

**CITY OF EAST RIDGE, TENNESSEE**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

## **INTRODUCTORY SECTION**

# CITY OF EAST RIDGE, TENNESSEE

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JUNE 30, 2015

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# CITY OF EAST RIDGE, TENNESSEE

## CITY OFFICIALS

JUNE 30, 2015

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**Mayor**

Brent Lambert

**Vice-Mayor**

Marc Gravitt

**Council Member**

Denny Manning

**Council Member**

Larry Sewell

**Council Member**

Jacky Cagle

**City Manager**

Andrew Hyatt

**City Treasurer**

Thad H. Jablonski

**City Attorney**

Hal North

## **FINANCIAL SECTION**



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2015, 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, 2015, 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 required supplementary information on pages 3-9 and pages 35-37 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 January 14, 2016, 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  
January 14, 2016

*Henderson Hutcherson*  
*is McCullough, PLLC*

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2015

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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, 2015. 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 \$8,226,813 (*net position*). Of this amount, \$3,724,685 is invested in capital assets (*net of related debt*) and \$ 1,304,700 is restricted for specific purposes.
- The City's overall net position decreased by \$2,411,306 (20.0%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,947,464, an increase in overall fund balance of \$520,153. Of this amount, \$1,304,700 is restricted, and \$3,474,155 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$4,216,252, or 32.2% 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 increased by \$2,069,137 (39%) 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.

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2015

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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, 2015.

The government-wide financial statements can be found on pages 10 through 11 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 City's funds are considered governmental funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in 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 ten 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, TML Bond Fund (debt service fund), Industrial Development Fund (special revenue fund), and Capital Projects Fund which are considered to be major funds.

Data from the other six 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 12 through 18 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 19 through 34 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 OPEB benefits to its employees and pension related information. Required supplementary information can be found on pages 35 through 37 of this report.

**CITY OF EAST RIDGE, TENNESSEE**

**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**

**YEAR ENDED JUNE 30, 2015**

The combining schedules, individual budgetary schedules, and other information as required by the Tennessee Comptroller of the Treasury referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information on pensions and OPEB. These schedules can be found on pages 38 through 67 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 \$8,226,813, at the close of the June 30, 2015 fiscal year.

**City of East Ridge's Net Position**

	<b>Governmental Activities</b>	
	<b><u>June 30, 2015</u></b>	<b><u>June 30, 2014</u></b>
Current and other assets	\$ 14,451,562	\$ 13,924,682
Capital assets	<u>10,552,770</u>	<u>10,932,542</u>
Total assets	<u>25,004,332</u>	<u>24,857,224</u>
Deferred pension outflows		
Total deferred outflows of resources	<u>642,685</u>	<u>-</u>
Other liabilities	4,354,126	2,834,349
Long-term liabilities	<u>7,373,424</u>	<u>5,304,288</u>
Total liabilities	<u>11,727,550</u>	<u>8,138,637</u>
Deferred revenue – property taxes	4,705,880	4,683,857
Deferred pension inflows	<u>986,774</u>	<u>-</u>
Total deferred inflows of resources	<u>5,692,654</u>	<u>4,683,857</u>
Net position		
Net investment in capital assets	3,724,685	6,164,115
Restricted	1,304,700	1,246,046
Unrestricted	<u>3,197,428</u>	<u>4,624,569</u>
Total net position	<u>\$ 8,226,813</u>	<u>\$ 12,034,730</u>

**Net Position**

The largest portion of the City's net position (45.3%) 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.

**CITY OF EAST RIDGE, TENNESSEE**

**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**

**YEAR ENDED JUNE 30, 2015**

An additional portion of the City's net position (15.9%) represents resources that are subject to external restrictions on how they may be used. The remaining 38.8% 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 decreased by \$2,411,306 from the prior fiscal year, representing a 20.3% decrease in the City's net position.

**City of East Ridge's Statement of Activities**

	<u>Governmental Activities</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Revenues		
Charges for services	\$ 2,723,395	\$ 2,570,930
Grants & contributions	104,855	367,875
General Revenues		
Property taxes	4,870,623	4,980,830
Local option sales tax	2,266,750	1,987,649
Other taxes	3,283,248	3,622,542
Interest	7,279	12,488
Other	<u>228,701</u>	<u>96,057</u>
Total revenues	<u>13,484,851</u>	<u>13,638,371</u>
Expenses		
General government	2,260,777	2,612,757
Public safety	5,589,797	5,270,567
Public works	2,586,150	2,676,503
Public welfare	4,171,701	484,199
Culture and recreation	1,531,993	1,281,988
Interest	<u>204,243</u>	<u>112,603</u>
Total expenses	<u>16,344,661</u>	<u>12,438,617</u>
Change in net position	(2,411,306)	1,199,754
Beginning net position, as previously stated	12,034,730	10,834,976
Change in accounting principle, GASB 68	<u>(1,396,611)</u>	<u>-</u>
Beginning net position, restated	<u>10,638,119</u>	<u>10,834,976</u>
Ending net position	<u>\$ 8,226,813</u>	<u>\$ 12,034,730</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.

## CITY OF EAST RIDGE, TENNESSEE

### MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2015

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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,947,464, a current year an increase of \$520,153. Restricted fund balance of \$1,304,700 includes amounts legally constrained for law enforcement (\$34,361), state street aid (\$1,270,103), and industrial development (\$236). Funds assigned for a particular purpose total \$3,474,155. Assigned funds included funds for debt service (\$429,250), funds for capital projects (\$2,635,242), and for solid waste operations (\$409,663). The remaining unassigned balance of \$4,168,609 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 totaled \$4,216,252 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 32.2% of total general fund expenditures and transfers out.

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 \$1,115,868 as a result of transfers to the Industrial Development Fund. The Industrial Development Board's expenditures were used to fund Exit One, LLC's investment in the Border Region Project.

*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 \$3,227,739 increase in expenditures and transfers out. The majority of this increase represented the City Council's approval of transfers to the Industrial Development Board of the City of East Ridge for economic development in conjunction with Exit One, LLC.

**Final Amended Budget and Actual Amounts.** The City's General Fund operated within its final amended budget, which resulted in a positive variance of \$1,934,077. This was primarily due to increased revenues and decreased capital outlay expenditures.

#### **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, 2015, amounted to \$10,552,770 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, garbage containers, and infrastructure.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2015

Major capital asset additions during the year included the purchase of fourteen public safety vehicles, land, and public works equipment.

City of East Ridge's Capital Assets, net

	Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Land	\$ 1,798,958	\$ 1,656,251
Buildings	9,304,860	9,841,969
Infrastructure	9,584,667	9,584,667
Equipment/vehicles	<u>7,191,886</u>	<u>6,512,575</u>
	27,880,371	27,595,462
Less accumulated depreciation	<u>17,327,601</u>	<u>16,662,920</u>
Total capital assets, net	<u>\$ 10,552,770</u>	<u>\$ 10,932,542</u>

Additional information on the City's capital assets can be found in Note 6 on pages 26 and 27 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$7,373,424. 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, 2015</u>	<u>June 30, 2014</u>
Notes payable	\$ 3,419,915	\$ 3,738,536
General obligation bonds	3,085,000	570,000
Capital leases	323,170	459,891
Compensated absences	<u>545,339</u>	<u>535,861</u>
Total long-term debt	<u>\$ 7,373,424</u>	<u>\$ 5,304,288</u>

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**

- 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.
- 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.

**CITY OF EAST RIDGE, TENNESSEE**

**MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)**

**YEAR ENDED JUNE 30, 2015**

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- 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.

**Blended Component Unit**

The City has presented the operations of the newly constituted Industrial Development Board of East Ridge, Tennessee (IDB) for the year ended June 30, 2015. The IDB is currently in agreement with Exit One LLC to help generate economic and retail development within the City of East Ridge.

**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, 1517 Tombras Avenue, East Ridge, Tennessee 37412.

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF NET POSITION

JUNE 30, 2015

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,868,989
Investments	553,803
Property taxes receivable	5,170,602
Grants receivable	42,571
Accounts receivable	815,597
Capital assets -	
Land and other nondepreciable assets	1,798,958
Capital assets, net of accumulated depreciation	<u>8,753,812</u>
Total assets	<u>25,004,332</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension outflows	<u>642,685</u>
Total deferred outflows of resources	<u>642,685</u>
<b>LIABILITIES</b>	
Accounts payable	241,060
Accrued liabilities	209,133
Deferred premium	516,851
OPEB obligation	2,668,000
Net pension liability	719,082
Long-term liabilities -	
Due within one year	952,016
Due in more than one year	<u>6,421,408</u>
Total liabilities	<u>11,727,550</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - property taxes	4,705,880
Deferred pension inflows	<u>986,774</u>
Total deferred inflows of resources	<u>5,692,654</u>
<b>NET POSITION</b>	
Net investment in capital assets	3,724,685
Restricted	1,304,700
Unrestricted	<u>3,197,428</u>
Total net position	<u>\$ 8,226,813</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Governmental Activities (Net)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities -					
General government	\$ 2,260,777	\$ 180,594	\$ -	\$ -	\$ (2,080,183)
Public safety	5,589,797	422,857	101,130	-	(5,065,810)
Public works	2,586,150	1,581,760	3,125	-	(1,001,265)
Public welfare and economic development	4,171,701	-	-	-	(4,171,701)
Culture and recreation	1,531,993	538,184	600	-	(993,209)
Interest	<u>204,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(204,243)</u>
Total primary government	<u>\$ 16,344,661</u>	<u>\$ 2,723,395</u>	<u>\$ 104,855</u>	<u>\$ -</u>	<u>(13,516,411)</u>
<b>GENERAL REVENUES</b>					
Property taxes					4,870,623
Local sales taxes					2,266,750
Local beer taxes					448,504
State shared taxes					2,650,519
Other taxes					321,626
Franchise fees					311,103
Other revenues					228,701
Interest					<u>7,279</u>
Total general revenue					<u>11,105,105</u>
Change in net position					<u>(2,411,306)</u>
<b>NET POSITION</b>					
Beginning, as previously stated					12,034,730
Change in accounting principle, GASB 68					<u>(1,396,611)</u>
Beginning, as restated					<u>10,638,119</u>
Ending					<u>\$ 8,226,813</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2015

	<b>General</b>	<b>TML Bond Fund</b>	<b>Industrial Development</b>	<b>Capital Projects</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,221,759	\$ 389,681	\$ 236	\$ 3,019,101
Investments	553,803	-	-	-
Property taxes receivable	5,170,602	-	-	-
Grant funds receivable	-	-	-	-
Accounts receivables	581,883	30,216	-	-
Due from other fund	439,613	-	-	-
	<u>\$ 9,967,660</u>	<u>\$ 419,897</u>	<u>\$ 236</u>	<u>\$ 3,019,101</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 230,204	\$ -	\$ -	\$ -
Accrued liabilities	126,166	-	-	-
Due to other funds	273,006	-	-	383,859
	<u>629,376</u>	<u>-</u>	<u>-</u>	<u>383,859</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	5,122,032	-	-	-
	<u>5,122,032</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted for -				
Law enforcement	-	-	-	-
State approved street aid	-	-	-	-
Industrial development	-	-	236	-
Assigned to -				
Debt service	-	419,897	-	-
Capital projects	-	-	-	2,635,242
Solid waste operations	-	-	-	-
Unassigned	4,216,252	-	-	-
	<u>4,216,252</u>	<u>419,897</u>	<u>236</u>	<u>2,635,242</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,967,660</u>	<u>\$ 419,897</u>	<u>\$ 236</u>	<u>\$ 3,019,101</u>

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,238,212	\$ 7,868,989
-	553,803
-	5,170,602
42,571	42,571
203,498	815,597
344,416	784,029
<u>\$ 1,828,697</u>	<u>\$ 15,235,591</u>
\$ 10,856	\$ 241,060
14,840	141,006
127,164	784,029
<u>152,860</u>	<u>1,166,095</u>
<u>-</u>	<u>5,122,032</u>
<u>-</u>	<u>5,122,032</u>
34,361	34,361
1,270,103	1,270,103
-	236
9,353	429,250
-	2,635,242
409,663	409,663
(47,643)	4,168,609
<u>1,675,837</u>	<u>8,947,464</u>
<u>\$ 1,828,697</u>	<u>\$ 15,235,591</u>

# CITY OF EAST RIDGE, TENNESSEE

## RECONCILIATION OF THE BALANCE SHEET

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

JUNE 30, 2015

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Differences in amounts reported for governmental activities in the statement of net position on page 10:

Fund balances – total governmental funds \$ 8,947,464

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. 10,552,770

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. 416,152

Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position (344,089)

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:

Net pension liability	\$ (719,082)	
Bonds payable	(3,085,000)	
Net bond issue premiums and discounts	(516,851)	
Notes payable	(3,419,915)	
Capital leases	(323,170)	
Compensated absences	(545,339)	
Accrued interest payable	<u>(68,127)</u>	(8,677,484)

Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds. (2,668,000)

Net position of governmental activities \$ 8,226,813

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, 2015

	General	TML Bond Fund	Industrial Development	Capital Projects
<b>REVENUES</b>				
Taxes	\$ 8,085,622	\$ 318,224	\$ -	\$ -
Licenses and permits	110,042	-	-	-
Intergovernmental	1,997,341	-	-	-
Charges for services	726,930	-	-	-
Fines and forfeitures	315,854	-	-	-
Miscellaneous	131,748	1,075	236	396
Total revenues	11,367,537	319,299	236	396
<b>EXPENDITURES</b>				
Current				
General government	2,442,123	9,833	-	18,575
Public safety	4,993,294	-	-	-
Public works	618,804	-	-	-
Public welfare and economic development	169,739	-	4,000,000	-
Culture and recreation	1,160,859	-	-	-
Capital outlay	-	-	-	1,181,977
Debt service -				
Principal	136,720	1,841,000	-	-
Interest and other costs	13,730	42,677	-	54,558
Total expenditures	9,535,269	1,893,510	4,000,000	1,255,110
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,832,268	(1,574,211)	(3,999,764)	(1,254,714)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	4,000,000	571,796
Transfers to other funds	(3,542,710)	-	-	(1,500,000)
Bonds and notes issued	-	1,600,000	-	3,085,000
Premiums on bonds issued	-	-	-	516,851
Proceeds from sale of assets	594,574	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(1,115,868)	25,789	236	1,418,933
<b>FUND BALANCES:</b>				
Beginning	5,332,120	394,108	-	1,216,309
Ending	\$ 4,216,252	\$ 419,897	\$ 236	\$ 2,635,242

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

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 8,403,846
-	110,042
576,815	2,574,156
1,567,045	2,293,975
3,524	319,378
<u>636</u>	<u>134,091</u>
<u>2,148,020</u>	<u>13,835,488</u>
944	2,471,475
74,517	5,067,811
1,662,791	2,281,595
-	4,169,739
-	1,160,859
-	1,181,977
647,621	2,625,341
<u>41,998</u>	<u>152,963</u>
<u>2,427,871</u>	<u>19,111,760</u>
(279,851)	(5,276,272)
557,563	5,129,359
(86,649)	(5,129,359)
-	4,685,000
-	516,851
<u>-</u>	<u>594,574</u>
191,063	520,153
<u>1,484,774</u>	<u>8,427,311</u>
<u>\$ 1,675,837</u>	<u>\$ 8,947,464</u>

# 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, 2015

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

Net change in fund balances – total governmental funds \$ 520,153

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 position. 1,116,162

Depreciation expense on governmental capital assets are included in the statement of activities. (1,003,249)

The net effect of various transactions involving capital assets to decrease net position. (492,685)

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

Bond and related premium financing	\$ (5,201,851)	
Principal paid	2,625,341	
Amortization	2,531	
Change in accrued interest payable	<u>(54,140)</u>	(2,628,119)

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	(9,477)	
Change in net pension liability and related deferred items	333,440	
Change in OPEB	<u>(243,509)</u>	80,454

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. (4,022)

Change in net position of governmental activities \$ (2,411,306)

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, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,962,042	\$ 7,962,042	\$ 8,085,622	\$ 123,580
Licenses and permits	63,303	63,303	110,042	46,739
Intergovernmental	1,898,412	1,898,412	1,997,341	98,929
Charges for services	683,014	683,014	726,930	43,916
Fines and forfeitures	250,000	250,000	315,854	65,854
Miscellaneous	53,564	53,564	131,748	78,184
Total revenue	10,910,335	10,910,335	11,367,537	457,202
<b>EXPENDITURES</b>				
Current				
General government	2,658,420	2,632,969	2,442,123	190,846
Public safety	5,224,457	5,384,556	4,993,294	391,262
Public works	728,787	692,863	618,804	74,059
Public welfare	187,833	188,210	169,739	18,471
Culture and recreation	1,379,755	1,400,293	1,160,859	239,434
Capital outlay	-	603,100	-	603,100
Debt service -				
Principal	132,647	132,647	136,720	(4,073)
Interest	17,802	17,802	13,730	4,072
Total expenditures	10,329,701	11,052,440	9,535,269	1,517,171
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	580,634	(142,105)	1,832,268	1,974,373
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(522,500)	(3,027,500)	(3,542,710)	(515,210)
Proceeds from sale of assets	119,660	119,660	594,574	474,914
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	177,794	(3,049,945)	(1,115,868)	\$ 1,934,077
<b>FUND BALANCE</b>				
Beginning	5,332,120	5,332,120	5,332,120	
Ending	\$ 5,509,914	\$ 2,282,175	\$ 4,216,252	

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

**CITY OF EAST RIDGE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

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# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

### 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.

#### Blended Component Unit

The Industrial Development Board of the City of East Ridge, Tennessee

The Industrial Development Board (IDB) was formed on November 19, 1979 and serves all citizens of the government. The Board was formed to promote industry and to develop trade by attracting manufacturing, industrial, and commercial enterprises to the City of East Ridge. The organization is governed by a board as appointed by City Council. Debt issuance authorizations are approved by City Council, and the City is legally obligated in case there are deficiencies in debt service payments and resources are not available from any other remedies. The Board is reported as a major special revenue fund and does not issue separate financial statements.

#### **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.

(Continued)

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

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.

The *Industrial Development Board Fund* is established to account for and report financial resources that are assigned to the operations of the Industrial Development Board of the City of East Ridge, Tennessee.

This *Capital Projects 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.

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.

*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.

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.

(Continued)

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

### **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.

The Industrial Development Board of East Ridge, Tennessee uses a project-length methodology although operations are reported as a special revenue fund. No annual budget has been adopted for the current fiscal year.

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.

### **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.

(Continued)

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

### **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 \$30,947. 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, 2015.

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

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

### **Deferred Inflows of Resources**

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

(Continued)

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

### **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 net position 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.

(Continued)

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

*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. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by ordinance.

*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 2015 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.

(Continued)

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

### **Pensions**

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

## **NOTE 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 deposit totaling \$553,803.

### **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, 2015, consist of the following:

	<u>General</u>	<u>TML Bond Fund</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Funds</b>				
Taxes	\$ 5,170,602	\$ -	\$ -	\$ 5,170,602
Grants	-	-	42,571	42,571
Intergovernmental	545,366	30,216	-	575,582
Accounts	<u>36,517</u>	<u>-</u>	<u>234,445</u>	<u>270,962</u>
Gross receivables	5,752,485	30,216	277,016	6,059,717
Less: Allowance for uncollectibles	-	-	(30,947)	(30,947)
Net receivables	<u>\$ 5,752,485</u>	<u>\$ 30,216</u>	<u>\$ 246,069</u>	<u>\$ 6,028,770</u>

**NOTE 5 – INTERFUND TRANSFERS**

Transfers within the City are substantially for the purpose of subsidizing industrial/economic development, 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, 2015, are as follows:

	<u>Transfers In</u>			
	<u>Industrial Development</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Transfers Out:				
General Fund	\$ 2,500,000	\$ 513,230	\$ 529,480	\$ 3,542,710
Capital Projects Fund	1,500,000	-	-	1,500,000
Other Governmental Funds	-	58,566	28,083	86,649
	<u>\$ 4,000,000</u>	<u>\$ 571,796</u>	<u>\$ 557,796</u>	<u>\$ 5,129,359</u>

**NOTE 6 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	\$ 1,656,251	\$ 142,707	\$ -	\$ 1,798,958
Total non-depreciable assets	<u>1,656,251</u>	<u>142,707</u>	<u>-</u>	<u>1,798,958</u>
Depreciable capital assets:				
Buildings	9,841,969	218,249	755,358	9,304,860
Infrastructure	9,584,667	-	-	9,584,667
Equipment / Vehicles	<u>6,512,575</u>	<u>755,206</u>	<u>75,895</u>	<u>7,191,886</u>
	<u>25,939,211</u>	<u>973,455</u>	<u>831,253</u>	<u>26,081,413</u>
Less accumulated depreciation:				
Buildings	5,967,937	356,279	270,173	6,054,043
Infrastructure	6,129,841	232,473	-	6,362,314
Equipment / Vehicles	<u>4,565,142</u>	<u>414,497</u>	<u>68,395</u>	<u>4,911,244</u>
	<u>16,662,920</u>	<u>1,003,249</u>	<u>338,568</u>	<u>17,327,601</u>
Total depreciable assets, net	<u>9,276,291</u>	<u>(29,794)</u>	<u>492,685</u>	<u>8,753,812</u>
Total capital assets, net	<u>\$ 10,932,542</u>	<u>\$ 112,913</u>	<u>\$ 492,685</u>	<u>\$ 10,552,770</u>

(Continued)

**NOTE 6 – CAPITAL ASSETS (Continued)**

Depreciation expense is charged to functions as follows:

General	\$ 99,014
Public safety	308,501
Public works	279,256
Culture and recreation	<u>316,478</u>
Total	<u>\$ 1,003,249</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 2015, payable in variable, annual installments, plus interest at rate of 5%, through March 2045 \$ 3,085,000

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% \$ 1,448,000

Note of \$1,600,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 3% beginning May 2015, and additional interest and principal due through May 2035 1,600,000

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 371,915

\$ 3,419,915

Capital lease obligations:

Payable to First Tennessee Bank in various annual installments ranging from \$67,727 to \$70,345, including interest at 1.95%, through December 2016 \$ 136,000

Payable to First Bankers Corporation in annual installments of \$52,721, including interest at 4.89%, through July 2019 187,170

\$ 323,170

Liability for compensated absences \$ 545,339

(Continued)

**NOTE 7 – BONDS AND NOTES PAYABLE (Continued)**

Maturities of general long-term debt are as follows:

For the year ending June 30,	General Obligation Bonds	Notes	Lease Obligations	Compensated Absences	Total
2016	\$ -	\$ 296,218	\$ 110,459	\$ 545,339	\$ 952,016
2017	-	511,697	114,609	-	626,306
2018	-	225,000	47,866	-	272,866
2019	55,000	230,000	50,236	-	335,236
2020	60,000	236,000	-	-	296,000
2021-2025	345,000	1,076,000	-	-	1,421,000
2026-2030	440,000	410,000	-	-	850,000
2031-2035	560,000	435,000	-	-	995,000
2036-2040	715,000	-	-	-	715,000
2041-2045	910,000	-	-	-	910,000
	<u>\$ 3,085,000</u>	<u>\$ 3,419,915</u>	<u>\$ 323,170</u>	<u>\$ 545,339</u>	<u>\$ 7,373,424</u>

During the year ended June 30, 2015, changes in long-term debt were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 570,000	\$ 3,085,000	\$ (570,000)	\$ 3,085,000	\$ -
Notes payable	3,738,536	1,600,000	(1,918,621)	3,419,915	296,218
Capital lease obligations	459,891	-	(136,720)	323,170	110,459
Compensated absences	535,861	358,828	(349,350)	545,339	545,339
	<u>\$ 5,304,288</u>	<u>\$ 5,043,828</u>	<u>\$ (2,974,691)</u>	<u>\$ 7,373,424</u>	<u>\$ 952,016</u>

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS**

**Tennessee Consolidated Retirement System**

**General Information about the Pension Plan**

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

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

(Continued)

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)**

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

*Employees covered by benefit terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	41
Active employees	<u>114</u>
	<u>198</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City of East Ridge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for East Ridge were \$404,564 based on a rate of 9.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept East Ridge’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

East Ridge’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

(Continued)

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Pension (b)</u>	<u>Net Position Liability (Asset) (a) – (b)</u>
Balance at 6/30/13	\$ 15,469,395	\$ 13,665,354	\$ 1,804,041
Changes for the year:			
Service cost	355,419	-	355,419
Interest	1,162,743	-	1,162,743
Differences between expected and actual experience	277,808	-	277,808
Contributions – employer	-	407,430	(407,430)
Contributions – employees	-	220,711	(220,711)
Net investment income	-	2,257,625	(2,257,625)
Benefit payments, including refunds of employee contributions	(643,140)	(643,140)	-
Administrative expense	-	(4,837)	(4,837)
Net changes	<u>1,152,830</u>	<u>2,237,789</u>	<u>(1,084,959)</u>
Balance at 6/30/14	<u>\$ 16,622,225</u>	<u>\$ 15,903,143</u>	<u>\$ 719,082</u>

(Continued)

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)**

*Sensitivity of the net pension liability (asset) to changes in the discount rate.* The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	\$ 2,910,364	\$ 719,082	\$ (1,107,496)

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

*Pension expense.* For the year ended June 30, 2015, the City recognized pension expense of \$71,124.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 238,121	\$ -
Net difference between projected and actual earnings on pension plan investments	-	986,774
Contributions subsequent to the measurement date of June 30, 2014	<u>404,564</u>	<u>-</u>
Total	<u>\$ 642,685</u>	<u>\$ 986,774</u>

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

Year Ended June 30:	
2016	\$ (207,006)
2017	(207,006)
2018	(207,006)
2019	(207,006)
2020	39,687
Thereafter	<u>39,684</u>
	<u>\$ (748,653)</u>

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

**Payable to the Pension Plan**

At June 30, 2015, East Ridge did not report a payable for the outstanding amount of contributions to the plan required at the year ended June 30, 2015.

(Continued)

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**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 2015 fiscal year, the City contributed \$88,491 for healthcare benefits for twelve retired employees. As of June 30, 2015 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	\$ 376,000
Adjustment to annual required contribution	(141,000)
Interest on net OPEB obligation, beginning of year	<u>97,000</u>
Annual OPEB cost	332,000
Amount paid	<u>(88,491)</u>
Increase in net OPEB obligation	243,509
Net OPB obligation, beginning of year	<u>2,424,491</u>
Net OPEB obligation, end of year	<u>\$ 2,668,000</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the June 30, 2015, 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>
6/30/2015	\$ 332,000	26.5%	\$ 2,668,000
6/30/2014	428,000	17.5	2,424,491
6/30/2013	412,000	13.7	2,071,243

(Continued)

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)**

**Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the City employees postretirement medical insurance benefits was 0% funded. The actuarial accrued liability for benefits was \$2,853,000, and the actuarial value of assets was 0%, resulting in an unfunded actuarial liability (UAL) of \$2,853,000. The covered payroll (annual payroll of active employees covered by the plan) was \$4,099,000, and the ratio of the UAAL to the covered payroll was 69.6%. 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 (b)</u>	<u>Unfunded Liability (UAL) (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>
7/1/2014	\$ -	\$ 2,853	\$ 2,853	0%	\$ 4,099	69.6%

**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, 2014, 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 UAL.

**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 TMP-RMP. The amount contributed to the plan during fiscal year 2015 was \$37,766. There were no significant reductions in insurance coverage from the prior year.

**NOTE 11 – SUBSEQUENT EVENTS**

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

**CITY OF EAST RIDGE, TENNESSEE**

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**JUNE 30, 2015**

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

**Other Postemployment Benefit Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Liability (UAL) (b)-(a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (b-a)/c</b>
7/1/2014	\$ -	\$ 2,853	\$ 2,853	0%	\$ 4,099	69.6 %
7/1/2011	-	3,347	3,347	0	3,758	89.1
7/1/2008	-	3,902	3,902	0	3,723	104.8

**CITY OF EAST RIDGE, TENNESSEE**

SCHEDULE OF CHANGES IN CITY OF EAST RIDGE, TENNESSEE'S NET PENSION LIABILITY  
(ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE  
PENSION PLAN OF TCRS

LAST FISCAL YEAR ENDING JUNE 30

	<b>2014</b>
Total Pension Liability (Asset)	
Service cost	\$ 355,419
Interest	1,162,743
Changes in benefit terms	-
Differences between actual and expected experience	277,808
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(643,140)</u>
Net change in total pension liability	1,152,830
Total pension liability - beginning	<u>15,469,395</u>
Total pension liability - ending (a)	<u><u>\$ 16,622,225</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 407,430
Contributions - employee	220,711
Net investment income	2,257,625
Benefit payments, including refunds of employee contributions	(643,140)
Administrative expense	<u>(4,837)</u>
Net change in plan fiduciary net position	2,237,789
Plan fiduciary net position - beginning	<u>13,665,354</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 15,903,143</u></u>
 Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ 719,082</u></u>
 Plan fiduciary net position as a percentage of total pension liability	95.67%
 Covered - employee payroll	\$ 4,414,199
 Net pension liability (asset) as a percentage of covered-employee payroll	16.29%

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

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF CITY OF EAST RIDGE, TENNESSEE'S CONTRIBUTIONS BASED ON  
PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS**

LAST FISCAL YEAR ENDING JUNE 30

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	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 407,430	\$ 404,564
Contributions in relation to the actuarially determined contribution	<u>407,430</u>	<u>404,564</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,414,199	\$ 4,373,665
Contributions as a percentage covered-employee payroll	9.23%	9.25%

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

**OTHER SUPPLEMENTARY INFORMATION**

**CITY OF EAST RIDGE, TENNESSEE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2015**

	<b>Special Revenue</b>					<b>Total</b>	<b>General Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
	<b>Drug Investigation</b>	<b>State Street Aid</b>	<b>Grant Fund</b>	<b>Solid Waste Collection</b>	<b>Asset Forfeiture</b>			
<b>ASSETS</b>								
Cash and cash equivalents	\$ 15,381	\$ 1,198,795	\$ -	\$ -	\$ 14,683	\$ 1,228,859	\$ 9,353	\$ 1,238,212
Grant funds receivables	-	-	42,571	-	-	42,571	-	42,571
Accounts receivables	-	-	-	203,498	-	203,498	-	203,498
Due from other funds	-	107,211	5,725	218,070	13,410	344,416	-	344,416
<b>Total assets</b>	<u>\$ 15,381</u>	<u>\$ 1,306,006</u>	<u>\$ 48,296</u>	<u>\$ 421,568</u>	<u>\$ 28,093</u>	<u>\$ 1,819,344</u>	<u>\$ 9,353</u>	<u>\$ 1,828,697</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 9,113	\$ 1,743	\$ -	\$ -	\$ -	\$ 10,856	\$ -	\$ 10,856
Accrued payables	-	2,935	-	11,905	-	14,840	-	14,840
Due to other funds	-	31,225	95,939	-	-	127,164	-	127,164
<b>Total liabilities</b>	<u>9,113</u>	<u>35,903</u>	<u>95,939</u>	<u>11,905</u>	<u>-</u>	<u>152,860</u>	<u>-</u>	<u>152,860</u>
<b>Fund balances</b>								
Restricted for -								
Law enforcement	6,268	-	-	-	28,093	34,361	-	34,361
State approved street aid	-	1,270,103	-	-	-	1,270,103	-	1,270,103
Assigned to -								
Debt service	-	-	-	-	-	-	9,353	9,353
Solid waste collections	-	-	-	409,663	-	409,663	-	409,663
Unassigned	-	-	(47,643)	-	-	(47,643)	-	(47,643)
<b>Total fund balances</b>	<u>6,268</u>	<u>1,270,103</u>	<u>(47,643)</u>	<u>409,663</u>	<u>28,093</u>	<u>1,666,484</u>	<u>9,353</u>	<u>1,675,837</u>
<b>Total liabilities and fund balances</b>	<u>\$ 15,381</u>	<u>\$ 1,306,006</u>	<u>\$ 48,296</u>	<u>\$ 421,568</u>	<u>\$ 28,093</u>	<u>\$ 1,819,344</u>	<u>\$ 9,353</u>	<u>\$ 1,828,697</u>

**CITY OF EAST RIDGE, TENNESSEE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2015**

	<u>Special Revenue</u>					<u>Total</u>	<u>General Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Investigation</u>	<u>State Street Aid</u>	<u>Grant Fund</u>	<u>Solid Waste Collection</u>	<u>Asset Forfeiture</u>			
<b>REVENUES</b>								
Intergovernmental	\$ 25,959	\$ 502,560	\$ 48,296	\$ -	\$ -	\$ 576,815	\$ -	\$ 576,815
Fines and forfeitures	3,524	-	-	-	-	3,524	-	3,524
Charges for services	-	-	-	1,567,045	-	1,567,045	-	1,567,045
Miscellaneous	14	543	-	-	10	567	69	636
Total revenues	<u>29,497</u>	<u>503,103</u>	<u>48,296</u>	<u>1,567,045</u>	<u>10</u>	<u>2,147,951</u>	<u>69</u>	<u>2,148,020</u>
<b>EXPENDITURES</b>								
Current								
General government	-	-	-	-	-	-	944	944
Public safety	74,517	-	-	-	-	74,517	-	74,517
Public works	-	399,675	95,939	1,167,177	-	1,662,791	-	1,662,791
Debt service								
Principal	-	-	-	77,621	-	77,621	570,000	647,621
Interest and other costs	-	-	-	13,498	-	13,498	28,500	41,998
Total expenditures	<u>74,517</u>	<u>399,675</u>	<u>95,939</u>	<u>1,258,296</u>	<u>-</u>	<u>1,828,427</u>	<u>599,444</u>	<u>2,427,871</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(45,020)	103,428	(47,643)	308,749	10	319,524	(599,375)	(279,851)
<b>OTHER FINANCING SOURCES</b>								
Transfers from other funds	-	-	-	159,480	28,083	187,563	370,000	557,563
Transfers to other funds	<u>(28,083)</u>	<u>-</u>	<u>-</u>	<u>(58,566)</u>	<u>-</u>	<u>(86,649)</u>	<u>-</u>	<u>(86,649)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(73,103)	103,428	(47,643)	409,663	28,093	420,438	(229,375)	191,063
<b>FUND BALANCES</b>								
Beginning	79,371	1,166,675	-	-	-	1,246,046	238,728	1,484,774
Ending	<u>\$ 6,268</u>	<u>\$ 1,270,103</u>	<u>\$ (47,643)</u>	<u>\$ 409,663</u>	<u>\$ 28,093</u>	<u>\$ 1,666,484</u>	<u>\$ 9,353</u>	<u>\$ 1,675,837</u>

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2015

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>TAXES</b>				
Local sales tax	\$ 2,033,042	\$ 2,033,042	\$ 2,266,750	\$ 233,708
Property taxes	4,786,900	4,786,900	4,592,105	(194,795)
Business taxes	5,000	5,000	3,402	(1,598)
Local beer taxes	500,000	500,000	448,504	(51,496)
Gross receipts taxes	375,100	375,100	463,758	88,658
Franchise taxes	262,000	262,000	311,103	49,103
Total taxes	<u>7,962,042</u>	<u>7,962,042</u>	<u>8,085,622</u>	<u>123,580</u>
<b>LICENSES AND PERMITS</b>				
Building permits	21,000	21,000	53,928	32,928
Plumbing permits	5,000	5,000	3,675	(1,325)
Electrical permits	8,925	8,925	12,444	3,519
Other permits and licenses	28,378	28,378	39,995	11,617
Total licenses and permits	<u>63,303</u>	<u>63,303</u>	<u>110,042</u>	<u>46,739</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	1,506,660	1,506,660	1,579,587	72,927
State beer tax	10,000	10,000	10,034	34
State telecommunications tax	2,000	2,000	2,080	80
State mixed drink tax	9,000	9,000	10,929	1,929
State income and excise tax	55,500	55,500	78,153	22,653
City streets and transportation	44,000	44,000	42,808	(1,192)
TVA in lieu of tax	238,252	238,252	243,150	4,898
State and other grants	33,000	33,000	30,600	(2,400)
Total intergovernmental	<u>1,898,412</u>	<u>1,898,412</u>	<u>1,997,341</u>	<u>98,929</u>
<b>CHARGES FOR SERVICES</b>				
Fire service contract	95,841	95,841	95,841	-
Recreation fees	550,223	550,223	585,530	35,307
Mowing charges	15,750	15,750	14,715	(1,035)
Other	21,200	21,200	30,844	9,644
Total charges for services	<u>683,014</u>	<u>683,014</u>	<u>726,930</u>	<u>43,916</u>
<b>FINES AND FORFEITS</b>				
City court fines and fees	250,000	250,000	315,854	65,854
Total fines and forfeits	<u>250,000</u>	<u>250,000</u>	<u>315,854</u>	<u>65,854</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>MISCELLANEOUS</b>				
Insurance recoveries	\$ 10,000	\$ 10,000	\$ 15,090	\$ 5,090
Interest	5,000	5,000	5,174	174
Other	<u>38,564</u>	<u>38,564</u>	<u>111,484</u>	<u>72,920</u>
Total miscellaneous	<u>53,564</u>	<u>53,564</u>	<u>131,748</u>	<u>78,184</u>
Total revenues	<u>10,910,335</u>	<u>10,910,335</u>	<u>11,367,537</u>	<u>457,202</u>
<b>GENERAL GOVERNMENT</b>				
<b>    General Government</b>				
Health insurance	87,534	87,534	64,340	23,194
Pension	3,000	3,000	678	2,322
Workers' compensation	204,573	204,573	204,573	-
Dues and memberships	15,000	15,000	15,511	(511)
Data processing services	49,500	49,500	46,191	3,309
Insurance	359,935	408,440	400,186	8,254
Professional fees	<u>165,075</u>	<u>201,075</u>	<u>176,907</u>	<u>24,168</u>
	<u>884,617</u>	<u>969,122</u>	<u>908,386</u>	<u>60,736</u>
<b>Administration</b>				
Salaries	388,408	389,108	390,339	(1,231)
Payroll taxes	29,173	29,227	29,073	154
Health insurance	88,325	88,325	79,328	8,997
Pension	33,504	33,504	40,450	(6,946)
Unemployment insurance	1,440	1,440	1,071	369
Employee training and testing	4,000	4,000	4,690	(690)
Printing and duplicating	10,000	10,000	13,168	(3,168)
Dues and memberships	4,500	4,500	4,214	286
Telephone	20,000	20,000	27,728	(7,728)
Public relations	7,000	7,000	10,355	(3,355)
Travel	15,000	15,000	20,274	(5,274)
Operating supplies	104,500	70,600	53,120	17,480
Equipment operations and maintenance	7,500	7,500	8,135	(635)
Professional fees	20,000	20,000	11,537	8,463
Other	<u>14,200</u>	<u>14,200</u>	<u>7,547</u>	<u>6,653</u>
	<u>747,550</u>	<u>714,404</u>	<u>701,029</u>	<u>13,375</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, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>City Council</b>				
Salaries	\$ 40,800	\$ 40,800	\$ 41,408	\$ (608)
Payroll taxes	3,122	3,122	3,109	13
Health insurance	9,318	9,318	4,976	4,342
Employee training and testing	4,000	4,000	2,465	1,535
Printing and duplicating	500	500	550	(50)
Dues and memberships	250	250	150	100
Telephone	3,500	3,500	3,551	(51)
Council meeting	1,500	1,500	3,450	(1,950)
Travel	15,000	15,000	11,883	3,117
Operating supplies	3,100	3,100	5,147	(2,047)
	81,090	81,090	76,689	4,401
<b>Municipal Court</b>				
Salaries	178,338	170,713	169,623	1,090
Payroll taxes	12,916	12,945	12,480	465
Health insurance	47,513	47,513	40,863	6,650
Employee training and testing	600	600	375	225
Pension	8,914	8,914	6,795	2,119
Unemployment insurance	720	720	336	384
Printing and duplicating	1,000	1,000	1,381	(381)
Dues and memberships	50	50	-	50
Subscriptions	600	600	-	600
Telephone	1,500	1,500	1,691	(191)
Travel	300	300	2,473	(2,173)
Operating supplies	22,000	21,000	14,540	6,460
Equipment operations and maintenance	500	500	219	281
Child restraint	6,000	6,000	6,006	(6)
Litigation fees	35,000	35,000	52,803	(17,803)
Other	11,000	11,000	4,385	6,615
	326,951	318,355	313,970	4,385

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Economic Development</b>				
Professional services	\$ 20,000	\$ 138,000	\$ 98,921	\$ 39,079
	20,000	138,000	98,921	39,079
<b>City Hall Complex</b>				
Utilities	30,500	30,500	26,245	4,255
Operating supplies	-	-	413	(413)
	30,500	30,500	26,658	3,842
<b>Special Projects -</b>				
City projects	30,650	30,650	16,386	14,264
	30,650	30,650	16,386	14,264
<b>Inspection</b>				
Salaries	155,974	156,449	136,640	19,809
Payroll taxes	11,043	11,079	10,051	1,028
Health insurance	44,467	44,467	38,362	6,105
Pension	13,353	13,353	9,524	3,829
Unemployment insurance	720	720	655	65
Employee training and testing	5,280	5,280	1,580	3,700
Printing and duplicating	500	500	10,055	(9,555)
Dues and memberships	450	450	851	(401)
Telephone	2,100	2,100	1,739	361
Travel	2,500	2,500	1,421	1,079
Contract services	30,000	28,800	26,796	2,004
Operating supplies	4,000	4,000	3,087	913
Equipment operations and maintenance	6,900	6,900	5,467	1,433
Uniform	1,000	1,000	1,438	(438)
Other	12,000	12,000	10,736	1,264
	290,287	289,598	258,402	31,196

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>City Garage</b>				
Telephone	\$ 700	\$ 700	\$ 917	\$ (217)
Utilities	8,500	8,500	2,947	5,553
Equipment operations and maintenance	4,500	4,500	8,113	(3,613)
	13,700	13,700	11,977	1,723
<b>Building Maintenance</b>				
Salaries	109,759	27,421	16,684	10,737
Payroll taxes	7,567	1,519	1,955	(436)
Health insurance	14,695	2,939	3,937	(998)
Pension	6,784	1,357	1,459	(102)
Unemployment insurance	720	144	-	144
Printing and duplicating	100	20	-	20
Telephone	4,000	800	-	800
Utilities	6,800	1,360	3,053	(1,693)
Medical	300	60	-	60
Operating supplies	17,800	4,420	1,612	2,808
Custodial services	1,500	1,500	1,002	498
Equipment operations and maintenance	1,450	290	3	287
Building maintenance	52,000	5,200	-	5,200
Grounds maintenance	9,000	-	-	-
Other	600	520	-	520
	233,075	47,550	29,705	17,845
<b>TOTAL GENERAL GOVERNMENT</b>	2,658,420	2,632,969	2,442,123	190,846

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
<b>Police</b>				
Salaries	\$ 436,458	\$ 437,883	\$ 383,903	\$ 53,980
Payroll taxes	24,038	24,147	28,155	(4,008)
Health insurance	57	57,190	65,528	(8,338)
Pension	29,066	29,066	27,338	1,728
Unemployment insurance	1,260	1,260	1,189	71
Employee training and testing	16,000	16,000	13,398	2,602
Printing and duplicating	-	-	1,689	(1,689)
Dues and memberships	440	440	775	(335)
Subscriptions	200	200	25	175
Telephone	45,000	45,000	61,715	(16,715)
Utilities	21,800	21,800	18,214	3,586
Medical	3,000	3,000	3,900	(900)
Travel	10,000	10,000	9,348	652
Operating supplies	30,000	30,000	20,666	9,334
Contracts with other governments	275,490	275,490	276,553	(1,063)
Supplies and small equipment	17,000	12,000	7,945	4,055
Equipment operations and maintenance	54,571	54,571	58,044	(3,473)
Uniforms	2,000	2,000	1,112	888
Insurance	5,000	5,000	2,024	2,976
	<u>971,380</u>	<u>1,025,047</u>	<u>981,521</u>	<u>43,526</u>
<b>Criminal Investigation</b>				
Salaries	327,901	328,201	200,341	127,860
Payroll taxes	16,669	16,692	14,516	2,176
Health insurance	53,373	53,373	60,478	(7,105)
Pension	20,156	20,156	17,986	2,170
Unemployment insurance	900	900	504	396
Operating supplies	27,740	27,740	10,366	17,374
	<u>446,739</u>	<u>447,062</u>	<u>304,191</u>	<u>142,871</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Patrol</b>				
Salaries	\$ 1,202,012	\$ 1,205,037	\$ 1,204,432	\$ 605
Payroll taxes	88,511	88,742	89,316	(574)
Health insurance	284,059	314,059	322,251	(8,192)
Pension	100,080	100,080	103,380	(3,300)
Unemployment insurance	6,480	6,480	4,206	2,274
Operating supplies	<u>136,205</u>	<u>136,205</u>	<u>127,016</u>	<u>9,189</u>
	<u>1,817,347</u>	<u>1,850,603</u>	<u>1,850,601</u>	<u>2</u>
<b>Traffic Control</b>				
Salaries	122,998	122,998	-	122,998
Payroll taxes	9,027	9,027	-	9,027
Health insurance	31,161	1,161	-	1,161
Pension	10,915	10,915	-	10,915
Unemployment insurance	540	540	-	540
Operating supplies	<u>16,884</u>	<u>16,884</u>	<u>-</u>	<u>16,884</u>
	<u>191,525</u>	<u>161,525</u>	<u>-</u>	<u>161,525</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Fire</b>				
Salaries	\$ 893,178	\$ 930,528	\$ 949,615	\$ (19,087)
Payroll taxes	57,966	58,146	69,890	(11,744)
Health insurance	202,427	253,427	243,375	10,052
Pension	67,762	67,762	80,555	(12,793)
Workers' compensation	3,420	3,420	2,598	822
Employee training and testing	8,500	8,500	6,958	1,542
Printing and duplicating	1,500	1,500	2,475	(975)
Dues and memberships	1,400	1,400	715	685
Subscriptions	400	400	952	(552)
Telephone	13,750	13,750	15,580	(1,830)
Utilities	21,800	21,800	18,263	3,537
Medical	3,500	3,500	1,017	2,483
Travel	8,000	8,000	8,514	(514)
Rent	700	700	700	-
Operating supplies	39,000	39,000	18,521	20,479
Contracts with other governments	118,067	118,067	119,544	(1,477)
Supplies and small equipment	20,000	20,000	22,531	(2,531)
Equipment operations and maintenance	63,000	63,000	40,942	22,058
Uniforms	15,000	15,000	13,257	1,743
Insurance	2,000	2,000	852	1,148
Other	11,000	25,000	25,986	(986)
	<u>1,552,370</u>	<u>1,654,900</u>	<u>1,642,840</u>	<u>12,060</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, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Animal Control</b>				
Salaries	\$ 114,034	\$ 114,334	\$ 107,031	\$ 7,303
Payroll taxes	7,926	7,949	7,885	64
Health insurance	32,437	32,437	28,799	3,638
Pension	7,679	7,679	7,956	(277)
Workers' compensation	720	720	528	192
Employee training and testing	2,300	2,300	2,081	219
Printing and duplicating	1,000	1,000	527	473
Dues and memberships	400	400	185	215
Telephone	3,000	3,000	2,064	936
Utilities	9,200	9,200	6,709	2,491
Medical	500	500	500	-
Travel	2,000	2,000	2,771	(771)
Operating supplies	36,500	36,500	21,777	14,723
Equipment operations and maintenance	10,400	10,400	5,184	5,216
Building maintenance	-	-	140	(140)
Uniforms	2,000	2,000	773	1,227
Other	15,000	15,000	19,231	(4,231)
	<u>245,096</u>	<u>245,419</u>	<u>214,141</u>	<u>31,278</u>
<b>TOTAL DEPARTMENT OF PUBLIC SAFETY</b>	<u>5,224,457</u>	<u>5,384,556</u>	<u>4,993,294</u>	<u>391,262</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC WORKS</b>				
<b>Traffic Control and Street Markers</b>				
Salaries	\$ 70,206	\$ 70,406	\$ 69,000	\$ 1,406
Payroll taxes	5,103	5,118	4,948	170
Health insurance	13,905	13,905	30,261	(16,356)
Pension	6,170	6,170	6,333	(163)
Workers' compensation	360	360	252	108
Employee training and testing	2,600	2,600	150	2,450
Printing and duplicating	200	200	-	200
Dues and memberships	425	425	285	140
Telephone	3,800	3,800	2,322	1,478
Utilities	6,100	6,100	4,424	1,676
Medical	300	300	160	140
Travel	900	900	42	858
Operating supplies	32,075	5,075	393	4,682
Equipment operations and maintenance	21,400	21,400	6,161	15,239
Building maintenance	500	500	-	500
Uniforms	1,000	1,000	638	362
Other	800	800	-	800
	<u>165,844</u>	<u>139,059</u>	<u>125,369</u>	<u>13,690</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Streets</b>				
Salaries	\$ 267,844	\$ 268,644	\$ 259,358	\$ 9,286
Payroll taxes	19,974	20,035	18,642	1,393
Health insurance	87,153	87,153	95,484	(8,331)
Pension	24,152	24,152	23,797	355
Workers' compensation	1,620	1,620	1,008	612
Employee training and testing	1,200	1,200	570	630
Printing and duplicating	200	200	226	(26)
Telephone	3,000	3,000	2,149	851
Utilities	6,000	6,000	3,933	2,067
Medial	600	600	80	520
Professional and contract services	750	750	580	170
Operating supplies	58,450	48,450	14,679	33,771
Equipment operations and maintenance	86,500	86,500	70,861	15,639
Building maintenance	-	-	85	(85)
Uniforms	2,500	2,500	1,399	1,101
Damage claims	3,000	3,000	425	2,575
Other	-	-	159	(159)
	<u>562,943</u>	<u>553,804</u>	<u>493,435</u>	<u>60,369</u>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<u>728,787</u>	<u>692,863</u>	<u>618,804</u>	<u>74,059</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC WELFARE</b>				
<b>Library</b>				
Salaries	\$ 112,900	\$ 113,250	\$ 101,442	\$ 11,808
Payroll taxes	8,245	8,272	7,529	743
Health insurance	21,522	21,522	23,178	(1,656)
Pension	6,536	6,536	6,099	437
Workers' compensation	900	900	565	335
Employee training and testing	200	200	-	200
Printing and duplicating	400	400	102	298
Subscriptions	17,500	17,500	17,239	261
Telephone	1,500	1,500	1,576	(76)
Medical	100	100	210	(110)
Professional and contract services	10,000	10,000	3,000	7,000
Operating supplies	4,720	4,720	3,534	1,186
Equipment operations and maintenance	2,600	2,600	5,190	(2,590)
	<u>187,123</u>	<u>187,500</u>	<u>169,664</u>	<u>17,836</u>
<b>Museum</b>				
Subscriptions	210	210	-	210
Telephone	200	200	117	83
Contract services	300	300	168	132
Operating supplies	-	-	(210)	210
	<u>710</u>	<u>710</u>	<u>75</u>	<u>635</u>
<b>TOTAL DEPARTMENT OF PUBLIC WELFARE</b>	<u>187,833</u>	<u>188,210</u>	<u>169,739</u>	<u>18,471</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>CULTURE AND RECREATION</b>				
<b>Arena</b>				
Salaries	\$ 249,690	\$ 220,923	\$ 203,617	\$ 17,306
Payroll taxes	18,010	18,054	15,236	2,818
Health insurance	51,625	51,625	38,080	13,545
Pension	19,582	19,582	16,028	3,554
Workers' compensation	1,260	1,260	832	428
Employee training and testing	1,350	1,350	455	895
Printing and duplicating	1,200	1,200	660	540
Dues and subscriptions	1,000	1,000	960	40
Telephone	4,500	4,500	3,518	982
Utilities	31,500	31,500	29,118	2,382
Travel	1,200	1,200	344	856
Operating supplies	20,500	20,500	19,505	995
Contracted services	10,000	10,000	240	9,760
Equipment operations and maintenance	41,000	41,000	17,928	23,072
Building maintenance	-	-	791	(791)
Grounds maintenance	50,000	83,000	46,150	36,850
Uniforms	1,000	1,000	1,799	(799)
Medical	150	150	460	(310)
Damage claims	1,500	1,500	-	1,500
Other	-	10,399	7,830	2,569
	<u>505,067</u>	<u>519,743</u>	<u>403,551</u>	<u>116,192</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Maintenance of Recreational Facilities</b>				
Salaries	\$ 167,620	\$ 168,020	\$ 180,938	\$ (12,918)
Payroll taxes	11,092	11,123	13,544	(2,421)
Health insurance	33,012	33,012	36,066	(3,054)
Pension	13,027	13,027	15,605	(2,578)
Workers' compensation	720	720	504	216
Employee training and testing	750	750	124	626
Printing and duplicating	1,000	1,000	584	416
Dues and memberships	750	750	750	-
Telephone	5,000	5,000	5,620	(620)
Utilities	145,000	145,000	110,028	34,972
Operating supplies	17,000	17,000	13,110	3,890
Contracted services	2,000	2,000	4,082	(2,082)
Equipment operations and maintenance	7,250	7,250	4,480	2,770
Building maintenance	-	-	2,028	(2,028)
Grounds maintenance	2,000	2,000	507	1,493
Travel	1,000	1,000	752	248
Park promotions	7,500	7,500	12,269	(4,769)
Uniforms	500	500	299	201
Medical	150	150	-	150
Other	1,000	1,000	-	1,000
	<u>416,371</u>	<u>416,802</u>	<u>401,290</u>	<u>15,512</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Community Center</b>				
Salaries	\$ 96,740	\$ 102,640	\$ 104,294	\$ (1,654)
Payroll taxes	6,839	7,370	7,976	(606)
Health insurance	5,401	5,401	5,231	170
Pension	3,427	3,427	3,906	(479)
Workers' compensation	1,080	1,080	579	501
Employee training and testing	350	350	195	155
Printing and duplicating	1,000	1,000	125	875
Dues and memberships	80	80	140	(60)
Telephone	3,300	3,300	4,011	(711)
Utilities	24,300	24,300	24,435	(135)
Medical	150	150	-	150
Operating supplies	13,000	13,000	13,854	(854)
Contracted services	1,000	1,000	435	565
Equipment operations and maintenance	1,300	1,300	404	896
Grounds maintenance	4,000	3,000	733	2,267
Travel	100	100	-	100
Uniforms	500	500	267	233
	<u>162,567</u>	<u>167,998</u>	<u>166,585</u>	<u>1,413</u>
<b>Pool Property</b>				
Building maintenance	<u>80,500</u>	<u>80,500</u>	<u>-</u>	<u>80,500</u>
	<u>80,500</u>	<u>80,500</u>	<u>-</u>	<u>80,500</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, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>McBrien School</b>				
Telephone	\$ 1,500	\$ 1,500	\$ -	\$ 1,500
Utilities	8,200	8,200	5,859	2,341
Contracted services	250	250	550	(300)
Operating supplies	1,000	1,000	794	206
Other	500	500	-	500
	<u>11,450</u>	<u>11,450</u>	<u>7,203</u>	<u>4,247</u>
<b>Recreational Sports</b>				
Printing and duplicating	2,000	2,000	603	1,397
Equipment, supplies and uniforms	82,750	82,750	67,778	14,972
Tournament fees	11,650	11,650	13,657	(2,007)
Officials, referees and players fees	92,200	92,200	81,099	11,101
Insurance	15,200	15,200	19,093	(3,893)
	<u>203,800</u>	<u>203,800</u>	<u>182,230</u>	<u>21,570</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>1,379,755</u>	<u>1,400,293</u>	<u>1,160,859</u>	<u>239,434</u>
<b>CAPITAL OUTLAY</b>	<u>-</u>	<u>603,100</u>	<u>-</u>	<u>603,100</u>
<b>DEBT SERVICE</b>				
Principal	132,647	132,647	136,720	(4,073)
Interest	17,802	17,802	13,730	4,072
<b>TOTAL DEBT SERVICE</b>	<u>150,449</u>	<u>150,449</u>	<u>150,450</u>	<u>(1)</u>
<b>TOTAL EXPENDITURES</b>	<u>10,329,701</u>	<u>11,052,440</u>	<u>9,535,269</u>	<u>1,517,171</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, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXCESS REVENUES OVER EXPENDITURES</b>	\$ 580,634	\$ (142,105)	\$ 1,832,268	\$ 1,974,373
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(522,500)	(3,027,500)	(3,542,710)	515,210
Proceeds from sale of assets	<u>119,660</u>	<u>119,660</u>	<u>594,574</u>	<u>(474,914)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	177,794	(3,049,945)	(1,115,868)	<u>\$ 1,934,077</u>
<b>FUND BALANCE</b>				
Beginning	<u>5,332,120</u>	<u>5,332,120</u>	<u>5,332,120</u>	
Ending	<u>\$ 5,509,914</u>	<u>\$ 2,282,175</u>	<u>\$ 4,216,252</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, 2015

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 21,481	\$ 21,481	\$ 25,959	\$ 4,478
Drug related fines and forfeitures	3,000	3,000	3,524	524
Interest	5,030	5,030	14	(5,016)
Total revenues	<u>29,511</u>	<u>29,511</u>	<u>29,497</u>	<u>(14)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Employee training and testing	17,000	17,000	-	17,000
Office supplies	8,200	8,200	5,472	2,728
Uniforms	2,650	2,650	675	1,975
Bank service charges	500	500	609	(109)
Equipment operations and maintenance	1,300	1,300	-	1,300
	<u>29,650</u>	<u>29,650</u>	<u>6,756</u>	<u>22,894</u>
<b>CAPITAL OUTLAY</b>	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>29,650</u>	<u>29,650</u>	<u>6,756</u>	<u>22,894</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(139)	(139)	22,741	22,880
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	(28,083)	(28,083)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(139)	(139)	(5,342)	<u>\$ (5,203)</u>
<b>FUND BALANCE</b>				
Beginning	<u>79,371</u>	<u>79,371</u>	<u>79,371</u>	
Ending	<u>\$ 79,232</u>	<u>\$ 79,232</u>	<u>\$ 74,029</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, 2015

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 2,948,650	\$ 2,948,650	\$ 502,560	\$ (2,446,090)
Interest	700	700	543	(157)
Total revenues	<u>2,949,350</u>	<u>2,949,350</u>	<u>503,103</u>	<u>(2,446,247)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Salaries	110,174	110,374	107,509	2,865
Payroll taxes	1,667	1,682	8,125	(6,443)
Health insurance	15,534	15,534	16,488	(954)
Pension	9,270	9,270	9,274	(4)
Workers' compensation	360	360	252	108
Utilities	200,000	200,000	200,566	(566)
Operating supplies	26,000	26,000	23,299	2,701
Professional services	-	101,000	16,153	84,847
Grant expenditures	-	1,650,000	-	1,650,000
Road paving and maintenance	1,214,330	1,214,330	17,935	1,196,395
Other	136,900	136,900	74	136,826
<b>TOTAL EXPENDITURES</b>	<u>1,714,235</u>	<u>3,465,450</u>	<u>399,675</u>	<u>3,065,775</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	1,235,115	(516,100)	103,428	<u>\$ 619,528</u>
<b>FUND BALANCE</b>				
Beginning	<u>1,166,675</u>	<u>1,166,675</u>	<u>1,166,675</u>	
Ending	<u>\$ 2,401,790</u>	<u>\$ 650,575</u>	<u>\$ 1,270,103</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2015

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 1,277,516	\$ 1,277,516	\$ 48,296	\$ (1,229,220)
Total revenues	<u>1,277,516</u>	<u>1,277,516</u>	<u>48,296</u>	<u>(1,229,220)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Grant expenditures	<u>730,016</u>	<u>1,257,516</u>	<u>95,939</u>	<u>1,161,577</u>
<b>TOTAL EXPENDITURES</b>	<u>730,016</u>	<u>1,257,516</u>	<u>95,939</u>	<u>1,161,577</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	547,500	20,000	(47,643)	<u>\$ (67,643)</u>
<b>FUND BALANCE</b>				
Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Ending	<u>\$ 547,500</u>	<u>\$ 20,000</u>	<u>\$ (47,643)</u>	

**CITY OF EAST RIDGE, TENNESSEE**

**SOLID WASTE COLLECTION FUND  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2015

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Charges for services	\$ 1,506,591	\$ 1,506,591	\$ 1,567,045	\$ 60,454
Total revenues	<u>1,506,591</u>	<u>1,506,591</u>	<u>1,567,045</u>	<u>60,454</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Salaries	458,842	460,242	419,441	40,801
Payroll taxes	32,792	32,899	30,934	1,965
Health insurance	127,048	127,048	146,226	(19,178)
Pension	38,302	38,302	36,900	1,402
Unemployment insurance	2,520	2,520	1,673	847
Employee training and testing	2,650	2,650	1,805	845
Printing and duplicating	650	650	630	20
Utilities	9,900	9,900	6,471	3,429
Contract services	300,000	300,000	271,612	28,388
Operating supplies	363,300	363,300	243,772	119,528
Equipment maintenance	15,000	15,000	7,713	7,287
	<u>1,351,004</u>	<u>1,352,511</u>	<u>1,167,177</u>	<u>185,334</u>
<b>DEBT SERVICE</b>				
Principal	72,700	72,700	77,621	(4,921)
Interest	18,532	18,532	13,498	5,034
Total debt service	<u>91,232</u>	<u>91,232</u>	<u>91,119</u>	<u>113</u>
<b>TOTAL EXPENDITURES</b>	<u>1,442,236</u>	<u>1,443,743</u>	<u>1,258,296</u>	<u>185,334</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	64,355	62,848	308,749	<u>\$ 245,901</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	-	159,480	
Transfers to other funds	<u>(58,566)</u>	<u>(58,566)</u>	<u>(58,566)</u>	
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	5,789	4,282	409,663	
<b>FUND BALANCE</b>				
Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Ending	<u>\$ 5,789</u>	<u>\$ 4,282</u>	<u>\$ 409,663</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, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ 200	\$ 200	\$ 69	\$ (131)
Total revenues	<u>200</u>	<u>200</u>	<u>69</u>	<u>(131)</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Administrative	<u>1,500</u>	<u>1,500</u>	<u>944</u>	<u>556</u>
	<u>1,500</u>	<u>1,500</u>	<u>944</u>	<u>556</u>
<b>DEBT SERVICE -</b>				
Principal	570,000	570,000	570,000	-
Interest	<u>28,500</u>	<u>28,500</u>	<u>28,500</u>	<u>-</u>
Total debt service	<u>598,500</u>	<u>598,500</u>	<u>598,500</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>600,000</u>	<u>600,000</u>	<u>599,444</u>	<u>556</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(599,800)	(599,800)	(599,375)	425
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>600,000</u>	<u>600,000</u>	<u>370,000</u>	<u>230,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	200	200	(229,375)	<u>\$ (229,575)</u>
<b>FUND BALANCE</b>				
Beginning	<u>238,728</u>	<u>238,728</u>	<u>238,728</u>	
Ending	<u>\$ 238,928</u>	<u>\$ 238,928</u>	<u>\$ 9,353</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, 2015

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Room occupancy tax	\$ 260,000	\$ 260,000	\$ 318,224	\$ 58,224
Interest	1,000	1,000	1,075	75
Total revenues	<u>261,000</u>	<u>261,000</u>	<u>319,299</u>	<u>58,299</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Administrative	12,000	12,000	9,833	2,167
	<u>12,000</u>	<u>12,000</u>	<u>9,833</u>	<u>2,167</u>
<b>DEBT SERVICE</b>				
Principal	1,841,000	1,841,000	1,841,000	-
Interest	95,770	95,770	42,677	53,093
Total debt service	<u>1,936,770</u>	<u>1,936,770</u>	<u>1,883,677</u>	<u>53,093</u>
<b>TOTAL EXPENDITURES</b>	<u>1,948,770</u>	<u>1,948,770</u>	<u>1,893,510</u>	<u>55,260</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(1,687,770)	(1,687,770)	(1,574,211)	113,559
<b>OTHER FINANCING SOURCES (USES)</b>				
Notes issued	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,600,000</u>	<u>100,000</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	12,230	12,230	25,789	<u>\$ 13,559</u>
<b>FUND BALANCE</b>				
Beginning	<u>394,108</u>	<u>394,108</u>	<u>394,108</u>	
Ending	<u>\$ 406,338</u>	<u>\$ 406,338</u>	<u>\$ 419,897</u>	

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2015

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<u>Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>
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
2015	1.4227	330,771,069	4,705,880

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**

JUNE 30, 2015

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2014</u>	<u>Property Tax Levied</u>	<u>Anticipated Property Tax Levy</u>	<u>Abatements and Adjustments</u>	<u>Tax Collections</u>	<u>Property Tax Receivable Balance June 30, 2015</u>
2015	\$ -	\$ -	\$ 4,705,880	\$ -	\$ -	\$ 4,705,880
2014	-	4,683,857	-	-	(4,423,593)	260,264
2013	272,928	-	-	-	(167,046)	105,882
2012	88,242	-	-	-	(42,449)	45,793
2011	47,727	-	-	-	(35,248)	12,479
2010	11,868	-	-	(1,683)	-	10,185
2009	7,163	-	-	(767)	-	6,396
2008	7,073	-	-	(188)	-	6,885
2007	4,258	-	-	-	-	4,258
2006	5,379	-	-	-	-	5,379
2005	7,201	-	-	-	-	7,201
2004	7,438	-	-	(7,438)	-	-
	<u>\$ 459,277</u>	<u>\$ 4,683,857</u>	<u>\$ 4,705,880</u>	<u>\$ (10,076)</u>	<u>\$ (4,668,336)</u>	<u>\$ 5,170,602</u>

*Note: All uncollected taxes for the years prior to 2014 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, 2015**

Year Ending June 30,	TML Bond Fund 2004		Cornerstone Community Bank Note		TML Bond Fund Series 2015		General Obligation Bonds Series 2015		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 144,000	\$ 63,560	\$ 80,218	\$ 10,901	\$ 72,000	\$ 48,000	\$ -	\$ 167,961	\$ 110,459	\$ 11,261	\$ 406,677	\$ 301,683
2017	148,000	57,920	291,697	3,766	72,000	45,840	-	154,250	114,609	7,785	626,306	269,561
2018	152,000	52,160	-	-	73,000	43,680	-	154,250	47,866	4,855	272,866	254,945
2019	156,000	46,240	-	-	74,000	41,490	55,000	154,250	50,236	2,485	335,236	244,465
2020	161,000	40,160	-	-	75,000	39,270	60,000	151,500	-	-	296,000	230,930
2021	165,000	33,920	-	-	76,000	37,020	65,000	148,500	-	-	306,000	219,440
2022	169,000	27,480	-	-	77,000	34,740	65,000	145,250	-	-	311,000	207,470
2023	174,000	20,880	-	-	78,000	32,430	70,000	142,000	-	-	322,000	195,310
2024	179,000	14,120	-	-	79,000	30,090	70,000	138,500	-	-	328,000	182,710
2025	-	-	-	-	79,000	27,720	75,000	135,000	-	-	154,000	162,720
2026	-	-	-	-	80,000	25,350	80,000	131,250	-	-	160,000	156,600
2027	-	-	-	-	81,000	22,950	85,000	127,250	-	-	166,000	150,200
2028	-	-	-	-	82,000	20,520	90,000	123,000	-	-	172,000	143,520
2029	-	-	-	-	83,000	18,060	90,000	118,500	-	-	173,000	136,560
2030	-	-	-	-	84,000	15,570	95,000	114,000	-	-	179,000	129,570
2031	-	-	-	-	85,000	13,050	100,000	109,250	-	-	185,000	122,300
2032	-	-	-	-	86,000	10,500	105,000	104,250	-	-	191,000	114,750
2033	-	-	-	-	87,000	7,920	110,000	99,000	-	-	197,000	106,920
2034	-	-	-	-	88,000	5,310	120,000	93,500	-	-	208,000	98,810
2035	-	-	-	-	89,000	2,670	125,000	87,500	-	-	214,000	90,170
2036	-	-	-	-	-	-	130,000	81,250	-	-	130,000	81,250
2037	-	-	-	-	-	-	135,000	74,750	-	-	135,000	74,750
2038	-	-	-	-	-	-	145,000	68,000	-	-	145,000	68,000
2039	-	-	-	-	-	-	150,000	60,750	-	-	150,000	60,750
2040	-	-	-	-	-	-	155,000	53,250	-	-	155,000	53,250
2041	-	-	-	-	-	-	165,000	45,500	-	-	165,000	45,500
2042	-	-	-	-	-	-	175,000	37,250	-	-	175,000	37,250
2043	-	-	-	-	-	-	180,000	28,500	-	-	180,000	28,500
2044	-	-	-	-	-	-	190,000	19,500	-	-	190,000	19,500
2045	-	-	-	-	-	-	200,000	10,000	-	-	200,000	10,000
Total	#####	\$ 356,440	\$ 371,915	\$ 14,667	#####	\$ 522,180	\$ 3,085,000	\$ 3,077,711	\$ 323,170	\$ 26,386	\$ 6,828,085	\$ 3,997,384

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2015**

<u>State Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
<b>STATE AWARDS</b>						
Tennessee Department of Transportation						
ADA Retrofitting Grant	N/A	STP-M-9213(4)	\$ -	\$ 17,487	\$ 17,487	\$ -
State of Tennessee Law Enforcement Education Grant	N/A	Fiscal Year 2015	-	19,200	19,200	-
State of Tennessee Fire Service Education Grant	N/A	Fiscal Year 2015	<u>-</u>	<u>11,400</u>	<u>11,400</u>	<u>-</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>\$ -</u>	<u>\$ 48,087</u>	<u>\$ 48,087</u>	<u>\$ -</u>

# **CITY OF EAST RIDGE, TENNESSEE**

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

**YEAR ENDED JUNE 30, 2015**

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

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

## **COMPLIANCE SECTION**



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

Certified Public Accountants

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 14, 2016.

**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.

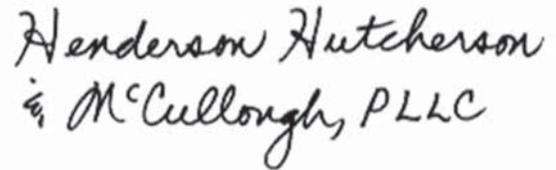
**Compliance and Other Matters**

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*.

### **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  
January 14, 2016



Henderson Hutcherson  
in McCullough, PLLC

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2015**

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**Current Year Findings**

None

**Prior 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 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: Corrected.