



**ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2021**

**CITY OF RED BANK, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2021**

**John Alexander, Interim City Manager**

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**CITY OF RED BANK, TENNESSEE**  
**City Officials**  
**June 30, 2021**

Mayor (12-2-20 through 6-30-21).....Hollie Berry

Acting Mayor (7-1-20 through 12-2-20).....Ruth Jenó

Commissioner (12-2-20 through 6-30-21) .....Ruth Jenó

Vice Mayor (12-2-20 through 6-30-21) .....Stefanie Dalton

Commissioner (7-1-20 through 12-2-20) ..... Tyler Howell

Commissioner (12-2-20 through 6-30-21) .....Pete Phillips

Commissioner..... Ed LeCompte

City Judge.....Johnny Houston

City Manager (6-30-20 through 5-18-21) ..... Tim Thornbury

Interim City Manager (5-19-21 through 6-30-21).....John Alexander

City Recorder (6-30-20 through 11-30-20)..... Ruth Rohen

City Recorder (12-1-20 through 6-30-21)..... Tracey Perry

Finance Director, CMFO.....John Alexander

## **II. FINANCIAL SECTION**



Certified Public  
Accountants

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37405

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Members  
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of Certified  
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Stuart Johnson, CPA

Jennifer Waycaster, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Commissioners  
City of Red Bank, Tennessee

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Red Bank, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Red Bank, Tennessee, as of June 30, 2021, and, the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, State Street Aid Fund, and Solid Waste Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplementary Information**

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

### **Supplementary Information**

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, 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, Murphy & Wright, P.C.*

Chattanooga, Tennessee  
October 18, 2021

## 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, 2021. 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, 2021, by \$16,372,707 (net position). Of this amount, \$7,324,065 (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 \$394,115. The City's business-type activities operated at a deficit of \$(70,039).

As of the close of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$9,068,657.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,127,753, or 88.49%, 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 \$326,535. Of that balance, \$286,869, or 87.85%, 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, State Street Aid 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, State Street Aid Fund and Solid Waste Fund, to demonstrate compliance with this budget, as well as for the non-major funds.

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

### **Proprietary Funds**

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

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

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

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 34 through 57 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 \$16,372,707 at the close of this fiscal year.

The largest portion of the City of Red Bank, Tennessee's net position (43.43%) 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	
	2021	2020	2021	2020	2021	2020
Capital assets	\$ 9,112,184	\$ 8,372,396	\$ 39,666	\$ 50,539	\$ 9,151,850	\$ 8,422,935
Other assets	12,834,517	13,552,225	305,642	490,036	13,140,159	14,042,261
Total assets	<u>\$ 21,946,701</u>	<u>\$ 21,924,621</u>	<u>\$ 345,308</u>	<u>\$ 540,575</u>	<u>\$ 22,292,009</u>	<u>\$ 22,465,196</u>
Deferred outflows of resources	\$ 697,331	\$ 553,157	\$ 19,060	\$ 17,600	\$ 716,391	\$ 570,757
Long-term liabilities	\$ 2,084,678	\$ 2,704,360	\$ 23,041	\$ 26,390	\$ 2,107,719	\$ 2,730,750
Other liabilities	613,921	623,059	4,167	126,023	618,088	749,082
Total liabilities	<u>\$ 2,698,599</u>	<u>\$ 3,327,419</u>	<u>\$ 27,208</u>	<u>\$ 152,413</u>	<u>\$ 2,725,807</u>	<u>\$ 3,479,832</u>
Deferred inflows of resources	<u>\$ 3,899,261</u>	<u>\$ 3,498,302</u>	<u>\$ 10,625</u>	<u>\$ 9,188</u>	<u>\$ 3,909,886</u>	<u>\$ 3,507,490</u>
Net investment in capital assets	\$ 7,071,784	\$ 5,888,296	\$ 39,666	\$ 50,539	\$ 7,111,450	\$ 5,938,835
Restricted	1,937,192	2,675,440	-	-	1,937,192	2,675,440
Unrestricted	7,037,196	7,088,321	286,869	346,035	7,324,065	7,434,356
Total net position	<u>\$ 16,046,172</u>	<u>\$ 15,652,057</u>	<u>\$ 326,535</u>	<u>\$ 396,574</u>	<u>\$ 16,372,707</u>	<u>\$ 16,048,631</u>

11.83%, or \$1,937,192, of the City of Red Bank, Tennessee's net position represent resources that are subject to external restrictions on how they may be used. The remaining \$7,111,450 of unrestricted net position may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2021, 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 \$394,115.

The City of Red Bank, Tennessee's main revenue sources for 2021 were property tax and local sales tax. These taxes helped to grow the City's net position since related expense for this revenue is very low.

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

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenues:						
Program revenues:						
Charges for services	\$ 1,341,824	\$ 1,241,890	\$ 283,507	\$ 288,404	\$ 1,625,331	\$ 1,530,294
Operating grants and contributions	508,026	466,391	-	14,352	508,026	480,743
Capital grants and contributions	766,238	40,541	-	387,728	766,238	428,269
General revenues:						
Property taxes	3,118,022	3,093,063	-	-	3,118,022	3,093,063
Other taxes	3,520,525	3,170,820	-	-	3,520,525	3,170,820
Other	162,848	209,224	102	2,937	162,950	212,161
Total revenues	<u>9,417,483</u>	<u>8,221,929</u>	<u>283,609</u>	<u>693,421</u>	<u>9,701,092</u>	<u>8,915,350</u>
Expenses:						
General government	1,953,185	1,911,822	-	-	1,953,185	1,911,822
Public safety	3,064,781	3,231,993	-	-	3,064,781	3,231,993
Public works	2,757,237	1,781,388	-	-	2,757,237	1,781,388
State street aid	954,719	278,445	-	-	954,719	278,445
Public welfare and recreation	245,840	249,722	-	-	245,840	249,722
Interest on long-term debt	83,252	89,757	-	-	83,252	89,757
Sewer	-	-	-	426,471	-	426,471
Stormwater	-	-	318,002	276,141	318,002	276,141
Total expenses	<u>9,059,014</u>	<u>7,543,127</u>	<u>318,002</u>	<u>702,612</u>	<u>9,377,016</u>	<u>8,245,739</u>
Excess (deficiency) before transfer	358,469	678,802	( 34,393)	( 9,191)	324,076	669,611
Transfer	<u>35,646</u>	<u>-</u>	<u>( 35,646)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	394,115	678,802	( 70,039)	( 9,191)	324,076	669,611
Net position - beginning	<u>15,652,057</u>	<u>14,973,255</u>	<u>396,574</u>	<u>405,765</u>	<u>16,048,631</u>	<u>15,379,020</u>
Net position - ending	<u>\$ 16,046,172</u>	<u>\$ 15,652,057</u>	<u>\$ 326,535</u>	<u>\$ 396,574</u>	<u>\$ 16,372,707</u>	<u>\$ 16,048,631</u>

Net position for governmental activities increased \$394,115, or 2.52%, largely due to the following key factors:

Capital grant revenue increased \$725,697.

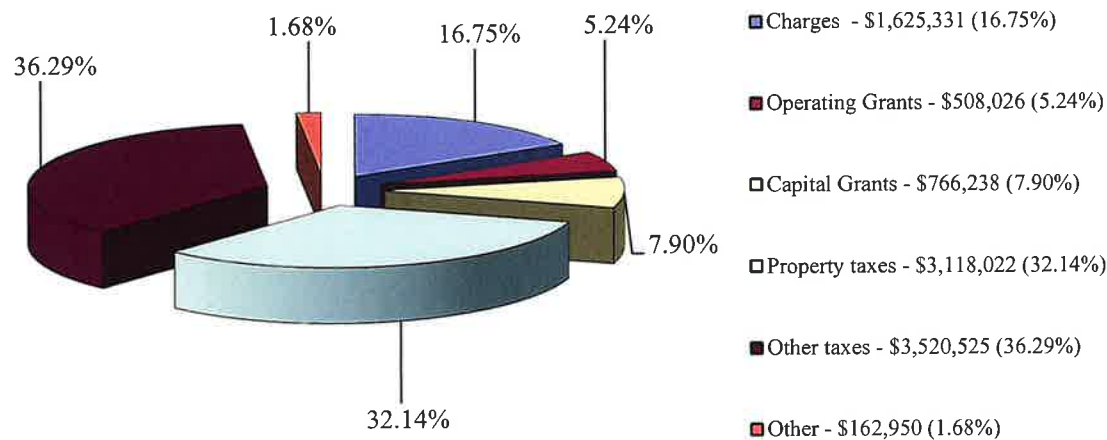
Local sales tax revenue increased \$205,946.

Net position for business-type activities decreased by \$70,039, or 17.66%, largely due to the following:

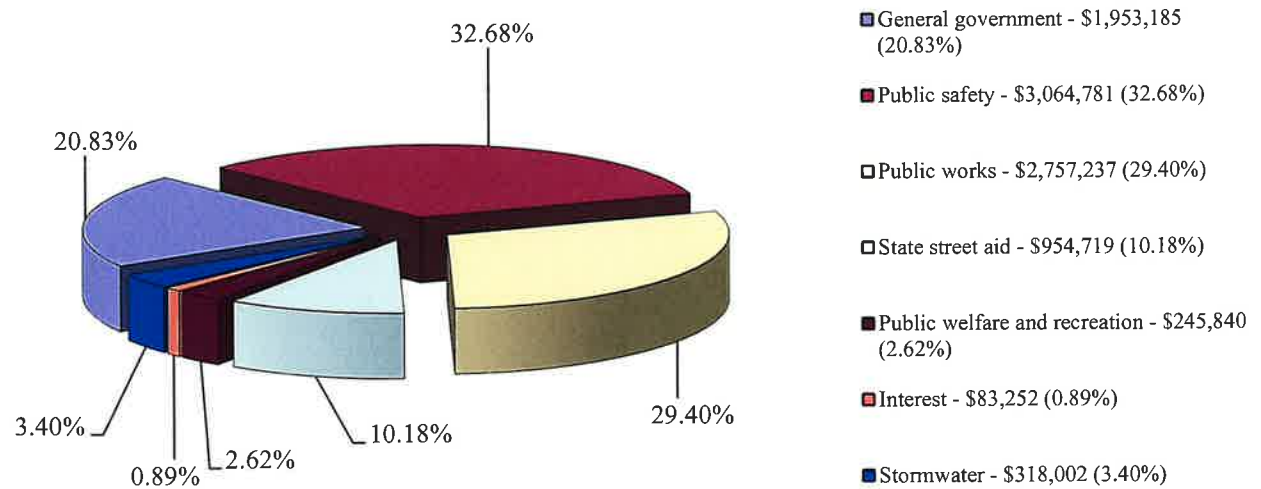
Stormwater Fund operating supplies expenses increased \$36,683.

The graphs below summarize the \$9,701,092 of city-wide revenues by source and the associated \$9,377,016 of expense by program. The graphs combine data from both governmental and business-type activities.

City-Wide Sources of Revenue

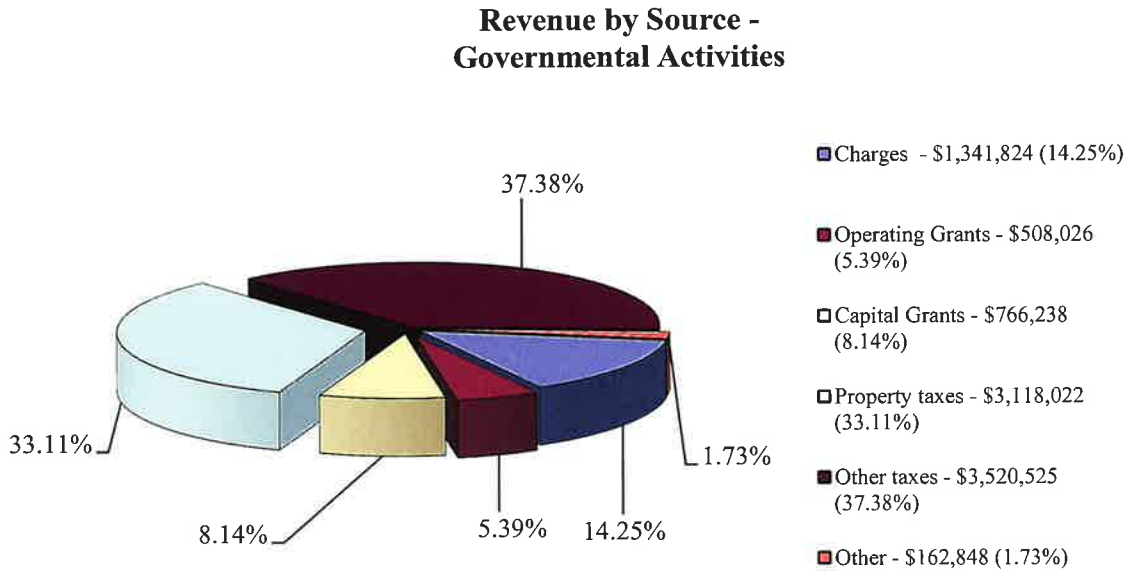


City-Wide Program Expenses

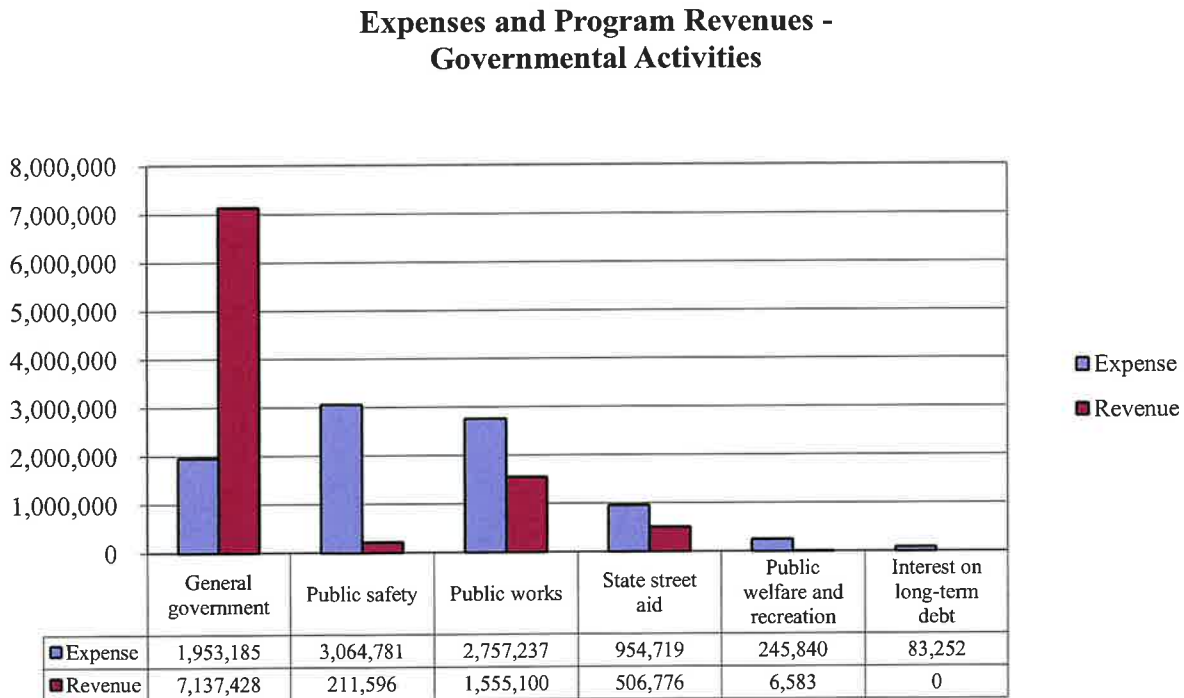


## Governmental Activities

Governmental activities accounted for revenues of \$9,417,483. 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.

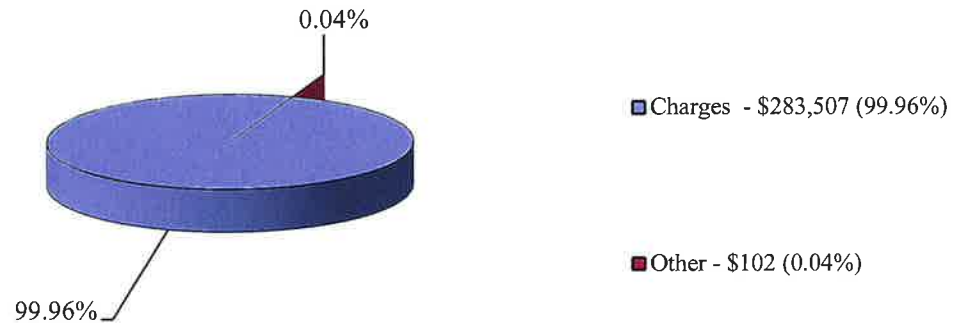




### Business-type Activities

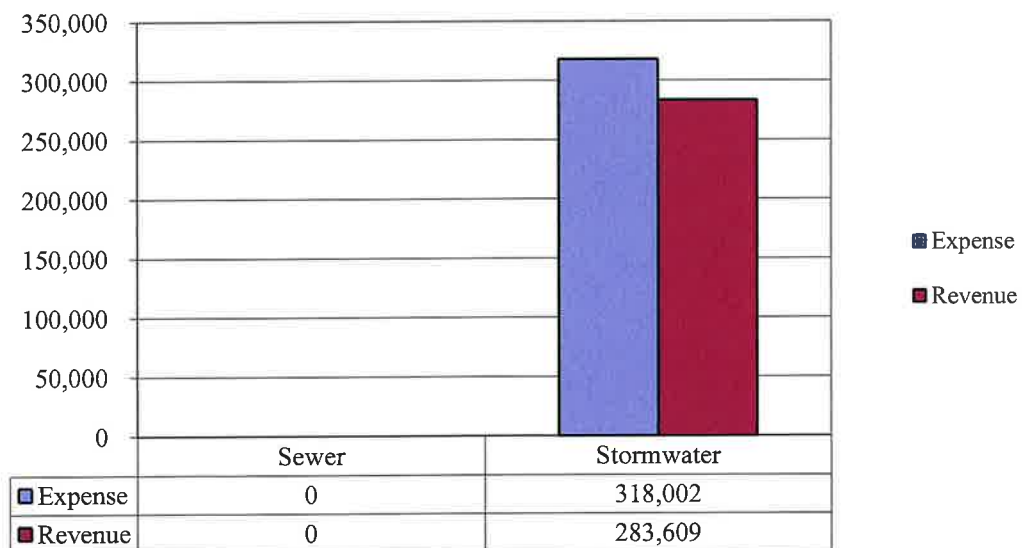
Business-type activities accounted for revenues of \$283,609. The following graph summarizes the revenue by source.

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



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

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



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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City of Red Bank, Tennessee's governmental funds reported combined ending fund balances of \$9,068,657. The fund balance decreased by \$1,025,790, which was largely due to the following:

\$572,980 State Street Aid Fund street resurfacing expenditures.

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 \$7,127,753. 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 88.49% 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 \$286,869 for the Stormwater Fund.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget netted to \$(2,610,065). The details are listed below:

There was a \$455,822 increase in the budget for general government capital outlay expenditures, due largely to an increased budget of \$399,538 for land purchases.

There was a \$1,948,275 increase in the budget for street capital outlay expenditures, due largely to the increased budget of \$1,657,201 for paving projects.

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

## Capital Assets and Debt Administration

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

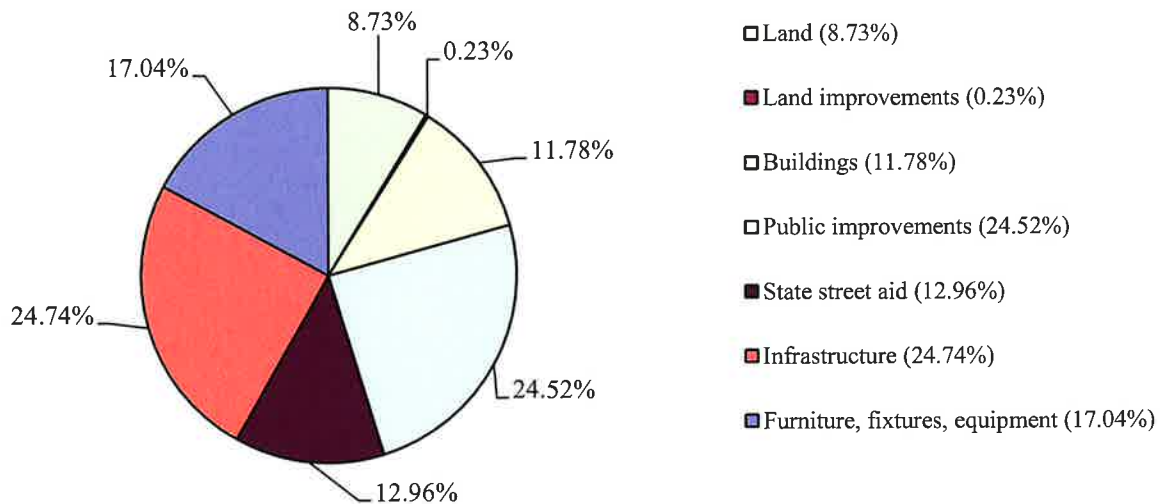
	Governmental Activities	Business-type Activities	Total
Land	\$ 798,832	\$ -	\$ 798,832
Land improvements	-	21,505	21,505
Buildings	1,078,172	-	1,078,172
Public improvements	2,244,020	-	2,244,020
State street aid	1,185,626	-	1,185,626
Infrastructure	2,263,898	-	2,263,898
Furniture, fixtures and equipment	1,541,636	18,161	1,559,797
Total capital assets	<u>\$ 9,112,184</u>	<u>\$ 39,666</u>	<u>\$ 9,151,850</u>

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

Garbage truck	\$ 206,936
Land	\$ 398,816
Rescue truck	\$ 285,382
Two (2) flatbed dump trucks	\$ 188,542
Valley view bridge	\$ 119,967

Additional information on the City of Red Bank, Tennessee's capital assets can be found in Note 7 on pages 43 and 44 of this report.

### City-Wide Capital Assets

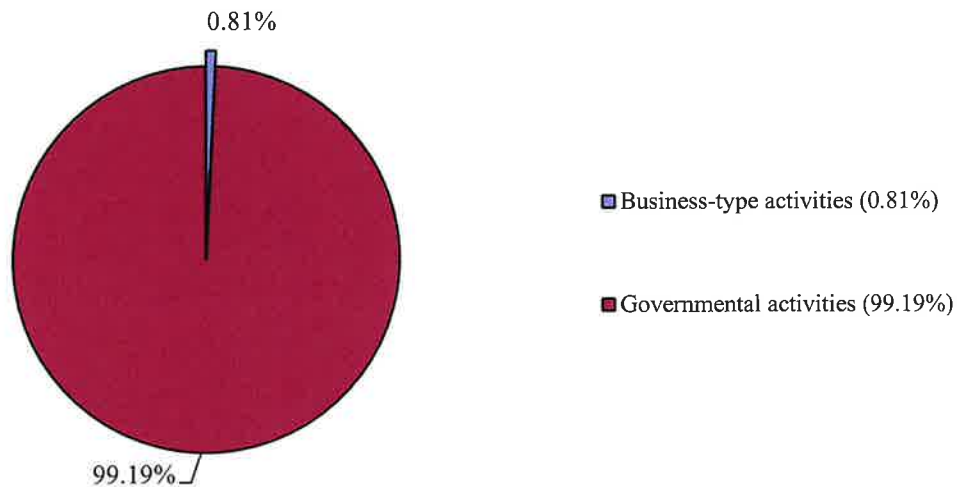


### City of Red Bank, Tennessee's Outstanding Debt

At the end of the current fiscal year, the City of Red Bank, Tennessee had total long-term debt outstanding of \$2,474,265. Of that amount, \$467,400 is due in the next fiscal year.

	Governmental Activities	Business-type Activities	Total
Bonds payable	\$ 2,040,400	\$ -	\$ 2,040,400
Landfill closure and post-closure	61,600	-	61,600
Accrued leave	352,250	20,015	372,265
Current portion	( 467,400)	-	( 467,400)
Total long-term debt	<u>\$ 1,986,850</u>	<u>\$ 20,015</u>	<u>\$ 2,006,865</u>

### Long-Term Debt By Activity



Additional information on outstanding debt can be found in Note 9 on pages 45 through 47 of this report.

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

The City of Red Bank continues to recover from the COVID-19 pandemic that created much uncertainty throughout the world. The development of vaccines and treatments to minimize the difficulties faced by those infected has brought a sense and environment of normalcy. Most businesses in Red Bank survived the restrictions placed on public operations but has created a difficult situation for those mainly in the service sector, which is a shortage of qualified workers. Many employers are having to pay premium wages to attract attention well above the pre-pandemic level. The Federal and State Government have provided various forms of monetary and legal relief to aid in the wellbeing of all societal entities, with the City of Red Bank being one of those.

Red Bank is set to receive an allotted portion of the American Rescue Plan Act (ARPA). This allotment is intended to assist in ameliorating the ongoing effects of COVID-19 while also improving targeted infrastructure for similar future events. Our allotment will be in two equal increments totaling \$3,174,021.32 spread over two years. There are six major categories targeted, with Internet Technologies and Stormwater included. These are the two categories that fit Red Bank's needs. We hope to address a large part of our needs in these areas to allow us to be proactive instead of reactive as potential issues arise.

We continue to be fortunate in receiving some much-needed assistance in maintaining our infrastructure in the form of grants. We have five State TDOT grants that have been in the works for approximately two to five years. We expected two older grants, \$1,503,300 for primary street paving along Dayton Blvd. and \$594,500 to improve signalization along Morrison Springs, to be completed in fiscal year 2022.

We have secured a total of \$1,261,000 in newer grant funding to replace a one lane bridge that connects to a main traffic artery at Signal Mountain Boulevard in our south end. Separate funding was awarded for another main artery in the north end from Browntown Road to Gadd Road for resurfacing, guardrails, slide repair, signs and road marking. The last of the newer grants will assist us in bringing many of our facilities in compliance with American with Disabilities Act guidelines. The City will be reimbursed 80% on all money spent on all five grant projects.

The city continues to see a rise in residential growth and a favorable increase in small, commercial business growth. The city just closed the books on a new 32 parcel sub-division comprised solely of single-family homes. At the same time another development is in progress to build 71 new, single-family homes and a second is about to get underway that will create 29 new, single-family homes. Developers continue to see potential in the city and are actively negotiating the purchase of large, buildable tracts of land. While this new growth contributes to the desirability of our community it puts more stress on our infrastructure. We recently paved one-third of Dayton Blvd. from Greenleaf Street to Browntown Road and are under contract to pave from Browntown Road to Gadd Road. With these new developments opening up it places more traffic on our streets as well as generates request for sidewalks, greenspaces, lighting and continued maintenance. We have several projects underway that will enhance transportation. We are currently in the process of upgrading sidewalks, on the south end to make them ADA compatible; we have a signalization program in the works that will upgrade five traffic signal locations and include pedestrian crosswalks and signals; we have a third project to replace a one lane bridge on Lullwater Road with a two lane bridge. The city remains in a sewer moratorium in some locations of the city which hinders the construction of new homes in those areas. WWTa has contracts in place to rehab those areas to remove the moratorium. It appears we are still one to two years away from this relief.

Finally, our 13-acre vacant "old Middle School" property sitting in the center of the city continues to be wedged between two outcomes. There is a sector of citizens who would like to turn it into a greenspace, while another contingent would prefer to see it developed into a mixed-use piece of land. There is a desire among the current Commission to get this issue settled before the end of FY2022.

## **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, 2021**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ 904,829	\$ 295,061	\$ 1,199,890
Investments	7,251,983	-	7,251,983
Property tax receivable - net	3,637,325	-	3,637,325
Accounts receivable - net	738,965	16,287	755,252
Prepaid expenses	3,712	-	3,712
Due from grantor	291,997	-	291,997
Internal balances	5,706	(5,706)	-
Total current assets	<u>12,834,517</u>	<u>305,642</u>	<u>13,140,159</u>
Non-current assets			
Capital assets			
Land	798,832	-	798,832
Other capital assets - net of accumulated depreciation	8,313,352	39,666	8,353,018
Total capital assets	<u>9,112,184</u>	<u>39,666</u>	<u>9,151,850</u>
<b>TOTAL ASSETS</b>	<u>\$ 21,946,701</u>	<u>\$ 345,308</u>	<u>\$ 22,292,009</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	\$ 616,257	\$ 19,060	\$ 635,317
Deferred outflows related to bond refinancing	81,074	-	81,074
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 697,331</u>	<u>\$ 19,060</u>	<u>\$ 716,391</u>

(Continued)

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

**CITY OF RED BANK, TENNESSEE**  
**Statement of Net Position (Continued)**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-</b>	
	<b>Activities</b>	<b>type</b>	<b>Total</b>
		<b>Activities</b>	
<b>LIABILITIES</b>			
Current liabilities			
Accrued liabilities	\$ 146,521	\$ 4,167	\$ 150,688
Bonds payable - due in one year	459,700	-	459,700
Landfill closure and post-closure cost - due in one year	7,700	-	7,700
Total current liabilities	<u>613,921</u>	<u>4,167</u>	<u>618,088</u>
Non-current liabilities			
Bonds payable	1,580,700	-	1,580,700
Landfill closure and post-closure cost	53,900	-	53,900
Accrued leave	352,250	20,015	372,265
Net pension liability	97,828	3,026	100,854
Total non-current liabilities	<u>2,084,678</u>	<u>23,041</u>	<u>2,107,719</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,698,599</u>	<u>\$ 27,208</u>	<u>\$ 2,725,807</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	\$ 3,555,736	\$ -	\$ 3,555,736
Deferred inflows related to pensions	343,525	10,625	354,150
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ 3,899,261</u>	<u>\$ 10,625</u>	<u>\$ 3,909,886</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,071,784	\$ 39,666	\$ 7,111,450
Restricted for:			
Non-recurring police expenses	26,760	-	26,760
State street aid expenses	1,004,108	-	1,004,108
Impound expenses	21,120	-	21,120
Solid waste expenses	885,204	-	885,204
Unrestricted	<u>7,037,196</u>	<u>286,869</u>	<u>7,324,065</u>
<b>TOTAL NET POSITION</b>	<u>\$ 16,046,172</u>	<u>\$ 326,535</u>	<u>\$ 16,372,707</u>

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



**CITY OF RED BANK, TENNESSEE**  
**Statement of Activities**  
**Year Ended June 30, 2021**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes In Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	
					<u>Governmental Activities</u>	<u>Business-type Activities</u>
<b>Primary Government:</b>						
Governmental activities:						
General government	\$ 1,953,185	\$ 127,058	\$ 32,500	\$ 176,475	\$ (1,617,152)	\$ (1,617,152)
Public safety	3,064,781	127,066	30,752	53,778	(2,853,185)	(2,853,185)
Public works	2,757,237	995,984	23,131	535,985	(1,202,137)	(1,202,137)
State street aid	954,719	85,133	421,643	-	(447,943)	(447,943)
Public welfare and recreation	245,840	6,583	-	-	(239,257)	(239,257)
Interest on long-term debt	83,252	-	-	-	(83,252)	(83,252)
Total governmental activities	9,059,014	1,341,824	508,026	766,238	(6,442,926)	(6,442,926)
<b>Business-type activities:</b>						
Sewer	-	-	-	-	-	-
Stormwater	318,002	283,507	-	-	(34,495)	(34,495)
Total business-type activities	318,002	283,507	-	-	(34,495)	(34,495)
Total primary government	\$ 9,377,016	\$ 1,625,331	\$ 508,026	\$ 766,238	(6,442,926)	(6,477,421)
<b>General revenues:</b>						
Unrestricted:						
Property tax				3,118,022	-	3,118,022
Minimum business tax				107,993	-	107,993
Local sales tax				1,411,691	-	1,411,691
Alcoholic beverage tax				337,316	-	337,316
Franchise tax				130,981	-	130,981
In lieu of tax				122,922	-	122,922
Other state taxes				1,409,622	-	1,409,622
Interest				18,293	102	18,395
Other				144,555	-	144,555
Transfer				35,646	(35,646)	-
Total general revenues				6,837,041	(35,544)	6,801,497
Change in net position				394,115	(70,039)	324,076
Net position - beginning				15,652,057	396,574	16,048,631
Net position - end				\$ 16,046,172	\$ 326,535	\$ 16,372,707

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

**CITY OF RED BANK, TENNESSEE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2021**

	<b>General Fund</b>	<b>State Street Aid Fund</b>	<b>Solid Waste Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash	\$ 448,072	\$ 288,227	\$ 120,885	\$ 47,645	\$ 904,829
Investments	5,737,143	709,607	805,233	-	7,251,983
Property tax receivable - net	3,637,325	-	-	-	3,637,325
Accounts receivable - net	654,870	77,643	6,452	-	738,965
Prepaid expenses	3,712	-	-	-	3,712
Due from grantor	291,997	-	-	-	291,997
Due from other funds	107,263	-	-	235	107,498
<b>TOTAL ASSETS</b>	<b>\$10,880,382</b>	<b>\$ 1,075,477</b>	<b>\$ 932,570</b>	<b>\$ 47,880</b>	<b>\$ 12,936,309</b>
<b>LIABILITIES</b>					
Accrued liabilities	\$ 129,343	\$ 3,825	\$ 13,353	\$ -	\$ 146,521
Due to other funds	235	67,544	34,013	-	101,792
<b>TOTAL LIABILITIES</b>	<b>\$ 129,578</b>	<b>\$ 71,369</b>	<b>\$ 47,366</b>	<b>\$ -</b>	<b>\$ 248,313</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue - property tax	\$ 3,619,339	\$ -	\$ -	\$ -	\$ 3,619,339
<b>FUND BALANCES</b>					
Nonspendable	\$ 3,712	\$ -	\$ -	\$ -	\$ 3,712
Restricted	-	1,004,108	885,204	47,880	1,937,192
Unassigned	7,127,753	-	-	-	7,127,753
<b>TOTAL FUND BALANCES</b>	<b>\$ 7,131,465</b>	<b>\$ 1,004,108</b>	<b>\$ 885,204</b>	<b>\$ 47,880</b>	<b>\$ 9,068,657</b>

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, 2021**

Total fund balances per governmental funds balance sheet	\$ 9,068,657
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,112,184
Long-term liabilities, including bonds payable, landfill closure and post-closure cost, and accrued leave are not due and payable in the current period and, therefore, are not reported in the funds.	(2,454,250)
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.	63,603
Deferred outflows related to bond refinancing are not due and payable in the current period and, therefore, are not reported in the funds.	81,074
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>174,904</u>
Net position of governmental activities	<u>\$ 16,046,172</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, 2021**

	<b>General Fund</b>	<b>State Street Aid Fund</b>	<b>Solid Waste Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 5,251,298	\$ -	\$ -	\$ -	\$ 5,251,298
License and permits	79,047	85,133	-	-	164,180
Intergovernmental	2,136,897	509,881	-	-	2,646,778
Charges for services	48,011	-	995,984	-	1,043,995
Fines and forfeitures	114,673	-	-	9,219	123,892
Other revenues	101,903	13,024	7,477	3,203	125,607
<b>TOTAL REVENUES</b>	<u>7,731,829</u>	<u>608,038</u>	<u>1,003,461</u>	<u>12,422</u>	<u>9,355,750</u>
<b>EXPENDITURES</b>					
<b>Current expenditures</b>					
General government	1,908,563	-	-	-	1,908,563
Public safety	2,838,373	-	-	5,563	2,843,936
Public works	738,572	-	711,977	-	1,450,549
State street aid	-	690,023	-	-	690,023
Public welfare and recreation	158,976	-	-	-	158,976
<b>Capital outlay</b>	2,057,373	186,490	495,256	99,068	2,838,187
<b>Debt service</b>	353,160	173,792	-	-	526,952
<b>TOTAL EXPENDITURES</b>	<u>8,055,017</u>	<u>1,050,305</u>	<u>1,207,233</u>	<u>104,631</u>	<u>10,417,186</u>
Excess (deficiency) of revenues over (under) expenditures	(323,188)	(442,267)	(203,772)	(92,209)	(1,061,436)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	35,646	-	-	-	35,646
Net changes in fund balances	(287,542)	(442,267)	(203,772)	(92,209)	(1,025,790)
<b>Fund balances - beginning</b>	<u>7,419,007</u>	<u>1,446,375</u>	<u>1,088,976</u>	<u>140,089</u>	<u>10,094,447</u>
<b>Fund balances - end</b>	<u>\$ 7,131,465</u>	<u>\$ 1,004,108</u>	<u>\$ 885,204</u>	<u>\$ 47,880</u>	<u>\$ 9,068,657</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, 2021**

Net changes in fund balances for total governmental funds	\$ (1,025,790)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	739,788
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(21,316)
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.	451,400
Bond refinance savings are not reported in the governmental funds but are reported in the Statement of Activities.	81,074
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.	30,193
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>138,766</u>
Change in net position of governmental activities	<u>\$ 394,115</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, 2021**

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Taxes				
Property tax	\$ 2,955,000	\$ 2,955,000	\$ 3,139,338	\$ 184,338
Minimum business tax	80,800	80,800	107,993	27,193
Local sales tax	1,170,000	1,170,000	1,411,691	241,691
Alcoholic beverage tax	312,000	312,000	337,316	25,316
Franchise tax	160,000	160,000	130,981	(29,019)
Occupancy tax	3,000	3,000	1,057	(1,943)
In lieu of tax	98,000	98,000	122,922	24,922
Total taxes	4,778,800	4,778,800	5,251,298	472,498
License and permits				
Privilege license	2,400	2,400	2,050	(350)
Wrecker permits	400	400	575	175
Building license and permits	51,200	51,200	76,422	25,222
Total license and permits	54,000	54,000	79,047	25,047
Intergovernmental				
State sales tax	975,000	975,000	1,247,163	272,163
State beer tax	5,500	5,500	5,516	16
State mixed drink tax	2,500	2,500	3,392	892
State income tax	15,000	15,000	12,569	(2,431)
State city streets and transportation system	23,000	23,000	23,131	131
Sportsbetting	-	-	6,747	6,747
TVA in lieu of tax	140,001	140,001	133,179	(6,822)
Federal and state grants	1,176,970	1,176,970	678,000	(498,970)
Police and fire supplemental	30,400	30,400	27,200	(3,200)
Total intergovernmental	2,368,371	2,368,371	2,136,897	(231,474)
Charges for service				
Administrative services	21,000	21,000	21,000	-
Rent of facilities	18,598	18,598	27,011	8,413
Total charges for service	39,598	39,598	48,011	8,413
Fines and forfeitures				
Court fines and costs	110,800	110,800	114,673	3,873

(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, 2021**

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Other revenues				
Miscellaneous	\$ 377,874	\$ 377,874	\$ 27,733	\$ (350,141)
Sale of assets	-	-	6,667	6,667
Insurance recoveries and refund	-	-	19,517	19,517
Fees and commissions	7,000	7,000	6,583	(417)
Interest	40,000	40,000	8,903	(31,097)
Donations	32,500	32,500	32,500	-
Total other revenues	457,374	457,374	101,903	(355,471)
TOTAL REVENUES	7,808,943	7,808,943	7,731,829	(77,114)
EXPENDITURES				
Current expenditures				
General government				
Financial administration				
Salaries	348,864	382,764	381,835	929
Payroll tax	26,991	26,991	26,849	142
Employee benefits	746,042	746,042	769,074	(23,032)
Contract services	166,735	174,235	157,440	16,795
Dues and subscriptions	14,500	14,500	15,314	(814)
Election	7,500	7,500	4,906	2,594
Insurance	253,000	253,000	226,004	26,996
Miscellaneous	2,270	2,270	2,579	(309)
Office supplies and expenses	13,400	13,400	11,125	2,275
Operating supplies	11,800	11,800	8,650	3,150
Professional services	93,275	93,275	104,125	(10,850)
Relief to indigents	-	-	1,425	(1,425)
Repairs and maintenance	6,000	6,000	9,796	(3,796)
Special events	5,000	5,000	654	4,346
Telephone	20,160	20,160	22,229	(2,069)
Training	2,000	2,000	1,355	645
Travel	1,500	1,500	-	1,500
Utilities	38,500	38,500	19,742	18,758
Total financial administration	1,757,537	1,798,937	1,763,102	35,835

(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, 2021**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
General government (Continued)				
Judicial				
Salaries	\$ 105,693	\$ 105,693	\$ 105,322	\$ 371
Payroll tax	8,004	8,004	8,057	(53)
Employee benefits	10,537	10,537	10,630	(93)
Contract services	19,000	19,000	17,686	1,314
Office supplies and expenses	1,000	1,000	55	945
Operating supplies	-	-	2,541	(2,541)
Telephone	750	750	1,020	(270)
Training	500	500	150	350
Travel	900	900	-	900
Total judicial	<u>146,384</u>	<u>146,384</u>	<u>145,461</u>	<u>923</u>
Total general government	<u>1,903,921</u>	<u>1,945,321</u>	<u>1,908,563</u>	<u>36,758</u>
Public safety				
Police department				
Salaries	1,296,262	1,363,158	1,219,284	143,874
Payroll tax	97,832	102,949	91,551	11,398
Employee benefits	162,547	171,144	154,888	16,256
Contract services	206,060	206,060	188,287	17,773
Dues and subscriptions	2,000	2,000	1,885	115
Insurance	5,000	5,000	2,269	2,731
Miscellaneous	250	250	47	203
Operating supplies	17,400	27,912	18,365	9,547
Professional services	2,200	2,200	1,553	647
Repairs and maintenance	20,240	20,240	23,584	(3,344)
Telephone	15,000	15,000	12,340	2,660
Training	8,000	8,000	8,006	(6)
Travel	6,500	7,414	5,476	1,938
Uniforms	15,900	15,900	13,172	2,728
Vehicle	45,500	45,500	52,348	(6,848)
Total police department	<u>1,900,691</u>	<u>1,992,727</u>	<u>1,793,055</u>	<u>199,672</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, 2021**

	<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	\$ 727,978	\$ 737,285	\$ 743,400	\$ (6,115)
Payroll tax	55,960	55,960	54,339	1,621
Employee benefits	83,411	83,411	78,278	5,133
Contract services	29,045	29,045	30,308	(1,263)
Dues and subscriptions	1,375	1,375	893	482
Fire hydrant rental	2,752	2,752	1,835	917
Insurance	7,725	7,725	5,225	2,500
Office supplies and expenses	1,000	1,000	295	705
Operating supplies	16,725	16,725	15,933	792
Repairs and maintenance	26,588	26,588	26,752	(164)
Telephone	2,890	2,890	2,606	284
Training	9,713	9,713	6,916	2,797
Travel	2,500	2,500	-	2,500
Uniforms	29,560	29,560	30,752	(1,192)
Utilities	21,200	21,200	16,917	4,283
Vehicle	27,180	27,180	30,869	(3,689)
Total fire department	<u>1,045,602</u>	<u>1,054,909</u>	<u>1,045,318</u>	<u>9,591</u>
Total public safety	<u>2,946,293</u>	<u>3,047,636</u>	<u>2,838,373</u>	<u>209,263</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, 2021**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>EXPENDITURES (Continued)</b>				
<b>Current expenditures (Continued)</b>				
Public works				
Street department				
Salaries	\$ 506,796	\$ 506,796	\$ 497,976	\$ 8,820
Payroll tax	36,966	36,966	36,606	360
Employee benefits	62,092	62,092	62,952	(860)
Contract services	66,500	66,500	50,130	16,370
Insurance	1,000	1,000	517	483
Office supplies	3,250	3,250	3,208	42
Operating supplies	64,250	64,250	30,105	34,145
Repairs and maintenance	14,250	14,250	7,553	6,697
Telephone	2,000	2,000	1,747	253
Training	3,000	3,000	1,180	1,820
Travel	500	500	671	(171)
Uniforms	3,650	3,650	3,265	385
Utilities	8,500	8,500	6,161	2,339
Vehicle	50,800	50,800	36,501	14,299
Total street department	823,554	823,554	738,572	84,982
Public welfare and recreation				
Animal control				
Contract services	69,990	69,990	69,990	-
Parks and recreation				
Contract services	800	800	-	800
Operating supplies	4,650	4,650	2,748	1,902
Repairs and maintenance	25,000	25,000	32,758	(7,758)
Utilities	64,300	64,300	53,480	10,820
Total parks and recreation	94,750	94,750	88,986	5,764
Total public welfare and recreation	164,740	164,740	158,976	5,764

(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, 2021**

	<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	\$ 85,416	\$ 541,238	\$ 524,237	\$ 17,001
Police department	1,500	1,500	10,902	(9,402)
Fire department	305,487	305,487	299,994	5,493
Street department	195,411	2,143,686	1,219,893	923,793
Parks and recreation	5,275	68,500	2,347	66,153
Total capital outlay	<u>593,089</u>	<u>3,060,411</u>	<u>2,057,373</u>	<u>1,003,038</u>
<b>Debt service</b>				
Principal and interest	<u>352,700</u>	<u>352,700</u>	<u>353,160</u>	<u>(460)</u>
<b>TOTAL EXPENDITURES</b>	<u>6,784,297</u>	<u>9,394,362</u>	<u>8,055,017</u>	<u>1,339,345</u>
Excess (deficiency) of revenues over (under) expenditures	1,024,646	(1,585,419)	(323,188)	1,262,231
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	<u>-</u>	<u>-</u>	<u>35,646</u>	<u>35,646</u>
Net changes in fund balances	1,024,646	(1,585,419)	(287,542)	1,297,877
<b>Fund balances - beginning</b>	<u>7,419,007</u>	<u>7,419,007</u>	<u>7,419,007</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 8,443,653</u>	<u>\$ 5,833,588</u>	<u>\$ 7,131,465</u>	<u>\$ 1,297,877</u>

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

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
License and permits				
Building permits	\$ -	\$ -	\$ 85,133	\$ 85,133
Intergovernmental				
State highway and street	400,000	400,000	421,643	21,643
Federal grants	2,440,327	2,440,327	88,238	(2,352,089)
Total intergovernmental	2,840,327	2,840,327	509,881	(2,330,446)
Other revenues				
Insurance recoveries	-	-	11,140	11,140
Interest earnings	10,000	10,000	1,884	(8,116)
Miscellaneous	88,238	88,238	-	(88,238)
Total other revenues	98,238	98,238	13,024	(85,214)
<b>TOTAL REVENUES</b>	<u>2,938,565</u>	<u>2,938,565</u>	<u>608,038</u>	<u>(2,330,527)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
State street aid				
Highways and street maintenance				
Street lighting (electricity)	85,000	85,000	73,088	11,912
Repairs and maintenance	18,000	18,000	13,972	4,028
Street resurfacing	13,000	2,940,327	572,980	2,367,347
Miscellaneous	150	150	-	150
Operating supplies	22,000	22,000	29,683	(7,683)
Professional services	11,000	11,000	300	10,700
Total state street aid	149,150	3,076,477	690,023	2,386,454
<b>Capital Outlay</b>				
Public works				
Drainage improvements	-	199,098	186,490	12,608
Equipment	32,850	32,850	-	32,850
Total public works	32,850	231,948	186,490	45,458
<b>Debt Service</b>				
Principal and interest	176,022	176,022	173,792	2,230
<b>TOTAL EXPENDITURES</b>	<u>358,022</u>	<u>3,484,447</u>	<u>1,050,305</u>	<u>2,434,142</u>
Excess (deficiency) of revenues over (under) expenditures	2,580,543	(545,882)	(442,267)	103,615
<b>Fund balances - beginning</b>	<u>1,446,375</u>	<u>1,446,375</u>	<u>1,446,375</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 4,026,918</u>	<u>\$ 900,493</u>	<u>\$ 1,004,108</u>	<u>\$ 103,615</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, 2021**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>				
Charges for services				
Garbage fees	\$ 900,000	\$ 900,000	\$ 995,984	\$ 95,984
Other revenues				
Penalties	-	-	6,209	6,209
Interest earnings	10,000	10,000	1,268	(8,732)
Total other revenues	10,000	10,000	7,477	(2,523)
<b>TOTAL REVENUES</b>	<b>910,000</b>	<b>910,000</b>	<b>1,003,461</b>	<b>93,461</b>
<b>EXPENDITURES</b>				
<b>Current expenditures</b>				
Public works				
Salaries	290,883	290,883	290,457	426
Payroll tax	21,954	21,954	20,828	1,126
Employee benefits	135,960	135,960	127,935	8,025
Contract services	43,000	43,000	32,904	10,096
Insurance	1,750	1,750	690	1,060
Miscellaneous	800	800	372	428
Operating supplies	27,100	27,100	12,666	14,434
Repairs and maintenance	20,000	20,000	8,316	11,684
Telephone	325	325	277	48
Uniforms	1,800	1,800	1,021	779
Vehicle expense	59,000	59,000	48,436	10,564
Waste disposal	165,000	165,000	168,075	(3,075)
Total public works	767,572	767,572	711,977	55,595
<b>Capital outlay</b>				
Sanitation department	556,200	556,200	495,256	60,944
<b>TOTAL EXPENDITURES</b>	<b>1,323,772</b>	<b>1,323,772</b>	<b>1,207,233</b>	<b>116,539</b>
Excess (deficiency) of revenues over (under) expenditures	(413,772)	(413,772)	(203,772)	210,000
<b>Fund balances - beginning</b>	<b>1,088,976</b>	<b>1,088,976</b>	<b>1,088,976</b>	<b>-</b>
<b>Fund balances - end</b>	<b>\$ 675,204</b>	<b>\$ 675,204</b>	<b>\$ 885,204</b>	<b>\$ 210,000</b>

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

**CITY OF RED BANK, TENNESSEE**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>ASSETS</b>			
Current assets			
Cash	\$ -	\$ 295,061	\$ 295,061
Accounts receivable - net	-	16,287	16,287
Total current assets	-	311,348	311,348
Non-current assets			
Capital assets			
Other capital assets - net of accumulated depreciation	-	39,666	39,666
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 351,014</b>	<b>\$ 351,014</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	\$ -	\$ 19,060	\$ 19,060
<b>LIABILITIES</b>			
Current liabilities			
Accrued liabilities	\$ -	\$ 4,167	\$ 4,167
Due to other funds	-	5,706	5,706
Total current liabilities	-	9,873	9,873
Non-current liabilities			
Accrued leave	-	20,015	20,015
Net pension liability	-	3,026	3,026
Total non-current liabilities	-	23,041	23,041
<b>TOTAL LIABILITIES</b>	<b>\$ -</b>	<b>\$ 32,914</b>	<b>\$ 32,914</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	\$ -	\$ 10,625	\$ 10,625
<b>NET POSITION</b>			
Investment in capital assets	\$ -	\$ 39,666	\$ 39,666
Unrestricted	-	286,869	286,869
<b>TOTAL NET POSITION</b>	<b>\$ -</b>	<b>\$ 326,535</b>	<b>\$ 326,535</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, 2021**

	<b>Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>			
Stormwater fees	\$ -	\$ 281,947	\$ 281,947
Other	-	1,560	1,560
Total operating revenues	-	283,507	283,507
<b>OPERATING EXPENSES</b>			
Stormwater collection	-	276,674	276,674
Administration	-	30,455	30,455
Depreciation	-	10,873	10,873
Total operating expenses	-	318,002	318,002
Operating income (loss)	-	(34,495)	(34,495)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest earnings	-	102	102
Changes in net position before transfer	-	(34,393)	(34,393)
Transfer out	(35,646)	-	(35,646)
Changes in net position after transfer	(35,646)	(34,393)	(70,039)
<b>Net position - beginning</b>	35,646	360,928	396,574
<b>Net position - end</b>	\$ -	\$ 326,535	\$ 326,535

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, 2021**

	<b>Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ -	\$ 300,991	\$ 300,991
Payments to suppliers	-	(221,671)	(221,671)
Payments to employees	-	(83,354)	(83,354)
Net cash provided (used) by operating activities	-	(4,034)	(4,034)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfer out	(35,646)	-	(35,646)
<b>Cash Flows from Investing Activities</b>			
Interest income	-	102	102
Net increase (decrease) in cash	(35,646)	(3,932)	(39,578)
Cash - beginning	35,646	298,993	334,639
Cash - end	\$ -	\$ 295,061	\$ 295,061
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>			
Operating income (loss)	\$ -	\$ (34,495)	\$ (34,495)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	-	10,873	10,873
Increase (decrease) in net pension liability	-	(3,775)	(3,775)
Increase (decrease) in deferred inflows related to pensions	-	1,437	1,437
(Increase) decrease in deferred outflows related to pensions	-	(1,460)	(1,460)
(Increase) decrease in accounts receivable - net	-	17,484	17,484
Increase (decrease) in accrued liabilities	-	486	486
Increase (decrease) in due to other funds	-	4,990	4,990
Increase (decrease) in accrued leave	-	426	426
Total adjustments	-	30,461	30,461
Net cash provided (used) by operating activities	\$ -	\$ (4,034)	\$ (4,034)

(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, 2021**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Sewer Fund</b>	<b>Stormwater Fund</b>	
<b>Non-cash Investing and Financing Activities</b>			
Debt payments made on behalf of the Sewer Fund by HCWWTA (Note 20)			
Principal	\$ 122,342	\$ -	\$ 122,342
Interest	<u>769</u>	<u>-</u>	<u>769</u>
Total	<u>\$ 123,111</u>	<u>\$ -</u>	<u>\$ 123,111</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, 2021, HCWWTA paid \$122,342 in principal and \$769 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, 2021**

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

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

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

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

**A. Reporting Entity**

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

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

**B. Basic Financial Statements**

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

**Government-wide Statements**

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

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

### **B. Basic Financial Statements (Continued)**

#### **Government-wide Statements (Continued)**

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

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

#### **Fund Financial Statements**

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

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

The City reports the following major governmental funds:

#### **General Fund**

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

#### **State Street Aid Fund**

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

#### **Solid Waste Fund**

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

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.

### **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.

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

### **D. Budgets and Budgetary Accounting (Continued)**

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 \$(5,736,490) in the governmental funds. The City amended its General Fund budget to include \$1,948,275 additional street department capital outlay expenditures and amended its State Street Aid Fund budget to include \$2,927,327 additional street resurfacing expenditures. One amendment was necessary in the Stormwater Fund which totaled \$(10,000).

### **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, 2021, the City had no cash equivalents.

### **F. Investments**

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

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

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

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

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

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

- The Local Government Investment Pool created by Title 9.

### **G. Property Taxes**

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

Property taxes are recognized on the modified accrual basis on the governmental fund financial statements. Proper allowances are made for estimated uncollectible accounts and delinquent accounts when necessary. The tax rate for the 2021 levy is \$1.39 per \$100 of assessed valuation, and the tax rate for the 2020 levy is \$1.39 per \$100 of assessed valuation.

Property taxes for the 2021 levy are considered to be owed to the City as of the lien date on January 1, 2021. Therefore, the entire 2021 levy was recorded as a receivable and deferred revenue as of June 30, 2021.

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

### 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.

### L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., primary roads, secondary roads, drainage), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

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

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

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

### L. Capital Assets (Continued)

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

Land improvements	20 years
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 two types of items that qualify for reporting in this category: deferred outflows related to pensions and deferred outflows related to bond refinancing.

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

### N. Compensated Absences

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

### O. Long-term Obligations

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

### P. Pensions

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

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

### Q. Net Position

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

### R. Fund Balance

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

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

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

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

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

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

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

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

### S. Estimates

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

### T. Events Occurring after Reporting Date

The City has evaluated events and transactions that occurred between June 30, 2021, and October 18, 2021, 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, 2021, the carrying amount of the City's deposits was \$1,199,334, and the bank balance was \$1,264,843. 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	\$ 1,199,890
Investments	<u>7,251,983</u>
	8,451,873
Less: petty cash	( 556)
Less: LGIP	<u>(7,251,983)</u>
Total	<u>\$ 1,199,334</u>

### Investments

The City's investments are carried at fair value, and consist of investments in the State of Tennessee Local Government Investment Pool (LGIP). The LGIP is considered a 2a-7 like account (SEC designation) and is only required to be reported at amortized cost. Because the fund is valued at a constant dollar, the City's position in the pool is equal to its account balance (fair value) as of June 30, 2021. The LGIP is not rated. The weighted average maturity had a range of 1 to 86 days as of June 30, 2021. The City's investments are listed on the Statement of Net Position as follows:

LGIP	<u>\$ 7,251,983</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, 2021, consists of the following:

<u>Year of Levy</u>	
2021	\$ 3,555,736
2020	97,887
2019	26,340
2018	31,892
2017	4,453
2016	4,950
2015	5,261
2014	6,393
2013	7,628
2012	<u>28,372</u>
	3,768,912
Less: allowance for uncollectibles	<u>( 131,587)</u>
Property taxes receivable - net	<u>\$ 3,637,325</u>

**NOTE 4 - ACCOUNTS RECEIVABLE - NET**

Accounts receivable - net at June 30, 2021, consists of the following:

	General Fund	State Street Aid Fund	Solid Waste Fund	Stormwater Fund	Total
State shared revenue receivables	\$ 514,724	\$ -	\$ -	\$ -	\$ 514,724
Local beer and liquor tax	39,802	-	-	-	39,802
Court fines	211,854	-	-	-	211,854
Franchise tax	31,924	-	-	-	31,924
Other	694	-	-	-	694
Stormwater tax	-	-	-	18,031	18,031
State street aid	-	77,643	-	-	77,643
Sanitation fee	-	-	6,452	-	6,452
Less: allowance for doubtful accounts	<u>(144,128)</u>	<u>-</u>	<u>-</u>	<u>( 1,744)</u>	<u>( 145,872)</u>
Total	<u>\$ 654,870</u>	<u>\$ 77,643</u>	<u>\$ 6,452</u>	<u>\$ 16,287</u>	<u>\$ 755,252</u>

**NOTE 5 - DUE FROM GRANTOR**

Due from other governments at June 30, 2021, consists of the following:

Department of Transportation	\$ 290,181
Department of Justice	<u>1,816</u>
Total	<u>\$ 291,997</u>

**NOTE 6 - INTERNAL BALANCES**

Internal balances at June 30, 2021, consist of the following:

	Due from				
	General Fund	State Street Aid Fund	Solid Waste Fund	Stormwater Fund	Total
<u>Due to:</u>					
General Fund	\$ -	\$ 67,544	\$ 34,013	\$ 5,706	\$ 107,263
Drug Fund	<u>235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>235</u>
Total	<u>\$ 235</u>	<u>\$ 67,544</u>	<u>\$ 34,013</u>	<u>\$ 5,706</u>	<u>\$ 107,498</u>

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

## NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>*Transfer</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	<u>\$ 400,016</u>	<u>\$ 398,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 798,832</u>
Capital assets being depreciated:					
Buildings	1,892,502	-	-	13,801	1,906,303
Public improvements	3,316,053	-	-	-	3,316,053
State street aid	2,169,007	-	-	-	2,169,007
Infrastructure	2,833,752	228,868	-	-	3,062,620
Furniture, fixtures and equipment	<u>5,211,151</u>	<u>897,094</u>	<u>( 24,425)</u>	<u>19,320</u>	<u>6,103,140</u>
Total capital assets being depreciated	<u>15,422,465</u>	<u>1,125,962</u>	<u>( 24,425)</u>	<u>33,121</u>	<u>16,557,123</u>
Less accumulated depreciation for:					
Buildings	755,080	59,250	-	13,801	828,131
Public improvements	976,636	95,397	-	-	1,072,033
State street aid	905,174	78,207	-	-	983,381
Infrastructure	739,759	58,963	-	-	798,722
Furniture, fixtures and equipment	<u>4,073,436</u>	<u>493,173</u>	<u>( 24,425)</u>	<u>19,320</u>	<u>4,561,504</u>
Total accumulated depreciation	<u>7,450,085</u>	<u>784,990</u>	<u>( 24,425)</u>	<u>33,121</u>	<u>8,243,771</u>
Total capital assets being depreciated - net	<u>7,972,380</u>	<u>340,972</u>	<u>-</u>	<u>-</u>	<u>8,313,352</u>
Governmental activities capital assets - net	<u>\$ 8,372,396</u>	<u>\$ 739,788</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,112,184</u>

\*During the year, the Sewer Fund transferred its capital assets to the governmental activities.

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

General government	\$ 55,061
Public safety	322,754
Public works	261,164
State street aid	61,493
Public welfare and recreation	<u>84,518</u>
Total	<u>\$ 784,990</u>

**NOTE 7 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>*Transfer</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Land improvements	\$ 35,841	\$ -	\$ -	\$ -	\$ 35,841
Plant in service	13,801	-	-	( 13,801)	-
Equipment	<u>110,129</u>	<u>-</u>	<u>-</u>	<u>( 19,320)</u>	<u>90,809</u>
Total capital assets being depreciated	<u>159,771</u>	<u>-</u>	<u>-</u>	<u>( 33,121)</u>	<u>126,650</u>
Less accumulated depreciation for:					
Land improvements	12,544	1,792	-	-	14,336
Plant in service	13,801	-	-	( 13,801)	-
Equipment	<u>82,887</u>	<u>9,081</u>	<u>-</u>	<u>( 19,320)</u>	<u>72,648</u>
Total accumulated depreciation	<u>109,232</u>	<u>10,873</u>	<u>-</u>	<u>( 33,121)</u>	<u>86,984</u>
Total capital assets being depreciated - net	<u>50,539</u>	<u>( 10,873)</u>	<u>-</u>	<u>-</u>	<u>39,666</u>
Business-type activities capital assets - net	<u>\$ 50,539</u>	<u>\$ ( 10,873)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,666</u>

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

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

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

**NOTE 8 - DEFERRED OUTFLOWS RELATED TO PENSIONS**

Deferred outflows related to pensions at June 30, 2021, consists of the following:

Beginning balance	\$ 570,757
Differences between expected and actual experience	252,279
Amortization of deferrals	( 187,601)
Prior year employer contributions	( 356,143)
Current year employer contributions	392,845
Current change in net investment income	<u>( 36,820)</u>
Total	<u>\$ 635,317</u>

## NOTE 9 - LONG-TERM DEBT

### A. Governmental Debt

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

	<u>Principal Balance</u>
Tennessee Municipal Bond, Series 2018, issued in the original amount of \$285,000 for police and fire equipment, payable in varying amounts of approximately \$102,900, including interest at 3.92%, due February 2022, direct borrowings	\$ 99,000
Tennessee Municipal Bond, Series 2019, issued in the original amount of \$1,900,000 for paving, payable in varying amounts of approximately \$249,735, including interest at 3.50%, due May 2028, direct borrowings	-
Tennessee Municipal Bond, Series 2021, issued in the original amount of \$1,527,000 for paving, payable in varying amounts, including interest at 2.05%, due May 2028, net of unamortized bond premiums of \$81,074, direct borrowings	1,608,074
Tennessee Municipal Bond, Series 2012, issued in the original amount of \$500,000 for highway and street improvements, payable in varying annual installments of approximately \$55,595, including interest at 2.90%, due August 2024, direct borrowings	166,400
Tennessee Municipal Bond, Series 2018, issued in the original amount of \$478,400 for paving, payable in varying amounts of approximately \$129,088, including interest at 3.88%, due October 2022, direct borrowings	248,000
Accrued leave	352,250
Landfill closure and post-closure cost	<u>61,600</u>
	2,535,324
Less: current portion of governmental long-term debt	<u>( 467,400)</u>
Total governmental long-term debt	<u>\$ 2,067,924</u>

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

**NOTE 9 - LONG-TERM DEBT (Continued)****A. Governmental Debt (Continued)**

A summary of changes in governmental long-term debt for the year ended June 30, 2021, are as follows:

	Balance July 1, 2020	Additions	Retirements	Refunded	Balance June 30, 2021	Due Within One Year
<b>Direct borrowings:</b>						
Series 2018	\$ 194,000	\$ -	\$ ( 95,000)	\$ -	\$ 99,000	\$ 99,000
Series 2019	1,717,000	-	( 190,000)	( 1,527,000)	-	-
Series 2021	-	-	-	1,527,000	1,527,000	197,000
Series 2012	208,100	-	( 41,700)	-	166,400	41,700
Series 2018	<u>365,000</u>	<u>-</u>	<u>( 117,000)</u>	<u>-</u>	<u>248,000</u>	<u>122,000</u>
Total direct borrowings	<u>2,484,100</u>	<u>-</u>	<u>( 443,700)</u>	<u>-</u>	<u>2,040,400</u>	<u>459,700</u>
<b>Other debt:</b>						
Accrued leave	382,443	-	( 30,193)	-	352,250	-
Landfill closure and post-closure	<u>69,300</u>	<u>-</u>	<u>( 7,700)</u>	<u>-</u>	<u>61,600</u>	<u>7,700</u>
Total other debt	<u>451,743</u>	<u>-</u>	<u>( 37,893)</u>	<u>-</u>	<u>413,850</u>	<u>7,700</u>
Total	<u>\$ 2,935,843</u>	<u>\$ -</u>	<u>\$ ( 481,593)</u>	<u>\$ -</u>	<u>2,454,250</u>	<u>\$ 467,400</u>
Less: current portion of governmental long-term debt					<u>( 467,400)</u>	
Total governmental long-term debt					<u>\$ 1,986,850</u>	

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

The City does not have unused lines of credit.

Government fund debt service requirements to maturity, including interest of \$244,240 are as follows:

Year ended June 30	Direct Borrowings		Other Debt		Total
	Principal	Interest	Principal	Interest	
2022	\$ 459,700	\$ 68,803	\$ 7,700	\$ -	\$ 536,203
2023	370,700	52,006	7,700	-	430,406
2024	251,700	41,247	7,700	-	300,647
2025	259,300	32,694	7,700	-	299,694
2026	225,000	24,465	7,700	-	257,165
2027-2028	<u>474,000</u>	<u>25,025</u>	<u>23,100</u>	<u>-</u>	<u>522,125</u>
Total	<u>\$ 2,040,400</u>	<u>\$ 244,240</u>	<u>\$ 61,600</u>	<u>\$ -</u>	<u>\$ 2,346,240</u>

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

Interest paid during the year ended June 30, 2021 on governmental debt was \$83,252.

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

**NOTE 9 - LONG-TERM DEBT (Continued)****B. Business-Type Debt****Stormwater Fund:**

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

Accrued leave	\$ 20,015
Less: current portion	<u>-</u>
Total stormwater long-term debt	<u>\$ 20,015</u>

A summary of changes in Stormwater Fund long-term debt for the year ended June 30, 2021 are as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Amount Due Within One Year
Accrued leave	<u>\$ 19,589</u>	<u>\$ 426</u>	<u>\$ -</u>	\$ 20,015	<u>\$ -</u>
Less: current portion				<u>-</u>	
Total stormwater long-term debt				<u>\$ 20,015</u>	

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

**NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE**

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

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

Year Ended June 30:	Amount
2022	\$ 7,700
2023	7,700
2024	7,700
2025	7,700
2026	7,700
2027-2029	<u>23,100</u>
Total	<u>\$ 61,600</u>

## NOTE 11 - NET PENSION LIABILITY

Net pension liability at June 30, 2021, consists of the following:

Beginning balance	\$ 226,718
Service cost	236,561
Interest expense	819,620
Differences between expected and actual experience	( 285,318)
Employer contributions	( 356,143)
Net investment income	( 546,451)
Plan administrative expenses	<u>5,867</u>
Total	<u>\$ 100,854</u>

## NOTE 12 - 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>\$ 63,603</u>	<u>\$ 3,555,736</u>	<u>\$ 3,619,339</u>

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

## NOTE 13 - DEFERRED INFLOWS RELATED TO PENSIONS

Deferred inflows related to pension at June 30, 2021, consists of the following:

Beginning balance	\$ 306,290
Differences between expected and actual experience	285,318
Amortization of deferrals	( 200,638)
Current change in net investment income	<u>( 36,820)</u>
Total	<u>\$ 354,150</u>

## NOTE 14 - 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 \$26,760 are legally restricted for non-recurring police expenditures.

State street aid funds in the amount of \$1,004,108 are legally restricted for state street aid expenditures.

Impound funds in the amount of \$21,120 are restricted for impound related expenditures.

Solid waste funds in the amount of \$885,204 are legally restricted for solid waste expenditures.



## NOTE 15 - FUND BALANCES

Fund balances are as follows:

Nonspendable: Inventory of \$3,712 is nonspendable due to form.

Restricted: Drug funds in the amount of \$26,760 are legally restricted for non-recurring police expenditures. State street aid funds in the amount of \$1,004,108 are legally restricted for state street aid expenditures. Impound funds in the amount of \$21,120 are restricted for impound related expenditures. Solid waste funds in the amount of \$885,204 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 16 - TRANSFER

During the year, the City closed its Sewer Fund and transferred its remaining balance of \$35,646 to the General Fund.

## NOTE 17 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that, "Long-term liabilities, including bonds payable, landfill closure and post-closure costs, and accrued leave are not due and payable in the current period and, therefore, are not reported in the funds". The details of this \$(2,454,250) difference are as follows:

Bonds payable	\$ ( 2,040,400)
Landfill closure and post-closure cost	( 61,600)
Accrued leave	<u>( 352,250)</u>
Net adjustment	<u>\$ ( 2,454,250)</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 \$174,904 difference are as follows:

Deferred outflows related to pensions	\$ 616,257
Net pension liability	( 97,828)
Deferred inflows related to pensions	<u>( 343,525)</u>
Net adjustment	<u>\$ 174,904</u>

**NOTE 17 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

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

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances for total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that, "Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense". The details of this \$739,788 difference are as follows:

Capital outlay	\$ 1,524,778
Depreciation expense	<u>( 784,990)</u>
Net adjustment	<u>\$ 739,788</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 \$451,400 difference are as follows:

Bonds payable	\$ 443,700
Landfill closure and post-closure cost	<u>7,700</u>
Net adjustment	<u>\$ 451,400</u>

Another element of that reconciliation states that, "Pension expense for the prior year is not reported in the governmental funds but is reported in the Statement of Activities. Current year pension contributions are reported as an expense in the governmental funds but are not reported in the Statement of Activities." The details of this \$138,766 difference are as follows:

Pension expense	\$ ( 242,294)
Contributions	<u>381,060</u>
Net adjustment	<u>\$ 138,766</u>

**NOTE 18 - LITIGATION AND CLAIMS**

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

#### **NOTE 19 - OPERATING LEASE**

The City has entered into a 60 month operating lease for two (2) copiers through MSA. Current year expenses were \$1,677. Future minimum lease payments are as follows:

Year ended <u>June 30</u>	
2022	\$ 1,655
2023	1,655
2024	1,655
2025	<u>1,104</u>
Total	<u>\$ 6,069</u>

#### **NOTE 20 - 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, 2021, HCWWTA paid \$122,342 in principal and \$769 in interest directly to the payees.

#### **NOTE 21 - POST EMPLOYEE BENEFITS OTHER THAN PENSIONS**

The City does not have any post employee benefits other than the pension disclosed in Note 25.

#### **NOTE 22 - COMPLIANCE WITH FINANCE RELATED LEGAL AND CONTRACTUAL PROVISIONS**

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

#### **NOTE 23 - RISK MANAGEMENT POOL**

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

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

**NOTE 23 - RISK MANAGEMENT POOL (Continued)**

Coverages are as follows:

Property	\$ 13,886,373	
Workers compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per employee
Liability	\$ 5,000,000	each other loss- per occurrence

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

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

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

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

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

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

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

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

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

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

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

**The responsibilities of the Pool are as follows:**

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

## **NOTE 23 - RISK MANAGEMENT POOL (Continued)**

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

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

The City has not compiled a record of the claims paid up to the applicable deductible for the prior or current fiscal year. The City is not aware of any claims which the City is liable for (up to the applicable deductible) which were outstanding and unpaid at June 30, 2021. No provision has been made in the financial statements for the year ended June 30, 2021, for any estimate of potential unpaid claims.

## **NOTE 24 - 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 25 - PENSION PLAN**

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

#### **Plan description**

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

## NOTE 25 - PENSION PLAN (Continued)

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

#### **Benefits provided**

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

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

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

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	51
Inactive employees entitled to but not yet receiving benefits	106
Active employees	<u>66</u>
Total employees	<u>223</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, 2021, the employer contributions for Red Bank were \$392,845 based on a rate of 12.85 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Red Bank's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Net Pension Liability (Asset)**

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

Red Bank's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**NOTE 25 - PENSION PLAN (Continued)****Net Pension Liability (Asset) (Continued)****Actuarial assumptions**

The total pension liability as of June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

**NOTE 25 - 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 6/30/19	\$ 11,278,364	\$ 11,051,646	\$ 226,718
Changes for the year:			
Service cost	236,561	-	236,561
Interest	819,620	-	819,620
Differences between expected and actual experience	( 285,318)	-	( 285,318)
Changes in benefit terms	-	-	-
Changes in assumptions	-	-	-
Contributions - employer	-	356,143	( 356,143)
Contributions - employees	-	-	-
Net investment income	-	546,451	( 546,451)
Benefit payments, including refunds of employee contributions	( 419,634)	( 419,634)	-
Administrative expense	-	( 5,867)	5,867
Other changes	-	-	-
Net changes	351,229	477,093	( 125,864)
Balance at 6/30/20	\$ 11,629,593	\$ 11,528,739	\$ 100,854

**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)	\$ 1,677,454	\$ 100,854	\$ ( 1,207,367)



**NOTE 25 - PENSION PLAN (Continued)****Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions****Pension expense (negative pension expense)**

For the year ended June 30, 2021, Red Bank recognized pension expense (negative pension expense) of \$250,281.

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

For the year ended June 30, 2021, Red Bank reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,037	\$ 354,150
Net difference between projected and actual earnings on pension plan investments	83,827	-
Changes in assumptions	111,608	-
Contributions subsequent to the measurement date of June 30, 2020	<u>392,845</u>	<u>(not applicable)</u>
Total	<u>\$ 635,317</u>	<u>\$ 354,150</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2020,” 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:	
2022	\$ ( 74,749)
2023	\$ ( 14,513)
2024	\$ 20,446
2025	\$ 4,691
2026	\$ ( 47,553)
Thereafter	\$ -

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

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

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**June 30, 2021**

**Last Fiscal Year Ending June 30**

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

*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 Changes in Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of the TCRS**  
**June 30, 2021**

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

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2021**

**Last Fiscal Year Ending June 30**

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

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

**Notes to Schedule**

Valuation date: Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25 percent

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

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Contributions Based on Participation**  
**in the Public Employee Pension Plan of the TCRS**  
**June 30, 2021**

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$ 357,913	\$ 348,070	\$ 356,143	\$ 391,622
<u>357,913</u>	<u>348,070</u>	<u>356,143</u>	<u>392,845</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,223)</u>
\$ 2,965,311	\$ 2,883,759	\$2,938,477	\$3,057,161
12.07%	12.07%	12.12%	12.85%

## **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.



**CITY OF RED BANK, TENNESSEE**  
**Non-major Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2021**

	<u>Special Revenue</u>		<u>Total</u>
	<u>Drug</u>	<u>Impound</u>	<u>Non-major</u>
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
<b>ASSETS</b>			
Cash	\$ 26,525	\$ 21,120	\$ 47,645
Due from other funds	235	-	235
<b>TOTAL ASSETS</b>	<u>\$ 26,760</u>	<u>\$ 21,120</u>	<u>\$ 47,880</u>
 <b>FUND BALANCES</b>			
Restricted	<u>\$ 26,760</u>	<u>\$ 21,120</u>	<u>\$ 47,880</u>

**CITY OF RED BANK, TENNESSEE**  
**Non-Major Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Year Ended June 30, 2021**

	<u>Special Revenue</u>		<u>Total</u>
	<u>Drug</u>	<u>Impound</u>	<u>Non-major</u>
	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>
			<u>Funds</u>
<b>REVENUES</b>			
Fines and forfeitures	\$ 8,369	\$ 850	\$ 9,219
Other revenues	<u>3,203</u>	<u>-</u>	<u>3,203</u>
<b>TOTAL REVENUES</b>	<u>11,572</u>	<u>850</u>	<u>12,422</u>
<b>EXPENDITURES</b>			
<b>Current Expenditures</b>			
Public safety	3,953	1,610	5,563
<b>Capital Outlay</b>	<u>99,068</u>	<u>-</u>	<u>99,068</u>
<b>TOTAL EXPENDITURES</b>	<u>103,021</u>	<u>1,610</u>	<u>104,631</u>
Excess (deficiency) of revenues over (under) expenditures	(91,449)	(760)	(92,209)
<b>Fund balances - beginning</b>	<u>118,209</u>	<u>21,880</u>	<u>140,089</u>
<b>Fund balances - end</b>	<u>\$ 26,760</u>	<u>\$ 21,120</u>	<u>\$ 47,880</u>

**CITY OF RED BANK, TENNESSEE**  
**Drug Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>			
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b>REVENUES</b>				
Fines and forfeitures				
Drug fines and seizures	\$ 17,000	\$ 17,000	\$ 8,369	\$ (8,631)
Other revenues				
Asset sharing revenue	15,000	15,000	3,174	(11,826)
Sale of assets	2,500	2,500	-	(2,500)
Interest earnings	100	100	29	(71)
Total other revenues	<u>17,600</u>	<u>17,600</u>	<u>3,203</u>	<u>(14,397)</u>
<b>TOTAL REVENUES</b>	<u>34,600</u>	<u>34,600</u>	<u>11,572</u>	<u>(23,028)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Asset sharing equipment	-	-	2,138	(2,138)
Contract services	-	-	508	(508)
Dues and subscriptions	-	-	55	(55)
Repairs and maintenance	2,000	2,000	-	2,000
Operating supplies	3,500	3,500	392	3,108
Training	1,500	1,500	225	1,275
Travel	1,000	1,000	635	365
Vehicle	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total public safety	<u>8,500</u>	<u>8,500</u>	<u>3,953</u>	<u>4,547</u>
<b>Capital Outlay</b>				
Equipment	<u>106,940</u>	<u>106,940</u>	<u>99,068</u>	<u>7,872</u>
<b>TOTAL EXPENDITURES</b>	<u>115,440</u>	<u>115,440</u>	<u>103,021</u>	<u>12,419</u>
Excess (deficiency) of revenues over (under) expenditures	(80,840)	(80,840)	(91,449)	(10,609)
<b>Fund balances - beginning</b>	<u>118,209</u>	<u>118,209</u>	<u>118,209</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 37,369</u>	<u>\$ 37,369</u>	<u>\$ 26,760</u>	<u>\$ (10,609)</u>

**CITY OF RED BANK, TENNESSEE**  
**Impound Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>			
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b>REVENUES</b>				
Fines and forfeitures				
Impound fees	\$ -	\$ -	\$ 850	\$ 850
Other revenues				
Sale of equipment	10,000	10,000	-	(10,000)
<b>TOTAL REVENUES</b>	<u>10,000</u>	<u>10,000</u>	<u>850</u>	<u>(9,150)</u>
<b>EXPENDITURES</b>				
<b>Current Expenditures</b>				
Public safety				
Contract services	750	750	1,610	(860)
Operating supplies	2,000	2,000	-	2,000
Repairs and maintenance	4,000	4,000	-	4,000
Total public safety	<u>6,750</u>	<u>6,750</u>	<u>1,610</u>	<u>5,140</u>
<b>TOTAL EXPENDITURES</b>	<u>6,750</u>	<u>6,750</u>	<u>1,610</u>	<u>5,140</u>
Excess (deficiency) of revenues over (under) expenditures	3,250	3,250	(760)	(4,010)
<b>Fund balances - beginning</b>	<u>21,880</u>	<u>21,880</u>	<u>21,880</u>	<u>-</u>
<b>Fund balances - end</b>	<u>\$ 25,130</u>	<u>\$ 25,130</u>	<u>\$ 21,120</u>	<u>\$ (4,010)</u>

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Expenditures of Federal and State Awards (Continued)**  
**Year Ended June 30, 2021**

Federal Grantor/Pass-through Agency	Assistance Listing Number	State Grant/Project Number	(Accrued) Deferred		Grant Receipts	Grant Expenditures	Costs Disallowed Adjustment	(Accrued) Deferred	
			Grant Revenues	Grant Revenues				Grant Revenues	Grant Revenues
			July 1, 2020	June 30, 2021				June 30, 2021	June 30, 2021
<b>FEDERAL ASSISTANCE PROGRAMS</b>									
Department of Transportation									
Distracted Driving Reduction Program	20.600	Z20THS208	\$ (1,198)	\$ 13,946	\$ 12,748	\$ -	\$ -	\$ -	\$ -
Distracted Driving Reduction Program	20.600	Z21THS239	-	12,772	30,572	-	-	(17,800)	(17,800)
Transportation Enhancement - Paving	20.205	33LPLM-F3-161	(22,576)	-	-	7,088	-	(15,488)	(15,488)
Sidewalks	20.205	33LPLM-F0-162	-	-	245,005	-	-	(245,005)	(245,005)
Transportation Enhancement - Signals	20.205	33LPLM-F3-158	(23,024)	-	1,344	12,480	-	(11,888)	(11,888)
Total Department of Transportation			(46,798)	26,718	289,669	19,568	-	(290,181)	(290,181)
TN Cares Act Grant	20.019	-	-	176,475	176,475	-	-	-	-
Department of Justice									
High Intensity Drug Trafficking Area	95.001	G16AP0001A	(3,121)	9,515	8,210	-	-	(1,816)	(1,816)
Office of National Drug Control Policy	16.607	-	-	2,248	2,248	-	-	-	-
Bullet Proof Vest Grant			(3,121)	11,763	10,458	-	-	(1,816)	(1,816)
Total Department of Justice			(49,919)	214,956	476,602	19,568	-	(291,997)	(291,997)
<b>Total Federal Assistance Programs</b>									
<b>STATE ASSISTANCE PROGRAMS</b>									
2021 Local Gov DA Grant	-	-	-	289,636	289,636	-	-	-	-
<b>TOTAL FEDERAL AND STATE ASSISTANCE</b>									
			\$ (49,919)	\$ 504,592	\$ 766,238	\$ 19,568	\$ -	\$ (291,997)	\$ (291,997)

**CITY OF RED BANK, TENNESSEE**  
**Notes to the Schedule of Expenditures of Federal and State Awards**  
**Year Ended June 30, 2021**

**NOTE 1 - BASIS OF PRESENTATION**

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

**NOTE 2 - INDIRECT COST RATE**

The City of Red Bank, Tennessee has not elected to use the 10-percent de minimus indirect cost rate or to allocate any indirect cost.

**CITY OF RED BANK, TENNESSEE**  
**Sewer Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUES</b>				
Rent of facilities	\$ 8,413	\$ 8,413	\$ -	\$ (8,413)
Operating income (loss)	8,413	8,413	-	(8,413)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	100	100	-	(100)
Intergovernmental revenue	492,204	492,204	-	(492,204)
Interest expense	(492,204)	(492,204)	-	492,204
Total non-operating revenues (expenses)	100	100	-	(100)
Changes in net position before transfer	8,513	8,513	-	(8,513)
Transfer out	-	-	(35,646)	(35,646)
Changes in net position after transfer	8,513	8,513	(35,646)	(44,159)
<b>Net position - beginning</b>	35,646	35,646	35,646	-
<b>Net position - end</b>	\$ 44,159	\$ 44,159	\$ -	\$ (44,159)

**CITY OF RED BANK, TENNESSEE**  
**Stormwater Fund**  
**Schedule of Revenues, Expenses and Changes in Net Position - Budget and Actual**  
**Year Ended June 30, 2021**

	<b>Budgeted Amounts</b>			
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Variance</b>
<b>OPERATING REVENUES</b>				
Stormwater fees	\$ 310,000	\$ 310,000	\$ 281,947	\$ (28,053)
Other	500	500	1,560	1,060
Total operating revenues	<u>310,500</u>	<u>310,500</u>	<u>283,507</u>	<u>(26,993)</u>
<b>OPERATING EXPENSES</b>				
Stormwater collection				
Salaries	83,893	83,893	83,354	539
Payroll taxes	6,272	6,272	6,139	133
Employee benefits	32,466	32,466	31,303	1,163
Contract services	73,600	83,600	72,995	10,605
Operating supplies	71,100	71,100	77,121	(6,021)
Training	250	250	-	250
Uniforms	400	400	542	(142)
Vehicle expense	<u>8,000</u>	<u>8,000</u>	<u>5,220</u>	<u>2,780</u>
Total stormwater collection	<u>275,981</u>	<u>285,981</u>	<u>276,674</u>	<u>9,307</u>
Administration				
Administration fees	21,160	21,160	21,128	32
Supplies	<u>15,000</u>	<u>15,000</u>	<u>9,327</u>	<u>5,673</u>
Total administration	<u>36,160</u>	<u>36,160</u>	<u>30,455</u>	<u>5,705</u>
Depreciation	<u>-</u>	<u>-</u>	<u>10,873</u>	<u>(10,873)</u>
Total operating expenses	<u>312,141</u>	<u>322,141</u>	<u>318,002</u>	<u>4,139</u>
Operating income (loss)	(1,641)	(11,641)	(34,495)	(22,854)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest earnings	<u>1,700</u>	<u>1,700</u>	<u>102</u>	<u>(1,598)</u>
Changes in net position	59	(9,941)	(34,393)	(24,452)
Net position - beginning	<u>360,928</u>	<u>360,928</u>	<u>360,928</u>	<u>-</u>
Net position - end	<u>\$ 360,987</u>	<u>\$ 350,987</u>	<u>\$ 326,535</u>	<u>\$ (24,452)</u>



**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Property Taxes Receivable**  
**June 30, 2021**

<u>Year of Levy</u>	
2021	\$ 3,555,736
2020	97,887
2019	26,340
2018	31,892
2017	4,453
2016	4,950
2015	5,261
2014	6,393
2013	7,628
2012	<u>28,372</u>
Total property taxes receivable	3,768,912
Less: allowance for uncollectibles	<u>(131,587)</u>
Net property taxes receivable	<u>\$ 3,637,325</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Changes in Property Taxes Receivable**  
**Year Ended June 30, 2021**

<b>Year of Levy</b>	<b>Taxes Receivable June 30, 2020</b>	<b>Levy</b>	<b>Pickups (Releases)</b>	<b>Collections</b>	<b>Taxes Receivable June 30, 2021</b>
2021	\$ -	\$ 3,555,736	\$ -	\$ -	\$ 3,555,736
2020	3,201,200	-	1,821	(3,105,134)	97,887
2019	139,694	-	-	(113,354)	26,340
2018	55,837	-	-	(23,945)	31,892
2017	15,352	-	-	(10,899)	4,453
2016	7,234	-	-	(2,284)	4,950
2015	5,272	-	-	(11)	5,261
2014	6,393	-	-	-	6,393
2013	7,628	-	-	-	7,628
2012	28,372	-	-	-	28,372
2011	12,520	-	(12,520)	-	-
	<u>\$ 3,479,502</u>	<u>\$ 3,555,736</u>	<u>\$ (10,699)</u>	<u>\$ (3,255,627)</u>	<u>\$ 3,768,912</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2021**

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

<b><u>Maturing</u></b> <b><u>June 30,</u></b> <b><u>2022</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b> <b><u>Requirements</u></b>
	<u>\$ 99,000</u>	<u>\$ 3,881</u>	<u>\$ 102,881</u>
Total	<u>\$ 99,000</u>	<u>\$ 3,881</u>	<u>\$ 102,881</u>

**CITY OF RED BANK, TENNESSEE**  
**General Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2021**

**Tennessee Municipal Bond Fund**  
**Series 2021**

<b><u>Maturing June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Requirements</u></b>
2022	\$ 197,000	\$ 53,445	\$ 250,445
2023	203,000	46,550	249,550
2024	210,000	39,445	249,445
2025	218,000	32,095	250,095
2026	225,000	24,465	249,465
2027	233,000	16,590	249,590
2028	<u>241,000</u>	<u>8,435</u>	<u>249,435</u>
Total	<u>\$1,527,000</u>	<u>\$ 221,025</u>	<u>\$ 1,748,025</u>

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2021**

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

<b><u>Maturing June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Requirements</u></b>
2022	\$ 41,700	\$ 4,221	\$ 45,921
2023	41,700	3,012	44,712
2024	41,700	1,802	43,502
2025	<u>41,300</u>	<u>599</u>	<u>41,899</u>
Total	<u>\$ 166,400</u>	<u>\$ 9,634</u>	<u>\$ 176,034</u>

**CITY OF RED BANK, TENNESSEE**  
**State Street Aid Fund**  
**Schedule of Debt Service Requirements**  
**June 30, 2021**

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

<b><u>Maturing June 30,</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total Requirements</u></b>
2022	\$ 122,000	\$ 7,256	\$ 129,256
2023	<u>126,000</u>	<u>2,444</u>	<u>128,444</u>
Total	<u>\$ 248,000</u>	<u>\$ 9,700</u>	<u>\$ 257,700</u>

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Changes in Long-term Debt by Individual Issue**  
**June 30, 2021**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or		Outstanding 6/30/2021
							Matured During Period	Refunded During Period	
<b>Governmental Activities</b>									
Bonds Payable through General Fund									
Tennessee Municipal Bond - 2018	\$ 285,000	3.92%	12/28/18	02/01/22	\$ 194,000	\$ -	\$ (95,000)	\$ -	\$ 99,000
Tennessee Municipal Bond - 2019	\$1,900,000	3.50%	05/01/19	05/01/28	1,717,000	-	(190,000)	(1,527,000)	-
Tennessee Municipal Bond - 2021	\$1,527,000	2.05%	06/28/21	05/01/28	-	-	-	1,527,000	1,527,000
Total Bonds Payable through General Fund					<u>\$1,911,000</u>	<u>\$ -</u>	<u>\$ (285,000)</u>	<u>\$ -</u>	<u>\$1,626,000</u>
Bonds Payable through State Street Aid Fund									
Tennessee Municipal Bond - 2012	\$ 500,000	2.90%	11/14/12	08/01/24	\$ 208,100	\$ -	\$ (41,700)	\$ -	\$ 166,400
Tennessee Municipal Bond - 2018	\$ 478,400	3.88%	10/30/18	10/01/22	365,000	-	(117,000)	-	248,000
Total Bonds Payable through State Street Aid Fund					<u>\$ 573,100</u>	<u>\$ -</u>	<u>\$ (158,700)</u>	<u>\$ -</u>	<u>\$ 414,400</u>
<b>Business-Type Activities</b>									
Notes Payable through Sewer Fund									
Tenn. Dept. of Environment and Conservation	\$6,917,000	3.75%	10/14/97	09/01/20	\$ 122,342	\$ -	\$ (122,342)	\$ -	\$ -

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Rates**  
**June 30, 2021**

**Analysis of Tax Rates and Assessments**

<u>Tax Year</u>	<u>Rates per \$100</u>	<u>Assessment</u>	<u>Levy</u>
2021	\$1.39	\$ 255,808,345	\$ 3,555,736
2020	\$1.39	\$ 230,457,983	\$ 3,203,366
2019	\$1.39	\$ 230,264,437	\$ 3,200,676
2018	\$1.39	\$ 224,445,416	\$ 3,119,791
2017	\$1.18266	\$ 221,227,572	\$ 2,616,370
2016	\$1.35	\$ 192,327,466	\$ 2,596,421
2015	\$1.35	\$ 191,575,579	\$ 2,586,270
2014	\$1.35	\$ 194,072,268	\$ 2,619,976
2013	\$1.35	\$ 189,746,620	\$ 2,573,154
2012	\$1.35	\$ 187,028,872	\$ 2,524,890

**UNCOLLECTED DELINQUENT ACCOUNTS**

Delinquent taxes filed for collection by years are as follows:

<u>Year of Levy</u>	<u>Delinquent Taxes Filed</u>
2020	\$ 97,887
2019	26,340
2018	31,892
2017	4,453
2016	4,950
2015	5,261
2014	6,393
2013	7,628
2012	<u>28,372</u>
	<u>\$ 213,176</u>



**CITY OF RED BANK, TENNESSEE**  
**Schedule of Insurance**  
**June 30, 2021**

**Public Entity Partners Risk Management Pool:**

Property	\$ 13,886,373	
Workers compensation	\$ 300,000	per accident
	\$ 700,000	policy limit
	\$ 300,000	per employee
Liability	\$ 5,000,000	each other loss - per occurrence

**OFFICIAL BONDS**

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

### **III. 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, 2021, and the related notes to the financial statements, which collectively comprise the City of Red Bank, Tennessee's basic financial statements, and have issued our report thereon dated October 18, 2021.

**Internal Control over Financial Reporting**

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

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Chattanooga, Tennessee  
October 18, 2021

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**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 Deficiencies:**

During the audit of the financial statements, no significant deficiencies in internal controls were disclosed.

**Material Noncompliance:**

None disclosed.

**CITY OF RED BANK, TENNESSEE**  
**Schedule of Prior Audit Findings**  
**June 30, 2021**

<b><u>Prior Year Finding Number</u></b>	<b><u>Finding Title</u></b>	<b><u>Status/Current Year Finding Number</u></b>
2020-001	Expenditures Exceeded Budget (Original finding 2020-001)	Corrected