



**ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2018**

**CITY OF RED BANK, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2018**

**Randall Smith, City Manager**

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**CITY OF RED BANK, TENNESSEE**  
**City Officials**  
**June 30, 2018**

Mayor ..... John Roberts

Vice-Mayor ..... Eddie Pierce

Commissioner..... Terry Pope

Commissioner..... Ed LeCompte

Commissioner..... Carol Rose

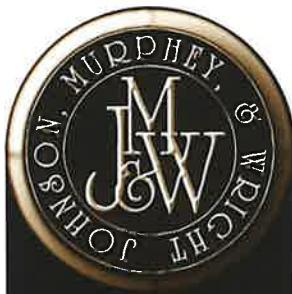
City Judge..... Johnny Houston

City Manager..... Randall Smith

City Recorder ..... Ruth Rohen

Finance Director, CMFO..... John Alexander

## **II. FINANCIAL SECTION**



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Accountants

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Jennifer Waycaster, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Commissioners  
City of Red Bank, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Red Bank, Tennessee, as of and for the year ended June 30, 2018, 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  
Page Two

## **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, 2018, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Solid Waste Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

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

### Supplementary Information

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of the City of Red Bank, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Red Bank, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Red Bank, Tennessee's internal control over financial reporting and compliance.

*Johnson, Mungley & Wright, P.C.*

Chattanooga, Tennessee  
November 16, 2018

## 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, 2018. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

### **Financial Highlights**

The assets and deferred outflows of the City of Red Bank, Tennessee exceeded its liabilities and deferred inflows at June 30, 2018, by \$15,081,733 (net position). Of this amount, \$5,461,775 (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 \$926,633. The City's business-type activities operated at a surplus of \$15,300.

As of the close of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$7,204,891.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,544,945, or 92.81%, 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 \$397,345. Of that balance, \$325,060, or 81.81%, is unrestricted.

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

#### **Governmental Funds**

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

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

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

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

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

#### **Proprietary Funds**

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

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

The basic proprietary fund financial statements can be found on pages 29 through 32 of this report.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 33 through 58 of this report.

### Required Supplementary Information other than MD&A

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

### Other Information

The combining statements referred to earlier in connection with the non-major governmental funds can be found on pages 63 and 64 of this report.

### Financial Analysis of the City as a Whole

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Red Bank, Tennessee, assets and deferred outflows exceeded liabilities and deferred inflows by \$15,081,733 at the close of this fiscal year.

The largest portion of the City of Red Bank, Tennessee's net position (52.79%) 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	
	2018	2017	2018	2017	2018	2017
Capital assets	\$ 8,271,904	\$ 8,310,593	\$ 72,285	\$ 83,158	\$ 8,344,189	\$ 8,393,751
Other assets	<u>10,253,493</u>	<u>9,619,587</u>	<u>1,446,534</u>	<u>1,833,802</u>	<u>11,700,027</u>	<u>11,453,389</u>
Total assets	<u>\$ 18,525,397</u>	<u>\$ 17,930,180</u>	<u>\$ 1,518,819</u>	<u>\$ 1,916,960</u>	<u>\$ 20,044,216</u>	<u>\$ 19,847,140</u>
Deferred outflows of resources	<u>\$ 585,122</u>	<u>\$ 637,143</u>	<u>\$ 18,094</u>	<u>\$ 19,704</u>	<u>\$ 603,216</u>	<u>\$ 656,847</u>
Long-term liabilities	\$ 1,066,338	\$ 1,492,792	\$ 631,854	\$ 1,102,127	\$ 1,698,192	\$ 2,594,919
Other liabilities	<u>367,344</u>	<u>558,185</u>	<u>498,481</u>	<u>447,474</u>	<u>865,825</u>	<u>1,005,659</u>
Total liabilities	<u>\$ 1,433,682</u>	<u>\$ 2,050,977</u>	<u>\$ 1,130,335</u>	<u>\$ 1,549,601</u>	<u>\$ 2,564,017</u>	<u>\$ 3,600,578</u>
Deferred inflows of resources	<u>\$ 2,992,449</u>	<u>\$ 2,758,591</u>	<u>\$ 9,233</u>	<u>\$ 5,018</u>	<u>\$ 3,001,682</u>	<u>\$ 2,763,609</u>
Net investment in capital assets	\$ 7,889,404	\$ 7,648,393	\$ 72,285	\$ 83,158	\$ 7,961,689	\$ 7,731,551
Restricted	<u>1,658,269</u>	<u>1,338,305</u>	<u>-</u>	<u>-</u>	<u>1,658,269</u>	<u>1,338,305</u>
Unrestricted	<u>5,136,715</u>	<u>4,771,057</u>	<u>325,060</u>	<u>298,887</u>	<u>5,461,775</u>	<u>5,069,944</u>
Total net position	<u>\$ 14,684,388</u>	<u>\$ 13,757,755</u>	<u>\$ 397,345</u>	<u>\$ 382,045</u>	<u>\$ 15,081,733</u>	<u>\$ 14,139,800</u>

11.00%, or \$1,658,269, of the City of Red Bank, Tennessee's net position represent resources that are subject to external restrictions on how they may be used. The remaining \$5,461,775 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2018, 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 \$926,633.

The City of Red Bank, Tennessee's main revenue sources for 2018 were property tax and local sales tax. These taxes helped to grow the City's net position since related expense for this revenue is very low.

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

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

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,389,964	\$ 1,323,343	\$ 282,898	\$ 280,111	\$ 1,672,862	\$ 1,603,454
Operating grants and contributions	614,536	466,900	48,840	70,895	663,376	537,795
Capital grants and contributions	59,619	100,182	49,418	-	109,037	100,182
General revenues:						
Property taxes	2,496,890	2,580,433	-	-	2,496,890	2,580,433
Other taxes	2,972,969	3,068,284	-	-	2,972,969	3,068,284
Other	181,310	109,457	2,442	1,062	183,752	110,519
Total revenues	<u>7,715,288</u>	<u>7,648,599</u>	<u>383,598</u>	<u>352,068</u>	<u>8,098,886</u>	<u>8,000,667</u>
<b>Expenses:</b>						
General government	1,654,449	1,783,465	-	-	1,654,449	1,783,465
Public safety	2,965,927	3,026,226	-	-	2,965,927	3,026,226
Public works	1,706,184	1,672,544	-	-	1,706,184	1,672,544
State street aid	209,999	238,534	-	-	209,999	238,534
Public welfare and recreation	233,217	337,990	-	-	233,217	337,990
Interest on long-term debt	18,879	25,852	-	-	18,879	25,852
Sewer	-	-	98,258	70,895	98,258	70,895
Stormwater	-	-	270,040	253,616	270,040	253,616
Total expenses	<u>6,788,655</u>	<u>7,084,611</u>	<u>368,298</u>	<u>324,511</u>	<u>7,156,953</u>	<u>7,409,122</u>
Change in net position	<u>926,633</u>	<u>563,988</u>	<u>15,300</u>	<u>27,557</u>	<u>941,933</u>	<u>591,545</u>
Net position - beginning	<u>13,757,755</u>	<u>13,193,767</u>	<u>382,045</u>	<u>354,488</u>	<u>14,139,800</u>	<u>13,548,255</u>
Net position - ending	<u><b>\$ 14,684,388</b></u>	<u><b>\$ 13,757,755</b></u>	<u><b>\$ 397,345</b></u>	<u><b>\$ 382,045</b></u>	<u><b>\$ 15,081,733</b></u>	<u><b>\$ 14,139,800</b></u>

Net position for governmental activities increased \$926,633, or 6.74%, largely due to the following key factors:

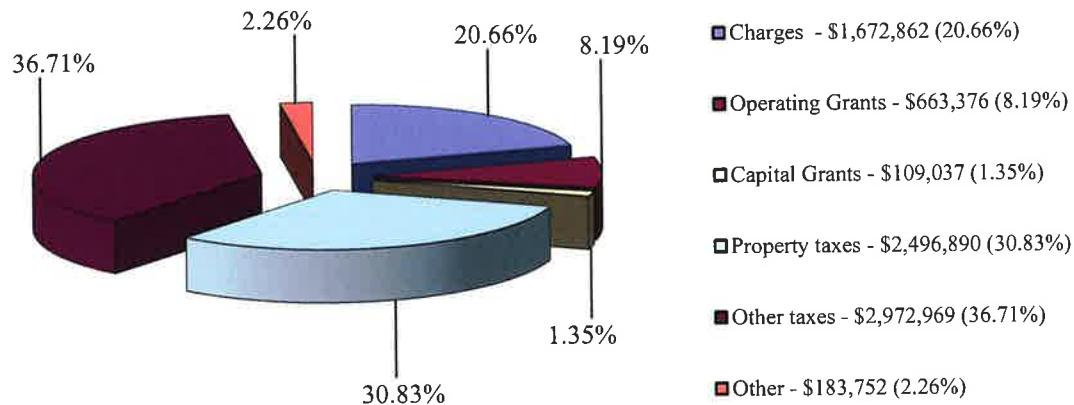
Operating grant and contribution revenue increased \$147,636.  
Interest revenue increased \$41,860.

Net position for business-type activities increased by \$15,300, or 4.00%, largely due to the following:

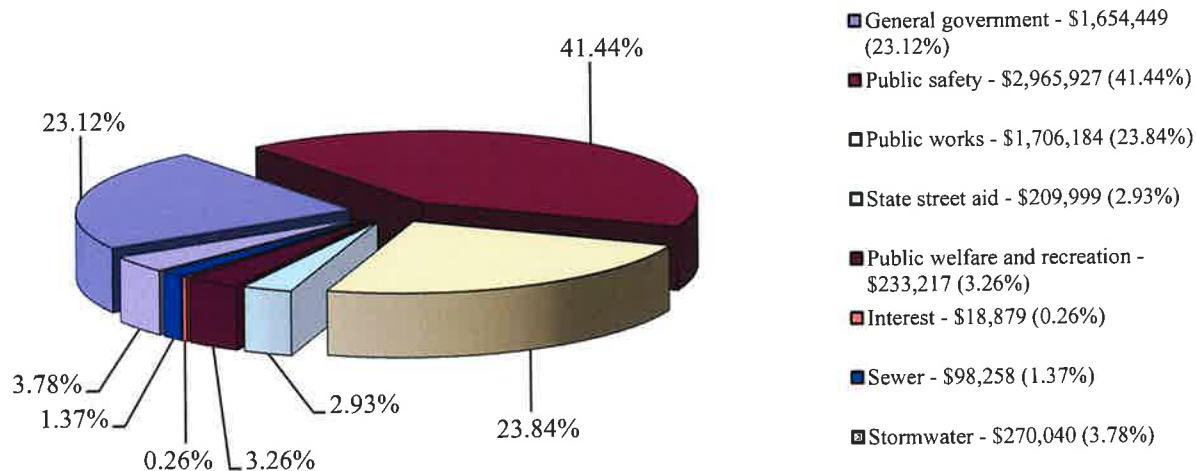
Stormwater fees increased \$2,813.

The graphs below summarize the \$8,098,886 of city-wide revenues by source and the associated \$7,156,953 of expense by program. The graphs combine data from both governmental and business-type activities.

### City-Wide Sources of Revenue

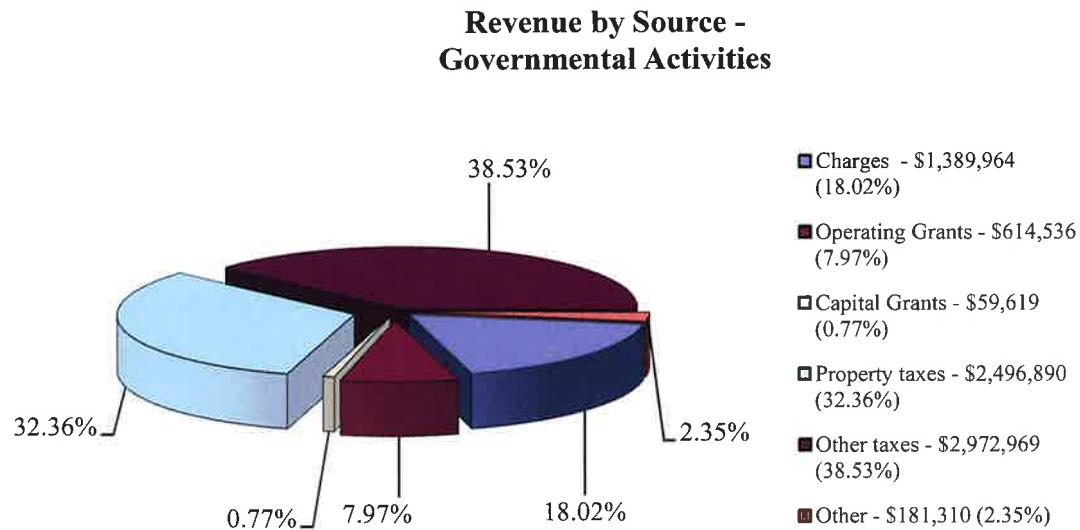


### City-Wide Program Expenses

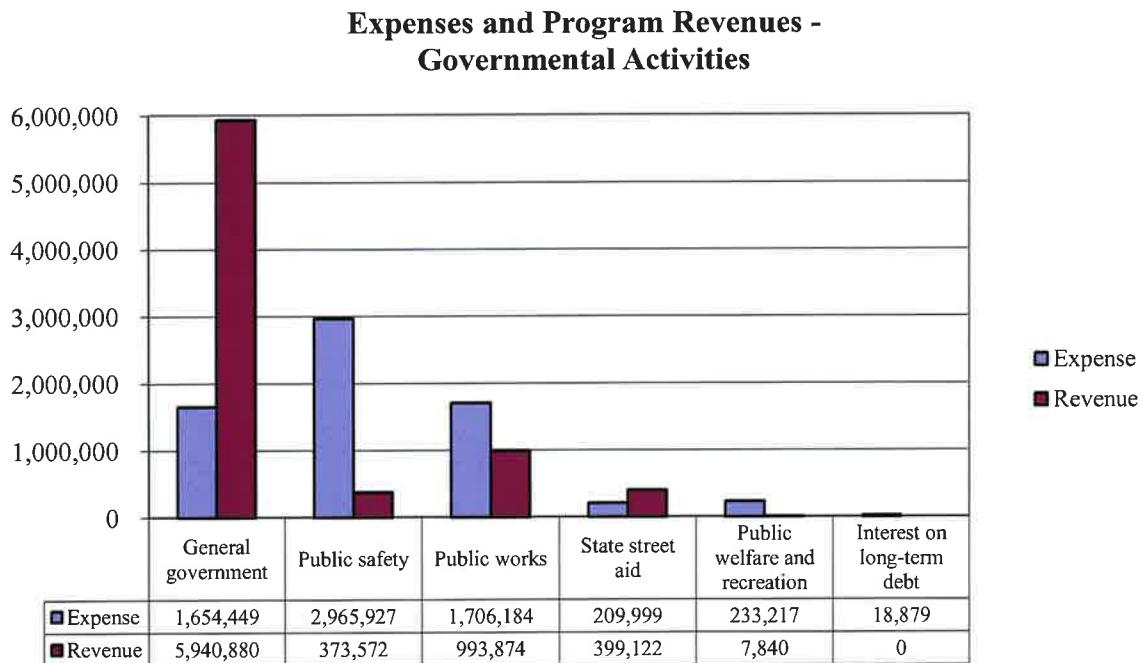


## Governmental Activities

Governmental activities accounted for revenues of \$7,715,288. The following graph summarizes the revenue by source.



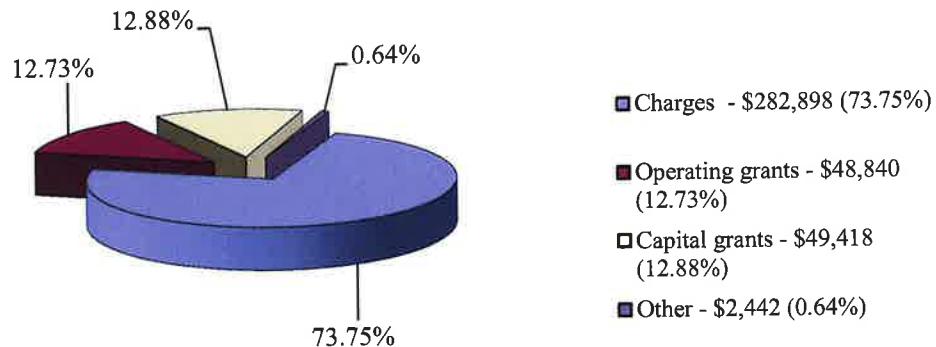
The following graph summarizes the revenue and related expense for each government program of the City. The difference between expense and revenue is the financial burden placed on the City's taxpayers for each program.



### Business-type Activities

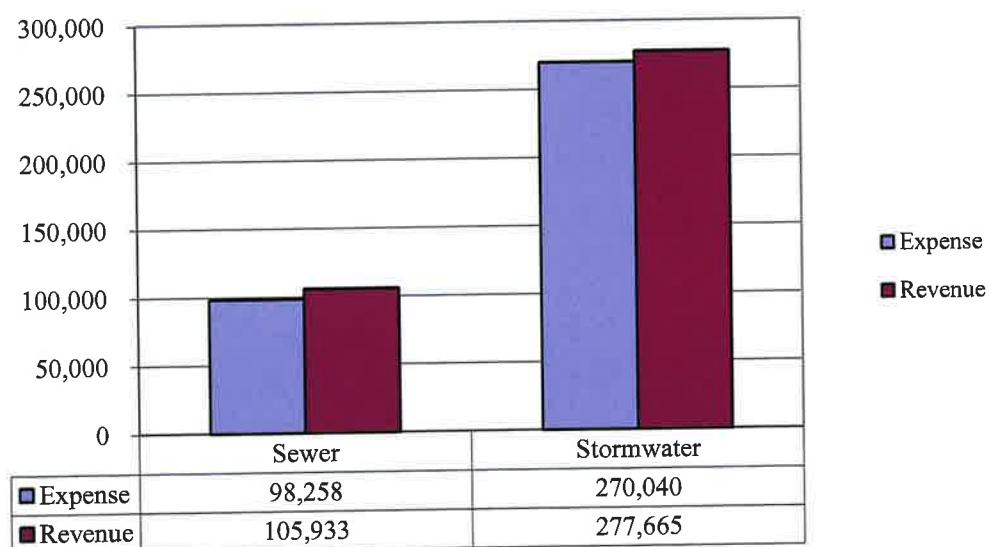
Business-type activities accounted for revenues of \$383,598. The following graph summarizes the revenue by source.

**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 \$7,204,891. The fund balance increased by \$505,524, which was largely due to the following:

Interest revenues increased \$30,839 from the prior year.

Donation revenues increased by \$58,455 from the prior year.

The General Fund is the chief operating fund of the City of Red Bank, Tennessee. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,544,945. 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 92.81% 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 \$42,056 for the Sewer Fund and \$283,004 for the Stormwater Fund.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget netted to  $-(16,758)$ . The details are listed below:

There was a \$103,628 increase in the budget for revenues, due largely to an increased budget for donations of \$65,945.

There was a \$20,024 increase in the budget for public safety expenditures, due largely to an increased budget of \$15,128 for police salaries.

There was a \$23,200 increase in the budget for public works expenditures, due to an increased budget for operating supplies.

There was a \$77,162 increase in the budget for capital outlay expenditures, due largely to the increased budget of the parks and recreation department of \$59,504.

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)**

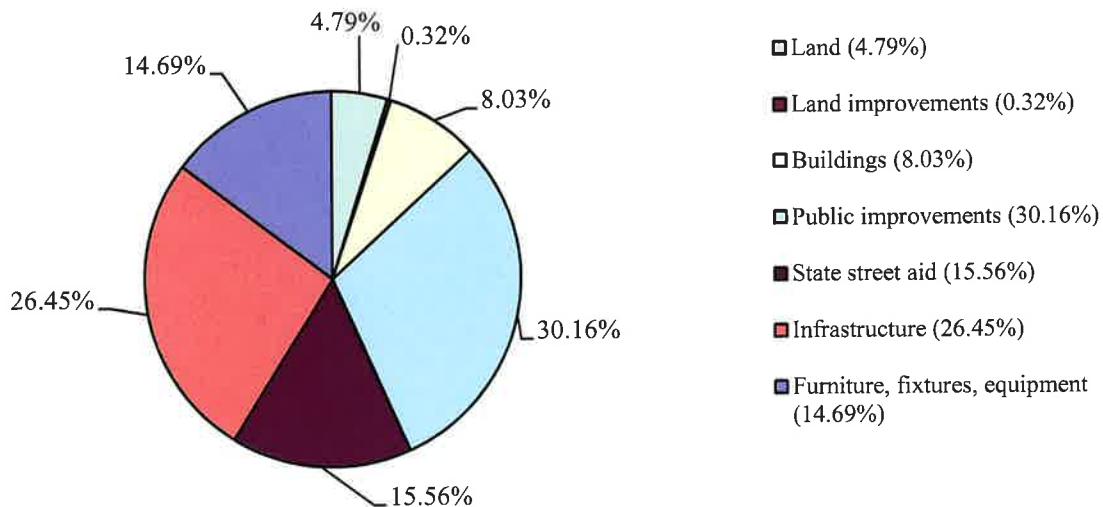
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 400,016	\$ -	\$ 400,016
Land improvements	-	26,881	26,881
Buildings	670,061	-	670,061
Public improvements	2,516,245	-	2,516,245
State street aid	1,298,737	-	1,298,737
Infrastructure	2,207,344	-	2,207,344
Furniture, fixtures and equipment	1,179,501	45,404	1,224,905
<b>Total capital assets</b>	<b>\$ 8,271,904</b>	<b>\$ 72,285</b>	<b>\$ 8,344,189</b>

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

Kids Corner Playground	\$ 123,360
City Hall renovations	\$ 122,003
2018 Kenworth dump truck	\$ 79,379
Two (2) 2018 Ford Escapes	\$ 44,106
Two (2) 2017 Ford Explorers	\$ 83,169

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

### City-Wide Capital Assets

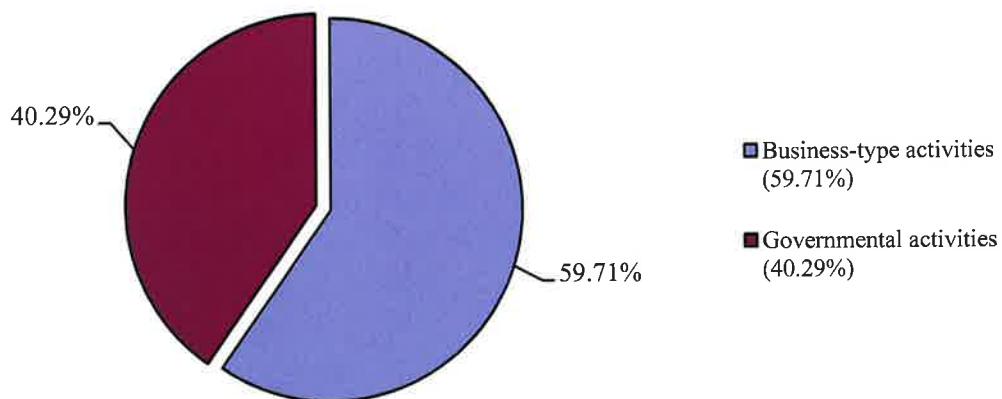


### City of Red Bank, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Red Bank, Tennessee had total long-term debt outstanding of \$1,806,654. Of that amount, \$554,684 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Notes payable	\$ 382,500	\$ 1,060,478	\$ 1,442,978
Landfill closure and post-closure	84,700	-	84,700
Accrued leave	260,702	18,274	278,976
Current portion	( 94,400)	( 460,284)	( 554,684)
Total long-term debt	<u>\$ 633,502</u>	<u>\$ 618,468</u>	<u>\$ 1,251,970</u>

### Long-Term Debt By Activity



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

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

The location and relatively lower taxes continue to attract the interest of residential developers and home buyers. There is a continued stream of interest in any vacant land within the city. Larger land plots are being subdivided to get as many residential units built within the allowed parameters. We have approximately 90 more housing units being planned at the current time. This activity is resulting in financial growth touching many sources such as permits, property tax, business taxes and sales taxes. The buying trend is expected to increase our share of the allocation of State Shared taxes, which are based on population counts per the U.S. Census. Older homes are also being affected with remodeling and modernization prior to hitting the real estate market. The housing boom situation is also having a positive impact in numerous older apartment complexes. Investors are refurbishing aging units in order to compete with other downtown rentals, which command higher rents. The age demographics change is evident in the interest of younger buyers preferring to live near the hub of the City of Chattanooga to take advantage of the vocational, educational, social life and services offered in the general downtown area.

Commercial activity is displaying a similar trend. Numerous buildings that have long been vacant are finding new tenants in the form of eating establishments, small business offices and/or retail operations. There are plans currently in the works for a moderate multi-level, multi-use complex in the south end of the City. Location and affordability continue to be the lure, but the ease of accessibility is often noted versus the relatively higher traffic flows and parking limitations experienced in the nearby downtown area.

State Transportation and Improvement Grants continue to play a large role in maintaining and improving the City's streets and right of ways. Planned and fully funded grant projects include \$1,503,300 in primary street paving, \$450,000 in pedestrian islands located in high traffic areas and \$1,087,500 in improved signalization and additional sidewalks along primary streets. All money is to be used to further ensure compliance with the Americans with Disabilities Act (ADA) on current and future projects.

We currently have an 11 acre tract of undeveloped land abutting the middle of our main city artery, Dayton Boulevard. Deciding on what type and composition of development would be in the best interest of the City and its residents has proven to be a time consuming and seemingly fruitless endeavor for a number of years. With that in mind, it has been decided that a solicitation of Request for Proposals is our best approach for settling on a final concept.

### **Request for Information**

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

**BASIC FINANCIAL STATEMENTS**

**CITY OF RED BANK, TENNESSEE**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Primary Government</b>		
	<b>Business-</b>		<b>Total</b>
	<b>Governmental</b>	<b>type</b>	
<b>Activities</b>			
<b>ASSETS</b>			
Current assets			
Cash	\$ 3,264,276	\$ 326,343	\$ 3,590,619
Investments	3,444,050	-	3,444,050
Property tax receivable - net	2,806,775	-	2,806,775
Accounts receivable - net	645,789	36,248	682,037
Prepaid expenses	1,677	-	1,677
Due from grantor	91,053	23,338	114,391
Internal balances	(127)	127	-
Notes receivable - WWTA	-	460,284	460,284
Total current assets	<u>10,253,493</u>	<u>846,340</u>	<u>11,099,833</u>
Non-current assets			
Other assets			
Notes receivable - WWTA	-	600,194	600,194
Capital assets			
Land	400,016	-	400,016
Other capital assets - net of accumulated depreciation	7,871,888	72,285	7,944,173
Total capital assets	<u>8,271,904</u>	<u>72,285</u>	<u>8,344,189</u>
Total non-current assets	<u>8,271,904</u>	<u>672,479</u>	<u>8,944,383</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 18,525,397</u></b>	<b><u>\$ 1,518,819</u></b>	<b><u>\$ 20,044,216</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	\$ 585,122	\$ 18,094	\$ 603,216

(Continued)

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

**CITY OF RED BANK, TENNESSEE**  
**Statement of Net Position (Continued)**  
**June 30, 2018**

	<b>Primary Government</b>		
			<b>Business-type Activities</b>
	<b>Governmental Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 138,971	\$ 11,100	\$ 150,071
Accrued liabilities	133,973	3,759	137,732
Grant payable	-	23,338	23,338
Notes payable - due in one year	86,700	460,284	546,984
Landfill closure and post-closure cost - due in one year	7,700	-	7,700
Total current liabilities	<u>367,344</u>	<u>498,481</u>	<u>865,825</u>
Non-current liabilities			
Notes payable	295,800	600,194	895,994
Landfill closure and post-closure cost	77,000	-	77,000
Accrued leave	260,702	18,274	278,976
Net pension liability	432,836	13,386	446,222
Total non-current liabilities	<u>1,066,338</u>	<u>631,854</u>	<u>1,698,192</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,433,682</u></u>	<u><u>\$ 1,130,335</u></u>	<u><u>\$ 2,564,017</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	\$ 2,693,892	\$ -	\$ 2,693,892
Deferred inflows related to pensions	<u>298,557</u>	<u>9,233</u>	<u>307,790</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><u>\$ 2,992,449</u></u>	<u><u>\$ 9,233</u></u>	<u><u>\$ 3,001,682</u></u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,889,404	\$ 72,285	\$ 7,961,689
Restricted for:			
Non-recurring police expenses	91,720	-	91,720
State street aid expenses	826,138	-	826,138
Impound expenses	4,647	-	4,647
Solid waste expenses	735,764	-	735,764
Unrestricted	<u>5,136,715</u>	<u>325,060</u>	<u>5,461,775</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 14,684,388</u></u>	<u><u>\$ 397,345</u></u>	<u><u>\$ 15,081,733</u></u>

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

**CITY OF RED BANK, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2018**

**Net (Expense) Revenue and  
 Changes In Net Position**

<u>Functions/Programs</u>		<u>Program Revenues</u>			<u>Primary Government</u>		
<u>Primary Government:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 1,654,449	\$ 117,723	\$ 171,988	\$ 30,221	\$ (1,364,738)	\$ -	\$ (1,364,738)
Public safety	2,965,927	316,951	26,400	23,442	(2,592,355)	-	(2,592,355)
Public works	1,706,184	943,954	26,478	2,920	(712,310)	-	(712,310)
State street aid	209,999	3,496	392,706	-	189,123	-	189,123
Public welfare and recreation	233,217	7,840	-	-	(225,377)	-	(225,377)
Interest on long-term debt	18,879	-	-	-	(18,879)	-	(18,879)
Total governmental activities	<u>6,788,655</u>	<u>1,389,964</u>	<u>614,536</u>	<u>59,619</u>	<u>(4,724,536)</u>	<u>-</u>	<u>(4,724,536)</u>
Business-type activities:							
Sewer	98,258	7,395	48,840	49,418	-	7,395	7,395
Stormwater	270,040	275,503	-	-	-	5,463	5,463
Total business-type activities	<u>368,298</u>	<u>282,898</u>	<u>48,840</u>	<u>49,418</u>	<u>-</u>	<u>12,858</u>	<u>12,858</u>
Total primary government	<u>\$ 7,156,953</u>	<u>\$ 1,672,862</u>	<u>\$ 663,376</u>	<u>\$ 109,037</u>	<u>(4,724,536)</u>	<u>12,858</u>	<u>(4,711,678)</u>
General revenues:							
Unrestricted:							
Property tax					2,496,890	-	2,496,890
Minimum business tax					87,601	-	87,601
Local sales tax					1,132,616	-	1,132,616
Alcoholic beverage tax					321,829	-	321,829
Franchise tax					161,990	-	161,990
In lieu of tax					102,801	-	102,801
Other state taxes					1,166,132	-	1,166,132
Interest					69,522	2,442	71,964
Other					111,788	-	111,788
Total general revenues					<u>5,651,169</u>	<u>2,442</u>	<u>5,653,611</u>
Change in net position					926,633	15,300	941,933
Net position - beginning					13,757,755	382,045	14,139,800
Net position - end					<u>\$ 14,684,388</u>	<u>\$ 397,345</u>	<u>\$ 15,081,733</u>

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

**CITY OF RED BANK, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	<b>General Fund</b>	<b>Solid Waste Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 2,318,319	\$ 739,844	\$ 206,113	\$ 3,264,276
Investments	2,791,693	-	652,357	3,444,050
Property tax receivable - net	2,806,775	-	-	2,806,775
Accounts receivable - net	567,634	7,531	70,624	645,789
Prepaid expenses	1,677	-	-	1,677
Due from grantor	84,565	-	6,488	91,053
Due from other funds	<u>13,450</u>	<u>18</u>	<u>-</u>	<u>13,468</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,584,113</u></u>	<u><u>\$ 747,393</u></u>	<u><u>\$ 935,582</u></u>	<u><u>\$ 10,267,088</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 138,155	\$ -	\$ 816	\$ 138,971
Accrued liabilities	123,533	10,440	-	133,973
Due to other funds	<u>145</u>	<u>1,189</u>	<u>12,261</u>	<u>13,595</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 261,833</u></u>	<u><u>\$ 11,629</u></u>	<u><u>\$ 13,077</u></u>	<u><u>\$ 286,539</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property tax	<u><u>\$ 2,775,658</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,775,658</u></u>
<b>FUND BALANCES</b>				
Nonspendable	\$ 1,677	\$ -	\$ -	\$ 1,677
Restricted	-	735,764	922,505	1,658,269
Unassigned	<u>5,544,945</u>	<u>-</u>	<u>-</u>	<u>5,544,945</u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 5,546,622</u></u>	<u><u>\$ 735,764</u></u>	<u><u>\$ 922,505</u></u>	<u><u>\$ 7,204,891</u></u>

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

**CITY OF RED BANK, TENNESSEE**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2018**

Total fund balances per governmental funds balance sheet	\$ 7,204,891
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,271,904
Long-term liabilities, including 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.	(727,902)
Some of the City's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	81,766
Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(146,271)</u>
Net position of governmental activities	<u><u>\$ 14,684,388</u></u>

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

**CITY OF RED BANK, TENNESSEE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**June 30, 2018**

	<b>General Fund</b>	<b>Solid Waste Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 4,338,203	\$ -	\$ -	\$ 4,338,203
License and permits	80,605	-	3,496	84,101
Intergovernmental	1,266,517	-	395,626	1,662,143
Charges for services	37,118	943,954	-	981,072
Fines and forfeitures	227,667	-	89,014	316,681
Other revenues	<u>209,779</u>	<u>10,848</u>	<u>129,777</u>	<u>350,404</u>
<b>TOTAL REVENUES</b>	<u>6,159,889</u>	<u>954,802</u>	<u>617,913</u>	<u>7,732,604</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government	1,650,724	-	-	1,650,724
Public safety	2,737,509	-	34,540	2,772,049
Public works	770,789	659,348	-	1,430,137
State street aid	-	-	135,830	135,830
Public welfare and recreation	180,772	-	-	180,772
<b>Capital outlay</b>	<u>453,413</u>	<u>80,219</u>	<u>162,357</u>	<u>695,989</u>
<b>Debt service</b>	<u>181,122</u>	<u>64,849</u>	<u>115,608</u>	<u>361,579</u>
<b>TOTAL EXPENDITURES</b>	<u>5,974,329</u>	<u>804,416</u>	<u>448,335</u>	<u>7,227,080</u>
Excess (deficiency) of revenues over (under) expenditures	185,560	150,386	169,578	505,524
<b>Fund balances - beginning</b>	<u>5,361,062</u>	<u>585,378</u>	<u>752,927</u>	<u>6,699,367</u>
<b>Fund balances - end</b>	<u>\$ 5,546,622</u>	<u>\$ 735,764</u>	<u>\$ 922,505</u>	<u>\$ 7,204,891</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, 2018**

Net changes in fund balances for total governmental funds	\$ 505,524
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.	(38,689)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(34,318)
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.	350,400
Accrued leave reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	7,688
Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities.	<u>136,028</u>
Change in net position of governmental activities	<u>\$ 926,633</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes				
Property tax	\$ 2,500,000	\$ 2,500,000	\$ 2,531,210	\$ 31,210
Minimum business tax	80,500	80,500	87,601	7,101
Local sales tax	1,100,000	1,100,000	1,132,616	32,616
Alcoholic beverage tax	290,000	290,000	321,829	31,829
Franchise tax	175,000	175,000	161,990	(13,010)
Occupancy tax	-	-	156	156
In lieu of tax	<u>90,000</u>	<u>90,000</u>	<u>102,801</u>	<u>12,801</u>
Total taxes	<u>4,235,500</u>	<u>4,235,500</u>	<u>4,338,203</u>	<u>102,703</u>
License and permits				
Privilege license	2,800	2,800	3,096	296
Wrecker permits	500	500	500	-
Building license and permits	<u>46,150</u>	<u>46,150</u>	<u>77,009</u>	<u>30,859</u>
Total license and permits	<u>49,450</u>	<u>49,450</u>	<u>80,605</u>	<u>31,155</u>
Intergovernmental				
State sales tax	915,000	915,000	1,004,047	89,047
State beer tax	5,000	5,000	5,435	435
State mixed drink tax	3,000	3,000	2,607	(393)
State income tax	15,000	15,000	21,771	6,771
State city streets and transportation system	23,000	23,000	23,442	442
TVA in lieu of tax	130,000	130,000	132,116	2,116
Federal grants	-	35,683	56,699	21,016
Police supplemental	<u>19,800</u>	<u>19,800</u>	<u>20,400</u>	<u>600</u>
Total intergovernmental	<u>1,110,800</u>	<u>1,146,483</u>	<u>1,266,517</u>	<u>120,034</u>
Charges for service				
Administrative services	21,000	21,000	21,000	-
Rent of facilities	<u>14,878</u>	<u>14,878</u>	<u>16,118</u>	<u>1,240</u>
Total charges for service	<u>35,878</u>	<u>35,878</u>	<u>37,118</u>	<u>1,240</u>
Fines and forfeitures				
Court fines and costs	<u>225,800</u>	<u>225,800</u>	<u>227,667</u>	<u>1,867</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other revenues				
Miscellaneous	\$ -	\$ 2,000	\$ 17,885	\$ 15,885
Sale of assets	- -	- -	940	940
Insurance recoveries and refund	- -	- -	35,995	35,995
Fees and commissions	4,000	4,000	7,840	3,840
Interest	7,000	7,000	49,794	42,794
Donations	- -	65,945	97,325	31,380
Total other revenues	<u>11,000</u>	<u>78,945</u>	<u>209,779</u>	<u>130,834</u>
<b>TOTAL REVENUES</b>	<u>5,668,428</u>	<u>5,772,056</u>	<u>6,159,889</u>	<u>387,833</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
General government				
Financial administration				
Salaries	314,736	314,736	321,694	(6,958)
Payroll tax	24,628	24,628	24,553	75
Employee benefits	642,964	642,964	617,856	25,108
Contract services	177,820	177,820	139,922	37,898
Dues and subscriptions	16,400	16,400	15,503	897
Insurance	243,800	243,800	217,698	26,102
Miscellaneous	2,725	2,725	3,207	(482)
Office supplies and expenses	13,650	13,650	12,837	813
Operating supplies	7,950	7,950	4,633	3,317
Penalties	- -	- -	1,368	(1,368)
Professional services	93,550	93,550	101,550	(8,000)
Relief to indigents	- -	- -	3,440	(3,440)
Repairs and maintenance	23,150	23,150	6,614	16,536
Special events	4,500	4,500	4,215	285
Telephone	6,556	6,556	5,675	881
Training	2,900	2,900	3,792	(892)
Travel	5,500	5,500	7,703	(2,203)
Utilities	<u>35,900</u>	<u>35,900</u>	<u>23,329</u>	<u>12,571</u>
Total financial administration	<u>1,616,729</u>	<u>1,616,729</u>	<u>1,515,589</u>	<u>101,140</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>		
	<b>Original</b>	<b>Final</b>				
<b>EXPENDITURES (Continued)</b>						
<b>Current expenditures (Continued)</b>						
General government (Continued)						
Judicial						
Salaries	\$ 100,191	\$ 100,191	\$ 98,841	\$ 1,350		
Payroll tax	7,665	7,665	7,587	78		
Employee benefits	9,363	9,363	9,502	(139)		
Contract services	26,823	26,823	16,150	10,673		
Office supplies and expenses	1,600	1,600	663	937		
Operating supplies	-	-	319	(319)		
Telephone	1,450	1,450	1,143	307		
Training	700	700	500	200		
Travel	1,000	1,000	430	570		
Total judicial	<u>148,792</u>	<u>148,792</u>	<u>135,135</u>	<u>13,657</u>		
Total general government	<u>1,765,521</u>	<u>1,765,521</u>	<u>1,650,724</u>	<u>114,797</u>		
Public safety						
Police department						
Salaries	1,221,482	1,236,310	1,198,803	37,507		
Payroll tax	93,443	94,516	89,053	5,463		
Employee benefits	147,433	149,471	140,348	9,123		
Contract services	196,375	196,375	191,888	4,487		
Dues and subscriptions	1,700	1,700	1,070	630		
Insurance	3,500	3,500	16,388	(12,888)		
Miscellaneous	500	500	-	500		
Office supplies and expenses	-	-	24	(24)		
Operating supplies	16,250	18,000	19,311	(1,311)		
Professional services	2,220	2,220	1,606	614		
Repairs and maintenance	18,250	18,250	37,055	(18,805)		
Telephone	16,320	16,320	14,739	1,581		
Training	8,000	8,000	6,132	1,868		
Travel	8,000	8,335	4,628	3,707		
Uniforms	15,900	15,900	17,287	(1,387)		
Vehicle	46,750	46,750	60,563	(13,813)		
Total police department	<u>1,796,123</u>	<u>1,816,147</u>	<u>1,798,895</u>	<u>17,252</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>		
	<b>Original</b>	<b>Final</b>				
<b>EXPENDITURES (Continued)</b>						
<b>Current expenditures (Continued)</b>						
Public safety (Continued)						
Fire department						
Salaries	\$ 658,001	\$ 658,001	\$ 674,842	\$ (16,841)		
Payroll tax	50,337	50,337	50,115	222		
Employee benefits	72,562	72,562	71,779	783		
Contract services	29,896	29,896	28,541	1,355		
Dues and subscriptions	1,100	1,100	1,068	32		
Fire hydrant rental	2,752	2,752	2,752	-		
Insurance	7,577	7,577	10,154	(2,577)		
Office supplies and expenses	500	500	874	(374)		
Operating supplies	17,725	17,725	11,923	5,802		
Repairs and maintenance	8,257	8,257	7,705	552		
Telephone	5,632	5,632	4,981	651		
Training	9,713	9,713	3,988	5,725		
Travel	2,500	2,500	1,536	964		
Uniforms	23,980	23,980	23,837	143		
Utilities	20,300	20,300	15,160	5,140		
Vehicle	30,800	30,800	29,359	1,441		
Total fire department	<u>941,632</u>	<u>941,632</u>	<u>938,614</u>	<u>3,018</u>		
Total public safety	<u>2,737,755</u>	<u>2,757,779</u>	<u>2,737,509</u>	<u>20,270</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>		
	<b>Original</b>	<b>Final</b>				
<b>EXPENDITURES (Continued)</b>						
<b>Current expenditures (Continued)</b>						
Public works						
Street department						
Salaries	\$ 492,887	\$ 492,887	\$ 500,986	\$ (8,099)		
Payroll tax	38,211	38,211	37,575	636		
Employee benefits	66,888	66,888	69,088	(2,200)		
Contract services	123,000	123,000	51,979	71,021		
Insurance	2,000	2,000	594	1,406		
Office supplies	3,250	3,250	2,045	1,205		
Operating supplies	56,700	79,900	39,413	40,487		
Repairs and maintenance	20,750	20,750	13,972	6,778		
Telephone	5,000	5,000	3,512	1,488		
Training	2,000	2,000	2,251	(251)		
Travel	900	900	434	466		
Uniforms	3,625	3,625	3,466	159		
Utilities	9,500	9,500	7,291	2,209		
Vehicle	<u>51,400</u>	<u>51,400</u>	<u>38,183</u>	<u>13,217</u>		
Total street department	<u>876,111</u>	<u>899,311</u>	<u>770,789</u>	<u>128,522</u>		
Public welfare and recreation						
Animal control						
Contract services	<u>69,971</u>	<u>69,971</u>	<u>69,990</u>	<u>(19)</u>		
Parks and recreation						
Contract services	33,500	33,500	29,000	4,500		
Operating supplies	4,650	4,650	2,077	2,573		
Repairs and maintenance	22,700	22,700	22,962	(262)		
Utilities	<u>62,840</u>	<u>62,840</u>	<u>56,743</u>	<u>6,097</u>		
Total parks and recreation	<u>123,690</u>	<u>123,690</u>	<u>110,782</u>	<u>12,908</u>		
Total public welfare and recreation	<u>193,661</u>	<u>193,661</u>	<u>180,772</u>	<u>12,889</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES (Continued)</b>				
<b>Capital outlay</b>				
General government	\$ 6,500	\$ 6,500	\$ 112,252	\$ (105,752)
Police department	56,671	58,329	34,998	23,331
Fire department	33,076	49,076	30,738	18,338
Street department	59,750	59,750	160,717	(100,967)
Parks and recreation	<u>55,000</u>	<u>114,504</u>	<u>114,708</u>	<u>(204)</u>
Total capital outlay	<u>210,997</u>	<u>288,159</u>	<u>453,413</u>	<u>(165,254)</u>
<b>Debt service</b>				
Principal and interest	<u>307,350</u>	<u>307,350</u>	<u>181,122</u>	<u>126,228</u>
<b>TOTAL EXPENDITURES</b>	<u>6,091,395</u>	<u>6,211,781</u>	<u>5,974,329</u>	<u>237,452</u>
Excess (deficiency) of revenues over (under) expenditures	(422,967)	(439,725)	185,560	625,285
<b>Fund balances - beginning</b>	<u>5,361,062</u>	<u>5,361,062</u>	<u>5,361,062</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 4,938,095</u>	<u>\$ 4,921,337</u>	<u>\$ 5,546,622</u>	<u>\$ 625,285</u>

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

**CITY OF RED BANK, TENNESSEE**  
**Solid Waste Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services				
Garbage fees	\$ 900,000	\$ 900,000	\$ 943,954	\$ 43,954
Other revenues				
Penalties	-	-	5,288	5,288
Interest earnings	1,220	1,220	5,560	4,340
Total other revenues	<u>1,220</u>	<u>1,220</u>	<u>10,848</u>	<u>9,628</u>
<b>TOTAL REVENUES</b>	<u>901,220</u>	<u>901,220</u>	<u>954,802</u>	<u>53,582</u>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public works				
Salaries	255,438	255,438	253,877	1,561
Payroll tax	19,541	19,541	17,804	1,737
Employee benefits	121,159	121,159	122,968	(1,809)
Contract services	40,000	40,000	43,999	(3,999)
Miscellaneous	400	400	317	83
Operating supplies	12,100	12,100	10,978	1,122
Repairs and maintenance	10,000	10,000	8,679	1,321
Telephone	200	200	122	78
Uniforms	1,800	1,800	1,702	98
Utilities	750	750	669	81
Vehicle expense	63,000	63,000	46,349	16,651
Waste disposal	<u>165,000</u>	<u>165,000</u>	<u>151,884</u>	<u>13,116</u>
Total public works	<u>689,388</u>	<u>689,388</u>	<u>659,348</u>	<u>30,040</u>
Capital outlay				
Sanitation department	<u>95,800</u>	<u>95,800</u>	<u>80,219</u>	<u>15,581</u>
Debt service				
Principal and interest	<u>65,123</u>	<u>65,123</u>	<u>64,849</u>	<u>274</u>
<b>TOTAL EXPENDITURES</b>	<u>850,311</u>	<u>850,311</u>	<u>804,416</u>	<u>45,895</u>
Excess (deficiency) of revenues over (under) expenditures	50,909	50,909	150,386	99,477
<b>Fund balances - beginning</b>	<u>585,378</u>	<u>585,378</u>	<u>585,378</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 636,287</u>	<u>\$ 636,287</u>	<u>\$ 735,764</u>	<u>\$ 99,477</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, 2018**

	<b>Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Sewer Fund</b>	<b>Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 42,056	\$ 284,287	\$ 326,343
Accounts receivable - net	-	36,248	36,248
Due from grantor	23,338	-	23,338
Due from other funds	-	145	145
Notes receivable - WWTA	460,284	-	460,284
Total current assets	<u>525,678</u>	<u>320,680</u>	<u>846,358</u>
Non-current assets			
Other assets			
Notes receivable - WWTA	<u>600,194</u>	<u>-</u>	<u>600,194</u>
Capital assets			
Other capital assets - net of accumulated depreciation	<u>-</u>	<u>72,285</u>	<u>72,285</u>
Total non-current assets	<u>600,194</u>	<u>72,285</u>	<u>672,479</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,125,872</u></b>	<b><u>\$ 392,965</u></b>	<b><u>\$ 1,518,837</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ -</u>	<u>\$ 18,094</u>	<u>\$ 18,094</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ -	\$ 11,100	\$ 11,100
Accrued liabilities	-	3,759	3,759
Due to other funds	-	18	18
Grant payable	23,338	-	23,338
Notes payable - due in one year	<u>460,284</u>	<u>-</u>	<u>460,284</u>
Total current liabilities	<u>483,622</u>	<u>14,877</u>	<u>498,499</u>
Non-current liabilities			
Notes payable	600,194	-	600,194
Accrued leave	-	18,274	18,274
Net pension liability	-	13,386	13,386
Total non-current liabilities	<u>600,194</u>	<u>31,660</u>	<u>631,854</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,083,816</u></b>	<b><u>\$ 46,537</u></b>	<b><u>\$ 1,130,353</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>\$ -</u>	<u>\$ 9,233</u>	<u>\$ 9,233</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ -	\$ 72,285	\$ 72,285
Unrestricted	<u>42,056</u>	<u>283,004</u>	<u>325,060</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 42,056</u></b>	<b><u>\$ 355,289</u></b>	<b><u>\$ 397,345</u></b>

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, 2018**

	<b>Enterprise Funds</b>		
	<b>Stormwater</b>		<b>Totals</b>
	<b>Sewer Fund</b>	<b>Fund</b>	
<b>OPERATING REVENUES</b>			
Rent of facilities	\$ 7,395	\$ -	\$ 7,395
Stormwater fees	- -	274,567	274,567
Other	- -	936	936
Total operating revenues	<u>7,395</u>	<u>275,503</u>	<u>282,898</u>
<b>OPERATING EXPENSES</b>			
Stormwater collection	- -	231,734	231,734
Administration	- -	27,433	27,433
Depreciation	- -	10,873	10,873
Total operating expenses	<u>- -</u>	<u>270,040</u>	<u>270,040</u>
Operating income (loss)	<u>7,395</u>	<u>5,463</u>	<u>12,858</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest earnings	280	2,162	2,442
Grant revenue	49,418	- -	49,418
Grant subrecipient	(49,418)	- -	(49,418)
Intergovernmental revenue	48,840	- -	48,840
Interest expense	(48,840)	- -	(48,840)
Total non-operating revenues (expenses)	<u>280</u>	<u>2,162</u>	<u>2,442</u>
Changes in net position	7,675	7,625	15,300
<b>Net position - beginning</b>	<u>34,381</u>	<u>347,664</u>	<u>382,045</u>
<b>Net position - end</b>	<u>\$ 42,056</u>	<u>\$ 355,289</u>	<u>\$ 397,345</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, 2018**

	<b>Enterprise Funds</b>		
	<b>Stormwater</b>		
	<b>Sewer Fund</b>	<b>Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 7,395	\$ 274,853	\$ 282,248
Payments to suppliers	-	(167,689)	(167,689)
Payments to employees	-	(87,919)	(87,919)
Net cash provided (used) by operating activities	<u>7,395</u>	<u>19,245</u>	<u>26,640</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Grant revenue	49,418	-	49,418
Grant subrecipient	<u>(49,418)</u>	<u>-</u>	<u>(49,418)</u>
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>			
Interest income	<u>280</u>	<u>2,162</u>	<u>2,442</u>
Net increase (decrease) in cash	7,675	21,407	29,082
<b>Cash - beginning</b>	<u>34,381</u>	<u>262,880</u>	<u>297,261</u>
<b>Cash - end</b>	<u><b>\$ 42,056</b></u>	<u><b>\$ 284,287</b></u>	<u><b>\$ 326,343</b></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	<u>\$ 7,395</u>	<u>\$ 5,463</u>	<u>\$ 12,858</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	10,873	10,873
Increase (decrease) in net pension liability	-	(10,032)	(10,032)
Increase (decrease) in deferred inflows related to pensions	-	4,215	4,215
(Increase) decrease in deferred outflows related to pensions	-	1,610	1,610
(Increase) decrease in accounts receivable - net	-	(650)	(650)
(Increase) decrease in due from grantor	(23,338)	-	(23,338)
Increase (decrease) in accrued liabilities	-	(351)	(351)
Increase (decrease) in accounts payable	-	11,100	11,100
Increase (decrease) in grant payable	23,338	-	23,338
Increase (decrease) in due to other funds	-	(3,026)	(3,026)
Increase (decrease) in accrued leave	-	43	43
Total adjustments	<u>-</u>	<u>13,782</u>	<u>13,782</u>
Net cash provided (used) by operating activities	<u><b>\$ 7,395</b></u>	<u><b>\$ 19,245</b></u>	<u><b>\$ 26,640</b></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, 2018**

	<b>Enterprise Funds</b>		
	<b>Stormwater</b>	<b>Totals</b>	
	<b>Sewer Fund</b>	<b>Fund</b>	
<b>Non-cash Investing and Financing Activities</b>			
Debt payments made on behalf of the Sewer Fund by HCWWTA (Note 22)			
Principal	\$ 443,364	\$ -	\$ 443,364
Interest	<u>48,840</u>	<u>-</u>	<u>48,840</u>
Total	<u><u>\$ 492,204</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 492,204</u></u>

Non-cash transaction during year ended June 30, 2004, when Hamilton County Water and Wastewater Treatment Authority (HCWWTA) bought Red Bank's sewer system, as part of the sale, HCWWTA agreed to pay the principal and interest on the City's debt of the sewer system. During year ended June 30, 2018, HCWWTA paid \$443,364 in principal and \$48,840 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, 2018**

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

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

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

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

**A. Reporting Entity**

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

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

**B. Basic Financial Statements**

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

**Government-wide Statements**

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

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

### B. Basic Financial Statements (Continued)

#### Government-wide Statements (Continued)

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

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

#### Fund Financial Statements

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

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

The City reports the following major governmental funds:

#### General Fund

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

#### Solid Waste Fund

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

The City reports the following major enterprise funds:

#### Sewer Fund

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

#### Stormwater Fund

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

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

### C. Measurement Focus - Basis of Accounting

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

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

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

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

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

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

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

### **D. Budgets and Budgetary Accounting**

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

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

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

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

During the year, supplementary appropriations were necessary. The effect of the amendments netted to \$(768,969) in the governmental funds. No amendments were necessary in the enterprise funds.

### **E. Cash and Cash Equivalents**

Cash consists of cash-on-hand and cash-on-deposit with financial institutions. For purposes of reporting cash on the Statement of Cash Flows, the City considers unrestricted highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash is reported on the Statement of Net Position as "Cash". At June 30, 2018, the City had no cash equivalents.

### **F. Investments**

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

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

Bonds, notes or treasury bills of the United States.

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

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

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

The Local Government Investment Pool created by Title 9.

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

### **G. Property Taxes**

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

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2018 levy is \$1.39 per \$100 of assessed valuation, and the tax rate for the 2017 levy is \$1.35 per \$100 of assessed valuation.

Property taxes for the 2018 levy are considered to be owed to the City as of the lien date on January 1, 2018. Therefore, the entire 2018 levy was recorded as a receivable and deferred revenue as of June 30, 2018.

### **H. Interfund Transactions**

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

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

#### **Transactions between Funds**

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

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

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

### **J. Inventories**

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

### **K. Restricted Assets**

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

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

### L. Capital Assets

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

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

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

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

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

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

### M. Deferred Outflows/Inflows of Resources

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

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

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

### N. Compensated Absences

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

### O. Long-term Obligations

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

### P. Pensions

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

### Q. Net Position

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

### R. Fund Balance

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

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

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

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

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

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

### R. Fund Balance (Continued)

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

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

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

### S. Estimates

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

### T. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2018, and November 16, 2018, 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, 2018, the carrying amount of the City's deposits was \$3,969,469, and the bank balance was \$4,091,808. None of the City's bank balance was exposed to custodial credit risk as uninsured or uncollateralized due to the fact that all of its deposits and investments are in a financial institution that is a participant in the State of Tennessee collateral pool or are fully collateralized.

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

Cash	\$ 3,590,619
Investments	<u>3,444,050</u>
	7,034,669
Less: petty cash	( 283)
Less: LGIP	<u>(3,064,917)</u>
Total	<u>\$ 3,969,469</u>

## NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

### Investments

The City's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP) and a certificate-of-deposit. The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2018. The LGIP is not rated. The City's investments are listed on the Statement of Net Position as follows:

LGIP	\$ 3,064,917
Certificate-of-deposit	379,133
Total	<u>\$ 3,444,050</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, 2018, consists of the following:

<u>Year of Levy</u>					
2018				\$ 2,693,892	
2017				133,717	
2016				42,813	
2015				27,075	
2014				9,223	
2013				9,210	
2012				29,854	
2011				13,724	
2010				20,648	
2009				2,780	
				<u>2,982,936</u>	
Less: allowance for uncollectibles				( 176,161)	
Property taxes receivable - net				<u>\$ 2,806,775</u>	

## NOTE 4 - ACCOUNTS RECEIVABLE - NET

Accounts receivable - net at June 30, 2018, consists of the following:

	General Fund	Solid Waste Fund	State Street Aid Fund	Stormwater Fund	Total
State shared revenue receivables	\$ 398,998	\$ -	\$ -	\$ -	\$ 398,998
Local beer and liquor tax	29,071	-	-	-	29,071
Court fines	304,564	-	-	-	304,564
Franchise tax	39,611	-	-	-	39,611
Stormwater tax	-	-	-	81,802	81,802
State street aid	-	-	70,624	-	70,624
Sanitation fee	-	7,531	-	-	7,531
Other	2,494	-	-	-	2,494
Less: allowance for doubtful accounts	(207,104)	-	-	( 45,554)	(252,658)
Total	<u>\$ 567,634</u>	<u>\$ 7,531</u>	<u>\$ 70,624</u>	<u>\$ 36,248</u>	<u>\$ 682,037</u>

## NOTE 5 - DUE FROM GRANTOR

Due from other governments at June 30, 2018, consists of the following:

Department of Transportation	\$ 73,554
Department of Justice	3,499
Department of Homeland Security	14,000
Department of Economic and Community Development	<u>23,338</u>
 Total	 <u>\$ 114,391</u>

## NOTE 6 - INTERNAL BALANCES

Internal balances at June 30, 2018, consist of the following:

	Due from					<u>Total</u>
	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>State Street Aid Fund</u>	<u>Stormwater Fund</u>		
<u>Due to:</u>						
General Fund	\$ -	\$ 1,189	\$ 12,261	\$ -	\$ 13,450	
Solid Waste Fund	-	-	-	18	18	
Stormwater Fund	<u>145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145</u>
 Total	 <u>\$ 145</u>	 <u>\$ 1,189</u>	 <u>\$ 12,261</u>	 <u>\$ 18</u>	 <u>\$ 13,613</u>	

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

## NOTE 7 - NOTE RECEIVABLE - WWTA

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

Future notes receivable receipts are as follows:

2019	\$ 460,284
2020	477,852
2021	<u>122,342</u>
	<u>1,060,478</u>
Less: current portion	<u>( 460,284)</u>
 Total	 <u>\$ 600,194</u>

## NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 366,258	\$ 33,758	\$ -	\$ 400,016
Capital assets being depreciated:				
Buildings	1,191,721	122,003	-	1,313,724
Public improvements	3,179,795	123,360	-	3,303,155
State street aid	2,058,021	-	-	2,058,021
Infrastructure	2,833,752	-	-	2,833,752
Furniture, fixtures and equipment	4,575,987	361,353	( 152,647)	4,784,693
Total capital assets being depreciated	13,839,276	606,716	( 152,647)	14,293,345
Less accumulated depreciation for:				
Buildings	601,360	42,303	-	643,663
Public improvements	698,175	88,735	-	786,910
State street aid	697,371	61,913	-	759,284
Infrastructure	569,733	56,675	-	626,408
Furniture, fixtures and equipment	3,328,302	429,537	( 152,647)	3,605,192
Total accumulated depreciation	5,894,941	679,163	( 152,647)	6,421,457
Total capital assets being depreciated - net	7,944,335	( 72,447)	-	7,871,888
Governmental activities capital assets - net	\$ 8,310,593	\$ ( 38,689)	\$ -	\$ 8,271,904
Depreciation expense was charged to the functions of the primary government as follows:				
General government				\$ 37,026
Public safety				264,887
Public works				237,481
State street aid				61,913
Public welfare and recreation				77,856
Total				\$ 679,163

## NOTE 8 - CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Land improvements	\$ 35,841	\$ -	\$ -	\$ 35,841
Plant in service	33,920	-	-	33,920
Equipment	110,129	-	-	110,129
Total capital assets being depreciated	179,890	-	-	179,890
Less accumulated depreciation for:				
Land improvements	7,168	1,792	-	8,960
Plant in service	33,920	-	-	33,920
Equipment	55,644	9,081	-	64,725
Total accumulated depreciation	96,732	10,873	-	107,605
Total capital assets being depreciated - net	83,158	(10,873)	-	72,285
Business-type activities capital assets - net	\$ 83,158	\$ (10,873)	\$ -	\$ 72,285

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

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

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

## NOTE 9 - DEFERRED OUTFLOWS RELATED TO PENSIONS

Deferred outflows related to pensions at June 30, 2018, consists of the following:

Beginning balance	\$ 656,847
Employer contribution made during 2017	(340,803)
Difference in actuarial experience	( 5,523)
Difference in investment earnings	(153,017)
Netting of investment earnings	(135,415)
Employer contributions made during 2018	357,913
Changes in assumptions	<u>223,214</u>
Total	<u>\$ 603,216</u>

## NOTE 10 - GRANT PAYABLE

Grant payable at June 30, 2018, consists of \$23,338 of Sewer Fund grant revenue to be paid to Hamilton County.

## NOTE 11 - LONG-TERM DEBT

### A. Governmental Debt

Long-term debt, which consists of a 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	\$ -
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	91,000
Tennessee Municipal Bond Fund, Series 2014, issued in the original amount of \$261,934 for construction, payable in varying annual installments of approximately \$70,548, including interest at 2.37%, due June, 2018	-
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	291,500
Accrued leave	260,702
Landfill closure and post-closure cost	84,700
Less: current portion of governmental long-term debt	<u>727,902</u>
Total governmental long-term debt	<u><u>\$ 633,502</u></u>

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

**A. Governmental Debt (Continued)**

A summary of changes in governmental long-term debt for the year ended June 30, 2018, are as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
TML Bond Fund	\$ 189,000	\$ -	\$ ( 189,000)	\$ -	\$ -
Capital outlay note 2012, due 2019	134,000	-	( 43,000)	91,000	45,000
TML Bond Fund, 2014	69,000	-	( 69,000)	-	-
TML capital outlay note 2012, due 2024	333,200	-	( 41,700)	291,500	41,700
Accrued leave	268,390	-	( 7,688)	260,702	-
Landfill closure and post- closure cost	92,400	-	( 7,700)	84,700	7,700
	<u>\$ 1,085,990</u>	<u>\$ -</u>	<u>\$ ( 358,088)</u>	<u>727,902</u>	<u>\$ 94,400</u>
Less: current portion of governmental long-term debt					( 94,400)
Total governmental long-term debt					<u>\$ 633,502</u>
Interest paid during the year ended June 30, 2018, on governmental long-term debt was \$18,879.					
Governmental debt service requirements to maturity, including interest of \$31,666 is as follows:					
<u>Year ended</u>					<u>Total</u>
<u>June 30</u>					<u>Requirements</u>
2019	\$ 86,700		\$ 9,431		\$ 96,131
2020	87,700		7,171		94,871
2021	41,700		5,430		47,130
2022	41,700		4,221		45,921
2023	41,700		3,012		44,712
2024-2025	83,000		2,401		85,401
Total	<u>\$ 382,500</u>		<u>\$ 31,666</u>		<u>\$ 414,166</u>

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

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

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

**B. Business-Type Debt**

**Sewer Fund:**

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

	<u>Principal Balance</u>
Note to Tennessee Department of Environment and Conservation, for sewer improvements, to be repaid in variable annual installments through September, 2021, with interest payable monthly at a variable rate, currently 3.75%.	\$ 1,060,478
Less: current portion of sewer long-term debt	( 460,284)
Total sewer long-term debt	<u>\$ 600,194</u>

A summary of changes in Sewer Fund long-term debt for the year ended June 30, 2018, are as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Amount Due Within One Year</u>
Note - Tennessee Dept. of Environment and Conservation	<u>\$ 1,503,842</u>	<u>\$ _____</u>	<u>\$ (443,364)</u>	\$ 1,060,478	\$ 460,284
Less: current portion of sewer long-term debt				( 460,284)	
Total sewer long-term debt				<u>\$ 600,194</u>	

Interest paid during the year ended June 30, 2018, on sewer long-term debt was \$48,840.

Sewer debt service requirements to maturity, including interest of \$47,041 is as follows:

Year ended	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
June 30			
2019	\$ 460,284	\$ 31,920	\$ 492,204
2020	477,852	14,352	492,204
2021	<u>122,342</u>	<u>769</u>	<u>123,111</u>
Total	<u>\$ 1,060,478</u>	<u>\$ 47,041</u>	<u>\$ 1,107,519</u>

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

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

#### Stormwater Fund:

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

Accrued leave				\$ 18,274
Less: current portion				<u>      </u>
Total stormwater long-term debt				<u>\$ 18,274</u>

A summary of changes in Stormwater Fund long-term debt for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Retirements	Balance June 30, 2018	Amount Due Within One Year
Accrued leave	\$ 18,231	\$ 43	\$ -	\$ 18,274	\$ -
Less: current portion				<u>      </u>	<u>      </u>
Total stormwater long-term debt				<u>\$ 18,274</u>	<u>\$ 18,274</u>

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

## NOTE 12 - LANDFILL CLOSURE AND POST-CLOSURE

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

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

Year Ended	Amount
June 30:	
2019	\$ 7,700
2020	7,700
2021	7,700
2022	7,700
2023	7,700
2024-2028	38,500
2029	7,700
Total	<u>\$ 84,700</u>

### **NOTE 13 - NET PENSION LIABILITY**

Net pension liability at June 30, 2018, consists of the following:

Beginning balance	\$ 780,620
Employer contributions made during 2017	( 342,089)
Pension expense	218,964
Difference in actuarial experience	( 144,331)
Changes in assumptions	223,214
Difference in investment earnings	( 290,156)
 Total	 <u>\$ 446,222</u>

### **NOTE 14 - DEFERRED REVENUE - PROPERTY TAX**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds as deferred inflows were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes	<u>\$ 81,766</u>	<u>\$ 2,693,892</u>	<u>\$ 2,775,658</u>

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

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

Deferred inflows related to pension at June 30, 2018, consists of the following:

Beginning balance	\$ 167,259
Difference in actuarial experience	138,808
Difference in investment earnings	137,138
Netting investment earnings	( 135,415)
 Total	 <u>\$ 307,790</u>

### **NOTE 16 - NET POSITION RESTRICTIONS**

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

Drug funds in the amount of \$91,720 are legally restricted for non-recurring police expenditures.

State street aid funds in the amount of \$826,138 are legally restricted for state street aid expenditures.

Impound funds in the amount of \$4,647 are restricted for impound related expenditures.

Solid waste funds in the amount of \$735,764 are legally restricted for solid waste expenditures.

## **NOTE 17 - FUND BALANCES**

Fund balances are as follows:

Nonspendable: Inventory of \$1,677 is nonspendable due to form.

Restricted: Drug funds in the amount of \$91,720 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$826,138 are legally restricted for state street aid expenditures. Impound funds in the amount of \$4,647 are restricted for impound related expenditures. Solid waste funds in the amount of \$735,764 are legally restricted for solid waste expenditures.

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

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

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

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including 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 \$(727,902) difference are as follows:

Notes payable	\$( 382,500)
Landfill closure and post-closure cost	( 84,700)
Accrued leave	<u>( 260,702)</u>
Net adjustment	<u>\$( 727,902)</u>

Another element of that reconciliation states that, "Pension liabilities, including deferred inflows and deferred outflows, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(146,271) difference are as follows:

Deferred outflows related to pensions	\$ 585,122
Net pension liability	( 432,836)
Deferred inflows related to pensions	<u>( 298,557)</u>
Net adjustment	<u>\$( 146,271)</u>

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

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$(38,689) difference are as follows:

Capital outlay	\$ 640,474
Depreciation expense	<u>(679,163)</u>
Net adjustment	<u><u>\$ ( 38,689)</u></u>

Another element of that reconciliation states that, "Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position". The details of this \$350,400 difference are as follows:

Bonds payable	\$ 258,000
Notes payable	84,700
Landfill closure and post-closure cost	<u>7,700</u>
Net adjustment	<u><u>\$ 350,400</u></u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$136,028 difference are as follows:

Pension expense	\$ ( 211,148)
Contributions	<u>347,176</u>
Net adjustment	<u><u>\$ 136,028</u></u>

## **NOTE 19 - LITIGATION AND CLAIMS**

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

## **NOTE 20 - OPERATING LEASE**

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

Year ended	
<u>June 30</u>	
2019	\$ 1,919
2020	<u>1,439</u>
Total	<u>\$ 3,358</u>

## **NOTE 21 - TRANSFER OF SEWER SYSTEM**

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

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

Non-cash transaction during year ended June 30, 2004, when Hamilton County Water and Wastewater Treatment Authority (HCWWTA) bought Red Bank's sewer system, as part of the sale, HCWWTA agreed to pay the principal and interest on the City's debt of the sewer system. During year ended June 30, 2018, HCWWTA paid \$443,364 in principal and \$48,840 in interest directly to the payees.

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

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

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

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

## **NOTE 25 - RISK MANAGEMENT POOL**

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

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

Coverages are as follows:

Property	\$ 11,446,400
Workers compensation	\$ 300,000 per accident \$ 700,000 policy limit \$ 300,000 per employee
Liability	\$ 1,000,000 each other loss- per occurrence

### **The responsibilities of the City are as follows:**

To pay all contributions or other sums due to 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.

## **NOTE 25 - RISK MANAGEMENT POOL (Continued)**

### **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, 2018. No provision has been made in the financial statements for the year ended June 30, 2018, for any estimate of potential unpaid claims.

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

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

## **NOTE 27 - PENSION PLAN**

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

#### **Plan description**

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

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

### **General Information about the Pension Plan** (Continued)

#### **Benefits provided**

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

#### **Employees covered by benefit terms**

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	92
Active employees	70
Total employees	<u>206</u>

#### **Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Red Bank makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for Red Bank were \$357,913 based on a rate of 12.07 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Red Bank's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

## NOTE 27 - PENSION PLAN (Continued)

### Net Pension Liability (Asset)

Red Bank's net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

#### **Actuarial assumptions**

The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

#### **Changes in assumptions**

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

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

## NOTE 27 - PENSION PLAN (Continued)

### Net Pension Liability (Asset) (Continued)

#### **Discount rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Red Bank will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes in the Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 6/30/16	<u>\$ 9,366,622</u>	<u>\$ 8,586,003</u>	<u>\$ 780,619</u>
Changes for the year:			
Service cost	210,569	-	210,569
Interest	705,270	-	705,270
Differences between expected and actual experience	( 202,036)	-	( 202,036)
Changes in assumptions	260,416	-	260,416
Contributions - employer	-	342,089	( 342,089)
Contributions - employees	-	-	-
Net investment income	-	972,335	( 972,335)
Benefit payments, including refunds of employee contributions	( 347,179)	( 347,179)	-
Administrative expense	-	( 5,808)	5,808
Other changes	-	-	-
Net changes	<u>627,040</u>	<u>961,437</u>	<u>( 334,397)</u>
Balance at 6/30/17	<u>\$ 9,993,662</u>	<u>\$ 9,547,440</u>	<u>\$ 446,222</u>

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

The following presents the net pension liability (asset) of Red Bank calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Red Bank's net pension liability (asset)	\$ 1,845,424	\$ 446,222	\$ ( 714,258)

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

#### **Pension expense (negative pension expense)**

For the year ended June 30, 2018, Red Bank recognized pension expense (negative pension expense) of \$218,964.

## NOTE 27 - PENSION PLAN (Continued)

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

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

For the year ended June 30, 2018, Red Bank reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ 22,089	\$ 306,067
Net difference between projected and actual earnings on pension plan investments	-	1,723
Changes in assumptions	223,214	-
Contributions subsequent to the measurement date of June 30, 2017	<u>357,913</u>	(not applicable)
<b>Total</b>	<b>\$ 603,216</b>	<b>\$ 307,790</b>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

#### Year Ended June 30:

2019	\$ ( 59,141)
2020	\$ 66,755
2021	\$ ( 5,086)
2022	\$ ( 66,796)
2023	\$ ( 6,560)
Thereafter	\$ 8,340

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

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**June 30, 2018**

**Last Fiscal Year Ending June 30**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b><u>Total pension liability (asset)</u></b>				
Service cost	\$ 184,273	\$ 176,835	\$ 199,860	\$ 210,569
Interest	605,436	631,759	672,766	705,270
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(136,260)	38,658	(104,297)	(202,036)
Change of assumptions	-	-	-	260,416
Benefit payments, including refunds of employee contributions	<u>(287,182)</u>	<u>(302,907)</u>	<u>(344,122)</u>	<u>(347,179)</u>
Net change in total pension liability	366,267	544,345	424,207	627,040
Total pension liability - beginning	<u>8,031,803</u>	<u>8,398,070</u>	<u>8,942,415</u>	<u>9,366,622</u>
Total pension liability - ending (a)	<u>\$ 8,398,070</u>	<u>\$ 8,942,415</u>	<u>\$ 9,366,622</u>	<u>\$ 9,993,662</u>

**Plan fiduciary net position**

Contributions - employer	\$ 293,723	\$ 314,749	\$ 331,019	\$ 342,089
Contributions - employee	-	1,361	-	-
Net investment income	1,152,047	250,292	222,087	972,335
Benefit payments, including refunds of employee contributions	(287,182)	(302,907)	(344,122)	(347,179)
Administrative expense	(2,491)	(3,258)	(4,844)	(5,808)
Other	-	-	-	-
Net change in plan fiduciary net position	1,156,097	260,237	204,140	961,437
Plan fiduciary net position - beginning	<u>6,965,528</u>	<u>8,121,625</u>	<u>8,381,862</u>	<u>8,586,003</u>
Plan fiduciary net position - ending (b)	<u>\$ 8,121,625</u>	<u>\$ 8,381,862</u>	<u>\$ 8,586,002</u>	<u>\$ 9,547,440</u>
Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 276,445</u>	<u>\$ 560,553</u>	<u>\$ 780,620</u>	<u>\$ 446,222</u>
Plan fiduciary net position as a percentage of total pension liability	96.71%	93.73%	91.67%	95.53%
Covered payroll	\$ 2,429,467	\$ 2,607,696	\$ 2,742,495	\$ 2,834,208
Net pension liability (asset) as a percentage of covered payroll	11.38%	21.50%	28.46%	15.74%

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

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

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2018**

**Last Fiscal Year Ending June 30**

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

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

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS (Continued)**  
**June 30, 2018**

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for fiscal year 2018 were calculated based on the June 30, 2017 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

**OTHER SUPPLEMENTARY INFORMATION**

## NON-MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

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

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

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

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

**CITY OF RED BANK, TENNESSEE**  
**Non-major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	<b>Special Revenue</b>			<b>Total</b>
	<b>Drug Fund</b>	<b>Impound Fund</b>	<b>State Street Aid Fund</b>	<b>Non-major Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 91,816	\$ 4,647	\$ 109,650	\$ 206,113
Investments	-	-	652,357	652,357
Accounts receivable	-	-	70,624	70,624
Due from grantor	-	-	6,488	6,488
<b>TOTAL ASSETS</b>	<b>\$ 91,816</b>	<b>\$ 4,647</b>	<b>\$ 839,119</b>	<b>\$ 935,582</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 96	\$ -	\$ 720	\$ 816
Due to other funds	-	-	12,261	12,261
<b>TOTAL LIABILITIES</b>	<b>\$ 96</b>	<b>\$ -</b>	<b>\$ 12,981</b>	<b>\$ 13,077</b>
<b>FUND BALANCES</b>				
Restricted	<u>\$ 91,720</u>	<u>\$ 4,647</u>	<u>\$ 826,138</u>	<u>\$ 922,505</u>

**CITY OF RED BANK, TENNESSEE**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2018**

	<b>Special Revenue</b>			<b>Total</b>
	<b>Drug Fund</b>	<b>Impound Fund</b>	<b>State Street Aid Fund</b>	<b>Non-major Governmental Funds</b>
<b>REVENUES</b>				
License and permits	\$ -	\$ -	\$ 3,496	\$ 3,496
Intergovernmental	-	-	395,626	395,626
Fines and forfeitures	89,014	-	-	89,014
Other revenues	<u>96,599</u>	<u>3,194</u>	<u>29,984</u>	<u>129,777</u>
<b>TOTAL REVENUES</b>	<b><u>185,613</u></b>	<b><u>3,194</u></b>	<b><u>429,106</u></b>	<b><u>617,913</u></b>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety	31,179	3,361	-	34,540
State street aid	-	-	135,830	135,830
<b>Capital Outlay</b>	<b>156,729</b>	<b>-</b>	<b>5,628</b>	<b>162,357</b>
<b>Debt Service</b>	<b>-</b>	<b>-</b>	<b>115,608</b>	<b>115,608</b>
<b>TOTAL EXPENDITURES</b>	<b><u>187,908</u></b>	<b><u>3,361</u></b>	<b><u>257,066</u></b>	<b><u>448,335</u></b>
Excess (deficiency) of revenues over (under) expenditures	(2,295)	(167)	172,040	169,578
<b>Fund balances - beginning</b>	<b><u>94,015</u></b>	<b><u>4,814</u></b>	<b><u>654,098</u></b>	<b><u>752,927</u></b>
<b>Fund balances - end</b>	<b><u>\$ 91,720</u></b>	<b><u>\$ 4,647</u></b>	<b><u>\$ 826,138</u></b>	<b><u>\$ 922,505</u></b>

**CITY OF RED BANK, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Fines and forfeitures				
Drug fines and seizures	\$ 45,000	\$ 45,000	\$ 89,014	\$ 44,014
Other revenues				
Impound charges	750	750	270	(480)
Insurance recoveries	-	12,600	12,600	-
Sale of assets	10,000	10,000	23,555	13,555
Donation	-	-	57,663	57,663
Interest earnings	100	100	1,123	1,023
Miscellaneous	-	-	1,388	1,388
Total other revenues	<u>10,850</u>	<u>23,450</u>	<u>96,599</u>	<u>73,149</u>
<b>TOTAL REVENUES</b>	<u>55,850</u>	<u>68,450</u>	<u>185,613</u>	<u>117,163</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Contract services	250	250	4,542	(4,292)
Drug enforcement	5,000	5,000	-	5,000
Miscellaneous	150	150	124	26
Repairs and maintenance	1,500	1,500	3,315	(1,815)
Operating supplies	17,500	33,880	20,785	13,095
Telephone	500	500	-	500
Training	2,500	2,500	2,313	187
Travel	1,500	1,500	100	1,400
Vehicle	800	800	-	800
Total public safety	<u>29,700</u>	<u>46,080</u>	<u>31,179</u>	<u>14,901</u>
Capital Outlay				
Equipment	<u>66,339</u>	<u>230,097</u>	<u>156,729</u>	<u>73,368</u>
<b>TOTAL EXPENDITURES</b>	<u>96,039</u>	<u>276,177</u>	<u>187,908</u>	<u>88,269</u>
Excess (deficiency) of revenues over (under) expenditures	(40,189)	(207,727)	(2,295)	205,432
<b>Fund balances - beginning</b>	<u>94,015</u>	<u>94,015</u>	<u>94,015</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 53,826</u>	<u>\$ (113,712)</u>	<u>\$ 91,720</u>	<u>\$ 205,432</u>

**CITY OF RED BANK, TENNESSEE**  
**Impound Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other revenues				
Sale of equipment	\$ 2,500	\$ 2,500	<u>\$ 3,194</u>	<u>\$ 694</u>
<b>TOTAL REVENUES</b>	<u>2,500</u>	<u>2,500</u>	<u>3,194</u>	<u>694</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Contract services	2,500	2,500	<u>2,590</u>	<u>(90)</u>
Operating supplies	5,000	5,000	<u>707</u>	<u>4,293</u>
Miscellaneous	-	-	<u>64</u>	<u>(64)</u>
Total public safety	<u>7,500</u>	<u>7,500</u>	<u>3,361</u>	<u>4,139</u>
<b>TOTAL EXPENDITURES</b>	<u>7,500</u>	<u>7,500</u>	<u>3,361</u>	<u>4,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,000)</u>	<u>(5,000)</u>	<u>(167)</u>	<u>4,833</u>
<b>Fund balances - beginning</b>	<u>4,814</u>	<u>4,814</u>	<u>4,814</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ (186)</u>	<u>\$ (186)</u>	<u>\$ 4,647</u>	<u>\$ 4,833</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, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
License and permits				
Building permits	\$ -	\$ -	\$ 3,496	\$ 3,496
Intergovernmental				
State highway and street	305,000	305,000	392,706	87,706
Federal grants	- <u>                  </u>	2,338,694	2,920	(2,335,774)
Total intergovernmental	<u>305,000</u>	<u>2,643,694</u>	<u>395,626</u>	<u>(2,248,068)</u>
Other revenues				
Insurance recoveries	- <u>                  </u>	- <u>                  </u>	14,727	14,727
Interest earnings	700	700	7,757	7,057
Miscellaneous	- <u>                  </u>	- <u>                  </u>	7,500	7,500
Total other revenues	<u>700</u>	<u>700</u>	<u>29,984</u>	<u>29,284</u>
<b>TOTAL REVENUES</b>	<b><u>305,700</u></b>	<b><u>2,644,394</u></b>	<b><u>429,106</u></b>	<b><u>(2,215,288)</u></b>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
State street aid				
Highways and street maintenance				
Street lighting (electricity)	92,000	92,000	82,945	9,055
Repairs and maintenance	16,000	16,000	15,311	689
Street resurfacing	46,819	46,819	28,463	18,356
Miscellaneous	- <u>                  </u>	- <u>                  </u>	67	(67)
Operating supplies	30,000	30,000	9,044	20,956
Professional services	5,000	5,000	- <u>                  </u>	5,000
Total state street aid	<u>189,819</u>	<u>189,819</u>	<u>135,830</u>	<u>53,989</u>
Capital Outlay				
Public works				
Equipment	- <u>                  </u>	2,923,367	5,628	2,917,739
Debt Service				
Principal and interest	<u>115,881</u>	<u>115,881</u>	<u>115,608</u>	<u>273</u>
<b>TOTAL EXPENDITURES</b>	<b><u>305,700</u></b>	<b><u>3,229,067</u></b>	<b><u>257,066</u></b>	<b><u>2,972,001</u></b>
Excess (deficiency) of revenues over (under) expenditures	- <u>                  </u>	(584,673)	172,040	756,713
<b>Fund balances - beginning</b>	<b><u>654,098</u></b>	<b><u>654,098</u></b>	<b><u>654,098</u></b>	<b><u>-</u></b>
<b>Fund balances - end</b>	<b><u>\$ 654,098</u></b>	<b><u>\$ 69,425</u></b>	<b><u>\$ 826,138</u></b>	<b><u>\$ 756,713</u></b>

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2018**

<b>Federal Grantor/Pass-through Agency</b>	<b>Federal CFDA Number</b>	<b>State Grant/Project Number</b>	<b>Grant Revenues July 1, 2017</b>	<b>Grant Receipts</b>	<b>Grant Expenditures</b>	<b>(Accrued) Deferred</b>		<b>Grant Revenues June 30, 2018</b>
						<b>(Accrued)</b>	<b>Deferred</b>	
<b>FEDERAL ASSISTANCE PROGRAMS</b>								
Department of Transportation								
Distracted Driving Reduction Program	20.600	Z18THS257	\$ (1,575)	\$ 1,709	\$ 5,154		\$ (3,445)	
Distracted Driving Reduction Program	20.600	Z17THS056	\$ (1,416)	\$ 10,671	\$ 9,096			\$ (1,328)
Transportation Enhancement	20.205	33LPLM-F0-080	\$ (13,121)					\$ (13,121)
Transportation Enhancement	20.205	33LPLM-F3-079	\$ (4,656)	\$ 1,088	\$ 3,112		\$ (6,680)	
Transportation Enhancement	20.205	33LPLM-F1-081	\$ (25,168)	\$ 11,024	\$ 6,628			\$ (20,772)
Transportation Enhancement	20.205	33LPLM-F3-161	\$ (13,760)	\$ 7,376			\$ (6,384)	
Transportation Enhancement	20.205	33LPLM-F0-162	\$ (19,856)	\$ 2,808	\$ 4,776			\$ (21,824)
Total Department of Transportation			\$ (79,552)	\$ 34,764	\$ 28,766			\$ (73,554)
Department of Justice								
Justice Assistance	16.738	JAG 29915	\$ (14,744)	\$ 14,744				
High Intensity Drug Trafficking Area								
Office of National Drug Control Policy	95.001	G16AP0001A	\$ (1,539)	\$ 12,922	\$ 14,882		\$ (3,499)	
Bullet Proof Vest Grant	16.607		\$ (16,283)	\$ 1,971	\$ 1,971			
Total Department of Justice			\$ (29,637)		\$ 16,853			\$ (3,499)
Department of Homeland Security								
Homeland Security	97.067	EMW-2013-SS-00008	\$ (8,000)	\$ 8,000	\$ 14,000			\$ (14,000)
<b>Total Federal Assistance Programs</b>			\$ (103,835)	\$ 72,401	\$ 59,619			\$ (91,053)
<b>STATE ASSISTANCE PROGRAMS</b>								
Department of Economic and Community Development								
CDBG Sewer System	PO#12035				\$ 26,080	\$ 49,418		\$ (23,338)
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>			\$ (103,835)	\$ 98,481	\$ 109,037			\$ (114,391)

**CITY OF RED BANK, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2018**

**NOTE 1 - BASIS OF PRESENTATION**

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

**CITY OF RED BANK, TENNESSEE**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES</b>				
Rent of facilities	\$ 7,191	\$ 7,191	\$ 7,395	\$ (204)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	100	100	280	180
Grant revenue	-	-	49,418	49,418
Grant subrecipient	-	-	(49,418)	(49,418)
Intergovernmental revenue	492,204	492,204	48,840	(443,364)
Interest expense	<u>(492,204)</u>	<u>(492,204)</u>	<u>(48,840)</u>	<u>443,364</u>
Total non-operating revenues (expenses)	<u>100</u>	<u>100</u>	<u>280</u>	<u>180</u>
Changes in net position	7,291	7,291	7,675	384
<b>Net position - beginning</b>	<u>34,381</u>	<u>34,381</u>	<u>34,381</u>	<u>-</u>
<b>Net position - end</b>	<u>\$ 41,672</u>	<u>\$ 41,672</u>	<u>\$ 42,056</u>	<u>\$ 384</u>

**CITY OF RED BANK, TENNESSEE**  
**Stormwater Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES</b>				
Stormwater fees	\$ 270,000	\$ 270,000	\$ 274,567	\$ 4,567
Other	1,100	1,100	936	(164)
Total operating revenues	<u>271,100</u>	<u>271,100</u>	<u>275,503</u>	<u>4,403</u>
<b>OPERATING EXPENSES</b>				
Stormwater collection				
Salaries	90,957	90,957	87,919	3,038
Payroll taxes	6,958	6,958	6,522	436
Employee benefits	38,333	38,333	32,133	6,200
Insurance	1,000	1,000	-	1,000
Contract services	82,685	82,685	76,505	6,180
Operating supplies	118,755	118,755	22,928	95,827
Training	250	250	-	250
Uniforms	750	750	556	194
Vehicle expense	<u>7,500</u>	<u>7,500</u>	<u>5,171</u>	<u>2,329</u>
Total stormwater collection	<u>347,188</u>	<u>347,188</u>	<u>231,734</u>	<u>115,454</u>
Administration				
Administration fees	21,150	21,150	21,335	(185)
Supplies	<u>10,500</u>	<u>10,500</u>	<u>6,098</u>	<u>4,402</u>
Total administration	<u>31,650</u>	<u>31,650</u>	<u>27,433</u>	<u>4,217</u>
Depreciation	<u>-</u>	<u>-</u>	<u>10,873</u>	<u>(10,873)</u>
Total operating expenses	<u>378,838</u>	<u>378,838</u>	<u>270,040</u>	<u>108,798</u>
Operating income (loss)	<u>(107,738)</u>	<u>(107,738)</u>	<u>5,463</u>	<u>113,201</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	<u>490</u>	<u>490</u>	<u>2,162</u>	<u>1,672</u>
Changes in net position	<u>(107,248)</u>	<u>(107,248)</u>	<u>7,625</u>	<u>114,873</u>
<b>Net position - beginning</b>	<u>347,664</u>	<u>347,664</u>	<u>347,664</u>	<u>-</u>
<b>Net position - end</b>	<u>\$ 240,416</u>	<u>\$ 240,416</u>	<u>\$ 355,289</u>	<u>\$ 114,873</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Property Taxes Receivable**  
**June 30, 2018**

<b><u>Year of Levy</u></b>	
2018	\$ 2,693,892
2017	133,717
2016	42,813
2015	27,075
2014	9,223
2013	9,210
2012	29,854
2011	13,724
2010	20,648
2009	<u>2,780</u>
Total property taxes receivable	2,982,936
Less: allowance for uncollectibles	<u>(176,161)</u>
Net property taxes receivable	<u>\$ 2,806,775</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Changes in Property Taxes Receivable**  
**Year Ended June 30, 2018**

<b>Year of Levy</b>	<b>Taxes Receivable June 30, 2017</b>	<b>Levy</b>	<b>Pickups (Releases)</b>	<b>Collections</b>	<b>Taxes Receivable June 30, 2018</b>
2018	\$ 2,596,350	\$ 2,693,892	\$ 20,246	\$ (2,482,879)	\$ 133,717
2017	118,984	-	-	(76,171)	42,813
2016	43,125	-	-	(16,050)	27,075
2015	26,749	-	-	(17,526)	9,223
2014	11,401	-	-	(2,191)	9,210
2013	30,142	-	-	(288)	29,854
2011	13,735	-	-	(11)	13,724
2010	20,662	-	-	(14)	20,648
2009	2,802	-	-	(22)	2,780
2008	<u>12,435</u>	<u>-</u>	<u>(12,435)</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,876,385</u>	<u>\$ 2,693,892</u>	<u>\$ 7,811</u>	<u>\$ (2,595,152)</u>	<u>\$ 2,982,936</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**Fire Truck Capital Outlay Note**  
**Series 2012**

<b>Maturing</b> <b><u>June 30,</u></b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b> <b>Requirements</b>
2019	\$ 45,000	\$ 1,582	\$ 46,582
2020	<u>46,000</u>	<u>531</u>	<u>46,531</u>
Total	<u>\$ 91,000</u>	<u>\$ 2,113</u>	<u>\$ 93,113</u>

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**TML Capital Outlay Note**  
**Series 2012**

<b>Maturing</b> <b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b> <b>Requirements</b>
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	41,300	599	41,899
 Total	<u>\$ 291,500</u>	<u>\$ 29,553</u>	<u>\$ 321,053</u>

**CITY OF RED BANK, TENNESSEE**  
**Sewer Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2018**

**Tennessee Department of  
Environment and Conservation**

<b>Maturing June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Requirements</b>
2019	\$ 460,284	\$ 31,920	\$ 492,204
2020	477,852	14,352	492,204
2021	122,342	769	123,111
Total	<u>\$ 1,060,478</u>	<u>\$ 47,041</u>	<u>\$ 1,107,519</u>

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Rates**  
**June 30, 2018**

**Analysis of Tax Rates and Assessments**

<u>Tax Year</u>	<u>Rates per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2018	\$1.39	\$ 193,805,180	\$ 2,693,892
2017	\$1.35	\$ 193,805,207	\$ 2,616,370
2016	\$1.35	\$ 192,327,466	\$ 2,596,421
2015	\$1.35	\$ 191,575,579	\$ 2,586,270
2014	\$1.35	\$ 194,072,268	\$ 2,619,976
2013	\$1.35	\$ 189,746,620	\$ 2,573,154
2012	\$1.35	\$ 187,028,872	\$ 2,524,890
2011	\$1.10	\$ 189,363,636	\$ 2,083,000
2010	\$1.10	\$ 188,418,182	\$ 2,072,600
2009	\$1.26	\$ 161,746,032	\$ 2,038,000

**Delinquent Taxes Filed**

The City has filed uncollected delinquent taxes.

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Insurance**  
**June 30, 2018**

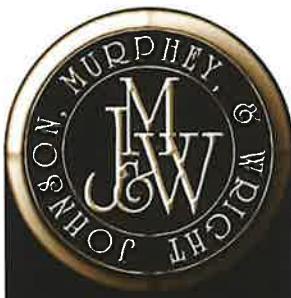
**TML POOL:**

Property	\$ 11,446,400
Workers compensation	\$ 300,000 per accident \$ 700,000 policy limit \$ 300,000 per employee
Liability	\$ 1,000,000 each other loss - per occurrence

**OFFICIAL BONDS**

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

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



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

To the Mayor and Commissioners  
City of Red Bank, Tennessee

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Bank, Tennessee as of and for the year ended June 30, 2018, 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 16, 2018.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee  
November 16, 2018

*Johnson, Mungley & Wright, P.C.*

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2018**

**SUMMARY OF AUDITOR'S RESULTS**

**Opinion on Financial Statements:**

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

**Internal Control Reportable Conditions:**

No instances of internal control reportable conditions were disclosed.

**Material Noncompliance:**

No instances of material noncompliance were disclosed.

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Prior Audit Findings**  
**June 30, 2018**

**Finding Number**

**Finding Title**

**Status**

There were no prior findings.