

**CITY OF EAST RIDGE, TENNESSEE**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2012



**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

# CITY OF EAST RIDGE, TENNESSEE

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**HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC**

Certified Public Accountants

## **Independent Auditor's Report**

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

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 June 30, 2012, and for the year then ended, which collectively comprise the City of East Ridge's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Ridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, as of June 30, 2012, and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated November 16, 2012, on our consideration of the City of East Ridge's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 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 evidence sufficient to express an opinion or provide any assurance.

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 budgetary comparison schedules, combining and individual nonmajor fund financial statements, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Chattanooga, Tennessee  
November 16, 2012

*Henderson Hutcherson  
& McCullough, PLLC*

**CITY OF EAST RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2012**

As management of the City of East Ridge, Tennessee, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the City's financial statements. The City is headed in a positive direction and finished the fiscal year with a General Fund budget surplus.

**Financial Highlights**

- At the government-wide level, the assets of the city exceeded its liabilities at June 30, 2012, by \$10,179,323 (net assets). Of this amount, \$4,107,548 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors. Unrestricted net assets increased \$781,774 over the last fiscal year.
- The total net assets of the City increased \$707,751 in one fiscal year. In the last two fiscal years, the total net assets of the City increased \$1,488,045.
- The City's General Fund operated at a surplus of \$917,542 this fiscal year. This is a \$981,241 increase from the \$63,699 General Fund deficit in 2011. This is a testament to sound financial and operational management by continued controlling of spending, finding additional budget savings where possible and within council adopted policy and proper projection/collection of revenues to cover necessary operating costs.
- The General Fund's ending fund balance was \$4,929,464 at June 30, 2012, or 52.2% of total General Fund expenditures, which were \$9,438,743.
- At the fund level, the City operated at an overall surplus of \$ 371,726 (all funds), which was better than originally forecast and a \$763,386 increase from the previous fiscal year.
- At the close of the fiscal year ended June 30, 2012, the City's governmental funds reported combined ending fund balances of \$7,181,644, an increase of \$371,726 over the last fiscal year.
- Total liabilities for the City, reported within the government-wide financial statements, were reduced from \$15,254,454 to \$13,901,296. A reduction in total liabilities of \$1,353,158.
- The long-term debt of the City was reduced to \$7.3 million from the previous audit of \$8.3 million.

**Overview of Financial Statements**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as new assets.

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

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

Both of the government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business type activities).

The governmental activities of the City include general government, public works, public safety, state street aid, public welfare, administration and maintenance. Business-type activities and component units, if any existed, would be reported separately from the City's governmental activity financial information. The City of East Ridge has no business type activities for the year ended June 30, 2012.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the current funds of the City operate as governmental funds.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 thru 34 of this report.

### Financial Analysis of the City as a Whole

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$10,179,323 at the close of this fiscal year.

The largest portion of the City's net assets (49.96%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 9.69% or \$986,101 of the City's net assets represents resources that are subject to external restrictions on how they must be used. Only 40.35% or \$4,107,548 in net assets may be used to meet the government's ongoing obligations to its citizens and creditors.

At June 30, 2012, the City is able to report positive balances in the category of net assets.

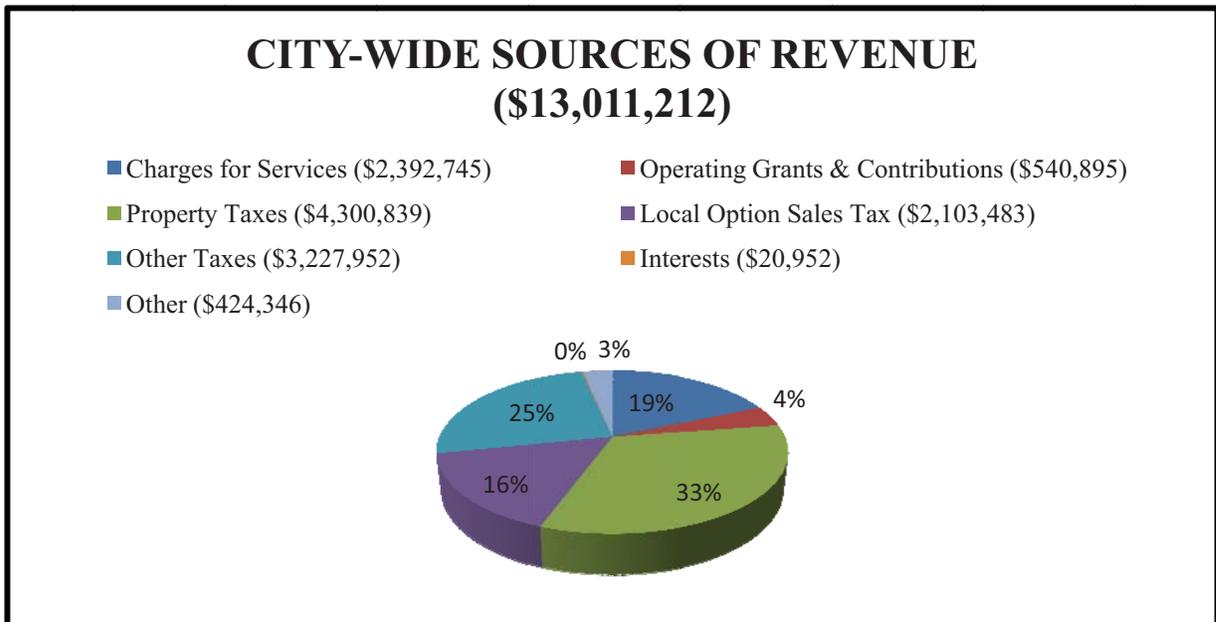
The table below provides a summary of the City's net assets:

	<b><u>Governmental Activities</u></b>	
	<b><u>June 30, 2012</u></b>	<b><u>June 30, 2011</u></b>
Current and Other Assets	\$ 12,310,179	\$ 12,780,807
Capital Assets	11,770,440	11,715,160
Total Assets	<b><u>\$ 24,080,619</u></b>	<b><u>\$ 24,495,967</u></b>
Long-Term Liabilities	\$ 7,281,098	\$ 8,358,648
Other Liabilities	6,620,198	6,895,806
Total Liabilities	<b><u>\$ 13,901,296</u></b>	<b><u>\$ 15,254,454</u></b>
Net Assets		
Invested in Capital Assets, Net of related Debt	\$ 5,085,674	\$ 4,663,080
Restricted for Specific Expenditures	986,101	1,252,659
Unrestricted	4,107,548	3,325,774
Total Net Assets	<b><u>\$ 10,179,323</u></b>	<b><u>\$ 9,241,513</u></b>

**Changes in net assets.** Governmental activities increased the City's net assets by \$707,751. The table below provides a summary of changes to the City's net asset:

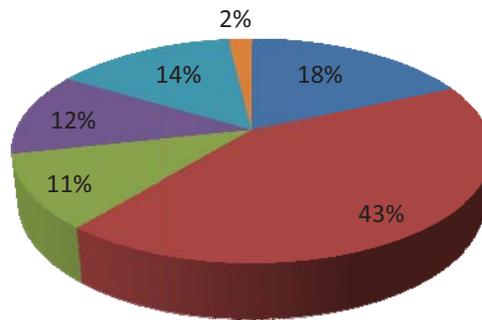
	<u>Governmental Activities</u>	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Revenues		
Charges for Services	\$ 2,392,745	\$ 1,686,155
Grants & Contributions	540,895	2,422,913
General Revenues		
Property Taxes	4,300,839	3,847,909
Local Option Sales Tax	2,103,483	1,952,498
Other Taxes	3,227,952	2,663,894
Interest	20,952	35,093
Other	424,346	411,496
Total Revenues	<u><b>\$ 13,011,212</b></u>	<u><b>\$ 13,019,958</b></u>
Expenses		
General Government	\$ 2,248,756	\$ 2,010,401
Public Safety	5,248,681	5,544,390
Public Works	1,313,137	1,756,163
Public Welfare	1,478,287	1,485,083
Culture and Recreation	1,783,034	1,431,261
Interest	231,566	242,425
Total Expenses	<u><b>\$ 12,303,461</b></u>	<u><b>\$ 12,469,723</b></u>
Change in Net Assets	\$ 707,751	\$ 550,235
Beginning Net Assets (Re-stated)	<u>9,471,572</u>	<u>8,691,278</u>
Ending Net Assets	<u><b>\$ 10,179,323</b></u>	<u><b>\$ 9,241,513</b></u>

The graphs below summarize the \$13,011,212 of city-wide revenue by source and the associated \$12,303,461 of expense by program.



## CITY-WIDE SOURCES OF EXPENDITURES (\$12,303,461)

■ General Government (\$2,248,756)    ■ Public Safety (\$5,248,681)  
■ Public Works (\$1,313,137)    ■ Public Welfare (\$1,478,287)  
■ Culture & Recreation (\$1,783,034)    ■ Interest (\$231,566)

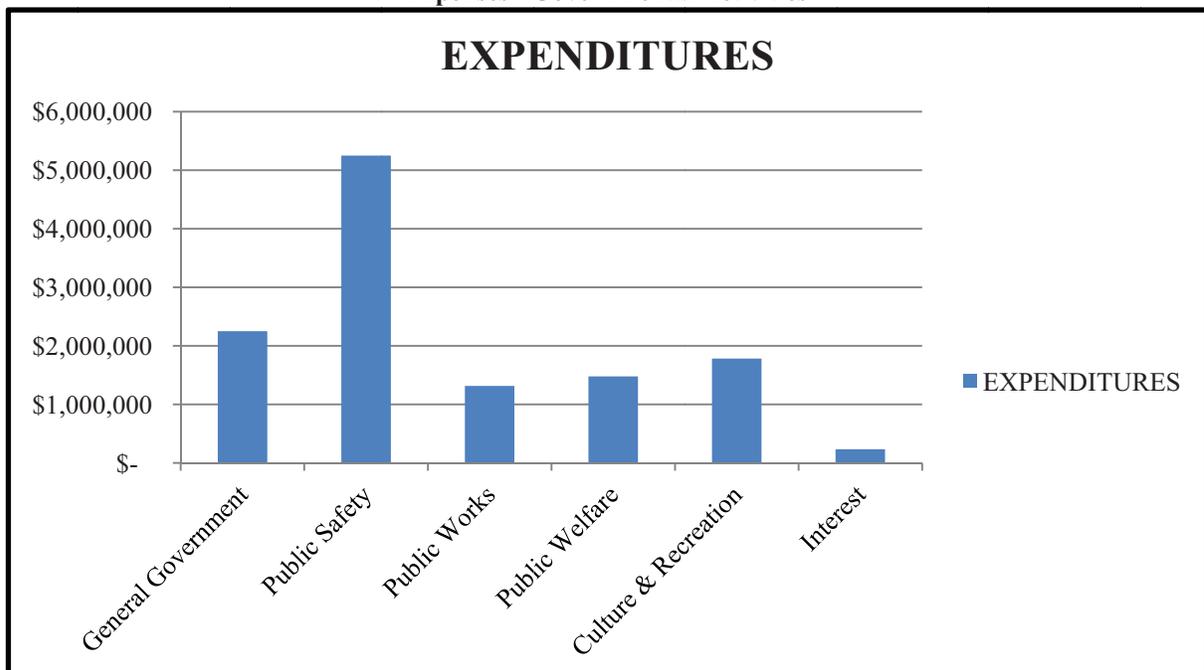


For auditing purposes the above expenditure categories consist of the following:

- General Government** – Administration, Court, Inspection, City Garage and Building Maintenance
- Public Safety** – Police, Fire and Animal Control
- Public Works** – Street Maintenance and Traffic Control
- Public Welfare** – Library, Museum and Sanitation
- Culture and Recreation**- Arena, Park Maintenance, Community Center, McBrien School, Pool Property

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

**Expenses - Governmental Activities**



### **Financial analysis of the Government's Funds**

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

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

As of the end of the fiscal year ending June 30, 2012, the City's governmental funds reported combined ending fund balances of \$7,181,644. Within the funds, \$114,062 is restricted for drug fund expenditures, \$484,760 is assigned to debt service, \$872,039 is restricted for state street aid, \$231,385 is assigned to the solid waste collection fund and \$549,934 is assigned to the capital projects fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,808,878. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unassigned fund balance represents 50.9% of total general fund expenditures.

### **General Fund Budgetary Highlights**

The City's general fund operated at a working surplus of \$917,542. At the close of FY ending June 30, 2012, the unassigned fund balance for the general fund was \$4,808,878 or 50.9% of total general fund expenditures.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental activities as of June 30, 2012, amounts of \$11,770,440 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, vehicles, and infrastructure.

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

#### **Governmental activities**

Purchase of 7 pick-up trucks valued at \$137,677. Two were purchased with funds from SSA, two from BAN funds and three from the GF with partial insurance recovery reimbursements and sale of equipment proceeds of \$93,382.66.

Purchase of one administrative vehicle from GF budget valued at \$19,738.

Purchase of one park patrol club car from awarded grant funds valued at \$8,288.

Purchase of three used police motorcycles from the General Fund police budget valued at \$15,000.

Purchase of Parks and Recreation Director Vehicle valued at \$21,035 from the Recreation Fund.

Purchase of a new leaf vacuum trailer valued at \$26,900 from SSA Fund.

Purchase of a used knuckle boom valued at \$22,555 from Solid Waste Fund.

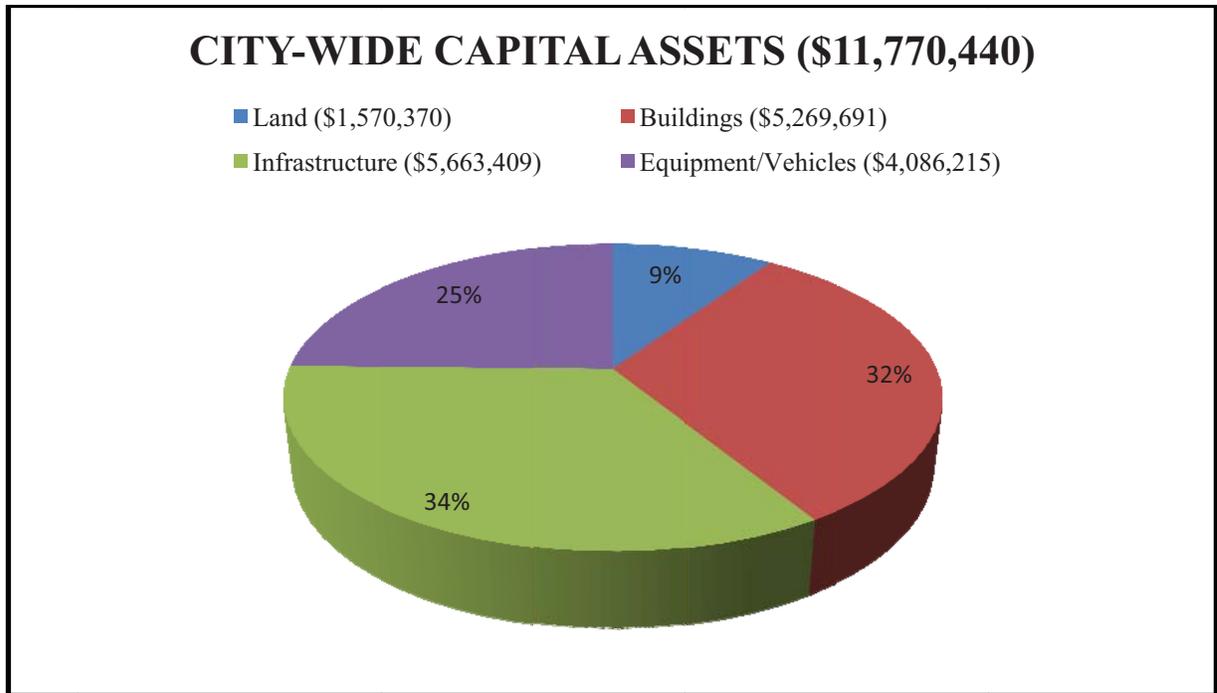
Purchase of a used Freightliner Garbage Truck valued at \$45,555 from the Solid Waste Fund.

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

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

	Beginning Balance	Additions	Adjustments/ Retirements	Ending Balance
Non-depreciable capital assets:	\$ 1,570,370	\$ -	\$ -	\$ 1,570,370
Total non-depreciable assets	<u>\$ 1,570,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,370</u>
Depreciable capital assets:				
Buildings	\$ 9,707,710	\$ 97,392	\$ -	\$ 9,805,102
Infrastructure	9,112,315	472,352	-	9,584,667
Equipment/Vehicles	<u>5,999,346</u>	<u>329,848</u>	<u>499,578</u>	<u>5,829,616</u>
Total capital assets	<u>24,819,371</u>	<u>899,592</u>	<u>499,578</u>	<u>25,219,385</u>
Less accumulated depreciation:				
Buildings	5,021,892	247,799	-	5,269,691
Infrastructure	5,337,217	326,192	-	5,663,409
Equipment/Vehicles	<u>4,315,472</u>	<u>248,515</u>	<u>477,772</u>	<u>4,086,215</u>
Total accumulated depreciation	<u>14,674,581</u>	<u>822,506</u>	<u>477,772</u>	<u>15,019,315</u>
Total depreciable assets, net	<u>\$ 10,144,790</u>	<u>\$ 77,086</u>	<u>\$ 21,806</u>	<u>\$ 10,200,070</u>
Total capital assets, net	<u>\$ 11,715,160</u>	<u>\$ 77,086</u>	<u>\$ 21,806</u>	<u>\$ 11,770,440</u>

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

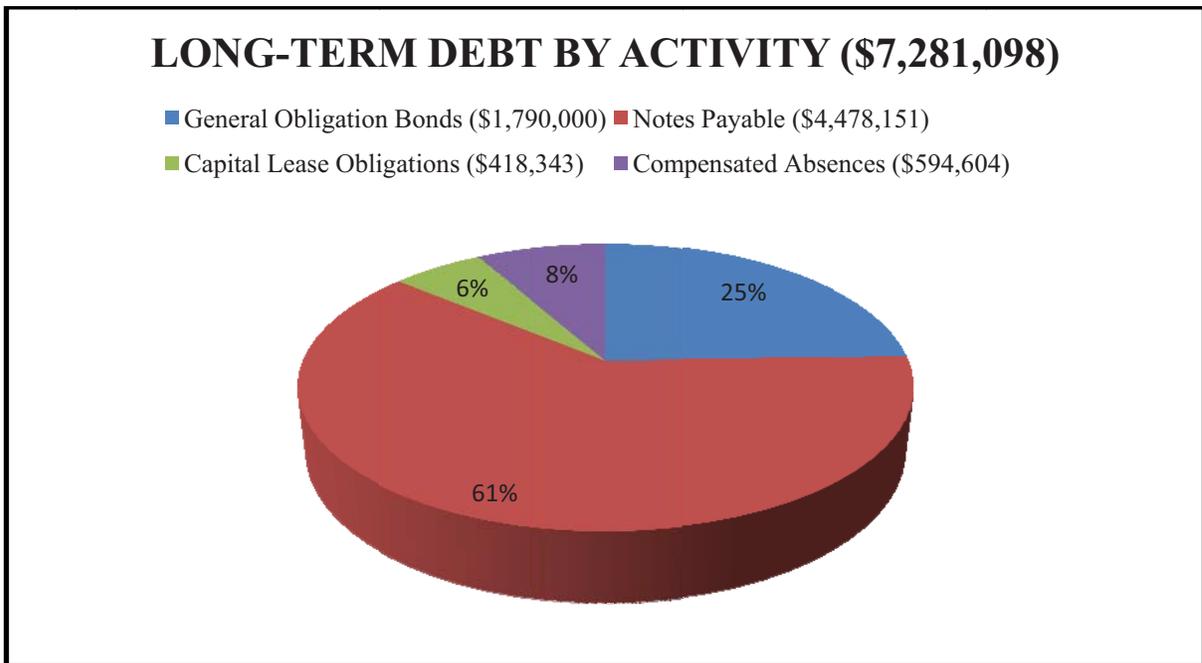


Additional information on the City's capital assets can be found on page 26 of this report.

**Outstanding debt.** During the FY 2012, the city made long term debt payments of \$1,081,854, bringing the total long-term debt outstanding down to \$7,281,098, without regard to the liability for compensated absences, \$1,079,890 is due in the next fiscal year. The Bond anticipation note is expected to be re-structured to long-term in the next fiscal year, but is already included in the outstanding long-term debt amount.

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

	Beginning Balance	Adjustments/ Additions	Adjustments/ Retirements	Ending Balance
General Obligation Bonds	\$ 2,365,000	\$ -	\$ (575,000)	\$ 1,790,000
Notes Payable	4,897,025	-	(418,874)	4,478,151
Capital Lease Obligations	506,323	-	(87,980)	418,343
Compensated Absences	590,300	4,304	-	594,604
	<u>\$ 8,358,648</u>	<u>\$ 4,304</u>	<u>\$ (1,081,854)</u>	<u>\$ 7,281,098</u>



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

**Currently Known Factors Potentially Effecting Future Years Surplus**

- Continued property devaluation potential by tax assessor thru 2013 due to economic downturn may reduce the property tax revenue collected by the city.
- Continued rising cost of employee compensated leave program, which has a current audited liability of \$594,604. This liability increased \$4,304 this FY. The City paid out to employees approximately \$197,198 in leave buy-back.
- Continued council discussion of plans for McBrien School and possible future renovations for use as a police station, civic meeting hall and/or Parks and Recreation, Community Center Annex.
- City Council is discussing the possibility of constructing a pool and renovating the tennis courts on the Monroe Street property currently owned by the city. This will require the identification of additional revenues for construction and operating costs.

- It is unknown whether the council instituted policy of billing the sanitation fee on the property tax notice and exempting all unimproved parcels will result in the collection of enough sanitation revenue to cover the cost of operating the current or future sanitation program. If not, our GF surplus this year and in future years could be substantially reduced.
- Expected increases in health insurance costs, worked compensation insurance and other property and liability insurance costs will likely affect our ability to keep service levels the same and maintain a surplus in the GF at the current tax rate. For instance, a 10% increase in health insurance premiums next year (expected) will add approximately another \$150,000 in costs for the same coverage.
- Expressed desire by some council members to provide employees an across the board raise in the 2014 budget beginning July 1, 2013. This will likely reduce the current GF surplus in future years

**Requests for Information**

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

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF NET ASSETS

JUNE 30, 2012

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	<b>Total Governmental Activities</b>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 4,728,879
Certificates of deposit	1,471,399
Property taxes receivable	5,037,582
Grants receivable	101,374
Accounts receivable	813,312
Prepaid expenses	120,586
Prepaid discount, net of accumulated amortization of \$49,681	26,025
Loan costs, net of accumulated amortization of \$19,665	11,022
Land and other nondepreciable assets	1,570,370
Capital assets, net of accumulated depreciation	<u>10,200,070</u>
 Total assets	 <u>\$ 24,080,619</u>
<b>LIABILITIES AND NET ASSETS:</b>	
Liabilities:	
Accounts payable	\$ 68,652
Accrued payroll	98,190
Accrued interest	26,817
Unearned tax revenue	4,675,497
Deferred premium, net of accumulated amortization of \$67,431	35,318
OPEB obligation	1,715,724
Long-term liabilities -	
Due within one year	3,513,394
Due in more than one year	<u>3,767,704</u>
 Total liabilities	 <u>13,901,296</u>
Net assets:	
Invested in capital assets, net of related debt	5,085,674
Restricted for specific expenditures	986,101
Unrestricted	<u>4,107,548</u>
 <b>TOTAL NET ASSETS</b>	 <u>10,179,323</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 24,080,619</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues			<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	\$ 2,248,756	\$ 110,030	\$ 52,795	\$ -	\$ (2,085,931)
Public safety	5,248,681	364,515	273,050	35,000	(4,576,116)
Public works	1,245,137	15,750	23,658	-	(1,205,729)
Public welfare	1,546,287	1,435,448	-	-	(110,839)
Culture and recreation	1,783,034	467,002	59,000	97,392	(1,159,640)
Interest	231,566	-	-	-	(231,566)
Total primary government	\$12,303,461	\$ 2,392,745	\$ 408,503	\$ 132,392	(9,369,821)
<b>GENERAL REVENUES:</b>					
Property taxes					4,300,839
Local sales taxes					2,103,483
Local beer taxes					537,343
State shared taxes					2,526,351
Other taxes					164,258
Franchise fees					280,314
Gain on sale of assets					24,944
Other revenues					119,088
Interest					20,952
Total general revenue					10,077,572
Change in net assets					707,751
<b>NET ASSETS:</b>					
Beginning, <i>restated</i>					9,471,572
Ending					\$ 10,179,323

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

# CITY OF EAST RIDGE, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2012

	General	Solid Waste Collection	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 2,781,233	\$ -	\$ 1,947,646	\$ 4,728,879
Investments	1,471,399	-	-	1,471,399
Property taxes receivable	5,037,582	-	-	5,037,582
Grant funds receivable	101,374	-	-	101,374
Accounts receivables	491,875	239,175	82,262	813,312
Prepaid expenses	120,586	-	-	120,586
	<u>\$ 10,004,049</u>	<u>\$ 239,175</u>	<u>\$ 2,029,908</u>	<u>\$ 12,273,132</u>
 <b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 59,539	\$ -	\$ 9,113	\$ 68,652
Accrued payroll liabilities	90,400	7,790	-	98,190
Deferred tax revenue	4,924,646	-	-	4,924,646
	<u>5,074,585</u>	<u>7,790</u>	<u>9,113</u>	<u>5,091,488</u>
 <b>Fund balances:</b>				
Nonspendable -				
Prepays	120,586	-	-	120,586
Restricted for -				
Law enforcement	-	-	114,062	114,062
State approved street aid	-	-	872,039	872,039
Assigned to -				
Debt service	-	-	484,760	484,760
Solid waste	-	231,385	-	231,385
Recreation projects	-	-	549,934	549,934
Unassigned	4,808,878	-	-	4,808,878
	<u>4,929,464</u>	<u>231,385</u>	<u>2,020,795</u>	<u>7,181,644</u>
Total fund balances	<u>4,929,464</u>	<u>231,385</u>	<u>2,020,795</u>	<u>7,181,644</u>
Total liabilities				
and fund balances	<u>\$ 10,004,049</u>	<u>\$ 239,175</u>	<u>\$ 2,029,908</u>	<u>\$ 12,273,132</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## RECONCILIATION OF THE BALANCE SHEET

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

JUNE 30, 2012

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

Fund balances – total governmental funds \$ 7,181,644

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 11,770,440

Certain revenues will be collected after yearend but are not available soon enough to pay for the current period's expenditures and therefore are deferred or not reported in the funds. 249,149

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

Bonds payable	\$ (1,790,000)	
Add net bond issue premiums and discounts	(9,293)	
Less deferred issue costs	11,022	
Notes payable	(4,478,151)	
Capital leases	(418,344)	
Compensated absences	(594,603)	
Accrued interest payable	<u>(26,817)</u>	(7,306,186)

Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds. (1,715,724)

Net assets of governmental activities \$ 10,179,323

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, 2012

	General	Solid Waste Collection	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 7,940,240	\$ -	\$ 157,613	\$ 8,097,853
Licenses and permits	87,732	-	-	87,732
Intergovernmental	2,071,309	-	674,160	2,745,469
Charges for services	596,508	1,435,448	-	2,031,956
Fines and forfeitures	266,941	-	6,116	273,057
Miscellaneous	107,756	-	32,284	140,040
Total revenues	11,070,486	1,435,448	870,173	13,376,107
<b>EXPENDITURES:</b>				
Current				
General government	2,158,050	-	112,316	2,270,366
Public safety	4,827,187	-	155,243	4,982,430
Public works	588,960	-	350,211	939,171
Public welfare	163,931	1,382,356	-	1,546,287
Culture and recreation	1,260,831	-	-	1,260,831
Capital outlay	218,928	-	548,272	767,200
Debt service -				
Principal	191,616	70,874	819,364	1,081,854
Interest	29,240	20,624	153,128	202,992
Total expenditures	9,438,743	1,473,854	2,138,534	13,051,131
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	1,631,743	(38,406)	(1,268,361)	324,976
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	40,000	116,018	684,933	840,951
Transfers to other funds	(800,951)	-	(40,000)	(840,951)
Proceeds from sale of assets	46,750	-	-	46,750
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	917,542	77,612	(623,428)	371,726
<b>FUND BALANCES:</b>				
Beginning, <i>restated</i>	4,011,922	153,773	2,644,223	6,809,918
Ending	\$ 4,929,464	\$ 231,385	\$ 2,020,795	\$ 7,181,644

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

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

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

Net change in fund balances – total governmental funds \$ 371,726

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

Capital outlay reported as expenditures in the governmental funds, that meet the capitalization threshold are shown as capital assets in the statement of net assets. 767,200

Depreciation expense on governmental capital assets are included in the statement of activities. (822,506)

Contributions of capital assets are not reflected in the governmental funds but are reported in the statement of activities. 132,392

The net effect of various transactions involving capital assets is to decrease net assets. (21,806)

The repayment of principal long-term debt consumes the current financial resources of governmental funds. The transaction has no effect on net assets. The governmental funds report the effect of premiums, discounts and deferred issue costs 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.

Principal paid	\$ 1,081,854	
Amortization	(1,757)	
Change in accrued interest payable	<u>(26,817)</u>	1,053,280

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	(4,304)	
Change in OPEB	<u>(246,000)</u>	(250,304)

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. (522,231)

Change in net assets of governmental activities \$ 707,751

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

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 7,699,332	\$ 7,699,332	\$ 7,940,240	\$ 240,908
Licenses and permits	60,975	60,975	87,732	26,757
Intergovernmental	3,106,605	3,106,605	2,071,309	(1,035,296)
Charges for services	537,645	537,645	596,508	58,863
Fines and forfeitures	246,100	246,100	266,941	20,841
Miscellaneous	97,264	97,264	107,756	10,492
Total revenue	11,747,921	11,747,921	11,070,486	(677,435)
<b>EXPENDITURES:</b>				
Current				
General government	2,140,751	2,294,579	2,158,050	136,529
Public safety	5,158,676	5,150,976	4,827,187	323,789
Public works	1,587,041	1,555,079	588,960	966,119
Public welfare	183,930	183,930	163,931	19,999
Culture and recreation	1,145,470	1,307,118	1,260,831	46,287
Capital outlay	97,800	218,928	218,928	-
Debt service -				
Principal	207,573	319,875	191,616	128,259
Interest	10,620	10,891	29,240	(18,349)
Total expenditures	10,531,861	11,041,376	9,438,743	1,602,633
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	1,216,060	706,545	1,631,743	925,198
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers from other funds	60,000	60,000	40,000	(20,000)
Transfers to other funds	(684,933)	(796,545)	(800,951)	(4,406)
Proceeds from sale of assets	30,000	30,000	46,750	16,750
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	621,127	-	917,542	\$ 917,542
<b>FUND BALANCES:</b>				
Beginning, <i>restated</i>	4,011,922	4,011,922	4,011,922	
Ending	\$ 4,633,049	\$ 4,011,922	\$ 4,929,464	

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

**CITY OF EAST RIDGE, TENNESSEE**

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

JUNE 30, 2012

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**ASSETS**

Investments	<u>\$ 747,342</u>
	<u>\$ 747,342</u>

**NET ASSETS**

Net assets held in trust for employee pension benefits	<u>\$ 747,342</u>
	<u>\$ 747,342</u>

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

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

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**ADDITIONS:**

Earnings and increase in value	\$ 30,800
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Total additions	<u>30,800</u>
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**DEDUCTIONS:**

Distributions	55,805
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Administrative expense	<u>4,858</u>
------------------------	--------------

Total deductions	<u>60,663</u>
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<b>NET DECREASE</b>	(29,863)
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**NET ASSETS:**

Beginning	<u>777,205</u>
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Ending	<u><u>\$ 747,342</u></u>
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The accompanying notes are an integral part of the financial statements.

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### 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 Councilman 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.

#### **Government-Wide and Fund Financial Statements**

Financial information of the City is presented as follows:

**Management’s Discussion and Analysis (MD&A)** provides a narrative introduction and analytical overview of the City’s financial activities.

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

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

**The Government-Wide Financial Statements** consist of the statement of net assets 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 assets and reports depreciation expense - the cost of “using up” capital assets - in the statement of activities. As a general rule, the effect of interfund activity has been eliminated from these statements.

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

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

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

## **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.

### **Governmental Fund Financial Statements**

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenue, Expenditures, and Changes in Fund Balances for all major governmental funds and aggregate non-major funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances as presented in these statements to the net assets presented in the Government-Wide Financial Statements.

The GASB Statement No. 34 model sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined, as applicable) for the determination of major funds. The City has presented all major funds that meet the qualifications of GASB Statement No. 34. The non-major funds are combined in a single column in the fund financial statements and detailed in the combining section.

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 GASB No. 34. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

**The Solid Waste Collection Fund** accounts for the government's solid waste operations.

Additionally, the City reports the following other fund types:

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

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

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

### **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 projects accounts for in the capital projects fund are 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 Mayor and City Council approve departmental budgets. Transfers between departments and any revisions in the total appropriations must be approved by the Mayor and City Council Board of Aldermen. Expenditures and encumbrances may not legally exceed appropriations authorized by the Mayor and City Council and any authorized revisions.

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.

### **Inventories**

Inventories, which consist primarily of materials used in the Water Works and Waste Water Funds, are recorded at the lower of cost (first-in, first-out method) or market.

### **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 \$628. Other receivable amounts are considered collectible in all material respects.

### **Capital Assets**

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements.

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 do 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, 2012.

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

### **Long-term Obligations**

In the Government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Similarly, long-term debt and other obligations of the City are recorded as liabilities in the appropriate fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 Assets**

The government-wide financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

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

**Restricted Net Assets** represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use.

**Unrestricted Net Assets** represent net assets that are 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 no spendable, 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.

**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. Assigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Unassigned Fund Balance** - represents the residual classification for the general fund or deficit balances in other funds. Unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

	<u>General Fund</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Fund Balances:</b>				
<b>Nonspendable-</b>				
Prepaid expenses	\$ 120,586	\$ -	\$ -	\$ 120,586
<b>Restricted</b>				
Law Enforcement	-	-	114,062	114,062
State street aid	-	-	872,039	872,039
<b>Assigned</b>				
Debt Service	-	-	484,760	484,760
Solid Waste	-	231,385	-	231,385
Recreation	-	-	594,934	594,934
<b>Unassigned</b>	<u>4,808,878</u>	<u>-</u>	<u>-</u>	<u>4,808,878</u>
<b>Total fund balances</b>	<u>\$ 4,929,464</u>	<u>\$ 231,385</u>	<u>\$ 2,065,795</u>	<u>\$ 7,181,644</u>

**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 2012 are recorded as receivables. No allowance has been made for uncollectible taxes; based on historical collection data, uncollectible amounts are considered immaterial.

**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. None of the liability is recorded in the governmental funds, because an 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.

**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.

**Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

The City incurred no 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”. This statement eliminated or modified portions of the disclosures previously required by GASB Statement No. 3. GASB Statement No. 40 is designed to improve financial reporting of deposit and investment risks.

At June 30, 2012, the City’s investments consist of the following:

	<b>Weighted Average Maturity (Years)</b>	<b>Fair Value</b>
Certificated of deposits	.43	\$ 1,471,399

**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 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, 2012, consist of the following:

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental</u>	<u>Total</u>
<b>Funds</b>				
Taxes	\$ 5,037,582	\$ -	\$ -	\$ 5,037,582
Grants	101,374	-	-	101,374
Intergovernmental	491,875	-	-	491,875
Accounts	-	239,803	-	239,803
Other	-	-	82,262	82,262
Gross receivables	5,630,831	239,803	82,262	5,952,896
Less: Allowance for uncollectibles	-	(628)	-	(628)
Net receivables	<u>\$ 5,630,831</u>	<u>\$ 239,175</u>	<u>\$ 82,262</u>	<u>\$ 5,952,268</u>

**NOTE 5 – INTERFUND TRANSFERS**

Balances due to/due from other funds at June 30, 2012, are as follows:

	<u>Transfers In</u>				<u>Total</u>
	<u>Other Governmental Funds</u>				
	<u>General Fund</u>	<u>Solid Waste</u>	<u>General Debt Service</u>	<u>TML Bond Fund</u>	
<b>Transfers Out:</b>					
General Fund	\$ -	\$ 116,018	\$ 527,610	\$ 157,323	\$ 800,951
Other Governmental Funds					
Capital Projects	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Total	<u>\$ 40,000</u>	<u>\$ 116,018</u>	<u>\$ 527,610</u>	<u>\$ 157,323</u>	<u>\$ 840,951</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>Adjustments/Retirements</u>	<u>Ending Balance</u>
Non-depreciable capital assets:				
Land	<u>\$ 1,570,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,370</u>
Total non-depreciable assets	<u>1,570,370</u>	<u>-</u>	<u>-</u>	<u>1,570,370</u>
Depreciable capital assets:				
Buildings	9,707,710	97,392	-	9,805,102
Infrastructure	9,112,315	472,352	-	9,584,667
Equipment / Vehicles	<u>5,999,346</u>	<u>329,848</u>	<u>499,578</u>	<u>5,829,616</u>
	<u>24,819,371</u>	<u>899,592</u>	<u>499,578</u>	<u>25,219,385</u>
Less accumulated depreciation:				
Buildings	5,021,892	247,799	-	5,269,691
Infrastructure	5,337,217	326,192	-	5,663,409
Equipment / Vehicles	<u>4,315,472</u>	<u>248,515</u>	<u>477,772</u>	<u>4,086,215</u>
	<u>14,674,581</u>	<u>822,506</u>	<u>477,772</u>	<u>15,019,315</u>
Total depreciable assets, net	<u>10,144,790</u>	<u>77,086</u>	<u>21,806</u>	<u>10,200,070</u>
Total capital assets, net	<u>\$ 11,715,160</u>	<u>\$ 77,086</u>	<u>\$ 21,806</u>	<u>\$ 11,770,440</u>

Depreciation expense is charged to functions as follows:

General	\$ 91,373
Public safety	206,180
Public works	211,137
Culture and recreation	<u>313,816</u>
Total	<u>\$ 822,506</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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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 and other issuance costs are reported as other financing uses.

Debt reported in the government-wide financial statements is expected to be liquidated with general government resources. The debt represents amounts not expected to be paid with expendable, available resources, and consists of the following:

General obligation bonds:

Series 2007, payable in variable, annual installments,  
plus interest at rates of 4.0% to 5.0%, through March 2015 \$ 1,790,000

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% \$ 1,859,000

Note of \$2,000,000 to Tennessee Municipal League Bond  
Fund, with semi-annual interest payments at 2.20% beginning  
November 2011, and additional interest and principal due  
May 2012 1,900,000

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 597,151

Note of \$350,000 to Tennessee Municipal League Bond Fund,  
payable in variable, annual installments, plus interest at 3.6%,  
through August 2012 122,000

\$ 4,478,151

Capital lease obligations:	
Payable to Municipal Leasing in annual installments of \$30,452, including interest at 4.26%, through July 2014	\$ 86,113
Payable to First Bankers Corporation in annual installments of \$52,721, including interest at 4.89%, through July 2019	305,633
Payable to BancorpSouth Equipment Finance in annual installments of \$15,611, including interest at 4.17%, through April 2013	14,975
Payable to Municipal Leasing in monthly installments of \$1,197, including interest at 6.48%, through April 2013	<u>11,622</u>
	<u>\$ 418,343</u>
Liability for compensated absences as discussed in Note 1	<u>\$ 594,604</u>

Maturities of general long-term debt are as follows:

For the year ending June 30,	General Obligation Bonds	Notes	Lease Obligations	Compensated Absences	Total
2013	\$ 600,000	\$ 2,227,775	\$ 91,015	\$ 594,604	\$ 3,513,394
2014	620,000	212,176	67,438	-	899,614
2015	570,000	218,656	70,600	-	859,256
2016	-	224,218	43,459	-	267,677
2017	-	439,326	45,609	-	484,935
2018-2022	-	803,000	100,222	-	903,222
2023-2024	<u>-</u>	<u>353,000</u>	<u>-</u>	<u>-</u>	<u>353,000</u>
	<u>\$ 1,790,000</u>	<u>\$ 4,478,151</u>	<u>\$ 418,343</u>	<u>\$ 594,604</u>	<u>\$ 7,281,098</u>

During the year ended June 30, 2012, changes in long-term debt were as follows:

	Beginning Balance	Adjustments/ Additions	Adjustments/ Retirements	Ending Balance
General obligation bonds	\$ 2,365,000	\$ -	\$ (575,000)	\$ 1,790,000
Notes payable	4,897,025	-	(418,874)	4,478,151
Capital lease obligations	506,323	-	(87,980)	418,343
Compensated absences	<u>590,300</u>	<u>4,304</u>	<u>-</u>	<u>594,604</u>
	<u>\$ 8,358,648</u>	<u>\$ 4,304</u>	<u>\$ (1,081,854)</u>	<u>\$ 7,281,098</u>

## NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

### Tennessee Consolidated Retirement System

#### Plan Description

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

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

#### Funding Policy

The City of East Ridge requires employees to contribute 5% of earnable compensation. The City of East Ridge is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 9.62% or annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City of East Ridge is established and may be amended by the TCRS Board of Trustees.

#### Annual Pension Cost

For the year ended June 30, 2012, the City's annual pension cost of \$419,418 to TCRS was equal to its required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment or present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City of East Ridge's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was 12 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

#### Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ 419,418	100.00%	\$ -
6/30/2011	\$ 487,732	100.00%	\$ -
6/30/2010	\$ 430,047	100.00%	\$ -

## Funded Status and Funding Progress

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

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

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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

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

## Single-Employer Defined Benefit Plan

### Plan Description

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

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

### Funding Policy

As there are no employed participants in the plan, no employee contributions are required. The City is required to contribute at an actuarially determined amount. There is no required contribution for the plan year ending April 30, 2012, and another actuarial valuation is not expected until May 1, 2013.

### Annual Pension Cost

As discussed above, there is no required contribution for the plan year ended April 30, 2012. For the plan years ended April 30, 2011 and 2010, the required contributions were \$0 and \$8,810, respectively; actual contributions were \$10,000 and \$11,000, respectively.

## Methods and Assumptions

The annual required contribution for the year ended April 30, 2012, was determined as part of the May 1, 2010, actuarial valuation, using the unit credit actuarial cost method. Under this method, actuarial gains and losses, as they occur, generally reduce or increase the unfunded actuarial accrued liability. This was a change from the method used for previous valuations since there are no active participants.

The annual required contribution for the plan years ended April 30, 2010, and April 30, 2009, was determined as part of the May 1, 2007 actuarial valuation, using the aggregate actuarial cost method. Under this method, the excess of the actuarial present value of projected benefits of all participants over the actuarial value of assets is allocated on a level basis over the future projected compensation of participants between the valuation date and the assumed exit. Under this method, actuarial gains or losses, as they occur, reduce or increase future normal contributions.

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

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

## Trend Information

<u>Plan Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
4/30/2012	\$ -	N/A	\$ -
4/30/2011	\$ -	N/A	\$ -
4/30/2010	\$ 8,810	124.86%	\$ -

## Funded Status and Funding Progress

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

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

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

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

## Other Postemployment 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 maybe 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 2012 fiscal year, the City contributed \$56,875 for healthcare benefits for twelve retired employees. As of June 30, 2012, 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	\$ 420,000
Adjustment to annual required contribution	(86,000)
Interest on net OPEB obligation, beginning of year	<u>59,000</u>
Annual OPEB cost	393,000
Amount paid	<u>(147,000)</u>
Increase in net OPEB obligation	246,000
Net OPB obligation, beginning of year	<u>1,469,724</u>
Net OPEB obligation, end of year	<u>\$ 1,715,724</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the June 30, 2012, 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>
6/30/2012	\$ 393,000	37.4%	\$ 1,715,724
6/30/2011	\$ 516,000	10.3%	\$ 1,469,724
6/30/2010	\$ 476,000	9.3%	\$ 947,521

**Funded Status and Funding Progress**

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

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

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

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

**Actuarial Valuations**

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

**Actuarial Methods and Assumptions**

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

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

**NOTE 9 – RESTRICTIONS AND CONTINGENCIES**

**Federal and State Grants**

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

**NOTE 10 – RISK MANAGEMENT AND LITIGATION**

The City of East Ridge is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers' compensation coverage and general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise they are submitted to and paid by TMP-RMP. During the fiscal year ended June 30, 2012, the City contributed a total of \$12,949 to the fund for this insurance coverage. There were no significant reductions in insurance coverage from the prior year.

**NOTE 11 – SUBSEQUENT EVENTS**

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

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

At June 30, 2011, the City did not recognize state shared revenue receivables within the General and State Street Aid Funds. Corrections of \$179,206 and \$50,853 were recorded to adjust the state shared receivables in the respective funds. The effects of the adjustments to fund balance and net assets are as follows:

	<u>General Fund</u>	<u>State Street Aid</u>	<u>Government- wide Activities</u>
Beginning balance	\$ 3,832,716	\$ 1,118,517	\$ 9,241,513
Prior period adjustment			
Correction of state shared revenue receivables	<u>179,206</u>	<u>50,853</u>	<u>230,059</u>
Restated beginning balance	<u>\$ 4,011,922</u>	<u>\$ 1,169,370</u>	<u>\$ 9,471,572</u>

**CITY OF EAST RIDGE, TENNESSEE**

**REQUIRED SUPPLEMENTARY INFORMATION**

JUNE 30, 2012

**Tennessee Consolidated Retirement System**

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

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

**Single-Employer Defined Benefit Plan**

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

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

**Other Postemployment Benefit Plan**

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

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

**CITY OF EAST RIDGE, TENNESSEE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2012**

	Special Revenue			Capital Projects	Debt Service		Total Nonmajor Governmental Funds	
	Drug Investigation	State			General Debt Service	TML Bond Fund		Total
		Street Aid	Total					
<b>ASSETS:</b>								
Cash and cash equivalents	\$ 101,301	\$ 825,044	\$ 926,345	\$ 549,934	\$ 185,567	\$ 285,800	\$ 1,947,646	
Receivables	21,874	46,995	68,869	-	-	13,393	82,262	
Total assets	<u>\$ 123,175</u>	<u>\$ 872,039</u>	<u>\$ 995,214</u>	<u>\$ 549,934</u>	<u>\$ 185,567</u>	<u>\$ 299,193</u>	<u>\$ 2,029,908</u>	
<b>LIABILITIES AND FUND BALANCES:</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 9,113	-	\$ 9,113	-	-	-	\$ 9,113	
Total liabilities	<u>9,113</u>	<u>-</u>	<u>9,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,113</u>	
<b>Fund balances:</b>								
Restricted for -								
Law enforcement	114,062	-	114,062	-	-	-	114,062	
State approved street aid	-	872,039	872,039	-	-	-	872,039	
Assigned to -								
Debt service	-	-	-	-	185,567	299,193	484,760	
Capital projects	-	-	-	549,934	-	-	549,934	
Total fund balances	<u>114,062</u>	<u>872,039</u>	<u>986,101</u>	<u>549,934</u>	<u>185,567</u>	<u>299,193</u>	<u>2,020,795</u>	
Total liabilities and fund balances	<u>\$ 123,175</u>	<u>\$ 872,039</u>	<u>\$ 995,214</u>	<u>\$ 549,934</u>	<u>\$ 185,567</u>	<u>\$ 299,193</u>	<u>\$ 2,029,908</u>	

**CITY OF EAST RIDGE, TENNESSEE**  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2012

	Special Revenue			Capital Projects	Debt Service		Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Total		General Debt Service	TML Bond Fund	
<b>REVENUES:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,613	\$ 157,613
Intergovernmental	131,722	542,438	674,160	-	-	-	674,160
Fines and forfeitures	6,116	-	6,116	-	-	-	6,116
Miscellaneous	29,121	2,529	31,650	323	140	171	32,284
Total revenues	<u>166,959</u>	<u>544,967</u>	<u>711,926</u>	<u>323</u>	<u>140</u>	<u>157,784</u>	<u>870,173</u>
<b>EXPENDITURES</b>							
Current							
General government	-	-	-	99,720	576	12,020	112,316
Public safety	155,243	-	155,243	-	-	-	155,243
Public works	-	350,211	350,211	-	-	-	350,211
Public welfare	-	-	-	-	-	-	-
Capital outlay	16,185	492,087	508,272	40,000	-	-	548,272
Debt service							
Principal	14,364	-	14,364	-	575,000	230,000	819,364
Interest	1,247	-	1,247	-	100,300	51,581	153,128
Total expenditures	<u>187,039</u>	<u>842,298</u>	<u>1,029,337</u>	<u>139,720</u>	<u>675,876</u>	<u>293,601</u>	<u>2,138,534</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(20,080)	(297,331)	(317,411)	(139,397)	(675,736)	(135,817)	(1,268,361)
<b>OTHER FINANCING SOURCES</b>							
Transfers from other funds	-	-	-	-	527,610	157,323	684,933
Transfers to other funds	-	-	-	(40,000)	-	-	(40,000)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(20,080)	(297,331)	(317,411)	(179,397)	(148,126)	21,506	(623,428)
<b>FUND BALANCES</b>							
Beginning, <i>restated</i>	134,142	1,169,370	1,303,512	729,331	333,693	277,687	2,644,223
Ending	<u>\$ 114,062</u>	<u>\$ 872,039</u>	<u>\$ 986,101</u>	<u>\$ 549,934</u>	<u>\$ 185,567</u>	<u>\$ 299,193</u>	<u>\$ 2,020,795</u>

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

	<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	\$ 2,103,483	\$ 2,103,483	\$ 2,103,483	\$ -
Property taxes	4,596,461	4,596,461	4,823,070	226,609
Business taxes	2,000	2,000	3,715	1,715
Local beer taxes	540,000	540,000	537,343	(2,657)
Gross receipts taxes	162,800	162,800	192,315	29,515
Franchise taxes	294,588	294,588	280,314	(14,274)
Total taxes	<u>7,699,332</u>	<u>7,699,332</u>	<u>7,940,240</u>	<u>240,908</u>
<b>LICENSES AND PERMITS -</b>				
Building permits	18,000	18,000	28,659	10,659
Plumbing permits	1,800	1,800	2,380	580
Electrical permits	8,000	8,000	7,700	(300)
Other permits and licenses	33,175	33,175	48,993	15,818
Total licenses and permits	<u>60,975</u>	<u>60,975</u>	<u>87,732</u>	<u>26,757</u>
<b>INTERGOVERNMENTAL -</b>				
State sales tax	1,420,942	1,420,942	1,415,571	(5,371)
State beer tax	11,209	11,209	10,298	(911)
State telecommunications tax	1,500	1,500	1,293	(207)
State mixed drink tax	6,000	6,000	15,808	9,808
State income and excise tax	65,500	65,500	66,110	610
City streets and transportation	45,057	45,057	43,065	(1,992)
TVA in lieu of tax	243,308	243,308	242,383	(925)
State and other grants	945,613	945,613	94,680	(850,933)
Federal grants	367,476	367,476	182,101	(185,375)
Total intergovernmental	<u>3,106,605</u>	<u>3,106,605</u>	<u>2,071,309</u>	<u>(1,035,296)</u>
<b>CHARGES FOR SERVICES -</b>				
Fire service contract	95,841	95,841	87,854	(7,987)
Recreation fees	366,884	366,884	464,280	97,396
Mowing charges	15,750	15,750	15,750	-
Other	59,170	59,170	25,020	(34,150)
Total charges for services	<u>537,645</u>	<u>537,645</u>	<u>592,904</u>	<u>55,259</u>
<b>FINES AND FORFEITS -</b>				
City court fines and fees	246,100	246,100	266,941	20,841
Other fines and fees	-	-	3,604	3,604
Total fines and forfeits	<u>246,100</u>	<u>246,100</u>	<u>270,545</u>	<u>24,445</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>MISCELLANEOUS -</b>				
Insurance recoveries	\$ 5,000	\$ 5,000	\$ 46,633	\$ 41,633
Interest	24,738	24,738	17,681	(7,057)
Other	67,526	67,526	43,442	(24,084)
Total miscellaneous	97,264	97,264	107,756	10,492
Total revenues	11,747,921	11,747,921	11,070,486	(677,435)
<b>GENERAL GOVERNMENT -</b>				
<b>    General Government -</b>				
Pension	10,470	10,394	10,394	-
Workers' compensation	140,495	138,403	138,403	-
Dues and memberships	9,000	15,209	15,209	-
Data processing services	48,000	42,805	42,805	-
Insurance	198,888	248,991	248,991	-
Professional fees	139,990	163,226	163,226	-
	546,843	619,028	619,028	-
<b>    Administration -</b>				
Salaries	423,430	432,455	432,455	-
Payroll taxes	31,349	40,387	40,387	-
Health insurance	93,881	85,679	85,679	-
Pension	38,739	35,957	35,957	-
Workers' compensation	-	1,835	1,835	-
Employee training	2,000	2,370	2,370	-
Printing and duplicating	1,000	13,355	13,355	-
Dues and memberships	4,000	6,459	6,459	-
Telephone	8,000	8,834	8,834	-
Public relations	-	1,020	1,020	-
Travel	5,000	9,305	9,305	-
Council travel	-	254	254	-
Contract services	25,100	48	48	-
Operating supplies	10,000	5,255	5,255	-
Equipment operations and maintenance	14,000	30,775	30,775	-
Other	10,200	8,427	8,427	-
	666,699	682,415	682,415	-

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>City Council -</b>				
Salaries	40,800	41,338	41,338	-
Payroll taxes	3,122	2,991	2,991	-
Health insurance	-	3,304	3,304	-
Workers' compensation	-	513	513	-
Employee training	-	2,111	2,111	-
Dues and memberships	500	175	175	-
Telephone	3,406	2,769	2,769	-
Council meeting	500	2,155	2,155	-
Travel	5,000	15,263	15,263	-
Other	1,300	3,072	3,072	-
	54,628	73,691	73,691	-
<b>Municipal Court -</b>				
Salaries	122,870	122,870	121,863	1,007
Payroll taxes	8,833	8,833	8,771	62
Health insurance	41,027	38,023	34,339	3,684
Pension	8,928	8,928	9,033	(105)
Workers' compensation	-	504	810	(306)
Employee training	200	200	-	200
Contract services	9,300	9,300	-	9,300
Printing and duplicating	1,200	1,200	2,448	(1,248)
Subscriptions	650	650	357	293
Telephone	1,300	1,300	1,758	(458)
Operating supplies	1,700	1,700	11,640	(9,940)
Equipment operations and maintenance	1,100	3,600	3,393	207
Building maintenance	-	-	-	-
Child restraint	6,000	6,000	5,739	261
Litigation fees	40,800	40,800	41,132	(332)
Other	7,200	7,200	8,506	(1,306)
	251,108	251,108	249,789	1,319

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>City Services -</b>				
Telephone	-	540	540	-
Travel	-	74	74	-
Office supplies	-	1,687	1,687	-
Professional services	30,000	30,000	28,421	1,579
Equipment operations and maintenance	-	213	213	-
	<u>30,000</u>	<u>32,514</u>	<u>30,935</u>	<u>1,579</u>
<b>City Hall Complex -</b>				
Utilities	28,566	28,566	27,266	1,300
Building maintenance	-	10,000	9,407	593
	<u>28,566</u>	<u>38,566</u>	<u>36,673</u>	<u>1,893</u>
<b>Special Projects -</b>				
City projects	75,770	110,120	43,350	66,770
	<u>75,770</u>	<u>110,120</u>	<u>43,350</u>	<u>66,770</u>
<b>Inspection -</b>				
Salaries	151,218	151,218	142,882	8,336
Payroll taxes	11,391	11,391	10,246	1,145
Health insurance	51,357	51,357	48,890	2,467
Pension	14,325	13,821	13,150	671
Workers' compensation	-	504	822	(318)
Employee training	5,000	5,000	4,037	963
Printing and duplicating	500	500	530	(30)
Dues and memberships	135	135	280	(145)
Telephone	1,500	1,500	1,995	(495)
Travel	1,000	1,000	417	583
Contract services	48,000	48,000	17,758	30,242
Operating supplies	6,300	6,300	9,773	(3,473)
Equipment operations and maintenance	2,700	2,700	9,271	(6,571)
Uniform	1,000	1,000		1,000
Other	250	250	8,406	(8,156)
	<u>294,676</u>	<u>294,676</u>	<u>268,457</u>	<u>26,219</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>City Garage -</b>				
Telephone	-	-	550	(550)
Utilities	7,150	7,150	4,102	3,048
Equipment operations and maintenance	1,300	1,300	(12,259)	13,559
Building maintenance	<u>2,250</u>	<u>2,250</u>	<u>2,716</u>	<u>(466)</u>
	<u>10,700</u>	<u>10,700</u>	<u>(4,891)</u>	<u>15,591</u>
 <b>Building Maintenance -</b>				
Salaries	100,185	100,185	96,663	3,522
Payroll taxes	7,665	7,665	7,333	332
Health insurance	27,989	27,485	20,048	7,437
Pension	6,862	6,862	6,503	359
Workers' compensation	-	504	762	(258)
Telephone	1,750	1,750	1,487	263
Utilities	6,175	6,175	4,994	1,181
Professional and contract services	2,000	2,000	-	2,000
Operating supplies	10,840	10,840	16,114	(5,274)
Custodial services	4,500	4,500	-	4,500
Equipment operations and maintenance	6,350	6,350	804	5,546
Building maintenance	6,400	6,400	3,730	2,670
Uniforms	420	420	-	420
Other	<u>625</u>	<u>625</u>	<u>165</u>	<u>460</u>
	<u>181,761</u>	<u>181,761</u>	<u>158,603</u>	<u>23,158</u>
 <b>TOTAL GENERAL GOVERNMENT</b>	<u>2,140,751</u>	<u>2,294,579</u>	<u>2,158,050</u>	<u>136,529</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC SAFETY -</b>				
<b>Police -</b>				
Salaries	1,958,704	1,958,704	1,807,147	151,557
Payroll taxes	142,162	142,162	131,655	10,507
Health insurance	518,403	512,229	460,984	51,245
Pension	173,392	173,392	146,873	26,519
Workers' compensation	-	6,174	8,344	(2,170)
Employee training	8,000	8,000	5,639	2,361
Printing and duplicating	2,000	2,000	1,007	993
Dues and memberships	1,000	1,000	905	95
Subscriptions	1,000	1,000	753	247
Telephone	46,000	31,000	34,757	(3,757)
Utilities	18,415	18,415	18,037	378
Medical	5,000	5,000	4,744	256
Travel	10,000	10,000	14,599	(4,599)
Data processing	2,000	2,000	1,298	702
Operating supplies	25,000	25,000	31,901	(6,901)
Contracts with other governments	251,636	251,636	252,034	(398)
Supplies and small equipment	16,000	16,000	12,352	3,648
Equipment operations and maintenance	163,200	163,200	168,192	(4,992)
Building maintenance	5,500	5,500	17,412	(11,912)
Uniforms	18,000	18,000	13,715	4,285
Insurance	5,000	5,000	5,575	(575)
Other	4,500	4,500	3,125	1,375
	<u>3,374,912</u>	<u>3,359,912</u>	<u>3,141,048</u>	<u>218,864</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Fire -</b>				
Salaries	908,275	908,275	871,262	37,013
Payroll taxes	64,648	64,648	63,478	1,170
Health insurance	203,895	201,627	190,446	11,181
Pension	81,296	81,296	72,250	9,046
Workers' compensation	-	2,268	3,581	(1,313)
Employee training	4,000	4,000	3,641	359
Printing and duplicating	200	200	274	(74)
Dues and memberships	1,000	1,000	1,174	(174)
Subscriptions	500	500	64	436
Telephone	10,000	10,000	7,278	2,722
Utilities	18,915	18,915	18,633	282
Medical	3,500	3,500	2,353	1,147
Travel	4,000	4,000	2,916	1,084
Rent	700	700	700	-
Operating supplies	38,000	38,000	45,098	(7,098)
Contracts with other governments	84,409	84,409	84,011	398
Supplies and small equipment	12,000	12,000	13,634	(1,634)
Equipment operations and maintenance	50,000	50,000	59,099	(9,099)
Building maintenance	5,500	5,500	4,056	1,444
Uniforms	25,650	25,650	24,415	1,235
Insurance	500	500	1,621	(1,121)
Other	5,500	5,500	7,769	(2,269)
	<u>1,522,488</u>	<u>1,522,488</u>	<u>1,477,753</u>	<u>44,735</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Animal Control -</b>				
Salaries	113,482	113,482	92,397	21,085
Payroll taxes	8,001	8,001	6,510	1,491
Health insurance	46,027	45,649	31,551	14,098
Pension	10,061	10,061	7,784	2,277
Workers' compensation	-	378	349	29
Employee training	1,500	1,500	109	1,391
Printing and duplicating	1,000	1,000	435	565
Dues and memberships	875	875	495	380
Subscriptions	100	100	-	100
Telephone	3,500	3,500	2,122	1,378
Utilities	3,030	3,030	5,171	(2,141)
Medical	500	500	68	432
Travel	2,000	2,000	1,016	984
Operating supplies	30,800	30,800	22,047	8,753
Equipment operations and maintenance	36,200	36,200	31,811	4,389
Building maintenance	2,500	2,500	344	2,156
Uniforms	1,200	1,200	553	647
Insurance	-	-	306	(306)
Other	500	7,800	5,318	2,482
	<u>261,276</u>	<u>268,576</u>	<u>208,386</u>	<u>60,190</u>
<b>TOTAL DEPARTMENT OF PUBLIC SAFETY</b>	<u>5,158,676</u>	<u>5,150,976</u>	<u>4,827,187</u>	<u>323,789</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<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 -</b>				
Salaries	80,280	80,280	79,603	677
Payroll taxes	6,522	6,522	5,993	529
Health insurance	29,146	28,516	19,077	9,439
Pension	7,408	7,408	6,653	755
Workers' compensation	-	630	324	306
Employee training	1,250	1,250	2,022	(772)
Printing and duplicating	250	250	-	250
Dues and memberships	400	400	160	240
Telephone	2,100	2,100	2,674	(574)
Utilities	8,100	8,100	5,425	2,675
Professional and contract services	3,250	3,250	-	3,250
Travel	600	600	345	255
Operating supplies	23,500	23,500	19,250	4,250
Equipment operations and maintenance	19,975	19,975	15,083	4,892
Building maintenance	500	500	546	(46)
Uniforms	350	350	84	266
Damage claims	500	500	-	500
Other	100	100	500	(400)
	<u>184,231</u>	<u>184,231</u>	<u>157,739</u>	<u>26,492</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Streets -</b>				
Salaries	296,204	296,204	193,146	103,058
Payroll taxes	22,614	22,614	13,355	9,259
Health insurance	124,420	123,286	79,686	43,600
Pension	29,547	29,547	17,047	12,500
Workers' compensation	-	1,134	953	181
Education and training	275	275		275
Printing and duplicating	250	250	-	250
Telephone	1,750	1,750	2,127	(377)
Utilities	350	350	374	(24)
Professional and contract services	2,725	2,725	869	1,856
Operating supplies	45,100	45,100	15,416	29,684
Equipment operations and maintenance	21,750	21,750	4,618	17,132
Building maintenance	925	925	183	742
Uniforms	2,200	2,200	1,249	951
Damage claims	3,500	3,500	3,967	(467)
Other	4,000	4,000	4,185	(185)
	<u>555,610</u>	<u>555,610</u>	<u>337,175</u>	<u>218,435</u>
<b>Flood Control -</b>				
Project costs	847,200	815,238	94,046	721,192
	<u>847,200</u>	<u>815,238</u>	<u>94,046</u>	<u>721,192</u>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<u>1,587,041</u>	<u>1,555,079</u>	<u>588,960</u>	<u>966,119</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<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	91,120	91,120	91,913	(793)
Payroll taxes	6,971	6,971	6,767	204
Health insurance	29,046	28,668	20,217	8,451
Pension	6,798	6,798	6,536	262
Workers' compensation	-	378	651	(273)
Subscriptions	12,850	12,850	13,282	(432)
Telephone	1,000	1,000	767	233
Professional and contract services	22,600	22,600	16,568	6,032
Operating supplies	5,000	5,000	5,685	(685)
Equipment operations and maintenance	220	220	-	220
Building maintenance	2,990	2,990	58	2,932
Other	500	500	353	147
	<u>179,095</u>	<u>179,095</u>	<u>162,797</u>	<u>16,298</u>
<b>Museum -</b>				
Education and training	100	100	-	100
Printing and duplicating	150	150	-	150
Subscriptions	270	270	180	90
Telephone	2,000	2,000	507	1,493
Contract services	200	200	138	62
Operating supplies	1,500	1,500	124	1,376
Equipment operations and maintenance	175	175	-	175
Travel	220	220	-	220
Building maintenance	220	220	185	35
	<u>4,835</u>	<u>4,835</u>	<u>1,134</u>	<u>3,701</u>
<b>TOTAL DEPARTMENT OF PUBLIC WELFARE</b>	<u>183,930</u>	<u>183,930</u>	<u>163,931</u>	<u>19,999</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<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	241,706	251,826	252,143	(317)
Payroll taxes	18,490	18,349	18,349	-
Health insurance	53,200	54,736	56,031	(1,295)
Pension	21,568	21,495	21,495	-
Workers' compensation	-	-	1,185	(1,185)
Employee training	200	-	-	-
Printing and duplicating	600	466	466	-
Dues and subscriptions	2,650	2,244	2,244	-
Telephone	5,400	5,400	6,267	(867)
Utilities	119,360	129,076	125,455	3,621
Travel	300	169	169	-
Operating supplies	18,000	17,846	13,129	4,717
Contracted services	3,650	3,500	4,598	(1,098)
Equipment operations and maintenance	5,670	3,375	4,104	(729)
Building maintenance	6,000	6,000	6,818	(818)
Grounds maintenance	4,500	4,500	6,405	(1,905)
Uniforms	1,500	474	474	-
Special events	9,250	4,861	4,861	-
Park promotions	10,000	6,676	6,676	-
Insurance	-	-	124	(124)
Damage claims	2,500	302	302	-
Other	1,750	475	475	-
	<u>526,294</u>	<u>531,770</u>	<u>531,770</u>	<u>-</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<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	179,805	183,941	183,946	(5)
Payroll taxes	13,599	13,358	13,358	-
Health insurance	42,894	52,165	59,527	(7,362)
Pension	16,157	14,873	14,873	-
Workers' compensation	10,371	1,207	1,207	-
Printing and duplicating	125	1,197	1,197	-
Dues and memberships	-	1,495	1,495	-
Telephone	3,500	3,291	3,291	-
Utilities	15,550	30,723	30,723	-
Operating supplies	18,750	24,400	24,400	-
Contracted services	7,825	38,401	38,401	-
Equipment operations and maintenance	29,520	73,110	73,110	-
Building maintenance	15,000	15,000	7,590	7,410
Grounds maintenance	12,500	26,264	33,673	(7,409)
Travel	-	452	452	-
Insurance	9,650	2,370	2,159	211
Uniforms	1,250	30,135	30,135	-
Other	500	20,780	20,991	(211)
	<u>376,996</u>	<u>533,162</u>	<u>540,528</u>	<u>(7,366)</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Community Center -</b>				
Salaries	88,380	88,380	73,942	14,438
Payroll taxes	6,635	6,641	5,663	978
Health insurance	150	150	283	(133)
Pension	3,840	3,840	3,787	53
Workers' compensation	-	-	604	(604)
Printing and duplicating	550	550	440	110
Telephone	3,200	3,200	2,963	237
Utilities	23,000	23,000	20,777	2,223
Operating supplies	36,575	36,575	46,919	(10,344)
Contracted services	1,250	1,250	3,520	(2,270)
Equipment operations and maintenance	6,080	6,080	333	5,747
Building maintenance	3,200	3,200	1,630	1,570
Grounds maintenance	4,800	4,800	574	4,226
Uniforms	18,000	18,000	15,803	2,197
Other	200	200	-	200
	<u>195,860</u>	<u>195,866</u>	<u>177,238</u>	<u>18,628</u>
<b>Pool Property -</b>				
Utilities	3,920	3,920	139	3,781
Operating supplies	1,400	1,400	-	1,400
Contracted services	1,000	1,000	-	1,000
Grounds maintenance	2,500	2,500	-	2,500
	<u>8,820</u>	<u>8,820</u>	<u>139</u>	<u>8,681</u>
<b>McBrien School -</b>				
Utilities	24,000	24,000	873	23,127
Building maintenance	-	-	8,881	(8,881)
Grounds maintenance	13,500	13,500	1,402	12,098
	<u>37,500</u>	<u>37,500</u>	<u>11,156</u>	<u>26,344</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>1,145,470</u>	<u>1,307,118</u>	<u>1,260,831</u>	<u>46,287</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>CAPITAL OUTLAY -</b>				
Administration	-	59,973	59,973	-
Police	29,800	29,800	29,800	-
Culture and recreation	-	61,155	61,155	-
Public works	68,000	68,000	68,000	-
<b>TOTAL CAPITAL OUTLAY</b>	<u>97,800</u>	<u>218,928</u>	<u>218,928</u>	<u>-</u>
<b>DEBT SERVICE -</b>				
Principal	207,573	319,875	191,616	128,259
Interest	10,620	10,891	29,240	(18,349)
<b>TOTAL DEBT SERVICE</b>	<u>218,193</u>	<u>330,766</u>	<u>220,856</u>	<u>109,910</u>
<b>TOTAL EXPENDITURES</b>	<u>10,531,861</u>	<u>11,041,376</u>	<u>9,438,743</u>	<u>1,602,633</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	1,216,060	706,545	1,631,743	925,198
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	60,000	60,000	40,000	20,000
Transfers to other funds	(684,933)	(796,545)	(800,951)	4,406
Proceeds from sale of assets	30,000	30,000	46,750	(16,750)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	621,127	-	917,542	<u>\$ 917,542</u>
<b>FUND BALANCES</b>				
Beginning, <i>restated</i>	<u>4,011,922</u>	<u>4,011,922</u>	<u>4,011,922</u>	
Ending	<u>\$ 4,633,049</u>	<u>\$ 4,011,922</u>	<u>\$ 4,929,464</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>CHARGES FOR SERVICES</b>				
Solid waste collection fees	\$ 1,481,773	\$ 1,481,773	\$ 1,435,448	\$ (46,325)
Total revenues	<u>1,481,773</u>	<u>1,481,773</u>	<u>1,435,448</u>	<u>(46,325)</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Salaries	444,977	444,977	451,900	(6,923)
Payroll taxes	33,629	33,629	32,268	1,361
Health insurance	187,521	187,521	154,379	33,142
Pension	38,055	38,055	38,622	(567)
Workers' compensation	38,390	38,390	3,123	35,267
Employee training	150	150	-	150
Landfill services	260,000	260,000	261,192	(1,192)
Printing and duplicating	1,100	1,100	1,013	87
Telephone	1,700	1,700	1,508	192
Utilities	6,560	6,560	5,690	870
Medical	1,675	1,675	2,189	(514)
Operating supplies	11,900	11,900	88,076	(76,176)
Contracted services	57,350	57,350	98,737	(41,387)
Equipment operations and maintenance	278,670	278,670	239,931	38,739
Building maintenance	1,420	1,420	177	1,243
Uniforms	4,000	4,000	1,804	2,196
Insurance	11,676	11,676	249	11,427
Compensation for damages	5,000	5,000	1,000	4,000
Other	4,000	4,000	498	3,502
	<u>1,387,773</u>	<u>1,387,773</u>	<u>1,382,356</u>	<u>5,417</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
(Continued)				
<b>DEBT SERVICE -</b>				
Principal	69,000	69,000	70,874	(1,874)
Interest	<u>25,000</u>	<u>25,000</u>	<u>20,624</u>	<u>4,376</u>
Total debt service	<u>94,000</u>	<u>94,000</u>	<u>91,498</u>	<u>2,502</u>
<b>TOTAL EXPENDITURES</b>	<u>1,481,773</u>	<u>1,481,773</u>	<u>1,473,854</u>	<u>7,919</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	-	-	(38,406)	(38,406)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>116,018</u>	<u>116,018</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	-	77,612	<u>\$ 77,612</u>
<b>FUND BALANCES</b>				
Beginning	<u>153,773</u>	<u>153,773</u>	<u>153,773</u>	
Ending	<u>\$ 153,773</u>	<u>\$ 153,773</u>	<u>\$ 231,385</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 131,722	\$ 106,722
Drug related fines and forfeitures	15,000	15,000	6,116	(8,884)
Interest	100	100	108	8
Other	10,000	10,000	29,013	19,013
Total revenues	<u>50,100</u>	<u>50,100</u>	<u>166,959</u>	<u>116,859</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Investigative funds	10,000	10,000	-	10,000
Confidential drug expense	10,000	10,000	-	10,000
Office supplies	2,000	2,000	26,746	(24,746)
Uniforms	40,000	40,000	2,164	37,836
Bank service charges	437	437	441	(4)
Equipment operations and maintenance	3,841	3,841	10,865	(7,024)
General purpose equipment	59,000	59,000	115,027	(56,027)
	<u>125,278</u>	<u>125,278</u>	<u>155,243</u>	<u>(29,965)</u>
<b>CAPITAL OUTLAY</b>	-	-	16,185	(16,185)
<b>DEBT SERVICE -</b>				
Principal	-	-	14,364	(14,364)
Interest	-	-	1,247	(1,247)
Total debt service	<u>-</u>	<u>-</u>	<u>15,611</u>	<u>(15,611)</u>
<b>TOTAL EXPENDITURES</b>	<u>125,278</u>	<u>125,278</u>	<u>187,039</u>	<u>(61,761)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(75,178)	(75,178)	(20,080)	<u>\$ 55,098</u>
<b>FUND BALANCES</b>				
Beginning	<u>134,142</u>	<u>134,142</u>	<u>134,142</u>	
Ending	<u>\$ 58,964</u>	<u>\$ 58,964</u>	<u>\$ 114,062</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State gas tax apportionment	\$ 585,740	\$ 585,740	\$ 542,438	\$ (43,302)
Interest	5,000	5,000	2,529	(2,471)
Total revenues	<u>590,740</u>	<u>590,740</u>	<u>544,967</u>	<u>(45,773)</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Salaries	107,371	107,371	105,792	1,579
Payroll taxes	8,225	8,225	7,652	573
Health insurance	-	-	9,738	(9,738)
Pension	-	-	9,418	(9,418)
Workers' compensation	-	-	379	(379)
Utilities	248,965	248,965	204,974	43,991
Insurance	-	-	114	(114)
Road paving and maintenance	95,000	95,000	12,118	82,882
Other	100	100	26	74
	<u>459,661</u>	<u>459,661</u>	<u>350,211</u>	<u>109,450</u>
<b>CAPITAL OUTLAY</b>	<u>505,000</u>	<u>505,000</u>	<u>492,087</u>	<u>12,913</u>
<b>TOTAL EXPENDITURES</b>	<u>964,661</u>	<u>964,661</u>	<u>842,298</u>	<u>122,363</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(373,921)	(373,921)	(297,331)	<u>\$ 76,590</u>
<b>FUND BALANCES</b>				
Beginning, <i>restated</i>	<u>1,169,370</u>	<u>1,169,370</u>	<u>1,169,370</u>	
Ending	<u>\$ 795,449</u>	<u>\$ 795,449</u>	<u>\$ 872,039</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ 100	\$ 100	\$ 140	\$ 40
Total revenues	<u>100</u>	<u>100</u>	<u>140</u>	<u>40</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Administrative	-	-	576	(576)
	<u>-</u>	<u>-</u>	<u>576</u>	<u>(576)</u>
<b>DEBT SERVICE -</b>				
Principal	575,000	575,000	575,000	-
Interest	<u>100,300</u>	<u>100,300</u>	<u>100,300</u>	<u>-</u>
Total debt service	<u>675,300</u>	<u>675,300</u>	<u>675,300</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>675,300</u>	<u>675,300</u>	<u>675,876</u>	<u>(576)</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(675,200)	(675,200)	(675,736)	616
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>529,460</u>	<u>529,460</u>	<u>527,610</u>	<u>1,850</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(145,740)	(145,740)	(148,126)	<u>\$ (2,386)</u>
<b>FUND BALANCES</b>				
Beginning	<u>333,693</u>	<u>333,693</u>	<u>333,693</u>	
Ending	<u>\$ 187,953</u>	<u>\$ 187,953</u>	<u>\$ 185,567</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2012

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Room occupancy tax	\$ 161,162	\$ 161,162	\$ 157,613	\$ (3,549)
Interest	200	200	171	(29)
Total revenues	<u>161,362</u>	<u>161,362</u>	<u>157,784</u>	<u>(3,578)</u>
<b>EXPENDITURES</b>				
<b>Current -</b>				
Administrative	<u>2,535</u>	<u>2,535</u>	<u>12,020</u>	<u>(9,485)</u>
	<u>2,535</u>	<u>2,535</u>	<u>12,020</u>	<u>(9,485)</u>
<b>DEBT SERVICE -</b>				
Principal	230,000	230,000	230,000	-
Interest	<u>84,300</u>	<u>84,300</u>	<u>51,581</u>	<u>32,719</u>
Total debt service	<u>314,300</u>	<u>314,300</u>	<u>281,581</u>	<u>32,719</u>
<b>TOTAL EXPENDITURES</b>	<u>316,835</u>	<u>316,835</u>	<u>293,601</u>	<u>23,234</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(155,473)	(155,473)	(135,817)	(26,812)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>155,473</u>	<u>155,473</u>	<u>157,323</u>	<u>(1,850)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	-	21,506	<u>\$ 21,506</u>
<b>FUND BALANCES</b>				
Beginning	<u>277,687</u>	<u>277,687</u>	<u>277,687</u>	
Ending	<u>\$ 277,687</u>	<u>\$ 277,687</u>	<u>\$ 299,193</u>	

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2012

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

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**

JUNE 30, 2012

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2011</u>	<u>Property Tax Levied</u>	<u>Anticipated Property Tax Levy</u>	<u>Abatements and Adjustments</u>	<u>Tax Collections</u>	<u>Property Tax Receivable Balance June 30, 2012</u>
2012	\$ -	\$ -	\$ 4,675,497	\$ -	\$ -	\$ 4,675,497
2011	-	4,908,315	-	-	(4,617,942)	290,373
2010	272,612	-	-	-	(222,042)	50,570
2009	91,645	-	-	-	(74,483)	17,162
2008	54,151	-	-	-	(52,725)	1,426
2007	9,479	-	-	-	(7,396)	2,083
2006	8,406	-	-	-	(7,935)	471
2005	8,737	-	-	(8,737)	-	-
	<u>\$ 445,030</u>	<u>\$ 4,908,315</u>	<u>\$ 4,675,497</u>	<u>\$ (8,737)</u>	<u>\$ (4,982,523)</u>	<u>\$ 5,037,582</u>

*Note: All uncollected taxes for the years prior to 2011 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, 2012**

Year Ending June 30,	TML Bond Fund 2004		TML Bond Fund 2009		General Obligation Notes Series 2007		General Obligation Notes Series 2009		Bond Anticipation Note 2011		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 133,000	\$ 74,360	\$ 122,000	\$ 2,196	\$ 72,775	\$ 18,343	\$ 1,900,000	\$ 41,800	\$ 600,000	\$ 77,300	\$ 91,015	\$ 19,739	\$ 2,918,790	\$ 233,738
2014	137,000	69,040	-	-	75,176	15,943	-	-	620,000	53,300	67,438	15,735	899,614	154,018
2015	141,000	63,560	-	-	77,656	13,463	-	-	570,000	28,500	70,600	125,573	859,256	231,096
2016	144,000	57,920	-	-	80,218	10,901	-	-	-	-	43,459	9,262	267,677	78,083
2017	148,000	52,160	-	-	291,326	3,766	-	-	-	-	45,609	7,112	484,935	63,038
2018	152,000	46,240	-	-	-	-	-	-	-	-	47,866	4,855	199,866	51,095
2019	156,000	40,160	-	-	-	-	-	-	-	-	52,356	2,485	208,356	42,645
2020	161,000	33,920	-	-	-	-	-	-	-	-	-	-	161,000	33,920
2021	165,000	27,480	-	-	-	-	-	-	-	-	-	-	165,000	27,480
2022	169,000	20,880	-	-	-	-	-	-	-	-	-	-	169,000	20,880
2023	174,000	14,120	-	-	-	-	-	-	-	-	-	-	174,000	14,120
2024	179,000	7,160	-	-	-	-	-	-	-	-	-	-	179,000	7,160
<b>Total</b>	<b>\$ 1,859,000</b>	<b>\$ 507,000</b>	<b>\$ 122,000</b>	<b>\$ 2,196</b>	<b>\$ 597,151</b>	<b>\$ 62,416</b>	<b>\$ 1,900,000</b>	<b>\$ 41,800</b>	<b>\$ 1,790,000</b>	<b>\$ 159,100</b>	<b>\$ 418,343</b>	<b>\$ 184,761</b>	<b>\$ 6,686,494</b>	<b>\$ 957,273</b>

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDING JUNE 30, 2012**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Other Adjustments</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
Passed Through Tennessee Department of Economic and Community Development:							
Community Development Block Grant	14.228	33004-20112	\$ -	\$ 52,295	\$ 52,295	-	\$ -
Total Department of Housing and Urban Development			-	52,295	52,295	-	-
<b>U.S. DEPARTMENT OF JUSTICE</b>							
COPS Grant - ARRA	16.710	2009RKKWX0804	(63,627)	131,888	108,728	9,856	(30,611)
Total U. S. Department of Justice			(63,627)	131,888	108,728	9,856	(30,611)
<b>U.S. DEPARTMENT OF ENERGY</b>							
Passed through Tennessee Department of Economic and Community Development:							
Energy Efficient Improvements - ARRA	81.128	GG1133448	(66,457)	66,457	-	-	-
Total Department of Energy			(66,457)	66,457	-	-	-
<b>US DEPARTMENT OF HOMELAND SECURITY</b>							
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>							
Disaster Assistance	97.036	FEMA-1965-DR-TN	(21,658)	22,311	1,479	-	(826)
Disaster Assistance	97.036	FEMA-1974-DR-TN	(159,758)	139,655	19,598	(30,236)	(69,937)
Total Department of Homeland Security			(181,416)	161,966	21,077	(30,236)	(70,763)
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ (311,500)</u>	<u>\$ 412,606</u>	<u>\$ 182,100</u>	<u>\$ (20,380)</u>	<u>\$ (101,374)</u>



HENDERSON HUTCHERSON  
& MCCULLOUGH, PLLC

Certified Public Accountants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING 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

We have audited the basic financial statements of the City of East Ridge, Tennessee as of and for the year ended June 30, 2012, and have issued our report thereon dated November 16, 2012. 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.

*Internal Control over Financial Reporting*

In planning and performing our audit, we considered the City of East Ridge, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of East Ridge's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

*Compliance and Other Matters*

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

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and City Council, management, others within the entity, state regulatory agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chattanooga, Tennessee  
November 16, 2012

*Henderson Hutcherson*  
*is McCullough, PLLC*

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**JUNE 30, 2012**

**Current Year Findings**

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

Condition: Under current professional standards, the city is responsible for the internal control process which includes preparation of timely and accurate year-end financial statements in accordance with generally accepted accounting principles. During the audit process numerous adjustments and corrections were made to the funds and government-wide financial statements. The amounts involved were significant to the financial statements.

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

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

Recommendation: Management should consider additional training for individuals within the finance department. Management should also implement monthly/annual financial close and review procedures to ensure that all adjusting entries are recorded in a timely manner.

Management’s Response: Management agrees the Administration and Finance Department had too many adjusting entries that were proposed by the auditors at the end of the fiscal year. It appears many of these adjusting entries were the result of careless errors and not closely reviewing the balance sheet on a monthly basis to identify the need for them. Some of these errors and omissions were caused by a computer program error on the proper calculation and recording of health insurance costs on the payroll. This problem has now been corrected. Some of the errors and omissions were caused by the failure of the previous account receivables clerk to properly code and enter deposits received. This problem has also been corrected with the hiring of a new, more capable account receivables clerk.

To further address the issue, the City’s management will continue to work with the Finance and Administration Department to reduce the required end of year adjusting entries to a more acceptable level. Management has implemented a monthly close and review program to help ensure adjusting entries are made in a timely manner and will continue to ensure finance personnel receive additional training in this area. Management has also scheduled a mid-year audit review of required adjusting entries to assist the finance department personnel in identifying and making required adjusting entries at mid-year before the end of year audit begins.

The City Manager believes that with more experience, training and possibly some reduction of duties for some finance personnel, which will allow a more concentrated effort in this area, adjusting entries will be reduced to a more acceptable level in future years.

**Prior Year Audit Findings**

**2011-01: Controls over the Financial Reporting Process**

Condition: Our consideration of the internal control structure disclosed that the City has no employee with the skills to prepare the financial statements and the related footnotes in accordance with generally accepted accounting principles.

Criteria: Standards relating to the internal control structure require an entity to employ someone with the skills to perform the above tasks.

Status: Finding not corrected and revised; See finding 2012-01.

**2011-02: Insufficient Accounting for Grant Revenues**

Condition: Circumstances during the year ended June 30, 2011, indicated that there was no system in place for filing of grant revenues in the period in which expenses were incurred.

Criteria: The internal control structure should include procedures for filing grant revenues in the period in which the expenses were incurred.

Status: Corrected.

**2011-03: Insufficient Accounting for Permits**

Condition: Our audit procedures disclosed that permits are being issued with no permit number.

Criteria: The internal control structure should implement procedures to ensure that any permits issued include pre-assigned permit numbers, accounted for in sequential order.

Status: Corrected.

**2010-01: Insufficient Accounting for Cash Bonds in the Court Clerk's Office**

Condition: Circumstances during the year ended June 30, 2010, indicated that sufficient records were maintained for cash bonds paid by defendants. Subsequent to discovery and investigation of the failure to maintain adequate records, procedures to correct this significant deficiency were implemented. These procedures directed the Court Clerk employees to maintain a log of all cash bonds received and to immediately transfer these funds to the administrative office for deposit. Auditor procedures, including inquiry and observation, for the year ended June 30, 2011, indicated that these funds were transferred to the administrative office on a very infrequent basis, with exceptions to this procedure determined by the Court Clerk employees on a case by case basis.

Criteria: The internal control structure should include proper accounting for receipt and disbursement of funds received for others, in accordance with the established procedures.

Status: Corrected.

**2009-01: Significant Adjustments to the Year End Trial Balance**

Condition: For the year ended June 30, 2009, adjustments were proposed by auditors, which results in significant changes to the trial balance provided by management. Significant improvement was not noted for the years ended June 30, 2010 and 2011.

Criteria: Current standards relating to the internal control structure require an entity to make all material adjustments to the trial balance before giving it to the auditors, or to provide the auditors with any material adjustments that need to be made to the trial balance.

Status: Finding not corrected and revised; See finding 2012-01.