

CITY OF BROWNSVILLE, TENNESSEE

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

CITY OF BROWNSVILLE, TENNESSEE
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INTRODUCTORY SECTION

**CITY OF BROWNSVILLE, TENNESSEE
DIRECTORY**
June 30, 2018

ELECTED OFFICIALS

William "Bill" Rawls, Jr., Mayor
Carolyn Flagg, Vice-Mayor
Tom Averyheart, Alderman
Leon King, Alderman
John Simmons, Alderman

Hired Officials

Lisa Brooks, City Recorder & CMFO
Mark Foster, Fire Chief
Barry Diebold, Police Chief
Bobby Mayer, Public Works Director
Jerry McClinton, Building Inspector
Lauren Patterson, Codes Enforcement Officer
Reggie Castellaw, Utilities General Manager
James Haywood, Judge

COUNSEL

Michael Banks
Brownsville, Tennessee

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

Honorable William "Bill" Rawls, Jr., Mayor
Members of the Board of Aldermen
City of Brownsville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brownsville, Tennessee (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 City'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, each major fund, and the aggregate remaining fund information of the City of Brownsville, Tennessee, as of June 30, 2018, and respective changes in financial position and the respective budgetary comparison for the general, solid waste, and community development funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, during the fiscal year ended June 30, 2018, the City adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 6 to the financial statements, the June 30, 2017 financial statements have been restated to correct prior year restatements. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and analysis, schedules of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan, schedule of contributions based on participation in the public employee pension plan, schedule of changes in net pension liability (asset) and related ratios based on participation in the Brownsville supplemental pension plan, schedule of contributions based on participation in the Brownsville supplemental pension plan, schedule of investment returns based on participation in the Brownsville supplemental pension plan, schedule of changes in net OPEB liability and related ratios, and the schedule of contributions and notes to OPEB required supplementary information, as 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brownsville, Tennessee's financial statements. The introductory section and supplementary and other information section including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary and other information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary and other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019 on our consideration of the City of Brownsville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to solely 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'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 Brownsville's internal control over financial reporting and compliance.



Jackson, Tennessee
June 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Brownsville, we offer readers of the City of Brownsville's financial statements this narrative overview and analysis of the financial activities of the City of Brownsville for the fiscal year ended June 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Brownsville exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$16,416,266 (*net position*). Of this amount, \$577,831 (*unrestricted net position*) may be used to meet the City of Brownsville's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$2,627,077 during 2018, compared to decreasing by \$1,589,788 during 2017.
- As of the close of the current fiscal year, the City of Brownsville's general fund reported an ending fund balance of \$3,685,465, a decrease of \$524,423, in comparison with the prior year. 92.69% of the ending fund balance is available for spending at the City of Brownsville's discretion (*unassigned fund balance*).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Brownsville's basic financial statements. The City's basic financial statements are comprised of the following components:

1. Government-wide financial statements
2. Fund financial statements and
3. Notes to the financial statements.
4. This report also contains supplementary information intended to furnish additional detail to support 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 Brownsville's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of the City of Brownsville's assets, deferred outflows/inflows of resources, and liabilities, 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 Brownsville is improving or deteriorating.
- The Statement of Activities presents information showing how the City of Brownsville'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, compensated absences, etc.).

The governmental activities of the City of Brownsville include general government, public safety, public works, health, culture, welfare, and recreation, and community development. The government-wide financial statements can be found on pages 10 to 13 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 Brownsville, 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 Brownsville can be divided into two categories: governmental funds and fiduciary 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, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources at the end of the fiscal year. Such information may be useful in evaluating the Government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of 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 City of Brownsville's near-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements and reconciliations can be found on pages 14 to 18 of this report.

The City maintains seven governmental funds. Information is presented separately in the Balance Sheet - Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds for the general fund and the solid waste fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation for these statements and is also presented separately in a Combining Balance Sheet - Other Governmental Funds and a Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Other Governmental Funds.

The City adopts an annual appropriated budget for each governmental fund. Budgetary comparison statements have been provided on pages 21 to 32 and pages 65 to 68.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains one type of fiduciary fund. The Supplemental Pension trust funds are used to report resources held in trust for retirees and beneficiaries covered by the Supplemental Pension Plan. The agency fund reports resources held by the City in trust to cover the benefits of the Supplemental Pension Plan.

The fiduciary fund financial statements can be found on pages 19 to 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 to 55 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's respective pension plans.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - 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 Brownsville, assets and deferred outflows of

resources exceeded liabilities and deferred inflows of resources by \$16,416,266 at the close of the most recent fiscal year. The largest portion of the City's net position (86.71%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure). The City of Brownsville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional amount of net position (9.77%) represent amounts that are restricted for certain uses. The balance of net position representing unrestricted net position (3.52%) may be used to meet the City of Brownsville's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Brownsville is able to report positive balances in all categories of net position, both for the City of Brownsville as a whole, as well as for its total governmental activities.

Comparisons with the prior year data are presented below.

	Governmental Activities	
	2018	2017
Current and other assets	\$ 9,368,952	\$11,471,224
Capital assets	14,234,593	13,815,893
Total assets	<u>23,603,545</u>	<u>25,287,117</u>
Deferred outflows of resources	<u>921,077</u>	<u>1,063,813</u>
Long-term liabilities	3,873,651	2,394,645
Other liabilities	379,949	1,203,495
Total liabilities	<u>4,253,600</u>	<u>3,598,140</u>
Deferred inflows of resources	<u>3,854,756</u>	<u>3,709,447</u>
Net position:		
Net investment in capital assets	14,234,593	13,815,893
Restricted	1,603,842	1,832,733
Unrestricted	577,831	3,394,717
Total net position	<u>\$ 16,416,266</u>	<u>\$19,043,343</u>

During the current fiscal year, the City's unrestricted cash and cash equivalents decreased by \$1.51 million and long-term liabilities increased by \$1.48 million, respectively. These changes were mainly related to grant funds spent and not yet being reimbursed, and the OPEB liability now being reflected on the financial statements.

Statement of Activities - Expenses in governmental activities exceeded program revenues by \$8,278,786. General government revenues of \$7,301,022 combined with a prior period adjustment of (\$152,384) and prior period restatement of (\$1,496,929) left a net decrease of (\$2,627,077).

	Governmental Activities	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 2,844,803	\$ 2,694,685
Operating grants and contributions	910,497	2,117,489
Capital grants and contributions	795,946	616,975
General revenues:		
Property taxes	4,103,785	3,764,511
Other taxes	3,096,140	3,177,224
Other sources	101,097	118,099
Total revenues	<u>11,852,268</u>	<u>12,488,983</u>
Expenses:		
General government	3,767,681	3,325,911
Public safety	4,158,566	4,034,003
Public works	3,353,058	3,108,208
Health, culture, welfare, and recreation	695,969	751,343
Community development	854,758	1,902,141
Total expenses	<u>12,830,032</u>	<u>13,121,606</u>
Increase in net position	(977,764)	(632,623)
Net position - beginning	<u>19,043,343</u>	<u>20,633,131</u>
Prior period adjustment	<u>(1,649,313)</u>	<u>(957,165)</u>
Net position - beginning - restated	<u>17,394,030</u>	<u>19,675,966</u>
Net position - ending	<u><u>\$ 16,416,266</u></u>	<u><u>\$ 19,043,343</u></u>

COMMENTS ON FUND FINANCIAL STATEMENTS

Governmental funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Government's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund accounts for 83.29% of governmental fund revenues excluding other financing sources. Accordingly this discussion will focus on the general fund. General fund balance was \$3,685,465 at the end of the current fiscal year. 92.69% of the balance is available to meet the day-to-day needs of the City. 6.24% of the balance is restricted for various purposes. The remaining 1.07% is in non-spendable form.

Revenues in the general fund decreased \$1,124,560 from last year. The only significant decrease was a decrease in intergovernmental revenue of \$1,174,373. The decrease in intergovernmental revenue is largely related to grant revenue changes from the prior year.

A budget comparison statement has been provided to demonstrate compliance with the budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

Final Budgeted and Actual Amounts

Actual revenues were over budget by \$26,388. Significant variances are as follows:

- Site development grant – grant revenues were under budget by \$458,750 due to the planned timing of the grant being 2018, but the activity will be in 2019 instead.
- FIDP Teknor Apex revenues were over budget by \$188,917 due to the funds not being expected in the current year.
- Safe route to school grant revenues were under budget by \$182,650 due to the timing of the receipt of some of the funds being delayed from the current year into the next year.

Expenditures and other financing uses were under budget by \$754,265 in the current year. Significant variances are as follows:

- Expenditures related to the FIDP Grant – Teknor Apex were under budget by \$376,343, due to the expected activity not occurring in 2018.
- Expenditures related to the general government health insurance were under budget by \$206,639 due to the expected activity not occurring in 2018.
- Expenditures related to the general government HRA reimbursements were under budget by \$200,943 due to the expected activity not occurring in 2018.

CAPITAL ASSET ADMINISTRATION

Capital Assets - At the end of Fiscal 2018, the City had invested \$14,234,593, net of accumulated depreciation, in a variety of capital assets and infrastructure. Infrastructure (streets, sidewalks, bridges etc) was valued at \$6,624,619 net of accumulated depreciation.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate for June 30, 2018 for Haywood County, where Brownsville is located, was 6.1% up from 5.5% as of June 30, 2017, compared to the State of Tennessee's rate of 4.1% and a national average of 4.0%. All of the rates are from labor statistics released in July 2018 and July 2017, respectively. All of these factors were considered in preparing the City of Brownsville's budget for the 2018-2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Brownsville's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the City of Brownsville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, City of Brownsville, 111 North Washington Street, Brownsville, TN 38012.

BASIC FINANCIAL STATEMENTS

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
Assets	
Cash on hand	\$ 1,093
Cash and cash equivalents	3,516,851
Receivables:	
Taxes (net of allowances)	4,172,684
Accounts - other (net of allowances)	408,697
Accounts - court fines (net of allowances)	72,423
Notes receivable	73,516
Penalty and interest receivable - taxes	94,742
Intergovernmental - nongrant	186,890
Intergovernmental - grants	331,095
Interest	68
Inventories	39,319
Due from other governments	258,213
Restricted cash and cash equivalents	213,361
Capital assets (not being depreciated):	
Land	2,033,780
Construction in progress	2,503,948
Capital assets (net of accumulated depreciation):	
Buildings and improvements	1,695,167
Infrastructure	6,624,619
Other capital assets	1,377,079
Total assets	23,603,545
Deferred outflows of resources	
Pension related	<u>921,077</u>
Total deferred outflows of resources	<u>921,077</u>

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

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF NET POSITION

June 30, 2018

	Governmental Activities
Liabilities	
Accounts payable	\$ 184,822
Accrued expenses	732
Payroll related payables	194,395
Noncurrent liabilities:	
Net pension liability - TCRS	971,812
Net pension liability - Supplemental pension plan	983,244
OPEB liability	1,651,864
Compensated absences	266,731
Total liabilities	4,253,600
Deferred inflows of resources	
Unavailable property tax revenues	3,381,201
Difference between projected and actual earnings - SPP	13,716
Difference between projected and actual earnings - TCRS	42
Pension - difference between expected and actual experience	459,797
Total deferred inflows of resources	3,854,756
Net Position	
Investment in capital assets	14,234,593
Restricted for Sex Offender Registration	4,014
Restricted for Medical plan	31,515
Restricted for US Marshall's program	557
Restricted for Highway 76-I40 project	188,821
Restricted for Robert Allison Scholarship	5,225
Restricted for State Street Aid	332,632
Restricted for Drug fund	47,928
Restricted for community development	993,150
Unrestricted	577,831
Total net position	\$ 16,416,266

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

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities:						
General government:						
Judicial	\$ 2,367,457	\$ 122,306	\$ -	\$ -	\$ (2,245,151)	
General government	1,400,224	-	-	-	(1,400,224)	
Public safety:						
Police	2,246,934	62,870	291,431	-	(1,892,633)	
Central Dispatch	456,422	284,915	-	-	(171,507)	
Fire	1,148,129	279,953	14,400	-	(853,776)	
Building/Codes	177,700	64,873	-	-	(112,827)	
Animal Control	129,381	81,579	-	-	(47,802)	
Public works:						
Public works	1,417,483	365,841	-	59,394	(992,248)	
Sanitation collection	1,935,575	1,382,209	-	-	(553,366)	
Health, culture, welfare, and recreation:						
Cemetery	36,827	-	-	-	(36,827)	
Recreation	291,218	-	-	-	(291,218)	
Delta Heritage Center	339,844	45,182	-	-	(294,662)	
City Beautiful	28,080	-	-	-	(28,080)	
Community development:						
Community development	834,859	155,075	142,132	124,493	(413,159)	
City building	19,899	-	-	-	(19,899)	
Downtown enhancement grant	-	-	-	611,062	611,062	
2016-2017 Network grant	-	-	3,453	-	3,453	
Information technology	-	-	51,469	-	51,469	
Site development grant	-	-	3,250	-	3,250	
Farmer's market	-	-	-	997	997	
FIDP - Teknor apex	-	-	188,917	-	188,917	
CDBG façade grant	-	-	33,110	-	33,110	
THDA housing grant	-	-	182,335	-	182,335	
Total governmental activities	<u>12,830,032</u>	<u>2,844,803</u>	<u>910,497</u>	<u>795,946</u>	<u>(8,278,786)</u>	

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

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Net (Expenses) Revenue and Changes in Net Position
	Primary Government
	Governmental Activities
General revenues:	
Property taxes - levied for general government	\$ 3,450,726
Property taxes - in lieu of taxes	653,059
Sales taxes	2,525,239
Income taxes	24,411
Beer and liquor taxes	407,580
Business taxes	138,910
Franchise fees	61,518
Removal or sale of property	9,155
Other sources	24,983
Unrestricted interest income	5,441
Total general revenues	7,301,022
Changes in net position	(977,764)
Net position - beginning	19,043,343
Prior period adjustment	(152,384)
Prior period restatement - GASB 75 implementation	(1,496,929)
Net position - beginning - restated	17,394,030
Net position - ending	\$ 16,416,266

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

CITY OF BROWNSVILLE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Solid Waste Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash on hand	\$ 653	\$ -	\$ -	\$ 440	\$ 1,093
Cash and cash equivalents	1,274,926	956,479	918,590	366,856	3,516,851
Receivables:					
Taxes (net of allowance for uncollectibles of \$176,140)	4,172,684	-	-	-	4,172,684
Accounts - other	347,032	-	1,044	60,621	408,697
Accounts - court fines (net of allowance for uncollectibles of \$165,441)	72,423	-	-	-	72,423
Notes (net of allowance for uncollectibles of \$85)	-	-	73,516	-	73,516
Penalty and interest receivable - taxes	94,742	-	-	-	94,742
Interest	68	-	-	-	68
Intergovernmental	186,890	-	-	-	186,890
Grants	331,095	-	-	-	331,095
Inventories	39,319	-	-	-	39,319
Due from other governments	258,213	-	-	-	258,213
Restricted cash	213,361	-	-	-	213,361
Due from other funds	1,316,278	4,225	-	24,516	1,345,019
Total assets	\$ 8,307,684	\$ 960,704	\$ 993,150	\$ 452,433	\$ 10,713,971
Liabilities, deferred inflows of resources, and fund balances					
Liabilities					
Accounts payable	\$ 167,864	\$ 1,446	\$ -	\$ 15,512	\$ 184,822
Accrued expenses	732	-	-	-	732
Due to other funds	28,741	1,063,049	-	253,229	1,345,019
Payroll related payables	163,938	24,708	-	5,749	194,395
Total liabilities	361,275	1,089,203	-	274,490	1,724,968
Deferred inflows of resources					
Unavailable property tax revenues	4,093,779	-	-	-	4,093,779
Unavailable court fines	72,423	-	-	-	72,423
Unavailable penalty and interest - taxes	94,742	-	-	-	94,742
Total deferred inflows of resources	4,260,944	-	-	-	4,260,944
Fund balances					
Nonspendable - Inventory	39,319	-	-	-	39,319
Restricted for:					
Sex Offender Registration	4,014	-	-	-	4,014
Medical plan	31,515	-	-	-	31,515
US Marshall's program	557	-	-	-	557
Highway 76-I40 project	188,821	-	-	-	188,821
Robert Allison Scholarship	5,225	-	-	-	5,225
Drug fund	-	-	-	47,928	47,928
State Street Aid	-	-	-	332,632	332,632
Community Development	-	-	993,150	-	993,150
Unassigned	3,416,014	(128,499)	-	(202,617)	3,084,898
Total fund balances	3,685,465	(128,499)	993,150	177,943	4,728,059
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,307,684	\$ 960,704	\$ 993,150	\$ 452,433	\$ 10,713,971

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

CITY OF BROWNSVILLE , TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2018

Amounts reported for the governmental activities in the statement of net position (Page 10 and 11) are different because:

Fund balance - total governmental funds (Page 14)	\$ 4,728,059
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds	14,234,593
Receivables not available to pay for current expenditures and, therefore, are deferred in the funds	879,743
Deferred outflows of resources - pensions are not available to pay current expenditures and, therefore, are unavailable in the funds.	921,077
Deferred inflows of resources - pensions are not due in the current period and, therefore, are not reported in the funds.	(473,555)
Long-term liabilities, including net pension liability and OPEB liability are not due in the current period and, therefore, are not reported in the funds.	
Net pension liability	(1,955,056)
OPEB liability	(1,651,864)
Long-term liabilities, such as compensated absences, are not due in the current period and, therefore, are not reported in the fund	<u>(266,731)</u>
Net position of governmental activities (Page 11)	<u>\$ 16,416,266</u>

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2018

	General Fund	Solid Waste Fund	Community Development Fund	Other Governmental Funds	Total
					Governmental Funds
Revenues					
Taxes	\$ 5,771,202	\$ -	\$ -	\$ -	\$ 5,771,202
Licenses and permits	64,873	-	-	-	64,873
Intergovernmental	3,500,086	-	-	347,461	3,847,547
Charges for services	515	1,382,670	150,685	42,080	1,575,950
Fines	107,155	-	-	28,327	135,482
Other	376,369	-	-	19,456	395,825
Total revenues	<u>9,820,200</u>	<u>1,382,670</u>	<u>150,685</u>	<u>437,324</u>	<u>11,790,879</u>
Expenditures					
Current:					
General government:					
Judicial	2,416,011	-	-	-	2,416,011
General government	<u>1,126,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126,643</u>
Total general government	<u>3,542,654</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,542,654</u>
Public safety:					
Police	2,111,755	-	-	14,485	2,126,240
Central Dispatch	448,049	-	-	-	448,049
Fire	1,124,152	-	-	-	1,124,152
Building/Codes	200,209	-	-	-	200,209
Animal Control	<u>127,412</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,412</u>
Total public safety	<u>4,011,577</u>	<u>-</u>	<u>-</u>	<u>14,485</u>	<u>4,026,062</u>
Public works:					
Public works	<u>727,352</u>	<u>2,057,291</u>	<u>-</u>	<u>428,062</u>	<u>3,212,705</u>
Total public works	<u>727,352</u>	<u>2,057,291</u>	<u>-</u>	<u>428,062</u>	<u>3,212,705</u>
Health, culture, welfare, and recreation:					
Cemetery	36,230	-	-	-	36,230
Recreation	274,968	-	-	-	274,968
Delta Heritage Center	-	-	-	339,844	339,844
City Beautiful	<u>28,080</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,080</u>
Total health, culture, welfare, and recreation	<u>339,278</u>	<u>-</u>	<u>-</u>	<u>339,844</u>	<u>679,122</u>
Community development:					
Community development	1,444,752	-	53,056	73,956	1,571,764
City building	<u>19,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,899</u>
Total community development	<u>\$ 1,464,651</u>	<u>\$ -</u>	<u>\$ 53,056</u>	<u>\$ 73,956</u>	<u>\$ 1,591,663</u>

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

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund	Solid Waste Fund	Community Development Fund	Other Governmental Funds	Total Governmental Funds
Total expenditures	\$ 10,085,512	\$ 2,057,291	\$ 53,056	\$ 856,347	\$ 13,052,206
Excess (deficiency) of revenues over (under) expenditures	(265,312)	(674,621)	97,629	(419,023)	(1,261,327)
Other financing sources (uses):					
Transfers in/(out)	(259,111)	-	-	259,111	-
Net changes in fund balance	(524,423)	(674,621)	97,629	(159,912)	(1,261,327)
Fund balance - beginning	4,209,888	546,122	895,521	337,855	5,989,386
Fund balance - ending	\$ 3,685,465	\$ (128,499)	\$ 993,150	\$ 177,943	\$ 4,728,059

CITY OF BROWNSVILLE, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Amounts reported for the governmental activities in the statement of activities (Page 12 and 13) are different because:

Net change in fund balance - total governmental funds (Page 17)	\$ (1,261,327)
Governmental funds report capital outlays 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 in the current period. This is the amount by which depreciation exceeded capital outlays in the current period. It also includes the book value of disposals in the current year.	418,700
Employer contributions to the pension plan in the current fiscal year, which was after the valuation period of the plans, are treated as a reduction of pension expense and are deferred in the statement of net position	48,555
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	61,388
Somes expenses reported in the statement of activities, such as accrued leave, interest payable and OPEB liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	(90,145)
OPEB expense	<u>(154,935)</u>
Change in net position of governmental activities (Page 13)	<u>\$ (977,764)</u>

**CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
SUPPLEMENTAL PENSION PLAN
FOR THE CITY OF BROWNSVILLE**

June 30, 2018

Assets	SERP Plan
Cash and cash equivalents	\$ 95,647
Due to Plan	359,637
Investments	<u>823,239</u>
Total assets	<u>1,278,523</u>
 Net position restricted for pensions	 <u>1,278,523</u>

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

CITY OF BROWNSVILLE, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SUPPLEMENTAL PENSION PLAN
FOR THE CITY OF BROWNSVILLE
For the Fiscal Year Ended June 30, 2018

	SERP Plan
Additions	
Contributions	
Employer	\$ 206,703
Investment income	
Dividend income	-
Interest income	110
Other income	24,927
Net appreciation (depreciation) in fair value of investments	<u>24,869</u>
Total investment income	<u>49,906</u>
Total additions	<u>256,609</u>
Deductions	
Benefit payments	<u>79,313</u>
Total deductions	<u>79,313</u>
Net increase in fiduciary net position	<u>177,296</u>
Net position restricted for pensions	
Beginning of year	<u>1,101,227</u>
End of year	<u>\$ 1,278,523</u>

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

Revenues	Budgeted Amounts			Variance-Over (Under)
	Original	Final	Actual	
Taxes:				
Property tax current	\$ 3,200,273	\$ 3,200,273	\$ 3,186,601	\$ (13,672)
Property taxes delinquent	240,881	240,881	156,194	(84,687)
Property tax penalty and interest	80,000	80,000	51,558	(28,442)
Local sales tax	1,400,000	1,400,000	1,597,058	197,058
Business tax	80,000	80,000	138,910	58,910
Motel tax	40,000	40,000	43,175	3,175
Liquor franchise fee	-	-	(1,093)	(1,093)
In lieu of tax - public utilities	455,000	455,000	536,188	81,188
Cable TV franchise fee	45,000	45,000	62,611	17,611
	<u>5,541,154</u>	<u>5,541,154</u>	<u>5,771,202</u>	<u>230,048</u>
Licenses and permits:				
Automobile registration	35,000	35,000	37,851	2,851
Beer application fees	500	500	750	250
Beer licenses	2,000	2,000	2,067	67
Beer violations	2,500	2,500	9,000	6,500
Alcohol training	100	100	-	(100)
Gas permit	800	800	780	(20)
Peddler permit	300	300	-	(300)
Yard sale permit	500	500	492	(8)
Building permits	5,000	5,000	13,933	8,933
	<u>46,700</u>	<u>46,700</u>	<u>64,873</u>	<u>18,173</u>
Intergovernmental:				
State - TVA in lieu of tax	116,300	116,300	116,871	571
State - telecommunications sales tax	800	800	7,875	7,075
Police inservice support	17,000	17,000	-	(17,000)
Fire salary support	12,000	12,000	14,400	2,400
State - sales tax	827,477	827,477	877,131	49,654
State - income tax	30,000	30,000	24,411	(5,589)
State - beer tax	5,146	5,146	4,801	(345)
Local beer tax	270,000	270,000	301,893	31,893
Local liquor tax	85,000	85,000	100,426	15,426
State - mixed drink tax	200	200	460	260
State - street aid	21,099	21,099	20,708	(391)
Animal control	82,209	82,209	79,598	(2,611)
County - central dispatch	217,218	217,218	235,840	18,622
County - E911	60,000	60,000	46,675	(13,325)
EMA maintenance	2,400	2,400	2,400	-
County - fire	174,523	174,523	279,953	105,430
Corporate excise tax	20,000	20,000	12,821	(7,179)
Bulletproof vest grant	3,985	3,985	1,013	(2,972)
Downtown enhancement	536,840	536,840	611,062	74,222
2017 parks and rec master plan grant	-	-	48,000	48,000
2017 CDBG housing grant	-	-	20,000	20,000
Saturation / Sobriety 2016-2017	23,000	23,000	6,701	(16,299)
Saturation / Sobriety 2017-2018	-	25,000	20,152	(4,848)
Network grant 2017-2018	-	22,000	13,295	(8,705)

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Revenues (Cont):				
Intergovernmental (Cont.):				
2016-2017 Network grant	14,000	14,000	3,453	(10,547)
2015 CDBG sewer grant	33,709	33,709	-	(33,709)
2016-2017 JAG grant	15,000	15,000	-	(15,000)
2016 Drive safe grant	15,000	15,000	2,017	(12,983)
Information technology	51,067	51,067	51,469	402
2017 Asset enhancement grant	-	-	46,755	46,755
2017 Minority health grant	-	-	6,978	6,978
Site development grant	462,000	462,000	3,250	(458,750)
FIDP - Teknor Apex	-	-	188,917	188,917
CDBG façade grant	85,000	85,000	33,110	(51,890)
THDA housing grant	100,513	100,513	182,335	81,822
2014 COPS hiring grant	62,000	62,000	32,740	(29,260)
Tourism grants	-	-	64,443	64,443
Farmer's Market grant	-	-	997	997
Safe routes to school	219,786	219,786	37,136	(182,650)
	<u>\$ 3,563,272</u>	<u>\$ 3,610,272</u>	<u>\$ 3,500,086</u>	<u>\$ (110,186)</u>
Charges for services:				
Fire reports	100	100	60	(40)
Fire calls	250	250	5	(245)
Accident reports	600	600	300	(300)
Mowing and clearance services	1,000	1,000	-	(1,000)
Animal registration fees	-	-	45	45
Dog pound fines	250	250	105	(145)
	<u>2,200</u>	<u>2,200</u>	<u>515</u>	<u>(1,685)</u>
Fines:				
Court fines and cost	70,000	70,000	105,325	35,325
Wrecker charges / towing	600	600	1,830	1,230
	<u>70,600</u>	<u>70,600</u>	<u>107,155</u>	<u>36,555</u>
Other:				
Interest	6,000	6,000	4,241	(1,759)
Donations	36,500	36,500	-	(36,500)
Rent - Streets by gas department	75,000	75,000	-	(75,000)
Sale of cemetery lots	600	600	400	(200)
Sale of used vehicles	5,000	5,000	-	(5,000)
Sale of seized vehicles	6,000	6,000	8,755	2,755
Chamber directors salary reimbursement	111,536	111,536	140,543	29,007
TVA impact city	75,000	75,000	-	(75,000)

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-Over (Under)
	Original	Final	Actual	
Revenues (Cont):				
Other(Cont):				
Insurance recoveries	2,000	2,000	-	(2,000)
Animal shelter donations	2,000	2,000	1,981	(19)
Stormwater management	100,000	100,000	-	(100,000)
Awards/donations - police	1,500	1,500	1,780	280
Adoption fees	2,000	2,000	4,091	2,091
School SRO	70,000	70,000	116,694	46,694
Sexual registry fee	1,800	1,800	2,500	700
Evidence money	8,000	8,000	29,748	21,748
TDOT Multimodal	-	-	59,394	59,394
Miscellaneous	20,000	20,000	6,242	(13,758)
	<u>522,936</u>	<u>522,936</u>	<u>376,369</u>	<u>(146,567)</u>
Total revenues	\$ 9,746,862	\$ 9,793,862	\$ 9,820,200	\$ 26,338
Expenditures				
General government:				
General government:				
OASI	400,000	400,000	340,553	(59,447)
Retirement	350,000	350,000	307,630	(42,370)
Supplemental pension	160,000	160,000	165,097	5,097
OHSA - Training and preventive measures	1,000	1,000	730	(270)
Health Insurance	1,260,768	1,260,768	1,054,129	(206,639)
HRA reimbursements	372,000	372,000	171,057	(200,943)
Publication	3,000	3,000	959	(2,041)
TML	3,000	3,000	2,877	(123)
Insurance	360,000	360,000	351,045	(8,955)
Public relations	15,000	15,000	14,488	(512)
Contingency	10,000	10,000	7,446	(2,554)
	<u>2,934,768</u>	<u>2,934,768</u>	<u>2,416,011</u>	<u>(518,757)</u>
Office of Mayor				
Salary	75,000	75,000	74,680	(320)
Office expense	500	500	543	43
Travel	5,000	5,000	4,402	(598)
Other expenses	5,000	8,000	8,084	84
	<u>85,500</u>	<u>88,500</u>	<u>87,709</u>	<u>(791)</u>
City Judge				
Salary	14,481	14,481	14,419	(62)
	<u>14,481</u>	<u>14,481</u>	<u>14,419</u>	<u>(62)</u>

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-Over (Under)
	Original	Final	Actual	
Expenditures (cont)				
General government: (cont)				
City Attorney and Legal:				
Salary	\$ 9,600	\$ 9,600	\$ 9,559	\$ (41)
Legal services	16,000	16,000	17,483	1,483
	<u>25,600</u>	<u>25,600</u>	<u>27,042</u>	<u>1,442</u>
Board of Alderman:				
Salaries	25,800	25,800	25,690	(110)
Training	3,000	1,000	300	(700)
Travel	2,500	1,500	576	(924)
Other operating expenses	1,000	1,000	1,132	132
	<u>32,300</u>	<u>29,300</u>	<u>27,698</u>	<u>(1,602)</u>
Planning department:				
Salaries	2,500	-	-	-
Advisory and planning	15,000	15,000	17,161	2,161
Supplies	200	-	-	-
Training	200	-	-	-
Travel	1,200	1,200	-	(1,200)
	<u>19,100</u>	<u>16,200</u>	<u>17,161</u>	<u>961</u>
Tax Administration:				
Contracted services	3,500	3,500	3,095	(405)
Assesment program	15,000	15,000	-	(15,000)
State litigation tax	3,500	3,500	7,204	3,704
Seatbelt & child restraint tax	3,500	3,500	4,520	1,020
	<u>25,500</u>	<u>25,500</u>	<u>14,819</u>	<u>(10,681)</u>
City Clerk:				
Salary	204,673	204,673	188,689	(15,984)
Public relations	14,000	14,000	11,142	(2,858)
Auditing services	25,000	25,000	24,560	(440)
Training	5,000	5,000	2,063	(2,937)
Travel	4,000	4,000	2,643	(1,357)
Office expenses	25,000	25,000	18,389	(6,611)
Computer maintenance	35,000	32,000	30,872	(1,128)
	<u>312,673</u>	<u>309,673</u>	<u>278,358</u>	<u>(31,315)</u>

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-Over (Under)	
	Original	Final	Actual		
City Hall:					
Salaries	\$ 103,987	\$ 103,987	\$ 104,160	\$ 173	
Repairs and maintenance	15,000	15,000	7,174	(7,826)	
Utility expense	170,000	170,000	158,991	(11,009)	
Capital outlay	28,000	-	-	-	
	<u>316,987</u>	<u>288,987</u>	<u>270,325</u>	<u>(18,662)</u>	
Industrial Park:					
Other	1,000	1,000	-	(1,000)	
Railroad	20,000	10,000	-	(10,000)	
Recruitment	50,000	50,000	50,000	-	
	<u>71,000</u>	<u>61,000</u>	<u>50,000</u>	<u>(11,000)</u>	
Election:					
Election commission	8,500	8,500	8,067	(433)	
	<u>8,500</u>	<u>8,500</u>	<u>8,067</u>	<u>(433)</u>	
Special Projects:					
Chamber Director salary	90,150	90,150	86,282	(3,868)	
Library	75,608	75,608	78,349	2,741	
Ben Rich center	7,031	7,031	7,031	-	
Chamber of commerce	55,000	55,000	41,500	(13,500)	
Carl Perkins child abuse center	7,500	7,500	7,500	-	
Farmers market	33,000	33,000	26,274	(6,726)	
Emergency management	19,400	19,400	13,901	(5,499)	
Neighborhood watch	4,000	7,000	5,262	(1,738)	
Southwest development	2,162	2,162	2,161	(1)	
Golden age	7,500	7,500	7,500	-	
Key Corner park maintenance	8,000	8,000	6,898	(1,102)	
Fall Fest	1,500	1,500	-	(1,500)	
Rescue squad	10,000	10,000	7,500	(2,500)	
Reading railroad	1,700	1,700	1,700	-	
Boys & Girls club	-	-	10,000	10,000	
Redi scholarship / Weststar Leadership	11,500	11,500	1,500	(10,000)	
Crime stoppers	19,000	19,000	3,310	(15,690)	
Arts Council/ Born to win summer camp	2,500	2,500	2,500	-	
Youth sports	1,000	1,000	4,000	3,000	
Human Relations County	7,500	7,500	477	(7,023)	
JACOA	5,000	5,000	5,000	-	
Pep HC	3,800	3,800	3,800	-	
Educational equal opportunity grant	-	-	8,600	8,600	
	<u>372,851</u>	<u>375,851</u>	<u>331,045</u>	<u>(44,806)</u>	
Total general government	4,219,260	4,178,360	3,542,654	(635,706)	

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Public safety:				
Police:				
Salaries	\$ 1,327,573	\$ 1,327,573	\$ 1,272,457	\$ (55,116)
Salaries - Clerical	125,774	125,774	120,910	(4,864)
Jail Officer	84,825	87,825	87,469	(356)
Overtime	55,000	55,000	43,162	(11,838)
SRO Salary	88,619	88,619	91,108	2,489
SRO Overtime	5,800	5,800	(10,361)	(16,161)
Repairs and supplies	75,000	75,000	76,551	1,551
2016 Multi-violation enforcement grant	-	-	(320)	(320)
2016-2017 Drive safe grant - supplies	6,000	6,000	2,017	(3,983)
2017-2018 Saturation/sobriety grant	-	25,000	18,105	(6,895)
2016-2017 Saturation/sobriety grant	-	-	5,930	5,930
2014 COPS hiring grant - salaries	62,612	62,612	136,504	73,892
Training	8,800	8,800	9,842	1,042
Travel	4,000	4,000	5,041	1,041
Police academy / New hire	8,000	8,000	12,001	4,001
Alcohol youth program	5,000	5,000	4,931	(69)
Prisoner expense	500	500	-	(500)
Contracts	8,500	8,500	7,988	(512)
Wrecker service	3,500	3,500	3,510	10
Awards	200	200	-	(200)
Clothing and uniforms	11,000	11,000	10,677	(323)
Fire arm / taser supplies	5,250	5,250	5,177	(73)
Car seats, booster seats	1,000	1,000	-	(1,000)
Sexual offender registry	950	950	250	(700)
Gas, oil, diesel fuel and grease	54,600	54,600	66,165	11,565
Inservice supplement	19,800	19,800	-	(19,800)
Bulletproof vests	3,411	3,411	2,600	(811)
Capital Outlay	128,000	128,000	123,645	(4,355)
Computer equipment	3,000	3,000	1,364	(1,636)
Network Grant 2018	-	22,000	11,638	(10,362)
Network Grant 2017	5,864	5,864	3,394	(2,470)
JAG Grant 2017	1,789	1,789	-	(1,789)
High Visibility Grant 2016	333	333	-	(333)
	2,104,700	2,154,700	2,111,755	(42,945)

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-Over (Under)
	Original	Final	Actual	
Central Dispatch:				
Salaries	\$ 357,949	\$ 357,949	\$ 339,466	\$ (18,483)
Overtime	15,000	15,000	36,172	21,172
Supplies	5,000	5,000	8,497	3,497
Travel	6,500	6,500	9,035	2,535
Contracts	30,202	30,202	25,507	(4,695)
Rent	6,000	6,000	4,500	(1,500)
Uniforms	1,000	1,000	-	(1,000)
Phone & Internet	4,000	4,000	4,259	259
Insurance	9,400	9,400	9,550	150
Repairs and Maintenance	9,000	9,000	11,063	2,063
Capital outlay	3,000	3,000	-	(3,000)
	<u>447,051</u>	<u>447,051</u>	<u>448,049</u>	<u>998</u>
Fire protection and control:				
Salary	1,004,268	1,004,268	995,748	(8,520)
Overtime	90,000	90,000	79,838	(10,162)
Fire calls	200	200	-	(200)
Repairs and supplies	25,000	25,000	18,747	(6,253)
Training	2,500	2,500	577	(1,923)
Travel	1,000	1,000	-	(1,000)
Clothing and uniforms	10,000	10,000	9,506	(494)
Gas, oil, diesel fuel, and grease	6,000	6,000	5,336	(664)
Inservice supplement	14,400	14,400	14,400	-
Capital outlay	25,000	25,000	-	(25,000)
	<u>1,178,368</u>	<u>1,178,368</u>	<u>1,124,152</u>	<u>(54,216)</u>
Building and Codes:				
Salary	111,112	111,112	111,748	636
Flood Plain Management	3,000	3,000	-	(3,000)
Repairs and supplies	18,000	18,000	31,289	13,289
Training	3,000	3,000	1,356	(1,644)
Travel	3,000	3,000	1,362	(1,638)
Mowing services	13,500	13,500	9,899	(3,601)
Slum clearance	25,000	25,000	4,753	(20,247)
Uniforms, signs, etc.	2,000	2,000	3,587	1,587
Gas, oil, diesel and grease	7,000	7,000	11,215	4,215
Capital outlay	25,000	25,000	25,000	-
	<u>210,612</u>	<u>210,612</u>	<u>200,209</u>	<u>(10,403)</u>

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-Over (Under)	
	Original	Final	Actual		
Animal Control:					
Salary	\$ 84,676	\$ 84,676	\$ 84,046	\$ (630)	
Overtime	3,000	3,000	4,278	1,278	
Materials and supplies	20,000	20,000	17,963	(2,037)	
Gas, oil, diesel fuel, and grease	5,000	5,000	2,672	(2,328)	
Cell Phone	1,440	1,440	1,240	(200)	
Telephone	1,400	1,400	-	(1,400)	
Utilities	6,000	6,000	3,837	(2,163)	
Vet fees	16,000	16,000	12,898	(3,102)	
Building repairs	7,500	7,500	478	(7,022)	
	<u>145,016</u>	<u>145,016</u>	<u>127,412</u>	<u>(17,604)</u>	
Total public safety	<u>4,085,747</u>	<u>4,135,747</u>	<u>4,011,577</u>	<u>(124,170)</u>	
Public works:					
Highway and Street:					
Salary	309,562	309,562	319,668	10,106	
Overtime	8,000	8,000	15,036	7,036	
Repairs and supplies	70,000	70,000	106,558	36,558	
Special projects	15,000	15,000	15,893	893	
Training	3,000	3,000	-	(3,000)	
Clothing and uniforms	6,000	6,000	4,732	(1,268)	
Gas, oil, diesel fuel, and grease	50,000	50,000	62,772	12,772	
Storm water maintenance - salaries	65,771	65,771	67,966	2,195	
Storm water mainenance - fees	38,000	38,000	36,823	(1,177)	
Capital outlay	30,000	30,000	-	(30,000)	
Engineering service	20,000	20,000	9,500	(10,500)	
	<u>615,333</u>	<u>615,333</u>	<u>638,948</u>	<u>23,615</u>	
City Shop:					
Salary	28,412	28,412	28,656	244	
Repairs and maintenace	22,500	60,400	54,511	(5,889)	
Tanks - maintenance	5,000	5,000	5,237	237	
	<u>55,912</u>	<u>93,812</u>	<u>88,404</u>	<u>(5,408)</u>	
Total public works	<u>671,245</u>	<u>709,145</u>	<u>727,352</u>	<u>18,207</u>	

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Health, Culture, Recreation and Welfare:				
Cemetery:				
Salary	\$ 24,583	\$ 24,583	\$ 26,794	\$ 2,211
Insurance	11,800	11,800	9,436	(2,364)
	<u>36,383</u>	<u>36,383</u>	<u>36,230</u>	<u>(153)</u>
City/County Recreation:				
Recreation	380,000	380,000	274,968	(105,032)
	<u>380,000</u>	<u>380,000</u>	<u>274,968</u>	<u>(105,032)</u>
City Beautiful:				
Materials and supplies	25,000	25,000	28,080	3,080
	<u>25,000</u>	<u>25,000</u>	<u>28,080</u>	<u>3,080</u>
Total Health, Culture, Recreation and Welfare:				
	441,383	441,383	339,278	(102,105)
Community development:				
Consultants	1,500	1,500	13,875	12,375
2017 CDBG grant	-	-	20,035	20,035
STBG grant Main Street	-	-	9,971	9,971
2017 Minority Health grant	-	-	5,020	5,020
Gear Up Program	50,000	50,000	50,000	-
2017 Asset Enhancement grant	-	-	46,857	46,857
2017 parks and rec match	-	-	60,053	60,053
THDA Housing Grant 2015	121,635	121,635	198,903	77,268
Safe routes to school grant 2015	92,996	92,996	7,987	(85,009)
FIDP Grant Teknor Apex	481,332	481,332	104,989	(376,343)
2015 Multimodal Grant	-	-	60,064	60,064
2015 Fascade Grant	-	-	44,052	44,052
Mayors special reeconomic fund	50,000	50,000	36,395	(13,605)

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

CITY OF BROWNSVILLE, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Community development:(Cont)				
Downtown Enhancement grant	\$ 536,840	\$ 536,840	\$ 686,142	\$ 149,302
2016 RTP	-	-	18,409	18,409
2016 ECD Tourism	-	-	82,000	82,000
	<u>1,334,303</u>	<u>1,334,303</u>	<u>1,444,752</u>	<u>110,449</u>
City Building:				
Repairs and maintenance	15,000	15,000	18,546	3,546
Capital outlay	5,000	5,000	1,353	(3,647)
	<u>20,000</u>	<u>20,000</u>	<u>19,899</u>	<u>(101)</u>
Total community development	<u>1,354,303</u>	<u>1,354,303</u>	<u>1,464,651</u>	<u>110,348</u>
Total expenditures	\$ 10,771,938	\$ 10,818,938	\$ 10,085,512	\$ (733,426)
Excess (deficiency) of revenues over (under) expenditures	<u>(1,025,076)</u>	<u>(1,025,076)</u>	<u>(265,312)</u>	<u>759,764</u>
Other financing sources (uses)				
Transfers out	<u>(279,950)</u>	<u>(279,950)</u>	<u>(259,111)</u>	<u>20,839</u>
Net changes in fund balance	<u>\$ (1,305,026)</u>	<u>\$ (1,305,026)</u>	<u>(524,423)</u>	<u>\$ 780,603</u>
Fund balance - beginning				<u>4,209,888</u>
Fund balance - ending				<u>\$ 3,685,465</u>

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

CITY OF BROWNSVILLE, TENNESSEE
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Revenues				
Charges for services:				
Sanitation collections	\$ 1,300,000	\$ 1,300,000	\$ 1,382,209	\$ 82,209
	1,300,000	1,300,000	1,382,209	82,209
Other:				
Interest income	10,000	10,000	461	(9,539)
Total revenues	1,310,000	1,310,000	1,382,670	72,670
Expenditures				
Current:				
Public works:				
Sanitation:				
Salary	800,000	800,000	894,937	94,937
Overtime	2,000	2,000	-	(2,000)
OASI	-	-	68,363	68,363
Retirement	-	-	60,795	60,795
Supplemental Retirement	-	-	33,888	33,888
Health Insurance	-	-	216,370	216,370
Other fringe benefits	-	-	32,032	32,032
Repairs and supplies	150,000	150,000	100,669	(49,331)
Bad debt expense	8,000	8,000	12,904	4,904
Clothing and uniforms	16,000	16,000	19,007	3,007
Fuel, oil, and grease	-	-	35,400	35,400
Utility building	35,000	35,000	30,236	(4,764)
Capital outlay	175,000	175,000	174,795	(205)
	1,186,000	1,186,000	1,679,396	493,396
Landfill:				
Tipping fee	302,500	302,500	355,766	53,266
Recycle center	6,000	6,000	6,379	379
Recycle containers	21,000	21,000	15,750	(5,250)
	329,500	329,500	377,895	48,395
Total expenditures	1,515,500	1,515,500	2,057,291	541,791
Net changes in fund balance	\$ (205,500)	\$ (205,500)	\$ (674,621)	\$ (469,121)
Fund balance - beginning				546,122
Fund balance - ending				\$ (128,499)

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

CITY OF BROWNSVILLE, TENNESSEE
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Revenues				
Charges for services:				
Rent/lease payment received	\$ 147,614	\$ 147,614	\$ 132,435	\$ (15,179)
	147,614	147,614	132,435	(15,179)
Other:				
Miscellaneous	-	-	18,250	18,250
	-	-	18,250	18,250
Total revenues	147,614	147,614	150,685	3,071
Expenditures				
Current:				
Consultants - miscellaneous	50,000	50,000	18,370	(31,630)
Capital outlay	50,000	50,000	34,686	(15,314)
Total expenditures	100,000	100,000	53,056	(46,944)
Net changes in fund balance	\$ 47,614	\$ 47,614	97,629	\$ 50,015
Fund balance - beginning			895,521	
Fund balance - ending			\$ 993,150	

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

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Brownsville, Tennessee (the City) operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police, fire, and inspection and planning), street maintenance, sanitation, health, culture, welfare and recreation, water and sewerage, community development, solid waste disposal, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the City.

A. Reporting Entity

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor combining statements and individual statements are presented in the other supplementary section.

C. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 revenues 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.

Governmental 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

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, gross receipt taxes, sales taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The solid waste fund includes the accounting for all sanitation collection revenues and expenditures. The community development fund includes the accounting for rent/lease payments and expenses on lower income housing for the citizens.

Additionally, the City reports a pension trust fund that account for the activities of the Supplemental Pension Plan, which accumulates the resources for pension benefit payments to qualified employees. The pension trust funds report on a June 30 year end.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, and Net Position or Fund Balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit and other time deposits with a term of less than three months.

State statutes authorize the City to invest in certificates of deposit, obligations of the U. S. Treasury, agencies and instrumentalities, obligations guaranteed by the U. S. Government or its agencies, repurchase agreements, and the state's investment pool.

Investments for the City are reported at fair value.

Investments in Pension Plan (Supplemental Pension Plan)

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Directors by a majority vote of its members. It is the policy of the Board of Directors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes.

CITY OF BROWNSVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Receivables and payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Property tax receivables are shown net of an allowance for uncollectibles. The allowance is recorded based on the past history of collections. Court fines receivable are also shown net of an allowance for uncollectibles. The allowance is recorded based on management's estimate of what portion of the outstanding receivable will be collected in the future.

Property taxes are levied annually on October 1st. The taxes are mailed on October 1st and are considered to be due and payable from the following October 1st through February 28th in the year succeeding the tax levy. An unperfected lien attaches by statute to property on January 1st for unpaid taxes from the prior year's levy. Taxes become delinquent as of March 1st of the year after levied. Taxes uncollected by April 1st of the second year they are due are submitted to the Chancery Court for collection. Tax liens become perfected at the time the court enters judgment.

Inventories and prepaid items

Inventories are valued at lower of average cost or market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 for land, \$5,000 for buildings and infrastructure, improvements other than buildings, and equipment and an estimated useful life in excess of three years. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Buildings	40-50 years
Improvements other than buildings	10-20 years
Machinery and equipment	5-20 years
Furniture and fixtures	8-15 years
Infrastructure	10-50 years

Unavailable/Unearned Revenue

CITY OF BROWNSVILLE, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Amounts that were receivable and measurable as of June 30, 2018, but were not available to finance expenditures for the year ended June 30, 2018 are considered to be unavailable revenues in the governmental funds. Revenue recognition is also postponed in connection with resources that have been received, but not yet earned (unearned revenue).

Compensated absences

The City's policy permits employees to accumulate earned but unused annual (vacation) leave and sick days. The governmental funds' employees accumulate vacation days and in the event of termination employees are reimbursed for accumulated vacation up to a maximum for 20 days.

City employees' sick leave accumulation is unlimited. However, accumulated leave is not accrued as the City employees have no vested rights to the leave on termination.

Impact of Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for financial statements for periods beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local government employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The statement was implemented in the current year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City presently has no items that qualify for reporting in this category in the governmental fund statements. However, for the governmental activities, the City reports the following items as deferred outflows for pensions: contributions paid subsequent to the measurement date, the difference between expected and actual experience, and the difference between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has various items that qualify for reporting in this category. Property taxes reported as receivable before the period for which they are levied are deferred and recognized as an inflow of resources in the

CITY OF BROWNSVILLE, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2018

period the amounts become available. This item is reported as unavailable revenue in both the governmental fund balance sheet and the statement of net position. Property taxes reported as receivable that were presently due, but not received within 60 days of the fiscal period are reported as unavailable property taxes in the governmental fund balance sheet. Court fines receivable that were not received within 60 days of the year end are also deferred in the governmental funds balance sheet and reported as court fines unavailable. In addition the statement of net position, statements report the following items related to pensions: the difference between expected and actual experience, and the net difference between projected and actual earnings on pension plan investment.

Net Position Flow Assumption

Sometimes the City will fund capital outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position for the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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 Brownsville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) and the Supplemental Pension Plan, and additions to/deductions from Brownsville's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan and Supplemental Pension 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 and the Supplemental Pension Plan. Investments are reported at fair value.

Fiduciary Net Position – Supplemental Pension Plan

Investments: Investments are stated at fair market value. The Plan's investments consist of a money market account and mutual funds. Dividend income is accrued on the ex-dividend date. Purchases and sales of securities are recorded on the trade-date basis. Realized gains and losses from security transactions are reported on the average cost method.

Payment of Benefits: Benefits are recorded when the participant has met all of the Plan requirements to receive a benefit. At June 30, 2018, no benefits were payable that had not been paid.

Administrative and Other Expenses: Qualified Plan administrative expenses are paid by the Plan. During the year ended June 30, 2018, there were no administrative expenses paid out of the plan. The plan sponsor pays other significant plan administration fees, including actuarial costs and audit fees, out of the plan sponsor's general fund.

Fund Equity

As prescribed by GASB Statement No.54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

CITY OF BROWNSVILLE, TENNESSEE
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Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to maintain intact. The "not in spendable from" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the Board of Alderman of the City of Brownsville, Tennessee. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally, an ordinance of the City.

Assigned fund balance

This classification includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The Board and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The reconciliation of the balance sheet of governmental funds to the statement of net position 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 there are "receivables not available to pay for current expenditures and, therefore, are deferred in the funds." The details of this \$879,743 are as follows:

Change in unavailable property taxes	\$ 712,578
Change in unavailable penalty and interest - taxes	94,742
Change in unavailable court fines	<u>72,423</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 879,743</u>

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

B. 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 reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities includes a reconciliation between net changes in fund balances - 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 outlays 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 in the current period." The details of this \$418,700 difference are as follows:

Capital outlay meeting threshold criteria	\$ 1,052,743
Depreciation expense	<u>(634,043)</u>
Net adjustment to reduce net changes in fund balance - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 418,700</u>

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$61,388 difference are as follows:

Unavailable property taxes	\$ 39,923
Unavailable court fines	16,981
Unavailable penalty and interest - taxes	16,450
Unavailable grant revenues	<u>(11,966)</u>
Net adjustment to reduce fund balances - total governmental funds to arrive at net position of governmental activities	<u>\$ 61,388</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

The City's policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the City Council. This policy reflects the legal level of control at which expenditures may not exceed appropriations.

As an extension of the budgetary process, the City Aldermen may transfer or appropriate additional funds for expenditures not anticipated at the time of budget adoption. These amendments are made in the form of legally adopted Board approvals. The City had budget amendments during the year.

The City's expenditures exceeded appropriations in the solid waste, state street aid, drug, Delta Heritage, and the main street funds for this fiscal year. Also, two major functions in the general fund also exceeded appropriations.

CITY OF BROWNSVILLE, TENNESSEE
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June 30, 2018

The City also had deficit fund balances in the solid waste, Delta Heritage, and main street funds in the current fiscal year.

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Interest rate risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to certificates of deposit with local financial institutions, outside of the unrated stock investment noted above.

Custodial credit risk

The City's policies limit deposits and investments to those instruments allowed by applicable state laws and described below. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the City's agent in the City's name or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the City to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2018, all bank deposits were fully collateralized or insured.

Pension Plan Investments (Supplemental Pension Plan)

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board of Directors by a majority vote of its members. It is the policy of the Board of Directors to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following is the asset allocation as of June 30, 2018:

	<u>Market Value</u>	<u>Percentage of Total</u>
Equities	\$ 290,332	35.27
Fixed income	374,898	45.54
International	<u>158,009</u>	<u>19.19</u>
Total	<u>\$ 823,239</u>	<u>100.00</u>

The following investments represent more than 5% of the fiduciary net position and are not issued or explicitly guaranteed by the U.S. government at June 30, 2018:

Vanguard 500 Index Admiral Fund	\$ 100,173
Fidelity Invest Grade BD Portfolio	131,527
Baird Aggregate Bond Fund	131,435

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (5.43) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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Fair Value Measurements (Supplemental Pension Plan)

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following recurring fair value measurements as of June 30, 2018:

	<u>Fair Value Measurements Using</u>			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Investments by fair value level				
Debt securities				
Mutual funds - fixed	\$ 374,898	\$ 374,898	\$ -	\$ -
Mutual funds – international	<u>158,009</u>	<u>158,009</u>	-	-
Total debt securities	<u>532,907</u>	<u>532,907</u>	-	-
Equity securities				
Mutual funds	<u>290,332</u>	<u>290,332</u>	-	-
Total investments measured at fair value	<u>\$ 823,239</u>	<u>\$ 823,239</u>	<u>\$ -</u>	<u>\$ -</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

B. Receivables

Receivables as of the year end for the governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	State Street Aid Fund	Comm. Dev. Fund	Total
Receivables:				
Property taxes	\$ 4,348,824	\$ -	\$ -	\$ 4,348,824
Accounts	347,032	60,621	1,044	408,697
Court fines	237,864	-	-	237,864
Intergovernmental	186,890	-	-	186,890
Pen. & Int. - Taxes	94,742	-	-	94,742
Notes	-	-	73,601	73,601
Grants	331,095	-	-	331,095
Interest	68	-	-	68
Gross receivables	<u>5,546,515</u>	<u>60,621</u>	<u>74,645</u>	<u>5,681,781</u>
Less: Allowance for uncollectible	<u>(341,581)</u>	<u>-</u>	<u>(85)</u>	<u>(341,666)</u>
Net total receivables	<u>\$ 5,204,934</u>	<u>\$ 60,621</u>	<u>\$ 74,560</u>	<u>\$ 5,340,115</u>

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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Governmental funds report unavailable 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, various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Delinquent property taxes receivable	\$ 712,578	\$ -	\$ 712,578
Penalty and interest - taxes	94,742	- -	94,742
2018 property tax assessment	- -	3,381,201	3,381,201
Court fines receivable	72,423	- -	72,423
Total deferred revenue for governmental funds	\$ 879,743	\$ 3,381,201	\$ 4,260,944

C. Capital Assets

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

	Beginning Balance	Additions	Disposals	Reclass	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	\$ 2,033,780	\$ -	\$ -	\$ -	\$ 2,033,780
Construction in progress	1,749,755	754,193	- -	- -	2,503,948
Total capital assets, not being depreciated	3,783,535	754,193	- -	- -	4,537,728
Capital assets, being depreciated					
Buildings and improvements	5,501,205	- -	- -	- -	5,501,205
Infrastructure	12,334,296	- -	- -	- -	12,334,296
Machinery and equipment	2,437,610	5,825	- -	- -	2,443,435
Vehicles	3,595,627	292,725	- -	- -	3,888,352
Total capital assets, being depreciated	23,868,738	298,550	- -	- -	24,167,288
Less accumulated depreciation for:					
Buildings and improvements	3,713,695	92,343	- -	- -	3,806,038
Infrastructure	5,501,279	208,398	- -	- -	5,709,677
Machinery and equipment	1,823,758	110,749	- -	- -	1,934,507
Vehicles	2,797,648	222,553	- -	- -	3,020,201
Total accumulated depreciation	13,836,380	634,043	- -	- -	14,470,423
Total capital assets, being depreciated, net	10,032,358	(335,493)	- -	- -	9,696,865
Total governmental capital assets, net	\$ 13,815,893	\$ 418,700	\$ -	\$ -	\$ 14,234,593

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

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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Governmental activities:	
General government	\$ 109,346
Community development	17,288
Public safety	192,929
Public works	298,230
Health, culture, recreation, and welfare	16,250
Total depreciation expense - governmental activities	<u>634,043</u>

D. Inter-fund Receivables and Payables and Transfers

The composition of inter-fund balances as of June 30, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
General	State Street	\$ 43,744
State Street	General	24,516
General	Delta Heritage	164,368
General	Main Street	45,117
General	Solid Waste	1,063,049
Solid Waste	General	4,225
Governmental activities eliminated		<u>(1,345,019)</u>
Total		\$ -

The interfund balances were due to reimbursement for payroll, fringe benefits and other payroll related items, and state shared revenues. These items are expected to be repaid within one year.

The composition of inter-fund transfers as of June 30, 2018, is as follows:

Transfer From	Transfer To	Amount
General	Delta Heritage	\$ 202,000
General	Main Street	57,111
Governmental activities eliminated		<u>(259,111)</u>
Total government-wide		\$ -

The General Fund transfers this amount yearly for the operations of the Delta Heritage Center and the Main Street project.

E. Long-term Debt

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
Governmental activities					
Compensated absences	\$ 176,586	\$ 90,145	\$ -	\$ 266,731	\$ -
	<u>176,586</u>	<u>90,145</u>	<u>-</u>	<u>266,731</u>	<u>-</u>

For governmental activities, compensated absences are liquidated by the general fund.

F. Long-Term Industrial Notes Receivable

CITY OF BROWNSVILLE, TENNESSEE
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The City obtained four federal grants in prior years totaling \$1,275,004, which are accounted for in the Community Development Fund. The proceeds of these grants were originally loaned to three local industries to finance expansion. As loan proceeds are repaid, the funds can be re-loaned to local businesses for community development.

The loans are summarized as follows:

Loans To	Date Payments Began	Balance of Loan
Tennessee Soils, Inc	5/22/1995	\$ 45,330
ZZ's Restaurant	2/15/2016	13,225
Silver Linings Café	5/15/2015	11,961
Hawkins Studio		3,000
		<hr/>
		\$ 73,516

G. Operating Lease

In a prior year, the City entered into a lease agreement with Plastic Container Corporation (PCC) which leased PCC a 160,000 square foot building. The lease will terminate on September 30, 2018. The lease agreement provides for a minimum guaranteed annual rental of \$111,996, which is \$9,333 monthly.

NOTE 5 - OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, auto liability, errors and omissions and auto physical damage coverage. The City joined the Tennessee Municipal League Risk Pool (Pool), which is a public entity risk pool established in 1979 by the Tennessee Municipal League. The pool is a cooperative risk sharing arrangement that works in many ways like a traditional insurer. The City pays annual premiums to the Pool for its general liability, auto liability, real and personal property damage, workman's compensation and errors and omissions policies. The Pool provides the specified coverage and pays all claims from its member premiums charged or through its reinsurance policies. The City's premiums are calculated based on its prior claims history. Settled claims have not exceeded the coverage provided by the Pool in any of the past three years and there has been no significant reduction in insurance coverage during the year.

B. Contingent Liabilities and Losses

The City is a defendant in various lawsuits; however, the outcome of these lawsuits is not presently determinable; although, legal counsel does not expect any possible liability to exceed the City's limits of insurance, which the insurance carrier is the Tennessee Municipal League Risk Management Pool.

C. Employee Retirement Systems and Pension Plans

Plan Description

Employees of Brownsville 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

CITY OF BROWNSVILLE, TENNESSEE NOTES TO FINANCIAL STATEMENTS

June 30, 2018

was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.state.tn.us/tcrs.

Benefits Provided

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

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

Employees Covered By Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	70
Active employees	134
	250

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Brownsville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, employer contributions for Brownsville were \$371,551 based on a rate of 7.46 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Brownsville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (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)

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

Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

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

Changes 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.

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:

CITY OF BROWNSVILLE, TENNESSEE
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June 30, 2018

Asset Class	Long Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market internaltional equityity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/>
		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 three factors described above.

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 Brownsville 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)

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/16	\$ 12,839,623	\$ 11,452,424	\$ 1,387,199
Changes for the year:			
Service cost	465,417	-	465,417
Interest	973,285	-	973,285
Differences between expected and actual experience	(318,497)	-	(318,497)
Changes in assumptions	335,209	-	335,209
Contributions- employer	-	352,299	(352,299)
Contributions- employees	-	236,442	(236,442)
Net investment income	-	1,293,393	(1,293,393)
Benefit payments, including refunds			
of employee contributions	(655,808)	(655,808)	-
Administrative expense	-	(11,333)	11,333
Net changes	799,606	1,214,993	(415,387)
Balance at 6/30/17	\$ 13,639,229	\$ 12,667,417	\$ 971,812

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of Brownsville 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:

	Current		
	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
	\$ 2,876,754	\$ 971,812	\$ (593,532)
Ripley's net pension liability (asset)			

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

Pension Expense

For the year ended June 30, 2018, Brownsville recognized pension expense of \$323,147.

Deferred Outflows of Resources and Deferred Inflows of Resources.

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
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For the year ended June 30, 2018, Brownsville 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	\$ 262,204	\$ 459,797
Net difference between projected and actual earnings on pension plan investments	-	42
Changes in assumptions	287,322	-
Contributions subsequent to the measurement date of June 30, 2017	<u>371,551</u>	<u>-</u>
Total	<u>\$ 921,077</u>	<u>\$ 459,839</u>

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

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

<u>Year Ended June 30:</u>	
2019	\$ (34,454)
2020	138,270
2021	40,614
2022	(39,527)
2023	(17,598)
Thereafter	2,382

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

Payable to the Pension Plan

At June 30, 2018, *Brownsville* reported a payable of \$47,922 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Supplemental Pension Plan

Plan Description

The Supplemental Pension Plan for the City of Brownsville, Tennessee (the Plan) is a single-employer defined retirement plan administered by Regions Bank and Trust Company for the employees of the City of Brownsville. The Plan was established by statute. Required contributions and benefit provisions are established and amended by the Board of Directors.

CITY OF BROWNSVILLE, TENNESSEE NOTES TO FINANCIAL STATEMENTS

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Effective July 1, 2009, entry into the plan occurred with entry into TCRS. Eligibility to receive benefits is based on service and age qualifications. For public service employees' retirement at age 60 with 25 years of credited service. For non-public service employees' retirement at age 60 with 30 years of credited service or age 65 with 25 years of credited service.

Benefits Provided

The Plan provides retirement and termination benefits to plan members for the remainder of their life with no survivor benefits.

The amount of retirement benefit to be provided for each Participant who retires on the Participant's Normal Retirement Date shall be equal to the Participant's Accrued Benefit (herein called the Participant's Normal Retirement Benefit). For eligible employees, a Participant's Accrued Benefit is based on a retirement benefit formula equal to 70% of such Participant's Average Annual Earnings for the final five years of salary prior to retirement, with a reduction of 1% per year (maximum of 5%) for each year of credited service less than 30, less the maximum amount of Tennessee Consolidated Retirement System (TCRS) benefits calculated for Participant. The normal retirement Pension shall not exceed 40% of compensation.

There are no early retirement benefits available. Both age and service qualifications are to be met prior to initiation of benefits. However, a participant may continue in employment beyond his Normal Retirement Date. In such, no retirement benefit will be paid to the Participant until he actually retires, subject to any required minimum distributions.

The amount of retirement benefit payable to the Participant at his Late Retirement Date is not adjusted, outside of the change in amount of the final five years of compensation. However, Participant must begin distributions from the City of Brownsville Supplemental Pension Plan at the same time that Participant initiates TCRS benefit distributions.

The retirement benefit payable to a Participant shall be paid in the Normal Form. The normal form is a life annuity that ceases at death of the Participant with no survivor benefits.

Contributions

Required contributions are determined as 3.5 percent of total payroll based on a funding policy adopted by the City of Brownsville, so long as the contribution exceeds the actuarially determined contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

All previous contributions made by Participants shall be deemed to be made by the Employer as Pick-up Contributions. A Participant shall not be permitted to make any voluntary contributions to the Plan.

At July 1, 2016, the Retirement Plan membership consisted of:

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	137
Total	<u><u>146</u></u>

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

The Plan's policy provides for actuarially determined periodic contributions. Contributions to the Plan for the year ended June 30, 2018 of \$206,703 were made in accordance with actuarially determined requirements computed through the actuarial valuation performed as of May 7, 2018.

As of June 30, 2017 the actuarial accrued liability for benefits was \$1,932,088 and the net pension liability was \$983,244. Total covered payroll was \$4,679,386 and the ratio of net pension liability to covered payroll was 21.01%.

Net Pension Liability

The components of the net pension liability of the Supplemental Pension Plan for the City of Brownsville at June 30, 2017 was as follows:

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/16	\$ 1,813,972	\$ 856,807	\$ 957,165
Changes for the year:			
Service cost	73,105	-	73,105
Interest	120,216	-	120,216
Differences between expected and actual experience	-	-	-
Contributions- employer	-	97,513	(97,513)
Contributions- employees	-	-	-
Net investment income	-	69,729	(69,729)
Benefit payments	(75,205)	(75,205)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	118,116	92,037	26,079
Balance at 6/30/17	\$ 1,932,088	\$ 948,844	\$ 983,244

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability calculated using the discount of 6.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate for the year ended June 30, 2017:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 702,183	\$ 983,244	\$ 1,322,029

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Net Pension Liability

The System's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	
Amortization method	Average remaining service of active employees and inactive participants. Investment gains/losses are amortized over five years.
Remaining amortization period	Initial liability, subsequent plan amendments and assumptions/method changes are amortized over a five year period.
Asset valuation method	Market value
Salary increases	3.5% per year, compounded annually
Investment rate of return	6.50% (3.5% real rate of return plus 3.00% inflation)

The actuarial assumptions used in the May 7, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2016 through June 30, 2017.

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that employees do not contribute to the plan and that contributions from the employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

For the year ended June 30, 2017, the City recognized pension expense of \$189,891. At June 30, 2017, the City is reporting the following deferred outflows and inflows of resources in relation to pensions.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension investments	\$ _____ -	\$ 13,716
	\$ _____ -	\$ 13,716

Payable to The Retirement Plan for employees of City of Brownsville

At June 30, 2017, the utility showed no amounts outstanding for contributions due to The Retirement Plan for employees of City of Brownsville.

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

D. Other Post-Employment Benefits

Plan Description

The City sponsors a single-employer post-retirement plan. The plan provides health care benefits to eligible retirees.

Benefits Provided

Public safety employees at least age 60 who retire with 20 years of service and all other employees at least age 60 with 30 years of service are eligible for post-retirement benefits. Covered employees who retire and meet the eligibility requirements may remain covered under the plan. The retiree will be required to continue to pay the employee share of the cost of coverage and the City will continue to pay the same contributions as it does for active employees. Covered spouses/dependents may also remain in the plan. Coverage will terminate at the earliest of the end of the period for which the last contribution was paid; or the date the retiree attains age 65 or is eligible for Medicare/Medicaid.

Employees covered by benefit terms - At June 30, 2018, the following employees of the City were covered by the benefit terms of the plan:

Number of Actives with no covered spouse	77
Number of Actives with covered spouse	49
Number of Retirees with covered spouse	1
Total Participants	127

Annual OPEB Expenses

Under GASB 75, the annual OPEB expense is intended to recognize certain changes in the Net OPEB Liability compared to the previous measurement date. Changes not recorded as an OPEB expense will be recorded and tracked separately as deferred inflows and outflows to be recognized in a future period's OPEB expense. Changes in the Total OPEB Liability due to differences between actual experience and assumptions are recognized over a closed period equal to the future remaining service of plan participants. Differences between actual and expected investment performance are recognized over a five year period. Any changes due to plan amendment or other benefit changes will be recognized in the year of adoption.

OPEB Expense

Service Cost	\$ 109,080
Interest Cost	57,704
Total OPEB Expense	\$ 166,784

Total OPEB Liability

Actuarial assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Actuarial Cost Method	Entry Age Normal						
Discount Rate	The discount rate used to measure the total OPEB liability was 3.87 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to AA 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2018.						
Salary scale	3.5% per year based on input from the plan sponsor						
Retirement age	100% at Age 60 for Public Safety Employees 20% per year from ages 60-64 for all other employees						
Mortality	Based on experience of other similarly situated governmental entities and input from the plan sponsor. RP- 2014 adjusted to 2006 and projected forward with MP-2017. This table is used pending the review of the final Governmental Mortality Study recently released by the Society of Actuaries.						
Turnover	Rates varying by age. T-5 sample rates: <table style="margin-left: 20px;"><tr><td>Age 20</td><td>Age 35</td><td>Age 50</td></tr><tr><td>7.94%</td><td>6.28%</td><td>2.56%</td></tr></table>	Age 20	Age 35	Age 50	7.94%	6.28%	2.56%
Age 20	Age 35	Age 50					
7.94%	6.28%	2.56%					
Utilization	100% based on input from plan sponsor.						
Valuation of assets	N/A						
Per Capita claims	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 for the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". Sample Pre-65 individual claims as follows: <table style="margin-left: 20px;"><tr><td>Age</td><td>nnual Claims</td></tr><tr><td>60</td><td>\$9,661</td></tr><tr><td>64</td><td>\$10,661</td></tr></table>	Age	nnual Claims	60	\$9,661	64	\$10,661
Age	nnual Claims						
60	\$9,661						
64	\$10,661						
Aging Factors	As of 1/1/19 a GAP insurance plan was added that covers the deductible. Current GAP premium for individual is \$264 per month.						
Trend	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death". Medical costs were assumed to increase by 8.0% per year decreasing linearly to an ultimate trend rate of 4.5% after 7 years.						

Changes in Net OPEB Liability

	Total OPEB Liability	(b) Plan Fiduciary Net Position	(a) - (b) Net OPEB Liability
Total OPEB Liability (TOL) June 30, 2017	\$ 1,496,929	\$ -	\$ 1,496,929
Service Cost	109,080	-	109,080
Interest	57,704	-	57,704
Difference Between Expected and Actual Experience	-	-	-
Assumption Changes	-	-	-
Contributions - Employer	-	11,849	(11,849)
Contributions - Employee	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(11,849)	(11,849)	-
Administrative Expense	-	-	-
Other Changes	-	-	-
Net Changes	154,935	-	154,935
Total OPEB Liability (TOL) June 30, 2018	\$ 1,651,864	\$ -	\$ 1,651,864

Sensitivity of total OPEB liability to changes in the healthcare trend rate - The following represents the net OPEB liability calculated using the stated healthcare trend assumption, as well as what the OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the assumed trend rate:

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

	1% Decrease <u>(7.00% to 3.50%)</u>	Current <u>(8.00% to 4.50%)</u>	1% Increase <u>(9.00% to 5.50%)</u>
Total OPEB Liability	\$ 1,452,366	\$ 1,651,864	\$ 1,890,316

Sensitivity of total OPEB liability to changes in the discount rate - The following represents the net OEPB liability calculated using the stated discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate:

	1% Decrease <u>2.87%</u>	Current <u>3.87%</u>	1% increase <u>4.87%</u>
Total OPEB Liability	\$ 1,826,474	\$ 1,651,864	\$ 1,495,149

Deferred outflows of resources and deferred inflows of resources – For the fiscal year ended June 30, 2018, the City reported no deferred outflows of resources or deferred inflows of resources related to OPEB benefits.

NOTE 6 – Prior Period Restatement of Beginning Net Position – GASB Statement No. 75 Implementation and a Prior Period Adjustment

As of July 1, 2017 a restatement of beginning net position was made for net OPEB liability due to the City implementing GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an amendment of GASB Statement No. 45*. The implementation of GASB Statement 75 resulted in the City restating net position by (\$1,496,929) in the Governmental Activities with a measurement date of June 30, 2017.

Also, there was a prior period adjustment made to properly record the supplemental pension plan's net pension liability. In 2017, there was a contribution "in transit" that was given credit in the net pension liability calculation. However, during the current year audit, it was determined that contribution has not yet been made. So, a prior period adjustment of (\$152,384) was made to properly state the net pension liability related to the supplemental pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2017	2016	2015	2014
Total pension liability				
Service cost	\$ 465,417	\$ 410,088	\$ 358,248	\$ 327,802
Interest	973,285	928,975	846,006	809,282
Changes in benefit terms	(318,497)	(139,896)	458,857	(202,702)
Difference between actual & expected experience	335,209	-	-	-
Change of assumptions	(655,808)	(671,584)	(545,814)	(404,535)
Net change in total pension liability	799,606	527,583	1,117,297	529,847
Total pension liability - beginning	<u>12,839,623</u>	<u>12,312,040</u>	<u>11,194,743</u>	<u>10,664,896</u>
Total pension liability - ending (a)	<u>\$ 13,639,229</u>	<u>\$ 12,839,623</u>	<u>\$ 12,312,040</u>	<u>\$ 11,194,743</u>
 Plan fiduciary net position				
Contributions - employer	\$ 352,299	\$ 263,189	\$ 264,869	\$ 243,179
Contributions - employee	236,442	219,325	217,826	203,849
Net investment income	1,293,393	298,500	340,232	1,575,174
Benefit payments, including refunds of employee contributions	(655,808)	(671,584)	(545,814)	(404,535)
Administrative expense	(11,333)	(9,434)	(6,141)	(4,685)
Net change in plan fiduciary net position	1,214,993	99,996	270,972	1,612,982
Plan fiduciary net position - beginning	<u>11,452,424</u>	<u>11,352,428</u>	<u>11,081,456</u>	<u>9,468,474</u>
Plan fiduciary net position - ending (b)	<u>\$ 12,667,417</u>	<u>\$ 11,452,424</u>	<u>\$ 11,352,428</u>	<u>\$ 11,081,456</u>
 Net Pension Liability (Asset) - ending (a) - (b)	<u>\$ 971,812</u>	<u>\$ 1,387,199</u>	<u>\$ 959,612</u>	<u>\$ 113,287</u>
 Plan fiduciary net position as a percentage of total pension liability	92.87%	89.20%	92.21%	98.99%
 Covered - employee payroll	\$4,723,133	\$4,386,484	\$4,414,488	\$4,066,527
 Net pension liability (asset) as a percentage of covered-employee payroll	20.58%	31.62%	21.74%	2.79%

Changes in 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. Please refer to previously supplied data from TCRS GASB website for prior year's data, if needed.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE
PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 371,551	\$ 352,299	\$ 263,189	\$ 264,869	\$ 243,179
Contributions in relation to the actuarially determined contributions	<u>371,551</u>	<u>352,299</u>	<u>263,189</u>	<u>264,869</u>	<u>243,179</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 4,979,173	\$ 4,723,133	\$ 4,386,484	\$ 4,414,488	\$ 4,066,527
Contributions as a percentage covered-employee payroll	7.46%	7.46%	6.00%	6.00%	5.98%

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. Please refer to previously supplied data from TCRS GASB website for prior year's data, if needed.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED
RATIOS BASED ON PARTICIPATION IN THE CITY
OF BROWNSVILLE SUPPLEMENTAL PENSION PLAN
Last Fiscal Year Ending June 30

2018

Total pension liability	
Service cost	\$ 73,104
Interest	120,216
Changes in benefit terms	-
Difference between actual & expected experience	-
Change of assumptions	-
Benefit payments, including refunds of employee contributions	(75,204)
Net change in total pension liability	118,116
Total pension liability - beginning	1,813,972
Total pension liability - ending (a)	\$ 1,932,088
Plan fiduciary net position	
Contributions - employer	\$ 249,897
Contributions - employee	-
Net investment income	69,729
Benefit payments, including refunds of employee contributions	(75,205)
Administrative expense	-
Net change in plan fiduciary net position	244,421
Plan fiduciary net position - beginning	856,807
Plan fiduciary net position - ending (b)	\$ 1,101,228
Net Pension Liability (Asset) - ending (a) - (b)	\$ 830,860
Plan fiduciary net position as a percentage of total pension liability	57.00%
Covered - employee payroll	\$4,679,386
Net pension liability (asset) as a percentage of covered-employee payroll	17.76%

This is a 10-year schedule; however the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule in future fiscal years until 10 years of information is available.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE CITY
OF BROWNSVILLE SUPPLEMENTAL PENSION PLAN

Last Fiscal Year Ending June 30

	2017	2018
Actuarially determined contribution	\$ 97,513	\$ 97,513
Contributions in relation to the actuarially determined contributions	<u>97,513</u>	<u>206,703</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ 109,190</u>
Covered-employee payroll	\$ 4,679,386	\$ 5,392,358
Contributions as a percentage covered-employee payroll	2.08%	3.83%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule:

Valuation Date: Actuarially determined contributions are calculated based on the July 1, twelve months prior to fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Average remaining service of active employees and inactive participants. Investment gains/losses are amortized over five years.
Remaining amortization period	Initial liability, subsequent plan amendments and assumption method changes are amortized over a five year period
Asset valuation	Market Value
Salary increases	3.5% including inflation
Investment rate of return	6.5 percent, net of investment expense, including inflation
Retirement age	Various
Mortality	RP-2014 Total Table with Projection MP-2016

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF INVESTMENT RETURNS BASED ON PARTICIPATION IN
THE CITY OF BROWNSVILLE SUPPLEMENTAL PENSION PLAN
Last Fiscal Year Ending June 30

	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	<u>-5.43%</u>	<u>1.03%</u>

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30,

	2018
Total Net OPEB Liability	
Service cost	\$ 109,080
Interest	57,704
Contributions - employer	(11,849)
Contributions - employee	-
Other changes	-
Net Change in Total Net OPEB Liability	154,935
Total Net OPEB Liability - beginning	1,496,929
Total Net OPEB Liability - ending (a)	\$ 1,651,864
 Covered Employee Payroll	
 Net OPEB Liability as a % of covered-employee payroll	 37.66%

These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CONTRIBUTIONS AND NOTES TO OPEB REQUIRED SUPPLEMENTARY
INFORMATION
For the Fiscal Year Ended June 30, 2018

	2018
Actuarially determined contribution	\$ 11,849
Contributions in relation to the actuarially determined contribution	<u>11,849</u>
Contribution deficiency (excess)	<u>-</u>
Covered - employee payroll	4,386,727
Contributions as a percentage of covered-employee payroll	0.27%

Notes to OPEB Required Supplementary Information

Valuation Date: Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2018 actuarial valuation.

This schedule will show ten years of information when available.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal						
Discount Rate	The discount rate used to measure the total OPEB liability was 3.87 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to AA 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of June 30, 2018.						
Salary scale	3.5% per year based on input from the plan sponsor						
Retirement age	100% at Age 60 for Public Safety Employees 20% per year from ages 60-64 for all other employees						
Mortality	Based on experience of other similarly situated governmental entities and input from the plan sponsor. RP-2014 adjusted to 2006 and projected forward with MP-2017. This table is used pending the review of the final Governmental Mortality Study recently released by the Society of Actuaries.						
Turnover	Rates varying by age. T-5 sample rates: <table style="margin-left: 20px;"><tr><td>Age 20</td><td>Age 35</td><td>Age 50</td></tr><tr><td>7.94%</td><td>6.28%</td><td>2.56%</td></tr></table>	Age 20	Age 35	Age 50	7.94%	6.28%	2.56%
Age 20	Age 35	Age 50					
7.94%	6.28%	2.56%					
Utilization	100% based on input from plan sponsor.						
Valuation of assets	N/A						
Per Capita claims	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 for the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". Sample Pre-65 individual claims as follows: <table style="margin-left: 20px;"><tr><td>Age</td><td>Annual Claims</td></tr><tr><td>60</td><td>\$9,661</td></tr><tr><td>64</td><td>\$10,661</td></tr></table>	Age	Annual Claims	60	\$9,661	64	\$10,661
Age	Annual Claims						
60	\$9,661						
64	\$10,661						
Aging Factors	As of 1/1/19 a GAP insurance plan was added that covers the deductible. Current GAP premium for individual is \$264 per month.						
Trend	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death". Medical costs were assumed to increase by 8.0% per year decreasing linearly to an ultimate trend rate of 4.5% after 7 years.						

SUPPLEMENTARY AND OTHER INFORMATION SECTION

CITY OF BROWNSVILLE, TENNESSEE
OTHER GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2018

	State Street	Delta	Main	Total Other
	Aid	Heritage	Street	Governmental
	Fund	Fund	Fund	Funds
Assets				
Cash on hand	\$ -	\$ -	\$ 440	\$ 440
Cash and cash equivalents	301,838	48,271	-	366,856
Accounts receivable	60,621	-	-	60,621
Due from other funds	24,516	-	-	24,516
Total assets	\$ 386,975	\$ 48,271	\$ 440	\$ 452,433
Liabilities and fund balances				
Liabilities				
Accounts payable	9,687	343	5,482	-
Due to other funds	43,744	-	164,368	45,117
Payroll related payables	912	-	3,786	1,051
Total liabilities	54,343	343	173,636	274,490
Fund balances				
Restricted	332,632	47,928	-	380,560
Unassigned	-	-	(173,196)	(29,421)
Total fund balances	332,632	47,928	(173,196)	(29,421)
Total liabilities, deferred inflows of resources, and fund balances	\$ 386,975	\$ 48,271	\$ 440	\$ 16,747
				\$ 452,433

CITY OF BROWNSVILLE, TENNESSEE
OTHER GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds					Total Other Governmental Funds
	State Street		Delta Heritage Fund	Main Street Fund	Total Other Governmental Funds	
	Aid Fund	Drug Fund				
Revenues:						
Fines and forfeitures	\$ -	\$ 28,327	\$ -	\$ -	\$ 28,327	
Intergovernmental	345,872	-	-	1,589	347,461	
Charges for services	-	-	42,080	-	42,080	
Miscellaneous	-	-	15,066	4,390	19,456	
Total revenues	345,872	28,327	57,146	5,979	437,324	
Expenditures						
Current:						
Public safety:						
Operating supplies	-	15,209	-	-	15,209	
Miscellaneous	-	(724)	-	-	(724)	
	-	14,485	-	-	14,485	
Community development	-	-	-	73,956	73,956	
Delta Heritage Center	-	-	339,844	-	339,844	
Public works:						
Roads, streets, and parking lots	428,062	-	-	-	428,062	
	428,062	-	-	-	428,062	
Total expenditures	428,062	14,485	339,844	73,956	856,347	
Excess (deficiency) of revenues over (under) expenditures	\$ (82,190)	\$ 13,842	\$ (282,698)	\$ (67,977)	\$ (419,023)	
Other financing sources (uses)						
Transfers in	-	-	202,000	57,111	259,111	
Net changes in fund balance	(82,190)	13,842	(80,698)	(10,866)	(159,912)	
Fund balance - beginning	414,822	34,086	(92,498)	(18,555)	337,855	
Fund balance - ending	\$ 332,632	\$ 47,928	\$ (173,196)	\$ (29,421)	\$ 177,943	

CITY OF BROWNSVILLE, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-	
	Original	Final	Actual	Over (Under)	
Revenues					
Gasoline and motor fuel tax	\$ 341,694	\$ 341,694	\$ 207,778	\$ (133,916)	
Gas 1989	-	-	31,437	31,437	
Gas 2017	-	-	47,650	47,650	
Gas 3 cent	-	-	58,268	58,268	
Interest income	500	500	739	239	
Total revenues	342,194	342,194	345,872	3,678	
Expenditures					
Current:					
Public works:					
Salaries	31,894	31,894	28,466	(3,428)	
OASI	-	-	2,584	2,584	
Employee benefits	-	-	2,298	2,298	
Health insurance	-	-	8,179	8,179	
Other fringe benefits	-	-	1,211	1,211	
Street lights	70,000	70,000	116,774	46,774	
Supplies	60,000	60,000	54,145	(5,855)	
Construction	115,000	115,000	209,637	94,637	
Capital Outlay	125,000	125,000	4,768	(120,232)	
	<u>401,894</u>	<u>401,894</u>	<u>428,062</u>	<u>26,168</u>	
Total expenditures	401,894	401,894	428,062	26,168	
Net changes in fund balance	\$ (59,700)	\$ (59,700)	(82,190)	\$ (22,490)	
Fund balance - beginning				414,822	
Fund balance - ending				<u>\$ 332,632</u>	

See independent auditor's report.

CITY OF BROWNSVILLE, TENNESSEE
DRUG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
	\$ 17,500	\$ 17,500	\$ 28,327	
Revenues				
Drug related fines				
	\$ 17,500	\$ 17,500	\$ 28,327	\$ 10,827
Total revenues	17,500	17,500	28,327	10,827
Expenditures				
Current:				
Public safety:				
Supplies	33,000	33,000	15,209	(17,791)
Informant	5,000	5,000	-	(5,000)
Miscellaneous	-	-	(724)	(724)
Total expenditures	38,000	38,000	14,485	(23,515)
Net changes in fund balance	\$ (20,500)	\$ (20,500)	\$ 13,842	\$ 34,342
Fund balance - beginning				34,086
Fund balance - ending				\$ 47,928

See *independent auditor's report.*

CITY OF BROWNSVILLE, TENNESSEE
DELTA HERITAGE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance-
	Original	Final	Actual	Over (Under)
Revenues				
Charges for services:				
Space rent	\$ 1,000	\$ 1,000	\$ 1,650	\$ 650
Gift shop	40,000	40,000	40,430	430
	41,000	41,000	42,080	1,080
Other:				
Donations	5,000	5,000	-	(5,000)
Blues Fest	8,000	8,000	14,200	6,200
Miscellaneous	5,000	5,000	866	(4,134)
	18,000	18,000	15,066	(2,934)
Total revenues	59,000	59,000	57,146	(1,854)
Expenditures				
Current:				
Salary	147,000	147,000	142,348	(4,652)
OASI	-	-	10,852	10,852
Health insurance	-	-	34,346	34,346
Employee benefits	-	-	5,085	5,085
Retirement	-	-	9,650	9,650
Supplement	-	-	5,379	5,379
Supplies	16,000	16,000	15,702	(298)
Gift shop inventory	20,000	20,000	15,443	(4,557)
Consignment sales	4,000	4,000	3,755	(245)
Postage	500	500	-	(500)
Travel	8,500	8,500	6,343	(2,157)
Bank charges	1,700	1,700	2,606	906
Utilities	15,000	15,000	20,087	5,087
Telephone	3,500	3,500	4,258	758
Advertising	32,500	32,500	30,648	(1,852)
Building maintenance	10,000	10,000	11,675	1,675
Sales tax	4,000	4,000	3,962	(38)
Dues and subscriptions	2,750	2,750	2,253	(497)
Blues Fest	7,500	7,500	11,252	3,752
Capital outlay	15,000	15,000	4,200	(10,800)
Total expenditures	287,950	287,950	339,844	51,894
Excess (deficiency) of revenues over (under) expenditures	(228,950)	(228,950)	(282,698)	(53,748)
Other financing sources (uses)				
Transfers in	228,950	228,950	202,000	(26,950)
Net changes in fund balance	\$ -	\$ -	(80,698)	\$ (80,698)
Fund balance - beginning				(92,498)
Fund balance - ending				\$ (173,196)

See independent auditor's report.

CITY OF BROWNSVILLE, TENNESSEE
MAIN STREET FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance- Over (Under)
	Original	Final	Actual	
Revenues				
Other:				
Special event	\$ -	\$ -	\$ 4,390	\$ 4,390
Grants	-	-	1,589	1,589
Total revenues	-	-	5,979	5,979
Expenditures				
Current:				
Salaries	59,500	59,500	39,722	(19,778)
OASI	-	-	2,946	2,946
Health insurance	-	-	9,323	9,323
Employee benefits	-	-	1,380	1,380
Retirement	-	-	4,080	4,080
Supplies	-	-	2,773	2,773
Special event	-	-	3,764	3,764
Travel	-	-	2,313	2,313
Advertising	-	-	2,345	2,345
Capital outlay	-	-	5,310	5,310
Total expenditures	59,500	59,500	73,956	14,456
Excess (deficiency) of revenues over (under) expenditures	(59,500)	(59,500)	(67,977)	(8,477)
Other financing sources (uses)				
Transfers in	-	-	57,111	57,111
Net changes in fund balance	\$ (59,500)	\$ (59,500)	\$ (10,866)	\$ 48,634
Fund balance - beginning				(18,555)
Fund balance - ending				\$ (29,421)

See independent auditor's report.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
For the Fiscal Year Ended June 30, 2018

Tax Levy for Year	Tax Rate	Tax Levy	Beginning Outstanding Taxes	Additions and Adjustments	Collections	Ending Outstanding Taxes
2017	\$ 1.80	\$ 3,459,989	\$ -	\$ 3,459,989	\$ 3,176,501	\$ 283,488
2016	1.80	3,441,203	308,194	-	111,402	196,792
2015	1.80	3,321,936	192,464	-	38,648	153,816
2014	1.80	3,289,290	133,145	-	23,789	109,356
2013	1.80	3,283,714	66,404	-	8,136	58,268
2012	1.80	3,219,327	56,923	-	4,265	52,658
2011	1.80	3,158,102	36,550	-	4,377	32,173
2010	1.80	3,149,888	32,778	1,457	-	34,235
2009	1.60	3,224,403	26,867	1,910	-	28,777
2008	1.60	2,954,218	16,184	1,876	-	18,060
			\$ 869,509	\$ 3,465,232	\$ 3,367,118	\$ 967,623

Above balances represented as follows:

Considered current receivables	78,905
Allowance for uncollectible accounts	176,140
Unavailable revenue	712,578
	967,623
2018 tax levy not collectible until 10/1/2018	3,381,201
	4,348,824
Less allowance for uncollectibles	(176,140)
	\$ 4,172,684

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Contract Number	Expenditures
Federal Awards			
U.S. Department of Justice			
Passed through the Tennessee Department of Finance and Administration			
Office of Criminal Justice Programs			
ARRA Public Safety Partnership and Community Policing Grants - COPS	16.710	2014UMWX0066	\$ 32,740
Bullet Proof Vest Partnership Program	16.607	N/A	<u>1,013</u>
			<u>33,753</u>
U.S. Department of Housing and Urban Development			
Passed through the State of Tennessee Department of Economic and Community Development			
Community Development Block Grant	14.228	49357	33,110
Community Development Block Grant	14.228	12009	20,000
HOME Investment Partnership Program	14.239	N/A	<u>180,335</u>
			<u>233,445</u>
U.S. Department of Transportation			
Passed through the Tennessee Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205*	TAP/EN-NH-1(317)	611,062
Highway Planning and Construction	20.205*	SRTS-9402(15)	30,512
Highway Planning and Construction	20.205*	SRTS-9402(18)	<u>6,624</u>
Highway Planning and Construction Cluster Subtotal			648,198
Passed through the Tennessee Department of Environment and Conservation			
Recreation Trails Program	20.219	FMIS#18RT002	<u>14,455</u>
			<u>662,653</u>
U.S. Department of Safety and Homeland Security			
Passed through the Tennessee Department of Safety and Homeland Security			
Highway Safety Cluster			
Network Coordinator Grant	20.600	Z17THS010	3,453
Network Coordinator Grant	20.600	Z18GHS039	13,295
Drive Safe Grant	20.600	Z17THS011	<u>2,017</u>
Highway Safety Cluster Subtotal			18,765
High Visibility Law Enforcement Campaigns	20.607	Z18THS038	20,152
High Visibility Law Enforcement Campaigns	20.607	Z17THS111	<u>6,701</u>
			<u>45,618</u>
Total Federal Awards			<u>\$ 975,469</u>

*Denotes a major program

See independent auditor's report.

CITY OF BROWNSVILLE, TENNESSEE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal ward activity of the City of Brownsville, Tennessee under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2018

Grantor/Program Name	Contract Number	Expenditures
State Awards		
Tennessee Department of Economic and Community Development		
FastTrack Infrastructure Development Program	11393	\$ 88,120
Tourism Enhancement Grant	ED ID#52392	50,000
Asset Enhancement Grant Program	ED ID#11649	46,755
Tennessee Department of Health		
Community-Based Organization Health Disparities Initiative	Z1857838	6,978
Tennessee Department of Agriculture		
Agricultural Growth Initiative	ED ID#49192	997
Tennessee Department of Transportation		
TDOT Multimodal Grant	38LPLM-S3-032	54,940
Tennessee Department of Environment and Conservation		
LPRF	ED ID#54472	48,000
Total State Awards		<u>\$ 295,790</u>

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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**

Honorable William "Bill" Rawls, Mayor
Members of the Board of Alderman
City of Brownsville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Brownsville, Tennessee (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements as listed in the table of contents, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, 2018-005, and 2018-006 that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-004 and 2018-007 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-003 and 2018-005.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jackson, Tennessee
June 10, 2019



**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on Schedule
Of Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable William "Bill" Rawls, Mayor
Members of the Board of Alderman
City of Brownsville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Brownsville, Tennessee's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Brownsville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

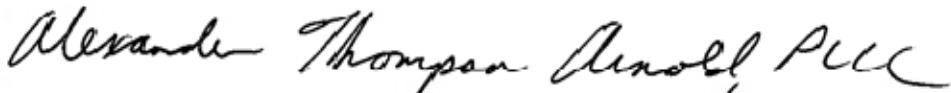
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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



Jackson, Tennessee
June 10, 2019

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether
the financial statements audited were prepared in
accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?	X	yes	no
Significant deficiencies identified?	X	yes	none reported
Noncompliance material to financial statements noted?	X	yes	no

Federal Awards

Internal control over major federal programs:

Material weaknesses identified?	yes	X	no
Significant deficiencies identified?	yes	X	none reported

Type of auditor's report issued on compliance
for major federal programs:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)?

yes X no

Identification of major federal programs:

CFDA Number
20.205

Name of Federal Program or Cluster
Highway Planning and Construction Cluster

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes X no

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

2018-001 – Exceeding Budgeted Expenditures (Noncompliance and Material Weakness)

Condition: We noted the following major function in the general fund had expenditures exceeding appropriations: Public works by \$18,207 and Community development by \$110,348. We also noted that total expenditures in the solid waste fund exceeded appropriations by \$541,791 due primarily to the City not budgeting for OASI, Retirement, Supplemental Retirement, Health Insurance or Other Fringe Benefits in this fund. We also noted that the total expenditures in the state street aid fund exceeded appropriations by \$26,168 due primarily to the City not budgeting for OASI, employee benefits, health insurance, or other fringe benefits. We also noted that total expenditures in the drug fund exceeded appropriations by \$12,111 due primarily to supplies being \$19,137 in excess of budgeted amounts in this fund. We also noted that total expenditures in the Delta Heritage and the Main Street funds exceeded appropriations by \$51,894 and \$14,456, respectively, due primarily to the City not budgeting for OASI, Retirement, Supplemental Retirement, Health Insurance or Other Fringe Benefits in the funds.

Criteria: Tennessee Code Annotated (TCA) 6-56-203 states “notwithstanding any other provision or law, no municipality may expend any monies regardless of their source except in accordance with a budget ordinance adopted under this section.”

Effect: The City failed to comply with the TCA 6-56-203 by expending monies that were not budgeted.

Recommendation: We recommend that all expenditures, including transfers, be authorized by the City's budget in the future. Potential budget overruns should be anticipated in advance so that appropriate action may be taken by the Board of Aldermen.

Response: We concur.

2018-002 – Material Journal Entries (Noncompliance and Material Weakness)

Condition: Auditors had to propose material journal entries due to various accounts not being properly reconciled at year-end. The entries were related to various grant projects and the property tax related accounts.

Criteria: Tennessee Code Annotated (TCA) 9-2-102(b) *Uniform Accounting System* states that it is the duty of all local governments that are subject to the audit requirements of the Comptroller of the Treasury and that handle public funds to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year, and the necessity of material journal entries prevents that.

Effect: The City failed to comply with the TCA 9-2-102(b) and it also exposes the City to a greater risk of fraud, loss, and other undetected errors.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

Recommendation: We recommend that the City reconcile account balances, especially material balances, in a more accurate and timely manner.

Response: We concur.

2018-003 – Failure to Receive Authorization for Issuance of Debt (Noncompliance and Significant Deficiency)

Condition: We noted that the City has an outstanding interfund liability due from the solid waste collection fund to the general fund in the amount of \$1,063,049. This balance is the result of health insurance that was not properly recorded and was not repaid by year-end. The City also has other interfund liabilities, but they are considered current or are clearly immaterial.

Criteria: Tennessee Code Annotated (TCA) 9-21-601 requires a governing body to receive authorization from the State Comptroller's office before issuing new long-term debt.

Effect: The City failed to comply with the TCA 9-21-601. The State of Tennessee can stop the City from entering into any further debt obligations until they have complied with the law.

Recommendation: We recommend that the City comply with the State requirements relating to the issuance of new long-term debt. We recommend that the City budget a transfer between the funds noted to settle the interfund accounts.

Response: The City is currently discussing the appropriate method of settling the interfund accounts.

2018-004 – Inadequate Monitoring of Pension Trust Funds and Plan Contributions (Significant Deficiency)

Condition: While auditing the City of Brownsville Supplemental Pension Plan, it was noted that pension plan contributions were being held in the City's general fund bank account, which caused untimely remittal to the Trust.

Criteria: Plan Trust agreements require that plan contributions be timely remitted to the Trust accounts.

Effect: Untimely remittal of plan contributions prevents investment and potential return on funds.

Recommendation: We recommend that the City put procedures in place to ensure timely remittal of Plan contributions.

Response: The City is making changes to the procedures surrounding the Supplemental Pension Plan and its related contributions.

2018-005 – Actuarial Valuation of OPEB Plan Not Conducted in Proper Timeframe (Material Weakness and Noncompliance)

Condition: While auditing the City of Brownsville, it was found that they did not have an actuarial valuation performed on the OPEB Plan during the original audit fieldwork.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

Criteria: GASB Statement No. 75 requires that an actuarial valuation be performed every two years for a governmental entity that has an OPEB plan. The City's actuarial valuation was not finalized until May 10, 2019 for the 2018 fiscal year-end.

Effect: The Financial Statements would be materially misstated as there was not a Net OPEB liability recorded in their Statement of Net Position.

Recommendation: As the City had a valuation performed in May 2019 with an effective measurement date within the fiscal year, we recommend that the City continue to have actuarial valuations performed at least every two years going forward.

Response: The City will continue to have actuarial valuations performed as required.

2018-006 – Unqualified Benefit Distributions (Material Weakness)

Condition: While auditing the City of Brownsville's Supplemental Pension Plan, it was discovered that there were retirees receiving payments for which they are not qualified to receive. There were also retiree employment files and retirement documentation that was unable to be located.

Criteria: The Pension Trust Agreement and the Pension Plan document detail the necessary qualifications for retirees to receive benefits as well as the amount of benefits they receive.

Effect: Unqualified benefit distributions misuse the Trust funds and impede the ability of the City to properly state the Supplemental Pension Plan accurately.

Recommendation: We recommend that the City review their procedures related to retiree file documentation and that there is a more intensive review of retiree's qualifications before retirement distributions begin to be paid.

Response: The City is going to review and change the procedures surrounding when distributions begin to be made to ensure that unqualified benefit distributions are not made in the future.

2018-007 – Inaccurate Benefit Payments - Pension (Significant Deficiency)

Condition: While auditing the City of Brownsville's Supplemental Pension Plan, it was discovered that City personnel had performed inaccurate benefit calculations for retirees, and inaccurate payments were then made.

Criteria: The Pension Trust Agreement and the Pension Plan document detail the calculations of the retiree benefit payments.

Effect: Inaccuracies in benefit payment calculations can happen based on non-uniform methods of calculating benefits for each recipient.

Recommendation: We recommend that the City transfer responsibility of performing the calculation to either the Custodian or their actuary.

Response: The City is going to review and potentially change the procedures surrounding benefit calculations for retirees.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2018

Section III – Federal Award Findings and Questioned Costs

No current year findings reported.

CITY OF BROWNSVILLE, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2018

Financial Statement Findings

Finding Number	Finding Title	Status
2017-001	Expenditures exceeded Appropriations Allowed by Budget (Significant Deficiency Under <i>Government Auditing Standards</i> and Noncompliance) (original finding #2014-001)	Repeated
2017-002	Material Journal Entries (Material Weakness and Noncompliance) (original finding #2015-004)	Repeated
2017-003	Failure to Receive Authorization for Issuance of Debt (Significant Deficiency and Noncompliance) (original finding #2017-003)	Repeated
2017-004	Lack of Oversight from Those Charged with Governance (Material Weakness) (original finding #2017-004)	Corrected
2017-005	City Personnel Not Consistently Following Travel Policy (Significant Deficiency and Noncompliance) (original finding #2017-005)	Corrected
2017-006	State Contract for Capital Purchase Improperly Adhered To (Significant Deficiency and Noncompliance) (original finding #2017-006)	Corrected
2017-007	Inadequate Monitoring of Pension Trust Funds and Plan Contributions (Significant Deficiency) (original finding #2017-007)	Repeated
2017-008	Actuarial Valuation of Supplemental Pension Plan Not Conducted in Proper Timeframe (Material Weakness and Noncompliance) (original finding #2017-008)	Corrected
2017-009	Unqualified Benefit Distributions (Material Weakness) (original finding #2017-009)	Repeated
2017-010	Inaccurate Benefit Payments - Pension (Significant Deficiency) (original finding #2017-010)	Repeated

Federal Award Findings and Questioned Costs

No Findings in the prior year.

MANAGEMENT'S CORRECTIVE ACTION PLAN

The City of Brownsville, Tennessee respectfully submits the following correction action plan for the year ended June 30, 2018.

Cognizant agency:
Department of Transportation

Name and address of independent public accounting firm:

Alexander Thompson Arnold PLLC
227 Oil Well Road
Jackson, TN 38305

Audit period:

June 30, 2018

The findings form the June 30, 2018, schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2018-001 – Exceeding Budgeted Expenditures (Noncompliance and Material Weakness)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: We made additional appropriations to the categories in the prior year that caused the issue, however we underestimated multiple categories in the current year.

Planned Corrective Action: The Board will take the appropriate action in advance of any funds being spent above the budgeted amounts. This will provide the proper authorization for any expenditures in the future.

2018-002 – Material Journal Entries (Noncompliance and Significant Deficiency)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: We missed multiple material adjustments related to pension, grants, and other revenue accounts.

Planned Corrective Action: The accounting staff will be more diligent in reviewing the financial statements at year-end to determine if there are any items that appear to require adjustment.

2018-003 – Failure to Receive Authorization for Issuance of Debt (Noncompliance and Significant Deficiency)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: Yes

Reason Why Corrective Action Was Not Taken – PY: While the same finding, the issue is a different fund and a different cause in the current year.

Planned Corrective Action: The accounting staff and the Mayor will work to properly record the activity of the various funds in the proper fund in the current year, so as not to incur an additional interfund liability.

2018-004 – Inadequate Monitoring of Pension Trust Funds and Plan Contributions (Significant Deficiency)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: No

Planned Corrective Action: The Mayor and accounting staff are going to work to ensure that all pension plan contributions are quickly transmitted to the Pension Trust account instead of remaining in the City's accounts.

2018-005 – Actuarial Valuation of OPEB Plan Not Conducted in Proper Timeframe (Material Weakness and Noncompliance)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: No

Planned Corrective Action: The Mayor and accounting staff are going to work to ensure that an actuarial valuation for the OPEB Plan is obtained before audit fieldwork begins on an annual basis.

2018-006 – Unqualified Benefit Distributions (Material Weakness)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: No

Planned Corrective Action: The Mayor and accounting staff are going to review the procedures related to retiree file documentation and review all retiree's information as to determine eligibility for benefits.

2018-007 – Inaccurate Benefit Payments - Pension (Significant Deficiency)

Person Responsible for Implementing the Corrective Action: William "Bill" Rawls, Jr., Mayor

Anticipated Completion Date of Corrective Action: December 31, 2018

Repeat Finding: No

Planned Corrective Action: The Mayor and accounting staff are going to change the procedures surrounding benefit calculations for retirees.

Respectfully submitted,



William "Bill" Rawls, Jr., Mayor