

**CITY OF EAST RIDGE, TENNESSEE**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017



**CERTIFIED PUBLIC ACCOUNTANTS**

## INTRODUCTORY SECTION

# CITY OF EAST RIDGE, TENNESSEE

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JUNE 30, 2017

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# CITY OF EAST RIDGE, TENNESSEE

## CITY OFFICIALS

JUNE 30, 2017

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**Mayor**

Brent Lambert

**Vice-Mayor**

Larry Sewell

**Council Member**

Jacky Cagle

**Council Member**

Esther Helton

**Council Member**

Brian Williams

**City Manager**

Scott Miller

**City Attorney**

Mark Litchford

## **FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS  
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## 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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

1200 Market Street, Chattanooga, TN 37402 | T 423.756.7771 | F 423.265.8125

AN INDEPENDENT MEMBER OF THE BDO ALLIANCE USA

## ***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 36-39, 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 November 9, 2017 on our consideration of the City of East Ridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of East Ridge's internal control over financial reporting and compliance.

Chattanooga, Tennessee  
November 9, 2017

*Henderson Hutcherson*  
*is McCullough, PLLC*

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

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As management of the City of East Ridge, Tennessee (the "City"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. 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 \$9,280,261 (*net position*). Of this amount, \$4,900,541 is invested in capital assets (*net of related debt*) and \$ 736,066 is restricted for specific purposes.
- The City's overall net position decreased by \$768,637 (7.6%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$8,855,747, an increase in overall fund balance of \$60,232. Of this amount, \$736,066 is restricted, and \$2,671,388 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$5,448,293, or 40.5% of total general fund expenditures including transfers out. This balance includes no non-spendable, restricted, or assigned funds.
- The City's total outstanding long-term debt decreased by \$100,962 (.8%) 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, 2017

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The *business-type activities* include water, power, and sewer. Business-type activities are supported exclusively by charges to the users of those activities. The City of East Ridge had no business-type activities for the fiscal year ending June 30, 2017.

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), Capital Projects Fund, and Solid Waste Collection Fund (special revenue fund) which are considered to be major funds.

Data from the other 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 19 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 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 36 through 39 of this report.

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2017

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 40 through 67 of this report.

### Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of East Ridge, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,280,261, at the close of the June 30, 2017 fiscal year.

### City of East Ridge's Net Position

	Governmental Activities	
	June 30, 2017	June 30, 2016
Current and other assets	\$ 14,797,468	\$ 14,550,180
Capital assets	<u>11,445,643</u>	<u>12,076,507</u>
Total assets	<u>26,243,111</u>	<u>26,626,687</u>
Deferred pension outflows	<u>1,381,911</u>	<u>1,172,836</u>
Total deferred outflows of resources	<u>1,381,911</u>	<u>1,172,836</u>
Other liabilities	6,184,299	5,048,533
Long-term liabilities	<u>7,094,939</u>	<u>6,993,977</u>
Total liabilities	<u>13,279,238</u>	<u>12,042,510</u>
Deferred revenue – property taxes	4,938,066	4,815,085
Deferred pension inflows	<u>127,457</u>	<u>893,030</u>
Total deferred inflows of resources	<u>5,065,523</u>	<u>5,708,115</u>
Net position		
Net investment in capital assets	4,900,541	5,655,167
Restricted	736,066	1,045,373
Unrestricted	<u>3,643,654</u>	<u>3,348,358</u>
Total net position	<u>\$ 9,280,261</u>	<u>\$ 10,048,898</u>

### Net Position

The largest portion of the City's net position (52.8%) 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, 2017

An additional portion of the City's net position (7.9%) represents resources that are subject to external restrictions on how they may be used. The remaining 39.3% 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 decreased by \$768,637 from the prior fiscal year, representing a 7.6% decrease in the City's net position.

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

	<u>Governmental Activities</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Revenues		
Charges for services	\$ 2,745,486	\$ 2,912,498
Grants & contributions	210,801	645,753
General Revenues		
Property taxes	5,049,873	4,980,156
Local option sales tax	4,025,070	3,290,350
Other taxes	4,074,094	3,993,950
Interest	23,094	18,687
Other	<u>365,792</u>	<u>198,695</u>
Total revenues	<u>16,494,210</u>	<u>16,040,089</u>
Expenses		
General government	3,363,105	3,202,455
Public safety	7,034,064	5,722,356
Public works	4,232,998	2,777,731
Public welfare	615,921	752,066
Culture and recreation	1,850,279	1,665,715
Interest	<u>166,480</u>	<u>97,681</u>
Total expenses	<u>17,262,847</u>	<u>14,218,004</u>
Change in net position	(768,637)	1,822,085
Beginning net position	<u>10,048,898</u>	<u>8,226,813</u>
Ending net position	<u>\$ 9,280,261</u>	<u>\$ 10,048,898</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, 2017

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As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,855,747, a current year increase of \$60,232. Restricted fund balance of \$736,066 includes amounts legally constrained for law enforcement (\$38,722), state street aid (\$268,423), grant projects (\$96,226) and solid waste operations (\$332,695). Funds assigned for a particular purpose total \$2,671,388. Assigned funds include funds for debt service (\$659,186), funds for capital projects (\$2,012,202). The remaining unassigned balance of \$5,448,293 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 \$5,448,293 and the total balance was reported as unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 40.5% 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 \$24,472.

*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 variance of \$(694,542). The majority of this change originated from an increase in transfers to other funds.

**Final Amended Budget and Actual Amounts.** The City's General Fund operated within its final amended budget, which resulted in a positive variance of \$719,014. This was due to increase in tax revenue and a general reduction in expenditures.

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

*Capital Assets.* The City of East Ridge's investment in capital assets for its governmental activities as of June 30, 2017, amounted to \$11,445,643 (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, 2017

Major capital asset additions during the year included the purchase of multiple municipal vehicles and building improvements.

### City of East Ridge's Capital Assets, net

	Governmental Activities	
	June 30, 2017	June 30, 2016
Land	\$ 1,798,958	\$ 1,808,491
Construction in process	9,533	-
Buildings	9,362,502	9,356,307
Infrastructure	11,415,519	11,415,519
Equipment/vehicles	<u>7,904,409</u>	<u>7,623,278</u>
	30,490,921	30,203,595
Less accumulated depreciation	<u>19,045,278</u>	<u>18,127,088</u>
Total capital assets, net	<u>\$ 11,445,643</u>	<u>\$ 12,076,507</u>

Additional information on the City's capital assets can be found in Note 6 on page 28 and 29 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total debt outstanding of \$7,094,939. 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	
	June 30, 2017	June 30, 2016
Notes payable	\$ 3,362,000	\$ 3,123,629
General obligation bonds	3,085,000	3,085,000
Capital leases	98,102	212,711
Compensated absences	<u>549,837</u>	<u>572,637</u>
Total long-term debt	<u>\$ 7,094,939</u>	<u>\$ 6,993,977</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 show positive economic growth.
- New construction permits and inspections are expected to increase in the coming fiscal year; both in residential (single family residential homes and townhouses off of Frawley Road) and commercial (the area surrounding the Exit I Interchange and Bass Pro Shop). New retailers are anticipated to locate and others continue to show interest in East Ridge; particularly along the Ringgold Road corridor; ie. Dunkin Donuts, Firehouse Subs, Marco's Pizza (under construction), and King Audio (under construction).

## CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

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- The Bass Pro Shop and Tracker Boats in the Jordan Crossing Development are bringing in positive sales tax and tourist dollars to East Ridge. A new hotel (Hampton Inn) is currently under construction and a Chick-Fil-A is scheduled to break ground for a new restaurant the end of November 2017. It is anticipated that when the Exit 1 Interchange (I-75 and Ringgold Road) Reconfiguration Project is completed in May 2018 additional retail development in the Jordan Crossing area will actively come to fruition.
- In addition to expanding the City's property tax base and increasing local sales and hotel/motel tax revenues, definite growth and business rehabilitation is expected and already underway in the City's Border Region District.
- The City's Border Region District has generated an entirely new source of revenue, for example, incremental state sales tax revenue, which is unique to only three cities statewide. These revenues provide a new tax stream for the rehabilitation and construction of infrastructure (Camp Jordan Parkway, Exit 1 Interchange Reconfiguration, and Ringgold Road enhancements) and for financial incentives to businesses (Dunkin Donuts/Firehouse Subs and Marco's Pizza) to locate and develop in the City of East Ridge.
- Additional debt through the Tennessee Municipal Bond Fund variable rate program and other short-term notes will be expanded in 2018 to provide needed funding for capital projects (Exit 1 Interchange Reconfiguration, Ringgold Road enhancement, new street sweeper, multi-purpose pavilion, etc.).

#### **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, 2017. 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, 2017

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,287,836
Investments	1,073,294
Property taxes receivable	5,455,783
Grants receivable	40,000
Accounts receivable	804,873
Prepaid expenses	135,682
Capital assets -	
Land and other nondepreciable assets	1,808,491
Capital assets, net of accumulated depreciation	<u>9,637,152</u>
Total assets	<u>26,243,111</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension outflows	<u>1,381,911</u>
Total deferred outflows of resources	<u>1,381,911</u>
<b>LIABILITIES</b>	
Accounts payable	363,257
Accrued liabilities	227,201
Deferred premium	474,855
OPEB obligation	3,242,510
Net pension liability	1,876,476
Long-term liabilities -	
Due within one year	876,703
Due in more than one year	<u>6,218,236</u>
Total liabilities	<u>13,279,238</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - property taxes	4,938,066
Deferred pension inflows	<u>127,457</u>
Total deferred inflows of resources	<u>5,065,523</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,900,541
Restricted	736,066
Unrestricted	<u>3,643,654</u>
Total net position	<u>\$ 9,280,261</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Total Governmental Activities (Net)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities -					
General government	\$ 3,363,105	\$ 199,266	\$ 4,424	\$ -	\$ (3,159,415)
Public safety	7,034,064	417,908	100,949	-	(6,515,207)
Public works	4,232,998	1,535,729	104,928	-	(2,592,341)
Public welfare and economic development	615,921	-	-	-	(615,921)
Culture and recreation	1,850,279	592,583	500	-	(1,257,196)
Interest	166,480	-	-	-	(166,480)
 Total primary government	 <u>\$ 17,262,847</u>	 <u>\$ 2,745,486</u>	 <u>\$ 210,801</u>	 <u>\$ -</u>	 <u>(14,306,560)</u>
 <b>GENERAL REVENUES</b>					
Property taxes					5,049,873
Local sales taxes					4,025,070
Local beer taxes					422,989
State shared taxes					2,905,002
Other taxes					435,061
Franchise fees					311,042
Other revenues					365,792
Interest					<u>23,094</u>
 Total general revenue					 <u>13,537,923</u>
 Change in net position					 <u>(768,637)</u>
 <b>NET POSITION</b>					
Beginning					<u>10,048,898</u>
 Ending					 <u>\$ 9,280,261</u>

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

**CITY OF EAST RIDGE, TENNESSEE**

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General</u>	<u>TML Bond Fund</u>	<u>Capital Projects</u>	<u>Solid Waste Collection</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,641,824	\$ 620,021	\$ 1,390,260	\$ 300,303
Investments	566,444	-	506,850	-
Property taxes receivable	5,455,783	-	-	-
Grant funds receivable	-	-	-	-
Accounts receivables	651,804	39,165	-	113,904
Prepaid expenses	135,682	-	-	-
Due from other funds	<u>68,672</u>	<u>-</u>	<u>144,495</u>	<u>-</u>
 Total assets	 <u>\$ 11,520,209</u>	 <u>\$ 659,186</u>	 <u>\$ 2,041,605</u>	 <u>\$ 414,207</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 291,404	\$ -	\$ 29,403	\$ 21,376
Accrued liabilities	187,557	-	-	13,164
Due to other funds	<u>215,212</u>	<u>-</u>	<u>-</u>	<u>46,972</u>
 Total liabilities	 <u>694,173</u>	 <u>-</u>	 <u>29,403</u>	 <u>81,512</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	<u>5,377,743</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total deferred inflows of resources	 <u>5,377,743</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
<b>FUND BALANCES</b>				
Restricted for -				
Law enforcement	-	-	-	-
State approved street aid	-	-	-	-
Grant projects	-	-	-	-
Solid waste operations	-	-	-	332,695
Assigned to -				
Debt service	-	659,186	-	-
Capital projects	-	-	2,012,202	-
Unassigned	<u>5,448,293</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>5,448,293</u>	 <u>659,186</u>	 <u>2,012,202</u>	 <u>332,695</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 11,520,209</u>	 <u>\$ 659,186</u>	 <u>\$ 2,041,605</u>	 <u>\$ 414,207</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 335,428	\$ 7,287,836
-	1,073,294
-	5,455,783
40,000	40,000
-	804,873
-	135,682
<u>70,717</u>	<u>283,884</u>
<u>\$ 446,145</u>	<u>\$ 15,081,352</u>
\$ 21,074	\$ 363,257
-	200,721
<u>21,700</u>	<u>283,884</u>
<u>42,774</u>	<u>847,862</u>
<u>-</u>	<u>5,377,743</u>
<u>-</u>	<u>5,377,743</u>
38,722	38,722
268,423	268,423
96,226	96,226
-	332,695
-	659,186
-	2,012,202
<u>-</u>	<u>5,448,293</u>
<u>403,371</u>	<u>8,855,747</u>
<u>\$ 446,145</u>	<u>\$ 15,081,352</u>

CITY OF EAST RIDGE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET

OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2017

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

Fund balances – total governmental funds	\$	8,855,747
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,445,643
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.		439,677
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		1,254,454
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	\$	(1,876,476)
Bonds payable		(3,085,000)
Net bond issue premiums		(474,855)
Notes payable		(3,362,000)
Capital leases		(98,102)
Compensated absences		(549,837)
Accrued interest payable		<u>(26,480)</u>
		(9,472,750)
Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds.		<u>(3,242,510)</u>
Net position of governmental activities	\$	<u>9,280,261</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, 2017

	<u>General</u>	<u>TML Bond Fund</u>	<u>Capital Projects</u>	<u>Solid Waste Collection</u>
<b>REVENUES</b>				
Taxes	\$ 10,006,507	\$ 416,822	\$ -	\$ -
Licenses and permits	155,028	-	-	-
Intergovernmental	2,165,673	-	-	-
Charges for services	746,077	-	-	1,526,909
Fines and forfeitures	303,660	-	-	-
Miscellaneous	84,971	1,728	295,971	-
Total revenues	<u>13,461,916</u>	<u>418,550</u>	<u>295,971</u>	<u>1,526,909</u>
<b>EXPENDITURES</b>				
Current-				
General government	4,150,600	8,593	-	-
Public safety	5,547,244	-	-	-
Public works	769,408	-	-	1,424,012
Public welfare and economic development	199,251	-	-	-
Culture and recreation	1,453,956	-	-	-
Capital outlay	-	-	1,197,625	-
Debt service -				
Principal	114,609	220,000	-	291,629
Interest and other costs	7,785	178,645	-	2,550
Total expenditures	<u>12,242,853</u>	<u>407,238</u>	<u>1,197,625</u>	<u>1,718,191</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,219,063	11,312	(901,654)	(191,282)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	236	185,000	866,336	-
Transfers to other funds	(1,200,444)	-	-	-
Loan proceeds	-	-	750,000	-
Proceeds from sale of assets	5,617	-	-	10,236
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	24,472	196,312	714,682	(181,046)
<b>FUND BALANCES:</b>				
Beginning	<u>5,423,821</u>	<u>462,874</u>	<u>1,297,520</u>	<u>513,741</u>
Ending	<u>\$ 5,448,293</u>	<u>\$ 659,186</u>	<u>\$ 2,012,202</u>	<u>\$ 332,695</u>

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

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 10,423,329
-	155,028
740,884	2,906,557
-	2,272,986
17,312	320,972
<u>5,598</u>	<u>388,268</u>
<u>763,794</u>	<u>16,467,140</u>
-	4,159,193
83,977	5,631,221
1,522,877	3,716,297
-	199,251
-	1,453,956
-	1,197,625
-	626,238
-	<u>188,980</u>
<u>1,606,854</u>	<u>17,172,761</u>
(843,060)	(705,621)
149,108	1,200,680
(236)	(1,200,680)
-	750,000
-	<u>15,853</u>
(694,188)	60,232
<u>1,097,559</u>	<u>8,795,515</u>
<u>\$ 403,371</u>	<u>\$ 8,855,747</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, 2017

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

Net change in fund balances – total governmental funds	\$	60,232
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.		676,274
Depreciation expense on governmental capital assets are included in the statement of activities.		(1,288,203)
The net effect of various transactions involving capital assets to decrease net position.		(18,935)
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 repayments	\$ 626,238	
Amortization	16,959	
Notes issued	<u>(750,000)</u>	(106,803)
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	22,800	
Change in net pension liability and related deferred items	143,817	
Change in OPEB	<u>(287,971)</u>	(121,354)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.		<u>30,152</u>
Change in net position of governmental activities	\$	<u>(768,637)</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 BALANCE - BUDGET AND ACTUAL - GAAP BASIS - GENERAL FUND

YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 9,438,290	\$ 9,671,285	\$ 10,006,507	\$ 335,222
Licenses and permits	161,750	184,693	155,028	(29,665)
Intergovernmental	2,215,799	2,234,490	2,165,673	(68,817)
Charges for services	699,637	699,637	746,077	46,440
Fines and forfeitures	309,500	309,500	303,660	(5,840)
Miscellaneous	66,115	66,115	84,971	18,856
Total revenue	12,891,091	13,165,720	13,461,916	296,196
<b>EXPENDITURES</b>				
Current-				
General government	3,807,450	4,299,350	4,150,600	148,750
Public safety	5,657,904	5,684,150	5,547,244	136,906
Public works	850,409	850,409	769,408	81,001
Public welfare	213,918	213,918	199,251	14,667
Culture and recreation	1,472,505	1,502,505	1,453,956	48,549
Debt service -				
Principal	121,721	121,721	114,609	7,112
Interest	7,785	7,785	7,785	-
Total expenditures	12,131,692	12,679,838	12,242,853	436,985
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	759,399	485,882	1,219,063	733,181
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(779,399)	(1,200,424)	(1,200,208)	216
Proceeds from sale of assets	20,000	20,000	5,617	(14,383)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	(694,542)	24,472	\$ 719,014
<b>FUND BALANCE</b>				
Beginning	5,423,821	5,423,821	5,423,821	
Ending	\$ 5,423,821	\$ 4,729,279	\$ 5,448,293	

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

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,524,250	\$ 1,524,250	\$ 1,526,909	\$ 2,659
Total revenues	<u>1,524,250</u>	<u>1,524,250</u>	<u>1,526,909</u>	<u>2,659</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Salaries	508,233	508,233	473,986	34,247
Payroll taxes	36,014	36,014	35,796	218
Health insurance	151,088	151,088	127,914	23,174
Pension	47,077	47,077	46,355	722
Unemployment insurance	1,875	1,875	1,490	385
Employee training and testing	2,000	2,000	786	1,214
Printing and duplicating	1,500	1,500	576	924
Utilities	12,600	12,600	13,376	(776)
Contract services	310,050	310,050	319,900	(9,850)
Operating supplies	226,687	226,687	222,253	4,434
Building and equipment maintenance	12,000	12,000	8,080	3,920
Equipment purchases	200,000	200,000	173,500	26,500
	<u>1,509,124</u>	<u>1,509,124</u>	<u>1,424,012</u>	<u>85,112</u>
<b>DEBT SERVICE</b>				
Principal	290,527	290,527	291,629	(1,102)
Interest	4,014	4,014	2,550	1,464
Total debt service	<u>294,541</u>	<u>294,541</u>	<u>294,179</u>	<u>362</u>
<b>TOTAL EXPENDITURES</b>	<u>1,803,665</u>	<u>1,803,665</u>	<u>1,718,191</u>	<u>85,474</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(279,415)	(279,415)	(191,282)	\$ <u>88,133</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	10,236	
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	(279,415)	(279,415)	(181,046)	
<b>FUND BALANCE</b>				
Beginning	<u>513,741</u>	<u>513,741</u>	<u>513,741</u>	
Ending	<u>\$ 234,326</u>	<u>\$ 234,326</u>	<u>\$ 332,695</u>	

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

**CITY OF EAST RIDGE, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

### 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.

#### **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. At June 30, 2017, the Board has no long-term obligations. Until June 30, 2016, the Board was reported as a major special revenue fund as a blended component unit. Beginning July 1, 2016, the operations of the Board are reported within the General Fund as the General Fund is the Board’s sole funding source.

#### **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. 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 *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.

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.

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 \$242,842. 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, 2017.

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

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

**Deferred 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, *deferred 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 30, 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 2017 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 (level 1) and consist of certificates of deposit totaling \$1,073,294.

**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, 2017, consist of the following:

<b>Funds</b>	<b>General</b>	<b>TML Bond</b>	<b>Solid Waste</b>	<b>Other Governmental</b>	<b>Total</b>
Taxes	\$ 5,455,783	\$ -	\$ -	\$ -	\$ 5,455,783
Grants	-	-	-	40,000	40,000
Intergovernmental	605,310	39,165	-	-	644,475
Other	30,872	-	-	-	30,872
Accounts	<u>15,622</u>	<u>-</u>	<u>356,746</u>	<u>-</u>	<u>372,368</u>
Gross receivables	6,107,587	39,165	356,746	40,000	6,543,498
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>(242,842)</u>	<u>-</u>	<u>(242,842)</u>
Net receivables	<u>\$ 6,107,587</u>	<u>\$ 39,165</u>	<u>\$ 113,904</u>	<u>\$ 40,000</u>	<u>\$ 6,300,656</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, 2017, are as follows:

	<b>Transfers In</b>				
	<b>General Fund</b>	<b>Capital Projects</b>	<b>TML Bond</b>	<b>Other Governmental</b>	<b>Total</b>
Transfers Out:					
General Fund	\$ -	\$ 866,336	\$ 185,000	\$ 149,108	\$ 1,200,444
Other Governmental:					
Industrial Development	<u>236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236</u>
	<u>\$ 236</u>	<u>\$ 866,336</u>	<u>\$ 185,000</u>	<u>\$ 149,108</u>	<u>\$ 1,200,680</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, 2017, are as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Solid Waste	\$ 46,972
General Fund	Drug Fund	21,700
Capital Projects	General Fund	144,495
Other Governmental Funds	General Fund	<u>70,717</u>
		<u>\$ 283,884</u>

**NOTE 6 – CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
Non-depreciable capital assets:				
Land	\$ 1,798,958	\$ -	\$ -	\$ 1,798,958
Construction in process	<u>9,533</u>	<u>-</u>	<u>-</u>	<u>9,533</u>
Total non-depreciable assets	<u>1,808,491</u>	<u>-</u>	<u>-</u>	<u>1,808,491</u>
Depreciable capital assets:				
Buildings	9,356,307	6,195	-	9,362,502
Infrastructure	11,415,519	-	-	11,415,519
Equipment / Vehicles	<u>7,623,278</u>	<u>670,079</u>	<u>388,948</u>	<u>7,904,409</u>
	<u>28,395,104</u>	<u>676,274</u>	<u>388,948</u>	<u>28,682,430</u>
Less accumulated depreciation:				
Buildings	6,390,891	327,256	-	6,718,147
Infrastructure	6,593,259	272,407	-	6,865,666
Equipment / Vehicles	<u>5,142,938</u>	<u>688,540</u>	<u>370,013</u>	<u>5,461,465</u>
	<u>18,127,088</u>	<u>1,288,203</u>	<u>370,013</u>	<u>19,045,278</u>
Total depreciable assets, net	<u>10,268,016</u>	<u>(611,929)</u>	<u>18,935</u>	<u>9,637,152</u>
Total capital assets, net	<u>\$ 12,076,507</u>	<u>\$ (611,929)</u>	<u>\$ 18,935</u>	<u>\$ 11,445,643</u>

Depreciation expense is charged to functions as follows:

General	\$ 115,938
Public safety	489,517
Public works	322,051
Culture and recreation	<u>360,697</u>
Total	<u>\$ 1,288,203</u>

**NOTE 7 – BONDS AND NOTES PAYABLE**

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

General obligation bonds:

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

Notes:

Notes of \$2,700,000 to Tennessee Municipal League Bond Fund, payable in variable, annual installments through May 2024, with interest payable monthly at 4% \$ 1,156,000

Note of \$1,600,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 3% beginning May 2015, and additional interest and principal due through May 2035 1,456,000

Note of \$750,000 to Tennessee Municipal League Bond Fund, payable in variable, annual installments through 2029, with interest payable at 2.76% 750,000

\$ 3,362,000

(Continued)

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

Capital lease obligation:

Payable to First Bankers Corporation in annual installments of \$52,721, including interest at 4.89%, through July 2019 \$ 98,102

Liability for compensated absences \$ 549,837

Maturities of general long-term debt are as follows:

For the year ending June 30,	General Obligation Bonds	Notes	Lease Obligations	Compensated Absences	Total
2018	\$ -	\$ 279,000	\$ 47,866	\$ 549,837	\$ 876,703
2019	60,000	285,000	50,236	-	395,236
2020	65,000	293,000	-	-	358,000
2021	70,000	299,000	-	-	369,000
2022	70,000	306,000	-	-	376,000
2023-2027	385,000	1,074,000	-	-	1,459,000
2028-2032	475,000	562,000	-	-	1,037,000
2033-2037	610,000	264,000	-	-	874,000
2038-2042	775,000	-	-	-	775,000
2043-2046	<u>575,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,000</u>
	<u>\$ 3,085,000</u>	<u>\$ 3,362,000</u>	<u>\$ 98,102</u>	<u>\$ 549,837</u>	<u>\$ 7,094,939</u>

During the year ended June 30, 2017, 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	3,123,629	750,000	(511,629)	3,362,000	279,000
Capital lease obligations	212,711	-	(114,609)	98,102	47,866
Compensated absences	<u>572,637</u>	<u>360,542</u>	<u>(383,342)</u>	<u>549,837</u>	<u>549,837</u>
	<u>\$ 6,993,977</u>	<u>\$ 1,110,542</u>	<u>\$ (1,009,580)</u>	<u>\$ 7,094,939</u>	<u>\$ 876,703</u>

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS**

**Tennessee Consolidated Retirement System**

**General Information about the Pension Plan**

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

(Continued)

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

*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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	41
Active employees	<u>118</u>
	<u>214</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, 2017, employer contributions for East Ridge were \$493,295 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, 2016, 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, 2016 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, 2016 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%
		100%

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)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Pension (b)</b>	<b>Net Position Liability (Asset) (a) – (b)</b>
Balance at 6/30/15	\$ 17,302,136	\$ 16,256,491	\$ 1,045,645
Changes for the year:			
Service cost	387,433	-	387,433
Interest	1,292,399	-	1,292,399
Differences between expected and actual experience	208,110	-	208,110
Contributions – employer	-	414,430	(414,430)
Contributions – employees	-	224,017	(224,017)
Net investment income	-	427,408	(427,408)
Benefit payments, including refunds of employee contributions	(915,163)	(915,163)	-
Administrative expense	-	(8,744)	8,744
Net changes	<u>972,779</u>	<u>141,948</u>	<u>830,831</u>
Balance at 6/30/16	<u>\$ 18,274,915</u>	<u>\$ 16,398,439</u>	<u>\$ 1,876,476</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:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
Net pension liability (asset)	<u>\$ 4,253,188</u>	<u>\$ 1,876,476</u>	<u>\$ (101,293)</u>

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

*Pension expense.* For the year ended June 30, 2017, the City recognized pension expense of \$349,477.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 337,127	\$ 127,457
Net difference between projected and actual earnings on pension plan investments	1,044,877	493,488
Contributions subsequent to the measurement date of June 30, 2015	<u>493,295</u>	<u>-</u>
Total	<u>\$ 1,875,299</u>	<u>\$ 620,845</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:	
2018	\$ 93,450
2019	93,450
2020	340,143
2021	200,150
2022	4,238
Thereafter	<u>29,728</u>
	<u>\$ 761,159</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, 2017, East Ridge did not report a payable for the outstanding amount of contributions to the plan required at the year ended June 30, 2017.

**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 2017 fiscal year, the City contributed \$81,029 for healthcare benefits for twelve retired employees. As of June 30, 2017 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	\$ 422,000
Adjustment to annual required contribution	(170,000)
Interest on net OPEB obligation, beginning of year	<u>117,000</u>
Annual OPEB cost	369,000
Amount paid	<u>(81,029)</u>
Increase in net OPEB obligation	287,971
Net OPB obligation, beginning of year	<u>2,954,539</u>
Net OPEB obligation, end of year	<u>\$ 3,242,510</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, 2017, 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>
6/30/2017	\$ 369,000	22.0%	\$ 3,242,510
6/30/2016	350,000	18.1%	2,954,539
6/30/2015	332,000	26.5	2,668,000

**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 2017 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, 2017

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

**Other Postemployment Benefit Plan**

<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>UAAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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

	2016	2015	2014
Total Pension Liability (Asset)			
Service cost	\$ 387,433	\$ 378,218	\$ 355,419
Interest	1,292,399	1,246,302	1,162,743
Changes in benefit terms	-	-	-
Differences between actual and expected experience	208,110	(178,441)	277,808
Change in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	<u>(915,163)</u>	<u>(766,168)</u>	<u>(643,140)</u>
Net change in total pension liability	972,779	679,911	1,152,830
Total pension liability - beginning	<u>17,302,136</u>	<u>16,622,225</u>	<u>15,469,395</u>
Total pension liability - ending (a)	<u>\$ 18,274,915</u>	<u>\$ 17,302,136</u>	<u>\$ 16,622,225</u>
 Plan Fiduciary Net Position			
Contributions - employer	\$ 414,430	\$ 413,814	\$ 407,430
Contributions - employee	224,017	223,684	220,711
Net investment income	427,408	487,732	2,257,625
Benefit payments, including refunds of employee contributions	(915,163)	(766,168)	(643,140)
Administrative expense	<u>(8,744)</u>	<u>(5,714)</u>	<u>(4,837)</u>
Net change in plan fiduciary net position	141,948	353,348	2,237,789
Plan fiduciary net position - beginning	<u>16,256,491</u>	<u>15,903,143</u>	<u>13,665,354</u>
Plan fiduciary net position - ending (b)	<u>\$ 16,398,439</u>	<u>\$ 16,256,491</u>	<u>\$ 15,903,143</u>
 Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 1,876,476</u>	<u>\$ 1,045,645</u>	<u>\$ 719,082</u>
 Plan fiduciary net position as a percentage of total pension liability	89.73%	93.96%	95.67%
 Covered - employee payroll	\$ 4,480,329	\$ 4,473,661	\$ 4,414,199
 Net pension liability (asset) as a percentage of covered payroll	41.88%	23.37%	16.29%

Note: GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 493,295	\$ 414,431	\$ 413,814	\$ 407,430
Contributions in relation to the actuarially determined contribution	<u>493,295</u>	<u>414,431</u>	<u>413,814</u>	<u>407,430</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,332,919	\$ 4,480,329	\$ 4,473,661	\$ 4,414,199
Contributions as a percentage covered-employee payroll	9.25%	9.25%	9.25%	9.23%

Note: GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

**CITY OF EAST RIDGE, TENNESSEE**

NOTES TO SCHEDULE

LAST FISCAL YEAR ENDING JUNE 30, 2017

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*Valuation date:* Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	Fair 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, 2017

	Special Revenue				Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Grant Fund	Asset Forfeiture	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 63,242	\$ 236,969	\$ 34,496	\$ 721	\$ 335,428
Grant funds receivables	-	-	40,000	-	40,000
Due from other funds	304	48,683	21,730	-	70,717
Total assets	\$ 63,546	\$ 285,652	\$ 96,226	\$ 721	\$ 446,145
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 3,845	\$ 17,229	-	-	\$ 21,074
Due to other funds	21,700	-	-	-	21,700
Total liabilities	25,545	17,229	-	-	42,774
<b>Fund balances</b>					
Restricted for -					
Law enforcement	38,001	-	-	721	38,722
State approved street aid	-	268,423	-	-	268,423
Grant projects	-	-	96,226	-	96,226
Total fund balances	38,001	268,423	96,226	721	403,371
Total liabilities and fund balances	\$ 63,546	\$ 285,652	\$ 96,226	\$ 721	\$ 446,145

**CITY OF EAST RIDGE, TENNESSEE**  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2017

	Special Revenue				Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Grant Fund	Asset Forfeiture	
<b>REVENUES</b>					
Intergovernmental	\$ 29,355	\$ 582,529	\$ 129,000	\$ -	\$ 740,884
Fines and forfeitures	17,312	-	-	-	17,312
Miscellaneous	1,880	305	3,399	14	5,598
Total revenues	<u>48,547</u>	<u>582,834</u>	<u>132,399</u>	<u>14</u>	<u>763,794</u>
<b>EXPENDITURES</b>					
Current-					
Public safety	69,297	-	-	14,680	83,977
Public works	-	1,285,410	237,467	-	1,522,877
Total expenditures	<u>69,297</u>	<u>1,285,410</u>	<u>237,467</u>	<u>14,680</u>	<u>1,606,854</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(20,750)	(702,576)	(105,068)	(14,666)	(843,060)
<b>OTHER FINANCING SOURCES</b>					
Transfers from other funds	-	-	149,108	-	149,108
Transfers to other funds	-	-	-	(236)	(236)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	(20,750)	(702,576)	44,040	(14,666)	(694,188)
<b>FUND BALANCES</b>					
Beginning	58,751	970,999	52,186	15,387	1,097,559
Ending	<u>\$ 38,001</u>	<u>\$ 268,423</u>	<u>\$ 96,226</u>	<u>\$ 721</u>	<u>\$ 403,371</u>

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>TAXES</b>				
Local sales tax	\$ 2,500,000	\$ 2,500,000	\$ 2,767,075	\$ 267,075
Property taxes	4,757,452	4,757,452	4,779,947	22,495
Business taxes	4,000	4,000	4,172	172
Local beer taxes	375,338	375,338	422,856	47,518
Gross receipts taxes	1,490,000	1,722,995	1,721,415	(1,580)
Franchise taxes	311,500	311,500	311,042	(458)
Total taxes	<u>9,438,290</u>	<u>9,671,285</u>	<u>10,006,507</u>	<u>335,222</u>
<b>LICENSES AND PERMITS</b>				
Building permits	100,000	100,000	67,236	(32,764)
Plumbing permits	8,000	8,000	4,606	(3,394)
Electrical permits	12,000	12,000	10,745	(1,255)
Other permits and licenses	41,750	64,693	72,441	7,748
Total licenses and permits	<u>161,750</u>	<u>184,693</u>	<u>155,028</u>	<u>(29,665)</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	1,780,299	1,780,299	1,739,200	(41,099)
State beer tax	10,990	10,990	10,130	(860)
State telecommunications tax	2,000	2,000	2,423	423
State mixed drink tax	10,000	10,000	16,161	6,161
State income and excise tax	75,000	89,067	69,540	(19,527)
City streets and transportation	45,057	45,057	38,868	(6,189)
TVA in lieu of tax	258,253	258,253	236,705	(21,548)
State and other grants	34,200	38,824	52,646	13,822
Total intergovernmental	<u>2,215,799</u>	<u>2,234,490</u>	<u>2,165,673</u>	<u>(68,817)</u>
<b>CHARGES FOR SERVICES</b>				
Fire service contract	95,841	95,841	93,371	(2,470)
Recreation fees	563,126	563,126	605,104	41,978
Mowing charges	8,820	8,820	8,820	-
Other	31,850	31,850	38,782	6,932
Total charges for services	<u>699,637</u>	<u>699,637</u>	<u>746,077</u>	<u>46,440</u>
<b>FINES AND FORFEITS</b>				
City court fines and fees	309,500	309,500	303,660	(5,840)
Total fines and forfeits	<u>309,500</u>	<u>309,500</u>	<u>303,660</u>	<u>(5,840)</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>MISCELLANEOUS</b>				
Insurance recoveries	\$ 10,000	\$ 10,000	\$ 14,780	\$ 4,780
Interest	5,000	5,000	13,627	8,627
Other	51,115	51,115	56,564	5,449
Total miscellaneous	<u>66,115</u>	<u>66,115</u>	<u>84,971</u>	<u>18,856</u>
Total revenues	<u>12,891,091</u>	<u>13,165,720</u>	<u>13,461,916</u>	<u>296,196</u>
<b>GENERAL GOVERNMENT</b>				
<b>General Government</b>				
Health insurance	65,000	65,000	68,810	(3,810)
Pension	3,500	3,500	3,324	176
Workers' compensation	215,000	202,710	202,710	-
Dues and memberships	17,000	17,000	15,070	1,930
Data processing services	54,000	54,000	47,458	6,542
Insurance	607,000	686,790	686,734	56
Professional fees	214,575	214,575	212,228	2,347
Capital outlay	287,500	420,900	407,208	13,692
	<u>1,463,575</u>	<u>1,664,475</u>	<u>1,643,542</u>	<u>20,933</u>
<b>Administration</b>				
Salaries	365,972	365,972	361,709	4,263
Payroll taxes	26,360	26,360	27,771	(1,411)
Health insurance	51,253	51,253	53,867	(2,614)
Pension	28,957	28,957	29,791	(834)
Unemployment insurance	875	875	766	109
Employee training and testing	3,250	3,250	1,705	1,545
Printing and duplicating	7,200	7,200	9,977	(2,777)
Dues and memberships	2,250	2,250	2,680	(430)
Telephone	26,000	26,000	22,114	3,886
Public relations	9,000	9,000	7,663	1,337
Travel	12,500	12,500	5,683	6,817
Operating supplies	95,581	95,581	59,759	35,822
Equipment operations and maintenance	13,552	13,552	12,160	1,392
Professional fees	51,000	291,000	291,000	-
Other	11,950	11,950	12,028	(78)
	<u>705,700</u>	<u>945,700</u>	<u>898,673</u>	<u>47,027</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>City Council</b>				
Salaries	\$ 40,800	\$ 40,800	\$ 42,000	\$ (1,200)
Payroll taxes	3,121	3,121	3,369	(248)
Health insurance	-	-	-	-
Employee training and testing	2,000	2,000	2,740	(740)
Printing and duplicating	1,500	1,500	90	1,410
Dues and memberships	200	200	250	(50)
Telephone	3,000	3,000	2,817	183
Council meeting	3,500	3,500	2,894	606
Travel	15,000	15,000	7,222	7,778
Operating supplies	5,500	5,500	3,350	2,150
	<u>74,621</u>	<u>74,621</u>	<u>64,732</u>	<u>9,889</u>
<b>Municipal Court</b>				
Salaries	164,640	164,640	159,011	5,629
Payroll taxes	12,303	12,303	11,875	428
Health insurance	52,499	52,499	55,842	(3,343)
Employee training and testing	1,100	1,100	322	778
Pension	5,235	5,235	8,103	(2,868)
Unemployment insurance	375	375	319	56
Printing and duplicating	1,500	1,500	731	769
Dues and memberships	100	100	450	(350)
Subscriptions	100	100	120	(20)
Telephone	2,000	2,000	2,075	(75)
Travel	2,200	2,200	961	1,239
Operating supplies	27,450	27,450	11,436	16,014
Equipment operations and maintenance	-	-	-	-
Child restraint	6,000	6,000	6,084	(84)
Litigation fees	50,000	50,000	56,827	(6,827)
Other	6,300	6,300	9,719	(3,419)
	<u>331,802</u>	<u>331,802</u>	<u>323,875</u>	<u>7,927</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Economic Development-</b>				
Professional services	\$ 61,000	\$ 61,000	\$ 56,861	\$ 4,139
Incentives	412,520	443,520	443,520	-
	<u>473,520</u>	<u>504,520</u>	<u>500,381</u>	<u>4,139</u>
<b>City Hall Complex-</b>				
Utilities	28,230	28,230	30,956	(2,726)
Operating supplies	21,835	21,835	15,384	6,451
	<u>50,065</u>	<u>50,065</u>	<u>46,340</u>	<u>3,725</u>
<b>Special Projects -</b>				
City projects	28,000	28,000	27,871	129
	<u>28,000</u>	<u>28,000</u>	<u>27,871</u>	<u>129</u>
<b>Inspection</b>				
Salaries	187,969	207,969	211,647	(3,678)
Payroll taxes	13,374	13,374	15,821	(2,447)
Health insurance	55,453	55,453	60,207	(4,754)
Pension	17,482	17,482	20,676	(3,194)
Unemployment insurance	625	625	586	39
Employee training and testing	2,700	2,700	1,638	1,062
Printing and duplicating	4,500	4,500	1,109	3,391
Dues and memberships	200	200	25	175
Telephone	2,500	2,500	4,011	(1,511)
Travel	2,200	2,200	2,057	143
Contract services	43,000	43,000	36,885	6,115
Operating supplies	5,000	5,000	3,902	1,098
Equipment operations and maintenance	8,000	8,000	9,517	(1,517)
Uniform	1,000	1,000	1,502	(502)
Other	30,000	30,000	22,680	7,320
	<u>374,003</u>	<u>394,003</u>	<u>392,263</u>	<u>1,740</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>City Garage</b>				
Telephone	\$ 1,100	\$ 1,100	\$ 1,032	\$ 68
Utilities	4,870	4,870	3,622	1,248
Equipment operations and maintenance	7,300	7,300	6,542	758
	<u>13,270</u>	<u>13,270</u>	<u>11,196</u>	<u>2,074</u>
 <b>Building Maintenance</b>				
Salaries	109,109	109,109	83,076	26,033
Payroll taxes	7,380	7,380	6,441	939
Health insurance	24,625	24,625	15,092	9,533
Pension	7,030	7,030	6,172	858
Unemployment insurance	500	500	255	245
Printing and duplicating	100	100	289	(189)
Telephone	2,500	2,500	3,054	(554)
Utilities	6,500	6,500	6,219	281
Medical	150	150	100	50
Operating supplies	14,800	14,800	19,638	(4,838)
Custodial services	1,000	1,000	1,192	(192)
Equipment operations and maintenance	4,000	4,000	3,559	441
Building maintenance	100,000	100,000	86,091	13,909
Grounds maintenance	15,000	15,000	10,549	4,451
Other	200	200	-	200
	<u>292,894</u>	<u>292,894</u>	<u>241,727</u>	<u>51,167</u>
 <b>TOTAL GENERAL GOVERNMENT</b>	<u>3,807,450</u>	<u>4,299,350</u>	<u>4,150,600</u>	<u>148,750</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
<b>Police</b>				
Salaries	\$ 460,626	\$ 455,626	\$ 447,736	\$ 7,890
Payroll taxes	25,952	25,952	32,664	(6,712)
Health insurance	81,657	60,374	60,374	-
Pension	33,925	33,925	34,712	(787)
Unemployment insurance	1,000	1,000	828	172
Employee training and testing	21,000	14,000	14,075	(75)
Printing and duplicating	2,650	1,150	1,030	120
Dues and memberships	400	400	595	(195)
Subscriptions	100	-	-	-
Telephone	60,000	50,000	43,488	6,512
Utilities	19,750	18,250	16,431	1,819
Medical	2,500	2,500	4,145	(1,645)
Travel	10,000	10,000	15,008	(5,008)
Operating supplies	20,000	20,200	18,874	1,326
Contracts with other governments	292,000	289,927	289,927	-
Supplies and small equipment	50,500	44,500	44,543	(43)
Equipment operations and maintenance	61,800	85,283	79,416	5,867
Building maintenance	1,500	-	-	-
Uniforms	1,300	1,300	777	523
Insurance	5,000	5,000	3,711	1,289
	<u>1,151,660</u>	<u>1,119,387</u>	<u>1,108,334</u>	<u>11,053</u>
<b>Criminal Investigation</b>				
Salaries	235,267	235,267	237,998	(2,731)
Payroll taxes	16,868	16,868	19,260	(2,392)
Health insurance	75,238	75,238	63,885	11,353
Pension	22,050	22,050	24,490	(2,440)
Unemployment insurance	375	375	488	(113)
Operating supplies	13,225	13,225	13,807	(582)
	<u>363,023</u>	<u>363,023</u>	<u>359,928</u>	<u>3,095</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Patrol</b>				
Salaries	\$ 1,446,451	\$ 1,444,007	\$ 1,442,503	\$ 1,504
Payroll taxes	95,900	111,957	111,957	-
Health insurance	302,225	319,087	319,087	-
Pension	117,160	136,346	136,346	-
Unemployment insurance	4,750	3,326	3,989	(663)
Operating supplies	111,500	95,736	96,664	(928)
	<u>2,077,986</u>	<u>2,110,459</u>	<u>2,110,546</u>	<u>(87)</u>
<b>Fire</b>				
Salaries	\$ 1,108,775	\$ 1,108,775	\$ 993,138	\$ 115,637
Payroll taxes	59,603	59,603	74,647	(15,044)
Health insurance	231,810	231,810	245,476	(13,666)
Pension	77,913	77,913	91,074	(13,161)
Workers' compensation	2,375	2,375	1,889	486
Employee training and testing	11,000	11,000	4,228	6,772
Printing and duplicating	2,300	2,300	500	1,800
Dues and memberships	900	900	800	100
Subscriptions	1,100	1,100	688	412
Telephone	16,600	16,600	45,984	(29,384)
Utilities	18,400	18,400	16,918	1,482
Medical	1,400	1,400	1,495	(95)
Travel	8,000	8,000	6,516	1,484
Rent	700	700	2,815	(2,115)
Operating supplies	37,100	37,100	27,488	9,612
Contracts with other governments	123,294	123,294	123,294	-
Supplies and small equipment	21,500	21,500	13,518	7,982
Equipment operations and maintenance	55,500	55,500	48,694	6,806
Building maintenance	1,200	1,200	-	1,200
Uniforms	27,000	27,000	21,481	5,519
Insurance	2,000	2,000	2,631	(631)
Other	17,500	43,546	44,692	(1,146)
	<u>1,825,970</u>	<u>1,852,016</u>	<u>1,767,966</u>	<u>84,050</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Animal Control</b>				
Salaries	\$ 113,601	\$ 113,601	\$ 88,316	\$ 25,285
Payroll taxes	7,778	7,778	6,583	1,195
Health insurance	40,042	40,042	31,011	9,031
Pension	8,584	8,584	7,029	1,555
Workers' compensation	500	500	391	109
Employee training and testing	2,660	2,660	1,647	1,013
Printing and duplicating	1,100	1,100	482	618
Dues and memberships	200	200	210	(10)
Telephone	3,100	3,100	3,176	(76)
Utilities	8,200	8,200	7,778	422
Medical	300	300	318	(18)
Travel	2,000	2,000	1,673	327
Operating supplies	22,500	22,500	21,664	836
Equipment operations and maintenance	7,500	7,500	5,867	1,633
Building maintenance	1,600	1,600	1,000	600
Uniforms	2,000	2,000	1,051	949
Other	17,600	17,600	22,274	(4,674)
	<u>239,265</u>	<u>239,265</u>	<u>200,470</u>	<u>38,795</u>
<b>TOTAL DEPARTMENT OF PUBLIC SAFETY</b>	<u>5,657,904</u>	<u>5,684,150</u>	<u>5,547,244</u>	<u>136,906</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC WORKS</b>				
<b>Traffic Control and Street Markers</b>				
Salaries	\$ 128,460	\$ 128,460	\$ 130,832	\$ (2,372)
Payroll taxes	8,950	8,950	9,808	(858)
Health insurance	45,769	45,769	41,315	4,454
Pension	11,700	11,700	12,305	(605)
Workers' compensation	375	375	288	87
Employee training and testing	1,650	1,650	-	1,650
Printing and duplicating	100	100	-	100
Dues and memberships	300	300	270	30
Telephone	2,000	2,000	2,534	(534)
Utilities	4,600	4,600	3,955	645
Medical	160	160	-	160
Travel	1,000	1,000	-	1,000
Operating supplies	25,200	25,200	18,734	6,466
Equipment operations and maintenance	29,900	29,900	13,838	16,062
Building maintenance	300	300	-	300
Uniforms	1,200	1,200	1,061	139
Other	1,100	1,100	-	1,100
	<u>262,764</u>	<u>262,764</u>	<u>234,940</u>	<u>27,824</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Streets</b>				
Salaries	\$ 338,172	\$ 338,172	\$ 279,271	\$ 58,901
Payroll taxes	24,430	24,430	21,069	3,361
Health insurance	95,484	95,484	92,969	2,515
Pension	31,934	31,934	27,429	4,505
Workers' compensation	1,125	1,125	754	371
Employee training and testing	1,000	1,000	599	401
Printing and duplicating	400	400	727	(327)
Telephone	2,300	2,300	2,651	(351)
Utilities	4,000	4,000	3,932	68
Medical	200	200	-	200
Professional and contract services	800	800	999	(199)
Operating supplies	27,200	27,200	20,571	6,629
Equipment operations and maintenance	56,000	56,000	73,131	(17,131)
Building maintenance	600	600	2,000	(1,400)
Uniforms	2,000	2,000	473	1,527
Damage claims	2,000	2,000	273	1,727
Other	-	-	7,620	(7,620)
	<u>587,645</u>	<u>587,645</u>	<u>534,468</u>	<u>53,177</u>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<u>850,409</u>	<u>850,409</u>	<u>769,408</u>	<u>81,001</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>DEPARTMENT OF PUBLIC WELFARE</b>				
<b>Library</b>				
Salaries	\$ 127,735	\$ 127,735	\$ 116,507	\$ 11,228
Payroll taxes	9,311	9,311	8,767	544
Health insurance	19,316	19,316	20,466	(1,150)
Pension	7,326	7,326	6,532	794
Workers' compensation	625	625	565	60
Employee training and testing	200	200	-	200
Printing and duplicating	1,500	1,500	931	569
Subscriptions	18,300	18,300	2,338	15,962
Telephone	1,700	1,700	2,089	(389)
Medical	150	150	-	150
Professional and contract services	10,500	10,500	8,250	2,250
Operating supplies	7,300	7,300	7,060	240
Equipment/book operations and maintenance	9,320	9,320	25,063	(15,743)
Building maintenance	-	-	293	(293)
	<u>213,283</u>	<u>213,283</u>	<u>198,861</u>	<u>14,422</u>
<b>Museum</b>				
Telephone	125	125	90	35
Contract services	360	360	300	60
Operating supplies	150	150	-	150
	<u>635</u>	<u>635</u>	<u>390</u>	<u>245</u>
<b>TOTAL DEPARTMENT OF PUBLIC WELFARE</b>	<u>213,918</u>	<u>213,918</u>	<u>199,251</u>	<u>14,667</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>CULTURE AND RECREATION</b>				
<b>Arena</b>				
Salaries	\$ 256,096	\$ 256,096	\$ 246,462	\$ 9,634
Payroll taxes	18,148	18,148	19,048	(900)
Health insurance	44,759	44,759	47,323	(2,564)
Pension	22,177	22,177	20,949	1,228
Workers' compensation	1,000	1,000	935	65
Employee training and testing	1,100	1,100	683	417
Printing and duplicating	700	700	348	352
Dues and subscriptions	800	800	735	65
Telephone	4,000	4,000	4,487	(487)
Utilities	49,200	49,200	48,049	1,151
Travel	1,500	1,500	341	1,159
Operating supplies	25,500	25,500	24,941	559
Contracted services	9,000	9,000	6,871	2,129
Equipment operations and maintenance	32,000	32,000	20,302	11,698
Building maintenance	500	500	8,445	(7,945)
Grounds maintenance	65,500	65,500	67,508	(2,008)
Uniforms	1,500	1,500	1,779	(279)
Medical	300	300	981	(681)
Damage claims	2,000	2,000	-	2,000
Other	21,500	21,500	6,499	15,001
	<u>557,280</u>	<u>557,280</u>	<u>526,686</u>	<u>30,594</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, 2017

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Maintenance of Recreational Facilities</b>				
Salaries	\$ 179,225	\$ 199,225	\$ 181,974	\$ 17,251
Payroll taxes	11,157	11,157	13,929	(2,772)
Health insurance	39,351	39,351	33,743	5,608
Pension	14,585	14,585	16,888	(2,303)
Workers' compensation	500	500	384	116
Employee training and testing	750	750	610	140
Printing and duplicating	500	500	542	(42)
Dues and memberships	200	200	200	-
Telephone	6,000	6,000	7,104	(1,104)
Utilities	115,000	115,000	151,123	(36,123)
Operating supplies	17,500	17,500	10,847	6,653
Contracted services	6,000	6,000	5,495	505
Equipment operations and maintenance	9,500	9,500	5,400	4,100
Grounds maintenance	3,000	3,000	2,021	979
Travel	1,000	1,000	-	1,000
Park promotions	13,500	13,500	6,733	6,767
Uniforms	1,500	1,500	196	1,304
Medical	150	150	-	150
Other	3,500	3,500	-	3,500
	<u>422,918</u>	<u>442,918</u>	<u>437,189</u>	<u>5,729</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Community Center</b>				
Salaries	\$ 114,609	\$ 124,609	\$ 122,202	\$ 2,407
Payroll taxes	7,933	7,933	9,164	(1,231)
Health insurance	21,459	21,459	34,013	(12,554)
Pension	3,756	3,756	4,444	(688)
Workers' compensation	750	750	507	243
Employee training and testing	350	350	-	350
Printing and duplicating	500	500	50	450
Dues and memberships	150	150	85	65
Telephone	4,000	4,000	2,725	1,275
Utilities	24,050	24,050	24,171	(121)
Medical	150	150	-	150
Operating supplies	15,000	15,000	9,921	5,079
Contracted services	1,000	1,000	360	640
Equipment operations and maintenance	1,800	1,800	2,621	(821)
Building maintenance	1,000	1,000	889	111
Grounds maintenance	4,000	4,000	1,213	2,787
Travel	500	500	-	500
Uniforms	500	500	220	280
Other	1,500	1,500	-	1,500
	<u>203,007</u>	<u>213,007</u>	<u>212,585</u>	<u>422</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>McBrien School</b>				
Telephone	\$ -	\$ -	\$ -	\$ -
Utilities	6,600	6,600	6,613	(13)
Contracted services	500	500	360	140
Operating supplies	1,200	1,200	1,308	(108)
Building maintenance	1,000	1,000	-	1,000
Other	500	500	-	500
	<u>9,800</u>	<u>9,800</u>	<u>8,281</u>	<u>1,519</u>
<b>Recreational Sports</b>				
Contracted services	-	-	990	(990)
Printing and duplicating	1,800	1,800	1,234	566
Equipment, supplies and uniforms	153,700	153,700	144,228	9,472
Tournament fees	13,100	13,100	11,645	1,455
Officials, referees and players fees	86,600	86,600	88,946	(2,346)
Insurance	24,300	24,300	22,172	2,128
	<u>279,500</u>	<u>279,500</u>	<u>269,215</u>	<u>10,285</u>
<b>TOTAL CULTURE AND RECREATION</b>	<u>1,472,505</u>	<u>1,502,505</u>	<u>1,453,956</u>	<u>48,549</u>
<b>DEBT SERVICE</b>				
Principal	121,721	121,721	114,609	7,112
Interest	7,785	7,785	7,785	-
<b>TOTAL DEBT SERVICE</b>	<u>129,506</u>	<u>129,506</u>	<u>122,394</u>	<u>7,112</u>
<b>TOTAL EXPENDITURES</b>	<u>12,131,692</u>	<u>12,679,838</u>	<u>12,242,853</u>	<u>436,985</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>EXCESS REVENUES OVER EXPENDITURES</b>	\$ 759,399	\$ 485,882	\$ 1,219,063	\$ 733,181
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(779,399)	(1,200,424)	(1,200,208)	216
Proceeds from sale of assets	<u>20,000</u>	<u>20,000</u>	<u>5,617</u>	<u>(14,383)</u>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	-	(694,542)	24,472	<u>\$ 719,014</u>
<b>FUND BALANCE</b>				
Beginning	<u>5,423,821</u>	<u>5,423,821</u>	<u>5,423,821</u>	
Ending	<u>\$ 5,423,821</u>	<u>\$ 4,729,279</u>	<u>\$ 5,448,293</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 20,000	\$ 32,464	\$ 29,355	\$ (3,109)
Drug related fines and forfeitures	3,000	16,000	17,312	1,312
Sale of confiscated property	5,000	6,000	1,880	(4,120)
Total revenues	<u>28,000</u>	<u>54,464</u>	<u>48,547</u>	<u>(5,917)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Employee training and testing	-	1,052	1,052	-
Office supplies	1,000	13,551	13,910	(359)
Uniforms	1,000	2,000	-	2,000
Travel	-	611	611	
Equipment operations and maintenance	26,000	52,131	53,724	(1,593)
<b>TOTAL EXPENDITURES</b>	<u>28,000</u>	<u>69,345</u>	<u>69,297</u>	<u>48</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	(14,881)	(20,750)	<u>\$ (5,869)</u>
<b>FUND BALANCE</b>				
Beginning	<u>58,751</u>	<u>58,751</u>	<u>58,751</u>	
Ending	<u>\$ 58,751</u>	<u>\$ 43,870</u>	<u>\$ 38,001</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,555,194	\$ 1,555,194	\$ 582,529	\$ (972,665)
Interest	500	500	305	(195)
Total revenues	<u>1,555,694</u>	<u>1,555,694</u>	<u>582,834</u>	<u>(972,860)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Utilities	190,000	190,000	199,993	(9,993)
Operating supplies	5,000	5,000	1,553	3,447
Professional services	5,000	5,000	-	5,000
Grant expenditures	180,000	180,000	88,107	91,893
Road paving and maintenance	1,228,000	1,228,000	995,727	232,273
Other	-	-	30	(30)
<b>TOTAL EXPENDITURES</b>	<u>1,608,000</u>	<u>1,608,000</u>	<u>1,285,410</u>	<u>322,590</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	(52,306)	(52,306)	(702,576)	<u>\$ (650,270)</u>
<b>FUND BALANCE</b>				
Beginning	<u>970,999</u>	<u>970,999</u>	<u>970,999</u>	
Ending	<u>\$ 918,693</u>	<u>\$ 918,693</u>	<u>\$ 268,423</u>	

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 2,980,003	\$ 3,162,803	\$ 129,000	\$ (3,033,803)
Interest	50	50	3,399	3,349
Total revenues	<u>2,980,053</u>	<u>3,162,853</u>	<u>132,399</u>	<u>(3,030,454)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Grant expenditures	<u>3,240,188</u>	<u>3,455,988</u>	<u>237,467</u>	<u>3,218,521</u>
<b>TOTAL EXPENDITURES</b>	<u>3,240,188</u>	<u>3,455,988</u>	<u>237,467</u>	<u>3,218,521</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(260,135)	(293,135)	(105,068)	188,067
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>310,000</u>	<u>310,000</u>	<u>149,108</u>	<u>(160,892)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	49,865	16,865	44,040	<u>\$ 27,175</u>
<b>FUND BALANCE</b>				
Beginning	<u>52,186</u>	<u>52,186</u>	<u>52,186</u>	
Ending	<u>\$ 102,051</u>	<u>\$ 69,051</u>	<u>\$ 96,226</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Room occupancy tax	\$ 320,000	\$ 320,000	\$ 416,822	\$ 96,822
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,728</u>	<u>728</u>
Total revenues	<u>321,000</u>	<u>321,000</u>	<u>418,550</u>	<u>97,550</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Administrative	<u>10,000</u>	<u>10,000</u>	<u>8,593</u>	<u>1,407</u>
	<u>10,000</u>	<u>10,000</u>	<u>8,593</u>	<u>1,407</u>
<b>DEBT SERVICE</b>				
Principal	220,000	220,000	220,000	-
Interest	<u>246,250</u>	<u>246,250</u>	<u>178,645</u>	<u>67,605</u>
Total debt service	<u>466,250</u>	<u>466,250</u>	<u>398,645</u>	<u>67,605</u>
<b>TOTAL EXPENDITURES</b>	<u>476,250</u>	<u>476,250</u>	<u>407,238</u>	<u>69,012</u>
<b>EXCESS REVENUES OVER EXPENDITURES</b>	(155,250)	(155,250)	11,312	166,562
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>-</u>	<u>185,000</u>	<u>185,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	(155,250)	29,750	196,312	<u>\$ 166,562</u>
<b>FUND BALANCE</b>				
Beginning	<u>462,874</u>	<u>462,874</u>	<u>462,874</u>	
Ending	<u>\$ 307,624</u>	<u>\$ 492,624</u>	<u>\$ 659,186</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, 2017

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Miscellaneous	\$ 15	\$ 14	\$ 14	\$ -
Total revenues	<u>15</u>	<u>14</u>	<u>14</u>	<u>-</u>
<b>EXPENDITURES</b>				
Public safety	-	14,680	14,680	-
Total expenditures	<u>-</u>	<u>14,680</u>	<u>14,680</u>	<u>-</u>
<b>EXCESS REVENUES OVER</b>				
<b>EXPENDITURES</b>	15	(14,666)	(14,666)	<u>\$ -</u>
<b>FUND BALANCE</b>				
Beginning	<u>15,387</u>	<u>15,387</u>	<u>15,387</u>	
Ending	<u>\$ 15,402</u>	<u>\$ 721</u>	<u>\$ 721</u>	

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS**

JUNE 30, 2017

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<u>Year</u>	<u>Tax Rate</u>	<u>Assessment</u>	<u>Levy</u>
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
2017	1.3382	369,012,134	4,938,066

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**

JUNE 30, 2017

Tax Year	Property Tax Receivable Balance June 30, 2016	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2017
2017	\$ -	\$ -	\$ 4,938,066	\$ -	\$ -	\$ 4,938,066
2016	-	4,815,085	-	-	(4,549,177)	265,908
2015	255,377	-	-	-	(116,322)	139,055
2014	81,298	-	-	-	(36,967)	44,331
2013	52,188	-	-	-	(34,460)	17,728
2012	18,941	-	-	-	(2,522)	16,419
2011	11,882	-	-	-	(1,920)	9,962
2010	9,493	-	-	-	(1,320)	8,173
2009	6,309	-	-	-	(240)	6,069
2008	6,885	-	-	-	(838)	6,047
2007	4,211	-	-	-	(186)	4,025
2006	4,379	-	-	(4,379)	-	-
	<u>\$ 450,963</u>	<u>\$ 4,815,085</u>	<u>\$ 4,938,066</u>	<u>\$ (4,379)</u>	<u>\$ (4,743,952)</u>	<u>\$ 5,455,783</u>

*Note: All uncollected taxes for the years prior to 2016 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, 2017**

Year Ending June 30,	TML Bond Fund Series 2004		TML Bond Fund Series 2015		TML Bond Fund Series 2017		General Obligation Bonds Series 2015		Capital Lease Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 152,000	\$ 46,240	\$ 73,000	\$ 43,680	\$ 54,000	\$ 19,148	\$ -	\$ 141,225	\$ 47,866	\$ 4,855	\$ 326,866	\$ 255,148
2019	156,000	40,160	74,000	41,490	55,000	19,210	60,000	140,625	50,236	2,485	395,236	243,970
2020	161,000	33,920	75,000	39,270	57,000	17,692	65,000	139,375	-	-	358,000	230,257
2021	165,000	27,480	76,000	37,020	58,000	16,118	70,000	138,025	-	-	369,000	218,643
2022	169,000	20,880	77,000	34,740	60,000	14,518	70,000	136,538	-	-	376,000	206,676
2023	174,000	14,120	78,000	32,430	61,000	12,860	75,000	134,813	-	-	388,000	194,223
2024	179,000	7,160	79,000	30,090	63,000	11,178	75,000	132,844	-	-	396,000	181,272
2025	-	-	79,000	27,720	65,000	9,440	75,000	130,781	-	-	219,000	167,941
2026	-	-	80,000	25,350	67,000	7,646	80,000	127,750	-	-	227,000	160,746
2027	-	-	81,000	22,950	68,000	5,796	80,000	123,750	-	-	229,000	152,496
2028	-	-	82,000	20,520	70,000	3,920	85,000	119,625	-	-	237,000	144,065
2029	-	-	83,000	18,060	72,000	1,988	90,000	115,250	-	-	245,000	135,298
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
<b>Total</b>	<b>\$ 1,156,000</b>	<b>\$ 189,960</b>	<b>\$ 1,456,000</b>	<b>\$ 428,340</b>	<b>\$ 750,000</b>	<b>\$ 139,514</b>	<b>\$ 3,085,000</b>	<b>\$ 2,629,350</b>	<b>\$ 98,102</b>	<b>\$ 7,340</b>	<b>\$ 6,545,102</b>	<b>\$ 3,394,504</b>

**CITY OF EAST RIDGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**YEAR ENDING JUNE 30, 2017**

<u>State Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Beginning (Accrued) Deferred Grant Revenue</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending (Accrued) Deferred Grant Revenue</u>
<b>STATE AWARDS</b>						
Tennessee Department of Energy and Conservation State Equipment Recycling Grant	N/A	N/A	-	3,907	3,907	-
Tennessee Municipal League Safety Grant	N/A	N/A	-	3,000	3,000	-
Safety Conservation Grant	N/A	N/A	-	2,500	2,500	-
TN Homeland Security Grant (Police and Fire)	N/A	N/A	-	25,000	25,000	-
State of Tennessee Law Enforcement Education Grant	N/A	Fiscal Year 2017	-	21,000	21,000	-
State of Tennessee Fire Service Education Grant	N/A	Fiscal Year 2017	-	11,400	11,400	-
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			<u>\$ -</u>	<u>\$ 66,807</u>	<u>\$ 66,807</u>	<u>\$ -</u>

**CITY OF EAST RIDGE, TENNESSEE**

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

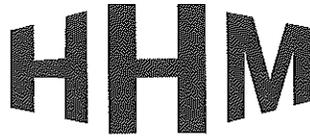
**YEAR ENDED JUNE 30, 2017**

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**NOTE 1 – BASIS OF PRESENTATION**

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

## COMPLIANCE SECTION



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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 9, 2017.

**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  
November 9, 2017

Henderson Hutcherson  
& McCullough, PLLC

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF PRIOR YEAR FINDINGS**

**YEAR ENDED JUNE 30, 2016**

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**Finding 2016-001:**

Criteria: Municipal funds should be deposited no later than three working business days after collection as required by state statute.

Status: Management has implemented procedures to correct this issue.