

CITY OF EAST RIDGE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2019

INTRODUCTORY SECTION

CITY OF EAST RIDGE, TENNESSEE

TABLE OF CONTENTS

JUNE 30, 2019

	PAGE
INTRODUCTORY SECTION	
Table of Contents	i-ii
City Officials	iii
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (unaudited)	3-9
Basic Financial Statements	
Government-Wide Financial Statements –	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements –	
Balance Sheet – Governmental Funds	12-13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15-16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – GAAP Basis – General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – GAAP Basis – Solid Waste Collection Fund	19
Notes to Financial Statements	20-36
Required Supplementary Information (unaudited)	
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	37
Schedule of City of East Ridge, Tennessee's Contributions Based on Participation in the Public Employee Pension Plan of TCRS	38
Notes to Pension Schedule	39
Schedule of Changes in the City of East Ridge, Tennessee's Net OPEB Liability and Related Ratios	40
Schedule of City of East Ridge, Tennessee's Contributions Based on Participation in the Other Post-Employment Benefit Plan	41

(Continued)

CITY OF EAST RIDGE, TENNESSEE

TABLE OF CONTENTS

JUNE 30, 2019

OTHER SUPPLEMENTARY INFORMATION

Combining Financial Statements

Nonmajor Governmental Funds – Combining Balance Sheet	42
Nonmajor Governmental Funds – Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	43

Budgetary Comparison Schedules

General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	44-59
Drug Investigation Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	60
State Street Aid Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	61
Grant Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	62
Tennessee Municipal League Bond Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	63
Asset Forfeiture Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	64
Economic Development Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	65

Financial Schedules

Schedule of Property Tax Rates and Assessments	66
Schedule of Changes in Property Tax Receivable	67
Schedule of Debt Service Requirements - Governmental Activities	68
Schedule of Expenditures of Federal and State Awards	69
Notes to the Schedule of Expenditures of Federal and State Awards	70

COMPLIANCE SECTION

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 <i>Government Auditing Standards</i>	71-72
Schedule of Prior Year Findings	73

CITY OF EAST RIDGE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2019

Mayor
Brian Williams

Vice-Mayor
Esther Helton

Council Member
Jacky Cagle

Council Member
Mike Chauncey

Council Member
Andrea Witt

City Attorney
Mark Litchford

FINANCIAL SECTION

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, 2019, 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

City of East Ridge, Tennessee's 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, 2019, 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.

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 37-41, 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 December 6, 2019 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of East Ridge's internal control over financial reporting and compliance.

Chattanooga, Tennessee
December 6, 2019

Henderson Hutcherson
is McCullough, PLLC

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2019

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, 2019. 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 \$11,173,372 (*net position*). Of this amount, \$8,190,307 is invested in capital assets (*net of related debt*) and \$1,027,109 is restricted for specific purposes.
- The City's overall net position decreased by \$994,510 (8.17%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$7,105,596, a decrease in overall fund balance of \$1,558,775. Of this amount, \$1,080,586 is restricted, and \$1,118,158 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$4,906,852, or 32.9% 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 increased by \$1,146,973, or 9.61% as detailed on pages 28 through 29 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, 2019

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, 2019.

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 nine 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 36 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 37 through 41 of this report.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2019

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 42 through 70 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 \$11,173,372, at the close of the June 30, 2019 fiscal year.

City of East Ridge's Net Position

	Governmental Activities	
	June 30, 2019	June 30, 2018
Current and other assets	\$ 13,264,182	\$ 15,847,412
Capital assets	<u>20,626,216</u>	<u>19,015,538</u>
Total assets	<u>33,890,398</u>	<u>34,862,950</u>
Deferred pension outflows	917,062	1,411,206
Deferred OPEB outflows	<u>61,204</u>	<u>-</u>
Total deferred outflows of resources	<u>978,266</u>	<u>1,411,206</u>
Other liabilities	5,528,180	7,365,960
Long-term liabilities	<u>13,085,961</u>	<u>11,938,988</u>
Total liabilities	<u>18,614,141</u>	<u>19,304,948</u>
Deferred revenue – property taxes	4,720,780	4,699,362
Deferred OPEB inflows	264,000	-
Deferred pension inflows	<u>96,371</u>	<u>101,964</u>
Total deferred inflows of resources	<u>5,081,151</u>	<u>4,801,326</u>
Net position		
Net investment in capital assets	8,190,307	7,675,329
Restricted	1,027,109	1,438,359
Unrestricted	<u>1,955,956</u>	<u>3,054,194</u>
Total net position	<u>\$ 11,173,372</u>	<u>\$ 12,167,882</u>

Net Position

The largest portion of the City's net position (73.3%) reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2019

An additional portion of the City's net position (9.2%) represents resources that are subject to external restrictions on how they may be used. The remaining 17.5% 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 \$994,510 from the prior fiscal year, representing an 8.2% decrease in the City's net position.

City of East Ridge's Statement of Activities

	Governmental Activities	
	June 30, 2019	June 30, 2018
Revenues		
Charges for services	\$ 2,863,145	\$ 2,777,447
Grants & contributions	107,736	2,046,841
General Revenues		
Property taxes	5,220,943	5,151,577
Local option sales tax	4,990,628	4,753,471
Other taxes	4,432,192	4,264,183
Interest	35,722	25,092
Other	<u>116,886</u>	<u>90,733</u>
Total revenues	<u>17,767,252</u>	<u>19,109,344</u>
Expenses		
General government	3,229,570	3,023,437
Public safety	7,636,737	6,247,462
Public works	4,209,048	3,951,200
Public welfare	1,313,579	1,338,530
Culture and recreation	2,017,773	1,784,758
Interest	<u>355,055</u>	<u>268,846</u>
Total expenses	<u>18,761,762</u>	<u>16,614,233</u>
Change in net position	(994,510)	2,495,111
Beginning net position	12,167,882	9,280,261
Change in accounting principle, GASB 75	<u>-</u>	<u>392,510</u>
Ending net position	<u>\$ 11,173,372</u>	<u>\$ 12,167,882</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, 2019

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,105,596, a current year decrease of \$1,558,775. Restricted fund balance of \$1,080,586 includes amounts legally constrained for law enforcement (\$30,355), state street aid (\$513,749), economic development (\$53,477), grant projects (-\$206,901) and solid waste operations (\$689,906). Funds assigned for a particular purpose total \$1,118,158. Assigned funds include funds for debt service (\$1,064,178) and funds for capital projects (\$53,980). The remaining unassigned balance of \$4,906,852 represents funds available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance totaled \$4,906,852 and the total balance was reported as unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents approximately 32.9% of total general fund expenditures and transfers out.

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

The fund balance of the City's general fund decreased by \$367,484.

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 \$(378,621).

Final Amended Budget and Actual Amounts. The City's General Fund did not operate within its final amended budget, which resulted in a negative variance of \$1,752,469.

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, 2019, amounted to \$20,626,216 (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, 2019

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, 2019	June 30, 2018
Land	\$ 1,798,958	\$ 1,798,958
Construction in process	2,111,449	5,820,252
Buildings	10,989,032	10,989,032
Infrastructure	18,501,704	12,173,525
Equipment/vehicles	<u>9,283,061</u>	<u>8,668,720</u>
	42,684,204	39,450,487
Less accumulated depreciation	<u>22,057,988</u>	<u>20,434,949</u>
Total capital assets, net	<u>\$ 20,626,216</u>	<u>\$ 19,015,538</u>

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

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$13,085,960. 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, 2019	June 30, 2018
Notes payable	\$ 3,025,000	\$ 3,085,000
General obligation bonds	9,290,910	8,204,973
Capital leases	120,000	50,236
Compensated absences	<u>650,051</u>	<u>598,779</u>
Total long-term debt	<u>\$ 13,085,961</u>	<u>\$ 11,938,988</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 28 and 29 of this report.

Economic Factors and Next Year's Budget and Rates

- As Camp Jordan continues to be improved and more business added in the Jordan Crossing Development, tourist dollars are expected to increase.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2019

- Additional debt through the Tennessee Municipal Bond Fund variable rate program and other short-term notes will be expanded in 2019 to provide needed funding for capital projects including the Camp Jordan improvements.

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, 2019. 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, 2019

	Total Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,423,788
Investments	576,960
Property taxes receivable	5,259,125
Grants receivable	200,601
Accounts receivable	803,708
Capital assets -	
Land and other non depreciable assets	3,910,407
Capital assets, net of accumulated depreciation	<u>16,715,809</u>
Total assets	<u>33,890,398</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	1,211,182
Deferred OPEB outflows	<u>61,204</u>
Total deferred outflows of resources	<u>1,272,386</u>
LIABILITIES	
Accounts payable	605,572
Accrued liabilities	369,365
Deferred premium	440,937
OPEB obligation	3,094,000
Net pension liability	1,018,306
Long-term liabilities -	
Due within one year	1,401,842
Due in more than one year	<u>11,684,119</u>
Total liabilities	<u>18,614,141</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	4,720,780
Deferred OPEB inflows	264,000
Deferred pension inflows	<u>390,491</u>
Total deferred inflows of resources	<u>5,375,271</u>
NET POSITION	
Net investment in capital assets	8,190,307
Restricted	1,027,109
Unrestricted	<u>1,955,956</u>
Total net position	<u>\$ 11,173,372</u>

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Total Governmental Activities (Net)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT					
Governmental activities -					
General government	\$ 3,229,570	\$ 214,496	\$ 1,000	\$ -	\$ (3,014,074)
Public safety	7,636,737	562,840	76,211	-	(6,997,686)
Public works	4,209,048	1,540,577	29,525	-	(2,638,946)
Public welfare	1,313,579	-	-	-	(1,313,579)
Culture and recreation	2,017,773	545,232	1,000	-	(1,471,541)
Interest	355,055	-	-	-	(355,055)
Total primary government	<u>\$ 18,761,762</u>	<u>\$ 2,863,145</u>	<u>\$ 107,736</u>	<u>\$ -</u>	(15,790,881)
GENERAL REVENUES					
Property taxes					5,220,943
Local sales taxes					4,990,628
Local beer taxes					403,395
State shared taxes					3,165,726
Other taxes					545,931
Franchise fees					317,140
Other revenues					116,886
Interest					<u>35,722</u>
Total general revenue					<u>14,796,371</u>
Change in net position					<u>(994,510)</u>
NET POSITION					
Beginning					<u>12,167,882</u>
Ending					<u>\$ 11,173,372</u>

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

CITY OF EAST RIDGE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	General	TML Bond Fund	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 4,112,160	\$ 1,009,811	\$ 325,543
Investments	576,960	-	-
Property taxes receivable	5,259,125	-	-
Grant funds receivable	-	-	-
Accounts receivables	623,046	54,367	-
Due from other funds	829,246	-	15,000
	<u>11,400,537</u>	<u>1,064,178</u>	<u>340,543</u>
Total assets	<u>\$ 11,400,537</u>	<u>\$ 1,064,178</u>	<u>\$ 340,543</u>
LIABILITIES			
Accounts payable	\$ 194,460	\$ -	\$ 232,934
Accrued liabilities	326,704	-	-
Due to other funds	762,392	-	53,629
	<u>1,283,556</u>	<u>-</u>	<u>286,563</u>
Total liabilities	<u>1,283,556</u>	<u>-</u>	<u>286,563</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	5,210,129	-	-
	<u>5,210,129</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>5,210,129</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for -			
Law enforcement	-	-	-
State approved street aid	-	-	-
Economic Development	-	-	-
Grant projects	-	-	-
Solid waste operations	-	-	-
Assigned to -			
Debt service	-	1,064,178	-
Capital projects	-	-	53,980
Unassigned	4,906,852	-	-
	<u>4,906,852</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,906,852</u>	<u>1,064,178</u>	<u>53,980</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,400,537</u>	<u>\$ 1,064,178</u>	<u>\$ 340,543</u>

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

Solid Waste Collection	Other Governmental Funds	Total Governmental Funds
\$ 281,102	\$ 695,172	\$ 6,423,788
-	-	576,960
-	-	5,259,125
-	200,601	200,601
126,295	-	803,708
<u>619,012</u>	<u>128,380</u>	<u>1,591,638</u>
<u>\$ 1,026,409</u>	<u>\$ 1,024,153</u>	<u>\$ 14,855,820</u>
\$ 44,675	\$ 133,503	\$ 605,572
16,181	-	342,885
<u>275,647</u>	<u>499,970</u>	<u>1,591,638</u>
<u>336,503</u>	<u>633,473</u>	<u>2,540,095</u>
<u>-</u>	<u>-</u>	<u>5,210,129</u>
<u>-</u>	<u>-</u>	<u>5,210,129</u>
-	30,355	30,355
-	513,749	513,749
-	53,477	53,477
-	(206,901)	(206,901)
689,906	-	689,906
-	-	1,064,178
-	-	53,980
<u>-</u>	<u>-</u>	<u>4,906,852</u>
<u>689,906</u>	<u>390,680</u>	<u>7,105,596</u>
<u>\$ 1,026,409</u>	<u>\$ 1,024,153</u>	<u>\$ 14,855,820</u>

CITY OF EAST RIDGE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET

OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2019

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

Fund balances – total governmental funds \$ 7,105,596

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. 20,626,216

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. 489,349

Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position 617,895

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	\$ (1,018,306)	
Bonds payable	(3,025,000)	
Net bond issue premiums	(440,937)	
Notes payable	(9,290,910)	
Capital leases	(120,000)	
Compensated absences	(650,051)	
Accrued interest payable	(26,480)	(14,571,684)

Annual required contributions for OPEB liability are not expected to be liquidated with current resources, and therefore are not reported in the funds. (3,094,000)

Net position of governmental activities \$ 11,173,372

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, 2019

	General	TML Bond Fund	Capital Projects	Solid Waste Collection
REVENUES				
Taxes	\$ 9,369,649	\$ 535,022	\$ -	\$ -
Licenses and permits	167,195	-	-	-
Intergovernmental	2,253,422	-	-	-
Charges for services	704,353	-	-	1,531,757
Fines and forfeitures	454,932	-	-	-
Miscellaneous	90,071	17,178	3,279	-
Total revenues	<u>13,039,622</u>	<u>552,200</u>	<u>3,279</u>	<u>1,531,757</u>
EXPENDITURES				
Current -				
General government	4,797,847	-	2,111,450	-
Public safety	7,011,457	-	-	-
Public works	776,873	-	-	1,297,770
Public welfare	199,486	-	-	-
Culture and recreation	1,548,380	-	-	-
Capital outlay	18,485	-	519,229	-
Debt service -				
Principal	109,509	536,000	-	-
Interest and other costs	23,001	349,013	-	-
Total expenditures	<u>14,485,038</u>	<u>885,013</u>	<u>2,630,679</u>	<u>1,297,770</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,445,416)</u>	<u>(332,813)</u>	<u>(2,627,400)</u>	<u>233,987</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1,120,015	656,425	115,852	-
Transfers to other funds	(445,342)	-	-	-
Note proceeds	386,791	-	1,354,418	-
Proceeds from sale of assets	16,468	-	-	685
Total other financing sources (uses)	<u>1,077,932</u>	<u>656,425</u>	<u>1,470,270</u>	<u>685</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(367,484)</u>	323,612	(1,157,130)	234,672
FUND BALANCES				
Beginning	<u>5,274,336</u>	<u>740,566</u>	<u>1,211,110</u>	<u>455,234</u>
Ending	<u>\$ 4,906,852</u>	<u>\$ 1,064,178</u>	<u>\$ 53,980</u>	<u>\$ 689,906</u>

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

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 9,904,671
-	167,195
2,520,303	4,773,725
-	2,236,110
21,976	476,908
7,623	118,151
<u>2,549,902</u>	<u>17,676,760</u>
-	6,909,297
63,841	7,075,298
1,631,556	3,706,199
-	199,486
-	1,548,380
-	537,714
-	645,509
-	372,014
<u>1,695,397</u>	<u>20,993,897</u>
<u>854,505</u>	<u>(3,317,137)</u>
210,000	2,102,292
(1,656,950)	(2,102,292)
-	1,741,209
-	17,153
<u>(1,446,950)</u>	<u>1,758,362</u>
(592,445)	(1,558,775)
<u>983,125</u>	<u>8,664,371</u>
<u>\$ 390,680</u>	<u>\$ 7,105,596</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, 2019

Differences in amounts reported for governmental activities in the statement of activities on page 11:	
Net change in fund balances – total governmental funds	\$ (1,558,775)
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.	3,459,160
Depreciation expense on governmental capital assets are included in the statement of activities.	(1,843,719)
The net effect of various transactions involving capital assets	(4,763)
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	\$ 645,509
Amortization	16,959
Notes/capital lease issued	<u>(1,741,209)</u>
	(1,078,741)
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	(51,273)
Change in net pension liability and related deferred items	269,584
Change in net OPEB liability and related deferral item	<u>(264,002)</u>
	(45,691)
Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds.	<u>78,019</u>
Change in net position of governmental activities	<u>\$ (994,510)</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, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,715,473	\$ 9,715,473	\$ 9,369,649	\$ (345,824)
Licenses and permits	338,050	338,050	167,195	(170,855)
Intergovernmental	2,659,548	2,659,548	2,253,422	(406,126)
Charges for services	1,047,883	1,051,483	704,353	(347,130)
Fines and forfeitures	333,134	356,134	454,932	98,798
Miscellaneous	55,027	108,106	90,071	(18,035)
Total revenue	<u>14,149,115</u>	<u>14,228,794</u>	<u>13,039,622</u>	<u>(1,189,172)</u>
EXPENDITURES				
Current-				
General government	3,020,120	3,271,168	4,797,847	(1,526,679)
Public safety	6,871,082	7,080,334	7,011,457	68,877
Public works	886,642	886,642	776,873	109,769
Public welfare	230,122	230,122	199,486	30,636
Culture and recreation	1,701,710	1,701,710	1,548,380	153,330
Capital outlay	21,000	21,000	18,485	2,515
Debt service -				
Principal	109,508	109,508	109,509	(1)
Interest	8,667	8,667	23,001	(14,334)
Total expenditures	<u>12,848,851</u>	<u>13,309,151</u>	<u>14,485,038</u>	<u>(1,175,887)</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,300,264	919,643	(1,445,416)	(2,365,059)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	445,342	445,342	674,673	229,331
Note proceeds	-	-	386,791	386,791
Proceeds from sale of assets	20,000	20,000	16,468	(3,532)
Total other financing sources (uses)	<u>465,342</u>	<u>465,342</u>	<u>1,077,932</u>	<u>612,590</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,765,606	1,384,985	(367,484)	<u>\$ (1,752,469)</u>
FUND BALANCE				
Beginning	<u>5,488,384</u>	<u>5,061,227</u>	<u>5,274,336</u>	
Ending	<u>\$ 7,253,990</u>	<u>\$ 6,446,212</u>	<u>\$ 4,906,852</u>	

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, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for services	\$ 1,523,050	\$ 1,523,050	\$ 1,531,757	\$ 8,707
Total revenues	<u>1,523,050</u>	<u>1,523,050</u>	<u>1,531,757</u>	<u>8,707</u>
EXPENDITURES				
Current				
Salaries	525,315	525,315	458,704	66,611
Payroll taxes	38,477	38,477	33,705	4,772
Health insurance	140,913	140,913	125,599	15,314
Pension	50,297	50,297	43,605	6,692
Unemployment insurance	1,875	1,875	849	1,026
Employee training and testing	2,000	2,000	450	1,550
Printing and duplicating	1,300	1,300	-	1,300
Utilities	13,600	13,600	8,625	4,975
Contract services	315,000	315,000	349,115	(34,115)
Operating supplies	224,350	224,350	233,946	(9,596)
Building and equipment maintenance	11,000	11,000	6,808	4,192
Equipment purchases	46,500	46,500	36,364	10,136
Total expenditures	<u>1,370,627</u>	<u>1,370,627</u>	<u>1,297,770</u>	<u>72,857</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	152,423	152,423	233,987	\$ <u>81,564</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	685	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	152,423	152,423	234,672	
FUND BALANCE				
Beginning	<u>384,729</u>	<u>383,505</u>	<u>455,234</u>	
Ending	<u>\$ 537,152</u>	<u>\$ 535,928</u>	<u>\$ 689,906</u>	

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

	PAGE	
Note 1	Summary of Significant Accounting Policies	20
Note 2	Stewardship, Compliance and Accountability	26
Note 3	Cash Deposits and Investments	26
Note 4	Receivables	27
Note 5	Interfund Transfers and Balances	27
Note 6	Capital Assets	28
Note 7	Bonds and Notes Payable	28
Note 8	Employee Retirement Systems	30
Note 9	Restrictions and Contingencies	35
Note 10	Risk Management and Litigation	35
Note 11	Subsequent Events	36

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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, 2019, 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.

The *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 and net realizable value. 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 Receivable

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 \$349,938. 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, 2019.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of 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 2019 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 I) and consist of certificates of deposit totaling \$576,960.

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, 2019, consist of the following:

Funds	General	TML Bond	Solid Waste	Other Governmental	Total
Taxes	\$ 5,259,125	\$ -	\$ -	\$ -	\$ 5,259,125
Grants	-	-	-	200,601	200,601
Intergovernmental	611,041	54,367	-	-	665,408
Other	7,188	-	-	-	7,188
Accounts	<u>4,817</u>	<u>-</u>	<u>577,009</u>	<u>-</u>	<u>581,826</u>
Gross receivables	5,882,171	54,367	577,009	200,601	6,714,148
Less: Allowance for uncollectibles	-	-	(450,714)	-	(450,714)
Net receivables	<u>\$ 5,882,171</u>	<u>\$ 54,367</u>	<u>\$ 126,295</u>	<u>\$ 200,601</u>	<u>\$ 6,263,434</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, 2019, are as follows:

	Transfers In				Total
	General Fund	Capital Projects	TML Bond	Other Governmental	
Transfers Out:					
General Fund	\$ -	\$ 115,852	\$ 119,490	\$ 210,000	\$ 445,342
Other Governmental	-	-	536,935	-	536,935
	<u>\$ -</u>	<u>\$ 115,852</u>	<u>\$ 656,425</u>	<u>\$ 210,000</u>	<u>\$ 982,277</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, 2019, are as follows:

Receivable Fund	Payable Fund	Amount
Drug Investigation Fund	General Fund	\$ 6,407
General Fund	Grant Fund	452,387
General Fund	Capital Projects	38,629
Solid Waste Fund	General Fund	343,365
State Street Aid Fund	General Fund	74,391
		<u>\$ 915,179</u>

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets:				
Land	\$ 1,798,958	\$ -	\$ -	\$ 1,798,958
Construction in process	<u>5,820,252</u>	<u>2,111,449</u>	<u>5,820,252</u>	<u>2,111,449</u>
Total non-depreciable assets	<u>7,619,210</u>	<u>2,111,449</u>	<u>5,820,252</u>	<u>3,910,407</u>
Depreciable capital assets:				
Buildings	10,989,032	-	-	10,989,032
Infrastructure	12,173,525	6,328,179	-	18,501,704
Equipment / Vehicles	<u>8,668,720</u>	<u>839,784</u>	<u>225,443</u>	<u>9,283,061</u>
	<u>31,831,277</u>	<u>7,167,963</u>	<u>225,443</u>	<u>38,773,797</u>
Less accumulated depreciation:				
Buildings	7,037,386	331,116	-	7,368,502
Infrastructure	7,139,820	444,446	-	7,584,266
Equipment / Vehicles	<u>6,257,743</u>	<u>1,068,157</u>	<u>220,680</u>	<u>7,105,220</u>
	<u>20,434,949</u>	<u>1,843,719</u>	<u>220,680</u>	<u>22,057,988</u>
Total depreciable assets, net	<u>11,396,328</u>	<u>5,324,244</u>	<u>4,763</u>	<u>16,715,809</u>
Total capital assets, net	<u>\$ 19,015,538</u>	<u>\$ 7,435,693</u>	<u>\$5,825,015</u>	<u>\$ 20,626,216</u>

Depreciation expense is charged to functions as follows:

General	\$ 165,935
Public safety	700,613
Public works	460,930
Culture and recreation	<u>516,241</u>
Total	<u>\$ 1,843,719</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 a rate of 5%, through March 2045 \$ 3,025,000

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% \$ 848,000

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 1,309,000

Note of \$221,793 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 2.68% beginning February, 2019, and additional interest and principal due through February, 2025 192,700

(Continued)

NOTE 7 – BONDS AND NOTES PAYABLE (Continued)

Note of \$4,900,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 2.55% beginning October 2018, and additional interest and principal due through October 2037	4,709,000
Note of \$750,000 to Tennessee Municipal League Bond Fund, payable in variable, annual installments through 2029, with interest payable at 2.76%	641,000
Note of \$725,000 to Tennessee Municipal League Bond Fund, with semiannual interest payments at 3.98% beginning December 5, 2018, and additional interest and principal due through December 1, 2022	236,791
Note of \$2,300,000 to Tennessee Municipal League bond Fund, payable In variable, annual installments through December 1, 2038, with interest payable at 4.05%	<u>1,354,418</u>
	<u>\$ 9,290,909</u>
Capital lease obligation: Payable to Motorola Solutions in annual installments of \$30,000, through July 2023	<u>\$ 120,000</u>
Liability for compensated absences	<u>\$ 650,051</u>

Maturities of general long-term debt are as follows:

For the year ending June 30,	General Obligation Bonds	Notes	Lease Obligations	Compensated Absences	Total
2020	\$ 65,000	\$ 656,792	\$ 30,000	\$ 650,051	\$ 1,401,843
2021	70,000	673,800	30,000	-	773,800
2022	70,000	691,700	30,000	-	791,700
2023	75,000	691,500	30,000	-	796,500
2024	75,000	660,400	-	-	735,400
2025-2029	410,000	2,456,300	-	-	2,866,300
2030-2034	525,000	2,184,418	-	-	2,709,418
2035-2039	675,000	1,276,000	-	-	1,951,000
2040-2044	840,000	-	-	-	840,000
2045	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>220,000</u>
	<u>\$ 3,025,000</u>	<u>\$ 9,290,910</u>	<u>\$ 120,000</u>	<u>\$ 650,051</u>	<u>\$ 13,085,961</u>

During the year ended June 30, 2019, changes in long-term debt were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 3,085,000	\$ -	\$ (60,000)	\$ 3,025,000	\$ 65,000
Notes payable	8,204,973	1,591,210	(505,273)	9,290,910	656,791
Capital lease obligations	50,236	150,000	(80,236)	120,000	30,000
Compensated absences	<u>598,779</u>	<u>452,462</u>	<u>(401,190)</u>	<u>650,051</u>	<u>650,051</u>
	<u>\$ 11,938,988</u>	<u>\$ 2,193,672</u>	<u>\$ (1,046,699)</u>	<u>\$ 13,085,961</u>	<u>\$ 1,401,842</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.

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	51
Active employees	<u>131</u>
	<u>240</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, 2018, employer contributions for East Ridge were \$531,711 based on a rate of 10.00 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.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Net Pension Liability (Asset)

East Ridge’s net pension liability (asset) was measured as of June 30, 2018, 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, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

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

The actuarial assumptions used in the June 30, 2018 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 2.5 percent.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Position Liability (Asset) (a) – (b)
Balance at 06/30/17	\$ 19,771,560	\$ 18,062,325	\$ 1,709,235
Changes for the year:			
Service cost	436,698	-	436,698
Interest	1,430,710	-	1,430,710
Differences between expected and actual experience	(280,511)	-	(280,511)
Changes of assumptions	-	-	-
Contributions – employer	-	531,711	(531,711)
Contributions – employees	-	265,857	(265,857)
Net investment income	-	1,492,501	(1,492,501)
Benefit payments, including refund of employee contributions	(948,647)	(948,647)	-
Administrative expense	-	(12,243)	12,243
Net changes	<u>638,250</u>	<u>1,329,179</u>	<u>(690,929)</u>
Balance at 06/30/18	<u>\$ 20,409,810</u>	<u>\$ 19,391,504</u>	<u>\$ 1,018,306</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 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability (asset)	<u>\$ 3,758,332</u>	<u>\$ 1,018,306</u>	<u>\$ (1,248,708)</u>

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

Pension expense. For the year ended June 30, 2019, the City recognized pension expense of \$291,237.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 315,377	\$ 316,911
Change of assumptions	334,982	-
Net difference between projected and actual earnings of pension plan investments	452,441	526,021
Employer contributions after Measurement Date but prior To fiscal year end	<u>560,823</u>	<u>-</u>
Total	<u>\$ 1,663,623</u>	<u>\$ 842,932</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:	
2019	\$ (18,959)
2020	227,736
2021	87,743
2022	(108,169)
2023	42,289
2024	50,340
Thereafter	(40,073)
	<u>\$ 240,907</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, 2019, East Ridge did not report a payable for the outstanding amount of contributions to the plan required at the year ended June 30, 2019.

City of East Ridge Other Postemployment Benefits Plan

Plan Description

Employer. City of East Ridge

Plan description. Refer to Summary of Plan Provisions located in the Appendices

Benefits provided. Refer to Summary of Plan Provisions located in the Appendices

Employees covered by benefit terms. At July 1, 2018 (the valuation date) the following employees were covered by the benefit terms:

	Count
Inactive employees or beneficiaries currently receiving benefits	13
Active employees	<u>118</u>
	<u>131</u>

Employer Contributions

The funding policy of the plan sponsor is to contribute annually an amount sufficient to satisfy benefit payment requirements to participants.

Employee Contributions

None

Net OPEB Liability

The employer’s net OPEB liability is reported herein as of June 30, 2019 for the employer fiscal year and reporting period of July 1, 2018 to June 30, 2019. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2018 and the corresponding measurement period of July 1, 2018 to July 1, 2019. The measurement of the total OPEB liability is based on a valuation date of July 1, 2018.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Expected Return on Assets:	N/A
Discount Rate:	3.62 percent
Salary Scale:	2.50 percent
Healthcare Cost Trend Rates:	(0.00%) for the fiscal year end 2018 (to reflect actual experience), then 6.50% for fiscal year end 2019, decreasing 0.50% per year to an ultimate rate of 5.00%
Mortality:	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2018
Actuarial Cost Method:	Entry Age Actuarial Cost Method

Expected Return on Assets

None

Discount Rate

The discount rate has been set equal to 3.62% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2018.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (Asset) (a) – (b)
Balance at July 1, 2018	\$ 3,100,000	\$ -	\$ 3,100,000
Changes for the year:			
Service cost	250,000	-	250,000
Interest	118,000	-	118,000
Differences between expected and actual experience	(287,000)	-	(287,000)
Contributions – employer	-	67,000	(67,000)
Contributions – employees	-	-	-
Benefit payments	(67,000)	(67,000)	-
Other changes	(20,000)	-	(20,000)
Net changes	<u>(6,000)</u>	<u>-</u>	<u>(6,000)</u>
Balance at June 30, 2019	<u>\$ 3,094,000</u>	<u>\$ -</u>	<u>\$ 3,094,000</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the discount rate, as well as what the employer's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Employer's Net OPEB Liability	<u>\$ 3,372,000</u>	<u>\$ 3,094,000</u>	<u>\$ 2,836,000</u>

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Sensitivity of the net OPEB liability to changes in the Trend rate. The following presents the net OPEB liability/(asset) of the employer as of the measurement date calculated using the trend rate, as well as what the employer’s net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Employer’s Net OPEB Liability	\$ <u>2,674,000</u>	\$ <u>3,094,000</u>	\$ <u>3,605,000</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, under GASB 75 the employer OPEB expense is \$352,000. The Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB as of June 30, 2019 from various sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (247,000)
Changes of assumptions	-	(17,000)
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions after Measurement Date but prior Date but prior to fiscal year end	<u>61,204</u>	<u>-</u>
Total	<u>\$ 61,204</u>	<u>\$ (264,000)</u>

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

Year ended June 30:	
2020	\$ (43,000)
2021	(43,000)
2022	(43,000)
2023	(43,000)
2024	(43,000)
2025	(42,000)
2026	(7,000)
Thereafter	<u>-</u>
	<u>\$ (264,000)</u>

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 2019 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

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 TEN FISCAL YEARS ENDING

	2018	2017	2016	2015	2014
Total Pension Liability (Asset)					
Service cost	\$ 436,698	\$ 401,914	\$ 387,433	\$ 378,218	\$ 355,419
Interest	1,430,710	1,366,825	1,292,399	1,246,302	1,162,743
Changes in benefit terms	-	-	-	-	-
Differences between actual and expected experience	(280,511)	163,918	208,110	(178,441)	277,808
Change in assumptions	-	468,974	-	-	-
Benefit payments, including refunds of employee contributions	(948,647)	(904,986)	(915,163)	(766,168)	(643,140)
Net change in total pension liability	638,250	1,496,645	972,779	679,911	1,152,830
Total pension liability - beginning	19,771,560	18,274,915	17,302,136	16,622,225	15,469,395
Total pension liability - ending (a)	<u>\$ 20,409,810</u>	<u>\$ 19,771,560</u>	<u>\$ 18,274,915</u>	<u>\$ 17,302,136</u>	<u>\$ 16,622,225</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 531,711	\$ 487,590	\$ 414,430	\$ 413,814	\$ 407,430
Contributions - employee	265,857	243,796	224,017	223,684	220,711
Net investment income	1,492,501	1,847,817	427,408	487,732	2,257,625
Benefit payments, including refunds of employee contributions	(948,647)	(904,986)	(915,163)	(766,168)	(643,140)
Administrative expense	(12,243)	(10,331)	(8,744)	(5,714)	(4,837)
Net change in plan fiduciary net position	1,329,179	1,663,886	141,948	353,348	2,237,789
Plan fiduciary net position - beginning	18,062,325	16,398,439	16,256,491	15,903,143	13,665,354
Plan fiduciary net position - ending (b)	<u>\$ 19,391,504</u>	<u>\$ 18,062,325</u>	<u>\$ 16,398,439</u>	<u>\$ 16,256,491</u>	<u>\$ 15,903,143</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 1,018,306</u>	<u>\$ 1,709,235</u>	<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	95.01%	91.36%	89.73%	93.96%	95.67%
Covered - employee payroll	\$ 5,317,111	\$ 4,875,894	\$ 4,480,329	\$ 4,473,661	\$ 4,414,199
Net pension liability (asset) as a percentage of covered payroll	19.15%	35.05%	41.88%	23.37%	16.29%

Notes to Schedule:

Changes of assumptions. In 2017, amount reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

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

	2019	2018	2017	2016
Actuarially determined contribution	\$ 531,711	\$ 451,020	\$ 414,431	\$ 413,814
Contributions in relation to the actuarially determined contribution	<u>531,711</u>	<u>487,590</u>	<u>414,431</u>	<u>413,814</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (36,570)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,317,111	\$ 4,875,894	\$ 4,480,329	\$ 4,473,661
Contributions as a percentage covered-employee payroll	10.00%	10.00%	9.25%	9.25%

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 PENSION SCHEDULES

LAST FISCAL YEAR ENDING JUNE 30, 2019

Valuation date: Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2018 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	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based in age, including inflation
Investment Rate of Return	7.25 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	2.25 percent

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN THE CITY OF EAST RIDGE TENNESSEE'S NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years (as information becomes available)

	2019	2018
Total OPEB Liability (Asset)		
Service cost	\$ 250,000	\$ 244,000
Interest	118,000	108,000
Changes in benefit terms	-	-
Differences between actual and expected experience	(287,000)	-
Change in assumptions	(20,000)	-
Benefit payments, including refunds of employee contributions	<u>(67,000)</u>	<u>(102,000)</u>
Net change in total OPEB liability	(6,000)	250,000
Total pension liability - beginning	<u>3,100,000</u>	<u>2,850,000</u>
Total pension liability - ending (a)	<u><u>\$ 3,094,000</u></u>	<u><u>\$ 3,100,000</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ 67,000	\$ 102,000
Contributions - employee	-	-
Net investment income	-	-
Benefit payments, including refunds of employee contributions	(67,000)	(102,000)
Administrative expense	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	<u>-</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Net Pension Liability (asset) - ending (a) - (b)	<u><u>\$ 3,094,000</u></u>	<u><u>\$ 3,100,000</u></u>
 Plan fiduciary net position as a percentage of total pension liability	0.00%	0.00%
 Covered - employee payroll	\$ 4,665,000	\$ 4,665,000
 Net pension liability (asset) as a percentage of covered payroll	66.32%	66.45%

Notes to Schedule:

None.

CITY OF EAST RIDGE, TENNESSEE

**SCHEDULE OF CITY OF EAST RIDGE, TENNESSEE'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE
OTHER POST-EMPLOYMENT BENEFIT PLAN**

Last 10 Fiscal Years (as information becomes available)

	2019	2018
Actuarially determined contribution	\$ 67,000	\$ 102,000
Contributions in relation to the actuarially determined contribution	<u>67,000</u>	<u>102,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,665,000	\$ 4,665,000
Contributions as a percentage covered-employee payroll	1.44%	2.19%

Notes to Schedule:

The employer has elected to make an annual contribution equal to the benefit payments. The employer contributions. It is sometimes referred to as "pay-as-you-go."

The expected benefit payments are actuarially determined to reflect the age difference between the overall covered group and the retiree group.

Actuarially determined contributions, which are based on the expected "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown. This is the first valuation under GASB 75 for the reported Plan.

OTHER SUPPLEMENTARY INFORMATION

CITY OF EAST RIDGE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2019

	Special Revenue					Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Grant Fund	Asset Forfeiture	Economic Development	
ASSETS						
Cash and cash equivalents	\$ 35,527	\$ 439,359	\$ 166,537	\$ 272	\$ 53,477	\$ 695,172
Grant funds receivables	-	-	200,601	-	-	200,601
Accounts receivables	-	-	-	-	-	-
Due from other funds	6,407	74,390	47,583	-	-	128,380
Total assets	<u>\$ 41,934</u>	<u>\$ 513,749</u>	<u>\$ 414,721</u>	<u>\$ 272</u>	<u>\$ 53,477</u>	<u>\$ 1,024,153</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 11,851	\$ -	\$ 121,652	\$ -	\$ -	\$ 133,503
Due to other funds	-	-	499,970	-	-	499,970
Total liabilities	<u>11,851</u>	<u>-</u>	<u>621,622</u>	<u>-</u>	<u>-</u>	<u>633,473</u>
Fund balances						
Restricted for -						
Law enforcement	30,083	-	-	272	-	30,355
State approved street aid	-	513,749	-	-	-	513,749
Economic Development	-	-	-	-	53,477	53,477
Grant projects	-	-	(206,901)	-	-	(206,901)
Total fund balances	<u>30,083</u>	<u>513,749</u>	<u>(206,901)</u>	<u>272</u>	<u>53,477</u>	<u>390,680</u>
Total liabilities and fund balances	<u>\$ 41,934</u>	<u>\$ 513,749</u>	<u>\$ 414,721</u>	<u>\$ 272</u>	<u>\$ 53,477</u>	<u>\$ 1,024,153</u>

CITY OF EAST RIDGE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2019

	Special Revenue					Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	Grant Fund	Asset Forfeiture	Economic Development	
REVENUES						
Intergovernmental	\$ 36,011	\$ 734,525	\$ 39,525	\$ -	\$ 1,710,242	\$ 2,520,303
Fines and forfeitures	21,976	-	-	-	-	21,976
Miscellaneous	7,280	145	13	-	185	7,623
Total revenues	<u>65,267</u>	<u>734,670</u>	<u>39,538</u>	<u>-</u>	<u>1,710,427</u>	<u>2,549,902</u>
EXPENDITURES						
Current-						
Public safety	63,631	-	-	210	-	63,841
Public works	-	943,376	688,180	-	-	1,631,556
Total expenditures	<u>63,631</u>	<u>943,376</u>	<u>688,180</u>	<u>210</u>	<u>-</u>	<u>1,695,397</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,636</u>	<u>(208,706)</u>	<u>(648,642)</u>	<u>(210)</u>	<u>1,710,427</u>	<u>854,505</u>
OTHER FINANCING SOURCES						
Transfers from other funds	-	-	210,000	-	-	210,000
Transfers to other funds	-	-	-	-	(1,656,950)	(1,656,950)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>210,000</u>	<u>-</u>	<u>(1,656,950)</u>	<u>(1,446,950)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>1,636</u>	<u>(208,706)</u>	<u>(438,642)</u>	<u>(210)</u>	<u>53,477</u>	<u>(592,445)</u>
FUND BALANCES						
Beginning	28,447	722,455	231,741	482	-	983,125
Ending	<u>\$ 30,083</u>	<u>\$ 513,749</u>	<u>\$ (206,901)</u>	<u>\$ 272</u>	<u>\$ 53,477</u>	<u>\$ 390,680</u>

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
TAXES				
Local sales tax	\$ 2,845,697	\$ 2,845,697	\$ 2,765,161	\$ (80,536)
Property taxes	5,017,816	5,017,816	4,691,793	(326,023)
Business taxes	4,000	4,000	8,386	4,386
Local beer taxes	375,000	375,000	403,387	28,387
Gross receipts taxes	1,157,960	1,157,960	1,183,782	25,822
Franchise taxes	315,000	315,000	317,140	2,140
Total taxes	<u>9,715,473</u>	<u>9,715,473</u>	<u>9,369,649</u>	<u>(345,824)</u>
LICENSES AND PERMITS				
Building permits	75,000	75,000	78,426	3,426
Plumbing permits	8,000	8,000	11,087	3,087
Electrical permits	15,000	15,000	21,649	6,649
Other permits and licenses	240,050	240,050	56,033	(184,017)
Total licenses and permits	<u>338,050</u>	<u>338,050</u>	<u>167,195</u>	<u>(170,855)</u>
INTERGOVERNMENTAL				
State sales tax	2,255,656	2,255,656	1,856,254	(399,402)
State beer tax	10,592	10,592	9,712	(880)
State telecommunications tax	3,500	3,500	2,432	(1,068)
State mixed drink tax	15,000	15,000	15,592	592
State income and excise tax	55,000	55,000	39,860	(15,140)
Interstate sales tax	-	-	2,282	2,282
City streets and transportation	45,000	45,000	41,656	(3,344)
TVA in lieu of tax	240,000	240,000	248,433	8,433
State and other grants	34,800	34,800	37,201	2,401
Total intergovernmental	<u>2,659,548</u>	<u>2,659,548</u>	<u>2,253,422</u>	<u>(406,126)</u>
CHARGES FOR SERVICES				
Fire service contract	95,841	95,841	95,841	-
Recreation fees	905,422	909,022	575,629	(333,393)
Mowing charges	8,820	8,820	8,820	-
Other	37,800	37,800	24,063	(13,737)
Total charges for services	<u>1,047,883</u>	<u>1,051,483</u>	<u>704,353</u>	<u>(347,130)</u>
FINES AND FORFEITS				
City court fines and fees	333,134	356,134	454,932	98,798
Total fines and forfeits	<u>333,134</u>	<u>356,134</u>	<u>454,932</u>	<u>98,798</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
MISCELLANEOUS				
Insurance recoveries	\$ 10,000	\$ 32,000	\$ 52,177	\$ 20,177
Interest	12,000	12,000	14,922	2,922
Other	33,027	64,106	22,972	(41,134)
Total miscellaneous	<u>55,027</u>	<u>108,106</u>	<u>90,071</u>	<u>(18,035)</u>
Total revenues	<u>14,149,115</u>	<u>14,228,794</u>	<u>13,039,622</u>	<u>(1,189,172)</u>
GENERAL GOVERNMENT				
General Government				
Health insurance	-	-	68,699	(68,699)
Pension	-	-	2,902	(2,902)
Workers' compensation	-	-	254,323	(254,323)
Dues and memberships	-	-	15,777	(15,777)
Data processing services	-	-	57,202	(57,202)
Insurance	635,000	665,592	682,279	(16,687)
Professional fees	161,575	161,798	210,390	(48,592)
Equipment	-	172,511	236,792	(64,281)
	<u>796,575</u>	<u>999,901</u>	<u>1,528,364</u>	<u>(528,463)</u>
Administration				
Salaries	441,609	431,456	360,541	70,915
Payroll taxes	28,394	28,394	26,616	1,778
Health insurance	52,521	52,521	58,748	(6,227)
Pension	34,916	34,916	35,750	(834)
Unemployment insurance	800	800	455	345
Employee training and testing	6,420	6,420	3,165	3,255
Printing and duplicating	9,500	9,500	16,409	(6,909)
Dues and memberships	2,650	2,650	910	1,740
Telephone	18,000	18,000	18,874	(874)
Public relations	9,000	9,000	9,122	(122)
Travel	8,000	8,000	14,220	(6,220)
Operating supplies	81,000	81,000	84,672	(3,672)
Equipment operations and maintenance	13,000	13,000	9,191	3,809
Professional fees	137,300	167,300	165,770	1,530
Other	13,700	13,700	17,598	(3,898)
	<u>856,810</u>	<u>876,657</u>	<u>822,041</u>	<u>54,616</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
City Council				
Salaries	\$ 40,800	\$ 40,800	\$ 40,800	\$ -
Payroll taxes	3,121	3,121	3,203	(82)
Health insurance	5,741	7,463	6,206	1,257
Employee training and testing	2,000	2,000	3,465	(1,465)
Printing and duplicating	400	400	510	(110)
Dues and memberships	300	300	321	(21)
Telephone	3,000	3,000	2,048	952
Council meeting	3,200	3,200	5,566	(2,366)
Travel	10,000	10,000	8,041	1,959
Operating supplies	4,100	4,100	2,732	1,368
	<u>72,662</u>	<u>74,384</u>	<u>72,892</u>	<u>1,492</u>
Municipal Court				
Salaries	169,822	169,822	164,961	4,861
Payroll taxes	12,977	12,977	12,185	792
Health insurance	41,547	41,547	38,560	2,987
Employee training and testing	1,150	1,150	100	1,050
Pension	8,759	8,759	8,322	437
Unemployment insurance	300	300	204	96
Printing and duplicating	750	750	343	407
Dues and memberships	200	200	40	160
Subscriptions	120	120	166	(46)
Telephone	2,500	2,500	2,808	(308)
Travel	1,500	1,500	248	1,252
Operating supplies	16,000	8,704	2,898	5,806
Child restraint	10,000	10,000	19,389	(9,389)
Litigation fees	60,000	60,000	69,817	(9,817)
Contract services	-	2,698	2,698	-
Equipment	20,000	40,598	40,598	-
Other	21,000	21,000	7,871	13,129
	<u>366,625</u>	<u>382,625</u>	<u>371,208</u>	<u>11,417</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, 2019

(Continued)	Budget Amounts			Variance
	Original	Final	Actual	with Final
				Budget
Economic Development-				
Professional services	\$ 41,000	\$ 41,000	\$ 40,819	\$ 181
Incentives	-	-	<u>1,120,015</u>	<u>(1,120,015)</u>
	<u>41,000</u>	<u>41,000</u>	<u>1,160,834</u>	<u>(1,119,834)</u>
 City Hall Complex-				
Utilities	32,000	32,000	33,083	(1,083)
Operating supplies	<u>3,500</u>	<u>3,500</u>	<u>2,322</u>	<u>1,178</u>
	<u>35,500</u>	<u>35,500</u>	<u>35,405</u>	<u>95</u>
 Special Projects -				
City projects	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
 Inspection				
Salaries	304,529	314,682	293,445	21,237
Payroll taxes	19,678	19,678	21,323	(1,645)
Health insurance	92,818	92,818	98,236	(5,418)
Pension	25,411	25,411	28,517	(3,106)
Unemployment insurance	700	700	363	337
Employee training and testing	4,200	4,200	3,903	297
Printing and duplicating	2,500	2,500	1,734	766
Dues and memberships	400	400	219	181
Telephone	3,900	3,900	4,946	(1,046)
Travel	4,000	4,000	4,401	(401)
Contract services	63,798	63,798	43,134	20,664
Operating supplies	4,900	4,900	4,312	588
Equipment operations and maintenance	13,388	13,388	12,219	1,169
Uniform	2,000	2,000	1,887	113
Other	<u>36,537</u>	<u>36,537</u>	<u>43,635</u>	<u>(7,098)</u>
	<u>578,759</u>	<u>588,912</u>	<u>562,274</u>	<u>26,638</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, 2019

(Continued)	Budget Amounts			Variance
	Original	Final	Actual	with Final Budget
City Garage				
Telephone	1,000	1,000	\$ 1,168	\$ (168)
Utilities	3,900	3,900	3,217	683
Equipment operations and maintenance	<u>8,450</u>	<u>8,450</u>	<u>856</u>	<u>7,594</u>
	<u>13,350</u>	<u>13,350</u>	<u>5,241</u>	<u>8,109</u>
 Building Maintenance				
Salaries	112,581	112,581	118,076	(5,495)
Payroll taxes	7,943	7,943	8,930	(987)
Health insurance	17,219	17,219	16,857	362
Pension	7,596	7,596	7,618	(22)
Unemployment insurance	400	400	241	159
Printing and duplicating	100	100	218	(118)
Telephone	3,100	3,100	3,234	(134)
Utilities	6,400	6,400	6,242	158
Medical	200	200	-	200
Operating supplies	19,100	19,100	19,862	(762)
Custodial services	2,000	2,000	3,106	(1,106)
Equipment operations and maintenance	5,000	5,000	5,031	(31)
Building maintenance	60,000	60,000	35,931	24,069
Grounds maintenance	15,000	15,000	12,242	2,758
Other	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
	<u>256,839</u>	<u>256,839</u>	<u>237,588</u>	<u>19,251</u>
 TOTAL GENERAL GOVERNMENT	<u>3,020,120</u>	<u>3,271,168</u>	<u>4,797,847</u>	<u>(1,526,679)</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC SAFETY				
Police				
Salaries	\$ 417,297	\$ 417,297	\$ 400,655	\$ 16,642
Payroll taxes	23,623	23,623	29,966	(6,343)
Health insurance	42,050	42,050	41,533	517
Pension	30,880	30,880	30,249	631
Unemployment insurance	700	700	495	205
Employee training and testing	52,350	52,350	40,270	12,080
Contract services	20,000	20,000	32,940	(12,940)
Printing and duplicating	2,650	2,650	832	1,818
Dues and memberships	1,266	1,266	3,450	(2,184)
Subscriptions	100	100	-	100
Telephone	62,000	62,000	37,161	24,839
Utilities	19,929	19,929	15,985	3,944
Medical	3,000	3,000	4,268	(1,268)
Travel	18,900	28,900	25,247	3,653
Operating supplies	21,424	128,676	93,068	35,608
Contracts with other governments	311,000	311,000	318,432	(7,432)
Supplies and small equipment	32,905	47,905	47,493	412
Equipment operations and maintenance	252,750	287,750	421,987	(134,237)
Building maintenance	1,200	1,200	554	646
Uniforms	1,100	1,100	5,046	(3,946)
Insurance	5,000	5,000	6,823	(1,823)
	<u>1,320,124</u>	<u>1,487,376</u>	<u>1,556,454</u>	<u>(69,078)</u>
Criminal Investigation				
Salaries	358,184	358,184	332,334	25,850
Payroll taxes	26,598	26,598	24,690	1,908
Health insurance	86,636	86,636	103,344	(16,708)
Pension	34,768	34,768	32,854	1,914
Unemployment insurance	700	700	386	314
Operating supplies	15,725	15,725	22,454	(6,729)
	<u>522,611</u>	<u>522,611</u>	<u>516,062</u>	<u>6,549</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, 2019

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Patrol				
Salaries	\$ 1,727,612	\$ 1,727,612	\$ 1,726,423	\$ 1,189
Payroll taxes	125,327	125,327	127,427	(2,100)
Health insurance	427,709	437,709	392,499	45,210
Pension	157,263	157,263	164,355	(7,092)
Unemployment insurance	4,300	4,300	2,316	1,984
Operating supplies	<u>142,650</u>	<u>152,650</u>	<u>190,352</u>	<u>(37,702)</u>
	<u>2,584,861</u>	<u>2,604,861</u>	<u>2,603,372</u>	<u>1,489</u>
 Fire				
Salaries	1,202,163	1,202,163	1,125,343	76,820
Payroll taxes	70,400	70,400	83,026	(12,626)
Health insurance	327,775	327,775	268,878	58,897
Pension	92,026	92,026	103,250	(11,224)
Workers' compensation	2,400	2,400	1,296	1,104
Employee training and testing	12,000	12,000	5,870	6,130
Printing and duplicating	2,300	2,300	1,825	475
Dues and memberships	900	900	580	320
Subscriptions	1,100	1,100	1,006	94
Telephone	54,000	54,000	71,157	(17,157)
Utilities	41,000	41,000	34,364	6,636
Medical	1,400	1,400	1,907	(507)
Travel	10,000	10,000	7,119	2,881
Rent	5,200	5,200	11,839	(6,639)
Operating supplies	39,700	39,700	34,024	5,676
Contracts with other governments	133,000	133,000	135,511	(2,511)
Supplies and small equipment	21,300	21,300	26,779	(5,479)
Equipment operations and maintenance	134,200	134,200	126,846	7,354
Building maintenance	2,400	24,400	30,066	(5,666)
Uniforms	28,000	28,000	24,594	3,406
Insurance	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
	<u>2,183,264</u>	<u>2,205,264</u>	<u>2,097,280</u>	<u>107,984</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, 2019

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Animal Control				
Salaries	\$ 114,179	\$ 114,179	\$ 109,668	\$ 4,511
Payroll taxes	8,132	8,132	7,912	220
Health insurance	47,934	47,934	39,790	8,144
Pension	9,077	9,077	9,345	(268)
Contract services	500	500	700	(200)
Workers' compensation	400	400	255	145
Employee training and testing	2,850	2,850	1,600	1,250
Printing and duplicating	500	500	87	413
Dues and memberships	600	600	150	450
Telephone	3,500	3,500	4,495	(995)
Utilities	8,500	8,500	8,691	(191)
Medical	300	300	177	123
Travel	2,150	2,150	1,434	716
Operating supplies	28,400	28,400	25,572	2,828
Equipment operations and maintenance	8,700	8,700	6,462	2,238
Building maintenance	1,900	1,900	3,246	(1,346)
Uniforms	5,000	5,000	879	4,121
Other	17,600	17,600	17,826	(226)
	<u>260,222</u>	<u>260,222</u>	<u>238,289</u>	<u>21,933</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>6,871,082</u>	<u>7,080,334</u>	<u>7,011,457</u>	<u>68,877</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WORKS				
Traffic Control and Street Markers				
Salaries	\$ 138,729	\$ 138,729	\$ 138,341	\$ 388
Payroll taxes	9,944	9,944	10,116	(172)
Health insurance	43,289	43,289	42,460	829
Pension	12,894	12,894	12,958	(64)
Workers' compensation	300	300	168	132
Employee training and testing	1,650	1,650	-	1,650
Printing and duplicating	200	200	-	200
Dues and memberships	300	300	270	30
Telephone	2,600	2,600	2,596	4
Utilities	4,600	4,600	3,801	799
Medical	160	160	-	160
Travel	1,000	1,000	-	1,000
Operating supplies	25,600	25,600	14,419	11,181
Equipment operations and maintenance	27,500	27,500	6,963	20,537
Building maintenance	500	500	208	292
Uniforms	1,500	1,500	414	1,086
Other	1,000	1,000	642	358
	<u>271,766</u>	<u>271,766</u>	<u>233,356</u>	<u>38,410</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, 2019

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Streets				
Salaries	\$ 341,798	\$ 341,798	\$ 295,910	\$ 45,888
Payroll taxes	25,536	25,536	21,995	3,541
Health insurance	95,412	90,912	70,133	20,779
Pension	33,380	33,380	28,962	4,418
Workers' compensation	900	900	465	435
Employee training and testing	800	800	225	575
Printing and duplicating	400	400	110	290
Telephone	2,800	2,800	2,386	414
Utilities	4,500	4,500	4,006	494
Medical	200	200	-	200
Professional and contract services	800	800	4,500	(3,700)
Operating supplies	28,200	28,200	20,868	7,332
Equipment operations and maintenance	75,000	79,500	89,848	(10,348)
Building maintenance	350	350	375	(25)
Uniforms	2,000	2,000	2,222	(222)
Damage claims	2,000	2,000	1,512	488
Other	800	800	-	800
	<u>614,876</u>	<u>614,876</u>	<u>543,517</u>	<u>71,359</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>886,642</u>	<u>886,642</u>	<u>776,873</u>	<u>109,769</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WELFARE				
Library				
Salaries	\$ 123,600	\$ 123,600	\$ 117,936	\$ 5,664
Payroll taxes	9,217	9,217	8,811	406
Health insurance	12,325	12,325	11,636	689
Pension	7,030	7,030	7,170	(140)
Workers' compensation	500	500	278	222
Employee training and testing	1,200	1,200	173	1,027
Printing and duplicating	2,000	2,000	2,902	(902)
Subscriptions	3,000	3,000	2,152	848
Telephone	2,200	2,200	2,369	(169)
Medical	200	200	214	(14)
Professional and contract services	9,000	9,000	8,231	769
Operating supplies	5,500	5,500	3,969	1,531
Equipment/book operations and maintenance	24,950	24,950	20,799	4,151
Other	-	-	3,315	(3,315)
Building maintenance	-	-	-	-
	<u>200,722</u>	<u>200,722</u>	<u>189,955</u>	<u>10,767</u>
Museum				
Telephone	100	100	81	19
Contract services	300	300	300	-
Other	10,000	10,000	-	10,000
Operating supplies	4,000	4,000	-	4,000
	<u>14,400</u>	<u>14,400</u>	<u>381</u>	<u>14,019</u>
Community Development Centers				
Transportation Assistance	<u>15,000</u>	<u>15,000</u>	<u>9,150</u>	<u>5,850</u>
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>230,122</u>	<u>230,122</u>	<u>199,486</u>	<u>30,636</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
CULTURE AND RECREATION				
Arena				
Salaries	\$ 308,504	\$ 308,504	\$ 269,910	\$ 38,594
Payroll taxes	22,616	22,616	20,162	2,454
Health insurance	46,226	46,226	48,713	(2,487)
Pension	22,214	22,214	19,895	2,319
Workers' compensation	1,000	1,000	718	282
Employee training and testing	2,100	2,100	190	1,910
Printing and duplicating	700	700	412	288
Dues and subscriptions	1,200	1,200	1,326	(126)
Telephone	4,500	4,500	5,168	(668)
Utilities	51,200	51,200	84,392	(33,192)
Travel	2,000	2,000	1,518	482
Operating supplies	20,500	20,500	19,642	858
Contracted services	8,000	8,000	10,385	(2,385)
Equipment operations and maintenance	60,320	60,320	59,708	612
Building maintenance	1,200	1,200	2,195	(995)
Grounds maintenance	61,000	70,476	47,787	22,689
Uniforms	2,500	2,500	3,194	(694)
Medical	848	848	638	210
Damage claims	1,000	1,000	2,007	(1,007)
Other	6,000	6,000	8,115	(2,115)
	<u>623,628</u>	<u>633,104</u>	<u>606,075</u>	<u>27,029</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Maintenance of Recreational Facilities				
Salaries	\$ 190,862	\$ 190,862	\$ 195,264	\$ (4,402)
Payroll taxes	12,535	12,535	14,675	(2,140)
Health insurance	34,420	34,420	33,961	459
Pension	16,386	16,386	17,517	(1,131)
Workers' compensation	400	400	224	176
Employee training and testing	750	750	280	470
Printing and duplicating	500	500	-	500
Dues and memberships	750	750	211	539
Telephone	8,000	8,000	6,714	1,286
Utilities	115,000	110,524	92,791	17,733
Operating supplies	16,350	11,350	10,145	1,205
Contracted services	9,250	9,250	10,449	(1,199)
Equipment operations and maintenance	10,500	10,500	10,992	(492)
Grounds maintenance	2,500	2,500	965	1,535
Travel	1,500	1,500	352	1,148
Park promotions	6,000	6,000	1,200	4,800
Uniforms	2,000	2,000	306	1,694
Medical	150	150	-	150
Other	1,000	1,000	-	1,000
	<u>428,853</u>	<u>419,377</u>	<u>396,046</u>	<u>23,331</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, 2019

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Community Center				
Salaries	\$ 189,270	\$ 189,270	\$ 172,578	\$ 16,692
Payroll taxes	13,667	13,667	12,682	985
Health insurance	44,297	44,297	44,972	(675)
Pension	7,095	7,095	7,453	(358)
Workers' compensation	800	800	468	332
Employee training and testing	350	350	-	350
Printing and duplicating	500	500	127	373
Dues and memberships	150	150	140	10
Telephone	4,750	4,750	4,016	734
Utilities	54,500	54,500	29,772	24,728
Medical	150	150	107	43
Operating supplies	22,000	22,000	14,865	7,135
Contracted services	1,400	1,400	9,090	(7,690)
Equipment operations and maintenance	27,750	27,750	1,365	26,385
Building maintenance	5,000	5,000	7,919	(2,919)
Grounds maintenance	14,500	14,500	1,582	12,918
Travel	250	250	-	250
Uniforms	750	750	1,055	(305)
Other	-	-	451	(451)
	<u>387,179</u>	<u>387,179</u>	<u>308,642</u>	<u>78,537</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, 2019

(Continued)

	Budget Amounts			Variance
	Original	Final	Actual	with Final Budget
McBrien School				
Telephone	\$ -	\$ -	\$ 180	\$ (180)
Utilities	6,500	16,500	12,558	3,942
Contracted services	400	400	360	40
Operating supplies	1,200	1,200	4,004	(2,804)
Building maintenance	1,000	1,000	127	873
Other	500	500	-	500
	<u>9,600</u>	<u>19,600</u>	<u>17,229</u>	<u>2,371</u>
Recreational Sports				
Contracted services	5,300	5,300	7,785	(2,485)
Printing and duplicating	1,800	1,800	200	1,600
Equipment, supplies and uniforms	112,150	120,397	109,739	10,658
Tournament fees	9,900	9,900	6,714	3,186
Officials, referees and players fees	97,200	78,953	71,595	7,358
Insurance	26,100	26,100	24,355	1,745
	<u>252,450</u>	<u>242,450</u>	<u>220,388</u>	<u>22,062</u>
TOTAL CULTURE AND RECREATION	<u>1,701,710</u>	<u>1,701,710</u>	<u>1,548,380</u>	<u>153,330</u>
CAPITAL OUTLAY				
Transportation Equipment	<u>21,000</u>	<u>21,000</u>	<u>18,485</u>	<u>2,515</u>
TOTAL CAPITAL OUTLAY	<u>21,000</u>	<u>21,000</u>	<u>18,485</u>	<u>2,515</u>
DEBT SERVICE				
Principal	109,508	109,508	109,509	(1)
Interest	<u>8,667</u>	<u>8,667</u>	<u>23,001</u>	<u>(14,334)</u>
TOTAL DEBT SERVICE	<u>118,175</u>	<u>118,175</u>	<u>132,510</u>	<u>(14,335)</u>
TOTAL EXPENDITURES	<u>12,848,851</u>	<u>13,309,151</u>	<u>14,485,038</u>	<u>(1,175,887)</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, 2019

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 1,300,264	\$ 919,643	\$ (1,445,416)	\$ (2,365,059)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	445,342	445,342	674,673	229,331
Note proceeds	-	-	386,791	386,791
Proceeds from sale of assets	20,000	20,000	16,468	(3,532)
Total other financing sources (uses)	<u>465,342</u>	<u>465,342</u>	<u>1,077,932</u>	<u>612,590</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,765,606	1,384,985	(367,484)	<u>\$ (1,752,469)</u>
FUND BALANCE				
Beginning	<u>5,488,384</u>	<u>5,061,227</u>	<u>5,274,336</u>	
Ending	<u>\$ 7,253,990</u>	<u>\$ 6,446,212</u>	<u>\$ 4,906,852</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, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 25,000	\$ 45,000	\$ 36,011	\$ (8,989)
Drug related fines and forfeitures	20,000	20,000	21,976	1,976
Sale of confiscated property	-	-	7,280	7,280
Total revenues	<u>45,000</u>	<u>65,000</u>	<u>65,267</u>	<u>267</u>
EXPENDITURES				
Current				
Employee training and testing	1,000	1,000	50	950
Bank fees	-	-	-	-
Office supplies	-	-	2,273	(2,273)
Uniforms	5,000	22,000	19,816	2,184
Travel	500	500	-	500
Equipment operations and maintenance	<u>38,500</u>	<u>41,500</u>	<u>41,492</u>	<u>8</u>
TOTAL EXPENDITURES	<u>45,000</u>	<u>65,000</u>	<u>63,631</u>	<u>1,369</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	-	-	1,636	<u>\$ 1,636</u>
FUND BALANCE				
Beginning	<u>38,001</u>	<u>32,001</u>	<u>28,447</u>	
Ending	<u>\$ 38,001</u>	<u>\$ 32,001</u>	<u>\$ 30,083</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, 2019

	Budget Amounts			Variance
	Original	Final	Actual	with Final Budget
REVENUES				
Intergovernmental	\$ 653,018	678,018	\$ 734,525	\$ 56,507
Interest	100	100	145	45
Total revenues	<u>653,118</u>	<u>678,118</u>	<u>734,670</u>	<u>56,552</u>
EXPENDITURES				
Current				
Utilities	200,000	225,000	213,155	11,845
Operating supplies	2,000	2,000	697	1,303
Professional services	71,000	71,000	30,169	40,831
Grant expenditures	-	-	-	-
Road paving and maintenance	648,441	648,441	699,325	(50,884)
Other	-	-	30	(30)
TOTAL EXPENDITURES	<u>921,441</u>	<u>946,441</u>	<u>943,376</u>	<u>3,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(268,323)	(268,323)	(208,706)	<u>\$ 59,617</u>
FUND BALANCE				
Beginning	<u>268,423</u>	<u>268,423</u>	<u>722,455</u>	
Ending	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 513,749</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,164,000	\$ 2,169,000	\$ 39,525	\$ (2,129,475)
Interest	<u>25</u>	<u>25</u>	<u>13</u>	<u>(12)</u>
Total revenues	<u>2,164,025</u>	<u>2,169,025</u>	<u>39,538</u>	<u>(2,129,487)</u>
EXPENDITURES				
Current				
Grant expenditures	<u>2,374,025</u>	<u>3,379,025</u>	<u>688,181</u>	<u>2,690,844</u>
TOTAL EXPENDITURES	<u>2,374,025</u>	<u>3,379,025</u>	<u>688,181</u>	<u>2,690,844</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(210,000)	(1,210,000)	(648,643)	561,357
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>210,000</u>	<u>210,000</u>	<u>210,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	-	(1,000,000)	(438,643)	<u>\$ 561,357</u>
FUND BALANCE				
Beginning	<u>(71,240)</u>	<u>(71,240)</u>	<u>231,742</u>	
Ending	<u>\$ (71,240)</u>	<u>\$ (1,071,240)</u>	<u>\$ (206,901)</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, 2019

	Budget Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Room occupancy tax	\$ 400,000	\$ 485,000	\$ 535,022	\$ 50,022
Interest	5,000	5,000	17,178	12,178
Total revenues	<u>405,000</u>	<u>490,000</u>	<u>552,200</u>	<u>62,200</u>
DEBT SERVICE				
Principal	531,000	531,000	536,000	(5,000)
Interest	<u>329,585</u>	<u>395,765</u>	<u>349,013</u>	<u>46,752</u>
Total debt service	<u>860,585</u>	<u>926,765</u>	<u>885,013</u>	<u>41,752</u>
TOTAL EXPENDITURES	<u>860,585</u>	<u>926,765</u>	<u>885,013</u>	<u>41,752</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(455,585)	(436,765)	(332,813)	103,952
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>656,425</u>	<u>656,425</u>	<u>656,425</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	200,840	219,660	323,612	<u>\$ 103,952</u>
FUND BALANCE				
Beginning	<u>740,567</u>	<u>740,567</u>	<u>740,566</u>	
Ending	<u>\$ 941,407</u>	<u>\$ 960,227</u>	<u>\$ 1,064,178</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, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Public safety	<u>240</u>	<u>240</u>	<u>210</u>	<u>30</u>
Total expenditures	<u>240</u>	<u>240</u>	<u>210</u>	<u>30</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(240)	(240)	(210)	<u>\$ 30</u>
FUND BALANCE				
Beginning	<u>482</u>	<u>482</u>	<u>482</u>	
Ending	<u>\$ 242</u>	<u>\$ 242</u>	<u>\$ 272</u>	

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Economic development	\$ 1,760,429	\$ 1,760,429	\$ 1,710,242	\$ (50,187)
Miscellaneous	-	-	185	185
Total revenues	<u>1,760,429</u>	<u>1,760,429</u>	<u>1,710,427</u>	<u>(50,002)</u>
EXPENDITURES				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER EXPENDITURES				
	1,760,429	1,760,429	1,710,427	(50,002)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(1,760,429)</u>	<u>(1,760,429)</u>	<u>(1,656,950)</u>	<u>(103,479)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	-	-	53,477	\$ <u>53,477</u>
FUND BALANCE				
Beginning	<u>-</u>	<u>-</u>	<u>-</u>	
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,477</u>	

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2019

Year	Tax Rate	Assessment	Levy
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
2018	1.3382	351,143,775	4,699,006
2019	1.3382	352,770,886	4,720,780

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2019

Tax Year	Property Tax Receivable Balance June 30, 2018	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2019
2019	\$ -	\$ -	\$ 4,720,780	\$ -	\$ -	\$ 4,720,780
2018	4,699,362	-	-	-	(4,442,770)	256,592
2017	253,365	-	-	-	(116,951)	136,414
2016	94,630	-	-	-	(22,306)	72,324
2015	24,259	-	-	-	(12,704)	11,555
2014	13,926	-	-	-	(1,608)	12,318
2013	12,069	-	-	-	(1,422)	10,647
2012	11,096	-	-	-	(1,934)	9,162
2011	9,376	-	-	-	(472)	8,904
2010	8,086	-	-	-	(70)	8,016
2009	5,767	-	-	-	-	5,767
2008	6,657	-	-	-	(11)	6,646
	<u>\$ 5,138,593</u>	<u>\$ -</u>	<u>\$ 4,720,780</u>	<u>\$ -</u>	<u>\$ (4,600,248)</u>	<u>\$ 5,259,125</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 DEBTY SERVICE REQUIREMENTS
 GOVERNMENTAL ACTIVITIES
 JUNE 30, 2019

Year Ending June 30,	TML Bond Fund Series 2004		TML Bond Fund Series 2015		TML Bond Fund Series 2017		General Obligation Bonds Series 2015		General Obligation Bonds Series 2017		General Obligation Bonds Series 2018		Capital Lease Obligations		General Obligation Capital Outlay Notes Series 2018		TML Bond Fund Series 2018		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	161,000	33,920	75,000	39,270	57,000	17,692	65,000	139,375	196,000	117,580	30,000	5,170	30,000	-	60,791	8,215	77,000	53,295	751,791	414,516
2021	165,000	27,480	76,000	37,020	58,000	16,118	70,000	138,025	201,000	112,519	30,800	4,360	30,000	-	63,000	5,751	80,000	50,115	773,890	391,388
2022	169,000	20,880	77,000	34,740	60,000	14,518	70,000	136,538	206,000	107,329	31,700	3,535	30,000	-	65,000	3,204	83,000	46,815	791,700	367,558
2023	174,000	14,120	78,000	32,430	61,000	12,860	75,000	134,813	211,000	102,013	32,500	2,685	30,000	-	48,000	955	87,000	43,372	796,500	343,248
2024	179,000	7,160	79,000	30,690	63,000	11,178	75,000	132,844	216,000	96,568	33,400	1,814	-	-	-	-	90,000	39,788	735,400	319,442
2025	-	-	79,000	27,720	65,000	9,440	75,000	130,781	222,000	90,984	34,300	920	-	-	-	-	94,000	36,062	569,300	295,907
2026	-	-	80,000	25,350	67,000	7,646	80,000	127,750	228,000	85,246	-	-	-	-	-	-	97,000	32,194	552,000	278,186
2027	-	-	81,000	22,950	68,000	5,796	80,000	123,750	233,000	79,368	-	-	-	-	-	-	101,000	28,185	563,000	260,649
2028	-	-	82,000	20,520	70,000	3,930	85,000	119,625	239,000	73,550	-	-	-	-	-	-	106,000	23,993	582,000	241,408
2029	-	-	83,000	18,060	72,000	1,988	90,000	115,250	245,000	67,180	-	-	-	-	-	-	110,000	19,619	600,000	222,997
2030	-	-	84,000	15,570	-	-	95,000	110,625	252,000	60,843	-	-	-	-	-	-	114,000	15,083	545,000	202,121
2031	-	-	85,000	13,050	-	-	100,000	105,750	258,000	54,340	-	-	-	-	-	-	119,000	10,365	562,000	183,505
2032	-	-	86,000	10,500	-	-	105,000	100,625	265,000	47,672	-	-	-	-	-	-	124,000	5,444	580,000	164,241
2033	-	-	87,000	7,930	-	-	110,000	95,250	272,000	40,825	-	-	-	-	-	-	72,418	1,466	541,418	145,461
2034	-	-	88,000	5,310	-	-	115,000	89,625	278,000	33,813	-	-	-	-	-	-	-	-	481,000	128,748
2035	-	-	89,000	2,670	-	-	120,000	83,750	286,000	26,622	-	-	-	-	-	-	-	-	495,000	113,042
2036	-	-	-	-	-	-	130,000	77,500	293,000	19,240	-	-	-	-	-	-	-	-	423,000	96,749
2037	-	-	-	-	-	-	135,000	70,875	300,000	11,679	-	-	-	-	-	-	-	-	405,000	82,554
2038	-	-	-	-	-	-	140,000	64,000	308,000	3,927	-	-	-	-	-	-	-	-	448,000	67,927
2039	-	-	-	-	-	-	150,000	56,750	-	-	-	-	-	-	-	-	-	-	150,000	56,750
2040	-	-	-	-	-	-	155,000	53,250	-	-	-	-	-	-	-	-	-	-	155,000	53,250
2041	-	-	-	-	-	-	160,000	45,500	-	-	-	-	-	-	-	-	-	-	160,000	45,500
2042	-	-	-	-	-	-	170,000	37,250	-	-	-	-	-	-	-	-	-	-	170,000	37,250
2043	-	-	-	-	-	-	175,000	28,500	-	-	-	-	-	-	-	-	-	-	175,000	28,500
2044	-	-	-	-	-	-	180,000	19,500	-	-	-	-	-	-	-	-	-	-	180,000	19,500
2045	-	-	-	-	-	-	220,000	10,000	-	-	-	-	-	-	-	-	-	-	220,000	10,000
Total	\$ 848,000	\$ 103,560	\$ 1,309,000	\$ 343,170	\$ 641,000	\$ 101,136	\$ 3,025,000	\$ 2,347,500	\$ 4,709,000	\$ 1,231,098	\$ 192,700	\$ 18,484	\$ 120,000	\$ -	\$ 236,791	\$ 18,125	\$ 1,354,418	\$ 405,796	\$ 12,435,909	\$ 4,568,888

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2019

State Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Contract Number	Beginning (Accrued) Deferred Grant Revenue	Cash Receipts	Expenditures	Ending (Accrued) Deferred Grant Revenue
STATE AWARDS						
Tennessee Municipal League Safety Grant	N/A	N/A	-	3,000	3,000	-
Tennessee Department of Transportation 2015 Multimodal Access Grant	N/A	N/A	(174,143)	23,528	-	(150,615)
State of Tennessee Law Enforcement Education Grant	N/A	Fiscal Year 2019	-	24,000	24,000	-
State of Tennessee Fire Service Education Grant	N/A	Fiscal Year 2019	-	13,200	13,200	-
TOTAL EXPENDITURES OF STATE AWARDS			<u>\$ (174,143)</u>	<u>\$ 63,728</u>	<u>\$ 40,200</u>	<u>\$ (150,615)</u>

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2019

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

**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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2019.

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
December 6, 2019

Henderson Hutcherson
is McCullough, PLLC

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2019

None reported

