>	<u>1,841,006</u>	<u>1,117,993</u>	<u>(723,013)</u>
Charges for service				
Administrative services	21,000	21,000	21,000	-
Garbage fees	742,412	742,412	910,715	168,303
Rent of facilities	11,900	11,900	15,275	3,375
Total charges for service	<u>775,312</u>	<u>775,312</u>	<u>946,990</u>	<u>171,678</u>
Fines and forfeitures				
Court fines and costs	151,300	151,300	288,793	137,493

(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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other revenues				
Penalties	\$ -	\$ -	\$ 754	\$ 754
Miscellaneous	-	58,875	8,754	(50,121)
Sale of assets	-	-	10,877	10,877
Insurance recoveries and refund	-	8,616	14,406	5,790
Fees and commissions	-	-	2,980	2,980
Interest	12,250	12,250	23,708	11,458
Donations	-	61,469	82,272	20,803
Total other revenues	<u>12,250</u>	<u>141,210</u>	<u>143,751</u>	<u>2,541</u>
TOTAL REVENUES	<u>5,840,417</u>	<u>6,839,919</u>	<u>6,843,107</u>	<u>3,188</u>
EXPENDITURES				
Current expenditures				
General government				
Financial administration				
Salaries	280,329	288,829	283,586	5,243
Payroll tax	21,445	21,445	21,650	(205)
Employee benefits	606,047	609,647	596,818	12,829
Contract services	107,400	144,400	110,475	33,925
Dues and subscriptions	13,400	13,400	16,669	(3,269)
Insurance	189,500	194,500	187,594	6,906
Legal settlement	-	18,783	18,783	-
Office supplies and expenses	10,150	10,150	8,020	2,130
Operating supplies	5,150	5,150	7,277	(2,127)
Professional services	78,650	78,650	75,102	3,548
Repairs and maintenance	4,500	4,500	4,859	(359)
Telephone	5,060	5,060	5,767	(707)
Training	4,000	4,000	3,569	431
Travel	3,600	3,600	2,833	767
Utilities	21,500	21,500	17,496	4,004
Miscellaneous	<u>5,250</u>	<u>5,250</u>	<u>6,967</u>	<u>(1,717)</u>
Total financial administration	<u>1,355,981</u>	<u>1,428,864</u>	<u>1,367,465</u>	<u>61,399</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
EXPENDITURES (Continued)				
Current expenditures (Continued)				
General government (Continued)				
Judicial				
Salaries	\$ 71,190	\$ 71,190	\$ 77,606	\$ (6,416)
Payroll tax	5,500	5,500	5,821	(321)
Employee benefits	4,375	4,375	4,488	(113)
Miscellaneous	-	-	374	(374)
Office supplies and expenses	750	750	926	(176)
Operating supplies	1,200	1,200	1,542	(342)
Telephone	1,435	1,435	1,141	294
Training	500	500	543	(43)
Travel	350	350	383	(33)
Total judicial	<u>85,300</u>	<u>85,300</u>	<u>92,824</u>	<u>(7,524)</u>
Total general government	<u>1,441,281</u>	<u>1,514,164</u>	<u>1,460,289</u>	<u>53,875</u>
Public safety				
Police department				
Salaries	1,060,975	1,069,904	1,057,790	12,114
Payroll tax	81,195	82,109	78,134	3,975
Employee benefits	124,627	125,509	124,945	564
Contract services	143,888	149,505	168,537	(19,032)
Dues and subscriptions	1,500	1,500	1,761	(261)
Insurance	2,000	2,000	2,920	(920)
Office supplies and expenses	1,100	1,100	1,097	3
Operating supplies	17,380	17,380	22,768	(5,388)
Professional services	2,100	2,100	1,393	707
Repairs and maintenance	13,500	22,116	19,189	2,927
Telephone	14,000	14,000	11,686	2,314
Training	10,000	10,000	4,339	5,661
Travel	8,000	8,000	7,298	702
Uniforms	18,400	18,400	12,841	5,559
Vehicle	81,000	81,000	68,699	12,301
Total police department	<u>1,579,665</u>	<u>1,604,623</u>	<u>1,583,397</u>	<u>21,226</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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public safety (Continued)				
Fire department				
Salaries	\$ 600,220	\$ 600,220	\$ 592,309	\$ 7,911
Payroll tax	45,810	45,810	44,277	1,533
Employee benefits	50,417	50,417	48,875	1,542
Contract services	21,863	22,271	24,383	(2,112)
Dues and subscriptions	925	925	1,053	(128)
Fire hydrant rental	2,750	2,750	3,211	(461)
Insurance	7,272	7,272	9,808	(2,536)
Office supplies and expenses	1,170	1,170	1,086	84
Operating supplies	11,825	11,825	20,765	(8,940)
Repairs and maintenance	11,830	11,830	9,308	2,522
Telephone	4,980	4,980	4,853	127
Training	9,500	10,750	9,051	1,699
Travel	5,000	5,000	1,853	3,147
Uniforms	12,508	12,508	16,846	(4,338)
Utilities	24,300	24,300	20,004	4,296
Vehicle	<u>25,600</u>	<u>25,600</u>	<u>22,473</u>	<u>3,127</u>
Total fire department	<u>835,970</u>	<u>837,628</u>	<u>830,155</u>	<u>7,473</u>
Community service				
Salaries	17,186	17,186	10,190	6,996
Payroll taxes	1,315	1,315	725	590
Employee benefits	2,078	2,078	1,232	846
Operating supplies	<u>750</u>	<u>750</u>	<u>502</u>	<u>248</u>
Total community service	<u>21,329</u>	<u>21,329</u>	<u>12,649</u>	<u>8,680</u>
Total public safety	<u>2,436,964</u>	<u>2,463,580</u>	<u>2,426,201</u>	<u>37,379</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public works				
Street department				
Salaries	\$ 410,456	\$ 421,231	\$ 430,449	\$ (9,218)
Payroll tax	32,254	32,254	32,285	(31)
Employee benefits	55,254	55,254	55,550	(296)
Contract services	53,000	63,000	60,697	2,303
Insurance	2,000	2,000	1,904	96
Office supplies	2,700	2,700	3,383	(683)
Operating supplies	31,800	32,670	27,412	5,258
Professional services	-	-	2,392	(2,392)
Repairs and maintenance	25,250	25,250	21,775	3,475
Telephone	3,300	3,300	3,285	15
Training	2,000	2,000	1,557	443
Travel	380	380	-	380
Uniforms	1,300	1,300	1,050	250
Utilities	9,200	9,200	9,368	(168)
Vehicle	55,550	55,550	49,740	5,810
Total street department	<u>684,444</u>	<u>706,089</u>	<u>700,847</u>	<u>5,242</u>
Solid waste				
Salaries	238,523	238,523	205,567	32,956
Payroll tax	18,327	18,327	14,980	3,347
Employee benefits	113,875	113,875	109,383	4,492
Contract services	6,000	6,000	509	5,491
Insurance	1,000	1,000	-	1,000
Miscellaneous	150	150	25,223	(25,073)
Office supplies and expenses	5,000	5,000	248	4,752
Operating supplies	16,650	17,155	16,156	999
Repairs and maintenance	6,000	6,000	429	5,571
Telephone	150	150	71	79
Uniforms	800	800	450	350
Utilities	500	500	524	(24)
Vehicle expense	70,000	70,000	63,312	6,688
Total solid waste	<u>476,975</u>	<u>477,480</u>	<u>436,852</u>	<u>40,628</u>
Total public works	<u>1,161,419</u>	<u>1,183,569</u>	<u>1,137,699</u>	<u>45,870</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Current expenditures (Continued)				
Public welfare and recreation				
Animal control				
Contract services	\$ 59,071	\$ 59,071	\$ 59,071	\$ -
Parks and recreation				
Contract services	31,500	59,504	39,516	19,988
Operating supplies	3,500	3,500	1,913	1,587
Repairs and maintenance	10,500	10,500	4,585	5,915
Utilities	56,425	56,425	50,025	6,400
Total parks and recreation	<u>101,925</u>	<u>129,929</u>	<u>96,039</u>	<u>33,890</u>
Total public welfare and recreation	<u>160,996</u>	<u>189,000</u>	<u>155,110</u>	<u>33,890</u>
Capital outlay				
General government	5,750	161,995	160,675	1,320
Police department	18,500	59,687	31,169	28,518
Fire department	16,600	82,396	74,015	8,381
Street department	13,750	947,032	174,495	772,537
Solid waste	175,500	486,400	154,350	332,050
Parks and recreation	-	56,975	17,444	39,531
Total capital outlay	<u>230,100</u>	<u>1,794,485</u>	<u>612,148</u>	<u>1,182,337</u>
Debt service				
Principal and interest	<u>221,563</u>	<u>221,563</u>	<u>213,540</u>	<u>8,023</u>
TOTAL EXPENDITURES	<u>5,652,323</u>	<u>7,366,361</u>	<u>6,004,987</u>	<u>1,361,374</u>
Excess (deficiency) of revenues over (under) expenditures	188,094	(526,442)	838,120	1,364,562
Fund balances - beginning	<u>5,579,224</u>	<u>5,579,224</u>	<u>5,579,224</u>	<u>-</u>
Fund balances - end	<u>\$ 5,767,318</u>	<u>\$ 5,052,782</u>	<u>\$ 6,417,344</u>	<u>\$ 1,364,562</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, 2014

	Enterprise Funds		Totals
	Sewer Fund	Stormwater Fund	
ASSETS			
Current Assets			
Cash	\$ 12,656	\$ 201,447	\$ 214,103
Accounts receivable - net	-	35,307	35,307
Notes receivable - WWTA	506,788	-	506,788
Total current assets	<u>519,444</u>	<u>236,754</u>	<u>756,198</u>
Non-current Assets			
Other assets			
Notes receivable - WWTA	<u>2,501,193</u>	<u>-</u>	<u>2,501,193</u>
Capital assets			
Other capital assets - net of accumulated depreciation	<u>-</u>	<u>115,777</u>	<u>115,777</u>
Total capital assets	<u>-</u>	<u>115,777</u>	<u>115,777</u>
Total non-current assets	<u>2,501,193</u>	<u>115,777</u>	<u>2,616,970</u>
TOTAL ASSETS	<u>\$ 3,020,637</u>	<u>\$ 352,531</u>	<u>\$ 3,373,168</u>
LIABILITIES			
Current Liabilities			
Accrued liabilities	\$ -	\$ 1,408	\$ 1,408
Due to other funds	-	797	797
Current maturities of notes payable	506,788	-	506,788
Total current liabilities	<u>506,788</u>	<u>2,205</u>	<u>508,993</u>
Non-current Liabilities			
Long term debt - due after one year - notes	2,501,193	-	2,501,193
Accrued leave	<u>-</u>	<u>22,015</u>	<u>22,015</u>
Total non-current liabilities	<u>2,501,193</u>	<u>22,015</u>	<u>2,523,208</u>
TOTAL LIABILITIES	<u>\$ 3,007,981</u>	<u>\$ 24,220</u>	<u>\$ 3,032,201</u>
NET POSITION			
Net investment in capital assets	\$ -	\$ 115,777	\$ 115,777
Unrestricted	<u>12,656</u>	<u>212,534</u>	<u>225,190</u>
TOTAL NET POSITION	<u>\$ 12,656</u>	<u>\$ 328,311</u>	<u>\$ 340,967</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, 2014

	Enterprise Funds		Totals
	Sewer Fund	Stormwater Fund	
OPERATING REVENUES			
Rent of facilities	\$ 7,191	\$ -	\$ 7,191
Stormwater fees	-	247,443	247,443
Other	-	1,361	1,361
Total operating revenues	<u>7,191</u>	<u>248,804</u>	<u>255,995</u>
OPERATING EXPENSES			
Stormwater collection	-	211,271	211,271
Administration	119	31,786	31,905
Depreciation	-	10,873	10,873
Total operating expenses	<u>119</u>	<u>253,930</u>	<u>254,049</u>
Operating income (loss)	<u>7,072</u>	<u>(5,126)</u>	<u>1,946</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest earnings	26	652	678
Intergovernmental revenue	139,578	-	139,578
Interest expense	<u>(139,578)</u>	<u>-</u>	<u>(139,578)</u>
Total non-operating revenues (expenses)	<u>26</u>	<u>652</u>	<u>678</u>
Changes in net position	7,098	(4,474)	2,624
Net position - beginning (Stormwater Fund as restated)	<u>5,558</u>	<u>332,785</u>	<u>338,343</u>
Net position - end	<u>\$ 12,656</u>	<u>\$ 328,311</u>	<u>\$ 340,967</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, 2014

	<u>Enterprise Funds</u>		<u>Totals</u>
	<u>Sewer Fund</u>	<u>Stormwater Fund</u>	
Cash Flows from Operating Activities			
Receipts from customers	\$ 7,191	\$ 249,194	\$ 256,385
Payments to suppliers	(119)	(200,033)	(200,152)
Payments to employees	-	(78,351)	(78,351)
Net cash provided (used) by operating activities	<u>7,072</u>	<u>(29,190)</u>	<u>(22,118)</u>
Cash Flows from Investing Activities			
Interest income	<u>26</u>	<u>652</u>	<u>678</u>
Net cash provided (used) by investing activities	<u>26</u>	<u>652</u>	<u>678</u>
Net increase (decrease) in cash	7,098	(28,538)	(21,440)
Cash - beginning	<u>5,558</u>	<u>229,985</u>	<u>235,543</u>
Cash - end	<u>\$ 12,656</u>	<u>\$ 201,447</u>	<u>\$ 214,103</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	<u>\$ 7,072</u>	<u>\$ (5,126)</u>	<u>\$ 1,946</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	10,873	10,873
(Increase) decrease in accounts receivable - net	-	546	546
Increase (decrease) in accrued liabilities	-	(607)	(607)
Increase (decrease) in due to other funds	-	(37,496)	(37,496)
Increase (decrease) in accrued leave	-	2,620	2,620
Total adjustments	<u>-</u>	<u>(24,064)</u>	<u>(24,064)</u>
Net cash provided (used) by operating activities	<u>\$ 7,072</u>	<u>\$ (29,190)</u>	<u>\$ (22,118)</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, 2014

	Enterprise Funds		
	Sewer Fund	Stormwater Fund	Totals
Non-cash Investing and Financing Activities			
Debt payments made on behalf of the Sewer Fund by HCWWTA (Note 20)			
Principal	\$ 479,690	\$ -	\$ 479,690
Interest	139,578	-	139,578
Total	\$ 619,268	\$ -	\$ 619,268

Non-cash transaction during year ended June 30, 2007, 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, 2014, HCWWTA paid \$479,690 in principal and \$139,578 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, 2014

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 City

In evaluating how to define the reporting city, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting city was made by applying the criteria set forth in GAAP and GASB issued Statement No. 14, *The Financial Reporting City*. 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 fund:

General Fund

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

The City reports the following major enterprise 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. Fund Balance Policy

Committed Fund Balances:

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 Fund Balance:

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.

Order of Use of Restricted and Unrestricted Funds:

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

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

E. Budgets and Budgetary Accounting

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

During April and May, budget requests from departments are submitted to the City Manager.

Budget items submitted are discussed at these regularly scheduled meetings and in special work session meetings in June. Subsequently the budget is enacted through vote of the Commissioners, with an operative date of July 1.

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

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 \$(766,492) in the governmental funds and \$0 in the enterprise funds.

F. 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, 2014, the City had no cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. 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.

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. 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 2014 levy is \$1.35 per \$100 of assessed valuation, and the tax rate for the 2013 levy is \$1.35 per \$100 of assessed valuation.

Property taxes for the 2014 levy are considered to be owed to the City as of the lien date on January 1, 2014. Therefore, the entire 2014 levy was recorded as a receivable and deferred revenue as of June 30, 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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	11-50
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.

K. 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.

L. 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.

M. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial 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 no items that qualify for reporting as a deferred outflow of resources.

In addition to liabilities, the Statement of Financial 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. The government has one type of item that qualifies for reporting in this category. Accordingly, the item, deferred revenue - property tax, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

O. Prepayment of Expenditures

Governmental fund expenditures for insurance and similar services extending over more than one accounting period are not allocated between accounting periods but accounted for as expenditures of the period of acquisition.

P. 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.

Q. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2014, and November 11, 2014, 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, 2014, the carrying amount of the City's deposits was \$5,362,633, and the bank balance was \$5,645,322. 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	\$ 5,363,489
Less: petty cash	(856)
Total	<u>\$ 5,362,633</u>

Investments

The City's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP) and a certificate-of-deposit. The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2014. The LGIP is not rated. The City's investments are listed on the Statement of Net Position as follows:

LGIP	\$ 1,212,013
Certificate-of-deposit	<u>103</u>
Total	<u>\$ 1,212,116</u>

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

NOTE 3 - PROPERTY TAXES RECEIVABLE - NET

Property taxes receivable as of June 30, 2014, consists of the following:

<u>Year of Levy</u>	
2014	\$ 2,573,000
2013	157,531
2012	83,823
2011	40,908
2010	23,645
2009	3,023
2008	<u>12,971</u>
	2,894,901
Less: allowance for uncollectibles	<u>(184,916)</u>
Property taxes receivable - net	<u>\$ 2,709,985</u>

NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net at June 30, 2014, consists of the following:

	General Fund	State Street Aid Fund	Stormwater Fund	Total
State shared revenue receivables	\$ 372,969	\$ -	\$ -	\$ 372,969
Local beer tax	27,480	-	-	27,480
Court fines	112,186	-	-	112,186
Franchise tax	43,525	-	-	43,525
Stormwater tax	-	-	55,452	55,452
State street aid	-	54,633	-	54,633
Other accounts receivable	26,778	1,000	-	27,778
Less: allowance for doubtful accounts	<u>(76,286)</u>	<u>-</u>	<u>(20,145)</u>	<u>(96,431)</u>
 Total	 <u>\$ 506,652</u>	 <u>\$ 55,633</u>	 <u>\$ 35,307</u>	 <u>\$ 597,592</u>

NOTE 5 - DUE FROM GRANTOR

Due from other governments at June 30, 2014, consists of the following:

Department of Transportation	\$ 9,175
Department of Homeland Security	49,548
Department of Justice	<u>2,226</u>
 Total	 <u>\$ 60,949</u>

NOTE 6 - INTERNAL BALANCES

Internal balances at June 30, 2014, consist of the following:

Due to:	Due from:		Total
	State Street Aid Fund	Stormwater Fund	
General Fund	<u>\$ 6,745</u>	<u>\$ 797</u>	<u>\$ 7,542</u>

Internal balance represents amounts paid by the General Fund on behalf of the State Street Aid Fund and Stormwater Fund that are to be reimbursed 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:

2015	\$ 506,788
2016	529,562
2017	467,801
2018	443,364
2019	460,284
2020-2021	<u>600,182</u>
	3,007,981
Less: current portion	<u>(506,788)</u>
 Total	 <u>\$ 2,501,193</u>

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 194,070	\$ 141,672	\$ -	\$ 335,742
Total capital assets not being depreciated	<u>194,070</u>	<u>141,672</u>	<u>-</u>	<u>335,742</u>
Capital assets being depreciated:				
Buildings	790,961	-	-	790,961
Public improvements	3,023,990	23,933	-	3,047,923
State street aid	1,973,068	-	-	1,973,068
Infrastructure	2,810,741	-	-	2,810,741
Furniture, fixtures and equipment	<u>3,727,652</u>	<u>137,436</u>	<u>(306,671)</u>	<u>3,558,417</u>
Total capital assets being depreciated	<u>12,326,412</u>	<u>161,369</u>	<u>(306,671)</u>	<u>12,181,110</u>
Less accumulated depreciation for:				
Buildings	478,858	20,102	-	498,960
Public improvements	379,850	76,339	-	456,189
State street aid	453,379	58,405	-	511,784
Infrastructure	344,184	56,215	-	400,399
Furniture, fixtures and equipment	<u>2,907,594</u>	<u>248,934</u>	<u>(306,671)</u>	<u>2,849,857</u>
Total accumulated depreciation	<u>4,563,865</u>	<u>459,995</u>	<u>(306,671)</u>	<u>4,717,189</u>
Total capital assets being depreciated - net	<u>7,762,547</u>	<u>(298,626)</u>	<u>-</u>	<u>7,463,921</u>
Governmental activities capital assets - net	<u>\$ 7,956,617</u>	<u>\$ (156,954)</u>	<u>\$ -</u>	<u>\$ 7,799,663</u>

NOTE 8 - CAPITAL ASSETS (Continued)

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

General government	\$ 17,915
Public safety	191,525
Public works	126,042
State street aid	58,404
Public welfare and recreation	<u>66,109</u>
 Total	 <u>\$ 459,995</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets being depreciated:				
Land improvements	\$ 35,841	\$ -	\$ -	\$ 35,841
Plant in service	33,920	-	-	33,920
Equipment	<u>110,129</u>	<u>-</u>	<u>-</u>	<u>110,129</u>
Total capital assets being depreciated	<u>179,890</u>	<u>-</u>	<u>-</u>	<u>179,890</u>
Less accumulated depreciation for:				
Land improvements	-	1,792	-	1,792
Plant in service	33,920	-	-	33,920
Equipment	<u>19,320</u>	<u>9,081</u>	<u>-</u>	<u>28,401</u>
Total accumulated depreciation	<u>53,240</u>	<u>10,873</u>	<u>-</u>	<u>64,113</u>
 Total capital assets being depreciated - net	 <u>126,650</u>	 <u>(10,873)</u>	 <u>-</u>	 <u>115,777</u>
 Business-type activities capital assets - net	 <u>\$ 126,650</u>	 <u>\$ (10,873)</u>	 <u>\$ -</u>	 <u>\$ 115,777</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.

The Stormwater Fund purchased capital assets during the past fiscal year that were not recorded on their books. These additions were added during the current fiscal year, changing the beginning balance of the business-type activities capital assets, and resulting in a prior period adjustment of \$126,650 in the Stormwater Fund.

NOTE 9 - 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>99,335</u>	\$ <u>2,573,000</u>	\$ <u>2,672,335</u>

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

NOTE 10 - LONG-TERM DEBT

A. Governmental Debt

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

	<u>Principal Balance</u>
Tennessee Municipal Bond Fund, Series 1997, issued in the original amount of \$2,401,000 for landfill capping/ a new fire hall/ and street paving, payable in varying amounts including interest at variable interest rates, due May, 2018	\$ 702,000
Capital outlay note, Series 2010, issued in the original amount of \$232,000 for two (2) garbage trucks, payable in varying annual installments of approximately \$62,187, including interest at 2.9%, due February, 2014	-
Capital outlay note, Series 2012, issued in the original amount of \$337,880 for a fire truck, payable in varying annual installments of approximately \$46,743, including interest at 2.31%, due October, 2019	260,000
Capital outlay note, Series 2012, issued in the original amount of \$42,556 for two (2) police cars, payable in varying annual installments of approximately \$11,042, including interest at 2.22%, due June, 2015	10,639
Capital outlay note, Series 2013, issued in the original amount of \$40,176 for police cars, payable in varying annual installments of approximately \$14,144, including interest at 2.10%, due May 2016	26,775
TML capital outlay note, Series 2012, issued in the original amount of \$500,000 for highway and street improvements, payable in varying annual installments of approximately \$55,595, including interest at 2.90%, due August 2024	458,300
Accrued leave	262,358
Landfill closure and post-closure cost	<u>115,500</u>
	1,835,572
Less: current portion of governmental long-term debt	<u>(276,431)</u>
Total governmental long-term debt	<u>\$ 1,559,141</u>

NOTE 10 - LONG-TERM DEBT (Continued)

A. Governmental Debt (Continued)

A summary of changes in governmental long-term debt for the year ended June 30, 2014, are as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2014</u>	Amount Due Within <u>One Year</u>
TML Bond Fund	\$ 856,000	\$ -	\$(154,000)	\$ 702,000	\$ 162,000
Capital outlay note 2010, due 2014	30,167	-	(30,167)	-	-
Capital outlay note 2012, due 2019	300,000	-	(40,000)	260,000	41,000
Capital outlay note 2012, due 2015	21,278	-	(10,639)	10,639	10,639
Capital outlay note 2013, due 2016	40,176	-	(13,401)	26,775	13,392
TML capital outlay note 2012, due 2024	500,000	-	(41,700)	458,300	41,700
Accrued leave	266,044	-	(3,686)	262,358	-
Landfill closure and post- closure cost	<u>123,200</u>	<u>-</u>	<u>(7,700)</u>	<u>115,500</u>	<u>7,700</u>
	<u>\$ 2,136,865</u>	<u>\$ -</u>	<u>\$(301,293)</u>	<u>1,835,572</u>	<u>\$ 276,431</u>
Less: current portion of governmental long-term debt				<u>(276,431)</u>	
Total governmental long-term debt				<u>\$ 1,559,141</u>	

Interest paid during the year ended June 30, 2014, on governmental long-term debt was \$28,029.

Governmental debt service requirements to maturity, including interest of \$92,545 is as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 268,731	\$ 19,027	\$ 287,758
2016	268,083	16,336	284,419
2017	264,700	13,859	278,559
2018	273,700	11,657	285,357
2019	86,700	9,431	96,131
2020-2024	254,500	21,636	276,136
2025	<u>41,300</u>	<u>599</u>	<u>41,899</u>
	<u>\$ 1,457,714</u>	<u>\$ 92,545</u>	<u>\$ 1,550,259</u>

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

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

NOTE 10 - LONG-TERM DEBT (Continued)

B. Business-Type Debt

Sewer Fund:

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

	<u>Principal Balance</u>
Note to Tennessee Department of Health & Environment, for sewer improvements, payable in monthly installments of \$11,138, including interest at 7.65%, through July, 2017.	\$ 269,507
Note to Tennessee Department of Environment and Conservation, for sewer improvements, to be repaid in variable annual installments through September, 2021, with interest payable monthly at a variable rate, currently 3.75%.	<u>2,738,474</u>
	3,007,981
Less: current portion of sewer long-term debt	<u>(506,788)</u>
Total sewer long-term debt	<u>\$ 2,501,193</u>

Stormwater Fund:

Accrued leave	\$ 22,015
Less: current portion	<u>(-)</u>
Total stormwater long-term debt	<u>\$ 22,015</u>

A summary of changes in business-type long-term debt for the year ended June 30, 2014, are as follows:

Sewer Fund:

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Note - Tennessee Dept. of Health and Environment	\$ 367,537	\$ -	\$ (98,030)	\$ 269,507	\$ 110,560
Note - Tennessee Dept. of Environment and Conservation	<u>3,120,134</u>	<u>-</u>	<u>(381,660)</u>	<u>2,738,474</u>	<u>396,228</u>
	<u>\$ 3,487,671</u>	<u>\$ -</u>	<u>\$ (479,690)</u>	3,007,981	<u>\$ 506,788</u>
Less: current portion of sewer long-term debt				<u>(506,788)</u>	
Total sewer long-term debt				<u>\$ 2,501,193</u>	

Interest paid during the year ended June 30, 2014, on sewer long-term debt was \$139,578.

NOTE 10 - LONG-TERM DEBT (Continued)

B. Business-Type Debt (Continued)

Sewer Fund:

Sewer debt service requirements to maturity, including interest of \$379,377 is as follows:

<u>Year ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2015	\$ 506,788	\$ 117,736	\$ 624,524
2016	529,562	94,865	624,427
2017	467,801	70,895	538,696
2018	443,364	48,840	492,204
2019	460,284	31,920	492,204
2020-2021	<u>600,182</u>	<u>15,121</u>	<u>615,303</u>
	<u>\$ 3,007,981</u>	<u>\$ 379,377</u>	<u>\$ 3,387,358</u>

Stormwater Fund:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
Accrued leave	\$ 19,395	\$ 2,620	\$ -	\$ 22,015	\$ -
Less: current portion				(-)	
Total stormwater long-term debt				<u>\$ 22,015</u>	

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

NOTE 11 - LANDFILL CLOSURE AND POST-CLOSURE

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

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

<u>Year Ended</u> <u>June 30:</u>	<u>Amount</u>
2015	\$ 7,700
2016	7,700
2017	7,700
2018	7,700
2019	7,700
2020-2024	38,500
2025-2029	<u>38,500</u>
Total	<u>\$ 115,500</u>

NOTE 12 - FUND BALANCE RELATED TO GASB STATEMENT 54

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes 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:

Restricted Fund Balance

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation. Drug funds in the amount of \$34,032 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$502,709 are legally restricted for state street aid expenditures. Impound funds in the amount of \$14,953 are restricted for impound related expenditures.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the General Fund is the only fund at the City 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 13 - 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 \$34,032 are legally restricted for non-recurring police expenditures.

State street aid funds in the amount of \$502,709 are legally restricted for state street aid expenditures.

Impound funds in the amount of \$14,953 are restricted for impound related expenditures.

NOTE 14 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including bonds payable, notes payable, landfill closure and post-closure costs, and accrued leave are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(1,835,572) difference are as follows:

Bonds payable	\$(702,000)
Notes payable	(755,714)
Landfill closure and post-closure cost	(115,500)
Accrued leave	<u>(262,358)</u>
Net adjustment	<u>\$(1,835,572)</u>

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 \$(156,954) difference are as follows:

Capital outlay	\$ 303,041
Depreciation expense	<u>(459,995)</u>
Net adjustment	<u>\$(156,954)</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 \$297,607 difference are as follows:

Principal repayments:	
Bonds payable	\$ 154,000
Notes payable	135,907
Landfill closure and post-closure cost	<u>7,700</u>
Net adjustment	<u>\$ 297,607</u>

NOTE 15 - 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 16 - PENSION PLAN

Plan Description

Employees of Red Bank are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Red Bank participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Red Bank has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Red Bank is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014, was 12.09% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Red Bank is established and may be amended by the TCRS Board of Trustees.

NOTE 16 - PENSION PLAN (Continued)

Annual Pension Cost

For the year ending June 30, 2014, Red Bank's annual pension cost of \$293,723 to TCRS was equal to Red Bank's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post-retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Red Bank's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 18 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
June 30, 2014	\$ 293,723	100.00%	\$0.00
June 30, 2013	\$ 289,583	100.00%	\$0.00
June 30, 2012	\$ 286,408	100.00%	\$0.00

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 89.36% funded. The actuarial accrued liability for benefits was \$8.16 million, and the actuarial value of assets was \$7.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.87 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.32 million, and the ratio of the UAAL to the covered payroll was 37.42%.

The Schedule of Funding Progress, presented as Required Supplementary Information (RSI) following the Notes to the Financial Statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2013	\$ 7,288	\$ 8,157	\$ 868	89.36%	\$ 2,320	37.42%
July 01, 2011	\$ 6,438	\$ 7,116	\$ 678	90.47%	\$ 2,166	31.33%
July 01, 2009	\$ 5,238	\$ 5,951	\$ 713	88.03%	\$ 2,151	33.12%

NOTE 17 - RISK MANAGEMENT POOL

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

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

Coverages are as follows:

Buildings and personal property	\$ 9,559,268	
Workmen's compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per person
General and personal injury liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property
	\$ 1,000,000	each other loss - per occurrence
Automobile liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property

NOTE 17 - RISK MANAGEMENT POOL (Continued)

The responsibilities of the City are as follows:

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

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

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

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

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

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

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

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

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

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

The responsibilities of TML are as follows:

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

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

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

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2014. No provision has been made in the financial statements for the year ended June 30, 2014, for any estimate of potential unpaid claims.

NOTE 18 - LITIGATION AND CLAIMS

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

NOTE 19 - 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 20 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash transaction during year ended June 30, 2007, 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, 2014, HCWWTA paid \$479,690 in principal and \$139,578 in interest directly to the payees.

NOTE 21 - POST EMPLOYEE BENEFITS OTHER THAN PENSIONS

The City does not have any post employee benefits other than the pension disclosed in Note 16.

NOTE 22 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS

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

NOTE 23 - RESTATEMENT OF NET POSITION

The Stormwater Fund purchased capital assets during the past fiscal year that were not recorded on their books. These additions were added during the current fiscal year, resulting in a prior period adjustment of \$126,650 in the Stormwater Fund as follows:

June 30, 2013, ending net position	\$ 206,135
Recording of capital assets	<u>126,650</u>
June 30, 2013, ending net position as restated	<u>\$ 332,785</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF RED BANK, TENNESSEE
Tennessee Consolidated Retirement System
Schedule of Funding Progress
June 30, 2014

(Dollar Amount in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$7,288	\$8,157	\$868	89.36%	\$2,320	37.42%
July 1, 2011	\$6,438	\$7,116	\$678	90.47%	\$2,166	31.33%
July 1, 2009	\$5,238	\$5,951	\$713	88.03%	\$2,151	33.12%

OTHER SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

CITY OF RED BANK, TENNESSEE
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2014

	Special Revenue			Total
	Drug Fund	Impound Fund	State Street Aid Fund	Non-major Governmental Funds
ASSETS				
Cash	\$ 34,032	\$ 14,953	\$ 453,819	\$ 502,804
Investments	-	-	2	2
Accounts receivable	-	-	55,633	55,633
TOTAL ASSETS	\$ 34,032	\$ 14,953	\$ 509,454	\$ 558,439
 LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 6,745	\$ 6,745
Total liabilities	-	-	6,745	6,745
 Fund balances				
Restricted	34,032	14,953	502,709	551,694
Total fund balances	34,032	14,953	502,709	551,694
 TOTAL LIABILITIES AND FUND BALANCES	\$ 34,032	\$ 14,953	\$ 509,454	\$ 558,439

CITY OF RED BANK, TENNESSEE
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2014

	<u>Special Revenue</u>			<u>Total Non-major Governmental Funds</u>
	<u>Drug Fund</u>	<u>Impound Fund</u>	<u>State Street Aid Fund</u>	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 301,436	\$ 301,436
Fines and forfeitures	23,052	2,475	-	25,527
Other revenues	<u>9,875</u>	<u>2,696</u>	<u>7,894</u>	<u>20,465</u>
TOTAL REVENUES	<u>32,927</u>	<u>5,171</u>	<u>309,330</u>	<u>347,428</u>
EXPENDITURES				
Current Expenditures				
Public safety	19,972	4,266	-	24,238
State street aid	-	-	124,231	124,231
Capital Outlay	54,246	5,340	-	59,586
Debt Service	<u>-</u>	<u>-</u>	<u>104,396</u>	<u>104,396</u>
TOTAL EXPENDITURES	<u>74,218</u>	<u>9,606</u>	<u>228,627</u>	<u>312,451</u>
Excess (deficiency) of revenues over (under) expenditures	(41,291)	(4,435)	80,703	34,977
Fund balances - beginning	<u>75,323</u>	<u>19,388</u>	<u>422,006</u>	<u>516,717</u>
Fund balances - end	<u>\$ 34,032</u>	<u>\$ 14,953</u>	<u>\$ 502,709</u>	<u>\$ 551,694</u>

CITY OF RED BANK, TENNESSEE
Drug Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Fines and forfeitures				
Drug fines	\$ 20,000	\$ 20,000	\$ 23,052	\$ 3,052
Other revenues				
Impound charges	1,500	1,500	395	(1,105)
Sale of assets	10,000	10,000	9,290	(710)
Interest earnings	100	100	190	90
Total other revenues	<u>11,600</u>	<u>11,600</u>	<u>9,875</u>	<u>(1,725)</u>
TOTAL REVENUES	<u>31,600</u>	<u>31,600</u>	<u>32,927</u>	<u>1,327</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Contract services	2,500	2,500	2,539	(39)
Drug enforcement	5,000	5,000	3,400	1,600
Miscellaneous	-	-	68	(68)
Repairs and maintenance	1,000	1,000	390	610
Operating supplies	14,000	14,000	12,898	1,102
Training	2,000	2,000	-	2,000
Vehicle	-	-	677	(677)
Total public safety	<u>24,500</u>	<u>24,500</u>	<u>19,972</u>	<u>4,528</u>
Capital Outlay				
Equipment	<u>10,000</u>	<u>60,866</u>	<u>54,246</u>	<u>6,620</u>
TOTAL EXPENDITURES	<u>34,500</u>	<u>85,366</u>	<u>74,218</u>	<u>11,148</u>
Excess (deficiency) of revenues over (under) expenditures	(2,900)	(53,766)	(41,291)	12,475
Fund balances - beginning	<u>75,323</u>	<u>75,323</u>	<u>75,323</u>	<u>-</u>
Fund balances - end	<u>\$ 72,423</u>	<u>\$ 21,557</u>	<u>\$ 34,032</u>	<u>\$ 12,475</u>

CITY OF RED BANK, TENNESSEE
Impound Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Fines and forfeitures				
Impound fees	\$ 8,500	\$ 8,500	\$ 2,475	\$ (6,025)
Other revenues				
Sale of equipment	<u>5,000</u>	<u>5,000</u>	<u>2,696</u>	<u>(2,304)</u>
TOTAL REVENUES	<u>13,500</u>	<u>13,500</u>	<u>5,171</u>	<u>(8,329)</u>
EXPENDITURES				
Current Expenditures				
Public safety				
Contract services	7,000	7,000	3,715	3,285
Operating supplies	<u>6,000</u>	<u>6,000</u>	<u>551</u>	<u>5,449</u>
Total public safety	<u>13,000</u>	<u>13,000</u>	<u>4,266</u>	<u>8,734</u>
Capital Outlay				
Equipment	<u>1,000</u>	<u>2,090</u>	<u>5,340</u>	<u>(3,250)</u>
TOTAL EXPENDITURES	<u>14,000</u>	<u>15,090</u>	<u>9,606</u>	<u>5,484</u>
Excess (deficiency) of revenues over (under) expenditures	(500)	(1,590)	(4,435)	(2,845)
Fund balances - beginning	<u>19,388</u>	<u>19,388</u>	<u>19,388</u>	<u>-</u>
Fund balances - end	<u>\$ 18,888</u>	<u>\$ 17,798</u>	<u>\$ 14,953</u>	<u>\$ (2,845)</u>

CITY OF RED BANK, TENNESSEE
State Street Aid Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Intergovernmental				
State highway and street	\$ 291,500	\$ 291,500	\$ 301,436	\$ 9,936
Other revenues				
Insurance recoveries	-	-	6,451	6,451
Interest earnings	640	640	1,443	803
Total other revenues	640	640	7,894	7,254
TOTAL REVENUES	<u>292,140</u>	<u>292,140</u>	<u>309,330</u>	<u>17,190</u>
EXPENDITURES				
Current Expenditures				
State street aid				
Highways and street maintenance				
Street lighting (electricity)	85,000	85,000	83,894	1,106
Repairs and maintenance	18,000	18,000	13,433	4,567
Street resurfacing	31,262	31,262	16,133	15,129
Miscellaneous	60	60	-	60
Operating supplies	33,000	33,000	5,771	27,229
Professional services	10,000	10,000	5,000	5,000
Total state street aid	<u>177,322</u>	<u>177,322</u>	<u>124,231</u>	<u>53,091</u>
Debt Service				
Principal and interest	<u>114,818</u>	<u>114,818</u>	<u>104,396</u>	<u>10,422</u>
TOTAL EXPENDITURES	<u>292,140</u>	<u>292,140</u>	<u>228,627</u>	<u>63,513</u>
Net changes in fund balances	-	-	80,703	80,703
Fund balances - beginning	<u>422,006</u>	<u>422,006</u>	<u>422,006</u>	<u>-</u>
Fund balances - end	<u>\$ 422,006</u>	<u>\$ 422,006</u>	<u>\$ 502,709</u>	<u>\$ 80,703</u>

CITY OF RED BANK, TENNESSEE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

<u>Federal Grantor/Pass-through Agency</u>	<u>Federal CFDA Number</u>	<u>State Grant/ Project Number</u>	<u>(Accrued) Deferred Grant Revenues July 1, 2013</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>	<u>(Accrued) Deferred Grant Revenues June 30, 2014</u>
FEDERAL ASSISTANCE PROGRAMS						
Department of Transportation						
Impaired Driving Enforcement Program	20.607	Z14GHS283	\$ -	\$ 600	\$ 2,231	\$ (1,631)
Impaired Driving Enforcement Program	20.607	Z13GHS256	(4,943)	9,625	4,682	-
Transportation Enhancement	20.205	33LPLM-FO-077	(2,487)	3,927	2,884	(1,444)
Transportation Enhancement	20.205	33LPLM-FO-080	(16,310)	20,548	10,338	(6,100)
Total Department of Transportation			<u>(23,740)</u>	<u>34,700</u>	<u>20,135</u>	<u>(9,175)</u>
Department of Homeland Security	97.067	EMW-2013-SS-00008	<u>-</u>	<u>-</u>	49,548	<u>(49,548)</u>
Department of Justice	16.607		<u>-</u>	<u>-</u>	2,226	<u>(2,226)</u>
Total Federal Assistance Programs			<u>\$ (23,740)</u>	<u>\$ 34,700</u>	<u>\$ 71,909</u>	<u>\$ (60,949)</u>

CITY OF RED BANK, TENNESSEE
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

NOTE 1 - BASIS OF PRESENTATION

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

CITY OF RED BANK, TENNESSEE
Solid Waste Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Charges for services				
Garbage fees	\$ 742,412	\$ 742,412	\$ 910,715	\$ 168,303
Other revenues				
Penalties	-	-	754	754
Miscellaneous	-	505	1,373	868
Interest earnings	250	250	1,120	870
Total other revenues	<u>250</u>	<u>755</u>	<u>3,247</u>	<u>2,492</u>
TOTAL REVENUES	<u>742,662</u>	<u>743,167</u>	<u>913,962</u>	<u>170,795</u>
EXPENDITURES				
Current expenditures				
Public works				
Salaries	238,523	238,523	205,567	32,956
Payroll tax	18,327	18,327	14,980	3,347
Employee benefits	113,875	113,875	109,383	4,492
Contract services	6,000	6,000	509	5,491
Insurance	1,000	1,000	-	1,000
Miscellaneous	150	150	25,223	(25,073)
Office supplies and expenses	5,000	5,000	248	4,752
Operating supplies	16,650	17,155	16,156	999
Repairs and maintenance	6,000	6,000	429	5,571
Telephone	150	150	71	79
Uniforms	800	800	450	350
Utilities	500	500	524	(24)
Vehicle expense	70,000	70,000	63,312	6,688
Total public works	<u>476,975</u>	<u>477,480</u>	<u>436,852</u>	<u>40,628</u>
Capital outlay				
Sanitation department	<u>175,500</u>	<u>486,400</u>	<u>154,350</u>	<u>332,050</u>
Debt service				
Principal and interest	<u>90,187</u>	<u>90,187</u>	<u>85,686</u>	<u>4,501</u>
TOTAL EXPENDITURES	<u>742,662</u>	<u>1,054,067</u>	<u>676,888</u>	<u>377,179</u>
Excess (deficiency) of revenues over (under) expenditures	-	(310,900)	237,074	547,974
Fund balances - beginning	<u>131,421</u>	<u>131,421</u>	<u>131,421</u>	<u>-</u>
Fund balances - end	<u>\$ 131,421</u>	<u>\$ (179,479)</u>	<u>\$ 368,495</u>	<u>\$ 547,974</u>

CITY OF RED BANK, TENNESSEE
Sewer Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Rent of facilities	\$ 7,191	\$ 7,191	\$ 7,191	\$ -
Total operating revenues	<u>7,191</u>	<u>7,191</u>	<u>7,191</u>	<u>-</u>
OPERATING EXPENSES				
Administration				
Bank fees	<u>-</u>	<u>-</u>	<u>119</u>	<u>(119)</u>
Total operating expenses	<u>-</u>	<u>-</u>	<u>119</u>	<u>(119)</u>
Operating income (loss)	<u>7,191</u>	<u>7,191</u>	<u>7,072</u>	<u>(119)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	-	-	26	26
Intergovernmental revenue	625,147	625,147	139,578	(485,569)
Interest expense	<u>(625,147)</u>	<u>(625,147)</u>	<u>(139,578)</u>	<u>485,569</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>26</u>	<u>26</u>
Changes in net position	7,191	7,191	7,098	(93)
Net position - beginning	<u>5,558</u>	<u>5,558</u>	<u>5,558</u>	<u>-</u>
Net position - end	<u>\$ 12,749</u>	<u>\$ 12,749</u>	<u>\$ 12,656</u>	<u>\$ (93)</u>

CITY OF RED BANK, TENNESSEE
Stormwater Fund
Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Positive</u> <u>(Negative)</u>
OPERATING REVENUES				
Stormwater fees	\$ 236,000	\$ 236,000	\$ 247,443	\$ 11,443
Other	-	125	1,361	1,236
Total operating revenues	<u>236,000</u>	<u>236,125</u>	<u>248,804</u>	<u>12,679</u>
OPERATING EXPENSES				
Stormwater collection				
Salaries	95,988	95,988	78,351	17,637
Payroll taxes	7,345	7,345	5,702	1,643
Employee benefits	53,827	53,827	37,243	16,584
Insurance	1,000	1,000	1,387	(387)
Contract services	91,185	91,185	79,895	11,290
Operating supplies	750	875	804	71
Training	250	250	-	250
Uniforms	540	540	594	(54)
Vehicle expense	8,000	8,000	7,295	705
Total stormwater collection	<u>258,885</u>	<u>259,010</u>	<u>211,271</u>	<u>47,739</u>
Administration				
Administration fees	21,380	21,380	21,103	277
Supplies	10,500	10,500	10,683	(183)
Total administration	<u>31,880</u>	<u>31,880</u>	<u>31,786</u>	<u>94</u>
Depreciation	-	-	10,873	(10,873)
Total operating expenses	<u>290,765</u>	<u>290,890</u>	<u>253,930</u>	<u>36,960</u>
Operating income (loss)	<u>(54,765)</u>	<u>(54,765)</u>	<u>(5,126)</u>	<u>49,639</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest earnings	<u>725</u>	<u>725</u>	<u>652</u>	<u>(73)</u>
Changes in net position	(54,040)	(54,040)	(4,474)	49,566
Net position - beginning (as restated)	<u>332,785</u>	<u>332,785</u>	<u>332,785</u>	<u>-</u>
Net position - end	<u>\$ 278,745</u>	<u>\$ 278,745</u>	<u>\$ 328,311</u>	<u>\$ 49,566</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Property Taxes Receivable
June 30, 2014

<u>Year of Levy</u>	
2014	\$ 2,573,000
2013	157,531
2012	83,823
2011	40,908
2010	23,645
2009	3,023
2008	12,971
2007	-
2006	-
2005	-
	<hr/>
Total property taxes receivable	2,894,901
Less: allowance for uncollectibles	<u>(184,916)</u>
Net property taxes receivable	<u>\$ 2,709,985</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Changes in Property Taxes Receivable
Year Ended June 30, 2014

Year of Levy	Taxes Receivable June 30, 2013	Levy	Pickups (Releases)	Collections	Taxes Receivable June 30, 2014
2014	\$ -	\$ 2,573,000	\$ -	\$ -	\$ 2,573,000
2013	2,526,000	-	45,569	(2,414,038)	157,531
2012	175,878	-	-	(92,055)	83,823
2011	63,458	-	-	(22,550)	40,908
2010	43,837	-	-	(20,192)	23,645
2009	5,148	-	-	(2,125)	3,023
2008	13,479	-	-	(508)	12,971
2007	-	-	-	-	-
2006	-	-	-	-	-
2005	-	-	-	-	-
	<u>\$ 2,827,800</u>	<u>\$ 2,573,000</u>	<u>\$ 45,569</u>	<u>\$ (2,551,468)</u>	<u>\$ 2,894,901</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2014

**Tennessee Municipal Bond
Fund****

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 162,000	\$ -	\$ 162,000
2016	171,000	-	171,000
2017	180,000	-	180,000
2018	<u>189,000</u>	<u>-</u>	<u>189,000</u>
Total	<u>\$ 702,000</u>	<u>\$ -</u>	<u>\$ 702,000</u>

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

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2014

Fire Truck Capital Outlay Note
Series 2012

<u>Maturing</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2015	\$ 41,000	\$ 5,532	\$ 46,532
2016	42,000	4,574	46,574
2017	43,000	3,592	46,592
2018	43,000	2,599	45,599
2019	45,000	1,582	46,582
2020	<u>46,000</u>	<u>531</u>	<u>46,531</u>
 Total	 <u>\$ 260,000</u>	 <u>\$ 18,410</u>	 <u>\$ 278,410</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2014

Police Car Capital Outlay Note
Series 2012

<u>Maturing</u> <u>June 30,</u> 2015	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
	<u>\$ 10,639</u>	<u>\$ 239</u>	<u>\$ 10,878</u>
Total	<u>\$ 10,639</u>	<u>\$ 239</u>	<u>\$ 10,878</u>

CITY OF RED BANK, TENNESSEE
General Fund
Schedule of Debt Service Requirements
June 30, 2014

Police Car Capital Outlay Note
Series 2013

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 13,392	\$ 570	\$ 13,962
2016	<u>13,383</u>	<u>285</u>	<u>13,668</u>
Total	<u>\$ 26,775</u>	<u>\$ 855</u>	<u>\$ 27,630</u>

CITY OF RED BANK, TENNESSEE
State Street Aid Fund
Schedule of Debt Service Requirements
June 30, 2014

TML Capital Outlay Note
Series 2012

<u>Maturing June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 41,700	\$ 12,686	\$ 54,386
2016	41,700	11,477	53,177
2017	41,700	10,267	51,967
2018	41,700	9,058	50,758
2019	41,700	7,849	49,549
2020	41,700	6,640	48,340
2021	41,700	5,430	47,130
2022	41,700	4,221	45,921
2023	41,700	3,012	44,712
2024	41,700	1,802	43,502
2025	<u>41,300</u>	<u>599</u>	<u>41,899</u>
Total	<u>\$ 458,300</u>	<u>\$ 73,041</u>	<u>\$ 531,341</u>

CITY OF RED BANK, TENNESSEE
Sewer Fund
Schedule of Debt Service Requirements
June 30, 2014

**Tennessee Department of Health
and Environment**

Maturing June 30,	Principal	Interest	Total Requirements
2015	\$ 110,560	\$ 21,760	\$ 132,320
2016	118,202	14,021	132,223
2017	40,745	5,747	46,492
Total	<u>\$ 269,507</u>	<u>\$ 41,528</u>	<u>\$ 311,035</u>

CITY OF RED BANK, TENNESSEE
Sewer Fund
Schedule of Debt Service Requirements
June 30, 2014

**Tennessee Department of
Environment and Conservation**

Maturing June 30,	Principal	Interest	Total Requirements
2015	\$ 396,228	\$ 95,976	\$ 492,204
2016	411,360	80,844	492,204
2017	427,056	65,148	492,204
2018	443,364	48,840	492,204
2019	460,284	31,920	492,204
2020	477,852	14,352	492,204
2021	<u>122,330</u>	<u>769</u>	<u>123,099</u>
Total	<u>\$2,738,474</u>	<u>\$337,849</u>	<u>\$ 3,076,323</u>

CITY OF RED BANK, TENNESSEE
Schedule of Rates
June 30, 2014

Analysis of Tax Rates and Assessments

<u>Tax Year</u>	<u>Rates per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2014	\$1.35	\$ 190,592,593	\$ 2,573,000
2013	\$1.35	\$ 189,746,620	\$ 2,573,154
2012	\$1.35	\$ 187,028,872	\$ 2,524,890
2011	\$1.10	\$ 189,363,636	\$ 2,083,000
2010	\$1.10	\$ 188,418,182	\$ 2,072,600
2009	\$1.26	\$ 161,746,032	\$ 2,038,000
2008	\$1.26	\$ 164,418,651	\$ 2,071,675
2007	\$1.26	\$ 161,741,111	\$ 2,037,938
2006	\$1.26	\$ 159,398,651	\$ 2,008,423
2005	\$1.26	\$ 131,795,079	\$ 1,660,618

Delinquent Taxes Filed

The City has filed uncollected delinquent taxes.

CITY OF RED BANK, TENNESSEE
Schedule of Insurance
June 30, 2014

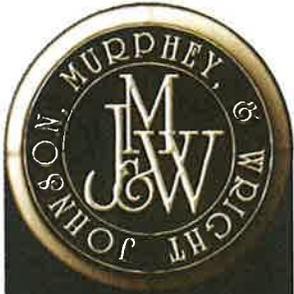
TML POOL:

Buildings and personal property	\$ 9,559,268	
Workmen's compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per person
General and personal injury liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property
	\$ 1,000,000	each other loss - per occurrence
Automobile liability	\$ 300,000	per person
	\$ 700,000	per occurrence
	\$ 300,000	per property

OFFICIAL BONDS

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

III. INTERNAL CONTROL AND COMPLIANCE SECTION



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

To the Mayor and Commissioners
City of Red Bank, Tennessee

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Bank, Tennessee as of and for the year ended June 30, 2014, 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 11, 2014.

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 14-1, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 14-2.

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, Murpley & Wright, P.C.

Chattanooga, Tennessee
November 11, 2014

CITY OF RED BANK, TENNESSEE
Schedule of Findings and Responses
June 30, 2014

SUMMARY OF AUDITOR'S RESULTS

Opinion on Financial Statements:

Unqualified 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:

During the audit of the financial statements, one significant deficiency in internal controls was disclosed.

Material Noncompliance:

One instance of noncompliance or other matters was disclosed.

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

INTERNAL CONTROL:

Finding 14-1 - Approvals and documentation (Repeat 13-1)

Criteria:

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

Condition:

Not all time sheets had proper approvals.

Cause:

A time sheet policy was not followed so that every time sheet of a department head is initialed as approved by the City Manager.

Effect:

Without following proper procedures for time sheets, improper payments could be expensed to the City.

Management's Response:

We concur. We have already initiated procedures to correct this issue.

CITY OF RED BANK, TENNESSEE
Schedule of Findings and Responses
June 30, 2014

FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (Continued)

COMPLIANCE:

Finding 14-2 - Enterprise fund operating at a loss (Repeat 13-3)

Criteria:

Tennessee Code Annotated (TCA) Section 7-35-414 states in part that "Such rates and charges shall be adjusted so as to provide funds sufficient to pay all reasonable expenses of operation..."

Condition:

The Stormwater Fund operated at a loss of \$(4,474) for the year ending June 30, 2014.

Cause:

The Stormwater Fund did not have sufficient rates and charges or expenditure reduction to offset current year expenses.

Effect:

Continued losses by the Stormwater Fund may cause the fund to have a negative net position.

Management's Response:

We concur. We will more closely monitor the fund in the future to ensure it operates with sufficient rates and charges to pay all reasonable expenses.

CITY OF RED BANK, TENNESSEE
Schedule of Prior Audit Findings
June 30, 2014

INTERNAL CONTROLS:

13-1 - Approvals and documentation
Still in effect.

COMPLIANCE:

13-2 - Expenditures exceeded budget
Corrected.

13-3 - Enterprise fund operating at a loss
Still in effect.