

**CITY OF EAST RIDGE, TENNESSEE**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

## **INTRODUCTORY SECTION**

# CITY OF EAST RIDGE, TENNESSEE

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# CITY OF EAST RIDGE, TENNESSEE

## CITY OFFICIALS

JUNE 30, 2013

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**Mayor**

Brent Lambert

**Vice-Mayor**

Jim Bethune

**Council Member**

Denny Manning

**Council Member**

Larry Sewell

**Council Member**

Marc Gravitt

**City Manager**

Freida Wheller

**Director of Administration and Finance**

Diane Qualls

**City Attorney**

Hal North

## **FINANCIAL SECTION**



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Mayor and City Council  
City of East Ridge, Tennessee  
East Ridge, 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 East Ridge, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3-10 and 34 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 Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Ridge's basic financial statements. The introductory section, budgetary comparison schedules, combining and individual nonmajor fund financial statements, financial schedules and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules, combining and individual nonmajor fund financial statements and financial schedules included as other supplementary 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 budgetary comparison schedules, combining and individual nonmajor fund financial statements, financial schedules and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2013, on our consideration of the City of East Ridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of East Ridge's internal control over financial reporting and compliance.

Chattanooga, Tennessee  
November 1, 2013

*Henderson Hutcherson  
in McCullough, PLLC*

**CITY OF EAST RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2013**

As management of the City of East Ridge, Tennessee, we offer readers of the City's financial statements, in this narrative overview, an analysis of the financial activities of the City for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with the City's financial statements. It is clear the City continues to move in a positive direction financially.

**Financial Highlights**

- At the government-wide level, the assets of the city exceeded its liabilities at June 30, 2013, by \$10,834,976 (net position). Of this amount, \$4,161,136 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's general fund operated at a surplus of \$620,938. This is primarily due to sound financial management by controlling spending, finding budget savings and projection of revenues.
- At the fund level, the City operated at an overall surplus of \$439,902 (all funds).
- At the close of fiscal year ending June 30, 2013, the unassigned fund balance for the general fund was \$5,502,062 or 49% of total general fund expenditures.
- At the close of fiscal year ending June 30, 2013, the City's governmental funds reported combined ending fund balances of \$7,621,546, an increase of \$439,902 over last fiscal year.
- The city received a Moody Rating of Aa3 and is only the third city in Tennessee to receive this rating. On the city's variable rate loan, we saved over \$12,000 the first year. Based on this rating, the rate on the bond anticipation extension note was 1.63%. Without this rating it would have been over 2% per annum. This rating reflects a stable General Fund position characterized by healthy General Fund balances.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statement comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position.

Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public works, public safety, state street aid, public welfare, administration, and maintenance. Business-type activities and component units, if any existed, would be reported separately from the City's governmental activity financial information. The City of East Ridge has no business-type activities for the year ended June 30, 2013.

The government-wide financial statements can be found on pages 11 and 12 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 and objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the current funds of the City operate as governmental funds.

**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 20 thru 33 of this report.

**Financial Analysis of the City as a Whole**

**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, assets exceeded liabilities by \$10,834,976 at the close of this fiscal year. The largest portion of the City’s net position (51.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City’s investment in its capital assets is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Approximately 10.2% or \$1,103,674 of the City’s net position represents resources that are subject to external restrictions on how they must be used. Only 38.4% or \$4,161,136 in net position may be used to meet the government’s ongoing obligations to its citizens and creditors. At June 30, 2013, the City is able to report positive balances in the category of net position.

The table below provides a summary of the City’s net position:

	<u>Governmental Activities</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current and Other Assets	\$ 12,994,274	\$ 12,310,179
Capital Assets	<u>11,138,000</u>	<u>11,770,440</u>
Total Assets	<u>\$ 24,132,274</u>	<u>\$ 24,080,619</u>
Other Liabilities	\$ 2,453,526	\$ 1,944,701
Long-Term Liabilities	<u>6,158,934</u>	<u>7,281,098</u>
Total Liabilities	<u>\$ 8,612,460</u>	<u>\$ 9,225,799</u>
Deferred Inflows of Resources	<u>\$ 4,684,838</u>	<u>\$ 4,675,497</u>
Total Deferred Inflows of Resources	<u>\$ 4,684,838</u>	<u>\$ 4,675,497</u>
Net Position		
Net Investment in Capital Assets	\$ 5,570,166	\$ 5,085,674
Restricted for Specific Expenditures	1,103,674	986,101
Unrestricted	<u>4,161,136</u>	<u>4,107,548</u>
Total Net Positions	<u>\$ 10,834,976</u>	<u>\$ 10,179,323</u>

**Changes in net position.** Governmental activities increased the City's net position by \$666,675. The table below provides a summary of changes to the City's net position:

	<b><u>Governmental Activities</u></b>	
	<b><u>June 30, 2013</u></b>	<b><u>June 30, 2012</u></b>
Revenues		
Charges for Services	\$ 2,476,666	\$ 2,392,745
Grants & Contributions	175,444	540,895
General Revenues		
Property Taxes	4,913,913	4,300,839
Local Option Sales Tax	1,983,042	2,103,483
Other Taxes	3,600,454	3,227,952
Interest	21,221	20,952
Other	160,624	424,346
Total Revenues	<u>\$ 13,331,364</u>	<u>\$ 13,011,212</u>
Expenses		
General Government	\$ 2,700,088	\$ 2,248,756
Public Safety	5,314,257	5,248,681
Public Works	1,427,815	1,313,137
Public Welfare	1,736,430	1,478,287
Culture and Recreation	1,329,641	1,783,034
Interest	156,458	231,566
Total Expenses	<u>\$ 12,664,689</u>	<u>\$ 12,303,461</u>
Change in Net Position	\$ 666,675	\$ 707,751
Beginning Net Position (Restated)	10,168,301	9,471,572
Ending Net Position	<u>\$ 10,834,976</u>	<u>\$ 10,179,323</u>

Beginning net position has been restated to reflect a change in accounting in accounting principle due to the implementation of GASB Statement No. 65.

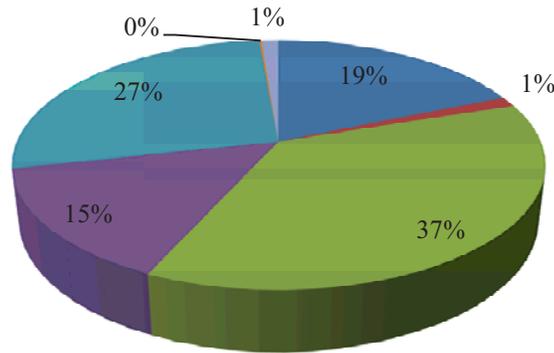
	<b><u>Government- wide Activities</u></b>
Beginning balance	\$ 10,179,323
Change in accounting principle:	
Elimination of deferred financing costs	<u>(11,022)</u>
Restated beginning balance	<u>\$ 10,168,301</u>

Additional information on this change can be found on page 33 of this report.

The graphs below summarize the \$13,331,364 of city-wide revenue by source and the associated \$12,664,689 of expense by program.

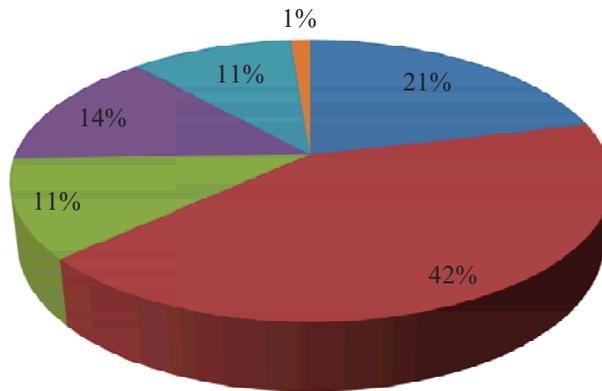
### CITY-WIDE SOURCES OF REVENUE (\$13,331,364)

- Charges for Services (\$2,476,666)
- Property Taxes (\$4,913,913)
- Other Taxes (\$3,600,454)
- Other (\$160,624)
- Operating Grants & Contributions (\$175,444)
- Local Option Sales Tax (\$1,983,042)
- Interest (\$21,221)



### CITY-WIDE SOURCES OF EXPENDITURES (\$12,664,689)

- General Government (\$2,700,088)
- Public Works (\$1,427,815)
- Culture & Recreation (\$1,329,641)
- Interest (\$156,458)
- Public Safety (\$5,314,257)
- Public Welfare (\$1,736,430)



For auditing purposes the above expenditure categories consist of the following:

**General Government** – Administration, Court, Inspection, City Garage and Building Maintenance

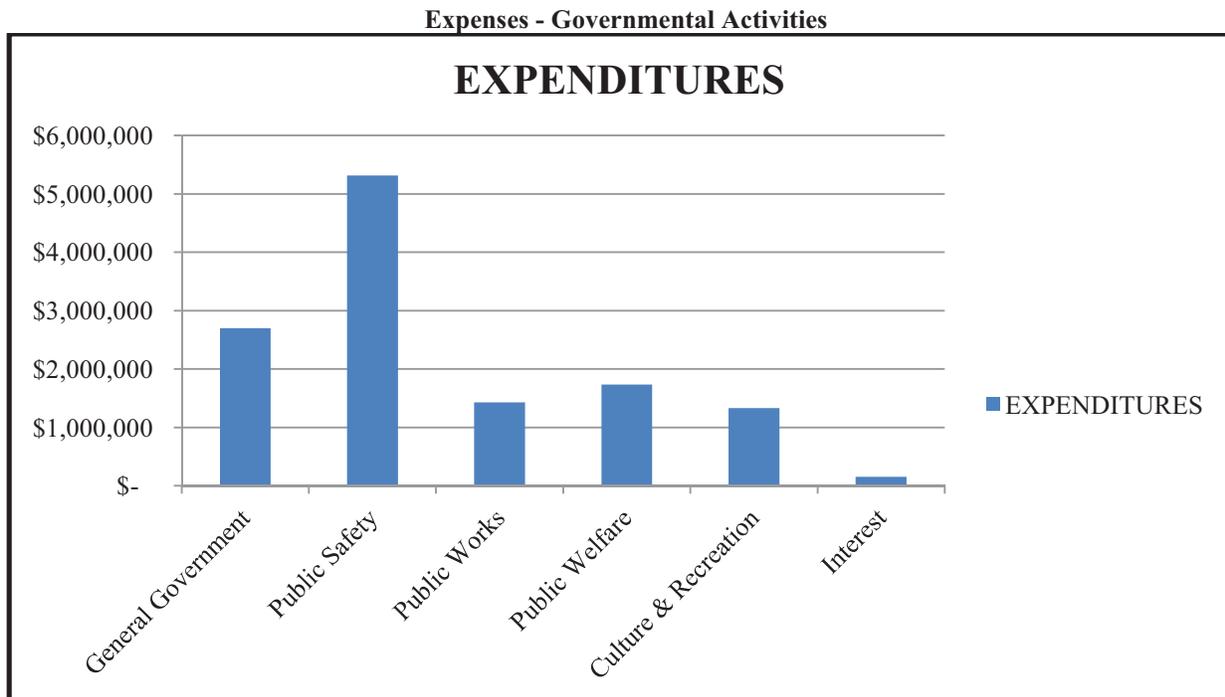
**Public Safety** – Police, Fire and Animal Control

**Public Works** – Street Maintenance and Traffic Control

**Public Welfare** – Library, Museum and Sanitation

**Culture and Recreation** – Arena, Park Maintenance, Community Center, McBrien School, Pool Property

The following chart summarizes the related expenses for each government program of the City.



### Financial analysis of the Government's Funds

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

**Governmental funds.** The focus of the City's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City'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.

As of the end of the fiscal year ending June 30, 2013, the City's governmental funds reported combined ending fund balances of \$7,621,546. Within the funds, \$68,705 is reserved for drug fund expenditures, \$551,623 is reserved for debt service, \$1,034,969 is restricted for state street aid, and \$415,847 is assigned for the capital projects fund. The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,550,402. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 49% of total general fund expenditures.

### Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$11,138,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, and infrastructure.

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

**Governmental activities**

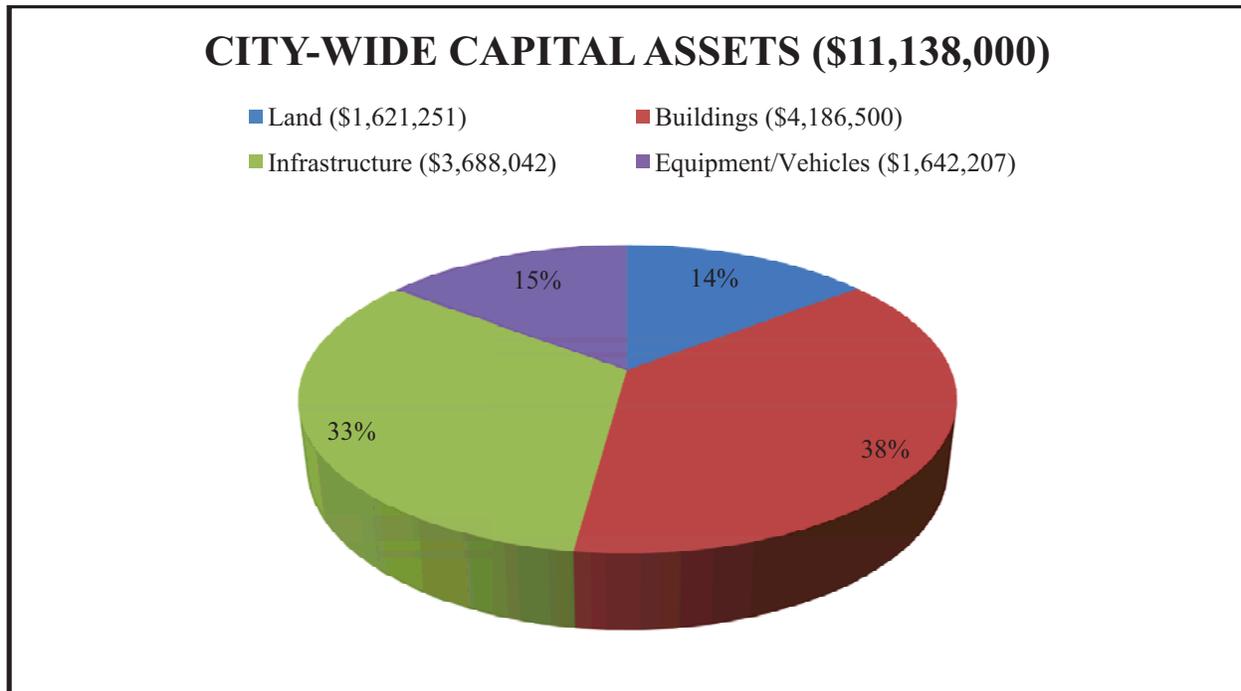
2 Police Cars	\$	54,309	
3 Trucks		79,966	
Groomer		15,958	
Land		82,629	(Obtained at no cost to city via CDBG Grant)

The table below summarizes the City’s investment in capital assets.

**City of East Ridge, Tennessee  
Capital Assets (net of depreciation)**

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Non-depreciable capital assets	\$ 1,570,370	\$ 82,629	\$ 31,748	\$ 1,621,251
Total non-depreciable assets	\$ 1,570,370	\$ 82,629	\$ 31,748	\$ 1,621,251
Depreciable capital assets:				
Buildings	\$ 9,805,102	\$ -	\$ -	\$ 9,805,102
Infrastructure	9,584,667	-	-	9,584,667
Equipment/Vehicles	5,829,616	150,233	60,089	5,919,760
	<u>25,219,385</u>	<u>150,233</u>	<u>60,089</u>	<u>25,309,529</u>
Less accumulated depreciation:				
Buildings	5,269,691	348,911	-	5,618,602
Infrastructure	5,663,409	233,216	-	5,896,625
Equipment/Vehicles	4,086,215	251,427	60,089	4,277,553
	<u>15,019,315</u>	<u>833,554</u>	<u>60,089</u>	<u>15,792,780</u>
Total depreciable assets, net	\$ 10,200,070	\$ (683,321)	\$ -	\$ 9,516,749
Total capital assets, net	\$ 11,770,440	\$ (600,692)	\$ 31,748	\$ 11,138,000

The following graph provides a breakdown of which assets make up the largest portion of the City’s total investment in capital assets.

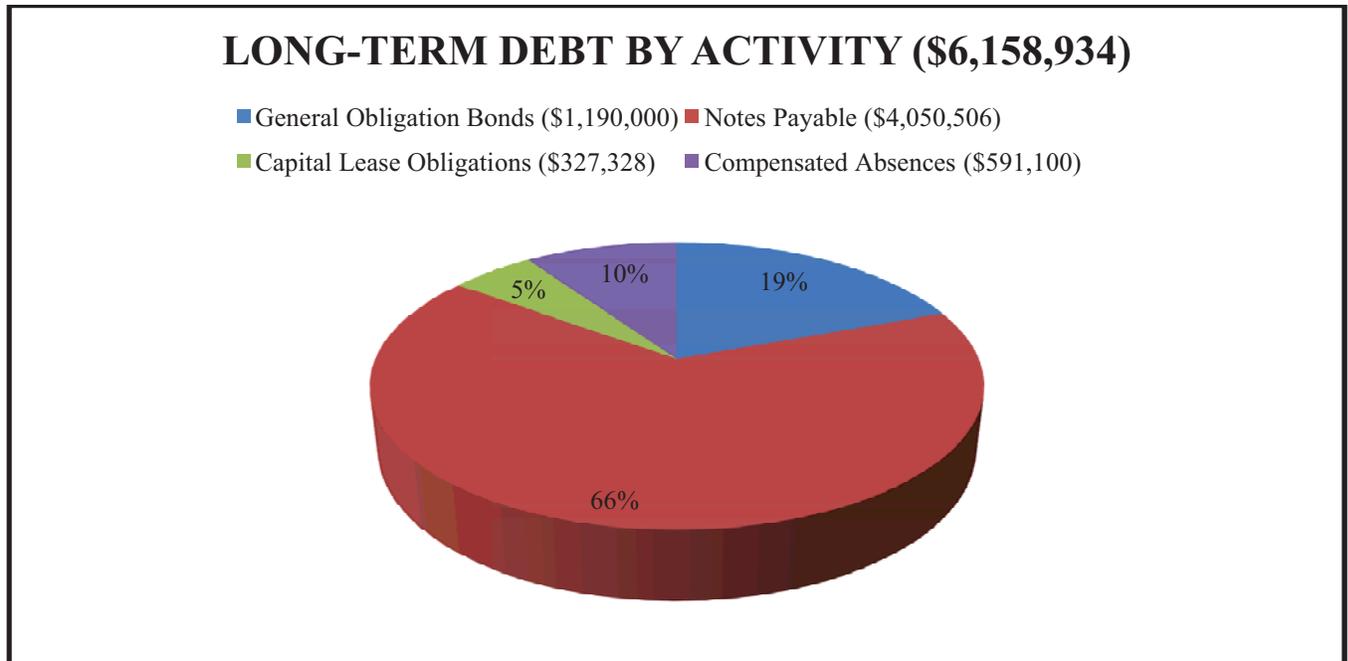


Additional information on the City’s capital assets can be found on page 27 of this report.

**Outstanding debt.** During the FY 2013, the City made long-term debt payments of \$3,513,264, of this \$1,900,000 was to extend the Bond Anticipation Note for two more years and to reassign it from one financial institution to another, bringing down the interest rate to 1.63%. The total long-term debt outstanding as of June 30, 2013 amounts to \$5,567,934, without regard to the liability for compensated absences of \$591,100, which is due in the next fiscal year. The Bond Anticipation Note will either be paid off or converted to long-term debt in 2015.

**City of East Ridge, Tennessee  
Outstanding Debt**

	Beginning Balance	Adjustments/ Additions	Adjustments/ Retirements	Ending Balance
General Obligation Bonds	\$ 1,790,000	\$ -	\$ (600,000)	\$ 1,190,000
Notes Payable	4,478,152	1,800,000	(2,227,646)	4,050,506
Capital Lease Obligations	418,343	-	(91,015)	327,328
Compensated Absences	594,604	591,100	(594,604)	591,100
	<u>\$ 7,281,099</u>	<u>\$ 2,391,100</u>	<u>\$ (3,513,264)</u>	<u>\$ 6,158,934</u>



Additional information on the City’s long-term debt can be found on pages 27 thru 28 of this report.

**Currently Known Factors Effecting Future Years**

- Continued rising cost of employee compensated leave program, which has a current audited liability of \$591,100. This liability decreased \$3,504 this FY. The City paid out to employees approximately \$237,357 in leave buy-back.
- City is currently discussing plans for McBrien School and possible future renovations for city use or demolition.
- Anticipated future sale of pool property
- Anticipated continued rise in employee health insurance costs

**Requests for Information**

This financial report is designed to provide a general overview of the City of East Ridge, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addresses to the City Manager's Office.

City of East Ridge, Tennessee  
1517 Tombras Avenue  
East Ridge, TN 37412  
(423) 867-7711

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF NET POSITION

JUNE 30, 2013

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,513,389
Investments	1,483,098
Property taxes receivable	5,110,276
Grants receivable	69,937
Accounts receivable	752,672
Prepaid expenses	48,340
Prepaid discount, net of accumulated amortization of \$59,144	16,562
Capital assets -	
Land and other nondepreciable assets	1,621,251
Capital assets, net of accumulated depreciation	<u>9,516,749</u>
 Total assets	 <u>24,132,274</u>
<b>LIABILITIES</b>	
Accounts payable	239,171
Accrued liabilities	120,638
Deferred premium, net of accumulated amortization of \$80,275	22,474
OPEB obligation	2,071,243
Long-term liabilities -	
Due within one year	1,590,714
Due in more than one year	<u>4,568,220</u>
 Total liabilities	 <u>8,612,460</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	<u>4,684,838</u>
 Total deferred inflows of resources	 <u>4,684,838</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,570,166
Restricted	1,103,674
Unrestricted	<u>4,161,136</u>
 Total net position	 <u>\$ 10,834,976</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Governmental Activities (Net)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities -					
General government	\$ 2,700,088	\$ 109,762	\$ 66,672	\$ -	\$ (2,523,654)
Public safety	5,314,257	338,337	80,212	-	(4,895,708)
Public works	1,427,815	15,750	28,560	-	(1,383,505)
Public welfare	1,736,430	1,542,504	-	-	(193,926)
Culture and recreation	1,329,641	470,313	-	-	(859,328)
Interest	<u>156,458</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,458)</u>
Total primary government	<u>\$ 12,664,689</u>	<u>\$ 2,476,666</u>	<u>\$ 175,444</u>	<u>\$ -</u>	<u>(10,012,579)</u>
<b>GENERAL REVENUES</b>					
Property taxes					4,913,913
Local sales taxes					1,983,042
Local beer taxes					497,535
State shared taxes					2,546,264
Other taxes					270,117
Franchise fees					286,538
Other revenues					160,624
Interest					<u>21,221</u>
Total general revenue					<u>10,679,254</u>
Change in net position					666,675
<b>NET POSITION</b>					
Beginning, <i>restated</i>					<u>10,168,301</u>
Ending					<u>\$ 10,834,976</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2013

	General	TML Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,504,140	\$ 291,588	\$ 1,717,661	\$ 5,513,389
Investments	1,483,098	-	-	1,483,098
Property taxes receivable	5,110,276	-	-	5,110,276
Grant funds receivable	69,937	-	-	69,937
Accounts receivables	681,664	22,560	48,448	752,672
Prepaid expenses	48,340	-	-	48,340
 Total assets	 \$ 10,897,455	 \$ 314,148	 \$ 1,766,109	 \$ 12,977,712
<b>LIABILITIES</b>				
Accounts payable	\$ 230,058	\$ -	\$ 9,113	\$ 239,171
Accrued payroll liabilities	101,975	-	-	101,975
 Total liabilities	 332,033	 -	 9,113	 341,146
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	5,015,020	-	-	5,015,020
 Total deferred inflows of resources	 5,015,020	 -	 -	 5,015,020
<b>FUND BALANCES</b>				
Nonspendable -				
Prepays	48,340	-	-	48,340
Restricted for -				
Law enforcement	-	-	68,705	68,705
State approved street aid	-	-	1,034,969	1,034,969
Assigned to -				
Debt service	-	314,148	237,475	551,623
Recreation projects	-	-	415,847	415,847
Unassigned	5,502,062	-	-	5,502,062
 Total fund balances	 5,550,402	 314,148	 1,756,996	 7,621,546
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 10,897,455	 \$ 314,148	 \$ 1,766,109	 \$ 12,977,712

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

# CITY OF EAST RIDGE, TENNESSEE

## RECONCILIATION OF THE BALANCE SHEET

### OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2013

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Differences in amounts reported for governmental activities in the statement of net position on page 11:

Fund balances – total governmental funds \$ 7,621,546

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,138,000

Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred or not reported in the funds. 330,182

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due. All liabilities, both due in one year and due in more than one year, are reported in the statement of net assets. This item consists of:

Bonds payable	\$ (1,190,000)	
Net bond issue premiums and discounts	(5,912)	
Notes payable	(4,050,506)	
Capital leases	(327,328)	
Compensated absences	(591,100)	
Accrued interest payable	<u>(18,663)</u>	(6,183,509)

Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds. (2,071,243)

Net position of governmental activities \$ 10,834,976

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2013

	General	TML Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 7,805,506	\$ 265,378	\$ -	\$ 8,070,884
Licenses and permits	85,785	-	-	85,785
Intergovernmental	1,933,797	-	587,139	2,520,936
Charges for services	2,167,928	-	-	2,167,928
Fines and forfeitures	222,589	-	364	222,953
Miscellaneous	163,488	859	2,486	166,833
Total revenues	12,379,093	266,237	589,989	13,235,319
<b>EXPENDITURES</b>				
Current				
General government	2,516,093	22,857	98,534	2,637,484
Public safety	4,883,520	-	31,374	4,914,894
Public works	1,987,180	-	376,829	2,364,009
Public welfare	160,051	-	-	160,051
Culture and recreation	1,248,153	-	-	1,248,153
Capital outlay	155,147	-	77,715	232,862
Debt service -				
Principal	270,686	2,033,000	614,975	2,918,661
Interest	39,741	48,386	77,936	166,063
Total expenditures	11,260,571	2,104,243	1,277,363	14,642,177
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	1,118,522	(1,838,006)	(687,374)	(1,406,858)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	238,616	563,700	729,999	1,532,315
Transfers to other funds	(782,960)	(510,739)	(238,616)	(1,532,315)
Loan issued	-	1,800,000	-	1,800,000
Proceeds from sale of assets	46,760	-	-	46,760
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	620,938	14,955	(195,991)	439,902
<b>FUND BALANCES:</b>				
Beginning	4,929,464	299,193	1,952,987	7,181,644
Ending	\$ 5,550,402	\$ 314,148	\$ 1,756,996	\$ 7,621,546

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

# CITY OF EAST RIDGE, TENNESSEE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013

Differences in amounts reported for governmental activities in the statement of activities on page 12:

Net change in fund balances – total governmental funds \$ 439,902

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay reported as expenditures in the governmental funds, that meet the capitalization threshold are shown as capital assets in the statement of net assets. 232,862

Depreciation expense on governmental capital assets are included in the statement of activities. (833,554)

The net effect of various transactions involving capital assets is to decrease net position.  
Disposal of capital assets (31,748)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. The transaction has no effect on net position. The governmental funds report the effect of premiums and discounts on bonds when debt is first issued; these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.

Bond anticipation note financing	\$ (1,800,000)	
Principal paid	2,918,661	
Amortization	3,381	
Change in accrued interest payable	8,154	1,130,196

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of:

Change in personal leave liability	3,503	
Change in OPEB	(355,519)	(352,016)

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. 81,033

Change in net assets of governmental activities \$ 666,675

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS - GENERAL FUND

YEAR ENDED JUNE 30, 2013

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 7,905,592	\$ 7,905,592	\$ 7,805,506	\$ (100,086)
Licenses and permits	65,375	65,375	85,785	20,410
Intergovernmental	2,402,206	2,402,206	1,933,797	(468,409)
Charges for services	1,936,511	1,936,511	2,167,928	231,417
Fines and forfeitures	289,100	289,100	222,589	(66,511)
Miscellaneous	40,299	40,299	163,488	123,189
Total revenue	12,639,083	12,639,083	12,379,093	(259,990)
<b>EXPENDITURES:</b>				
Current				
General government	2,421,037	2,435,953	2,516,093	(80,140)
Public safety	4,884,499	4,941,333	4,883,520	57,813
Public works	2,826,486	2,842,532	1,987,180	855,352
Public welfare	170,123	172,609	160,051	12,558
Culture and recreation	1,233,525	1,243,243	1,248,153	(4,910)
Capital outlay	96,600	96,600	155,147	(58,547)
Debt service -				
Principal	281,319	281,319	270,686	10,633
Interest	39,959	39,959	39,741	218
Total expenditures	11,953,548	12,053,548	11,260,571	792,977
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	685,535	585,535	1,118,522	532,987
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	-	-	238,616	238,616
Transfers to other funds	(782,960)	(782,960)	(782,960)	-
Proceeds from sale of assets	20,000	20,000	46,760	26,760
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(77,425)	(177,425)	620,938	\$ 798,363
<b>FUND BALANCES:</b>				
Beginning	4,011,922	4,011,922	4,929,464	
Ending	\$ 3,934,497	\$ 3,834,497	\$ 5,550,402	

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

**CITY OF EAST RIDGE, TENNESSEE**

**STATEMENT OF FIDUCIARY NET POSITION  
EMPLOYEE PENSION TRUST FUND**

JUNE 30, 2013

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**ASSETS**

Investments	<u>\$ 718,326</u>
	<u>\$ 718,326</u>

**NET POSITION**

Net assets held in trust for employee pension benefits	<u>\$ 718,326</u>
	<u>\$ 718,326</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION EMPLOYEE PENSION TRUST FUND

YEAR ENDED JUNE 30, 2013

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**ADDITIONS:**

Earnings and increase in value	\$ <u>33,270</u>
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Total additions	<u>33,270</u>
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**DEDUCTIONS:**

Distributions	59,549
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Administrative expense	<u>2,737</u>
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Total deductions	<u>62,286</u>
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<b>NET DECREASE</b>	(29,016)
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**NET POSITION:**

Beginning	<u>747,342</u>
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Ending	<u><u>\$ 718,326</u></u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF EAST RIDGE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

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# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **The Reporting Entity**

The City of East Ridge, Tennessee (the City) was incorporated in 1954 under Tennessee law. The City is governed by the elected Mayor and four elected City Councilmen and provides services to the citizens of the City including police and fire protection, animal control, solid waste and garbage services, parks and recreation facilities, maintenance of streets and highways, and general administrative services.

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements includes all the funds and the account groups relevant to the operations of the City.

#### **Basic Financial Statements**

The **Basic Financial Statements** consists of the following:

- 1) Government-wide financial statements;
- 2) Fund financial statements;
- 3) Notes to the basic financial statements.

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

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the primary government (governmental activities). As a result, the pension trust fund is not included in the government-wide financial statements. The City reports capital assets in the government-wide statement of net position and reports depreciation expense - the cost of "using up" capital assets - in the statement of activities. As a general rule, the effect of interfund activity has been eliminated from these statements.

Governmental activities are normally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety (police, fire, and animal control), public works, public welfare, culture and recreation and general administrative support services.

The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions, e.g., public safety, public works, etc. The expense of individual functions is compared to the revenue generated directly by the function. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three specific categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

#### **Fund Financial Statements**

The fund financial statements provide information about the government's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental fund:

The *General Fund* is the government's primary operating fund and is the only fund that qualifies as a major fund under Governmental Accounting Standards Board (GASB) Statement No. 34. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *TML Bond Debt Service Fund* is established to account for and report financial resources that are assigned to expenditure of interest and principal on long-term general obligation debt payable to the Tennessee Municipal League Bond Fund.

Additionally, the City reports the following other fund types:

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

*Capital Projects Fund:* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities, City-wide repair and maintenance projects and other capital assets. The capital projects fund excludes those types of capital related outflows financed for assets that will be held in trust for individuals, private organizations, or other governments.

*Debt Service Fund:* This fund is established to account for and report financial resources that are restricted, committed, or assigned to expenditure of interest and principal on long-term general obligation debt.

During the course of normal operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included in internal balances in the governmental activities columns. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

The *governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 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 and expenditures relating to claims and judgments are recognized only when payment is due.

Property taxes, state-shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable within the current fiscal period are considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Budgets and Budgetary Accounting**

Formal budgets are adopted by the Mayor and City Council as a management control device during the year for the governmental type funds, special revenue funds, and debt service fund. The capital projects fund is subject to budgetary control on the project basis. Providing budgetary information on an annual basis does not provide meaningful information because projects extend over more than one reporting period.

Expenditures may not legally exceed budgeted appropriations at the fund level. Budgetary integration is employed as a management tool during the fiscal year, and the budget is amended, as necessary, to meet changing needs. Council approves departmental budgets. Transfers between departments and any revisions in the total appropriations must be approved by the Mayor and City Council Board of Aldermen. Unused appropriations for any of the annually budgeted funds lapse at the end of the year.

At June 30, 2013, General Fund expenditures exceeded budgeted appropriations within the departmental budgets as follows: general government by \$80,140, culture and recreation by \$4,910, and capital outlay functions by \$58,547.

### **Cash and Cash Equivalents**

For purposes of reporting cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### **Investments**

The City follows state investment policy guidelines for types of allowable investments.

### **Inventories and Prepaid Items**

Inventories are recorded at the lower of cost or market. The cost of such inventories is recorded as expenditures/expenses when consumed rather than purchased.

Certain payments to vendors reflect costs applicable to future reporting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Accounts Receivables**

With respect to the accounts receivable for solid waste collection fees, the City uses the allowance method to estimate uncollectible accounts based on a projection of balances unlikely to be collected. Individual accounts are written off only when they are determined to be uncollectible. Receivables for the solid waste collection fund are reported net of allowance of \$19,949. Other receivable amounts are considered collectible in all material respects.

### **Capital Assets**

Capital assets, including public domain infrastructure (e.g., roads, bridges, street lights, traffic lights, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the assets' lives is not capitalized.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes net interest costs and interest earned as part of the cost of construction when material. No interest was capitalized during the fiscal year ended June 30, 2013.

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

	<b>Useful Life</b>
Buildings and improvements	20-50 years
Infrastructure	15-50 years
Vehicles	5 years
Machinery and equipment	5-10 years
Furniture and fixtures	7-10 years

**Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises under a modified accrual basis of accounting and full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and government-wide statement of net position. The governmental funds and governmental activities report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position Flow Assumption**

Sometimes the government will fund 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 in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Fund Balance Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unassigned fund balance. Further, when the components of unassigned fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Compensated Absences**

The City has a policy of compensated annual leave from 17 to 34 days based upon years of service. The leave is cumulative and vesting to a maximum of 320 hours, the excess payable at the employee’s anniversary date. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. No liability is recorded in the governmental funds, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources.

## **Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Similarly, long-term debt and other obligations of the City are recorded as liabilities in the appropriate fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as expenses when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## **Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

*Net Investment in Capital Assets* is intended to reflect the position of net assets which are associated with non-liquid capital assets less outstanding capital asset related debt.

*Restricted Net Position* represents net position that has third-party (statutory, bond covenant or granting agency) limitations on its use.

*Unrestricted Net Position* represents net position that is not restricted for any project or other purpose. While management may have categorized and segmented portions for various purposes, the City has the unrestricted authority to revisit or alter these managerial decisions.

## **Fund Balance**

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable Fund Balance* represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted Fund Balance* represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

*Committed Fund Balance* represents amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period.

*Assigned Fund Balance* represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund. Assignment of amounts to a specific purpose as part of the annual budget ordinance may be made by resolution of motion of the board.

*Unassigned Fund Balance* represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

### **Property Tax Information**

Property taxes are billed and collected for the City by the Hamilton County Trustee, and collections are remitted to the City monthly. Property taxes attach as an enforceable lien on the property as of January 1 and are levied for the calendar year in September. They are payable immediately and become past due March 1 of the succeeding year to avoid penalties and interest. On February 1 of the following year, the delinquent property taxes are filed with the office of the Hamilton County Clerk and Master by the Trustee's office.

Property taxes are recognized when they become available. Available includes those property taxes receivable which are expected to be collected within 60 days after year end.

Property taxes levied for 2013 are recorded as receivables. No allowance has been made for uncollectible taxes; based on historical collection data, uncollectible amounts are considered immaterial.

### **Interfund Transactions**

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds". Long-term loans between funds are classified as "loans to/from other funds". All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **Compliance with Finance Related Legal and Contractual Provisions**

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

## **NOTE 3 – CASH DEPOSITS AND INVESTMENTS**

### **Cash Deposits**

The City reports its cash and other investments under GASB Statement No. 40, "Deposit and Investment Risk Disclosures", which is designed to improve financial reporting of deposit and investment risks.

The City's investments are carried at fair value which is based on quoted market prices and consist of certificated of deposits totaling \$1,483,098.

### **Interest Rate Risk**

As a means of limiting its exposure to losses resulting from rising interest rates, the City's usual policy is to invest in certificates of three years or less. The exposure to interest rate changes is presented using the weighted average maturity method. Its policy is to limit exposure to interest rate risk by requiring sufficient liquidity in the investment portfolio. The City's investments experienced no significant fluctuations in fair value during the year.

### **Custodial Credit Risk**

The City's policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool, by collateral held in the City's agent in the City's name, or by Federal Reserve Banks acting as third-party agents. State statutes also authorize the types of investments in which the City may participate. The City limits its investments to certificates of deposit and savings and money market accounts with local banks. The City could also invest with the State of Tennessee local government pooled investment fund, but has not chosen to do so.

### Credit Risk

The City's policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

### **NOTE 4 – RECEIVABLES**

Receivables at June 30, 2013, consist of the following:

	<u>General</u>	<u>TML Bond Fund</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Funds</b>				
Taxes	\$ 5,110,276	\$ -	\$ -	\$ 5,110,276
Grants	69,937	-	-	69,937
Intergovernmental	502,122	22,560	47,579	572,261
Accounts	199,491	-	-	199,491
Other	-	-	869	869
Gross receivables	<u>5,881,826</u>	<u>22,560</u>	<u>48,448</u>	<u>5,952,834</u>
Less: Allowance for uncollectibles	<u>(19,949)</u>	<u>-</u>	<u>-</u>	<u>(19,949)</u>
Net receivables	<u>\$ 5,861,877</u>	<u>\$ 22,560</u>	<u>\$ 48,448</u>	<u>\$ 5,932,885</u>

### **NOTE 5 – INTERFUND TRANSFERS**

Transfers within the City are substantially for the purpose of subsidizing operating and debt service functions. Resources are accumulated in a fund to support and simplify the administration of various projects or programs. Interfund transfers are transactions between transferring funds out of one fund to support the operations of another fund.

Transfers to/from other funds during the year ended June 30, 2013, are as follows:

	<u>Transfers In</u>			
	<u>General</u>	<u>TML Bond Fund</u>	<u>Other Governmental General Debt Service</u>	<u>Total</u>
Transfers Out:				
General Fund	\$ -	\$ 563,700	\$ 219,260	\$ 782,960
TML Bond Fund	-	-	510,739	510,739
Other Governmental Funds				
Solid Waste Fund	231,385	-	-	231,385
Drug Investigation Fund	<u>7,231</u>	<u>-</u>	<u>-</u>	<u>7,231</u>
Total	<u>\$ 238,616</u>	<u>\$ 563,700</u>	<u>\$ 729,999</u>	<u>\$ 1,532,315</u>

**NOTE 6 – CAPITAL ASSETS**

The following is a summary of changes in capital assets and accumulated depreciation:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Adjustments/ Retirements</b>	<b>Ending Balance</b>
Non-depreciable capital assets:				
Land	\$ 1,570,370	\$ 82,629	\$ 31,748	\$ 1,621,251
Total non-depreciable assets	<u>1,570,370</u>	<u>82,629</u>	<u>31,748</u>	<u>1,621,251</u>
Depreciable capital assets:				
Buildings	9,805,102	-	-	9,805,102
Infrastructure	9,584,667	-	-	9,584,667
Equipment / Vehicles	<u>5,829,616</u>	<u>150,233</u>	<u>60,089</u>	<u>5,919,760</u>
	<u>25,219,385</u>	<u>150,233</u>	<u>60,089</u>	<u>25,309,529</u>
Less accumulated depreciation:				
Buildings	5,269,691	348,911	-	5,618,602
Infrastructure	5,663,409	233,216	-	5,896,625
Equipment / Vehicles	<u>4,086,215</u>	<u>251,427</u>	<u>60,089</u>	<u>4,277,553</u>
	<u>15,019,315</u>	<u>833,554</u>	<u>60,089</u>	<u>15,792,780</u>
Total depreciable assets, net	<u>10,200,070</u>	<u>(683,321)</u>	<u>          </u>	<u>9,516,749</u>
Total capital assets, net	<u>\$ 11,770,440</u>	<u>\$ (600,692)</u>	<u>\$ 31,748</u>	<u>\$ 11,138,000</u>

Depreciation expense is charged to functions as follows:

General	\$ 94,574
Public safety	203,828
Public works	220,528
Culture and recreation	<u>314,624</u>
Total	<u>\$ 833,554</u>

**NOTE 7 – BONDS AND NOTES PAYABLE**

In the government-wide financial statements, long-term debt and other long-term obligations relative to governmental activities are reported as liabilities of the entity. Debt reported in the government-wide financial statements is expected to be liquidated with general government resources. The debt represents amounts not expected to be paid with expendable, available resources, and consists of the following:

General obligation bonds:

Series 2007, payable in variable, annual installments, plus interest at rates of 4.0% to 5.0%, through March 2015 \$ 1,190,000

Notes:

Notes of \$2,700,000 to Tennessee Municipal League Bond Fund, payable in variable, annual installments through May 2024, with interest payable monthly at 4% \$ 1,726,000

Note of \$1,800,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 1.63% beginning November 2013, and additional interest and principal due through May 2015 1,800,000

Note of \$775,000 to Cornerstone Community Bank, payable in monthly payments of \$7,593, including interest at 3.25%, through October 2016, and a final payment of \$257,548 due November 2016 524,506

\$ 4,050,506

Capital lease obligations:	
Payable to Municipal Leasing in annual installments of \$30,452, including interest at 4.26%, through July 2014	\$ 59,291
Payable to First Bankers Corporation in annual installments of \$52,721, including interest at 4.89%, through July 2019	<u>268,037</u>
	<u>\$ 327,328</u>
Liability for compensated absences	<u>\$ 591,100</u>

Maturities of general long-term debt are as follows:

For the year ending June 30,	General Obligation Bonds	Notes	Lease Obligations	Compensated Absences	Total
2014	\$ 620,000	\$ 312,176	\$ 67,438	\$ 591,100	\$ 1,590,714
2015	570,000	1,918,656	70,600	-	2,559,256
2016	-	224,218	43,459	-	267,677
2017	-	439,456	45,609	-	485,065
2018	-	152,000	47,866	-	199,866
2019-2023	-	825,000	52,356	-	877,356
2024	-	179,000	-	-	179,000
	<u>\$ 1,190,000</u>	<u>\$ 4,050,506</u>	<u>\$ 327,328</u>	<u>\$ 591,100</u>	<u>\$ 6,158,934</u>

During the year ended June 30, 2013, changes in long-term debt were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 1,790,000	\$ -	\$ (600,000)	\$ 1,190,000	\$ 620,000
Notes payable	4,478,152	1,800,000	(2,227,646)	4,050,506	312,176
Capital lease obligations	418,343	-	(91,015)	327,328	67,438
Compensated absences	<u>594,604</u>	<u>591,100</u>	<u>(594,604)</u>	<u>591,100</u>	<u>591,100</u>
	<u>\$ 7,281,099</u>	<u>\$ 2,391,100</u>	<u>\$ (3,513,264)</u>	<u>\$ 6,158,934</u>	<u>\$ 1,590,714</u>

## NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

### Tennessee Consolidated Retirement System

#### Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PCPP. The report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230, or can be accessed at <http://treasury.tn.gov/tcrs/PS>.

### Funding Policy

The City of East Ridge requires employees to contribute 5% of earnable compensation. The City of East Ridge is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 9.23% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of East Ridge is established and may be amended by the TCRS Board of Trustees.

### Annual Pension Cost

For the year ended June 30, 2013, the City's annual pension cost of \$406,908 to TCRS was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment or present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City of East Ridge's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

### Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$ 406,908	100.00%	\$ -
6/30/2012	\$ 419,418	100.00%	\$ -
6/30/2011	\$ 430,047	100.00%	\$ -

### Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 88.67% funded. The actuarial accrued liability for benefits (AAL) was \$14.23 million, and the actuarial value of assets was \$12.62 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.61 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.01 million, and the ratio of the UAAL to the covered payroll was 40.20%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the AAL for benefits.

### Schedule of Funding Progress (Dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/01/2011	\$ 12,618	\$ 14,230	\$ 1,612	88.67%	\$ 4,011	40.20%

## **Single-Employer Defined Benefit Plan**

### **Plan Description**

The City sponsors the City of East Ridge Retirement Plan, a single-employer, defined benefit pension plan, which is presented as a pension trust fund in these financial statements. The plan is administered by Lincoln National Life Insurance, and plan assets are invested in the Lincoln National Life Group Annuity Fund. The plan year is May 1 through April 30 of each year. Participation is limited to those employees who were participants in the plan as of December 31, 2000, and did not elect to join the Tennessee Consolidated Retirement System, and to former employees who were plan participants as of the same date.

As of the most recent actuarial valuation at May 1, 2010, the plan covered no employed participants, nine inactive participants, and thirteen retired participants. The plan provides retirement, disability and death benefits to participants and beneficiaries. Provisions of the plan are established and may be amended by the trustees of the plan, subject to the approval of City Council.

### **Funding Policy**

As there are no employed participants in the plan, no employee contributions are required. The City is required to contribute at an actuarially determined amount. There is no required contribution for the plan year ending April 30, 2013, and another actuarial valuation is not expected until May 1, 2013.

### **Annual Pension Cost**

As discussed above, there is no required contribution for the plan year ended April 30, 2013. There were no required or actual contributions for the plan years ended April 30, 2013 and 2012.

### **Methods and Assumptions**

The annual required contribution for the year ended April 30, 2013, was determined as part of the May 1, 2010, actuarial valuation, using the unit credit actuarial cost method. Under this method, actuarial gains and losses, as they occur, generally reduce or increase the unfunded actuarial accrued liability. This was a change from the method used for previous valuations since there are no active participants.

The annual required contribution for the plan years ended April 30, 2013, and April 30, 2012, was determined as part of the May 1, 2010 actuarial valuation, using the aggregate actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of all participants over the actuarial value of assets is allocated on a level basis over the future projected compensation of participants between the valuation date and the assumed exit. Under this method, actuarial gains or losses, as they occur, reduce or increase future normal contributions.

Significant actuarial assumptions include a 4.0% rate of return and a modest of future inflation. The assumptions did not include post retirement benefit increases, as the plan makes no provision for this.

The actuarial assumptions used to calculate the actuarial present value of accrued plan benefits are the same as the assumptions used to determine the funding requirement of the plan.

### **Trend Information**

<b><u>Plan Year Ending</u></b>	<b><u>Annual Pension Cost (APC)</u></b>	<b><u>Percentage of APC Contributed</u></b>	<b><u>Net Pension Obligation</u></b>
4/30/2013	\$ -	N/A	\$ -
4/30/2012	\$ -	N/A	\$ -
4/30/2011	\$ -	N/A	\$ -

**Funded Status and Funding Progress**

As of May 1, 2010, the plan was overfunded. The actuarial accrued liability for benefits was \$656,625, and the actuarial value of assets was \$796,986, resulting in an actuarial surplus of \$140,361.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Schedule of Funding Progress** (Dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
4/30/2010	\$ 797	\$ 657	\$ (140)	121.38%	\$ -	NA

**Other Postemployment Benefits**

**Plan Description**

The City provides healthcare benefits for its retired employees who elect to remain on the City’s group health insurance policy until they become eligible for Medicare. The amount of the benefit varies from 0% to 100%, as determined by the retiring employee’s years of service. The City provides no benefit for the cost of coverage for spouses or other eligible dependents. The plan was established and may be amended by the City Council. A stand-alone financial report is not issued.

**Funding Policy**

The City is reimbursed by the retirees for any coverage elected for the retiree’s spouse or other eligible dependents, as well as for their own coverage in excess of the amount provided by the City. During the 2013 fiscal year, the City contributed \$56,481 for healthcare benefits for twelve retired employees. As of June 30, 2013, and through the date of this report, the City has not established a trust for funding the annual required contribution as discussed below.

**Annual Cost and Net Obligation**

The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) for the employer, an amount actuarially determined in accordance with the government accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Following are the components of the City’s annual OPEB cost, the amounts contributed to the plan, and changes in the OPEB obligation:

Annual required contribution	\$ 443,000
Adjustment to annual required contribution	(100,000)
Interest on net OPEB obligation, beginning of year	<u>69,000</u>
Annual OPEB cost	412,000
Amount paid	<u>(56,481)</u>
Increase in net OPEB obligation	355,519
Net OPB obligation, beginning of year	<u>1,715,724</u>
Net OPEB obligation, end of year	<u>\$ 2,071,243</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the June 30, 2013, fiscal year, and two preceding years, were as follows:

### Trend Information

<u>Plan Year Ending</u>	<u>Annual OPEB Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$ 412,000	13.7%	\$ 2,071,243
6/30/2012	\$ 393,000	37.4%	\$ 1,715,724
6/30/2011	\$ 516,000	10.3%	\$ 1,469,724

### Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the City employees post retirement medical insurance benefits was 0% funded. The actuarial accrued liability for benefits was \$3,347,000, and the actuarial value of assets was 0%, resulting in an unfunded actuarial liability (UAAL) of \$3,347,000. The covered payroll (annual payroll of active employees covered by the plan) was \$3,758,000, and the ratio of the UAAL to the covered payroll was 89.1%. The City will make payments in amounts sufficient to cover benefits paid and administrative costs; the City is considering the funding of the annual required contribution.

### Schedule of Funding Progress (Dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2010	\$ -	\$ 3,347	\$ 3,347	0%	\$ 3,758	89.1%

As July 1, 2010, is the second valuation of the plan, only the information for two actuarial valuations is presented in the required supplementary information. The three most recent actuarial valuations will be provided as that information becomes available. The schedule of funding progress presented immediately following the financial statements as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Valuations

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about future employment, mortality, and healthcare costs trends. Amounts determined regarding the funded status of the plan and the annual required contribution are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities.

### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the City and the plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2010, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 0% rate of return for initial, unfunded year, future annual increases in medical costs of 9.0% over a 20-year period, and a 20-year open-ended amortization period for the UAAL.

## NOTE 9 – RESTRICTIONS AND CONTINGENCIES

### Federal and State Grants

The City has received funds from federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditure disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

## NOTE 10 – RISK MANAGEMENT AND LITIGATION

The City of East Ridge is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers' compensation coverage and general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise they are submitted to and paid by TML-RMP. During the fiscal year ended June 30, 2013, the City contributed a total of \$33,496 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

## NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the balance sheet date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

## NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLES

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. The City early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which has an effective date of June 30, 2014.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 established accounting and financial reporting standards that reclassifies, as deferred outflows or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In addition, under the new statement, deferred financing costs are to be expensed as incurred within the government-wide financial statements. The effect of this standard is detailed below.

	<b>Government- wide Activities</b>
Beginning balance	\$ 10,179,323
Change in accounting principle	
Elimination of deferred financing Costs	<u>(11,022)</u>
Restated beginning balance	<u>\$ 10,168,301</u>

**CITY OF EAST RIDGE, TENNESSEE**

**REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2013

**Tennessee Consolidated Retirement System**

**Schedule of Funding Progress (Dollar amounts in thousands):**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/01/2011	\$ 12,618	\$ 14,230	\$ 1,612	88.67%	\$ 4,011	40.20%
7/01/2009	\$ 10,256	\$ 10,280	\$ 24	99.76%	\$ 4,050	0.60%
7/01/2007	\$ 8,839	\$ 8,865	\$ 26	99.71%	\$ 3,796	0.68%

**Single-Employer Defined Benefit Plan**

**Schedule of Funding Progress (Dollar amounts in thousands):**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
4/30/2010	\$ 797	\$ 657	\$ (140)	121.38%	\$ -	NA
4/30/2007	\$ 864	\$ 932	\$ 68	92.70%	\$ 38	178.95%
4/30/2006	\$ 886	\$ 1,057	\$ 171	83.82%	\$ 34	502.94%

**Other Postemployment Benefit Plan**

**Schedule of Funding Progress (Dollar amounts in thousands):**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
7/1/2010	\$ -	\$ 3,347	\$ 3,347	0%	\$ 3,758	89.1%
7/1/2008	\$ -	\$ 3,902	\$ 3,902	0%	\$ 3,723	104.8%

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF EAST RIDGE, TENNESSEE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2013**

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>General Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Investigation</u>	<u>State Street Aid</u>	<u>Solid Waste Collection</u>	<u>Total</u>			
<b>ASSETS</b>							
Cash and cash equivalents	\$ 76,949	\$ 987,390	\$ -	\$ 1,064,339	\$ 415,847	\$ 237,475	\$ 1,717,661
Receivables	<u>869</u>	<u>47,579</u>	<u>-</u>	<u>48,448</u>	<u>-</u>	<u>-</u>	<u>48,448</u>
Total assets	<u>\$ 77,818</u>	<u>\$ 1,034,969</u>	<u>\$ -</u>	<u>\$ 1,112,787</u>	<u>\$ 415,847</u>	<u>\$ 237,475</u>	<u>\$ 1,766,109</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	<u>\$ 9,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,113</u>
Total liabilities	<u>9,113</u>	<u>-</u>	<u>-</u>	<u>9,113</u>	<u>-</u>	<u>-</u>	<u>9,113</u>
<b>Fund balances</b>							
Restricted for -							
Law enforcement	68,705	-	-	68,705	-	-	68,705
State approved street aid	-	1,034,969	-	1,034,969	-	-	1,034,969
Assigned to -							
Debt service	-	-	-	-	-	237,475	237,475
Capital projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>415,847</u>	<u>-</u>	<u>415,847</u>
Total fund balances	<u>68,705</u>	<u>1,034,969</u>	<u>-</u>	<u>1,103,674</u>	<u>415,847</u>	<u>237,475</u>	<u>1,756,996</u>
Total liabilities and fund balances	<u>\$ 77,818</u>	<u>\$ 1,034,969</u>	<u>\$ -</u>	<u>\$ 1,112,787</u>	<u>\$ 415,847</u>	<u>\$ 237,475</u>	<u>\$ 1,766,109</u>

**CITY OF EAST RIDGE, TENNESSEE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2013**

	Special Revenue				Capital Projects	General Debt Service	Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Solid Waste Collection	Total			
<b>REVENUES</b>							
Intergovernmental	\$ 48,212	\$ 538,927	\$ -	\$ 587,139	\$ -	\$ -	\$ 587,139
Fines and forfeitures	364	-	-	364	-	-	364
Miscellaneous	40	832	-	872	1,512	102	2,486
Total revenues	<u>48,616</u>	<u>539,759</u>	<u>-</u>	<u>588,375</u>	<u>1,512</u>	<u>102</u>	<u>589,989</u>
<b>EXPENDITURES</b>							
Current							
General government	-	-	-	-	97,641	893	98,534
Public safety	31,374	-	-	31,374	-	-	31,374
Public works	-	376,829	-	376,829	-	-	376,829
Capital outlay	39,757	-	-	39,757	37,958	-	77,715
Debt service							
Principal	14,975	-	-	14,975	-	600,000	614,975
Interest	<u>636</u>	<u>-</u>	<u>-</u>	<u>636</u>	<u>-</u>	<u>77,300</u>	<u>77,936</u>
Total expenditures	<u>86,742</u>	<u>376,829</u>	<u>-</u>	<u>463,571</u>	<u>135,599</u>	<u>678,193</u>	<u>1,277,363</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(38,126)	162,930	-	124,804	(134,087)	(678,091)	(687,374)
<b>OTHER FINANCING SOURCES</b>							
Transfers from other funds	-	-	-	-	-	729,999	729,999
Transfers to other funds	<u>(7,231)</u>	<u>-</u>	<u>(231,385)</u>	<u>(238,616)</u>	<u>-</u>	<u>-</u>	<u>(238,616)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(45,357)	162,930	(231,385)	(113,812)	(134,087)	51,908	(195,991)
<b>FUND BALANCES</b>							
Beginning	<u>114,062</u>	<u>872,039</u>	<u>231,385</u>	<u>1,217,486</u>	<u>549,934</u>	<u>185,567</u>	<u>1,952,987</u>
Ending	<u>\$ 68,705</u>	<u>\$ 1,034,969</u>	<u>\$ -</u>	<u>\$ 1,103,674</u>	<u>\$ 415,847</u>	<u>\$ 237,475</u>	<u>\$ 1,756,996</u>

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>TAXES</b>				
Local sales tax	\$ 2,075,000	\$ 2,075,000	\$ 1,983,042	\$ (91,958)
Property taxes	4,971,832	4,971,832	4,832,880	(138,952)
Business taxes	2,000	2,000	4,739	2,739
Local beer taxes	540,000	540,000	497,535	(42,465)
Gross receipts taxes	116,760	116,760	200,772	84,012
Franchise taxes	<u>200,000</u>	<u>200,000</u>	<u>286,538</u>	<u>86,538</u>
Total taxes	<u>7,905,592</u>	<u>7,905,592</u>	<u>7,805,506</u>	<u>(100,086)</u>
<b>LICENSES AND PERMITS</b>				
Building permits	20,000	20,000	24,294	4,294
Plumbing permits	2,200	2,200	2,746	546
Electrical permits	8,000	8,000	7,677	(323)
Construction activity permits	150	150	-	(150)
Other permits and licenses	<u>35,175</u>	<u>35,175</u>	<u>51,068</u>	<u>15,893</u>
Total licenses and permits	<u>65,525</u>	<u>65,525</u>	<u>85,785</u>	<u>20,260</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	1,100,527	1,100,527	1,444,444	343,917
State beer tax	11,209	11,209	10,372	(837)
State telecommunications tax	1,500	1,500	1,789	289
State mixed drink tax	10,000	10,000	8,221	(1,779)
State income and excise tax	65,000	65,000	59,510	(5,490)
City streets and transportation	-	-	42,989	42,989
TVA in lieu of tax	400,000	400,000	239,240	(160,760)
State and other grants	37,767	37,767	34,676	(3,091)
Federal grants	<u>776,203</u>	<u>776,203</u>	<u>92,556</u>	<u>(683,647)</u>
Total intergovernmental	<u>2,402,206</u>	<u>2,402,206</u>	<u>1,933,797</u>	<u>(468,409)</u>
<b>CHARGES FOR SERVICES</b>				
Fire service contract	95,841	95,841	111,815	15,974
Recreation fees	377,000	377,000	487,324	110,324
Solid waste collection fees	1,428,570	1,428,570	1,531,585	103,015
Mowing charges	15,750	15,750	15,750	-
Other	<u>19,350</u>	<u>19,350</u>	<u>21,454</u>	<u>2,104</u>
Total charges for services	<u>1,936,511</u>	<u>1,936,511</u>	<u>2,167,928</u>	<u>231,417</u>
<b>FINES AND FORFEITS</b>				
City court fines and fees	289,100	289,100	220,989	(68,111)
Other fines and fees	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>1,600</u>
Total fines and forfeits	<u>289,100</u>	<u>289,100</u>	<u>222,589</u>	<u>(66,511)</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>MISCELLANEOUS</b>				
Insurance recoveries	\$ 9,500	\$ 9,500	\$ 21,763	\$ 12,263
Interest	10,000	10,000	17,876	7,876
Other	20,799	20,799	123,849	103,050
Total miscellaneous	<u>40,299</u>	<u>40,299</u>	<u>163,488</u>	<u>123,189</u>
Total revenues	<u>12,639,233</u>	<u>12,639,233</u>	<u>12,379,093</u>	<u>(260,140)</u>
<b>GENERAL GOVERNMENT</b>				
<b>    General Government</b>				
Pension	-	-	2,462	(2,462)
Workers' compensation	140,000	140,000	143,634	(3,634)
Dues and memberships	12,000	12,000	13,844	(1,844)
Data processing services	48,500	48,500	48,077	423
Insurance	270,000	270,000	344,666	(74,666)
Professional fees	155,000	155,000	211,878	(56,878)
	<u>625,500</u>	<u>625,500</u>	<u>764,561</u>	<u>(139,061)</u>
<b>    Administration</b>				
Salaries	466,508	472,271	445,615	26,656
Payroll taxes	35,174	35,174	30,907	4,267
Health insurance	83,853	83,853	82,485	1,368
Pension	32,000	32,000	28,395	3,605
Workers' compensation	1,724	1,724	1,903	(179)
Employee training	2,500	2,500	3,265	(765)
Printing and duplicating	11,000	11,000	6,631	4,369
Dues and memberships	5,600	5,600	4,141	1,459
Telephone	7,500	7,500	11,784	(4,284)
Public relations	3,000	3,000	4,557	(1,557)
Travel	6,000	6,000	10,736	(4,736)
Operating supplies	50,000	50,000	69,191	(19,191)
Equipment operations and maintenance	11,500	11,500	6,474	5,026
Other	10,900	10,900	17,664	(6,764)
	<u>727,259</u>	<u>733,022</u>	<u>723,748</u>	<u>9,274</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>City Council</b>				
Salaries	40,800	40,800	41,400	(600)
Payroll taxes	3,122	3,122	2,992	130
Health insurance	12,000	12,000	13,669	(1,669)
Employee training	3,000	3,000	2,350	650
Printing and duplicating	-	-	816	(816)
Dues and memberships	400	400	255	145
Telephone	3,500	3,500	3,427	73
Council meeting	1,000	1,000	1,022	(22)
Travel	8,630	8,630	8,358	272
Operating supplies	-	-	4,016	(4,016)
Other	1,000	1,000	1,380	(380)
	<u>73,452</u>	<u>73,452</u>	<u>79,685</u>	<u>(6,233)</u>
<b>Municipal Court</b>				
Salaries	120,809	123,408	125,666	(2,258)
Payroll taxes	8,833	8,833	9,058	(225)
Health insurance	35,100	35,100	33,246	1,854
Employee training	(500)	(500)	-	(500)
Pension	8,928	8,928	9,007	(79)
Workers' compensation	810	810	810	-
Printing and duplicating	1,500	1,500	841	659
Dues and memberships	(50)	(50)	-	(50)
Subscriptions	(600)	(600)	-	(600)
Telephone	1,300	1,300	1,433	(133)
Building maintenance	(300)	(300)	-	(300)
Operating supplies	17,650	17,650	17,378	272
Equipment operations and maintenance	100	100	916	(816)
Child restraint	6,000	6,000	5,113	887
Litigation fees	35,000	35,000	33,613	1,387
Other	12,800	12,800	9,867	2,933
	<u>247,380</u>	<u>249,979</u>	<u>246,948</u>	<u>3,031</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>City Services</b>				
Salaries	118,583	119,939	115,528	4,411
Payroll taxes	9,072	9,072	8,416	656
Health insurance	29,716	29,716	27,789	1,927
Pension	10,446	10,446	9,568	878
Workers' compensation	762	762	306	456
Printing and duplicating	250	250	500	(250)
Dues and memberships	600	600	594	6
Telephone	-	-	3,161	(3,161)
Travel	400	400	-	400
Office supplies	4,425	4,425	4,764	(339)
Professional services	23,000	23,000	7,075	15,925
Equipment operations and maintenance	2,400	2,400	473	1,927
Other	3,000	3,000	3,352	(352)
	<u>202,654</u>	<u>204,010</u>	<u>181,526</u>	<u>22,484</u>
<b>City Hall Complex</b>				
Utilities	28,800	28,800	25,850	2,950
Building maintenance	10,000	10,000	5,788	4,212
	<u>38,800</u>	<u>38,800</u>	<u>31,638</u>	<u>7,162</u>
<b>Special Projects -</b>				
City projects	22,000	22,000	25,999	(3,999)
	<u>22,000</u>	<u>22,000</u>	<u>25,999</u>	<u>(3,999)</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Inspection</b>				
Salaries	145,975	148,687	140,073	8,614
Payroll taxes	11,473	11,473	10,176	1,297
Health insurance	45,703	45,703	47,720	(2,017)
Pension	13,843	13,843	12,686	1,157
Workers' compensation	654	654	514	140
Employee training	5,000	5,000	5,615	(615)
Printing and duplicating	500	500	780	(280)
Dues and memberships	300	300	365	(65)
Telephone	2,100	2,100	1,668	432
Travel	1,000	1,000	895	105
Contract services	38,000	38,000	24,465	13,535
Operating supplies	7,500	7,500	7,427	73
Equipment operations and maintenance	7,200	7,200	4,974	2,226
Uniform	1,000	1,000	960	40
Other	<u>10,250</u>	<u>10,250</u>	<u>10,386</u>	<u>(136)</u>
	<u>290,498</u>	<u>293,210</u>	<u>268,704</u>	<u>24,506</u>
<b>City Garage</b>				
Health insurance	-	-	15,977	(15,977)
Telephone	-	-	396	(396)
Utilities	4,500	4,500	5,092	(592)
Equipment operations and maintenance	10,500	10,500	1,414	9,086
Building maintenance	<u>2,250</u>	<u>2,250</u>	<u>1,659</u>	<u>591</u>
	<u>17,250</u>	<u>17,250</u>	<u>24,538</u>	<u>(7,288)</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Building Maintenance</b>				
Salaries	100,778	103,264	107,509	(4,245)
Payroll taxes	7,664	7,664	8,079	(415)
Health insurance	20,000	20,000	20,388	(388)
Pension	7,005	7,005	6,696	309
Workers' compensation	1,703	1,703	543	1,160
Telephone	1,750	1,750	2,311	(561)
Utilities	6,500	6,500	6,124	376
Medical	300	300	-	300
Operating supplies	18,000	18,000	14,406	3,594
Custodial services	3,000	3,000	791	2,209
Equipment operations and maintenance	2,050	2,050	128	1,922
Building maintenance	5,000	5,000	1,757	3,243
Grounds maintenance	1,400	1,400	-	1,400
Other	199	199	14	185
	<u>175,349</u>	<u>177,835</u>	<u>168,746</u>	<u>9,089</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>2,420,142</u>	<u>2,435,058</u>	<u>2,516,093</u>	<u>(81,035)</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
<b>Police</b>				
Salaries	1,867,084	1,905,273	1,830,052	75,221
Payroll taxes	142,162	142,162	131,012	11,150
Health insurance	435,774	435,774	425,803	9,971
Pension	153,392	153,392	149,448	3,944
Workers' compensation	6,174	6,174	6,529	(355)
Employee training	6,000	6,000	12,492	(6,492)
Printing and duplicating	2,000	2,000	2,050	(50)
Dues and memberships	1,000	1,000	1,805	(805)
Subscriptions	1,000	1,000	537	463
Telephone	32,000	32,000	50,048	(18,048)
Utilities	18,800	18,800	19,560	(760)
Medical	5,000	5,000	4,430	570
Travel	10,000	10,000	12,666	(2,666)
Data processing	2,000	2,000	2,527	(527)
Operating supplies	25,000	25,000	27,519	(2,519)
Contracts with other governments	292,015	292,015	283,927	8,088
Supplies and small equipment	23,000	23,000	21,890	1,110
Equipment operations and maintenance	193,000	193,000	199,374	(6,374)
Building maintenance	5,000	5,000	4,713	287
Grounds maintenance	500	500	-	500
Uniforms	18,000	18,000	27,447	(9,447)
Insurance	-	-	5,937	(5,937)
Other	3,500	3,500	2,763	737
	<u>3,242,401</u>	<u>3,280,590</u>	<u>3,222,529</u>	<u>58,061</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Fire</b>				
Salaries	842,602	859,326	885,539	(26,213)
Payroll taxes	63,832	63,832	63,712	120
Health insurance	176,500	176,500	189,881	(13,381)
Pension	77,015	77,015	74,254	2,761
Workers' compensation	2,268	2,268	2,681	(413)
Employee training	4,000	4,000	7,917	(3,917)
Printing and duplicating	300	300	2,019	(1,719)
Dues and memberships	1,400	1,400	2,213	(813)
Subscriptions	200	200	384	(184)
Telephone	10,000	10,000	11,956	(1,956)
Utilities	18,800	18,800	21,668	(2,868)
Medical	3,500	3,500	3,290	210
Travel	6,000	6,000	10,648	(4,648)
Rent	700	700	700	-
Operating supplies	35,345	35,345	27,698	7,647
Contracts with other governments	97,339	97,339	68,534	28,805
Supplies and small equipment	12,000	12,000	27,363	(15,363)
Equipment operations and maintenance	54,500	54,500	45,133	9,367
Building maintenance	5,500	5,500	7,839	(2,339)
Uniforms	12,000	12,000	6,798	5,202
Insurance	-	-	2,000	(2,000)
Other	8,000	8,000	4,596	3,404
	<u>1,431,801</u>	<u>1,448,525</u>	<u>1,466,823</u>	<u>(18,298)</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Animal Control</b>				
Salaries	94,002	95,923	91,221	4,702
Payroll taxes	7,045	7,045	6,669	376
Health insurance	27,433	27,433	23,229	4,204
Pension	6,964	6,964	6,682	282
Workers' compensation	478	478	562	(84)
Employee training	1,500	1,500	850	650
Printing and duplicating	1,000	1,000	1,376	(376)
Dues and memberships	975	975	275	700
Telephone	2,500	2,500	2,474	26
Utilities	5,000	5,000	6,144	(1,144)
Medical	500	500	676	(176)
Travel	2,000	2,000	1,546	454
Operating supplies	22,500	22,500	24,113	(1,613)
Equipment operations and maintenance	11,100	11,100	7,647	3,453
Building maintenance	18,500	18,500	3,546	14,954
Uniforms	1,000	1,000	3,840	(2,840)
Other	7,800	7,800	13,318	(5,518)
	<u>210,297</u>	<u>212,218</u>	<u>194,168</u>	<u>18,050</u>
<b>TOTAL DEPARTMENT OF PUBLIC SAFETY</b>	<u>4,884,499</u>	<u>4,941,333</u>	<u>4,883,520</u>	<u>57,813</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT OF PUBLIC WORKS</b>				
<b>Traffic Control</b>				
Salaries	81,730	84,329	77,800	6,529
Payroll taxes	6,522	6,522	5,557	965
Health insurance	20,316	20,316	33,364	(13,048)
Pension	7,408	7,408	6,664	744
Workers' compensation	1,204	1,204	262	942
Employee training	2,500	2,500	-	2,500
Dues and memberships	400	400	336	64
Telephone	2,200	2,200	3,030	(830)
Utilities	8,100	8,100	6,030	2,070
Medical	200	200	273	(73)
Professional and contract services	1,500	1,500	-	1,500
Travel	450	450	882	(432)
Operating supplies	26,475	26,475	26,015	460
Equipment operations and maintenance	24,700	24,700	14,413	10,287
Building maintenance	500	500	303	197
Grounds maintenance	575	575	-	575
Uniforms	350	350	265	85
Other	150	150	46	104
	<u>185,280</u>	<u>187,879</u>	<u>175,240</u>	<u>12,639</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Streets</b>				
Salaries	223,777	229,201	183,360	45,841
Payroll taxes	19,931	19,931	13,176	6,755
Health insurance	80,000	80,000	101,031	(21,031)
Pension	26,338	26,338	16,657	9,681
Workers' compensation	4,430	4,430	754	3,676
Printing and duplicating	250	250	337	(87)
Telephone	1,750	1,750	2,102	(352)
Utilities	350	350	273	77
Medial	300	300	558	(258)
Operating supplies	45,400	45,400	26,440	18,960
Equipment operations and maintenance	91,750	91,750	78,607	13,143
Building maintenance	900	900	27	873
Uniforms	2,700	2,700	1,195	1,505
Damage claims	-	-	1,358	(1,358)
Other	4,000	4,000	1,995	2,005
	<u>501,876</u>	<u>507,300</u>	<u>427,870</u>	<u>79,430</u>
<b>Flood Control</b>				
Project costs	821,203	821,203	122,315	698,888
	<u>821,203</u>	<u>821,203</u>	<u>122,315</u>	<u>698,888</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Solid Waste</b>				
Salaries	445,125	453,148	482,461	(29,313)
Payroll taxes	33,629	33,629	33,777	(148)
Health insurance	150,000	150,000	166,177	(16,177)
Pension	35,892	35,892	39,804	(3,912)
Workers' compensation	1,638	1,638	2,156	(518)
Landfill services	240,000	240,000	230,602	9,398
Printing and duplicating	600	600	718	(118)
Telephone	1,700	1,700	1,608	92
Utilities	6,560	6,560	7,720	(1,160)
Medical	1,700	1,700	2,281	(581)
Operating supplies	164,908	164,908	20,995	143,913
Contracted services	57,000	57,000	58,208	(1,208)
Equipment operations and maintenance	165,750	165,750	206,911	(41,161)
Building maintenance	800	800	462	338
Uniforms	4,000	4,000	4,486	(486)
Compensation for damages	5,000	5,000	3,082	1,918
Other	4,150	4,150	307	3,843
	<u>1,318,452</u>	<u>1,326,475</u>	<u>1,261,755</u>	<u>64,720</u>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<u>2,826,811</u>	<u>2,842,857</u>	<u>1,987,180</u>	<u>855,677</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>DEPARTMENT OF PUBLIC WELFARE</b>				
<b>Library</b>				
Salaries	93,720	96,206	97,073	(867)
Payroll taxes	6,971	6,971	7,224	(253)
Health insurance	21,900	21,900	20,835	1,065
Pension	6,722	6,722	6,522	200
Workers' compensation	1,525	1,525	490	1,035
Printing and duplicating	400	400	-	400
Subscriptions	13,000	13,000	12,695	305
Telephone	1,000	1,000	752	248
Medical	100	100	125	(25)
Professional and contract services	20,000	20,000	8,517	11,483
Operating supplies	2,650	2,650	3,855	(1,205)
Equipment operations and maintenance	-	-	1,299	(1,299)
Building maintenance	-	-	137	(137)
Other	100	100	112	(12)
	<u>168,088</u>	<u>170,574</u>	<u>159,636</u>	<u>10,938</u>
<b>Museum</b>				
Dues and memberships	-	-	15	(15)
Subscriptions	300	300	204	96
Telephone	1,000	1,000	196	804
Contract services	210	210	-	210
Operating supplies	525	525	-	525
	<u>2,035</u>	<u>2,035</u>	<u>415</u>	<u>1,620</u>
<b>TOTAL DEPARTMENT OF PUBLIC WELFARE</b>	<u>170,123</u>	<u>172,609</u>	<u>160,051</u>	<u>12,558</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>CULTURE AND RECREATION</b>				
<b>Arena</b>				
Salaries	250,234	254,867	247,018	7,849
Payroll taxes	19,195	19,195	18,449	746
Health insurance	47,521	47,521	58,436	(10,915)
Pension	19,269	19,269	19,975	(706)
Workers' compensation	681	681	807	(126)
Employee training	1,000	1,000	639	361
Printing and duplicating	125	125	855	(730)
Dues and subscriptions	-	-	176	(176)
Telephone	3,500	3,500	4,277	(777)
Utilities	21,550	21,550	28,680	(7,130)
Travel	3,000	3,000	521	2,479
Operating supplies	23,500	23,500	19,739	3,761
Contracted services	10,000	10,000	8,191	1,809
Equipment operations and maintenance	47,020	47,020	35,742	11,278
Building maintenance	15,000	15,000	1,645	13,355
Grounds maintenance	25,000	25,000	17,154	7,846
Uniforms	1,500	1,500	616	884
Medical	125	125	178	(53)
Damage claims	-	-	1,136	(1,136)
Insurance (non-personnel)	9,650	9,650	-	9,650
Other	500	500	150	350
	<u>498,370</u>	<u>503,003</u>	<u>464,384</u>	<u>38,619</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Maintenance of Recreational Facilities</b>				
Salaries	165,007	167,719	163,785	3,934
Payroll taxes	18,490	18,490	12,384	6,106
Health insurance	43,000	43,000	38,794	4,206
Pension	21,568	21,568	14,122	7,446
Workers' compensation	500	500	500	-
Employee training	200	200	525	(325)
Printing and duplicating	600	600	1,033	(433)
Dues and memberships	2,650	2,650	1,633	1,017
Telephone	5,400	5,400	4,148	1,252
Utilities	130,060	130,060	142,025	(11,965)
Operating supplies	16,000	16,000	18,319	(2,319)
Contracted services	3,500	3,500	1,445	2,055
Equipment operations and maintenance	7,100	7,100	3,040	4,060
Building maintenance	10,000	10,000	8,081	1,919
Grounds maintenance	7,000	7,000	557	6,443
Travel	1,000	1,000	478	522
Park promotions	10,000	10,000	4,637	5,363
Uniforms	1,500	1,500	658	842
Medical	200	200	-	200
Other	1,250	1,250	250	1,000
	<u>445,025</u>	<u>447,737</u>	<u>416,414</u>	<u>31,323</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Community Center</b>				
Salaries	88,780	91,153	95,390	(4,237)
Payroll taxes	6,635	6,635	7,230	(595)
Health insurance	-	-	851	(851)
Pension	100	100	3,762	(3,662)
Workers' compensation	3,840	3,840	540	3,300
Employee training	500	500	100	400
Printing and duplicating	550	550	1,762	(1,212)
Dues and memberships	-	-	126	(126)
Telephone	3,200	3,200	3,391	(191)
Utilities	20,500	20,500	20,872	(372)
Medical	150	150	70	80
Operating supplies	31,175	31,175	29,618	1,557
Contracted services	65,000	65,000	70,220	(5,220)
Equipment operations and maintenance	6,080	6,080	142	5,938
Building maintenance	4,000	4,000	5,334	(1,334)
Grounds maintenance	4,000	4,000	3,488	512
Travel	500	500	78	422
Tournament and soccer league fees	-	-	7,797	(7,797)
Uniforms	50,000	50,000	80,861	(30,861)
Insurance (non-personnel)	-	-	7,020	(7,020)
Other	-	-	6,252	(6,252)
	<u>285,010</u>	<u>287,383</u>	<u>344,904</u>	<u>(57,521)</u>
<b>Pool Property</b>				
Utilities	120	120	121	(1)
Building maintenance	-	-	26	(26)
	<u>120</u>	<u>120</u>	<u>147</u>	<u>(27)</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>McBrien School</b>				
Telephone	-	-	1,287	(1,287)
Utilities	3,000	3,000	8,200	(5,200)
Building maintenance	2,000	2,000	2,809	(809)
Grounds maintenance	-	-	50	(50)
Contracted services	-	-	180	(180)
Operating supplies	-	-	7,584	(7,584)
Other	-	-	2,194	(2,194)
	<u>5,000</u>	<u>5,000</u>	<u>22,304</u>	<u>(17,304)</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>1,233,525</u>	<u>1,243,243</u>	<u>1,248,153</u>	<u>(4,910)</u>
<b>CAPITAL OUTLAY</b>				
Administration	1,600	1,600	82,629	(81,029)
Police	32,000	32,000	14,552	17,448
Culture and recreation	18,000	18,000	17,495	505
Public works	45,000	45,000	40,471	4,529
	<u>96,600</u>	<u>96,600</u>	<u>155,147</u>	<u>(58,547)</u>
<b>TOTAL CAPITAL OUTLAY</b>	<u>96,600</u>	<u>96,600</u>	<u>155,147</u>	<u>(58,547)</u>
<b>DEBT SERVICE</b>				
Principal	281,319	281,319	270,686	10,633
Interest	39,959	39,959	39,741	218
	<u>321,278</u>	<u>321,278</u>	<u>310,427</u>	<u>10,851</u>
<b>TOTAL DEBT SERVICE</b>	<u>321,278</u>	<u>321,278</u>	<u>310,427</u>	<u>10,851</u>
<b>TOTAL EXPENDITURES</b>	<u>11,952,978</u>	<u>12,052,978</u>	<u>11,260,571</u>	<u>792,407</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXCESS REVENUES OVER EXPENDITURES</b>	686,255	586,255	1,118,522	532,267
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	238,616	(238,616)
Transfers to other funds	(782,960)	(782,960)	(782,960)	-
Proceeds from sale of assets	<u>20,000</u>	<u>20,000</u>	<u>46,760</u>	<u>(26,760)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(76,705)	(176,705)	620,938	<u>\$ 797,643</u>
<b>FUND BALANCES</b>				
Beginning	<u>4,929,464</u>	<u>4,929,464</u>	<u>4,929,464</u>	
Ending	<u>\$ 4,852,759</u>	<u>\$ 4,752,759</u>	<u>\$ 5,550,402</u>	

**CITY OF EAST RIDGE, TENNESSEE**

**DRUG INVESTIGATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 38,000	\$ 38,000	\$ 48,212	\$ 10,212
Drug related fines and forfeitures	7,000	7,000	364	(6,636)
Interest	100	100	40	(60)
Total revenues	<u>45,100</u>	<u>45,100</u>	<u>48,616</u>	<u>3,516</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Govdeals fees	500	500	-	500
Office supplies	17,742	17,742	25,424	(7,682)
Uniforms	-	-	4,597	(4,597)
Bank service charges	-	-	653	(653)
Equipment operations and maintenance	2,000	2,000	700	1,300
	<u>20,242</u>	<u>20,242</u>	<u>31,374</u>	<u>(11,132)</u>
<b>CAPITAL OUTLAY</b>	-	-	39,757	(39,757)
<b>DEBT SERVICE</b>				
Principal	-	-	14,975	(14,975)
Interest	692	692	636	56
Total debt service	<u>692</u>	<u>692</u>	<u>15,611</u>	<u>(14,919)</u>
<b>TOTAL EXPENDITURES</b>	<u>20,934</u>	<u>20,934</u>	<u>86,742</u>	<u>(65,808)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	24,166	24,166	(38,126)	(62,292)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	(7,231)	(7,231)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	24,166	24,166	(45,357)	<u><u>\$ (69,523)</u></u>
<b>FUND BALANCES</b>				
Beginning	<u>114,062</u>	<u>114,062</u>	<u>114,062</u>	
Ending	<u>\$ 138,228</u>	<u>\$ 138,228</u>	<u>\$ 68,705</u>	

**CITY OF EAST RIDGE, TENNESSEE**

STATE STREET AID FUND  
 SCHEDULE OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State gas tax apportionment	\$ 593,327	\$ 593,327	\$ 538,927	\$ (54,400)
Interest	5,000	5,000	832	(4,168)
Total revenues	<u>598,327</u>	<u>598,327</u>	<u>539,759</u>	<u>(58,568)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Salaries	107,971	107,971	123,852	(15,881)
Payroll taxes	8,225	8,225	9,321	(1,096)
Health insurance	10,000	10,000	13,682	(3,682)
Pension	9,900	9,900	10,357	(457)
Workers' compensation	1,738	1,738	306	1,432
Utilities	200,000	200,000	195,196	4,804
Operating supplies	25,000	25,000	23,710	1,290
Spring Creek Study	42,450	42,450	-	42,450
Other	137,043	137,043	405	136,638
	<u>542,327</u>	<u>542,327</u>	<u>376,829</u>	<u>165,498</u>
<b>CAPITAL OUTLAY</b>	<u>56,000</u>	<u>56,000</u>	<u>-</u>	<u>56,000</u>
<b>TOTAL EXPENDITURES</b>	<u>598,327</u>	<u>598,327</u>	<u>376,829</u>	<u>221,498</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	-	-	162,930	<u>\$ 162,930</u>
<b>FUND BALANCES</b>				
Beginning	<u>872,039</u>	<u>872,039</u>	<u>872,039</u>	
Ending	<u>\$ 872,039</u>	<u>\$ 872,039</u>	<u>\$ 1,034,969</u>	

**CITY OF EAST RIDGE, TENNESSEE**

GENERAL DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ 100	\$ 100	\$ 102	\$ 2
Total revenues	<u>100</u>	<u>100</u>	<u>102</u>	<u>2</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Administrative	<u>12,000</u>	<u>12,000</u>	<u>893</u>	<u>11,107</u>
	<u>12,000</u>	<u>12,000</u>	<u>893</u>	<u>11,107</u>
<b>DEBT SERVICE -</b>				
Principal	600,000	600,000	600,000	-
Interest	<u>77,300</u>	<u>77,300</u>	<u>77,300</u>	<u>-</u>
Total debt service	<u>677,300</u>	<u>677,300</u>	<u>677,300</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>689,300</u>	<u>689,300</u>	<u>678,193</u>	<u>11,107</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(689,200)	(689,200)	(678,091)	11,109
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>219,260</u>	<u>219,260</u>	<u>729,999</u>	<u>(510,739)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(469,940)	(469,940)	51,908	<u>\$ 521,848</u>
<b>FUND BALANCES</b>				
Beginning	<u>185,567</u>	<u>185,567</u>	<u>185,567</u>	
Ending	<u>\$ (284,373)</u>	<u>\$ (284,373)</u>	<u>\$ 237,475</u>	

**CITY OF EAST RIDGE, TENNESSEE**

TENNESSEE MUNICIPAL LEAGUE BOND FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2013

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Room occupancy tax	\$ 260,000	\$ 260,000	\$ 265,378	\$ 5,378
Interest	200	200	859	659
Total revenues	<u>260,200</u>	<u>260,200</u>	<u>266,237</u>	<u>6,037</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Administrative	<u>2,600</u>	<u>2,600</u>	<u>22,857</u>	<u>(20,257)</u>
	<u>2,600</u>	<u>2,600</u>	<u>22,857</u>	<u>(20,257)</u>
<b>DEBT SERVICE</b>				
Principal	255,000	1,935,000	2,033,000	(98,000)
Interest	<u>96,360</u>	<u>96,360</u>	<u>48,386</u>	<u>47,974</u>
Total debt service	<u>351,360</u>	<u>2,031,360</u>	<u>2,081,386</u>	<u>(50,026)</u>
<b>TOTAL EXPENDITURES</b>	<u>353,960</u>	<u>2,033,960</u>	<u>2,104,243</u>	<u>(70,283)</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(93,760)	(1,773,760)	(1,838,006)	(64,246)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	563,700	563,700	563,700	-
Transfers to other funds	-	-	(510,739)	510,739
Loan issued	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	2,269,940	589,940	14,955	<u>\$ (574,985)</u>
<b>FUND BALANCES</b>				
Beginning	<u>299,193</u>	<u>299,193</u>	<u>299,193</u>	
Ending	<u>\$ 2,569,133</u>	<u>\$ 889,133</u>	<u>\$ 314,148</u>	

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2013

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<u>Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>
2002	1.061	\$ 244,129,528	\$ 2,587,773
2003	1.250	235,000,000	2,937,500
2004	1.250	242,000,000	3,025,000
2005	1.250	290,264,480	3,126,148
2006	1.077	290,000,000	3,123,300
2007	1.077	291,000,000	3,134,070
2008	1.287	294,000,000	3,783,780
2009	1.1227	298,000,000	3,345,600
2010	1.1227	345,000,000	3,873,315
2011	1.4227	345,000,000	4,908,315
2012	1.4227	328,635,500	4,675,497
2013	1.4227	334,223,371	4,684,868

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**

JUNE 30, 2013

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2012</u>	<u>Property Tax Levied</u>	<u>Anticipated Property Tax Levy</u>	<u>Abatements and Adjustments</u>	<u>Tax Collections</u>	<u>Property Tax Receivable Balance June 30, 2012</u>
2013	\$ -	\$ -	\$ 4,684,838	\$ -	\$ -	\$ 4,684,838
2012	-	4,675,497	-	-	(4,394,796)	280,701
2011	290,373	-	-	-	(202,720)	87,653
2010	50,570	-	-	-	(50,213)	357
2009	17,162	-	-	-	(16,151)	1,011
2008	1,426	-	-	-	(660)	766
2007	2,083	-	-	2,134	-	4,217
2006	471	-	-	(471)	-	-
	<u>\$ 362,085</u>	<u>\$ 4,675,497</u>	<u>\$ 4,684,838</u>	<u>\$ 1,663</u>	<u>\$ (4,664,540)</u>	<u>\$ 5,059,543</u>

*Note: All uncollected taxes for the years prior to 2012 have been turned over to the Clerk and Master for collection.*

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2013**

Year Ending June 30,	TML Bond Fund 2004		Cornerstone Community Bank Note		TML Bond Fund Series 2013		General Obligation Bonds Series 2007		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 137,000	\$ 69,040	\$ 75,176	\$ 15,943	\$ 100,000	\$ 29,340	\$ 620,000	\$ 53,300	\$ 67,438	\$ 15,735	\$ 999,614	\$ 183,358
2015	141,000	63,560	77,656	13,463	1,700,000	27,710	570,000	28,500	70,600	25,573	2,559,256	158,806
2016	144,000	57,920	80,218	10,901	-	-	-	28,500	43,459	9,262	267,677	106,583
2017	148,000	52,160	291,456	3,766	-	-	-	-	45,609	7,112	485,065	63,038
2018	152,000	46,240	-	-	-	-	-	-	47,866	4,855	199,866	51,095
2019	156,000	40,160	-	-	-	-	-	-	52,356	2,485	208,356	42,645
2020	161,000	33,920	-	-	-	-	-	-	-	-	161,000	33,920
2021	165,000	27,480	-	-	-	-	-	-	-	-	165,000	27,480
2022	169,000	20,880	-	-	-	-	-	-	-	-	169,000	20,880
2023	174,000	14,120	-	-	-	-	-	-	-	-	174,000	14,120
2024	<u>179,000</u>	<u>7,160</u>	-	-	-	-	-	-	-	-	<u>179,000</u>	<u>7,160</u>
Total	<u>\$1,726,000</u>	<u>\$ 432,640</u>	<u>\$ 524,506</u>	<u>\$ 44,073</u>	<u>\$1,800,000</u>	<u>\$ 57,050</u>	<u>\$1,190,000</u>	<u>\$ 110,300</u>	<u>\$ 327,328</u>	<u>\$ 65,022</u>	<u>\$5,567,834</u>	<u>\$ 709,085</u>

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2013**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Passed Through Tennessee Department of Economic and Community Development:						
Community Development Block Grant	14.228	GG-11-236397	\$ -	\$ 66,672	\$ 66,672	\$ -
Total Department of Housing and Urban Development			<u>-</u>	<u>66,672</u>	<u>66,672</u>	<u>-</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>						
COPS Grant - ARRA	16.710	2009RKWX0804	(30,611)	30,611	-	-
Total U. S. Department of Justice			<u>(30,611)</u>	<u>30,611</u>	<u>-</u>	<u>-</u>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>						
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>						
Disaster Assistance	97.036	FEMA-1965-DR-TN	(826)	826	-	-
Disaster Assistance	97.036	FEMA-1974-DR-TN	(69,937)	-	-	(69,937)
Total Department of Homeland Security			<u>(70,763)</u>	<u>826</u>	<u>-</u>	<u>(69,937)</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>(101,374)</u>	<u>98,109</u>	<u>66,672</u>	<u>(69,937)</u>
<b>STATE AWARDS</b>						
Tennessee Department of Transportation						
ADA Retrofitting Grant	N/A	STP-M-9213(4)	-	25,884	25,884	-
State of Tennessee Law Enforcement Education Grant	N/A	Fiscal Year 2013	-	19,800	19,800	-
State of Tennessee Fire Service Education Grant	N/A	Fiscal Year 2013	-	10,200	10,200	-
State of Tennessee Equipment Recycling Grant	N/A	Fiscal Year 2013	-	1,676	1,676	-
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>-</u>	<u>57,560</u>	<u>57,560</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS</b>			<u>\$ (101,374)</u>	<u>\$ 155,669</u>	<u>\$ 124,232</u>	<u>\$ (69,937)</u>

# **CITY OF EAST RIDGE, TENNESSEE**

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**YEAR ENDED JUNE 30, 2013**

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### **NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State Awards include the federal and state grant activity of the City of East Ridge, Tennessee and is presented on the modified accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## **COMPLIANCE SECTION**



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

Certified Public Accountants

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

To the Mayor and City Council  
City of East Ridge, Tennessee  
East Ridge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 1, 2013.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency as item 2013-01.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of East Ridge, Tennessee'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* as item 2013-01.

### **City of East Ridge Tennessee's Response to Findings**

The City of East Ridge, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee  
November 1, 2013

*Henderson Hutcherson  
is McCullough, PLLC*

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**

YEAR ENDED JUNE 30, 2013

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**Current Year Findings**

**2013-01: Controls over the Financial Reporting Process**

Condition: Under current professional standards, the City is responsible for the internal control process which includes preparation of timely and accurate yearend financial statements in accordance with generally accepted accounting principles. During the audit process, adjustments were made to the funds and government-wide financial statements. In addition, the City's expenditures exceeded annual appropriations within the General Fund, Drug Investigation Fund, and the TML Bond Fund.

Criteria: The City government is responsible for two types of accountability: fiscal accountability and operational accountability. First, fiscal accountability must be met by the government in the current period by demonstrating that public funds have been spent in accordance with its budget. Second, operational accountability requires the City to "report the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose and whether it can continue to meet its objectives for the foreseeable future". Without accurate financial information, the council, who are ultimately responsible, can demonstrate neither of these types of accountability.

Effect: The City's financial statements contained misstatements throughout the fiscal year. Expenditures were made in excess of the annual appropriated amounts.

Recommendation: The number of adjustments proposed in the current fiscal year was significantly less than those proposed in the prior fiscal year. Therefore, management has responded to the prior year finding with appropriate corrective action. Management should continue training and continuing education within the finance department. Management should also continue to refine the monthly/annual financial close and review process to ensure that all adjusting entries are recorded in a timely manner and expenditures are made in accordance with annual appropriated amounts.

Management's Response: Management concurs and will see that all budget amendments are done in a timely manner. Management also concurs that there has been improvement in the finance department with the realignment of some duties and will see that training and continuing education within the finance department remains a top priority.

**Prior Year Findings**

**2012-01: Controls over the Financial Reporting Process**

Condition: Under current professional standards, the City is responsible for the internal control process which includes preparation of timely and accurate yearend financial statements in accordance with generally accepted accounting principles. During the audit process, adjustments were made to the funds and government-wide financial statements.

Criteria: The City government is responsible for two types of accountability: fiscal accountability and operational accountability. First, fiscal accountability must be met by the government in the current period by demonstrating that public funds have been spent in accordance with its budget. Second, operational accountability requires the city to "report the extent to which it has met its operating objectives efficiently and effectively, using all resources available for that purpose and whether it can continue to meet its objectives for the foreseeable future". Without accurate financial information, the council, who are ultimately responsible, can demonstrate neither of these types of accountability.

Status: Management has appropriately addressed the finding and is in the process of remediating the finding. See current year finding **2013-01**.