

CITY OF EAST RIDGE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2016



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF EAST RIDGE, TENNESSEE

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CITY OF EAST RIDGE, TENNESSEE

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CITY OF EAST RIDGE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2016

Mayor

Brent Lambert

Vice-Mayor

Marc Gravitt

Council Member

Denny Manning

Council Member

Larry Sewell

Council Member

Jacky Cagle

City Manager

Scott Miller

City Attorney

Hal North

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and OPEB schedules on pages 3-9 and pages 35-38, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining financial statements, budgetary comparison schedules, and financial schedules included as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, budgetary comparison schedules, and financial schedules included as other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2016 on our consideration of the City of East Ridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of East Ridge's internal control over financial reporting and compliance.

Chattanooga, Tennessee
October 15, 2016

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

As management of the City of East Ridge, Tennessee (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$10,048,898 (*net position*). Of this amount, \$5,655,167 is invested in capital assets (*net of related debt*) and \$ 1,045,373 is restricted for specific purposes.
- The City's overall net position increased by \$1,822,085 (22.1%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,795,515, a decrease in overall fund balance of \$151,949. Of this amount, \$1,045,373 is restricted, and \$2,274,135 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$5,423,821, or 46.8% of total general fund expenditures including transfers out. This balance includes no nonspendable, restricted, or assigned funds.
- The City's total outstanding long-term debt decreased by \$379,447 (5.1%) as detailed on pages 27 through 28 of this report.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public welfare, solid waste and other city services.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

The *business-type activities* include water, power, and sewer. Business-type activities are supported exclusively by charges to the users of those activities. The City of East Ridge had no business-type activities for the fiscal year ending June 30, 2016.

The government-wide financial statements can be found on pages 10 through 11 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds are considered governmental funds.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12 through 18 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 34 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's progress in funding its obligation to provide OPEB benefits to its employees and pension related information. Required supplementary information can be found on pages 35 through 38 of this report.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

The combining schedules, individual budgetary schedules, and other information as required by the Tennessee Comptroller of the Treasury referred to earlier in connection with nonmajor governmental funds, are presented immediately following the required supplementary information on pensions and OPEB. These schedules can be found on pages 39 through 68 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of East Ridge, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$10,048,898, at the close of the June 30, 2016 fiscal year.

City of East Ridge's Net Position

	Governmental Activities	
	June 30, 2016	June 30, 2015
Current and other assets	\$ 14,550,180	\$ 14,451,562
Capital assets	<u>12,076,507</u>	<u>10,552,770</u>
Total assets	<u>26,626,687</u>	<u>25,004,332</u>
Deferred pension outflows	<u>1,172,836</u>	<u>642,685</u>
Total deferred outflows of resources	<u>1,172,836</u>	<u>642,685</u>
Other liabilities	5,048,533	4,354,126
Long-term liabilities	<u>6,993,977</u>	<u>7,373,424</u>
Total liabilities	<u>12,042,510</u>	<u>11,727,550</u>
Deferred revenue – property taxes	4,815,085	4,705,880
Deferred pension inflows	<u>893,030</u>	<u>986,774</u>
Total deferred inflows of resources	<u>5,708,115</u>	<u>5,692,654</u>
Net position		
Net investment in capital assets	5,655,167	3,724,685
Restricted	1,045,373	1,304,700
Unrestricted	<u>3,348,358</u>	<u>3,197,428</u>
Total net position	<u>\$ 10,048,898</u>	<u>\$ 8,226,813</u>

Net Position

The largest portion of the City's net position (56.3%) reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

An additional portion of the City's net position (10.4%) represents resources that are subject to external restrictions on how they may be used. The remaining 33.3% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City reports positive balances in all categories of net position for the government as a whole.

The City's overall net position increased by \$1,822,085 from the prior fiscal year, representing a 22.1% increase in the City's net position.

City of East Ridge's Statement of Activities

	<u>Governmental Activities</u>	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Revenues		
Charges for services	\$ 2,912,498	\$ 2,723,395
Grants & contributions	645,753	104,855
General Revenues		
Property taxes	4,980,156	4,870,623
Local option sales tax	3,290,350	2,266,750
Other taxes	3,993,950	3,731,752
Interest	18,687	7,279
Other	<u>198,695</u>	<u>228,701</u>
Total revenues	<u>16,040,089</u>	<u>13,993,355</u>
Expenses		
General government	3,202,455	2,260,777
Public safety	5,722,356	5,589,797
Public works	2,777,731	2,586,150
Public welfare	752,066	4,171,701
Culture and recreation	1,665,715	1,531,993
Interest	<u>97,681</u>	<u>204,243</u>
Total expenses	<u>14,218,004</u>	<u>16,344,661</u>
Change in net position	1,822,085	(2,411,306)
Beginning net position, as previously stated	8,226,813	12,034,730
Change in accounting principle, GASB 68	<u>-</u>	<u>(1,396,611)</u>
Beginning net position, restated	<u>10,638,119</u>	<u>10,638,119</u>
Ending net position	<u>\$ 10,048,898</u>	<u>\$ 8,226,813</u>

Financial Analysis of the City's Funds

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

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

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,795,515, a current year decrease of \$151,949. Restricted fund balance of \$1,045,373 includes amounts legally constrained for law enforcement (\$74,138), state street aid (\$970,999), and industrial development (\$236). Funds assigned for a particular purpose total \$2,274,135. Assigned funds included funds for debt service (\$462,874), funds for capital projects (\$1,297,520), and for solid waste operations (\$513,741). The remaining unassigned balance of \$5,476,007 represents funds available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance totaled \$5,423,821 and the total balance was reported as unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 46.8% of total general fund expenditures and transfers out.

It is important to consider that the City has maintained a relatively high ratio of unassigned fund balance in the general fund to operating expenditures and other financing uses, which ensures that the City is able to meet and exceed two (2) months of general fund expenditures, in accordance with sound budgeting and financial management practices. Additionally, the ratio of unrestricted funds also allows the City to meet any emergent or unanticipated needs should these arise.

The fund balance of the City's general fund increased by \$1,207,569 as a result of an increase in tax revenue.

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

Budgetary Highlights

Original and Final Budgeted Amounts. Differences, between the original budget and the final amended budget for the general fund, represent a \$161,223. The majority of this increase represented the increase in tax collection and transfers to the capital projects fund.

Final Amended Budget and Actual Amounts. The City's General Fund operated within its final amended budget, which resulted in a positive variance of \$609,474. This was primarily due to increase in tax revenue.

Capital Asset and Debt Administration

Capital Assets. The City of East Ridge's investment in capital assets for its governmental activities as of June 30, 2016, amounted to \$12,076,507 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, garbage containers, and infrastructure.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

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

City of East Ridge's Capital Assets, net

	Governmental Activities	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Land	\$ 1,808,491	\$ 1,798,958
Buildings	9,356,307	9,304,860
Infrastructure	11,415,519	9,584,667
Equipment/vehicles	<u>7,623,278</u>	<u>7,191,886</u>
	30,203,595	27,880,371
Less accumulated depreciation	<u>18,127,088</u>	<u>17,327,601</u>
Total capital assets, net	<u>\$ 12,076,507</u>	<u>\$ 10,552,770</u>

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

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$6,993,977. All of this debt is backed by the full faith and credit of the government.

City of East Ridge's Long-Term Debt

	Governmental Activities	
	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Notes payable	\$ 3,123,629	\$ 3,419,915
General obligation bonds	3,085,000	3,085,000
Capital leases	212,711	323,170
Compensated absences	<u>572,637</u>	<u>545,339</u>
Total long-term debt	<u>\$ 6,993,977</u>	<u>\$ 7,373,424</u>

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

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

Economic Factors and Next Year's Budget and Rates

- Inflationary trends in the region are comparable to national indices, which is continued to remain relatively low according to most estimates.
- New construction permits and inspections are expected to increase in the coming fiscal year; both in residential (townhouses and single family residential homes off of Frawley Road) and commercial (the area surrounding Exit 1 and Bass Pro Shop). New retailers are anticipated to locate and others continue to show interest in East Ridge.
- Now open, the Bass Pro Shop/Jordan Crossing Development Project is anticipated to bring new tourist dollars to East Ridge. A new hotel (Hampton Inn) is scheduled for construction across from the Bass Pro Shop in early 2017. In addition to expanding the City's property tax base and increasing local sales and hotel/motel tax revenues, growth is expected and already underway in the City's Border Region District.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2016

- The City's Border Region District has already started to generate an entirely new source of revenue, for example, incremental state sales tax revenue, which is unique to only three cities statewide. The new revenues will provide a new tax stream for the rehabilitation and construction of infrastructure and for financial incentives to businesses to locate and develop in the City of East Ridge.
- Additional debt through the TML Bond Fund variable rate program and other short-term notes will be expanded in 2017 to provide needed funding for capital equipment and the reconfiguration of the Exit 1 Interchange (anticipated starting construction in April/May 2017).

Blended Component Unit

The City has presented the operations of the Industrial Development Board of East Ridge, Tennessee (IDB) for the year ended June 30, 2016. The IDB is currently in agreement with Exit One LLC to help generate economic and retail development within the City of East Ridge.

Requests for Information

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF NET POSITION

JUNE 30, 2016

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,402,135
Investments	1,064,540
Property taxes receivable	5,267,048
Grants receivable	3,329
Accounts receivable	813,129
Capital assets -	
Land and other nondepreciable assets	1,808,491
Capital assets, net of accumulated depreciation	<u>10,268,016</u>
Total assets	<u>26,626,688</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	<u>1,172,836</u>
Total deferred outflows of resources	<u>1,172,836</u>
LIABILITIES	
Accounts payable	347,019
Accrued liabilities	209,517
Deferred premium	491,814
OPEB obligation	2,954,539
Net pension liability	1,045,645
Long-term liabilities -	
Due within one year	1,198,875
Due in more than one year	<u>5,795,102</u>
Total liabilities	<u>12,042,511</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	4,815,085
Deferred pension inflows	<u>893,030</u>
Total deferred inflows of resources	<u>5,708,115</u>
NET POSITION	
Net investment in capital assets	5,655,167
Restricted	1,045,373
Unrestricted	<u>3,348,358</u>
Total net position	<u>\$ 10,048,898</u>

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Governmental Activities (Net)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT					
Governmental activities -					
General government	\$ 3,193,205	\$ 298,840	\$ -	\$ -	\$ (2,894,365)
Public safety	5,722,356	426,397	122,837	-	(5,173,122)
Public works	2,777,731	1,610,745	522,118	-	(644,868)
Public welfare and economic development	752,066	-	-	-	(752,066)
Culture and recreation	1,665,715	576,516	798	-	(1,088,401)
Interest	<u>97,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,681)</u>
Total primary government	<u>\$ 14,208,754</u>	<u>\$ 2,912,498</u>	<u>\$ 645,753</u>	<u>\$ -</u>	<u>(10,650,503)</u>
GENERAL REVENUES					
Property taxes					4,980,156
Local sales taxes					3,290,350
Local beer taxes					426,502
State shared taxes					2,860,706
Other taxes					387,708
Franchise fees					319,034
Other revenues					189,445
Interest					<u>18,687</u>
Total general revenue					<u>12,472,588</u>
Change in net position					<u>1,822,085</u>
NET POSITION					
Beginning					<u>8,226,813</u>
Ending					<u>\$ 10,048,898</u>

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

CITY OF EAST RIDGE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General</u>	<u>TML Bond Fund</u>	<u>Industrial Development</u>	<u>Capital Projects</u>
ASSETS				
Cash and cash equivalents	\$ 4,619,598	\$ 428,533	\$ 236	\$ 1,079,724
Investments	561,711	-	-	502,829
Property taxes receivable	5,267,048	-	-	-
Grant funds receivable	-	-	-	-
Accounts receivables	632,749	34,341	-	-
Due from other fund	<u>134,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total assets	 <u>\$ 11,215,355</u>	 <u>\$ 462,874</u>	 <u>\$ 236</u>	 <u>\$ 1,582,553</u>
LIABILITIES				
Accounts payable	\$ 52,642	\$ -	\$ -	\$ 258,039
Accrued liabilities	162,350	-	-	-
Due to other funds	<u>351,932</u>	<u>-</u>	<u>-</u>	<u>26,994</u>
 Total liabilities	 <u>566,924</u>	 <u>-</u>	 <u>-</u>	 <u>285,033</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>5,224,610</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total deferred inflows of resources	 <u>5,224,610</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
FUND BALANCES				
Restricted for -				
Law enforcement	-	-	-	-
State approved street aid	-	-	-	-
Industrial development	-	-	236	-
Grant projects	-	-	-	-
Assigned to -				
Debt service	-	462,874	-	-
Capital projects	-	-	-	1,297,520
Solid waste operations	-	-	-	-
Unassigned	<u>5,423,821</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>5,423,821</u>	 <u>462,874</u>	 <u>236</u>	 <u>1,297,520</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 11,215,355</u>	 <u>\$ 462,874</u>	 <u>\$ 236</u>	 <u>\$ 1,582,553</u>

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

Solid Waste Collection	Other Governmental Funds	Total Governmental Funds
\$ 218,293	\$ 1,055,751	\$ 7,402,135
-	-	1,064,540
-	-	5,267,048
-	3,329	3,329
129,028	17,011	813,129
<u>204,196</u>	<u>147,737</u>	<u>486,182</u>
<u>\$ 551,517</u>	<u>\$ 1,223,828</u>	<u>\$ 15,036,363</u>
\$ 20,859	\$ 15,479	\$ 347,019
16,917	3,770	183,037
<u>-</u>	<u>107,256</u>	<u>486,182</u>
<u>37,776</u>	<u>126,505</u>	<u>1,016,238</u>
<u>-</u>	<u>-</u>	<u>5,224,610</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>5,224,610</u>
-	74,138	74,138
-	970,999	970,999
-	-	236
-	52,186	52,186
-	-	462,874
-	-	1,297,520
513,741	-	513,741
<u>-</u>	<u>-</u>	<u>5,423,821</u>
<u>513,741</u>	<u>1,097,323</u>	<u>8,795,515</u>
<u>\$ 551,517</u>	<u>\$ 1,223,828</u>	<u>\$ 15,036,363</u>

CITY OF EAST RIDGE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET

OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2016

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

Fund balances – total governmental funds	\$	8,795,515
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		12,076,507
Certain revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are deferred or not reported in the funds.		409,525
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position		279,806
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due. All liabilities, both due in one year and due in more than one year, are reported in the statement of net assets. This item consists of:		
Net pension liability	\$	(1,045,645)
Bonds payable		(3,085,000)
Net bond issue premiums		(491,814)
Notes payable		(3,123,629)
Capital leases		(212,711)
Compensated absences		(572,637)
Accrued interest payable		<u>(26,480)</u>
		(8,557,916)
Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds.		<u>(2,954,539)</u>
Net position of governmental activities	\$	<u><u>10,048,898</u></u>

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, 2016

	<u>General</u>	<u>TML Bond Fund</u>	<u>Industrial Development</u>	<u>Capital Projects</u>
REVENUES				
Taxes	\$ 9,232,359	\$ 378,267	\$ -	\$ -
Licenses and permits	224,535	-	-	-
Intergovernmental	2,115,498	-	-	-
Charges for services	763,485	-	-	-
Fines and forfeitures	307,017	-	-	-
Miscellaneous	115,362	1,006	-	570,479
Total revenues	<u>12,758,256</u>	<u>379,273</u>	<u>-</u>	<u>570,479</u>
EXPENDITURES				
Current				
General government	3,343,759	8,593	-	-
Public safety	5,095,727	-	-	-
Public works	596,016	-	-	-
Public welfare and economic development	134,638	-	614,534	-
Culture and recreation	1,279,203	-	-	-
Capital outlay	-	-	-	2,671,498
Debt service -				
Principal	110,459	216,000	-	-
Interest and other costs	11,261	120,982	-	25,294
Total expenditures	<u>10,571,063</u>	<u>345,575</u>	<u>614,534</u>	<u>2,696,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,187,193	33,698	(614,534)	(2,126,313)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	9,279	614,534	788,591
Transfers to other funds	(1,010,559)	-	-	-
Proceeds from sale of assets	30,935	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,207,569	42,977	-	(1,337,722)
FUND BALANCES:				
Beginning	4,216,252	419,897	236	2,635,242
Ending	<u>\$ 5,423,821</u>	<u>\$ 462,874</u>	<u>\$ 236</u>	<u>\$ 1,297,520</u>

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

<u>Solid Waste Collection</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 9,610,626
-	-	224,535
-	690,712	2,806,210
1,604,850	-	2,368,335
-	21,111	328,128
-	10,205	697,052
<u>1,604,850</u>	<u>722,028</u>	<u>16,034,886</u>
-	75	3,352,427
-	27,262	5,122,989
1,351,088	520,263	2,467,367
-	-	749,172
-	-	1,279,203
-	-	2,671,498
80,286	-	406,745
<u>10,832</u>	<u>-</u>	<u>168,369</u>
<u>1,442,206</u>	<u>547,600</u>	<u>16,217,770</u>
162,644	174,428	(182,884)
-	166,000	1,578,404
(58,566)	(509,279)	(1,578,404)
<u>-</u>	<u>-</u>	<u>30,935</u>
104,078	(168,851)	(151,949)
<u>409,663</u>	<u>1,266,174</u>	<u>8,947,464</u>
<u>\$ 513,741</u>	<u>\$ 1,097,323</u>	<u>\$ 8,795,515</u>

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

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

Net change in fund balances – total governmental funds \$ (151,949)

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

Capital outlay reported as expenditures in the governmental funds that meet the capitalization threshold are shown as capital assets in the statement of net position. 2,736,277

Depreciation expense on governmental capital assets are included in the statement of activities. (1,184,185)

The net effect of various transactions involving capital assets to decrease net position. (28,355)

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

Principal paid	406,745	
Amortization	25,037	
Change in accrued interest payable	41,647	473,429

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	(27,298)	
Change in net pension liability and related deferred items	297,332	
Change in OPEB	(286,539)	(16,505)

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. (6,627)

Change in net position of governmental activities \$ 1,822,085

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 8,749,219	\$ 9,284,682	\$ 9,232,359	\$ (52,323)
Licenses and permits	103,850	224,535	224,535	-
Intergovernmental	1,921,467	2,115,498	2,115,498	-
Charges for services	717,629	831,338	763,485	(67,853)
Fines and forfeitures	332,000	310,035	307,017	(3,018)
Miscellaneous	83,455	107,454	115,362	7,908
Total revenue	11,907,620	12,873,542	12,758,256	(115,286)
EXPENDITURES				
Current				
General government	3,372,722	3,622,122	3,343,759	278,363
Public safety	5,254,314	5,254,314	5,095,727	158,587
Public works	683,659	683,659	596,016	87,643
Public welfare	186,727	186,727	134,638	52,089
Culture and recreation	1,232,581	1,292,281	1,279,203	13,078
Debt service -				
Principal	110,459	110,459	110,459	-
Interest	11,261	11,261	11,261	-
Total expenditures	10,851,723	11,160,823	10,571,063	589,760
EXCESS OF REVENUES OVER EXPENDITURES	1,055,897	1,712,719	2,187,193	474,474
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(643,025)	(1,144,559)	(1,010,559)	134,000
Proceeds from sale of assets	25,000	30,935	30,935	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	437,872	599,095	1,207,569	\$ 608,474
FUND BALANCE				
Beginning	4,216,252	4,216,252	4,216,252	
Ending	\$ 4,654,124	\$ 4,815,347	\$ 5,423,821	

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

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

Blended Component Unit

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

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

Basic Financial Statements

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

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

Government-wide Financial Statements

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the primary government (governmental activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense - the cost of “using up” capital assets - in the statement of activities. As a general rule, the effect of interfund activity has been eliminated from these statements.

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

The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions, e.g., public safety, public works, etc. The expense of individual functions is compared to the revenue generated directly by the function. Direct expenses are those that are clearly identifiable with a specific function.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The types of transactions reported as program revenues for the City are reported in three specific categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The City reports the following major governmental fund:

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

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

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

The *Solid Waste Fund* accounts for the fees and expenses associated with garbage collection and disposal services for City residents.

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

Additionally, the City reports the following other fund types:

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

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

Budgets and Budgetary Accounting

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

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

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

Cash and Cash Equivalents

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

Investments

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items

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

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

Accounts Receivables

With respect to the accounts receivable for solid waste collection fees, the City uses the allowance method to estimate uncollectible accounts based on a projection of balances unlikely to be collected. Individual accounts are written off only when they are determined to be uncollectible. Receivables for the solid waste collection fund are reported net of allowance of \$159,422. Other receivable amounts are considered collectible in all material respects.

Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes net interest costs and interest earned as part of the cost of construction when material. No interest was capitalized during the fiscal year ended June 30, 2016.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow or resources (as either an expense or expenditure) until that period. The City reports deferred contributions on pension plans and certain amounts related to pensions, as detailed as (2) below. Deferred contributions for the pension plan were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of items, which arise under a modified accrual basis of accounting and full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported in the governmental funds balance sheet and government-wide statement of net position. (1) The governmental funds and governmental activities report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. (2) Certain amounts related to pensions must be deferred. Differences between projected and actual earnings on pension plan investments are deferred and amortized over five years. Changes in pension plan assumptions are deferred and amortized over the expected remaining service lives of employees.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Compensated Absences

The City has a policy of compensated annual leave up to 33 days based on years of service. Employees hired before June 30th, 2012 accumulate leave and vest to a maximum of 320 hours, the excess payable at the employee's anniversary date. Employees hired after July 1, 2012 do not receive the excess each year but rather continue to accumulate leave hours. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. No liability is recorded in the governmental funds, because any payments, even those which would be paid in the next twelve months, if susceptible to a reasonable estimate, are expected to be liquidated with future resources.

Long-term Obligations

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

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

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

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

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

Fund Balance

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

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

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

Committed Fund Balance represents amounts that can only be used for specific purposes as pursuant to official action by City Council prior to the end of the reporting period. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by ordinance.

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

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

Property Tax Information

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

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

Property taxes levied for 2016 are recorded as receivables. No allowance has been made for uncollectible taxes; based on historical collection data, uncollectible amounts are considered immaterial.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Pensions

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

The City’s investments are carried at fair value which is based on quoted market prices and consist of certificates of deposit totaling \$1,064,540.

Interest Rate Risk

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

Custodial Credit Risk

The City’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool, by collateral held in the City’s agent in the City’s name, or by Federal Reserve Banks acting as third-party agents. State statutes also authorize the types of investments in which the City may participate. The City limits its investments to certificates of deposit, savings accounts 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, 2016, consist of the following:

Funds	General	TML Bond	Solid Waste	Other Governmental	Total
Taxes	\$ 5,267,048	\$ -	\$ -	\$ -	\$ 5,267,048
Grants	-	-	-	3,329	3,329
Intergovernmental	620,636	34,341	-	-	654,977
Accounts	12,113	-	288,450	17,011	317,574
Gross receivables	5,899,797	34,341	288,450	20,340	6,242,928
Less: Allowance for uncollectibles	-	-	(159,422)	-	(159,422)
Net receivables	<u>\$ 5,899,797</u>	<u>\$ 34,341</u>	<u>\$ 129,028</u>	<u>\$ 20,340</u>	<u>\$ 6,083,506</u>

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

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

Transfers to/from other funds during the year ended June 30, 2016, are as follows:

	Transfers In				Total
	Industrial Development	Capital Projects	TML Bond	Other Governmental	
Transfers Out:					
General Fund	\$ 614,534	\$ 230,025	\$ -	\$ 166,000	\$ 1,010,559
Solid Waste Collection	-	58,566	-	-	58,566
Other Governmental Funds					
State Street Aid	-	500,000	9,279	-	509,279
	<u>\$ 614,534</u>	<u>\$ 788,591</u>	<u>\$ 9,279</u>	<u>\$ 166,000</u>	<u>\$ 1,578,404</u>

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The composition of the City's interfund balances as of June 30, 2016, are as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Grant Fund	\$ 107,255
General Fund	Capital Project	26,994
State Street Aid Fund	General Fund	127,781
Solid Waste Fund	General Fund	204,196
Drug Fund	General Fund	19,956
		<u>\$ 486,182</u>

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets:				
Land	\$ 1,798,958	\$ -	\$ -	\$ 1,798,958
Construction in process	-	<u>9,533</u>	-	<u>9,533</u>
Total non-depreciable assets	<u>1,798,958</u>	<u>9,533</u>	-	<u>1,808,491</u>
Depreciable capital assets:				
Buildings	9,304,860	51,447	-	9,356,307
Infrastructure	9,584,667	1,830,852	-	11,415,519
Equipment / Vehicles	<u>7,191,886</u>	<u>844,445</u>	<u>413,053</u>	<u>7,623,278</u>
	<u>26,081,413</u>	<u>2,726,744</u>	<u>413,053</u>	<u>28,395,104</u>
Less accumulated depreciation:				
Buildings	6,054,043	336,848	-	6,390,891
Infrastructure	6,362,314	230,945	-	6,593,259
Equipment / Vehicles	<u>4,911,244</u>	<u>616,392</u>	<u>384,698</u>	<u>5,142,938</u>
	<u>17,327,601</u>	<u>1,184,185</u>	<u>384,698</u>	<u>18,127,088</u>
Total depreciable assets, net	<u>8,753,812</u>	<u>1,542,559</u>	<u>28,355</u>	<u>10,268,016</u>
Total capital assets, net	<u>\$ 10,552,770</u>	<u>\$ 1,552,092</u>	<u>\$ 28,355</u>	<u>\$ 12,076,507</u>

Depreciation expense is charged to functions as follows:

General	\$ 103,934
Public safety	448,881
Public works	298,739
Culture and recreation	<u>332,631</u>
Total	<u>\$ 1,184,185</u>

NOTE 7 – BONDS AND NOTES PAYABLE

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

General obligation bonds:

Series 2015, payable in variable, annual installments, plus interest at rate of 5%, through March 2045	<u>\$ 3,085,000</u>
--	---------------------

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%	\$ 1,304,000
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Note of \$1,600,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 3% beginning May 2015, and additional interest and principal due through May 2035	1,528,000
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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	<u>291,629</u>
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\$ 3,123,629

(Continued)

NOTE 7 – BONDS AND NOTES PAYABLE (Continued)

Capital lease obligations:

Payable to First Tennessee Bank in various annual installments ranging from \$67,727 to \$70,345, including interest at 1.95%, through December 2016 \$ 69,000

Payable to First Bankers Corporation in annual installments of \$52,721, including interest at 4.89%, through July 2019 143,711

\$ 212,711

Liability for compensated absences \$ 572,637

Maturities of general long-term debt are as follows:

For the year ending June 30,	General Obligation Bonds	Notes	Lease Obligations	Compensated Absences	Total
2017	\$ -	\$ 511,629	\$ 114,609	\$ 572,637	\$ 1,198,875
2018	-	225,000	47,866	-	272,866
2019	60,000	230,000	50,236	-	340,236
2020	65,000	236,000	-	-	301,000
2021	70,000	241,000	-	-	311,000
2022-2026	375,000	915,000	-	-	1,290,000
2027-2031	450,000	415,000	-	-	865,000
2032-2036	580,000	350,000	-	-	930,000
2037-2041	740,000	-	-	-	740,000
2042-2046	<u>745,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>745,000</u>
	<u>\$ 3,085,000</u>	<u>\$ 3,123,629</u>	<u>\$ 212,711</u>	<u>\$ 572,637</u>	<u>\$ 6,993,977</u>

During the year ended June 30, 2016, changes in long-term debt were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 3,085,000	\$ -	\$ -	\$ 3,085,000	\$ -
Notes payable	3,419,915	-	(296,286)	3,123,629	511,629
Capital lease obligations	323,170	-	(110,459)	212,711	114,609
Compensated absences	<u>545,339</u>	<u>370,999</u>	<u>(343,701)</u>	<u>572,637</u>	<u>572,637</u>
	<u>\$ 7,373,424</u>	<u>\$ 370,999</u>	<u>\$ (750,446)</u>	<u>\$ 6,993,977</u>	<u>\$ 1,198,875</u>

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Tennessee Consolidated Retirement System

General Information about the Pension Plan

Plan description. Employees of East Ridge are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	45
Active employees	<u>114</u>
	<u>207</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City of East Ridge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for East Ridge were \$413,814 based on a rate of 9.25 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept East Ridge’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

East Ridge’s net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

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

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

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Position Liability (Asset)
	(a)	(b)	(a) – (b)
Balance at 6/30/14	\$ 16,622,225	\$ 15,903,143	\$ 719,082
Changes for the year:			
Service cost	378,218	-	378,218
Interest	1,246,302	-	1,246,302
Differences between expected and actual experience	(178,441)	-	(178,441)
Contributions – employer	-	413,814	(413,814)
Contributions – employees	-	223,684	(223,684)
Net investment income	-	487,732	(487,732)
Benefit payments, including refunds of employee contributions	(766,168)	(766,168)	-
Administrative expense	-	(5,714)	5,714
Net changes	<u>679,911</u>	<u>353,348</u>	<u>326,563</u>
Balance at 6/30/15	<u>\$ 17,302,136</u>	<u>\$ 16,256,491</u>	<u>\$ 1,045,645</u>

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	<u>\$ 3,289,391</u>	<u>\$ 1,045,645</u>	<u>\$ (826,910)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2016, the City recognized pension expense of \$117,099.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 198,434	\$ 152,949
Net difference between projected and actual earnings on pension plan investments	559,971	740,081
Contributions subsequent to the measurement date of June 30, 2015	<u>414,431</u>	<u>-</u>
Total	<u>\$ 1,172,836</u>	<u>\$ 893,030</u>

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

Year Ended June 30:	
2017	\$ (92,505)
2018	(92,505)
2019	(92,505)
2020	154,188
2021	14,195
Thereafter	<u>(25,493)</u>
	<u>\$ 134,625</u>

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

Payable to the Pension Plan

At June 30, 2016, East Ridge did not report a payable for the outstanding amount of contributions to the plan required at the year ended June 30, 2016.

Other Postemployment Benefits

Plan Description

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

Funding Policy

The City is reimbursed by the retirees for any coverage elected for the retiree’s spouse or other eligible dependents, as well as for their own coverage in excess of the amount provided by the City. During the 2016 fiscal year, the City contributed \$63,461 for healthcare benefits for twelve retired employees. As of June 30, 2016 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	\$ 399,000
Adjustment to annual required contribution	(156,000)
Interest on net OPEB obligation, beginning of year	<u>107,000</u>
Annual OPEB cost	350,000
Amount paid	<u>(63,461)</u>
Increase in net OPEB obligation	286,539
Net OPEB obligation, beginning of year	<u>2,668,000</u>
Net OPEB obligation, end of year	<u>\$ 2,954,539</u>

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the June 30, 2016, 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 OPEB Obligation</u>
6/30/2016	\$ 350,000	18.1%	\$ 2,954,539
6/30/2015	332,000	26.5	2,668,000
6/30/2014	428,000	17.5	2,424,491

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the City employees postretirement medical insurance benefits was 0% funded. The actuarial accrued liability for benefits was \$2,853,000, and the actuarial value of assets was 0%, resulting in an unfunded actuarial liability (UAL) of \$2,853,000. The covered payroll (annual payroll of active employees covered by the plan) was \$4,099,000, and the ratio of the UAAL to the covered payroll was 69.6%. The City will make payments in amounts sufficient to cover benefits paid and administrative costs; the City is considering the funding of the annual required contribution.

Schedule of Funding Progress (Dollar amounts in thousands):

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Liability (UAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2014	\$ -	\$ 2,853	\$ 2,853	0%	\$ 4,099	69.6%

Actuarial Valuations

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

Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 0% rate of return for initial, unfunded year, future annual increases in medical costs of 9.0% over a 20-year period, and a 20-year open-ended amortization period for the UAL.

NOTE 9 – RESTRICTIONS AND CONTINGENCIES

Federal and State Grants

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

NOTE 10 – RISK MANAGEMENT AND LITIGATION

The City of East Ridge is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers' compensation coverage and general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise they are submitted to and paid by TMP-RMP. The amount contributed to the plan during fiscal year 2016 was \$35,422. 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 statement of net position date through the date of the independent auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

CITY OF EAST RIDGE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

JUNE 30, 2016

Schedule of Funding Progress (Dollar amounts in thousands):

Other Postemployment Benefit Plan

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

CITY OF EAST RIDGE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	2014	2015
Total Pension Liability (Asset)		
Service cost	\$ 355,419	\$ 378,218
Interest	1,162,743	1,246,302
Changes in benefit terms	-	-
Differences between actual and expected experience	277,808	(178,441)
Change in assumptions	-	-
Benefit payments, including refunds of employee contributions	<u>(643,140)</u>	<u>(766,168)</u>
Net change in total pension liability	1,152,830	679,911
Total pension liability - beginning	<u>15,469,395</u>	<u>16,622,225</u>
Total pension liability - ending (a)	<u>\$ 16,622,225</u>	<u>\$ 17,302,136</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 407,430	\$ 413,814
Contributions - employee	220,711	223,684
Net investment income	2,257,625	487,732
Benefit payments, including refunds of employee contributions	(643,140)	(766,168)
Administrative expense	<u>(4,837)</u>	<u>(5,714)</u>
Net change in plan fiduciary net position	2,237,789	353,348
Plan fiduciary net position - beginning	<u>13,665,354</u>	<u>15,903,143</u>
Plan fiduciary net position - ending (b)	<u>\$ 15,903,143</u>	<u>\$ 16,256,491</u>
 Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 719,082</u>	<u>\$ 1,045,645</u>
 Plan fiduciary net position as a percentage of total pension liability	95.67%	93.96%
 Covered - employee payroll	\$ 4,414,199	\$ 4,473,661
 Net pension liability (asset) as a percentage of covered-employee payroll	16.29%	23.37%

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

CITY OF EAST RIDGE, TENNESSEE

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

LAST FISCAL YEAR ENDING JUNE 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 407,430	\$ 413,814	\$ 414,431
Contributions in relation to the actuarially determined contribution	<u>407,430</u>	<u>404,564</u>	<u>414,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,414,199	\$ 4,373,661	\$ 4,480,335
Contributions as a percentage covered-employee payroll	9.23%	9.25%	9.25%

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO SCHEDULE

LAST FISCAL YEAR ENDING JUNE 30, 2016

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1,

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	7 year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based in age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

OTHER SUPPLEMENTARY INFORMATION

CITY OF EAST RIDGE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Special Revenue				Total	General Debt Service	Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Grant Fund	Asset Forfeiture			
ASSETS							
Cash and cash equivalents	\$ 30,897	\$ 846,988	\$ 162,479	\$ 15,387	\$ 1,055,751	\$ -	\$ 1,055,751
Grant funds receivables	-	-	3,329	-	3,329	-	3,329
Accounts receivables	17,011	-	-	-	17,011	-	17,011
Due from other funds	19,956	127,781	-	-	147,737	-	147,737
Total assets	\$ 67,864	\$ 974,769	\$ 165,808	\$ 15,387	\$ 1,223,828	\$ -	\$ 1,223,828
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 9,113	\$ -	\$ 6,366	\$ -	\$ 15,479	\$ -	\$ 15,479
Accrued payables	-	3,770	-	-	3,770	-	3,770
Due to other funds	-	-	107,256	-	107,256	-	107,256
Total liabilities	9,113	3,770	113,622	-	126,505	-	126,505
Fund balances							
Restricted for -							
Law enforcement	58,751	-	-	15,387	74,138	-	74,138
State approved street aid	-	970,999	-	-	970,999	-	970,999
Grant projects	-	-	52,186	-	52,186	-	52,186
Total fund balances	58,751	970,999	52,186	15,387	1,097,323	-	1,097,323
Total liabilities and fund balances	\$ 67,864	\$ 974,769	\$ 165,808	\$ 15,387	\$ 1,223,828	\$ -	\$ 1,223,828

CITY OF EAST RIDGE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2016

	Special Revenue					Total	General Debt Service	Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Grant Fund	Asset Forfeiture	Total			
REVENUES								
Intergovernmental	\$ 36,167	\$ 587,177	\$ 67,368	\$ -	\$ 690,712	\$ -	\$ 690,712	
Fines and forfeitures	21,111	-	-	-	21,111	-	21,111	
Miscellaneous	9,742	436	7	19	10,204	1	10,205	
Total revenues	<u>67,020</u>	<u>587,613</u>	<u>67,375</u>	<u>19</u>	<u>722,027</u>	<u>1</u>	<u>722,028</u>	
EXPENDITURES								
Current								
General government	-	-	-	-	-	75	75	
Public safety	14,537	-	-	12,725	27,262	-	27,262	
Public works	-	386,717	133,546	-	520,263	-	520,263	
Total expenditures	<u>14,537</u>	<u>386,717</u>	<u>133,546</u>	<u>12,725</u>	<u>547,525</u>	<u>75</u>	<u>547,600</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	52,483	200,896	(66,171)	(12,706)	174,502	(74)	174,428	
OTHER FINANCING SOURCES								
Transfers from other funds	-	-	166,000	-	166,000	-	166,000	
Transfers to other funds	-	(500,000)	-	-	(500,000)	(9,279)	(509,279)	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	52,483	(299,104)	99,829	(12,706)	(159,498)	(9,353)	(168,851)	
FUND BALANCES								
Beginning	6,268	1,270,103	(47,643)	28,093	1,256,821	9,353	1,266,174	
Ending	<u>\$ 58,751</u>	<u>\$ 970,999</u>	<u>\$ 52,186</u>	<u>\$ 15,387</u>	<u>\$ 1,097,323</u>	<u>\$ -</u>	<u>\$ 1,097,323</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
TAXES				
Local sales tax	\$ 2,500,000	\$ 2,316,116	\$ 2,316,116	\$ -
Property taxes	4,650,050	4,704,709	4,652,386	(52,323)
Business taxes	3,017	4,914	4,914	-
Local beer taxes	410,000	426,502	426,502	-
Gross receipts taxes	885,000	1,513,407	1,513,407	-
Franchise taxes	301,152	319,034	319,034	-
Total taxes	<u>8,749,219</u>	<u>9,284,682</u>	<u>9,232,359</u>	<u>(52,323)</u>
LICENSES AND PERMITS				
Building permits	55,000	147,328	147,328	-
Plumbing permits	4,000	9,320	9,320	-
Electrical permits	12,000	11,745	11,745	-
Other permits and licenses	32,850	56,142	56,142	-
Total licenses and permits	<u>103,850</u>	<u>224,535</u>	<u>224,535</u>	<u>-</u>
INTERGOVERNMENTAL				
State sales tax	1,583,915	1,687,975	1,687,975	-
State beer tax	10,490	10,244	10,244	-
State telecommunications tax	1,850	1,761	1,761	-
State mixed drink tax	8,000	11,779	11,779	-
State income and excise tax	55	84,869	84,869	-
City streets and transportation	43,007	42,681	42,681	-
TVA in lieu of tax	240,210	246,189	246,189	-
State and other grants	33,940	30,000	30,000	-
Total intergovernmental	<u>1,921,467</u>	<u>2,115,498</u>	<u>2,115,498</u>	<u>-</u>
CHARGES FOR SERVICES				
Fire service contract	98,311	98,311	98,311	-
Recreation fees	585,723	680,724	612,871	(67,853)
Mowing charges	5,895	5,895	5,895	-
Other	27,700	46,408	46,408	-
Total charges for services	<u>717,629</u>	<u>831,338</u>	<u>763,485</u>	<u>(67,853)</u>
FINES AND FORFEITS				
City court fines and fees	332,000	310,035	307,017	(3,018)
Total fines and forfeits	<u>332,000</u>	<u>310,035</u>	<u>307,017</u>	<u>(3,018)</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
MISCELLANEOUS				
Insurance recoveries	\$ 16,000	\$ 37,979	\$ 37,979	\$ -
Interest	5,000	6,481	14,389	7,908
Other	62,455	62,994	62,994	-
Total miscellaneous	<u>83,455</u>	<u>107,454</u>	<u>115,362</u>	<u>7,908</u>
Total revenues	<u>11,907,620</u>	<u>12,873,542</u>	<u>12,758,256</u>	<u>(115,286)</u>
GENERAL GOVERNMENT				
General Government				
Health insurance	75,000	56,167	49,170	6,997
Pension	2,500	2,500	3,011	(511)
Workers' compensation	262,452	210,377	210,377	-
Dues and memberships	15,000	15,000	15,451	(451)
Data processing services	49,600	49,600	48,501	1,099
Insurance	413,429	681,824	620,579	61,245
Professional fees	191,675	202,188	201,208	980
Capital outlay	603,200	613,100	613,100	-
	<u>1,612,856</u>	<u>1,830,756</u>	<u>1,761,397</u>	<u>69,359</u>
Administration				
Salaries	335,720	335,720	234,985	100,735
Payroll taxes	25,072	15,624	16,468	(844)
Health insurance	73,610	48,610	47,000	1,610
Pension	30,199	20,199	17,315	2,884
Unemployment insurance	1,080	1,080	450	630
Employee training and testing	4,000	4,000	3,465	535
Printing and duplicating	13,500	13,500	9,740	3,760
Dues and memberships	4,500	4,500	1,548	2,952
Telephone	26,000	26,000	38,040	(12,040)
Public relations	9,500	9,500	7,844	1,656
Travel	16,000	16,000	9,808	6,192
Operating supplies	93,500	137,948	135,643	2,305
Equipment operations and maintenance	9,100	9,100	13,926	(4,826)
Professional fees	20,000	20,000	16,942	3,058
Other	8,200	8,200	10,686	(2,486)
	<u>669,981</u>	<u>669,981</u>	<u>563,860</u>	<u>106,121</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
City Council				
Salaries	\$ 40,800	\$ 40,800	\$ 40,800	\$ -
Payroll taxes	3,121	3,121	3,121	-
Health insurance	2,000	2,000	-	2,000
Employee training and testing	1,500	1,500	1,505	(5)
Printing and duplicating	500	500	-	500
Dues and memberships	3,000	3,000	197	2,803
Telephone	20,000	20,000	1,641	18,359
Council meeting	5,200	5,200	3,221	1,979
Travel	2,400	2,400	5,558	(3,158)
Operating supplies	-	-	4,688	(4,688)
	<u>78,521</u>	<u>78,521</u>	<u>60,731</u>	<u>17,790</u>
Municipal Court				
Salaries	167,769	167,769	157,615	10,154
Payroll taxes	12,503	12,503	11,473	1,030
Health insurance	52,499	52,499	43,294	9,205
Employee training and testing	600	600	800	(200)
Pension	7,617	7,617	6,820	797
Unemployment insurance	540	540	428	112
Printing and duplicating	1,300	1,300	1,354	(54)
Dues and memberships	400	400	-	400
Subscriptions	300	300	-	300
Telephone	1,230	1,230	1,921	(691)
Travel	2,200	2,200	2,127	73
Operating supplies	45,150	45,150	43,354	1,796
Equipment operations and maintenance	500	500	-	500
Child restraint	5,000	5,000	10,870	(5,870)
Litigation fees	45,000	45,000	58,324	(13,324)
Other	3,500	3,500	6,505	(3,005)
	<u>346,108</u>	<u>346,108</u>	<u>344,885</u>	<u>1,223</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Economic Development				
Professional services	\$ 63,000	\$ 63,000	\$ 36,739	\$ 26,261
	<u>63,000</u>	<u>63,000</u>	<u>36,739</u>	<u>26,261</u>
City Hall Complex				
Utilities	23,730	27,546	28,346	(800)
Operating supplies	-	1,184	-	1,184
	<u>23,730</u>	<u>28,730</u>	<u>28,346</u>	<u>384</u>
Special Projects -				
City projects	27,650	43,150	878	42,272
	<u>27,650</u>	<u>43,150</u>	<u>878</u>	<u>42,272</u>
Inspection				
Salaries	152,747	152,747	142,834	9,913
Payroll taxes	11,421	11,421	10,409	1,012
Health insurance	55,453	55,453	47,840	7,613
Pension	13,389	13,389	12,793	596
Unemployment insurance	720	720	486	234
Employee training and testing	2,780	2,780	2,242	538
Printing and duplicating	10,700	10,700	2,630	8,070
Dues and memberships	1,200	1,200	185	1,015
Telephone	1,350	1,350	1,522	(172)
Travel	1,500	1,500	1,064	436
Contract services	29,000	29,000	30,755	(1,755)
Operating supplies	4,800	4,800	5,616	(816)
Equipment operations and maintenance	6,100	6,100	3,132	2,968
Uniform	1,000	1,000	1,287	(287)
Other	12,000	12,000	39,965	(27,965)
	<u>304,160</u>	<u>304,160</u>	<u>302,760</u>	<u>1,400</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
City Garage				
Telephone	\$ 950	\$ 1,500	\$ 1,093	\$ 407
Utilities	2,800	4,800	5,241	(441)
Equipment operations and maintenance	650	9,100	3,839	5,261
	<u>4,400</u>	<u>15,400</u>	<u>10,173</u>	<u>5,227</u>
Building Maintenance				
Salaries	110,592	110,592	100,903	9,689
Payroll taxes	7,749	7,749	7,479	270
Health insurance	24,625	24,625	15,394	9,231
Pension	6,880	6,880	6,998	(118)
Unemployment insurance	720	720	302	418
Printing and duplicating	100	100	-	100
Telephone	2,300	2,300	2,710	(410)
Utilities	8,700	8,700	7,855	845
Medical	300	300	-	300
Operating supplies	16,900	16,900	11,957	4,943
Custodial services	500	500	5,440	(4,940)
Equipment operations and maintenance	1,450	1,450	3,024	(1,574)
Building maintenance	52,000	52,000	60,635	(8,635)
Grounds maintenance	9,000	9,000	11,293	(2,293)
Other	500	500	-	500
	<u>242,316</u>	<u>242,316</u>	<u>233,990</u>	<u>8,326</u>
TOTAL GENERAL GOVERNMENT	<u>3,372,722</u>	<u>3,622,122</u>	<u>3,343,759</u>	<u>278,363</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC SAFETY				
Police				
Salaries	\$ 455,341	\$ 455,341	\$ 472,820	\$ (17,479)
Payroll taxes	26,633	26,633	37,498	(10,865)
Health insurance	81,657	81,657	58,412	23,245
Pension	32,018	32,018	35,838	(3,820)
Unemployment insurance	1,224	1,224	1,251	(27)
Employee training and testing	16,000	16,000	12,838	3,162
Printing and duplicating	1,750	1,750	1,000	750
Dues and memberships	400	400	850	(450)
Subscriptions	100	100	25	75
Telephone	55,000	55,000	55,837	(837)
Utilities	19,350	19,350	16,247	3,103
Medical	2,500	2,500	5,615	(3,115)
Travel	7,750	7,750	13,331	(5,581)
Operating supplies	17,000	17,000	18,486	(1,486)
Contracts with other governments	282,000	282,000	284,239	(2,239)
Supplies and small equipment	31,000	69,500	61,492	8,008
Equipment operations and maintenance	55,000	55,000	39,652	15,348
Uniforms	1,250	1,250	500	750
Insurance	2,000	2,000	8,563	(6,563)
	<u>1,087,973</u>	<u>1,126,473</u>	<u>1,124,494</u>	<u>1,979</u>
Criminal Investigation				
Salaries	225,951	225,951	216,105	9,846
Payroll taxes	16,765	16,765	13,811	2,954
Health insurance	75,238	75,238	44,285	30,953
Pension	20,156	20,156	17,076	3,080
Unemployment insurance	765	765	384	381
Operating supplies	14,025	14,025	17,959	(3,934)
	<u>352,900</u>	<u>352,900</u>	<u>309,620</u>	<u>43,280</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Patrol				
Salaries	\$ 1,196,879	\$ 1,196,879	\$ 1,234,243	\$ (37,364)
Payroll taxes	93,640	93,640	88,690	4,950
Health insurance	335,963	335,963	276,451	59,512
Pension	104,086	104,086	105,027	(941)
Unemployment insurance	5,355	5,355	3,675	1,680
Operating supplies	<u>120,700</u>	<u>120,700</u>	<u>123,073</u>	<u>(2,373)</u>
	<u>1,856,623</u>	<u>1,856,623</u>	<u>1,831,159</u>	<u>25,464</u>
Traffic Control				
Salaries	78,630	40,130	-	40,130
Payroll taxes	5,750	5,750	-	5,750
Health insurance	767	767	-	767
Pension	6,903	6,903	-	6,903
Unemployment insurance	356	356	-	356
Operating supplies	<u>18,600</u>	<u>18,600</u>	<u>6,318</u>	<u>12,282</u>
	<u>111,006</u>	<u>72,506</u>	<u>6,318</u>	<u>66,188</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Fire				
Salaries	\$ 936,870	\$ 936,870	\$ 963,401	\$ (26,531)
Payroll taxes	61,022	61,022	71,776	(10,754)
Health insurance	231,811	231,811	198,074	33,737
Pension	73,172	73,172	80,519	(7,347)
Workers' compensation	3,420	3,420	1,824	1,596
Employee training and testing	9,100	9,100	5,428	3,672
Printing and duplicating	3,400	3,400	190	3,210
Dues and memberships	900	900	700	200
Subscriptions	1,000	1,000	1,325	(325)
Telephone	16,600	16,600	12,979	3,621
Utilities	18,400	18,400	16,203	2,197
Medical	1,400	1,400	140	1,260
Travel	8,000	8,000	4,936	3,064
Rent	700	700	700	-
Operating supplies	18,200	18,200	29,410	(11,210)
Contracts with other governments	120,857	120,857	120,857	-
Supplies and small equipment	21,500	21,500	6,742	14,758
Equipment operations and maintenance	45,100	45,100	53,270	(8,170)
Uniforms	15,000	15,000	4,669	10,331
Insurance	2,000	2,000	2,689	(689)
Other	27,500	27,500	39,905	(12,405)
	<u>1,615,952</u>	<u>1,615,952</u>	<u>1,615,737</u>	<u>215</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Animal Control				
Salaries	\$ 112,125	\$ 112,125	\$ 98,903	\$ 13,222
Payroll taxes	8,042	8,042	7,106	936
Health insurance	40,042	40,042	32,532	7,510
Pension	7,989	7,989	7,914	75
Workers' compensation	612	612	532	80
Employee training and testing	2,800	2,800	740	2,060
Printing and duplicating	800	800	952	(152)
Dues and memberships	300	300	-	300
Telephone	950	950	3,140	(2,190)
Utilities	7,000	7,000	7,802	(802)
Medical	300	300	245	55
Travel	2,000	2,000	562	1,438
Operating supplies	22,700	22,700	22,913	(213)
Equipment operations and maintenance	7,300	7,300	6,648	652
Building maintenance	-	-	788	(788)
Uniforms	900	900	1,221	(321)
Other	16,000	16,000	16,401	(401)
	<u>229,860</u>	<u>229,860</u>	<u>208,399</u>	<u>21,461</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>5,254,314</u>	<u>5,254,314</u>	<u>5,095,727</u>	<u>158,587</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WORKS				
Traffic Control and Street Markers				
Salaries	\$ 74,746	\$ 74,746	\$ 69,746	\$ 5,000
Payroll taxes	5,222	5,222	4,997	225
Health insurance	29,172	29,172	24,148	5,024
Pension	6,265	6,265	6,204	61
Workers' compensation	360	360	192	168
Employee training and testing	800	800	1,495	(695)
Printing and duplicating	200	200	74	126
Dues and memberships	325	325	265	60
Telephone	1,800	1,800	1,984	(184)
Utilities	4,450	4,450	4,432	18
Medical	300	300	-	300
Travel	700	700	1,094	(394)
Operating supplies	29,100	29,100	23,950	5,150
Equipment operations and maintenance	24,600	24,600	5,215	19,385
Building maintenance	300	300	-	300
Uniforms	650	650	1,035	(385)
Other	800	800	-	800
	<u>179,790</u>	<u>179,790</u>	<u>144,831</u>	<u>34,959</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Streets				
Salaries	\$ 275,092	\$ 275,092	\$ 232,607	\$ 42,485
Payroll taxes	20,625	20,625	16,767	3,858
Health insurance	95,033	95,033	80,824	14,209
Pension	24,729	24,729	20,761	3,968
Workers' compensation	1,440	1,440	672	768
Employee training and testing	1,000	1,000	225	775
Printing and duplicating	300	300	256	44
Telephone	2,100	2,100	2,650	(550)
Utilities	4,350	4,350	3,596	754
Medial	400	400	-	400
Professional and contract services	800	800	-	800
Operating supplies	14,500	14,500	24,270	(9,770)
Equipment operations and maintenance	61,000	61,000	54,405	6,595
Building maintenance	-	-	7,777	(7,777)
Uniforms	1,500	1,500	3,776	(2,276)
Damage claims	1,000	1,000	2,482	(1,482)
Other	-	-	117	(117)
	<u>503,869</u>	<u>503,869</u>	<u>451,185</u>	<u>52,684</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>683,659</u>	<u>683,659</u>	<u>596,016</u>	<u>87,643</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WELFARE				
Library				
Salaries	\$ 111,427	\$ 111,427	\$ 77,595	\$ 33,832
Payroll taxes	8,409	8,409	5,789	2,620
Health insurance	17,797	17,797	9,456	8,341
Pension	6,824	6,824	2,843	3,981
Workers' compensation	900	900	515	385
Employee training and testing	200	200	-	200
Printing and duplicating	150	150	1,896	(1,746)
Subscriptions	17,550	17,550	17,075	475
Telephone	1,500	1,500	1,889	(389)
Medical	100	100	135	(35)
Professional and contract services	10,500	10,500	9,019	1,481
Operating supplies	7,320	7,320	6,273	1,047
Equipment operations and maintenance	2,600	2,600	1,907	693
Building maintenance	1,000	1,000	-	1,000
	<u>186,277</u>	<u>186,277</u>	<u>134,392</u>	<u>51,885</u>
Museum				
Telephone	150	150	108	42
Contract services	250	250	-	250
Operating supplies	50	50	138	(88)
	<u>450</u>	<u>450</u>	<u>246</u>	<u>204</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>186,727</u>	<u>186,727</u>	<u>134,638</u>	<u>52,089</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE AND RECREATION				
Arena				
Salaries	\$ 237,628	\$ 237,628	\$ 233,547	\$ 4,081
Payroll taxes	17,277	17,277	17,527	(250)
Health insurance	44,759	44,759	36,101	8,658
Pension	19,084	19,084	18,692	392
Workers' compensation	1,071	1,071	865	206
Employee training and testing	1,150	1,150	432	718
Printing and duplicating	1,000	1,000	955	45
Dues and subscriptions	1,000	1,000	561	439
Telephone	4,000	4,000	3,728	272
Utilities	26,200	26,200	60,357	(34,157)
Travel	500	500	1,185	(685)
Operating supplies	20,500	20,500	10,452	10,048
Contracted services	1,500	1,500	7,918	(6,418)
Equipment operations and maintenance	33,000	33,000	21,473	11,527
Building maintenance	-	-	1,171	(1,171)
Grounds maintenance	57,000	57,000	54,680	2,320
Uniforms	1,500	1,500	715	785
Medical	300	300	215	85
Damage claims	-	-	-	-
Other	8,000	8,000	4,477	3,523
	<u>475,469</u>	<u>475,469</u>	<u>475,051</u>	<u>418</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Maintenance of Recreational Facilities				
Salaries	\$ 163,350	\$ 175,350	\$ 174,464	\$ 886
Payroll taxes	11,234	11,234	13,015	(1,781)
Health insurance	39,351	39,351	26,643	12,708
Pension	13,491	13,491	14,922	(1,431)
Workers' compensation	612	612	384	228
Employee training and testing	750	750	100	650
Printing and duplicating	1,000	1,000	-	1,000
Dues and memberships	750	750	141	609
Telephone	4,600	4,600	4,866	(266)
Utilities	104,200	112,200	133,991	(21,791)
Operating supplies	14,500	14,500	16,934	(2,434)
Contracted services	13,000	13,000	6,800	6,200
Equipment operations and maintenance	8,000	8,000	4,865	3,135
Grounds maintenance	2,000	2,000	815	1,185
Travel	1,000	1,000	-	1,000
Park promotions	11,500	11,500	9,977	1,523
Uniforms	500	500	937	(437)
Medical	150	150	-	150
Other	800	800	1,650	(850)
	<u>390,788</u>	<u>410,788</u>	<u>410,504</u>	<u>284</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Community Center				
Salaries	\$ 96,371	\$ 106,371	\$ 112,022	\$ (5,651)
Payroll taxes	7,029	7,029	8,609	(1,580)
Health insurance	5,431	15,431	16,796	(1,365)
Pension	3,475	3,475	3,872	(397)
Workers' compensation	918	918	505	413
Employee training and testing	350	350	-	350
Printing and duplicating	1,000	1,000	67	933
Dues and memberships	150	150	141	9
Telephone	3,500	3,500	3,542	(42)
Utilities	22,300	22,300	21,321	979
Medical	150	150	-	150
Operating supplies	13,000	13,000	10,300	2,700
Contracted services	1,000	1,000	360	640
Equipment operations and maintenance	1,100	1,100	1,175	(75)
Building maintenance	4,000	4,000	95	3,905
Grounds maintenance	-	-	627	(627)
Travel	100	100	236	(136)
Uniforms	500	500	335	165
	<u>160,374</u>	<u>180,374</u>	<u>180,003</u>	<u>371</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
McBrien School				
Telephone	\$ -	\$ -	\$ -	\$ -
Utilities	5,500	7,500	6,635	865
Contracted services	500	500	360	140
Operating supplies	1,000	1,500	1,357	143
Building maintenance	-	-	42	(42)
Other	500	500	-	500
	<u>7,500</u>	<u>10,000</u>	<u>8,394</u>	<u>1,606</u>
Recreational Sports				
Contracted services	-	400	379	21
Printing and duplicating	1,900	1,900	1,573	327
Equipment, supplies and uniforms	85,950	96,497	83,995	12,502
Tournament fees	13,800	14,570	12,492	2,078
Officials, referees and players fees	86,000	87,163	85,121	2,042
Insurance	10,800	15,120	21,691	(6,571)
	<u>198,450</u>	<u>215,650</u>	<u>205,251</u>	<u>10,399</u>
TOTAL CULTURE AND RECREATION	<u>1,232,581</u>	<u>1,292,281</u>	<u>1,279,203</u>	<u>13,078</u>
DEBT SERVICE				
Principal	110,459	110,459	110,459	-
Interest	11,261	11,261	11,261	-
TOTAL DEBT SERVICE	<u>121,720</u>	<u>121,720</u>	<u>121,720</u>	<u>-</u>
TOTAL EXPENDITURES	<u>10,851,723</u>	<u>11,160,823</u>	<u>10,571,063</u>	<u>589,760</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
EXCESS REVENUES OVER EXPENDITURES	\$ 1,055,897	\$ 1,712,719	\$ 2,187,193	\$ 474,474
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(643,025)	(1,144,559)	(1,010,559)	(134,000)
Proceeds from sale of assets	<u>25,000</u>	<u>30,935</u>	<u>30,935</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	437,872	599,095	1,207,569	<u>\$ 608,474</u>
FUND BALANCE				
Beginning	<u>4,216,252</u>	<u>4,216,252</u>	<u>4,216,252</u>	
Ending	<u>\$ 4,654,124</u>	<u>\$ 4,815,347</u>	<u>\$ 5,423,821</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 22,000	\$ 36,167	\$ 36,167	\$ -
Drug related fines and forfeitures	3,500	21,111	21,111	-
Sale of confiscated property	-	9,742	9,742	-
Total revenues	<u>25,500</u>	<u>67,020</u>	<u>67,020</u>	<u>-</u>
EXPENDITURES				
Current				
Office supplies	7,300	16,800	11,441	5,359
Uniforms	900	900	2,900	(2,000)
Bank service charges	600	600	196	404
Equipment operations and maintenance	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
	<u>9,800</u>	<u>19,300</u>	<u>14,537</u>	<u>4,763</u>
TOTAL EXPENDITURES	<u>9,800</u>	<u>19,300</u>	<u>14,537</u>	<u>4,763</u>
EXCESS OF REVENUES OVER EXPENDITURES	15,700	47,720	52,483	<u>\$ 4,763</u>
FUND BALANCE				
Beginning	<u>6,268</u>	<u>6,268</u>	<u>6,268</u>	
Ending	<u>\$ 21,968</u>	<u>\$ 53,988</u>	<u>\$ 58,751</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,502,699	\$ 587,177	\$ 587,177	\$ -
Interest	600	436	436	-
Total revenues	<u>1,503,299</u>	<u>587,613</u>	<u>587,613</u>	<u>-</u>
EXPENDITURES				
Current				
Salaries	101,754	101,754	112,261	(10,507)
Payroll taxes	7,785	7,785	8,486	(701)
Health insurance	16,223	16,223	14,574	1,649
Pension	9,366	9,366	9,366	-
Workers' compensation	360	360	192	168
Utilities	190,000	190,000	194,395	(4,395)
Operating supplies	20,000	20,000	4,535	15,465
Professional services	40,000	40,000	10,032	29,968
Grant expenditures	180,000	180,000	-	180,000
Road paving and maintenance	1,180,000	1,212,876	32,876	1,180,000
Other	100	100	-	100
TOTAL EXPENDITURES	<u>1,745,588</u>	<u>1,778,464</u>	<u>386,717</u>	<u>1,391,747</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(242,289)	(1,190,851)	200,896	1,391,747
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	(900,000)	(500,000)	400,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	(242,289)	(2,090,851)	(299,104)	<u>\$ 1,791,747</u>
FUND BALANCE				
Beginning	<u>1,270,103</u>	<u>1,270,103</u>	<u>1,270,103</u>	
Ending	<u>\$ 1,027,814</u>	<u>\$ (820,748)</u>	<u>\$ 970,999</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,011,900	\$ 67,368	\$ 67,368	\$ -
Interest	-	7	7	-
Total revenues	<u>1,011,900</u>	<u>67,375</u>	<u>67,375</u>	<u>-</u>
EXPENDITURES				
Current				
Grant expenditures	<u>2,547,900</u>	<u>2,559,900</u>	<u>133,546</u>	<u>2,426,354</u>
TOTAL EXPENDITURES	<u>2,547,900</u>	<u>2,559,900</u>	<u>133,546</u>	<u>2,426,354</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,536,000)	(2,492,525)	(66,171)	2,426,354
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>466,000</u>	<u>166,000</u>	<u>166,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(1,070,000)	(2,326,525)	99,829	<u>\$ 2,426,354</u>
FUND BALANCE				
Beginning	<u>(47,643)</u>	<u>(47,643)</u>	<u>(47,643)</u>	
Ending	<u>\$ (1,117,643)</u>	<u>\$ (2,374,168)</u>	<u>\$ 52,186</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,524,300	\$ 1,612,964	\$ 1,604,850	\$ (8,114)
Total revenues	<u>1,524,300</u>	<u>1,612,964</u>	<u>1,604,850</u>	<u>(8,114)</u>
EXPENDITURES				
Current				
Salaries	497,743	497,743	486,062	11,681
Payroll taxes	36,234	36,234	35,322	912
Health insurance	151,088	151,088	124,567	26,521
Pension	43,465	43,465	42,193	1,272
Unemployment insurance	1,260	1,260	1,633	(373)
Employee training and testing	3,200	3,200	410	2,790
Printing and duplicating	1,450	1,450	1,433	17
Utilities	6,500	6,500	10,848	(4,348)
Contract services	285,000	285,000	321,668	(36,668)
Operating supplies	311,750	311,750	191,253	120,497
Building and equipment maintenance	11,000	11,000	12,828	(1,828)
Write-off of uncollectible accounts	-	-	122,871	(122,871)
	<u>1,348,690</u>	<u>1,348,690</u>	<u>1,351,088</u>	<u>(2,398)</u>
DEBT SERVICE				
Principal	80,218	80,218	80,286	(68)
Interest	10,900	10,900	10,832	68
Total debt service	<u>91,118</u>	<u>91,118</u>	<u>91,118</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,439,808</u>	<u>1,439,808</u>	<u>1,442,206</u>	<u>(2,398)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	84,492	173,156	162,644	<u>\$ (10,512)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(58,566)</u>	<u>(58,566)</u>	<u>(58,566)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	25,926	114,590	104,078	
FUND BALANCE				
Beginning	<u>409,663</u>	<u>409,663</u>	<u>409,663</u>	
Ending	<u>\$ 435,589</u>	<u>\$ 524,253</u>	<u>\$ 513,741</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Interest	\$ -	\$ 1	\$ 1	\$ -
Total revenues	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
EXPENDITURES				
Current -				
Administrative	<u>-</u>	<u>-</u>	<u>75</u>	<u>(75)</u>
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>75</u>	<u>(75)</u>
EXCESS REVENUES OVER EXPENDITURES	-	1	(74)	(75)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>9,427</u>	<u>9,427</u>	<u>(9,279)</u>	<u>18,706</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	9,427	9,428	(9,353)	<u>\$ (18,781)</u>
FUND BALANCE				
Beginning	<u>9,353</u>	<u>9,353</u>	<u>9,353</u>	
Ending	<u>\$ 18,780</u>	<u>\$ 18,781</u>	<u>\$ -</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Room occupancy tax	\$ 290,000	\$ 378,267	\$ 378,267	\$ -
Interest	1,125	1,006	1,006	-
Total revenues	<u>291,125</u>	<u>379,273</u>	<u>379,273</u>	<u>-</u>
EXPENDITURES				
Current				
Administrative	9,900	9,900	8,593	1,307
	<u>9,900</u>	<u>9,900</u>	<u>8,593</u>	<u>1,307</u>
DEBT SERVICE				
Principal	216,000	216,000	216,000	-
Interest	277,541	277,541	120,982	156,559
Total debt service	<u>493,541</u>	<u>493,541</u>	<u>336,982</u>	<u>156,559</u>
TOTAL EXPENDITURES	<u>503,441</u>	<u>503,441</u>	<u>345,575</u>	<u>157,866</u>
EXCESS REVENUES OVER EXPENDITURES	(212,316)	(124,168)	33,698	157,866
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	9,279	9,279	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(212,316)	(114,889)	42,977	<u>\$ 157,866</u>
FUND BALANCE				
Beginning	<u>419,897</u>	<u>419,897</u>	<u>419,897</u>	
Ending	<u>\$ 207,581</u>	<u>\$ 305,008</u>	<u>\$ 462,874</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	125	19	19	-
Total revenues	<u>125</u>	<u>19</u>	<u>19</u>	<u>-</u>
EXPENDITURES				
Public safety	-	12,725	12,725	-
Total expenditures	<u>-</u>	<u>12,725</u>	<u>12,725</u>	<u>-</u>
EXCESS REVENUES OVER EXPENDITURES				
	125	(12,706)	(12,706)	<u>\$ -</u>
FUND BALANCE				
Beginning	<u>28,093</u>	<u>28,093</u>	<u>28,093</u>	
Ending	<u>28,218</u>	<u>15,387</u>	<u>15,387</u>	

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2016

<u>Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>
2007	1.077	\$ 291,000,000	\$ 3,134,070
2008	1.287	294,000,000	3,783,780
2009	1.1227	298,000,000	3,345,600
2010	1.1227	345,000,000	3,873,315
2011	1.4227	345,000,000	4,908,315
2012	1.4227	328,635,500	4,675,497
2013	1.4227	329,294,159	4,684,868
2014	1.4227	329,375,343	4,686,023
2015	1.4227	330,771,069	4,705,880
2016	1.4227	338,446,967	4,815,085

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2016

<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2015</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, 2016</u>
2016	\$ -	\$ -	\$ 4,815,085	\$ -	\$ -	\$ 4,815,085
2015	-	4,705,880	-	-	(4,450,503)	\$ 255,377
2014	260,264	-	-	-	(178,966)	81,298
2013	105,882	-	-	-	(53,694)	52,188
2012	45,793	-	-	-	(26,852)	18,941
2011	12,479	-	-	-	(597)	11,882
2010	10,185	-	-	-	(692)	9,493
2009	6,396	-	-	-	(87)	6,309
2008	6,885	-	-	-	-	6,885
2007	4,258	-	-	-	(47)	4,211
2006	5,379	-	-	-	-	5,379
2005	7,201	-	-	(7,201)	-	-
	<u>\$ 464,722</u>	<u>\$ 4,705,880</u>	<u>\$ 4,815,085</u>	<u>\$ (7,201)</u>	<u>\$ (4,711,438)</u>	<u>\$ 5,267,048</u>

Note: All uncollected taxes for the years prior to 2015 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, 2016

Year Ending June 30,	TML Bond Fund 2004		Cornerstone Community Bank Note		TML Bond Fund Series 2015		General Obligation Bonds Series 2015		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 148,000	\$ 52,160	\$ 291,629	\$ 3,766	\$ 72,000	\$ 43,840	\$ -	\$ 141,225	\$ 114,609	\$ 7,785	\$ 626,238	\$ 248,776
2018	152,000	46,240	-	-	73,000	43,680	-	141,225	47,866	4,855	272,866	236,000
2019	156,000	40,160	-	-	74,000	41,490	60,000	140,625	50,236	2,485	340,236	224,760
2020	161,000	33,920	-	-	75,000	39,270	65,000	139,375	-	-	301,000	212,565
2021	165,000	27,480	-	-	76,000	37,020	70,000	138,025	-	-	311,000	202,525
2022	169,000	20,880	-	-	77,000	34,740	70,000	136,538	-	-	316,000	192,158
2023	174,000	14,120	-	-	78,000	32,430	75,000	134,813	-	-	327,000	181,363
2024	179,000	7,160	-	-	79,000	30,090	75,000	132,844	-	-	333,000	170,094
2025	-	-	-	-	79,000	27,720	75,000	130,781	-	-	154,000	158,501
2026	-	-	-	-	80,000	25,350	80,000	127,750	-	-	160,000	153,100
2027	-	-	-	-	81,000	22,950	80,000	123,750	-	-	161,000	146,700
2028	-	-	-	-	82,000	20,520	85,000	119,625	-	-	167,000	140,145
2029	-	-	-	-	83,000	18,060	90,000	115,250	-	-	173,000	133,310
2030	-	-	-	-	84,000	15,570	95,000	110,625	-	-	179,000	126,195
2031	-	-	-	-	85,000	13,050	100,000	105,750	-	-	185,000	118,800
2032	-	-	-	-	86,000	10,500	105,000	100,625	-	-	191,000	111,125
2033	-	-	-	-	87,000	7,920	110,000	95,250	-	-	197,000	103,170
2034	-	-	-	-	88,000	5,310	115,000	89,625	-	-	203,000	94,935
2035	-	-	-	-	89,000	2,670	120,000	83,750	-	-	209,000	86,420
2036	-	-	-	-	-	-	130,000	77,500	-	-	130,000	77,500
2037	-	-	-	-	-	-	135,000	70,875	-	-	135,000	70,875
2038	-	-	-	-	-	-	140,000	64,000	-	-	140,000	64,000
2039	-	-	-	-	-	-	150,000	56,750	-	-	150,000	56,750
2040	-	-	-	-	-	-	155,000	53,250	-	-	155,000	53,250
2041	-	-	-	-	-	-	160,000	45,500	-	-	160,000	45,500
2042	-	-	-	-	-	-	170,000	37,250	-	-	170,000	37,250
2043	-	-	-	-	-	-	175,000	28,500	-	-	175,000	28,500
2044	-	-	-	-	-	-	180,000	19,500	-	-	180,000	19,500
2045	-	-	-	-	-	-	220,000	10,000	-	-	220,000	10,000
Total	\$ 1,304,000	\$ 242,120	\$ 291,629	\$ 3,766	\$ 1,528,000	\$ 472,180	\$ 3,085,000	\$ 2,770,575	\$ 212,711	\$ 15,125	\$ 6,421,340	\$ 3,503,766

CITY OF EAST RIDGE, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2016

<u>State Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
STATE AWARDS						
Tennessee Department of Energy and Conservation						
Clean Energy Grant	N/A	98648	\$ -	\$ 29,929	\$ 29,929	\$ -
State Equipment Recycling Grant	N/A	92815	-	1,436	1,436	-
Tennessee Department of Transportation						
High Visibility Enforcement Grant	N/A	154AL-15-185	-	5,000	5,000	-
Tennessee Municipal League						
Safety Grant	N/A	N/A	-	2,000	2,000	-
Safety Construction Grant	N/A	N/A	-	3,713	3,713	-
TN Homeland Security Grant (Police and Fire)	N/A	N/A	-	17,452	17,452	-
State of Tennessee Law Enforcement Education Grant	N/A	Fiscal Year 2016	-	18,600	18,600	-
State of Tennessee Fire Service Education Grant	N/A	Fiscal Year 2016	-	11,400	11,400	-
TOTAL EXPENDITURES OF STATE AWARDS			\$ -	\$ 89,530	\$ 89,530	\$ -

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2016

NOTE 1 – BASIS OF PRESENTATION

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

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of East Ridge, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chattanooga, Tennessee
October 15, 2016

Henderson Hutcherson
& McCullough, PLLC

CITY OF EAST RIDGE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016

Current Year Findings

None

Prior Year Findings

2015-01: Controls over the Financial Reporting Process

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

Status: Corrected.