

CITY OF EAST RIDGE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



**HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC**

CITY OF EAST RIDGE, TENNESSEE

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INTRODUCTORY SECTION

CITY OF EAST RIDGE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2014

Mayor

Brent Lambert

Vice-Mayor

Jim Bethune

Council Member

Denny Manning

Council Member

Larry Sewell

Council Member

Marc Gravitt

City Manager

Andrew Hyatt

City Treasurer

Thad H. Jablonski

City Attorney

Hal North



City of East Ridge, Tennessee

Finance & Administration

Office of the City Treasurer

December 5, 2014

To the Honorable Mayor, Members of the City Council, City Manager and Citizens of the City of East Ridge, Tennessee:

The Annual Financial Report of the City of East Ridge for the fiscal year ended June 30, 2014 is submitted hereby, in accordance with the East Ridge Municipal Code. This report consists of the City's representations concerning the finances of the City of East Ridge.

Consequently, the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial structures have been included.

The City is required to undergo an annual audit in accordance with standards applicable to financial audits contained in *Government Audit Standards* issued by the Comptroller General of state United States. Information related to this audit, including the findings and recommendations and the auditors' reports on the internal controls and compliance with applicable laws and regulations, are included as a part of this report.

This report includes all funds of the City, as well as all of its component units. Component units are legally separate entities for which the City is financially accountable. The City of East Ridge currently reports no component units for the year ending June 30, 2014, but will note the Industrial Development Board of the City of East Ridge had no financial assistance from the City during the fiscal year ending June 30, 2014.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Financial Information

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that all assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal controls are designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state and county financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to facilitate compliance with applicable laws and regulations related to those programs. The internal controls are subject to periodic evaluation by management and the accounting staff of the City.

As a part of the City's audit, previously described, tests are made to determine the adequacy of the internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations.

Independent Audit. The City Charter requires that an annual audit be made of the accounts, financial records and transactions of the City departments by a Certified Public Accountant. This fiscal year, the Certified Public Accounting Firm of Henderson, Hutcherson & McCullough, PLLC audited all of the City's funds.

Budgeting Controls. In addition, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds are included in the annual appropriated budget. The level of budgetary control is established on the department or activity level within an individual fund.

Profile of the Government

Policy-making and legislative authority are vested in the City Council, consisting of the Mayor and four other Council Members. The Council is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City and for appointing the heads of departments. The Council is elected on a nonpartisan basis. The Mayor and Council members serve four-year staggered terms, with an election every two years.

The City provides a full range of services, as directed by its Charter. These services include police and fire protection, park and recreation activities, library services, sanitation services, street

construction and maintenance, building and ground maintenance, and general administrative services.

Factors Affecting Financial Condition

Local Economy. East Ridge, along with Chattanooga, Tennessee and close proximity areas in North Georgia, comprise the Chattanooga, TN-GA Metropolitan Statistical Area (MSA). The MSA has a population of 528,143 according to the 2010 decennial census and continues to experience healthy population growth. Business and industry in East Ridge are becoming more diverse and include retail, financial, light manufacturing, medical and other services. The three largest employers are Parkridge Medical Center-East, Life Care of East Ridge and the City of East Ridge. During fiscal year 2014, the City of East Ridge reconstituted its formerly defunct Industrial Development Board, which along with the City Council entered into an agreement with Exit One LLC to develop a site for Bass Pro Shops to open a store at the Jordan Crossing Development site near Camp Jordan Park. The City's new involvement economic and community development progress in East Ridge demonstrates a continued commitment to working for a stronger local economy, improved quality of life, community pride, responsible city government and a more attractive community.

The MSA continued to experience a declining unemployment rate since the 2007 recession, 7.1 percentage points in June 2014, largely tracking the average for the State of Tennessee. A balance of property and sales taxes support the City's finances. Property taxes continued to be stable. Sales tax collections experienced growth exceeding the amount the prior fiscal year. This growth, combined with continued cost containment by City departments, has allowed the City to continue to cash fund capital equipment purchases, make cash contributions toward capital projects and operate with no increase in the property tax rate. As the second largest City in Hamilton County, the City's property tax rate is approximate to the average municipal property tax rate in the County. With 10 municipalities in Hamilton County, the rate on assessed property is \$0.00142 compared to an average of \$0.00137, making the City an attractive place to live and do business in the County.

Long-term financial planning. During fiscal year 2014, the City began the end of the fiscal year by budgeting the City's first multi-year Capital Improvement Program for vehicle and equipment replacement and meeting the needs of long-term capital commitment to the City's infrastructure and capability to sustain services at current levels, and ultimately, expanded levels as needed. In addition, improvements to City streets and signage, Park facilities and amenities at Camp Jordan Park, the Vietnam War Memorial, and upgrades at other City facilities, will be continue in fiscal year 2015. As these projects continue, the City continues to look forward with the local governing body's adoption and ongoing analysis and revision of the 3-year Capital Improvement Program as new economic development opportunities, priorities and needs change. Future projects include additional expansion and improvements at Camp Jordan Park, street facilities, public safety vehicle replacements, among others.

Financial management policies and practices. Fund balance in the General Fund (49.43% of total general fund expenditures and interfund transfers) falls within the best budgetary practices and

planning purposes (i.e., approximately 16% of total general fund expenditures and interfund transfers). A planned build-up in this balance, during the years leading up to the current economic condition, has resulted in the City having the ability to maintain its high service level to the citizens, in spite of the ongoing effects that trickle down to the economy due to national and global trends, though trends continue to improve in East Ridge, Tennessee and nationally. Additionally, the City has been able to continue cash funding and self-financing capital equipment and undertake a number of significant capital projects, in effect creating its own local economic stimulus, enhancing quality of life, and pursuing economic development projects including the Bass Pro/Jordan Crossing Development Project.

The preparation of this Annual Financial Report could not have been accomplished without the efforts and dedication of City Department of Finance and Administration staff throughout the fiscal year. I would like to express my appreciation to the Finance and Administration staff and personnel from various City departments, and outside agencies, as well as our auditors, for assisting in the preparation and publication of this report. Also, I would like to thank the City Manager, Mayor and Council Members for their guidance and support.

Respectfully submitted,

A handwritten signature in blue ink, reading "Thad H. Jablonski". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Thad H. Jablonski, MPA, CMFO
City Treasurer



**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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2014, 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 December 5, 2014, 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
December 5, 2014

Henderson Hutcherson
is McCullough, PLLC

MANAGEMENT'S DISCUSSION & ANALYSIS

As management of the City of East Ridge, Tennessee (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv through vii of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,034,730 (*net position*). Of this amount, \$6,164,115 is invested in capital assets (*net of related debt*) and \$ 1,246,046 is restricted for specific purposes.
- The City's overall net position increased by \$1,199,754 (11.1%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,427,311, an increase in overall fund balance of \$805,765 in comparison with the prior year. Of this amount, \$1,246,046 is restricted, and \$1,849,145 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$5,332,120, or 40.7% of total general fund expenditures including transfers out. This balance includes no nonspendable, restricted, or assigned funds.
- The City's total outstanding long-term debt decreased by \$854,646 (13.9%) as detailed on pages 27 through 28 of this report.

Overview of the Financial Statements

This narrative overview is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Emphasis is placed on the net position of governmental activities and business-type activities and the change in net position.

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

The *statement of activities* presents information showing how the City'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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes, etc.).

Both of the government-wide financial 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 safety, public works, public welfare, solid waste and other city services.

The *business-type activities* include water, power, and sewer. Business-type activities are supported exclusively by charges to the users of those activities. The City of East Ridge had no business-type activities for the fiscal year ending June 30, 2014.

The government-wide financial statements can be found on pages 11 through 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 or 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 funds of the City can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented *for governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six governmental funds, including the general operating fund, special revenue funds, debt service funds, and a capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the TML Bond Fund (debt service fund), which are considered to be major funds.

Data from the other four governmental funds are combined into a single aggregated presentation and summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and individual fund statements elsewhere in this report.

The City adopts an annual appropriation budget for its general, special revenue, and debt service funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 13 through 17 of this report.

The fiduciary fund financial statements represent the pension trust fund and can be found on pages 18 and 19 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire 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 through 33 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 34 of this report.

The combining schedules, individual budgetary schedules, and other information as required by the Tennessee Comptroller of the Treasury referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information on pensions and OPEB. These schedules can be found on pages 35 through 63 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of East Ridge, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$12,034,730, at the close of the June 30, 2014 fiscal year.

City of East Ridge's Net Position

	Governmental Activities	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current and other assets	\$ 13,924,682	\$ 12,994,274
Capital assets	<u>10,932,542</u>	<u>11,138,000</u>
Total assets	<u>24,857,224</u>	<u>24,132,274</u>
Other liabilities	2,834,349	2,453,526
Long-term liabilities	<u>5,304,288</u>	<u>6,158,934</u>
Total liabilities	<u>8,138,637</u>	<u>8,612,460</u>
Unavailable revenue – property taxes	<u>4,683,857</u>	<u>4,684,838</u>
Total deferred inflows of resources	<u>4,683,857</u>	<u>4,684,838</u>
Net position		
Net investment in capital assets	6,164,115	5,570,166
Restricted	1,246,046	1,103,674
Unrestricted	<u>4,624,569</u>	<u>4,161,136</u>
Total net position	<u>\$ 12,034,730</u>	<u>\$ 10,834,976</u>

Net Position

The largest portion of the City's net position (51.2%) reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (10.4%) represents resources that are subject to external restrictions on how they may be used. The remaining 38.4% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City reports positive balances in all categories of net position for the government as a whole.

The City's overall net position increased by \$ 1,199,754 from the prior fiscal year, representing a 11.1% increase in the City's net position.

City of East Ridge's Statement of Activities

	<u>Governmental Activities</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Revenues		
Charges for services	\$ 2,570,930	\$ 2,476,666
Grants & contributions	367,875	175,444
General Revenues		
Property taxes	4,980,830	4,913,913
Local option sales tax	1,987,649	1,983,042
Other taxes	3,622,542	3,600,454
Interest	12,488	21,221
Other	<u>96,057</u>	<u>160,624</u>
Total revenues	<u>13,638,371</u>	<u>13,331,364</u>
Expenses		
General government	2,612,757	2,700,088
Public safety	5,270,567	5,314,257
Public works	1,456,605	1,427,815
Public welfare	1,704,097	1,736,430
Culture and recreation	1,281,988	1,329,641
Interest	<u>112,603</u>	<u>156,458</u>
Total expenses	<u>12,438,617</u>	<u>12,664,689</u>
Change in net position	1,199,754	666,675
Beginning net position	<u>10,834,976</u>	<u>10,168,301</u>
Ending net position	<u>\$ 12,034,730</u>	<u>\$ 10,834,976</u>

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, it is useful to review the various classifications of fund balance in measuring the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,427,311, a current year an increase of \$805,765. Restricted fund balance of \$1,246,046 includes amounts legally constrained for law enforcement (\$79,371) and state street aid (\$1,166,675). Funds assigned for a particular purpose total \$1,849,145. Assigned funds included funds for debt service (\$632,836) and funds for recreation projects (\$1,216,309). The remaining unassigned balance of \$5,332,120 comprises 63.3% of total fund balance and represents funds available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$5,332,120 and the total balance was reported as unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 40.7% of total general fund expenditures and transfers out. In conjunction with the 40.7% unassigned fund balance, it is important to consider that the City has maintained a relatively high ratio of unassigned fund balance in the general fund to operating expenditures and other financing uses, which ensures that the City is able to meet and exceed two (2) months of general fund expenditures, in accordance with sound budgeting and financial management practices. Additionally, the ratio of unrestricted funds also allows the City to meet any emergent or unanticipated needs should these arise.

The fund balance of the City's general fund decreased by \$218,282 as a result of transfers to the Capital Projects Fund. The Capital Projects expenditures were used for long neglected improvements ranging from public safety vehicle replacements to improvements to public facilities.

At the end of the current fiscal year, the fund balance of the City's TML Bond Fund (debt service fund) totaled \$394,108, representing 4.7% of the total for all governmental funds. The TML Bond Fund balance increased by \$79,960 for the fiscal year ending June 30, 2014.

Non-major (other) governmental funds have a fund balance of \$2,701,083, including a stated restricted fund balance of \$1,246,046 which includes amounts legally constrained for law enforcement (\$79,371) and state street aid (\$1,166,675), and funds assigned for a particular purpose totaling \$1,455,037. Assigned funds included funds for debt service (\$238,728) servicing debt for the 2007 general obligation bond series that will be fully repaid in the fiscal year ending in June 20, 2015 and funds for recreation projects (\$1,216,309). The net increase in non-major governmental funds during the current year was \$944,087. This net increase is primarily attributed to the expending of bond anticipation note proceeds for the acquisition of particular capital assets, which contributed to the net increase in Capital Project Fund of \$800,462.

Proprietary funds. The City of East Ridge has no *proprietary funds* at this time.

Budgetary Highlights

Original and Final Budgeted Amounts. Differences, between the original budget and the final amended budget for the general fund, represent a \$299,200 increase in original to amended expenditures appropriations and a \$1,000,000 increase in transfers appropriated, for a total net increase in appropriations of \$1,299,200. The net increase consists of a \$1,000,000 transfer to the Capital Projects Fund, which represents 77% of the difference in original versus amended budgeted expenditures.

This increase in spending was offset by additional revenue received from charges for services and reserves set aside from previous years.

Final Amended Budget and Actual Amounts. Differences, between the final amended budget and actual results for the general fund, represent a \$1,510,845 decrease in expenditures and no variance for budgeted transfers, for a total decrease of \$1,510,845. This decrease consisted of a conservative approach towards operations during the fiscal year and lower than anticipated operating costs.

Departmental spending was lower than expected due to lower legal fees, equipment costs, and lower costs for salaries across a range of City departments, the latter due to not filing several higher salary positions vacant, as well as other vacancies in City departments. Additionally, other positions were filled later in the fiscal year for one-time savings in the case of salaries for positions filled mid-year. Most notably, Public Works departmental spending was lower than expected, accounting for almost half (47%) for streets, solid waste, traffic control, and flood control projects.

Budgeted to actual revenues for the fiscal year ending in June 30, 2014 totaled an unfavorable variance of \$454,837. The unfavorable variance was due in large part to the anticipated federal grants shortfall of \$495,938, which only 27.5% of federal grants were received during the fiscal year.

With exceptions of licenses and permits and charges for services, other major revenue streams included a negative variance to the budgeted amount. However, combined with the favorable expenditure performance, and considering the \$1,000,000 transfer from the General Fund to the Capital Projects Fund, the final budget anticipated a deficit of \$1,260,700, while the actual deficit reported was \$218,282.

Capital Asset and Debt Administration

Capital Assets. The City of East Ridge's investment in capital assets for its governmental activities as of June 30, 2014, amounted to \$10,932,542 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, garbage containers, infrastructure and construction in progress.

Major capital asset events during the fiscal year included the following:

- *Sanitation Dump Trailer for the Sanitation Department
- *Digital sign at Camp Jordan Park
- *HVAC system at Camp Jordan Arena
- *Irrigation System at Camp Jordan Park
- *HVAC improvements at City Hall
- *Land acquisition of 5805 Welworth Avenue (purchased with a CBDG grant funds for properties damaged by flooding)
- *International Truck for the Sanitation Department
- *Bobcat for the Street Department
- *Five (5) 2014 Dodge Chargers
- *2014 Chevrolet Tahoe
- *2014 Ford Truck
- *2007 Toyota Tundra
- *Copier Machine for the Police Department
- *Software & Computer Upgrades for Traffic Control

City of East Ridge's Capital Assets, net

	Governmental Activities	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Land	\$ 1,656,251	\$ 1,656,251
Buildings	9,841,969	9,805,102
Infrastructure	9,584,667	9,584,667
Equipment/vehicles	<u>6,512,575</u>	<u>5,919,760</u>
	27,595,462	26,965,780
Less accumulated depreciation	<u>16,662,920</u>	<u>15,792,780</u>
Total capital assets, net	<u>\$ 10,932,542</u>	<u>\$ 11,173,000</u>

Additional information on the City's capital assets can be found in Note 6 on page 27 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$5,304,288. All of this debt is backed by the full faith and credit of the government.

City of East Ridge's Long-Term Debt

	Governmental Activities	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Notes payable	\$ 3,738,536	\$ 4,050,506
General obligation bonds	570,000	1,190,000
Capital leases	459,891	327,328
Compensated absences	<u>535,861</u>	<u>591,100</u>
Total long-term debt	<u>\$ 5,304,288</u>	<u>\$ 6,158,934</u>

The City's total debt decreased by \$854,646 (13.9%) during the fiscal year, as a result of principal payments.

The City maintains 'Aa3' rating from Moody's Investors Service for its debt.

Additional information on the City's long-term debt can be found in Note 7 on pages 27 and 28 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate (not seasonally adjusted) for the Chattanooga TN/North Georgia statistical area is currently 7.1%, which is anticipated to continue to experience further decreases in the next fiscal year.
- Inflationary trends in the region are comparable to national indices, which is continued to remain relatively low according to most estimates.
- New construction permitted and inspected is increasing. New national retailers are continuing to locate and others continue to show interest in East Ridge.
- While no growth in local sales tax collections is budgeted, local sales taxes are anticipated to increase approximately 3% in fiscal year 2015.
- Short-term interest rates on the City's debt through the TML Bond Fund variable rate program and other short-term notes should remain low. Interest rates are not anticipated to change significantly in the near term.
- At the end of fiscal year ending on June 30, 2014, the City entered into agreements with Exit One LLC for incentives to develop the site for the Bass Pro Shop/Jordan Crossing Development Project, which initiated the City's status as a Border Region District City under *T.C.A. § 7-40-100*, the law intended to promote retail and tourism development with the use of state funds.
- Once open, the Bass Pro Shop/Jordan Crossing Development Project is anticipated to bring new tourist dollars to East Ridge. In addition to expanding the property tax base and increasing local sales and hotel/motel tax revenues, growth is expected and already underway in the City's Border Region District.
- The City's Border Region District is expected to generate an entirely new source of previously unavailable revenue, i.e., incremental state sales tax revenue, which is unique to only three cities statewide. The new revenues will supplement existing City programs to maintain infrastructure in the City's commercial district, as well as provide a new tax stream for new incentives to locate and develop in the City of East Ridge.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$5,332,120, and the Capital Projects Fund balance was \$1,216,309.
- Residential and commercial garbage collection rates remained the same.
- At this time, there are no plans to increase local property taxes.

Discretely-Presented Component Unit

While the City of East Ridge includes no discretely-presented component units for the fiscal year ending on June 30, 2014, the City's newly constituted Industrial Development Board (IDB) and agreements entered into between the City, the IDB, and Exit One LLC lead the City to anticipate reporting the IDB as a discretely-presented component unit in the next fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of East Ridge, City Treasurer Thad Jablonski, 1517 Tombras Avenue, East Ridge, Tennessee 37412.

FINANCIAL SECTION

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2014

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,459,533
Investments	1,490,583
Property taxes receivable	5,143,134
Grants receivable	71,937
Accounts receivable	752,396
Prepaid discount, net of accumulated amortization of \$68,607	7,099
Capital assets -	
Land and other nondepreciable assets	1,656,251
Capital assets, net of accumulated depreciation	<u>9,276,291</u>
 Total assets	 <u>24,857,224</u>
LIABILITIES	
Accounts payable	255,253
Accrued liabilities	144,975
Deferred premium, net of accumulated amortization of \$93,119	9,630
OPEB obligation	2,424,491
Long-term liabilities -	
Due within one year	1,556,806
Due in more than one year	<u>3,747,482</u>
 Total liabilities	 <u>8,138,637</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>4,683,857</u>
 Total deferred inflows of resources	 <u>4,683,857</u>
NET POSITION	
Net investment in capital assets	6,164,115
Restricted	1,246,046
Unrestricted	<u>4,624,569</u>
 Total net position	 <u>\$ 12,034,730</u>

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

<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>	
PRIMARY GOVERNMENT					
Governmental activities -					
General government	\$ 2,612,757	\$ 174,296	\$ 183,613	\$ -	\$ (2,254,848)
Public safety	5,270,567	308,992	67,054	-	(4,894,521)
Public works	1,456,605	15,750	6,708	-	(1,434,147)
Public welfare	1,704,097	1,567,482	-	-	(136,615)
Culture and recreation	1,281,988	504,410	3,500	107,000	(667,078)
Interest	112,603	-	-	-	(112,603)
Total primary government	<u>\$ 12,438,617</u>	<u>\$ 2,570,930</u>	<u>\$ 260,875</u>	<u>\$ 107,000</u>	(9,499,812)
GENERAL REVENUES					
Property taxes					4,980,830
Local sales taxes					1,987,649
Local beer taxes					473,733
State shared taxes					2,558,707
Other taxes					288,950
Franchise fees					301,152
Other revenues					96,057
Interest					<u>12,488</u>
Total general revenue					<u>10,699,566</u>
Change in net position					1,199,754
NET POSITION					
Beginning					<u>10,834,976</u>
Ending					<u>\$ 12,034,730</u>

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

CITY OF EAST RIDGE, TENNESSEE

BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2014

	General	TML Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 3,357,102	\$ 366,958	\$ 2,735,473	\$ 6,459,533
Investments	1,490,583	-	-	1,490,583
Property taxes receivable	5,143,134	-	-	5,143,134
Grant funds receivable	71,937	-	-	71,937
Accounts receivables	675,414	27,150	49,832	752,396
Due from other fund	47,578	-	-	47,578
 Total assets	 \$ 10,785,748	 \$ 394,108	 \$ 2,785,305	 \$ 13,965,161
LIABILITIES				
Accounts payable	\$ 218,609	\$ -	\$ 36,644	\$ 255,253
Due to other fund	-	-	47,578	47,578
Accrued liabilities	130,988	-	-	130,988
 Total liabilities	 349,597	 -	 84,222	 433,819
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	5,104,031	-	-	5,104,031
 Total deferred inflows of resources	 5,104,031	 -	 -	 5,104,031
FUND BALANCES				
Restricted for -				
Law enforcement	-	-	79,371	79,371
State approved street aid	-	-	1,166,675	1,166,675
Assigned to -				
Debt service	-	394,108	238,728	632,836
Recreation projects	-	-	1,216,309	1,216,309
Unassigned	5,332,120	-	-	5,332,120
 Total fund balances	 5,332,120	 394,108	 2,701,083	 8,427,311
 Total liabilities, deferred inflows of resources, and fund balances	 \$ 10,785,748	 \$ 394,108	 \$ 2,785,305	 \$ 13,965,161

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, 2014

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

Fund balances – total governmental funds \$ 8,427,311

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. 10,932,542

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. 420,174

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	\$ (570,000)	
Net bond issue premiums and discounts	(2,531)	
Notes payable	(3,738,536)	
Capital leases	(459,891)	
Compensated absences	(535,861)	
Accrued interest payable	<u>(13,987)</u>	(5,320,806)

Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds. (2,424,491)

Net position of governmental activities \$ 12,034,730

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, 2014

	General	TML Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 7,813,254	\$ 281,575	\$ -	\$ 8,094,829
Licenses and permits	137,457	-	-	137,457
Intergovernmental	2,202,394	-	581,681	2,784,075
Charges for services	2,225,150	-	-	2,225,150
Fines and forfeitures	196,275	-	12,048	208,323
Miscellaneous	87,514	1,467	3,154	92,135
Total revenues	12,662,044	283,042	596,883	13,541,969
EXPENDITURES				
Current				
General government	2,406,026	10,964	40,264	2,457,254
Public safety	4,841,625	-	28,002	4,869,627
Public works	2,059,117	-	362,957	2,422,074
Public welfare	171,623	-	-	171,623
Culture and recreation	1,237,287	-	-	1,237,287
Capital outlay	441,109	-	223,573	664,682
Debt service -				
Principal	142,407	237,000	620,000	999,407
Interest	33,662	33,698	53,300	120,660
Total expenditures	11,332,856	281,662	1,328,096	12,942,614
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,329,188	1,380	(731,213)	599,355
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	78,580	1,675,300	1,753,880
Transfers to other funds	(1,753,880)	-	-	(1,753,880)
Capital lease	200,000	-	-	200,000
Proceeds from sale of assets	6,410	-	-	6,410
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(218,282)	79,960	944,087	805,765
FUND BALANCES:				
Beginning	5,550,402	314,148	1,756,996	7,621,546
Ending	\$ 5,332,120	\$ 394,108	\$ 2,701,083	\$ 8,427,311

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, 2014

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

Net change in fund balances – total governmental funds \$ 805,765

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. 664,682

Depreciation expense on governmental capital assets are included in the statement of activities. (870,140)

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.

Capital lease financing	\$ (200,000)	
Principal paid	999,407	
Amortization	3,381	
Change in accrued interest payable	<u>4,676</u>	807,464

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	55,239	
Change in OPEB	<u>(353,248)</u>	(298,009)

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. 89,992

Change in net assets of governmental activities \$ 1,199,754

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 7,901,615	\$ 7,901,615	\$ 7,813,254	\$ (88,361)
Licenses and permits	57,090	57,090	137,457	80,367
Intergovernmental	2,718,462	2,718,462	2,202,394	(516,068)
Charges for services	2,137,859	2,137,859	2,225,150	87,291
Fines and forfeitures	250,000	250,000	196,275	(53,725)
Miscellaneous	51,855	51,855	87,514	35,659
Total revenue	<u>13,116,881</u>	<u>13,116,881</u>	<u>12,662,044</u>	<u>(454,837)</u>
EXPENDITURES				
Current				
General government	2,425,836	2,607,836	2,406,026	201,810
Public safety	5,359,603	5,389,603	4,841,625	547,978
Public works	2,905,567	2,768,567	2,059,117	709,450
Public welfare	168,861	173,861	171,623	2,238
Culture and recreation	1,304,509	1,348,009	1,237,287	110,722
Capital outlay	205,000	380,700	441,109	(60,409)
Debt service -				
Principal	141,347	141,347	142,407	(1,060)
Interest	33,778	33,778	33,662	116
Total expenditures	<u>12,544,501</u>	<u>12,843,701</u>	<u>11,332,856</u>	<u>1,510,845</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	572,380	273,180	1,329,188	1,056,008
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(753,880)	(1,753,880)	(1,753,880)	-
Capital lease	200,000	200,000	200,000	-
Proceeds from sale of assets	20,000	20,000	6,410	(13,590)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	38,500	(1,260,700)	(218,282)	<u>\$ 1,042,418</u>
FUND BALANCE				
Beginning	5,550,402	5,550,402	5,550,402	
Ending	<u>\$ 5,588,902</u>	<u>\$ 4,289,702</u>	<u>\$ 5,332,120</u>	

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, 2014

ASSETS

Investments	\$ <u>699,483</u>
	\$ <u>699,483</u>

NET POSITION

Net assets held in trust for employee pension benefits	\$ <u>699,483</u>
	\$ <u>699,483</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, 2014

ADDITIONS	
Earnings and increase in value	\$ <u>32,009</u>
Total additions	<u>32,009</u>
DEDUCTIONS	
Distributions	48,198
Administrative expense	<u>2,654</u>
Total deductions	<u>50,852</u>
NET DECREASE	(18,843)
NET POSITION	
Beginning	<u>718,326</u>
Ending	<u>\$ 699,483</u>

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

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, 2014, General Fund expenditures exceeded budgeted appropriations within the departmental budgets as follows: capital outlay by \$60,409 and debt service principal by \$1,060.

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 \$24,710. 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, 2014.

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

	Useful Life
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 position. 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 position 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 2014 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 certificates of deposits totaling \$1,490,583.

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, 2014, consist of the following:

	<u>General</u>	<u>TML Bond Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Funds				
Taxes	\$ 5,143,134	\$ -	\$ -	\$ 5,143,134
Grants	71,937	-	-	71,937
Intergovernmental	514,984	27,150	49,832	591,966
Accounts	<u>185,140</u>	<u>-</u>	<u>-</u>	<u>185,140</u>
Gross receivables	5,915,195	27,150	49,832	5,992,177
Less: Allowance for uncollectibles	<u>(24,710)</u>	<u>-</u>	<u>-</u>	<u>(24,710)</u>
Net receivables	<u>\$ 5,890,485</u>	<u>\$ 27,150</u>	<u>\$ 49,832</u>	<u>\$ 5,967,467</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, 2014, are as follows:

	<u>Transfers In</u>			
	<u>General</u>	<u>TML Bond Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Transfers Out:				
General Fund	<u>\$ -</u>	<u>\$ 78,580</u>	<u>\$ 1,675,300</u>	<u>\$ 1,753,880</u>

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets:				
Land	\$ 1,621,251	\$ 35,000	\$ -	\$ 1,656,251
Total non-depreciable assets	<u>1,621,251</u>	<u>35,000</u>	<u>-</u>	<u>1,656,251</u>
Depreciable capital assets:				
Buildings	9,805,102	36,867	-	9,841,969
Infrastructure	9,584,667	-	-	9,584,667
Equipment / Vehicles	5,919,760	592,815	-	6,512,575
	<u>25,309,529</u>	<u>629,682</u>	<u>-</u>	<u>25,939,211</u>
Less accumulated depreciation:				
Buildings	5,618,602	349,335	-	5,967,937
Infrastructure	5,896,625	233,216	-	6,129,841
Equipment / Vehicles	4,277,553	287,589	-	4,565,142
	<u>15,792,780</u>	<u>870,140</u>	<u>-</u>	<u>16,662,920</u>
Total depreciable assets, net	<u>9,516,749</u>	<u>(240,458)</u>	<u>-</u>	<u>9,276,291</u>
Total capital assets, net	<u>\$ 11,138,000</u>	<u>\$ (205,458)</u>	<u>\$ -</u>	<u>\$ 10,932,542</u>

Depreciation expense is charged to functions as follows:

General	\$ 95,901
Public safety	237,035
Public works	222,504
Culture and recreation	314,700
Total	<u>\$ 870,140</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 \$ 570,000

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% \$ 1,589,000

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 1,700,000

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 449,536

\$ 3,738,536

Capital lease obligations:	
Payable to Municipal Leasing in annual installments of \$30,452, including interest at 4.26%, through July 2014	\$ 31,311
Payable to First Tennessee Bank in various annual installments ranging from \$67,727 to \$70,345, including interest at 1.95%, through December 2016	200,000
Payable to First Bankers Corporation in annual installments of \$52,721, including interest at 4.89%, through July 2019	<u>228,580</u>
	<u>\$ 459,891</u>
Liability for compensated absences	<u>\$ 535,861</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
2015	\$ 570,000	\$ 1,918,656	\$ 134,600	\$ 535,861	\$ 3,159,117
2016	-	224,218	110,459	-	334,677
2017	-	439,662	114,609	-	554,271
2018	-	152,000	47,866	-	199,866
2019	-	156,000	52,357	-	208,357
2020-2024	<u>-</u>	<u>848,000</u>	<u>-</u>	<u>-</u>	<u>848,000</u>
	<u>\$ 570,000</u>	<u>\$ 3,738,536</u>	<u>\$ 459,891</u>	<u>\$ 535,861</u>	<u>\$ 5,304,288</u>

During the year ended June 30, 2014, changes in long-term debt were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 1,190,000	\$ -	\$ (620,000)	\$ 570,000	\$ 570,000
Notes payable	4,050,506	-	(311,970)	3,738,536	316,176
Capital lease obligations	327,328	200,000	(67,437)	459,891	134,769
Compensated absences	<u>591,100</u>	<u>535,861</u>	<u>(591,100)</u>	<u>535,861</u>	<u>535,861</u>
	<u>\$ 6,158,934</u>	<u>\$ 735,861</u>	<u>\$ (1,590,507)</u>	<u>\$ 5,304,288</u>	<u>\$ 1,556,806</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), an 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 PSPP. The report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th 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, 2014, 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, 2014, the City's annual pension cost of \$407,430 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>
6/30/2014	\$ 407,430	100.00%	\$ -
6/30/2013	\$ 406,908	100.00%	\$ -
6/30/2012	\$ 419,418	100.00%	\$ -

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 90.59% funded. The actuarial accrued liability for benefits (AAL) was \$15.91 million, and the actuarial value of assets was \$14.42 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.50 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.04 million, and the ratio of the UAAL to the covered payroll was 37.02%.

The schedules 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):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/2013	\$ 14,417	\$ 15,913	\$ 1,497	90.59%	\$ 4,043	37.02%

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, 2013, the plan covered no employed participants, nine inactive participants, and ten 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, 2014, and another actuarial valuation is not expected until May 1, 2016.

Annual Pension Cost

As discussed above, there is no required contribution for the plan year ended April 30, 2014.

Methods and Assumptions

The annual required contribution for the year ended April 30, 2014, was determined as part of the May 1, 2013, 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.

Significant actuarial assumptions include a 3.0% 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

Plan Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
4/30/2014	\$ -	N/A	\$ -
4/30/2013	\$ -	N/A	\$ -
4/30/2012	\$ -	N/A	\$ -

Funded Status and Funding Progress

As of May 1, 2013, the plan was overfunded. The actuarial accrued liability for benefits was \$664,785, and the actuarial value of assets was \$719,854, resulting in an actuarial surplus of \$55,069.

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>
4/30/2013	\$ 720	\$ 665	\$ (55)	108.27%	\$ -	N/A

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 2014 fiscal year, the City contributed \$74,752 for healthcare benefits for twelve retired employees. As of June 30, 2014 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	\$ 464,000
Adjustment to annual required contribution	(115,000)
Interest on net OPEB obligation, beginning of year	<u>79,000</u>
Annual OPEB cost	428,000
Amount paid	<u>(74,752)</u>
Increase in net OPEB obligation	353,248
Net OPB obligation, beginning of year	<u>2,071,243</u>
Net OPEB obligation, end of year	<u>\$ 2,424,491</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the June 30, 2014, 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>
6/30/2014	\$ 428,000	17.5%	\$ 2,424,491
6/30/2013	\$ 412,000	13.7%	\$ 2,071,243
6/30/2012	\$ 393,000	37.4%	\$ 1,715,724

Funded Status and Funding Progress

As of July 1, 2011, 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>
7/1/2011	\$ -	\$ 3,347	\$ 3,347	0%	\$ 3,758	89.1%

As July 1, 2011, 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, 2011, 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. As claims were down in fiscal year 2014, the amount contributed was less, at \$21,210. 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.

During the fiscal year ending June 30, 2014, the City entered into an agreement with the Industrial Development Board of the City of East Ridge (IDB) and Exit One LLC in regard to incentives for the Bass Pro/Jordan Crossing Development Project. Per the Incentive Agreement, the City and IDB agreed to provide incentives in the amount of \$4,000,000 in City funds, dispersed by the IDB in accordance with state law. The agreement and funds dispersed by the IDB should be completed in the next fiscal year ending June 30, 2015.

CITY OF EAST RIDGE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2014

Tennessee Consolidated Retirement System

Schedule of Funding Progress (Dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/2013	\$ 14,417	\$ 15,913	\$ 1,497	90.59%	\$ 4,043	37.02%
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%

Single-Employer Defined Benefit Plan

Schedule of Funding Progress (Dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
4/30/2013	\$ 720	\$ 665	\$ (55)	108.27%	\$ -	N/A
4/30/2010	\$ 797	\$ 657	\$ (140)	121.38%	\$ -	N/A
4/30/2007	\$ 864	\$ 932	\$ 68	92.70%	\$ 38	178.95%

Other Postemployment Benefit Plan

Schedule of Funding Progress (Dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 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, 2014

	<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>Total</u>			
ASSETS						
Cash and cash equivalents	\$ 88,484	\$ 1,181,347	\$ 1,269,831	\$ 1,226,914	\$ 238,728	\$ 2,735,473
Receivables	-	49,832	49,832	-	-	49,832
Total assets	<u>\$ 88,484</u>	<u>\$ 1,231,179</u>	<u>\$ 1,319,663</u>	<u>\$ 1,226,914</u>	<u>\$ 238,728</u>	<u>\$ 2,785,305</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 9,113	\$ 16,926	\$ 26,039	\$ 10,605	\$ -	\$ 36,644
Due to other funds	-	47,578	47,578	-	-	47,578
Total liabilities	<u>9,113</u>	<u>64,504</u>	<u>73,617</u>	<u>10,605</u>	<u>-</u>	<u>84,222</u>
Fund balances						
Restricted for -						
Law enforcement	79,371	-	79,371	-	-	79,371
State approved street aid	-	1,166,675	1,166,675	-	-	1,166,675
Assigned to -						
Debt service	-	-	-	-	238,728	238,728
Capital projects	-	-	-	1,216,309	-	1,216,309
Total fund balances	<u>79,371</u>	<u>1,166,675</u>	<u>1,246,046</u>	<u>1,216,309</u>	<u>238,728</u>	<u>2,701,083</u>
Total liabilities and fund balances	<u>\$ 88,484</u>	<u>\$ 1,231,179</u>	<u>\$ 1,319,663</u>	<u>\$ 1,226,914</u>	<u>\$ 238,728</u>	<u>\$ 2,785,305</u>

CITY OF EAST RIDGE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2014

	Special Revenue			Capital Projects	General Debt Service	Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Total			
REVENUES						
Intergovernmental	\$ 36,854	\$ 544,827	\$ 581,681	\$ -	\$ -	\$ 581,681
Fines and forfeitures	12,048	-	12,048	-	-	12,048
Miscellaneous	1,129	662	1,791	1,212	151	3,154
Total revenues	<u>50,031</u>	<u>545,489</u>	<u>595,520</u>	<u>1,212</u>	<u>151</u>	<u>596,883</u>
EXPENDITURES						
Current						
General government	-	-	-	39,366	898	40,264
Public safety	28,002	-	28,002	-	-	28,002
Public works	-	362,957	362,957	-	-	362,957
Capital outlay	11,363	50,826	62,189	161,384	-	223,573
Debt service						
Principal	-	-	-	-	620,000	620,000
Interest	-	-	-	-	53,300	53,300
Total expenditures	<u>39,365</u>	<u>413,783</u>	<u>453,148</u>	<u>200,750</u>	<u>674,198</u>	<u>1,328,096</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,666	131,706	142,372	(199,538)	(674,047)	(731,213)
OTHER FINANCING SOURCES						
Transfers from other funds	-	-	-	1,000,000	675,300	1,675,300
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	10,666	131,706	142,372	800,462	1,253	944,087
FUND BALANCES						
Beginning	68,705	1,034,969	1,103,674	415,847	237,475	1,756,996
Ending	<u>\$ 79,371</u>	<u>\$ 1,166,675</u>	<u>\$ 1,246,046</u>	<u>\$ 1,216,309</u>	<u>\$ 238,728</u>	<u>\$ 2,701,083</u>

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
TAXES				
Local sales tax	\$ 2,033,042	\$ 2,033,042	\$ 1,987,649	\$ (45,393)
Property taxes	4,801,167	4,801,167	4,666,317	(134,850)
Business taxes	4,500	4,500	7,375	2,875
Local beer taxes	500,000	500,000	473,733	(26,267)
Gross receipts taxes	302,906	302,906	377,028	74,122
Franchise taxes	260,000	260,000	301,152	41,152
Total taxes	<u>7,901,615</u>	<u>7,901,615</u>	<u>7,813,254</u>	<u>(88,361)</u>
LICENSES AND PERMITS				
Building permits	20,000	20,000	30,156	10,156
Plumbing permits	2,000	2,000	6,178	4,178
Electrical permits	8,500	8,500	10,351	1,851
Construction activity permits	40	40	-	(40)
Other permits and licenses	26,550	26,550	90,772	64,222
Total licenses and permits	<u>57,090</u>	<u>57,090</u>	<u>137,457</u>	<u>80,367</u>
INTERGOVERNMENTAL				
State sales tax	1,506,660	1,506,660	1,494,985	(11,675)
State beer tax	10,770	10,770	9,927	(843)
State telecommunications tax	1,400	1,400	2,138	738
State mixed drink tax	9,000	9,000	9,573	573
State income and excise tax	65,500	65,500	69,702	4,202
City streets and transportation	45,057	45,057	42,944	(2,113)
TVA in lieu of tax	238,252	238,252	232,104	(6,148)
State and other grants	158,176	158,176	153,312	(4,864)
Federal grants	683,647	683,647	187,709	(495,938)
Total intergovernmental	<u>2,718,462</u>	<u>2,718,462</u>	<u>2,202,394</u>	<u>(516,068)</u>
CHARGES FOR SERVICES				
Fire service contract	95,841	95,841	95,841	-
Recreation fees	481,000	481,000	525,617	44,617
Solid waste collection fees	1,527,918	1,527,918	1,553,458	25,540
Mowing charges	15,750	15,750	15,750	-
Other	17,350	17,350	34,484	17,134
Total charges for services	<u>2,137,859</u>	<u>2,137,859</u>	<u>2,225,150</u>	<u>87,291</u>
FINES AND FORFEITS				
City court fines and fees	250,000	250,000	196,240	(53,760)
Other fines and fees	-	-	35	35
Total fines and forfeits	<u>250,000</u>	<u>250,000</u>	<u>196,275</u>	<u>(53,725)</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Insurance recoveries	\$ 10,000	\$ 10,000	\$ 11,218	\$ 1,218
Interest	8,000	8,000	8,967	967
Other	33,855	33,855	67,329	33,474
Total miscellaneous	51,855	51,855	87,514	35,659
 Total revenues	 13,116,881	 13,116,881	 12,662,044	 (454,837)
GENERAL GOVERNMENT				
General Government				
Pension	3,000	3,000	2,384	616
Workers' compensation	167,375	179,521	179,521	-
Dues and memberships	15,000	15,000	14,863	137
Data processing services	50,500	50,500	39,131	11,369
Insurance	323,928	356,782	351,302	5,480
Professional fees	153,075	153,075	145,323	7,752
	712,878	757,878	732,524	25,354
Administration				
Salaries	338,943	354,520	333,036	21,484
Payroll taxes	31,450	37,991	27,440	10,551
Health insurance	77,871	77,871	66,816	11,055
Pension	28,107	35,989	35,859	130
Workers' compensation	1,975	1,975	1,633	342
Employee training	3,000	3,000	2,960	40
Printing and duplicating	8,000	8,000	13,176	(5,176)
Dues and memberships	4,600	4,600	3,401	1,199
Telephone	20,000	20,000	21,257	(1,257)
Public relations	3,000	3,000	2,702	298
Travel	11,000	11,000	13,370	(2,370)
Operating supplies	56,000	66,000	60,741	5,259
Equipment operations and maintenance	8,600	8,600	8,476	124
Professional fees	-	40,000	43,445	(3,445)
Building maintenance	-	-	2,000	(2,000)
Other	16,700	16,700	12,615	4,085
	609,246	689,246	648,927	40,319

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
City Council				
Salaries	40,800	40,800	40,800	-
Payroll taxes	3,121	3,121	2,999	122
Health insurance	13,800	13,800	9,823	3,977
Employee training	4,000	4,000	1,900	2,100
Printing and duplicating	500	500	669	(169)
Dues and memberships	400	400	200	200
Telephone	3,500	3,500	3,405	95
Council meeting	1,000	1,000	1,577	(577)
Travel	15,000	15,000	3,965	11,035
Operating supplies	4,300	4,300	2,485	1,815
Other	1,000	1,000	632	368
	<u>87,421</u>	<u>87,421</u>	<u>68,455</u>	<u>18,966</u>
Municipal Court				
Salaries	129,133	141,682	136,024	5,658
Payroll taxes	9,672	10,550	10,219	331
Health insurance	35,150	35,973	27,836	8,137
Employee training	500	500	195	305
Pension	9,074	9,824	10,294	(470)
Unemployment insurance	612	612	657	(45)
Printing and duplicating	1,000	1,000	1,126	(126)
Dues and memberships	50	50	-	50
Subscriptions	600	600	-	600
Telephone	1,500	1,500	1,515	(15)
Building maintenance	-	-	66	(66)
Travel	300	300	783	(483)
Operating supplies	20,000	20,000	17,014	2,986
Equipment operations and maintenance	500	500	-	500
Child restraint	6,000	6,000	3,595	2,405
Litigation fees	35,000	35,000	29,853	5,147
Other	11,000	11,000	2,950	8,050
	<u>260,091</u>	<u>275,091</u>	<u>242,127</u>	<u>32,964</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
City Services				
Salaries	119,583	119,583	109,115	10,468
Payroll taxes	9,512	9,512	8,261	1,251
Health insurance	27,471	27,471	23,946	3,525
Pension	9,950	9,950	8,634	1,316
Workers' compensation	605	605	324	281
Printing and duplicating	650	650	20	630
Dues and memberships	798	798	594	204
Telephone	3,254	3,254	1,348	1,906
Travel	400	400	-	400
Office supplies	6,000	6,000	2,527	3,473
Professional services	20,000	20,000	9,877	10,123
Equipment operations and maintenance	2,200	2,200	1,316	884
Other	<u>3,600</u>	<u>3,600</u>	<u>4,299</u>	<u>(699)</u>
	<u>204,023</u>	<u>204,023</u>	<u>170,261</u>	<u>33,762</u>
City Hall Complex				
Utilities	29,000	30,500	28,511	1,989
Operating supplies	-	500	168	332
Building maintenance	<u>7,000</u>	<u>27,000</u>	<u>11,109</u>	<u>15,891</u>
	<u>36,000</u>	<u>58,000</u>	<u>39,788</u>	<u>18,212</u>
Special Projects -				
City projects	<u>28,650</u>	<u>28,650</u>	<u>23,852</u>	<u>4,798</u>
	<u>28,650</u>	<u>28,650</u>	<u>23,852</u>	<u>4,798</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Inspection				
Salaries	152,646	157,646	158,781	(1,135)
Payroll taxes	11,937	11,937	11,848	89
Health insurance	47,263	47,263	44,659	2,604
Pension	13,759	13,759	13,258	501
Workers' compensation	612	612	648	(36)
Employee training	7,000	7,000	1,264	5,736
Printing and duplicating	800	800	369	431
Dues and memberships	450	450	270	180
Telephone	2,100	2,100	2,344	(244)
Travel	3,000	3,000	741	2,259
Contract services	30,000	30,000	21,738	8,262
Operating supplies	6,500	6,500	6,542	(42)
Equipment operations and maintenance	7,200	7,200	5,183	2,017
Uniform	1,000	1,000	1,069	(69)
Other	10,250	10,250	23,088	(12,838)
	<u>294,517</u>	<u>299,517</u>	<u>291,802</u>	<u>7,715</u>
City Garage				
Health insurance	5,104	7,104	6,502	602
Telephone	300	300	137	163
Utilities	4,300	6,900	4,192	2,708
Equipment operations and maintenance	1,025	1,425	347	1,078
Building maintenance	1,750	1,750	1,114	636
	<u>12,479</u>	<u>17,479</u>	<u>12,292</u>	<u>5,187</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Building Maintenance				
Salaries	104,954	112,954	111,830	1,124
Payroll taxes	7,920	7,920	8,605	(685)
Health insurance	20,145	20,145	15,245	4,900
Pension	7,000	7,000	6,858	142
Workers' compensation	792	792	640	152
Printing and duplicating	100	100	18	82
Telephone	2,670	2,670	2,915	(245)
Utilities	6,500	6,500	6,049	451
Medical	300	300	185	115
Operating supplies	19,900	21,900	14,584	7,316
Custodial services	1,500	1,500	4,627	(3,127)
Equipment operations and maintenance	1,250	1,250	1,104	146
Building maintenance	6,000	6,000	3,338	2,662
Grounds maintenance	1,400	1,400	-	1,400
Other	100	100	-	100
	<u>180,531</u>	<u>190,531</u>	<u>175,998</u>	<u>14,533</u>
TOTAL GENERAL GOVERNMENT	<u>2,425,836</u>	<u>2,607,836</u>	<u>2,406,026</u>	<u>201,810</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
DEPARTMENT OF PUBLIC SAFETY				
Police				
Salaries	1,972,322	1,972,322	1,813,164	159,158
Payroll taxes	150,145	150,145	136,548	13,597
Health insurance	465,832	465,832	379,862	85,970
Pension	167,408	167,408	149,001	18,407
Workers' compensation	7,650	7,650	7,866	(216)
Employee training	15,000	15,000	14,961	39
Printing and duplicating	2,000	2,000	307	1,693
Dues and memberships	1,500	1,500	810	690
Subscriptions	1,000	1,000	25	975
Telephone	45,000	55,000	62,547	(7,547)
Utilities	21,800	21,800	19,563	2,237
Medical	5,000	5,000	2,588	2,412
Travel	10,000	10,000	11,363	(1,363)
Data processing	2,000	2,000	2,069	(69)
Operating supplies	25,000	30,000	28,650	1,350
Contracts with other governments	247,499	247,499	269,133	(21,634)
Supplies and small equipment	16,000	25,100	27,936	(2,836)
Equipment operations and maintenance	223,908	223,908	187,392	36,516
Building maintenance	5,000	5,000	5,039	(39)
Grounds maintenance	500	500	188	312
Uniforms	20,000	20,000	11,318	8,682
Insurance	5,000	5,000	7,154	(2,154)
Other	3,500	3,500	2,815	685
	<u>3,413,064</u>	<u>3,437,164</u>	<u>3,140,299</u>	<u>296,865</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Fire				
Salaries	964,381	974,381	871,475	102,906
Payroll taxes	72,658	72,658	65,262	7,396
Health insurance	236,378	236,378	190,880	45,498
Pension	81,709	81,709	72,526	9,183
Workers' compensation	3,060	3,060	3,223	(163)
Employee training	7,000	7,000	5,660	1,340
Printing and duplicating	500	500	372	128
Dues and memberships	1,400	1,400	700	700
Subscriptions	400	400	466	(66)
Telephone	13,750	13,750	15,604	(1,854)
Utilities	21,800	21,800	20,183	1,617
Medical	3,500	3,500	3,600	(100)
Travel	8,000	8,000	8,724	(724)
Rent	700	700	700	-
Operating supplies	33,500	38,500	32,419	6,081
Contracts with other governments	121,903	121,903	102,509	19,394
Supplies and small equipment	18,000	18,000	20,694	(2,694)
Equipment operations and maintenance	60,000	60,000	55,718	4,282
Building maintenance	5,500	5,500	5,693	(193)
Uniforms	15,000	15,000	11,009	3,991
Insurance	2,000	2,000	1,694	306
Other	8,000	8,000	9,452	(1,452)
	<u>1,679,139</u>	<u>1,694,139</u>	<u>1,498,563</u>	<u>195,576</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Animal Control				
Salaries	119,790	119,790	87,068	32,722
Payroll taxes	9,087	9,087	6,475	2,612
Health insurance	37,347	37,347	28,075	9,272
Pension	9,364	9,364	5,927	3,437
Workers' compensation	612	612	618	(6)
Employee training	2,000	2,000	1,968	32
Printing and duplicating	1,000	1,000	740	260
Dues and memberships	600	600	125	475
Telephone	3,000	3,000	2,668	332
Utilities	7,200	7,200	7,710	(510)
Medical	500	500	880	(380)
Travel	3,000	3,000	2,689	311
Operating supplies	40,500	31,400	26,533	4,867
Equipment operations and maintenance	10,400	10,400	5,926	4,474
Building maintenance	5,500	5,500	954	4,546
Uniforms	2,000	2,000	1,864	136
Other	15,500	15,500	22,543	(7,043)
	<u>267,400</u>	<u>258,300</u>	<u>202,763</u>	<u>55,537</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>5,359,603</u>	<u>5,389,603</u>	<u>4,841,625</u>	<u>547,978</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
DEPARTMENT OF PUBLIC WORKS				
Traffic Control				
Salaries	101,890	101,890	71,460	30,430
Payroll taxes	7,703	7,703	5,289	2,414
Health insurance	45,260	45,260	28,813	16,447
Pension	6,302	6,302	4,928	1,374
Workers' compensation	459	459	350	109
Employee training	2,500	2,500	1,200	1,300
Printing and duplicating	250	250	-	250
Dues and memberships	375	375	157	218
Telephone	3,050	3,050	2,908	142
Utilities	6,180	6,180	4,981	1,199
Medical	300	300	415	(115)
Professional and contract services	2,000	2,000	-	2,000
Travel	900	900	693	207
Operating supplies	31,985	31,985	27,570	4,415
Equipment operations and maintenance	22,200	22,200	13,847	8,353
Building maintenance	500	500	296	204
Uniforms	650	650	1,277	(627)
Other	675	675	1,981	(1,306)
	<u>233,179</u>	<u>233,179</u>	<u>166,165</u>	<u>67,014</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Streets				
Salaries	266,782	266,782	238,583	28,199
Payroll taxes	20,033	20,033	17,558	2,475
Health insurance	116,749	116,749	96,897	19,852
Pension	23,909	23,909	21,334	2,575
Workers' compensation	1,380	1,380	1,296	84
Printing and duplicating	1,000	1,000	232	768
Telephone	2,400	2,400	2,835	(435)
Utilities	350	350	1,054	(704)
Medial	600	600	554	46
Professional and contract services	550	550	54	496
Operating supplies	59,720	59,720	32,451	27,269
Equipment operations and maintenance	93,250	93,250	72,895	20,355
Building maintenance	875	875	304	571
Uniforms	2,100	2,100	2,839	(739)
Damage claims	1,750	1,750	3,258	(1,508)
Other	4,000	4,000	4,145	(145)
	<u>595,448</u>	<u>595,448</u>	<u>496,289</u>	<u>99,159</u>
Flood Control				
Project costs	<u>699,899</u>	<u>562,899</u>	<u>176,765</u>	<u>386,134</u>
	<u>699,899</u>	<u>562,899</u>	<u>176,765</u>	<u>386,134</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Solid Waste				
Salaries	440,462	440,462	422,867	17,595
Payroll taxes	33,160	33,160	31,749	1,411
Health insurance	150,062	150,062	124,707	25,355
Pension	36,482	36,482	36,358	124
Workers' compensation	2,292	2,292	2,750	(458)
Landfill services	235,000	235,000	223,699	11,301
Printing and duplicating	650	650	655	(5)
Telephone	1,750	1,750	2,403	(653)
Utilities	7,550	7,550	5,122	2,428
Medical	2,000	2,000	1,634	366
Operating supplies	165,133	165,133	75,926	89,207
Contracted services	65,000	65,000	49,107	15,893
Equipment operations and maintenance	222,000	222,000	232,857	(10,857)
Building maintenance	2,500	2,500	2,231	269
Uniforms	4,000	4,000	3,187	813
Compensation for damages	5,000	5,000	4,610	390
Other	4,000	4,000	36	3,964
	<u>1,377,041</u>	<u>1,377,041</u>	<u>1,219,898</u>	<u>157,143</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>2,905,567</u>	<u>2,768,567</u>	<u>2,059,117</u>	<u>709,450</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
DEPARTMENT OF PUBLIC WELFARE				
Library				
Salaries	94,420	99,420	99,635	(215)
Payroll taxes	7,200	7,200	7,522	(322)
Health insurance	21,000	21,000	21,372	(372)
Pension	6,600	6,600	6,536	64
Workers' compensation	612	612	647	(35)
Printing and duplicating	400	400	-	400
Subscriptions	15,650	15,650	15,487	163
Telephone	1,000	1,000	1,017	(17)
Medical	100	100	-	100
Professional and contract services	8,000	8,000	6,900	1,100
Operating supplies	10,515	10,515	7,590	2,925
Equipment operations and maintenance	1,100	1,100	2,294	(1,194)
Building maintenance	150	150	2,115	(1,965)
Other	1,020	1,020	-	1,020
	<u>167,767</u>	<u>172,767</u>	<u>171,115</u>	<u>1,652</u>
Museum				
Dues and memberships	184	184	-	184
Subscriptions	210	210	22	188
Telephone	700	700	112	588
Contract services	-	-	138	(138)
Building maintenance	-	-	26	(26)
Operating supplies	-	-	210	(210)
	<u>1,094</u>	<u>1,094</u>	<u>508</u>	<u>586</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>168,861</u>	<u>173,861</u>	<u>171,623</u>	<u>2,238</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
CULTURE AND RECREATION				
Arena				
Salaries	247,677	247,677	242,269	5,408
Payroll taxes	18,800	18,800	18,412	388
Health insurance	58,400	58,400	50,855	7,545
Pension	19,960	19,960	19,398	562
Workers' compensation	1,071	1,071	1,117	(46)
Employee training	1,000	1,000	645	355
Printing and duplicating	1,200	1,200	1,200	-
Dues and subscriptions	500	500	1,178	(678)
Telephone	4,500	4,500	4,044	456
Utilities	31,000	31,000	26,564	4,436
Travel	1,500	1,500	282	1,218
Operating supplies	20,500	26,500	25,704	796
Contracted services	10,000	10,000	7,851	2,149
Equipment operations and maintenance	39,500	41,500	34,447	7,053
Building maintenance	5,000	7,000	5,248	1,752
Grounds maintenance	35,000	35,000	30,099	4,901
Uniforms	1,500	1,500	721	779
Medical	150	150	440	(290)
Damage claims	1,500	1,500	-	1,500
Other	500	500	-	500
	<u>499,258</u>	<u>509,258</u>	<u>470,474</u>	<u>38,784</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Maintenance of Recreational Facilities				
Salaries	167,595	167,595	163,076	4,519
Payroll taxes	12,668	12,668	12,386	282
Health insurance	38,454	38,454	33,531	4,923
Pension	14,070	14,070	13,806	264
Workers' compensation	612	612	648	(36)
Employee training	1,000	1,000	-	1,000
Printing and duplicating	1,500	1,500	1,390	110
Dues and memberships	2,000	2,000	1,064	936
Telephone	5,000	5,000	4,216	784
Utilities	135,000	145,000	153,472	(8,472)
Operating supplies	17,500	17,500	8,273	9,227
Contracted services	2,000	2,000	3,042	(1,042)
Equipment operations and maintenance	7,000	7,000	5,181	1,819
Building maintenance	10,000	10,000	5,315	4,685
Grounds maintenance	3,000	3,000	2,871	129
Travel	1,000	1,000	102	898
Park promotions	7,500	7,500	5,877	1,623
Uniforms	1,000	1,000	500	500
Medical	200	200	-	200
Other	2,000	2,000	-	2,000
	<u>429,099</u>	<u>439,099</u>	<u>414,750</u>	<u>24,349</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Community Center				
Salaries	32	92,742	91,905	837
Payroll taxes	14,068	7,034	7,111	(77)
Health insurance	12,000	6,000	5,141	859
Pension	7,422	3,711	3,535	176
Workers' compensation	1,530	765	727	38
Employee training	200	100	-	100
Printing and duplicating	4,000	2,000	747	1,253
Dues and memberships	400	200	80	120
Telephone	6,600	3,300	2,855	445
Utilities	48,600	24,300	27,073	(2,773)
Medical	300	150	-	150
Operating supplies	61,200	30,600	19,085	11,515
Contracted services	7,000	3,500	465	3,035
Equipment operations and maintenance	900	450	900	(450)
Building maintenance	13,000	6,500	4,653	1,847
Grounds maintenance	8,000	4,000	1,121	2,879
Travel	200	100	-	100
Uniforms	1,000	500	483	17
	<u>186,452</u>	<u>185,952</u>	<u>165,881</u>	<u>20,071</u>
Pool Property				
Utilities	200	200	93	107
Building maintenance	<u>100</u>	<u>100</u>	<u>-</u>	<u>100</u>
	<u>300</u>	<u>300</u>	<u>93</u>	<u>207</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
McBrien School				
Telephone	1,500	1,500	818	682
Utilities	8,700	8,700	5,267	3,433
Building maintenance	3,000	3,000	130	2,870
Grounds maintenance	100	100	-	100
Contracted services	200	200	360	(160)
Operating supplies	500	500	921	(421)
Other	600	600	-	600
	14,600	14,600	7,496	7,104
Recreational Sports				
Printing and duplicating	1,600	1,600	1,293	307
Equipment, supplies and uniforms	74,300	80,675	60,894	19,781
Tournament fees	11,600	12,450	13,530	(1,080)
Officials, referees and players fees	82,100	91,008	86,843	4,165
Insurance	5,200	13,067	16,033	(2,966)
	174,800	198,800	178,593	20,207
TOTAL CULTURE AND RECREATION	1,304,509	1,348,009	1,237,287	110,722
CAPITAL OUTLAY				
Municipal court	5,000	5,000	-	5,000
Police	200,000	200,000	198,393	1,607
Streets	-	-	22,752	(22,752)
Flood control	-	-	44,264	(44,264)
Solid waste	-	175,700	175,700	-
	205,000	380,700	441,109	(60,409)
TOTAL CAPITAL OUTLAY	205,000	380,700	441,109	(60,409)
DEBT SERVICE				
Principal	141,347	141,347	142,407	(1,060)
Interest	33,778	33,778	33,662	116
	175,125	175,125	176,069	(944)
TOTAL DEBT SERVICE	175,125	175,125	176,069	(944)
TOTAL EXPENDITURES	12,544,501	12,843,701	11,332,856	1,510,845

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXCESS REVENUES OVER EXPENDITURES	572,380	273,180	1,329,188	1,056,008
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(753,880)	(1,753,880)	(1,753,880)	-
Capital lease	200,000	200,000	200,000	-
Proceeds from sale of assets	<u>20,000</u>	<u>20,000</u>	<u>6,410</u>	<u>13,590</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	38,500	(1,260,700)	(218,282)	<u>\$ 1,042,418</u>
FUND BALANCE				
Beginning	<u>5,550,402</u>	<u>5,550,402</u>	<u>5,550,402</u>	
Ending	<u>\$ 5,588,902</u>	<u>\$ 4,289,702</u>	<u>\$ 5,332,120</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 35,356	\$ 35,356	\$ 36,854	\$ 1,498
Drug related fines and forfeitures	50,000	50,000	12,048	(37,952)
Interest	10,332	10,332	1,129	(9,203)
Total revenues	<u>95,688</u>	<u>95,688</u>	<u>50,031</u>	<u>(45,657)</u>
EXPENDITURES				
Current				
Govdeals fees	500	500	-	500
Office supplies	30,000	47,869	7,348	40,521
Uniforms	5,000	5,000	18,784	(13,784)
Bank service charges	550	550	625	(75)
Equipment operations and maintenance	<u>2,650</u>	<u>2,650</u>	<u>1,245</u>	<u>1,405</u>
	<u>38,700</u>	<u>56,569</u>	<u>28,002</u>	<u>28,567</u>
CAPITAL OUTLAY	14,888	14,888	11,363	3,525
TOTAL EXPENDITURES	<u>53,588</u>	<u>71,457</u>	<u>39,365</u>	<u>32,092</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	42,100	24,231	10,666	<u>\$ (13,565)</u>
FUND BALANCE				
Beginning	<u>68,705</u>	<u>68,705</u>	<u>68,705</u>	
Ending	<u>\$ 110,805</u>	<u>\$ 92,936</u>	<u>\$ 79,371</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,478,650	\$ 1,478,650	\$ 544,827	\$ (933,823)
Interest	850	850	662	(188)
Total revenues	<u>1,479,500</u>	<u>1,479,500</u>	<u>545,489</u>	<u>(934,011)</u>
EXPENDITURES				
Current				
Salaries	108,200	108,200	108,388	(188)
Payroll taxes	8,450	8,450	8,420	30
Health insurance	10,000	10,000	15,939	(5,939)
Pension	9,900	9,900	9,197	703
Workers' compensation	425	425	324	101
Utilities	200,000	200,000	208,600	(8,600)
Operating supplies	29,145	29,145	12,039	17,106
Other	137,050	137,050	50	137,000
	<u>503,170</u>	<u>503,170</u>	<u>362,957</u>	<u>140,213</u>
CAPITAL OUTLAY	<u>1,250,330</u>	<u>1,250,330</u>	<u>50,826</u>	<u>1,199,504</u>
TOTAL EXPENDITURES	<u>1,753,500</u>	<u>1,753,500</u>	<u>413,783</u>	<u>1,339,717</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(274,000)	(274,000)	131,706	<u>\$ 405,706</u>
FUND BALANCE				
Beginning	<u>1,034,969</u>	<u>1,034,969</u>	<u>1,034,969</u>	
Ending	<u>\$ 760,969</u>	<u>\$ 760,969</u>	<u>\$ 1,166,675</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ 100	\$ 100	\$ 151	\$ 51
Total revenues	<u>100</u>	<u>100</u>	<u>151</u>	<u>51</u>
EXPENDITURES				
Current -				
Administrative	<u>2,100</u>	<u>2,100</u>	<u>898</u>	<u>1,202</u>
	<u>2,100</u>	<u>2,100</u>	<u>898</u>	<u>1,202</u>
DEBT SERVICE -				
Principal	620,000	620,000	620,000	-
Interest	<u>53,300</u>	<u>53,300</u>	<u>53,300</u>	<u>-</u>
Total debt service	<u>673,300</u>	<u>673,300</u>	<u>673,300</u>	<u>-</u>
TOTAL EXPENDITURES	<u>675,400</u>	<u>675,400</u>	<u>674,198</u>	<u>1,202</u>
EXCESS REVENUES OVER EXPENDITURES	(675,300)	(675,300)	(674,047)	1,253
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>675,300</u>	<u>675,300</u>	<u>675,300</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	1,253	<u>\$ 1,253</u>
FUND BALANCE				
Beginning	<u>237,475</u>	<u>237,475</u>	<u>237,475</u>	
Ending	<u>\$ 237,475</u>	<u>\$ 237,475</u>	<u>\$ 238,728</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2014

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Room occupancy tax	\$ 260,000	\$ 260,000	\$ 281,575	\$ 21,575
Interest	800	800	1,467	667
Total revenues	<u>260,800</u>	<u>260,800</u>	<u>283,042</u>	<u>22,242</u>
EXPENDITURES				
Current				
Administrative	<u>2,000</u>	<u>12,000</u>	<u>10,964</u>	<u>1,036</u>
	<u>2,000</u>	<u>12,000</u>	<u>10,964</u>	<u>1,036</u>
DEBT SERVICE				
Principal	239,000	239,000	237,000	2,000
Interest	<u>98,380</u>	<u>88,380</u>	<u>33,698</u>	<u>54,682</u>
Total debt service	<u>337,380</u>	<u>327,380</u>	<u>270,698</u>	<u>56,682</u>
TOTAL EXPENDITURES	<u>339,380</u>	<u>339,380</u>	<u>281,662</u>	<u>57,718</u>
EXCESS REVENUES OVER EXPENDITURES	(78,580)	(78,580)	1,380	79,960
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>78,580</u>	<u>78,580</u>	<u>78,580</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	-	-	79,960	<u>\$ 79,960</u>
FUND BALANCE				
Beginning	<u>314,148</u>	<u>314,148</u>	<u>314,148</u>	
Ending	<u>\$ 314,148</u>	<u>\$ 314,148</u>	<u>\$ 394,108</u>	

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2014

<u>Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>
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	329,294,159	4,684,868
2014	1.4227	329,375,343	4,686,023

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2014

Tax Year	Property Tax Receivable Balance June 30, 2013	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2014
2014	\$ -	\$ -	\$ 4,683,857	\$ -	\$ -	\$ 4,683,857
2013	-	4,684,838	-	-	(4,411,910)	272,928
2012	280,701	-	-	-	(192,459)	88,242
2011	87,653	-	-	-	(39,926)	47,727
2010	357	-	-	11,511	-	11,868
2009	1,011	-	-	6,152	-	7,163
2008	766	-	-	6,307	-	7,073
2007	4,217	-	-	41	-	4,258
2006	-	-	-	5,379	-	5,379
2005	-	-	-	7,201	-	7,201
2004	-	-	-	7,438	-	7,438
	<u>\$ 374,705</u>	<u>\$ 4,684,838</u>	<u>\$ 4,683,857</u>	<u>\$ 44,029</u>	<u>\$ (4,644,295)</u>	<u>\$ 5,143,134</u>

Note: All uncollected taxes for the years prior to 2013 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, 2014

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
2015	\$ 141,000	\$ 69,040	\$ 77,656	\$ 13,463	\$1,700,000	\$ 29,340	\$ 570,000	\$ 28,500	\$ 134,600	\$ 28,849	\$2,623,256	\$ 169,192
2016	144,000	63,560	80,218	10,901	-	27,710	-	-	110,459	11,261	334,677	113,432
2017	148,000	57,920	291,662	3,766	-	-	-	-	114,609	7,785	554,271	69,471
2018	152,000	52,160	-	-	-	-	-	-	47,866	4,855	199,866	57,015
2019	156,000	46,240	-	-	-	-	-	-	52,357	2,485	208,357	48,725
2020	161,000	40,160	-	-	-	-	-	-	-	-	161,000	40,160
2021	165,000	33,920	-	-	-	-	-	-	-	-	165,000	33,920
2022	169,000	27,480	-	-	-	-	-	-	-	-	169,000	27,480
2023	174,000	20,880	-	-	-	-	-	-	-	-	174,000	20,880
2024	179,000	14,120	-	-	-	-	-	-	-	-	179,000	14,120
Total	<u>\$1,589,000</u>	<u>\$ 425,480</u>	<u>\$ 449,536</u>	<u>\$ 28,130</u>	<u>\$1,700,000</u>	<u>\$ 57,050</u>	<u>\$ 570,000</u>	<u>\$ 28,500</u>	<u>\$ 459,891</u>	<u>\$ 55,235</u>	<u>\$4,768,427</u>	<u>\$ 594,395</u>

CITY OF EAST RIDGE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2014

<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>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed Through Tennessee Department of Economic and Community Development:						
Community Development Block Grant	14.228	GG-11-36397-00	\$ -	\$ 165,783	\$ 165,783	\$ -
Total Department of Housing and Urban Development			<u>-</u>	<u>165,783</u>	<u>165,783</u>	<u>-</u>
US DEPARTMENT OF HOMELAND SECURITY						
FEDERAL EMERGENCY MANAGEMENT AGENCY						
Disaster Assistance	97.036	FEMA-1974-DR-TN	(69,937)	-	-	(69,937)
Total Department of Homeland Security			<u>(69,937)</u>	<u>-</u>	<u>-</u>	<u>(69,937)</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>(69,937)</u>	<u>165,783</u>	<u>165,783</u>	<u>(69,937)</u>
STATE AWARDS						
Tennessee Department of Transportation						
ADA Retrofitting Grant	N/A	STP-M-9213(4)	-	17,831	17,831	-
State of Tennessee Law Enforcement Education Grant	N/A	Fiscal Year 2013	-	19,200	19,200	-
State of Tennessee Fire Service Education Grant	N/A	Fiscal Year 2013	-	9,000	9,000	-
TOTAL EXPENDITURES OF STATE AWARDS			<u>-</u>	<u>46,031</u>	<u>46,031</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			<u>\$ (69,937)</u>	<u>\$ 211,814</u>	<u>\$ 211,814</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, 2014

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2014.

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 2014-01.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

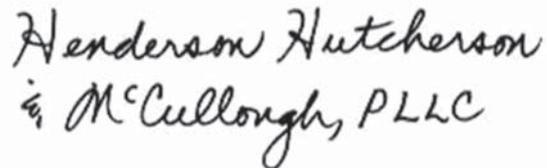
City of East Ridge Tennessee's Response to Findings

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
December 5, 2014



Henderson Hutcherson
in McCullough, PLLC

CITY OF EAST RIDGE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2014

Current Year Findings

2014-01: 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.

Effect: The City’s financial statements contained misstatements throughout the fiscal year.

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 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

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 year-end financial statements in accordance with generally accepted accounting principles. During the audit process, adjustments were made to the funds and government-wide financial statements.

Status: Management has appropriately addressed the finding and is in the process of remediating the finding. See current year finding **2014-01**.