

**CITY OF EAST RIDGE, TENNESSEE**

FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED  
JUNE 30, 2024



**CERTIFIED PUBLIC ACCOUNTANTS**

## **INTRODUCTORY SECTION**

# CITY OF EAST RIDGE, TENNESSEE

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# CITY OF EAST RIDGE, TENNESSEE

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**Mayor**

Brian Williams

**Vice-Mayor**

Mike Chauncey

**Council Member**

Jacky Cagle

**Council Member**

Esther Helton

**Council Member**

Andrea Witt

**City Attorney**

Mark Litchford

**City Manager**

J Scott Miller

**Finance Director**

Diane Qualls\*

\*Certified Municipal Finance Officer (CMFO)

## **FINANCIAL SECTION**



CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, budgetary comparisons for the General Fund, Capital Projects Fund, Industrial Development Fund, and American Rescue Plan Act Fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, as of June 30, 2024, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Capital Projects Fund, Industrial Development Fund, and American Rescue Plan Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management for the Financial Statements*

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards*, issued by the Comptroller General of the United States, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 4-10 and pages 40-44, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, budgetary comparison schedules, financial schedules, and schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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, financial schedules, and schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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, financial schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

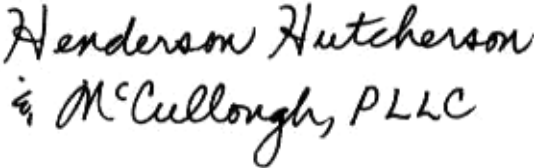
Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2024, on our consideration of the City’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 the effectiveness of 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 the City’s internal control over financial reporting and compliance.

Cleveland, Tennessee  
December 6, 2024

A handwritten signature in black ink that reads "Henderson Hutcherson" on the first line and "for McCullough, PLLC" on the second line. The signature is written in a cursive, professional style.

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30,

---

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, 2024. 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 \$33,369,004 (*net position*). Of this amount, \$8,022,357 is invested in capital assets (*net of related debt*) and \$644,333 is restricted for specific purposes.
- The City's overall net position increased by \$7,162,550 (27.33%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$27,169,423, an increase in overall fund balance of \$8,778,000. Of this amount, \$644,333 is restricted, \$2,951,751 is committed, and \$9,072,400 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$14,500,939, or 62.86% 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 liabilities increased by \$10,121,971, or 57.70% as detailed on pages 32 through 33 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 the change in net position. The governmental activities of the City include general government, public safety, public works, public welfare, solid waste and other city services.

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.).

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

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30,

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**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 11 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, Capital Projects Fund, Industrial Development Fund, and American Rescue Plant Act 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 "Non-major 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 13 through 22 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 23 through 39 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 40 through 44 of this report.

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 45 through 74 of this report.

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30,

### 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$33,458,692, at the close of the June 30, 2024 fiscal year.

### City of East Ridge's Net Position

	Governmental Activities	
	June 30, 2024	June 30, 2023
Current and other assets	\$ 37,327,434	\$ 32,072,436
Capital assets	<u>34,906,442</u>	<u>26,728,530</u>
Total assets	<u>72,233,876</u>	<u>58,800,966</u>
Deferred charge on refunding	93,989	100,255
Deferred pension outflows	2,430,002	2,757,441
Deferred OPEB outflows	<u>286,543</u>	<u>373,878</u>
Total deferred outflows of resources	<u>2,810,534</u>	<u>3,231,574</u>
Other liabilities	5,366,204	10,313,942
Long-term liabilities	<u>27,665,293</u>	<u>17,543,322</u>
Total liabilities	<u>33,031,497</u>	<u>27,857,264</u>
Deferred revenue – property taxes	6,703,247	6,717,379
Deferred OPEB inflows	1,601,000	1,072,000
Deferred pension inflows	<u>339,662</u>	<u>179,443</u>
Total deferred inflows of resources	<u>8,643,909</u>	<u>7,968,822</u>
Net position		
Net investment in capital assets	8,022,357	9,910,522
Restricted	644,333	4,841,203
Unrestricted	<u>24,702,314</u>	<u>11,454,729</u>
Total net position	<u>\$ 33,369,004</u>	<u>\$ 26,206,454</u>

### Net Position

The largest portion of the City's net position (24.04%) 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,

An additional portion of the City's net position (1.93%) represents resources that are subject to external restrictions on how they may be used. The remaining 74.03% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City reports positive balances in all categories of net position for the government as a whole.

The City's overall net position increased by \$7,252,238 from the prior fiscal year, representing an 27.67% increase in the City's net position.

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

	<b>Governmental Activities</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Revenues		
Charges for services	\$ 3,386,509	\$ 3,402,986
Grants & contributions	6,164,403	7,787,012
General revenues		
Property taxes	6,857,575	6,912,016
Local option sales tax	12,053,738	10,623,918
Other taxes	6,153,477	5,775,571
Interest	126,921	67,397
Other	<u>19,771</u>	<u>631,342</u>
Total revenues	<u>34,762,394</u>	<u>35,200,242</u>
Expenses		
General government	7,056,164	6,909,046
Public safety	9,804,969	9,416,296
Public works	7,210,819	9,002,506
Public welfare	465,684	695,062
Culture and recreation	2,444,689	2,172,166
Interest	<u>617,519</u>	<u>488,532</u>
Total expenses	<u>27,599,844</u>	<u>28,683,608</u>
Change in net position	7,162,550	6,516,634
Beginning net position	<u>26,206,454</u>	<u>19,689,820</u>
Ending net position	<u>\$ 33,369,004</u>	<u>\$ 26,206,454</u>

### Financial Analysis of the City's Funds

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

# CITY OF EAST RIDGE, TENNESSEE

## MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30,

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**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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27,169,423, a current year increase of \$8,778,000. Restricted fund balance of \$644,333 includes amounts legally constrained for law enforcement (\$251,848), state street aid (\$351,219), industrial development (\$220), economic development (\$3,348), grant projects (\$19,143), and solid waste operations (\$18,555). Funds committed for debt service total \$2,951,751. Funds assigned for a particular purpose total \$9,072,400. Assigned funds include funds for capital projects (\$9,072,400). The remaining unassigned balance of \$14,500,939 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 \$14,500,939, 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 62.86% 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 six (6) months of general fund expenditures, in accordance with sound budgeting and financial management practices. Additionally, the ratio of unrestricted funds also allows the City to meet any emergent or unanticipated needs should these arise.

The fund balance of the City's general fund increased by \$2,654,220.

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

### **Budgetary Highlights**

**Final Amended Budget and Actual Amounts.** The City's general fund operated within its final amended budget, which resulted in a positive variance of \$2,765,295.

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

**Capital Assets.** The City's investment in capital assets for its governmental activities as of June 30, 2024, amounted to \$34,906,442 (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,

Major capital asset additions during the year included the purchase of multiple municipal vehicles and additional infrastructure.

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

	<b>Governmental Activities</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Land	\$ 1,947,177	\$ 1,966,429
Construction in process	14,448,554	5,713,380
Buildings	11,393,258	11,371,718
Infrastructure	24,138,961	24,138,961
Equipment/vehicles	12,650,095	11,819,021
Right to use assets	<u>250,849</u>	<u>400,849</u>
	64,828,894	55,410,358
Less accumulated depreciation	<u>29,922,452</u>	<u>28,681,828</u>
Total capital assets, net	<u>\$ 34,906,442</u>	<u>\$ 26,728,530</u>

Additional information on the City's capital assets can be found in Note 6 on pages 31 and 32 of this report.

**Long-term Liabilities.** At the end of the current fiscal year, the City had total liabilities outstanding of \$27,665,293. All of which is backed by the full faith and credit of the government.

### City of East Ridge's Long-Term Liabilities

	<b>Governmental Activities</b>	
	<b>June 30, 2024</b>	<b>June 30, 2023</b>
General obligation bonds	\$ 17,215,000	\$ 9,950,000
Notes payable	8,560,827	5,803,132
Lease liability	150,400	197,319
Financed purchases	188,537	-
Plus: Premium	957,858	867,557
Compensated absences	<u>592,671</u>	<u>725,314</u>
Total long-term liabilities	<u>\$ 27,665,293</u>	<u>\$ 17,543,322</u>

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

Additional information on the City's long-term liabilities can be found in Note 7 on pages 32 and 33 of this report.

### Economic Factors and Next Year's Budget and Rates

- Camp Jordan continues to draw large crowds for sporting and other miscellaneous events, which helps bring more tourist dollars into our new retail restaurants and establishments.
- Other businesses are coming to the City thanks to the Border Region incentives.



# **CITY OF EAST RIDGE, TENNESSEE**

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

**YEAR ENDED JUNE 30,**

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### **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, 2024

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 27,297,491
Investments	591,958
Property taxes receivable	7,165,596
Grants receivable	1,077,073
Accounts receivable	1,137,939
Prepaid expenses	57,377
Capital assets:	
Land and other non depreciable assets	16,395,731
Capital assets, net of accumulated depreciation	<u>18,510,711</u>
Total assets	<u>72,233,876</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding	93,989
Deferred pension outflows	2,430,002
Deferred OPEB outflows	<u>286,543</u>
Total deferred outflows of resources	<u>2,810,534</u>
<b>LIABILITIES</b>	
Accounts payable	1,256,670
Accrued liabilities	367,770
Deferred revenue	1,451,255
OPEB obligation	1,460,000
Net pension liability	830,509
Long-term liabilities:	
Due within one year	2,205,310
Due in more than one year	<u>25,459,983</u>
Total liabilities	<u>33,031,497</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenue - property taxes	6,703,247
Deferred OPEB inflows	1,601,000
Deferred pension inflows	<u>339,662</u>
Total deferred inflows of resources	<u>8,643,909</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,022,357
Restricted:	
Law enforcement	251,848
State approved street aid	351,219
Industrial development	220
Economic development	3,348
Grant projects	19,143
Solid waste operations	18,555
Unrestricted	<u>24,702,314</u>
Total net position	<u>\$ 33,369,004</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues			Total Governmental Activities (Net)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>PRIMARY GOVERNMENT</b>					
Governmental activities:					
General government	\$ 7,056,164	\$ 313,756	\$ 138,888	\$ -	\$ (6,603,520)
Public safety	9,804,969	519,227	112,104	-	(9,173,638)
Public works	7,210,819	1,570,400	3,154,144	2,759,267	272,992
Public welfare	465,684	-	-	-	(465,684)
Culture and recreation	2,444,689	983,126	-	-	(1,461,563)
Interest	<u>617,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(617,519)</u>
 Total primary government	 <u>\$ 27,599,844</u>	 <u>\$ 3,386,509</u>	 <u>\$ 3,405,136</u>	 <u>\$ 2,759,267</u>	 <u>(18,048,932)</u>
<b>GENERAL REVENUES</b>					
Property taxes					6,857,575
Local sales taxes					12,053,738
Local beer taxes					752,347
State shared taxes					4,386,856
Other taxes					826,063
Franchise fees					188,211
Other revenues					19,771
Interest					<u>126,921</u>
 Total general revenue					 <u>25,211,482</u>
 Change in net position					 <u>7,162,550</u>
<b>NET POSITION</b>					
Beginning					<u>26,206,454</u>
 Ending					 <u>\$ 33,369,004</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2024

	General	Capital Projects	Industrial Development
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,341,177	\$ 8,840,704	\$ 220
Investments	591,958	-	-
Property taxes receivable	7,165,596	-	-
Grant funds receivable	-	1,077,073	-
Accounts receivable	979,416	-	-
Other assets	57,377	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 22,135,524</u>	<u>\$ 9,917,777</u>	<u>\$ 220</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 195,611	\$ 613,768	\$ -
Accrued liabilities	206,194	-	-
Due to other funds	-	221,847	-
Deferred revenue	<u>161,657</u>	<u>9,762</u>	<u>-</u>
Total liabilities	<u>563,462</u>	<u>845,377</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property taxes	<u>7,071,123</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>7,071,123</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted:			
Law enforcement	-	-	-
State approved street aid	-	-	-
Industrial development	-	-	220
Economic development	-	-	-
Grant projects	-	-	-
Solid waste operations	-	-	-
Committed:			
Debt service	-	-	-
Assigned:			
Capital projects	-	9,072,400	-
Unassigned	<u>14,500,939</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>14,500,939</u>	<u>9,072,400</u>	<u>220</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,135,524</u>	<u>\$ 9,917,777</u>	<u>\$ 220</u>

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

<b>American Rescue Plan Act</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,606,339	\$ 3,509,051	\$ 27,297,491
-	-	591,958
-	-	7,165,596
-	1,256	1,078,329
-	157,267	1,136,683
-	-	57,377
221,847	-	221,847
<b>\$ 1,828,186</b>	<b>\$ 3,667,574</b>	<b>\$ 37,549,281</b>
\$ 386,693	\$ 60,598	\$ 1,256,670
-	11,112	217,306
-	-	221,847
1,441,493	-	1,612,912
1,828,186	71,710	3,308,735
-	-	7,071,123
-	-	7,071,123
-	251,848	251,848
-	351,219	351,219
-	-	220
-	3,348	3,348
-	19,143	19,143
-	18,555	18,555
-	2,951,751	2,951,751
-	-	9,072,400
-	-	14,500,939
-	3,595,864	27,169,423
<b>\$ 1,828,186</b>	<b>\$ 3,667,574</b>	<b>\$ 37,549,281</b>

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

# CITY OF EAST RIDGE, TENNESSEE

## RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2024

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

Fund balances – total governmental funds		\$ 27,169,423
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.		34,906,442
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.		529,533
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.		775,883
The net pension liability is not due and payable in the current period and therefore is not reported in the funds.		(830,509)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due. All liabilities, both due in one year and due in more than one year, are reported in the statement of net assets. This item consists of:		
Bonds payable	\$ (17,215,000)	
Net bond issue premiums	(957,858)	
Deferred refunding	93,989	
Notes payable	(8,560,827)	
Lease liability	(150,400)	
Financed purchases	(188,537)	
Compensated absences	(592,671)	
Accrued interest payable	<u>(150,464)</u>	(27,721,768)
The City's OPEB plan has not been funded. The OPEB obligation is considered a long-term obligation and is not reported in the funds.		<u>(1,460,000)</u>
Net position of governmental activities		<u>\$ 33,369,004</u>

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

# CITY OF EAST RIDGE, TENNESSEE

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2024

	General	Capital Projects	Industrial Development
<b>REVENUES</b>			
Taxes	\$ 20,270,808	\$ -	\$ -
Licenses and permits	249,939	-	-
Intergovernmental	3,425,845	1,521,767	1,237,500
Charges for services	1,180,670	-	-
Fines and forfeitures	379,205	-	-
Miscellaneous	211,757	5,166	42
Total revenues	<u>25,718,224</u>	<u>1,526,933</u>	<u>1,237,542</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,927,691	2,159,916	-
Public safety	10,000,557	-	-
Public works	891,906	-	-
Incentive payments	-	-	6,427,196
Public welfare	253,231	-	-
Culture and recreation	1,978,603	-	-
Capital outlay	138,122	2,648,494	-
Debt service:			
Principal	-	-	-
Interest and other costs	-	-	-
Total expenditures	<u>17,190,110</u>	<u>4,808,410</u>	<u>6,427,196</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>8,528,114</u>	<u>(3,281,477)</u>	<u>(5,189,654)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	-	-	5,188,698
Transfers to other funds	(5,878,250)	(714,668)	-
Note proceeds	-	11,365,044	-
Proceeds from sale of assets	4,356	-	-
Total other financing sources (uses)	<u>(5,873,894)</u>	<u>10,650,376</u>	<u>5,188,698</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>2,654,220</u>	<u>7,368,899</u>	<u>(956)</u>
<b>FUND BALANCE</b>			
Beginning	<u>11,846,719</u>	<u>1,703,501</u>	<u>1,176</u>
Ending	<u>\$ 14,500,939</u>	<u>\$ 9,072,400</u>	<u>\$ 220</u>

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

<b>American Rescue Plan Act</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 818,957	\$ 21,089,765
-	-	249,939
2,922,046	1,035,675	10,142,833
-	1,560,600	2,741,270
-	24,645	403,850
-	123,760	340,725
<u>2,922,046</u>	<u>3,563,637</u>	<u>34,968,382</u>
-	-	6,087,607
-	13,453	10,014,010
-	4,357,560	5,249,466
-	-	6,427,196
2,922,046	-	3,175,277
-	-	1,978,603
-	-	2,786,616
-	1,329,030	1,329,030
-	511,977	511,977
<u>2,922,046</u>	<u>6,212,020</u>	<u>37,559,782</u>
-	(2,648,383)	(2,591,400)
-	7,849,045	13,037,743
-	(6,444,825)	(13,037,743)
-	-	11,365,044
-	-	4,356
-	1,404,220	11,369,400
-	(1,244,163)	8,778,000
-	4,840,027	18,391,423
<u>\$ -</u>	<u>\$ 3,595,864</u>	<u>\$ 27,169,423</u>

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



# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

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

Net change in fund balances – total governmental funds \$ 8,778,000

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. 10,594,648

Depreciation expense on governmental capital assets are included in the statement of activities. (2,394,929)

Net book value of disposed capital assets. (21,807)

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	\$ 1,204,185	
Principal paid - Leases	46,919	
Deferred refunding loss on 2021 TML Bond refunding	(6,266)	
Change in accrued interest	(22,794)	
Amortization	(90,301)	
Financed purchases	(188,537)	
Bonds issued	(8,000,000)	
Notes issued	<u>(3,226,880)</u>	(10,283,674)

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 compensated absences	132,643	
Change in net pension liability and related deferred items	77,004	
Change in net OPEB liability and related deferral item	<u>280,665</u>	<u>490,312</u>

Change in net position of governmental activities \$ 7,162,550

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 GENERAL FUND

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 21,113,898	\$ 21,113,898	\$ 20,270,808	\$ (843,090)
Licenses and permits	315,350	315,350	249,939	(65,411)
Intergovernmental	3,154,183	3,454,183	3,425,845	(28,338)
Charges for services	964,804	1,003,154	1,180,670	177,516
Fines and forfeitures	427,300	427,300	379,205	(48,095)
Miscellaneous	101,425	151,425	211,757	60,332
Total revenue	<u>26,076,960</u>	<u>26,465,310</u>	<u>25,718,224</u>	<u>(747,086)</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,980,475	4,246,138	3,927,691	318,447
Public safety	9,659,194	10,648,494	10,000,557	647,937
Public works	994,200	1,014,200	891,906	122,294
Public welfare	306,981	312,581	253,231	59,350
Culture and recreation	1,876,644	2,127,494	1,978,603	148,891
Capital outlay	-	-	138,122	(138,122)
Total expenditures	<u>16,817,494</u>	<u>18,348,907</u>	<u>17,190,110</u>	<u>1,158,797</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	9,259,466	8,116,403	8,528,114	411,711
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(9,238,091)	(8,237,478)	(5,878,250)	2,359,228
Proceeds from sale of assets	10,000	10,000	4,356	(5,644)
Total other financing sources (uses)	<u>(9,228,091)</u>	<u>(8,227,478)</u>	<u>(5,873,894)</u>	<u>2,353,584</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ 31,375</u>	<u>\$ (111,075)</u>	2,654,220	<u>\$ 2,765,295</u>
<b>FUND BALANCE</b>				
Beginning			<u>11,846,719</u>	
Ending			<u>\$ 14,500,939</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 CAPITAL PROJECTS FUND

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 3,000,000	\$ 3,000,000	\$ 1,521,767	\$ (1,478,233)
Miscellaneous	<u>1,000,000</u>	<u>1,000,000</u>	<u>5,166</u>	<u>(994,834)</u>
Total revenues	<u>4,000,000</u>	<u>4,000,000</u>	<u>1,526,933</u>	<u>(2,473,067)</u>
<b>EXPENDITURES</b>				
<b>    Current</b>				
General government	7,725,000	7,723,917	2,159,916	5,564,001
Capital outlay	<u>3,900,000</u>	<u>12,245,000</u>	<u>2,648,494</u>	<u>9,596,506</u>
<b>TOTAL EXPENDITURES</b>	<u>11,625,000</u>	<u>19,968,917</u>	<u>4,808,410</u>	<u>15,160,507</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(7,625,000)	(15,968,917)	(3,281,477)	12,687,440
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	2,279,613	2,279,613	-	(2,279,613)
Transfer to other funds	-	-	(714,668)	(714,668)
Note proceeds	<u>7,000,000</u>	<u>15,000,000</u>	<u>11,365,044</u>	<u>(3,634,956)</u>
Total other financing sources (uses)	<u>9,279,613</u>	<u>17,279,613</u>	<u>10,650,376</u>	<u>(6,629,237)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ 1,654,613</u>	<u>\$ 1,310,696</u>	7,368,899	<u>\$ 6,058,203</u>
<b>FUND BALANCE</b>				
Beginning			<u>1,703,501</u>	
Ending			<u>\$ 9,072,400</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 INDUSTRIAL DEVELOPMENT FUND

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 1,237,536	\$ 1,237,536
Miscellaneous	-	-	<u>6</u>	<u>6</u>
Total revenues	<u>-</u>	<u>-</u>	<u>1,237,542</u>	<u>1,237,542</u>
<b>EXPENDITURES</b>				
Incentive payments	-	<u>6,427,204</u>	<u>6,427,196</u>	<u>8</u>
Total expenditures	<u>-</u>	<u>6,427,204</u>	<u>6,427,196</u>	<u>8</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(6,427,204)	(5,189,654)	1,237,550
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	-	<u>5,011,177</u>	<u>5,188,698</u>	<u>(177,521)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ (1,416,027)</u>	(956)	<u>\$ 1,415,071</u>
<b>FUND BALANCE</b>				
Beginning			<u>1,176</u>	
Ending			<u>\$ 220</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 AMERICAN RESCUE PLAN ACT FUND

YEAR ENDED JUNE 30, 2024

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 2,922,046	\$ 2,922,046
Total revenues	-	-	2,922,046	2,922,046
<b>EXPENDITURES</b>				
<b>    Current</b>				
Public welfare	4,142,192	7,284,384	2,922,046	4,362,338
<b>TOTAL EXPENDITURES</b>	4,142,192	7,284,384	2,922,046	4,362,338
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	\$ (4,142,192)	\$ (7,284,384)	-	\$ 7,284,384
<b>FUND BALANCE</b>				
Beginning			-	
Ending			\$ -	

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

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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### 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 (the Board) 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. 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, 2024, the Board has no long-term obligations. The Board is reported as a special revenue fund as a blended component unit.

#### **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)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

#### **Government-wide Financial Statements** (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. Grants 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 funds:

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 *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.

The *Industrial Development Fund* is used to account for revenues and costs associated with development ongoing withing the City.

The *American Rescue Plan Act Fund* is used to account for the activity associated with the American Rescue Plan Act (ARPA) funds that the City has received.

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)



# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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### 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. City 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)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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### 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 \$84,180. Other receivable amounts are considered collectible in all material respects.

#### **Capital Assets**

Capital assets, including public domain infrastructure (e.g., roads, bridges, streetlights, 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.

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

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

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period. The City reports deferred contributions on pension and OPEB plans and certain amounts related to pensions and OPEB, as detailed as (2) below. Deferred contributions for the pension and OPEB plans 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)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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### 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 and OPEB must be deferred. Differences between projected and actual earnings on pension and OPEB plan investments are deferred and amortized over five years. Changes in pension and OPEB 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 12 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.

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

#### **Long-term Obligations** (Continued)

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

#### **Net Position**

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

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

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

*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 non-spendable, restricted, committed, assigned, or unassigned.

*Non-spendable 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 the City Council.

*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.

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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

#### **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 2024 are recorded as receivables. No allowance has been made for uncollectible taxes; based on historical collection data, uncollectible amounts are considered immaterial.

#### **Interfund Transactions**

During the course of normal operations, transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." Long-term loans between funds are classified as "loans to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year.

#### **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 the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from 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.

#### **Leases**

Right-to-use assets and lease liabilities are recognized upon the commencement of the lease term in relation to leases in which the City has acquired the right to use a leased asset. These are measured at the present value of payments expected to be made by the City during the lease term in addition to certain direct costs.

The interest rate utilized to calculate the present value of lease payments is calculated annually and represents the weighted cost of debt.

#### **Reclassifications**

Certain amounts in the prior periods have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

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

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

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

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

### 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 (level 2) and consist of certificates of deposit totaling \$591,958.

#### 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 as of June 30, 2024, consisted of the following:

	Taxes Receivables	Grant Funds	Accounts	Gross Receivables	(Less) Allowance	Net
<b>Governmental Funds</b>						
General	\$ 7,165,596	\$ -	\$ 979,416	\$ 8,145,012	\$ -	\$ 8,145,012
Capital Projects	-	1,077,073	-	1,077,073	-	1,077,073
Nonmajor						
Governmental	-	1,256	706,122	707,378	(548,855)	158,523
Total Governmental	<u>\$ 7,165,596</u>	<u>\$ 1,078,329</u>	<u>\$ 1,685,538</u>	<u>\$ 9,929,463</u>	<u>\$ (548,855)</u>	<u>\$ 9,380,608</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.

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

### NOTE 5 – INTERFUND TRANSFERS AND BALANCES (Continued)

Transfers to/from other funds during the year ended June 30, 2024, were as follows:

	Transfers In		
	Industrial Development	Nonmajor Governmental	Total
Transfers Out:			
General Fund	\$ 5,188,698	\$ 689,552	\$ 5,878,250
Capital Projects	-	714,668	714,668
Nonmajor Governmental	-	6,444,825	6,444,825
	<u>\$ 5,188,698</u>	<u>\$ 7,849,045</u>	<u>\$ 13,037,743</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, 2024, were as follows:

Receivable Fund	Payable Fund	Amount
American Rescue Plan Act	Capital Projects	<u>\$ 221,847</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	\$ 1,966,429	\$ -	\$ 19,252	\$ 1,947,177
Construction in process	5,713,380	8,735,174	-	14,448,554
Total non-depreciable assets	<u>7,679,809</u>	<u>8,735,174</u>	<u>19,252</u>	<u>16,395,731</u>
Depreciable capital assets:				
Buildings	11,371,718	21,540	-	11,393,258
Infrastructure	24,138,961	-	-	24,138,961
Equipment/Vehicles	11,819,021	1,837,934	1,006,860	12,650,095
Right to use assets	400,849	-	150,000	250,849
	<u>47,730,549</u>	<u>1,859,474</u>	<u>1,156,860</u>	<u>48,433,163</u>
Less accumulated depreciation:				
Buildings	8,485,144	223,294	-	8,708,438
Infrastructure	11,320,701	1,140,591	-	12,461,292
Equipment/Vehicles	8,684,175	980,874	1,004,305	8,660,744
Right to use assets	191,808	50,170	150,000	91,978
	<u>28,681,828</u>	<u>2,394,929</u>	<u>1,154,305</u>	<u>29,922,452</u>
Total depreciable assets, net	<u>19,048,721</u>	<u>(535,455)</u>	<u>2,555</u>	<u>18,510,711</u>
Total capital assets, net	<u>\$ 26,728,530</u>	<u>\$ 8,199,719</u>	<u>\$ 21,807</u>	<u>\$ 34,906,442</u>

Depreciation expense is charged to functions as follows:

General	\$ 215,544
Public safety	910,073
Public works	598,732
Culture and recreation	670,580
Total	<u>\$ 2,394,929</u>

**CITY OF EAST RIDGE, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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**NOTE 7 – LONG-TERM LIABILITIES**

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 bonds, notes payable, and lease liability consisted of the following as of June 30, 2024:

General obligation bonds:

Series 2015 for \$3,085,000 with installments, plus interest at a rate of 5%, through March 2045	\$ 2,670,000
Series 2021 for \$8,495,000 with semi-annual interest payments between 1.75 - 4.00% beginning December 2021 and additional interest and principal due through June 2039	6,545,000
Series 2024 for \$8,000,000 with annual interest payments between 4.00-5.00% and principal due through June 2044	<u>8,000,000</u>
	<u>\$ 17,215,000</u>

Notes:

Note of \$1,800,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments at 2.54% beginning May 2021 and additional interest and principal due through November 2035	\$ 1,492,000
Note of \$696,079 to Tennessee Municipal League Bond Fund, with semiannual interest payments at 1.65% beginning December 2021 and additional interest and principal due through December 2028	504,000
Note of \$6,842,827 to Tennessee Municipal Bond Fund, with semiannual interest payments at 3.95% beginning October 2022 and additional interest and principal due through September 2042	<u>6,564,827</u>
	<u>\$ 8,560,827</u>

Financed purchases:

Motorola Solutions Financed Purchase	<u>\$ 188,537</u>
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Lease liability:

On August 1, 2022, the City entered into a lease agreement with Axon Enterprises to lease equipment for 5 years with annual payments of \$53,530. A discount rate of 3.30% was used in calculating the lease liability.	<u>\$ 150,400</u>
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# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

### NOTE 7 – LONG-TERM LIABILITIES (Continued)

Maturities of general long-term debt are as follows:

For the year ending June 30,	Financed Purchases	Lease Liability	General Obligation Bonds	Notes	Total
2025	\$ 77,377	\$ 48,491	\$ 875,000	\$ 557,000	\$ 1,557,868
2026	35,261	50,115	840,000	576,000	1,501,376
2027	37,024	51,794	850,000	594,000	1,532,818
2028	38,875	-	875,000	612,000	1,525,875
2029-2033	-	-	4,435,000	2,947,000	7,382,000
2034-2038	-	-	4,845,000	3,107,000	7,952,000
2039-2043	-	-	3,525,000	167,827	3,692,827
2044-2045	-	-	970,000	-	970,000
	<u>\$ 188,537</u>	<u>\$ 150,400</u>	<u>\$ 17,215,000</u>	<u>\$ 8,560,827</u>	<u>\$ 26,114,764</u>

During the year ended June 30, 2024, changes in long-term liabilities were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 9,950,000	\$ 8,000,000	\$ 735,000	\$ 17,215,000	\$ 875,000
Notes payable	5,803,132	3,226,880	469,185	8,560,827	557,000
Lease liability	197,319	-	46,919	150,400	48,491
Financed purchases	-	188,537	-	188,537	77,377
Plus: Premium	867,557	138,164	47,863	957,858	54,771
Compensated absences	<u>725,314</u>	<u>-</u>	<u>132,643</u>	<u>592,671</u>	<u>592,671</u>
	<u>\$ 17,543,322</u>	<u>\$ 11,553,581</u>	<u>\$ 1,431,610</u>	<u>\$ 27,665,293</u>	<u>\$ 2,205,310</u>

### NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS

#### Tennessee Consolidated Retirement System

#### General Information about the Pension Plan

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

(Continued)

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

General Information about the Pension Plan (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five 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% 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 second 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% 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. As of the measurement date of June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	79
Active employees	<u>137</u>
	<u>282</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% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, employer contributions for East Ridge were \$811,887 based on a rate of 10.00% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City’s net pension liability (asset) was measured as of June 30, 2023, 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, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.7%, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125%

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS** (Continued)

**Net Pension Liability (Asset)** (Continued)

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020.

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, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return is developed for each major asset class. These best estimates are combined to produce 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 expected inflation of 2.25%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class is summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	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 6.75% based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 6.75 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)

**CITY OF EAST RIDGE, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (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 as of 06/30/22	\$ 26,954,183	\$ 25,559,012	\$ 1,395,171
Changes for the year:			
Service cost	674,792	-	674,792
Interest	1,823,426	-	1,823,426
Differences between expected and actual experience	(280,069)	-	(280,069)
Contributions – employer	-	721,795	(721,795)
Contributions – employees	-	360,897	(360,897)
Net investment income	-	1,712,654	(1,712,654)
Benefit payments, including refund of employee contributions	(1,230,517)	(1,230,517)	-
Administrative expense	-	(12,535)	12,535
Net changes	<u>987,632</u>	<u>1,552,294</u>	<u>(564,662)</u>
Balance as of 06/30/23	<u>\$ 27,941,815</u>	<u>\$ 27,111,306</u>	<u>\$ 830,509</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 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.75%) or one-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	<u>\$ 4,748,632</u>	<u>\$ 830,509</u>	<u>\$ (2,395,156)</u>

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

*Pension expense.* For the year ended June 30, 2024, the City recognized pension expense of \$722,499.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 424,480	\$ 339,662
Change of assumptions	983,459	-
Net difference between projected and actual earnings of pension plan investments	210,176	-
Employer contributions after Measurement Date but prior to fiscal year end	<u>811,887</u>	<u>-</u>
Total	<u>\$ 2,430,002</u>	<u>\$ 339,662</u>

The amount shown for “Employer contributions after Measurement Date but prior to fiscal year end” will be recognized as a reduction (increase) to net pension liability in the following measurement period.

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:	
2025	\$ 209,590
2026	156,055
2027	932,850
2028	26,636
2029	<u>(46,678)</u>
	<u>\$ 1,278,453</u>

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

**Payable to the Pension Plan**

As of June 30, 2024, the City did not report a payable for the outstanding amount of contributions to the plan.

**City of East Ridge Other Postemployment Benefits Plan**

**Plan Description**

The City's OPEB plan is a single employer plan. Under this plan covered employees include all full-time employees with 10 or more years of service with the city and hired prior to July 1, 2012. The City Council has the authority to establish and amend benefit provisions of the Plan.

*Employees covered by benefit terms.* As of July 1, 2023 (the valuation date) the following employees were covered by the benefit terms:

	<b>Count</b>
Inactive employees or beneficiaries currently receiving benefits	8
Active employees	<u>44</u>
	<u><u>52</u></u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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### NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

#### 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, 2024, for the employer fiscal year and reporting period of July 1, 2023, to June 30, 2024. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2023, and the corresponding measurement period of July 1, 2022, to July 1, 2023. The measurement of the total OPEB liability is based on a valuation date of July 1, 2023.

#### Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate:	3.86%
Salary Scale:	2.50%
Healthcare Cost Trend Rates:	7.00% for fiscal year end 2024, decreasing 0.25% 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-2021
Actuarial Cost Method:	Entry Age Actuarial Cost Method

#### Expected Return on Assets

None.

#### Discount Rate

The discount rate has been set equal to 3.86% and represents the Municipal GO AA 20-year yield curve rate as of July 1, 2023.

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)**

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (Asset) (a) – (b)
Balance as of July 1, 2023	\$ 2,357,000	\$ -	\$ 2,357,000
Changes for the year:			
Service cost	113,000	-	113,000
Interest	89,000	-	89,000
Differences between expected and actual experience	(529,000)	-	(529,000)
Contributions – employer	-	92,000	(92,000)
Benefit payments	(92,000)	(92,000)	-
Change in benefit terms	(42,000)	-	(42,000)
Other changes	(436,000)	-	(436,000)
Net changes	<u>(897,000)</u>	<u>-</u>	<u>(897,000)</u>
Balance as of June 30, 2024	<u>\$ 1,460,000</u>	<u>\$ -</u>	<u>\$ 1,460,000</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 one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Employer’s Net OPEB Liability	<u>\$ 1,498,000</u>	<u>\$ 1,460,000</u>	<u>\$ 1,414,000</u>

*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 one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease	Current Trend Rate	1% Increase
Employer’s Net OPEB Liability	<u>\$ 1,290,000</u>	<u>\$ 1,460,000</u>	<u>\$ 1,654,000</u>

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

For the year ended June 30, 2024, under GASB 75 the employer OPEB expense is \$(180,000). The Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB as of June 30, 2024 from various sources are as follows:

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,018,000
Changes of assumptions	249,000	583,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions after Measurement Date but prior to fiscal year end	<u>37,543</u>	<u>-</u>
Total	<u>\$ 286,543</u>	<u>\$ 1,601,000</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:	
2025	\$ (346,000)
2026	(312,000)
2027	(290,000)
2028	(247,000)
2029	<u>(157,000)</u>
	<u>\$ (1,352,000)</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 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 2024 was \$679,597. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this insurance coverage in any of the past three years.

As of June 30, 2024, the City was involved in several lawsuits as defendant. Additionally, the City is exposed to several unasserted claims. Management feels that uninsured exposure if any would not be material to the financial statements.



# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

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### **NOTE 11 – LEASES**

The City has recorded right to use lease assets as a result of implementing Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB 87). The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives and plus ancillary charges necessary to place the lease into service. The assets are right to use assets for leased police equipment. The right to use assets are amortized on a straight-line basis over the life of the related lease. See Notes 6 and 7 for more information related to the right to use asset and lease liability.

### **NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated events and transactions subsequent to the statement of net position date through December 6, 2024 (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.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## 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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability (Asset)</b>										
Service cost	\$ 674,792	\$ 591,986	\$ 499,971	\$ 486,199	\$ 466,527	\$ 436,698	\$ 401,914	\$ 387,433	\$ 378,218	\$ 355,419
Interest	1,823,426	1,711,781	1,609,380	1,520,358	1,472,828	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	(280,069)	431,285	93,894	270,034	(231,693)	(280,511)	163,918	208,110	(178,441)	277,808
Change in assumptions	-	-	1,966,916	-	-	-	468,974	-	-	-
Benefit payments, including refunds of employee contributions	(1,230,517)	(1,097,202)	(1,104,398)	(1,020,544)	(1,122,949)	(948,647)	(904,986)	(915,163)	(766,168)	(643,140)
Net change in total pension liability	987,632	1,637,850	3,065,763	1,256,047	584,713	638,250	1,496,645	972,779	679,911	1,152,830
Total pension liability - beginning	26,954,183	25,316,333	22,250,570	20,994,523	20,409,810	19,771,560	18,274,915	17,302,136	16,622,225	15,469,395
Total pension liability - ending (a)	<u>\$ 27,941,815</u>	<u>\$ 26,954,183</u>	<u>\$ 25,316,333</u>	<u>\$ 22,250,570</u>	<u>\$ 20,994,523</u>	<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>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 721,795	\$ 701,710	\$ 593,744	\$ 583,981	\$ 551,838	\$ 531,711	\$ 487,590	\$ 414,430	\$ 413,814	\$ 407,430
Contributions - employee	360,897	350,857	296,873	291,992	275,919	265,857	243,796	224,017	223,684	220,711
Net investment income	1,712,654	(1,017,837)	5,485,033	1,013,806	1,432,467	1,492,501	1,847,817	427,408	487,732	2,257,625
Benefit payments, including refunds of employee contributions	(1,230,517)	(1,097,202)	(1,104,398)	(1,020,544)	(1,122,949)	(948,647)	(904,986)	(915,163)	(766,168)	(643,140)
Administrative expense	(12,535)	(13,278)	(11,526)	(11,503)	(11,475)	(12,243)	(10,331)	(8,744)	(5,714)	(4,837)
Net change in plan fiduciary net position	1,552,294	(1,075,750)	5,259,726	857,732	1,125,800	1,329,179	1,663,886	141,948	353,348	2,237,789
Plan fiduciary net position - beginning	25,559,012	26,634,762	21,375,036	20,517,304	19,391,504	18,062,325	16,398,439	16,256,491	15,903,143	13,665,354
Plan fiduciary net position - ending (b)	<u>\$ 27,111,306</u>	<u>\$ 25,559,012</u>	<u>\$ 26,634,762</u>	<u>\$ 21,375,036</u>	<u>\$ 20,517,304</u>	<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>\$ 830,509</u>	<u>\$ 1,395,171</u>	<u>\$ (1,318,429)</u>	<u>\$ 875,534</u>	<u>\$ 477,219</u>	<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	97.03%	94.82%	105.21%	96.07%	97.73%	95.01%	91.36%	89.73%	93.96%	95.67%
Covered - employee payroll	\$ 7,217,943	\$ 7,017,097	\$ 5,937,433	\$ 5,839,802	\$ 5,518,376	\$ 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	11.51%	19.88%	-22.21%	14.99%	8.65%	19.15%	35.05%	41.88%	23.37%	16.29%

**Notes to Schedule:**

*Changes of assumptions.* In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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.

See independent auditor's report.

**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 TEN FISCAL YEARS ENDING

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	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 811,887	\$ 734,179	\$ 627,329	\$ 530,213	\$ 521,495	\$ 551,838	\$ 531,711	\$ 451,020	\$ 414,431
Contributions in relation to the actuarially determined contribution	<u>811,887</u>	<u>734,179</u>	<u>701,710</u>	<u>593,744</u>	<u>583,981</u>	<u>551,838</u>	<u>531,711</u>	<u>487,590</u>	<u>414,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,381)</u>	<u>\$ (63,531)</u>	<u>\$ (62,486)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,570)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 8,118,870	\$ 7,341,790	\$ 7,017,097	\$ 5,937,440	\$ 5,839,810	\$ 5,518,376	\$ 5,317,111	\$ 4,875,894	\$ 4,480,329
Contributions as a percentage covered-employee payroll	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	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.

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

## NOTES TO PENSION SCHEDULES

LAST FISCAL YEAR ENDING JUNE 30, 2024

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*Valuation date:* Actuarially determined contribution rates for 2024 were calculated based on the June 30, 2022, 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	10-year smoothed within a 20% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72 to 3.44% based on age, including inflation averaging 4.00%
Investment Rate of Return	6.75%, 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	2.13%

*Changes of assumptions.* In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate from 2.50% to 2.25%, investment rate of return from 7.25% to 6.75%, cost-of-living adjustment from 2.25% to 2.125%, and mortality was based on Scale MP-2019 and now is based on Scale MP-2020.

## CITY OF EAST RIDGE, TENNESSEE

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

LAST TEN FISCAL YEARS (as information becomes available)

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability (Asset)							
Service cost	\$ 113,000	\$ 155,000	\$ 348,000	\$ 309,000	\$ 233,000	\$ 250,000	\$ 244,000
Interest	89,000	56,000	99,000	114,000	119,000	118,000	108,000
Changes in benefit terms	(42,000)	(14,000)	(960,000)	-	-	-	-
Differences between actual and expected experience	(529,000)	(209,000)	(565,000)	(164,000)	(156,000)	(287,000)	-
Change in assumptions	(436,000)	(326,000)	225,000	223,000	139,000	(20,000)	-
Benefit payments, including refunds of employee contributions	(92,000)	(89,000)	(143,000)	(64,000)	(67,000)	(67,000)	(102,000)
Net change in total OPEB liability	(897,000)	(427,000)	(996,000)	418,000	268,000	(6,000)	250,000
Total OPEB liability - beginning	<u>2,357,000</u>	<u>2,784,000</u>	<u>3,780,000</u>	<u>3,362,000</u>	<u>3,094,000</u>	<u>3,100,000</u>	<u>2,850,000</u>
Total OPEB liability - ending (a)	<u>\$ 1,460,000</u>	<u>\$ 2,357,000</u>	<u>\$ 2,784,000</u>	<u>\$ 3,780,000</u>	<u>\$ 3,362,000</u>	<u>\$ 3,094,000</u>	<u>\$ 3,100,000</u>
Plan Fiduciary Net Position							
Contributions - employer	\$ 92,000	\$ 89,000	\$ 143,000	\$ 64,000	\$ 67,000	\$ 67,000	\$ 102,000
Contributions - employee	-	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(92,000)	(89,000)	(143,000)	(64,000)	(67,000)	(67,000)	(102,000)
Administrative expense	-	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability (asset) - ending (a) - (b)	<u>\$ 1,460,000</u>	<u>\$ 2,357,000</u>	<u>\$ 2,784,000</u>	<u>\$ 3,780,000</u>	<u>\$ 3,362,000</u>	<u>\$ 3,094,000</u>	<u>\$ 3,100,000</u>
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 2,667,000	\$ 2,989,000	\$ 2,989,000	\$ 5,785,000	\$ 5,785,000	\$ 4,665,000	\$ 4,665,000
Net OPEB liability (asset) as a percentage of covered payroll	54.74%	78.86%	93.14%	65.34%	58.12%	66.32%	66.45%

Notes to Schedule:

None.

See independent auditor's report.

## 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 TEN FISCAL YEARS (as information becomes available)

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 37,543	\$ 89,000	\$ 143,000	\$ 64,000	\$ 67,000	\$ 67,000	\$ 102,000
Contributions in relation to the actuarially determined contribution	<u>37,543</u>	<u>89,000</u>	<u>143,000</u>	<u>64,000</u>	<u>67,000</u>	<u>67,000</u>	<u>102,000</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,667,000	\$ 2,989,000	\$ 2,989,000	\$ 5,785,000	\$ 5,785,000	\$ 4,665,000	\$ 4,665,000
Contributions as a percentage covered-employee payroll	1.41%	2.98%	4.78%	1.11%	1.16%	1.44%	2.19%

Notes to Schedule:

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree 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.

See independent auditor's report.

## **OTHER SUPPLEMENTARY INFORMATION**



**CITY OF EAST RIDGE, TENNESSEE**

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET

JUNE 30, 2024

	Special Revenue						Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	TML Bond Fund	Grant Fund	Solid Waste Collection	Economic Development	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 242,499	\$ 355,909	\$ 2,888,013	\$ 17,887	\$ 1,395	\$ 3,348	\$ 3,509,051
Grant funds receivables	-	-	-	1,256	-	-	1,256
Accounts receivables	9,349	-	63,738	-	84,180	-	157,267
Total assets	<u>\$ 251,848</u>	<u>\$ 355,909</u>	<u>\$ 2,951,751</u>	<u>\$ 19,143</u>	<u>\$ 85,575</u>	<u>\$ 3,348</u>	<u>\$ 3,667,574</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 4,690	\$ -	\$ -	\$ 55,908	\$ -	\$ 60,598
Accrued liabilities	-	-	-	-	11,112	-	11,112
Total liabilities	<u>-</u>	<u>4,690</u>	<u>-</u>	<u>-</u>	<u>67,020</u>	<u>-</u>	<u>71,710</u>
<b>Fund balances</b>							
Restricted:							
Law enforcement	251,848	-	-	-	-	-	251,848
State approved street aid	-	351,219	-	-	-	-	351,219
Economic development	-	-	-	-	-	3,348	3,348
Grant projects	-	-	-	19,143	-	-	19,143
Solid waste operations	-	-	-	-	18,555	-	18,555
Committed:							
Debt service	-	-	2,951,751	-	-	-	2,951,751
Total fund balances	<u>251,848</u>	<u>351,219</u>	<u>2,951,751</u>	<u>19,143</u>	<u>18,555</u>	<u>3,348</u>	<u>3,595,864</u>
Total liabilities and fund balances	<u>\$ 251,848</u>	<u>\$ 355,909</u>	<u>\$ 2,951,751</u>	<u>\$ 19,143</u>	<u>\$ 85,575</u>	<u>\$ 3,348</u>	<u>\$ 3,667,574</u>

See independent auditor's report.

**CITY OF EAST RIDGE, TENNESSEE**

NONMAJOR GOVERNMENTAL FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2024

	Special Revenue					Economic Development	Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	TML Bond Fund	Grant Fund	Solid Waste Collection		
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ 818,957	\$ -	\$ -	\$ -	\$ 818,957
Intergovernmental	54,904	783,475	-	197,296	-	-	1,035,675
Charges for services	-	-	-	-	1,560,600	-	1,560,600
Fines and forfeitures	24,645	-	-	-	-	-	24,645
Miscellaneous	12,070	178	111,479	1	-	32	123,760
Total revenues	<u>91,619</u>	<u>783,653</u>	<u>930,436</u>	<u>197,297</u>	<u>1,560,600</u>	<u>32</u>	<u>3,563,637</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	13,453	-	-	-	-	-	13,453
Public works	-	2,017,522	-	195,598	2,144,440	-	4,357,560
Debt service:							
Principal	-	-	1,329,030	-	-	-	1,329,030
Interest and other costs	-	-	511,977	-	-	-	511,977
Total expenditures	<u>13,453</u>	<u>2,017,522</u>	<u>1,841,007</u>	<u>195,598</u>	<u>2,144,440</u>	<u>-</u>	<u>6,212,020</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>78,166</u>	<u>(1,233,869)</u>	<u>(910,571)</u>	<u>1,699</u>	<u>(583,840)</u>	<u>32</u>	<u>(2,648,383)</u>
<b>OTHER FINANCING SOURCES</b>							
Transfers from other funds	-	-	1,401,000	-	187,827	6,260,218	7,849,045
Transfers to other funds	-	(184,607)	-	-	-	(6,260,218)	(6,444,825)
Total other financing sources (uses)	<u>-</u>	<u>(184,607)</u>	<u>1,401,000</u>	<u>-</u>	<u>187,827</u>	<u>-</u>	<u>1,404,220</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<u>78,166</u>	<u>(1,418,476)</u>	<u>490,429</u>	<u>1,699</u>	<u>(396,013)</u>	<u>32</u>	<u>(1,244,163)</u>
<b>FUND BALANCES</b>							
Beginning	<u>173,682</u>	<u>1,769,695</u>	<u>2,461,322</u>	<u>17,444</u>	<u>414,568</u>	<u>3,316</u>	<u>4,840,027</u>
Ending	<u>\$ 251,848</u>	<u>\$ 351,219</u>	<u>\$ 2,951,751</u>	<u>\$ 19,143</u>	<u>\$ 18,555</u>	<u>\$ 3,348</u>	<u>\$ 3,595,864</u>

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>TAXES</b>				
Local sales tax	\$ 3,600,000	\$ 3,600,000	\$ 4,651,940	\$ 1,051,940
Property taxes	7,069,000	7,069,000	6,857,575	(211,425)
Business taxes	7,000	7,000	3,423	(3,577)
Local beer taxes	420,000	420,000	507,191	87,191
Gross receipts taxes	9,817,898	9,817,898	8,062,468	(1,755,430)
Franchise taxes	<u>200,000</u>	<u>200,000</u>	<u>188,211</u>	<u>(11,789)</u>
Total taxes	<u>21,113,898</u>	<u>21,113,898</u>	<u>20,270,808</u>	<u>(843,090)</u>
<b>LICENSES AND PERMITS</b>				
Building permits	200,000	200,000	110,574	(89,426)
Plumbing permits	15,000	15,000	13,635	(1,365)
Electrical permits	30,000	30,000	19,196	(10,804)
Other permits and licenses	<u>70,350</u>	<u>70,350</u>	<u>106,534</u>	<u>36,184</u>
Total licenses and permits	<u>315,350</u>	<u>315,350</u>	<u>249,939</u>	<u>(65,411)</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	2,627,122	2,627,122	2,720,350	93,228
State beer tax	10,192	10,192	9,743	(449)
State telecommunications tax	500	500	416	(84)
State mixed drink tax	95,000	95,000	131,846	36,846
State income and excise tax	6,000	6,000	1,721	(4,279)
Interstate sales tax	5,000	5,000	4,362	(638)
Sports betting	32,000	32,000	41,153	9,153
City streets and transportation	40,565	40,565	40,584	19
TVA in lieu of tax	266,004	266,004	271,886	5,882
State and other grants	<u>71,800</u>	<u>371,800</u>	<u>203,784</u>	<u>(168,016)</u>
Total intergovernmental	<u>3,154,183</u>	<u>3,454,183</u>	<u>3,425,845</u>	<u>(28,338)</u>
<b>CHARGES FOR SERVICES</b>				
Fire service contract	116,604	116,604	116,604	-
Recreation fees	826,700	865,050	1,041,236	176,186
Mowing charges	9,800	9,800	9,800	-
Other	<u>11,700</u>	<u>11,700</u>	<u>13,030</u>	<u>1,330</u>
Total charges for services	<u>964,804</u>	<u>1,003,154</u>	<u>1,180,670</u>	<u>177,516</u>
<b>FINES AND FORFEITS</b>				
City court fines and fees	<u>427,300</u>	<u>427,300</u>	<u>379,205</u>	<u>(48,095)</u>
Total fines and forfeits	<u>427,300</u>	<u>427,300</u>	<u>379,205</u>	<u>(48,095)</u>

(Continued)

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>MISCELLANEOUS</b>				
Insurance recoveries	\$ 50,000	\$ 50,000	\$ 58,234	\$ 8,234
Interest	5,000	5,000	10,023	5,023
Other	46,425	96,425	143,500	47,075
Total miscellaneous	101,425	151,425	211,757	60,332
Total revenues	26,076,960	26,465,310	25,718,224	(747,086)
<b>GENERAL GOVERNMENT</b>				
<b>General Government</b>				
Health insurance	85,325	85,325	38,336	46,989
Pension	3,500	3,500	1,135	2,365
Workers' compensation	250,000	275,390	275,390	-
Dues and memberships	16,000	16,000	11,324	4,676
Data processing services	75,000	85,000	83,445	1,555
Insurance	700,000	836,973	806,584	30,389
Professional fees	198,075	198,075	183,960	14,115
	1,327,900	1,500,263	1,400,174	100,089

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Administration</b>				
Salaries	\$ 620,946	\$ 620,946	\$ 626,066	\$ (5,120)
Payroll taxes	46,642	46,642	46,076	566
Health insurance	59,103	59,103	59,992	(889)
Pension	60,970	60,970	55,006	5,964
Unemployment insurance	504	504	224	280
Employee training and testing	10,150	10,150	11,682	(1,532)
Printing and duplicating	15,000	15,000	16,209	(1,209)
Dues and memberships	2,000	2,000	1,519	481
Telephone	25,000	25,000	22,419	2,581
Public relations	9,000	9,000	10,340	(1,340)
Travel	10,000	10,000	7,956	2,044
Operating supplies	126,800	141,800	116,582	25,218
Equipment operations and maintenance	7,600	7,600	6,199	1,401
Professional fees	40,000	40,000	46,257	(6,257)
Other	17,500	17,500	13,225	4,275
	<u>1,051,215</u>	<u>1,066,215</u>	<u>1,039,752</u>	<u>26,463</u>
<b>City Council</b>				
Salaries	40,800	40,800	40,800	-
Payroll taxes	3,121	3,121	3,076	45
Health insurance	6,219	6,219	6,338	(119)
Employee training and testing	4,000	4,000	3,390	610
Printing and duplicating	400	400	400	-
Dues and memberships	350	350	330	20
Telephone	2,000	2,000	1,928	72
Council meeting	4,000	4,000	-	4,000
Travel	10,000	10,000	10,021	(21)
Special events	25,000	25,000	10,957	14,043
Operating supplies	3,600	3,600	12,068	(8,468)
	<u>99,490</u>	<u>99,490</u>	<u>89,308</u>	<u>10,182</u>

(Continued)

See independent auditor's report.

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Municipal Court</b>				
Salaries	\$ 184,370	\$ 184,370	\$ 189,744	\$ (5,374)
Payroll taxes	13,776	13,776	14,227	(451)
Health insurance	24,718	24,718	24,012	706
Employee training and testing	650	650	-	650
Pension	8,633	8,633	9,306	(673)
Unemployment insurance	168	168	77	91
Printing and duplicating	1,000	1,000	1,142	(142)
Subscriptions	175	175	15	160
Telephone	2,500	2,500	2,899	(399)
Travel	500	500	-	500
Operating supplies	72,650	72,650	17,620	55,030
Child restraint	15,000	15,000	18,155	(3,155)
Litigation fees	60,000	60,000	70,776	(10,776)
Other	11,500	11,500	16,922	(5,422)
	<u>395,640</u>	<u>395,640</u>	<u>364,895</u>	<u>30,745</u>
<b>Economic Development</b>				
Professional services	50,000	76,800	129,623	(52,823)
	<u>50,000</u>	<u>76,800</u>	<u>129,623</u>	<u>(52,823)</u>
<b>City Hall Complex</b>				
Utilities	39,200	39,200	34,756	4,444
Operating supplies	12,775	12,775	13,187	(412)
	<u>51,975</u>	<u>51,975</u>	<u>47,943</u>	<u>4,032</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Inspection</b>				
Salaries	\$ 288,716	\$ 288,716	\$ 245,338	\$ 43,378
Payroll taxes	20,423	20,423	18,056	2,367
Health insurance	65,160	65,160	66,045	(885)
Pension	26,696	26,696	26,299	397
Unemployment insurance	336	336	149	187
Employee training and testing	4,250	4,250	470	3,780
Printing and duplicating	4,000	4,000	1,455	2,545
Dues and memberships	800	800	75	725
Telephone	6,250	6,250	3,437	2,813
Travel	3,000	3,000	335	2,665
Contract services	92,950	92,950	66,343	26,607
Operating supplies	30,500	30,500	34,672	(4,172)
Equipment operations and maintenance	12,800	12,800	14,464	(1,664)
Uniform	1,500	1,500	1,334	166
Other	75,000	121,000	93,955	27,045
	<u>632,381</u>	<u>678,381</u>	<u>572,427</u>	<u>105,954</u>
<b>City Garage</b>				
Telephone	1,650	1,650	1,510	140
Utilities	5,300	5,300	4,925	375
Equipment operations and maintenance	2,650	8,150	8,679	(529)
	<u>9,600</u>	<u>15,100</u>	<u>15,114</u>	<u>(14)</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Building Maintenance</b>				
Salaries	\$ 187,702	\$ 187,702	\$ 148,765	\$ 38,937
Payroll taxes	13,550	13,550	11,143	2,407
Health insurance	42,072	42,072	30,222	11,850
Pension	17,712	17,712	13,463	4,249
Unemployment insurance	280	280	115	165
Printing and duplicating	200	200	-	200
Telephone	4,000	4,000	3,363	637
Utilities	9,500	9,500	6,451	3,049
Medical	100	100	349	(249)
Operating supplies	23,158	23,158	32,016	(8,858)
Custodial services	8,000	8,000	2,605	5,395
Equipment operations and maintenance	4,000	4,000	880	3,120
Building maintenance	40,000	40,000	14,715	25,285
Grounds maintenance	12,000	12,000	3,958	8,042
Other	-	-	410	(410)
	<u>362,274</u>	<u>362,274</u>	<u>268,455</u>	<u>93,819</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>3,980,475</u>	<u>4,246,138</u>	<u>3,927,691</u>	<u>318,447</u>

(Continued)



# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>DEPARTMENT OF PUBLIC SAFETY</b>				
<b>Police</b>				
Salaries	\$ 818,487	\$ 818,487	\$ 690,967	\$ 127,520
Payroll taxes	54,459	54,459	50,038	4,421
Health insurance	151,154	151,154	100,343	50,811
Pension	76,202	76,202	60,471	15,731
Unemployment insurance	616	616	316	300
Employee training and testing	49,500	49,500	32,339	17,161
Contract services	35,000	35,000	30,053	4,947
Printing and duplicating	4,300	4,300	4,363	(63)
Dues and memberships	4,000	4,000	3,151	849
Subscriptions	100	10,100	6,789	3,311
Telephone	40,000	40,000	38,228	1,772
Utilities	18,280	18,280	19,293	(1,013)
Medical	6,400	6,400	4,370	2,030
Travel	35,000	35,000	19,810	15,190
Operating supplies	47,000	47,000	39,206	7,794
Contracts with other governments	400,000	400,000	393,893	6,107
Supplies and small equipment	134,600	134,600	192,489	(57,889)
Equipment operations and maintenance	526,000	526,000	421,047	104,953
Building maintenance	2,500	2,500	810	1,690
Uniforms	8,500	8,500	5,959	2,541
Insurance	10,000	10,000	13,371	(3,371)
	2,422,098	2,432,098	2,127,306	304,792
<b>Criminal Investigation</b>				
Salaries	613,875	613,875	530,576	83,299
Payroll taxes	45,776	45,776	37,941	7,835
Health insurance	128,956	128,956	85,816	43,140
Pension	66,121	66,121	54,415	11,706
Unemployment insurance	560	560	252	308
Operating supplies	23,800	23,800	41,889	(18,089)
	879,088	879,088	750,889	128,199

(Continued)

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Patrol</b>				
Salaries	\$ 1,909,064	\$ 2,191,170	\$ 2,266,259	\$ (75,089)
Payroll taxes	145,498	210,454	167,650	42,804
Health insurance	376,144	389,159	319,041	70,118
Pension	196,184	322,577	225,448	97,129
Unemployment insurance	1,904	1,934	1,406	528
Operating supplies	<u>212,500</u>	<u>294,000</u>	<u>224,304</u>	<u>69,696</u>
	<u>2,841,294</u>	<u>3,409,294</u>	<u>3,204,108</u>	<u>205,186</u>
<b>Fire</b>				
Salaries	1,857,579	1,857,579	1,922,737	(65,158)
Payroll taxes	127,855	127,855	141,742	(13,887)
Health insurance	359,196	359,196	325,320	33,876
Pension	172,096	222,096	185,088	37,008
Workers' compensation	1,288	1,288	1,093	195
Employee training and testing	18,500	18,500	18,944	(444)
Printing and duplicating	3,500	3,500	2,619	881
Dues and memberships	800	800	2,018	(1,218)
Subscriptions	1,200	1,200	-	1,200
Telephone	21,000	21,000	23,605	(2,605)
Utilities	44,000	44,000	36,058	7,942
Medical	1,400	1,400	2,193	(793)
Travel	8,000	8,000	7,119	881
Rent	27,200	27,200	19,233	7,967
Operating supplies	56,100	56,100	71,684	(15,584)
Contracts with other governments	338,094	338,094	317,147	20,947
Supplies and small equipment	27,000	27,000	34,760	(7,760)
Equipment operations and maintenance	68,000	429,300	415,918	13,382
Building maintenance	2,500	2,500	4,309	(1,809)
Uniforms	48,589	48,589	59,866	(11,277)
Insurance	<u>2,000</u>	<u>2,000</u>	<u>3,653</u>	<u>(1,653)</u>
	<u>3,185,897</u>	<u>3,597,197</u>	<u>3,595,106</u>	<u>2,091</u>

(Continued)

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Animal Control</b>				
Salaries	\$ 174,679	\$ 174,679	\$ 172,050	\$ 2,629
Payroll taxes	10,899	10,899	12,907	(2,008)
Health insurance	24,468	24,468	19,545	4,923
Pension	14,247	14,247	14,741	(494)
Contract services	2,500	2,500	497	2,003
Workers' compensation	224	224	144	80
Employee training and testing	6,250	6,250	2,712	3,538
Printing and duplicating	1,000	1,000	-	1,000
Dues and memberships	600	600	-	600
Telephone	2,000	2,000	3,400	(1,400)
Utilities	10,500	10,500	7,395	3,105
Medical	250	250	210	40
Travel	3,600	3,600	871	2,729
Operating supplies	45,000	45,000	67,323	(22,323)
Equipment operations and maintenance	5,800	5,800	3,051	2,749
Building maintenance	1,800	1,800	345	1,455
Uniforms	2,000	2,000	1,242	758
Other	25,000	25,000	16,715	8,285
	<u>330,817</u>	<u>330,817</u>	<u>323,148</u>	<u>7,669</u>
<b>TOTAL DEPARTMENT OF PUBLIC SAFETY</b>	<u>9,659,194</u>	<u>10,648,494</u>	<u>10,000,557</u>	<u>647,937</u>

(Continued)

See independent auditor's report.

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>DEPARTMENT OF PUBLIC WORKS</b>				
<b>Traffic Control and Street Markers</b>				
Salaries	\$ 210,251	\$ 210,251	\$ 205,677	\$ 4,574
Payroll taxes	15,170	15,170	15,108	62
Health insurance	52,343	52,343	55,266	(2,923)
Pension	19,830	19,830	18,798	1,032
Workers' compensation	168	168	112	56
Employee training and testing	2,750	2,750	-	2,750
Dues and memberships	370	370	615	(245)
Telephone	2,500	2,500	3,464	(964)
Utilities	4,900	4,900	5,716	(816)
Medical	250	250	-	250
Travel	1,000	1,000	-	1,000
Operating supplies	23,800	33,800	24,489	9,311
Equipment operations and maintenance	11,700	21,700	9,198	12,502
Building maintenance	500	500	-	500
Uniforms	1,500	1,500	1,362	138
Other	2,100	2,100	264	1,836
	<u>349,132</u>	<u>369,132</u>	<u>340,069</u>	<u>29,063</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Streets</b>				
Salaries	\$ 288,954	\$ 288,954	\$ 262,547	\$ 26,407
Payroll taxes	21,592	21,592	19,399	2,193
Health insurance	83,111	83,111	70,740	12,371
Pension	28,225	28,225	25,900	2,325
Workers' compensation	336	336	201	135
Employee training and testing	2,250	2,250	51	2,199
Dues and memberships	-	-	275	(275)
Telephone	2,400	2,400	2,778	(378)
Utilities	7,100	7,100	8,705	(1,605)
Medical	200	200	210	(10)
Professional and contract services	7,000	7,000	11,345	(4,345)
Operating supplies	26,100	26,100	23,771	2,329
Equipment operations and maintenance	172,200	172,200	112,116	60,084
Building maintenance	3,000	3,000	9,922	(6,922)
Uniforms	1,600	1,600	1,877	(277)
Damage claims	1,000	1,000	2,000	(1,000)
	<u>645,068</u>	<u>645,068</u>	<u>551,837</u>	<u>93,231</u>
<b>TOTAL DEPARTMENT OF PUBLIC WORKS</b>	<u>994,200</u>	<u>1,014,200</u>	<u>891,906</u>	<u>122,294</u>

(Continued)

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>DEPARTMENT OF PUBLIC WELFARE</b>				
<b>Library</b>				
Salaries	\$ 193,966	\$ 193,966	\$ 163,762	\$ 30,204
Payroll taxes	14,532	14,532	12,230	2,302
Health insurance	29,741	29,741	15,078	14,663
Pension	10,275	10,275	9,903	372
Workers' compensation	280	280	173	107
Employee training and testing	500	500	-	500
Printing and duplicating	1,600	1,600	1,341	259
Subscriptions	1,500	1,500	1,212	288
Telephone	5,000	5,000	4,343	657
Medical	250	250	85	165
Professional and contract services	6,800	6,800	7,621	(821)
Operating supplies	6,400	6,400	6,587	(187)
Equipment/book operations and maintenance	25,012	30,012	26,325	3,687
Other	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
	<u>296,356</u>	<u>301,356</u>	<u>248,660</u>	<u>52,696</u>
<b>Museum</b>				
Telephone	100	700	438	262
Contract services	<u>525</u>	<u>525</u>	<u>270</u>	<u>255</u>
	<u>625</u>	<u>1,225</u>	<u>708</u>	<u>517</u>
<b>Community Development Centers</b>				
Transportation Assistance	<u>10,000</u>	<u>10,000</u>	<u>3,863</u>	<u>6,137</u>
<b>TOTAL DEPARTMENT OF PUBLIC WELFARE</b>	<u>306,981</u>	<u>312,581</u>	<u>253,231</u>	<u>59,350</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>CULTURE AND RECREATION</b>				
<b>Arena</b>				
Salaries	\$ 578,823	\$ 578,823	\$ 538,359	\$ 40,464
Payroll taxes	42,961	42,961	38,569	4,392
Health insurance	91,348	91,348	77,910	13,438
Pension	43,984	43,984	43,533	451
Workers' compensation	784	784	644	140
Employee training and testing	1,300	1,300	822	478
Printing and duplicating	700	700	85	615
Dues and subscriptions	1,500	1,500	1,135	365
Telephone	3,000	5,000	5,032	(32)
Utilities	79,750	129,750	87,791	41,959
Travel	750	750	1,142	(392)
Operating supplies	17,300	17,300	21,324	(4,024)
Contracted services	18,000	29,000	36,433	(7,433)
Equipment operations and maintenance	105,200	107,200	110,902	(3,702)
Building maintenance	2,000	2,000	2,196	(196)
Grounds maintenance	79,750	79,750	75,750	4,000
Uniforms	1,600	1,600	1,722	(122)
Medical	600	600	770	(170)
Damage claims	2,000	2,000	1,732	268
Other	1,500	1,500	873	627
	<u>1,072,850</u>	<u>1,137,850</u>	<u>1,046,724</u>	<u>91,126</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Maintenance of Recreational Facilities</b>				
Salaries	\$ 93,615	\$ 93,615	\$ 83,652	\$ 9,963
Payroll taxes	6,403	6,403	5,337	1,066
Health insurance	18,115	18,115	12,328	5,787
Pension	8,369	8,369	8,224	145
Workers' compensation	112	112	46	66
Employee training and testing	500	500	-	500
Printing and duplicating	250	250	-	250
Dues and memberships	500	500	110	390
Telephone	4,000	4,000	3,921	79
Utilities	79,000	89,000	95,867	(6,867)
Operating supplies	30,745	20,745	17,871	2,874
Contracted services	22,000	22,000	22,938	(938)
Equipment operations and maintenance	11,695	21,695	17,131	4,564
Grounds maintenance	-	-	24	(24)
Travel	250	250	-	250
Park promotions	750	750	-	750
Uniforms	1,000	1,000	308	692
Medical	150	150	-	150
Other	1,000	1,000	-	1,000
	<u>278,454</u>	<u>288,454</u>	<u>267,757</u>	<u>20,697</u>

(Continued)



**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2024

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Community Center</b>				
Salaries	\$ 140,377	\$ 140,377	\$ 127,789	\$ 12,588
Payroll taxes	10,433	10,433	9,656	777
Health insurance	12,584	12,584	9,867	2,717
Pension	7,904	7,904	6,928	976
Workers' compensation	392	392	135	257
Employee training and testing	800	800	-	800
Printing and duplicating	200	200	-	200
Dues and memberships	350	350	100	250
Telephone	1,000	1,000	4,007	(3,007)
Utilities	37,500	87,750	91,013	(3,263)
Medical	500	500	-	500
Operating supplies	32,000	32,000	37,693	(5,693)
Contracted services	5,000	5,000	7,751	(2,751)
Equipment operations and maintenance	1,000	1,000	720	280
Building maintenance	1,000	1,000	1,854	(854)
Grounds maintenance	1,500	1,500	2,460	(960)
Travel	250	250	836	(586)
Uniforms	500	500	525	(25)
	<u>253,290</u>	<u>303,540</u>	<u>301,334</u>	<u>2,206</u>
<b>McBrien School</b>				
Utilities	800	800	614	186
Contracted services	600	600	360	240
	<u>1,400</u>	<u>1,400</u>	<u>974</u>	<u>426</u>

(Continued)

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

(Continued)

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Recreational Sports</b>				
Contracted services	\$ 5,950	\$ 18,950	\$ 20,121	\$ (1,171)
Printing and duplicating	500	500	-	500
Equipment, supplies and uniforms	99,150	130,650	125,680	4,970
Tournament fees	15,850	15,850	16,835	(985)
Officials, referees and players fees	121,400	202,500	164,726	37,774
Insurance	27,800	27,800	34,452	(6,652)
	<u>270,650</u>	<u>396,250</u>	<u>361,814</u>	<u>34,436</u>
 <b>TOTAL CULTURE AND RECREATION</b>	 <u>1,876,644</u>	 <u>2,127,494</u>	 <u>1,978,603</u>	 <u>148,891</u>
 <b>CAPITAL OUTLAY</b>				
Furniture and fixtures	-	-	6,909	(6,909)
Transportation equipment	40,000	133,000	131,213	1,787
	<u>40,000</u>	<u>133,000</u>	<u>138,122</u>	<u>(5,122)</u>
 <b>TOTAL CAPITAL OUTLAY</b>	 <u>40,000</u>	 <u>133,000</u>	 <u>138,122</u>	 <u>(5,122)</u>
 <b>TOTAL EXPENDITURES</b>	 <u>16,857,494</u>	 <u>18,481,907</u>	 <u>17,190,110</u>	 <u>1,291,797</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <u>9,219,466</u>	 <u>7,983,403</u>	 <u>8,528,114</u>	 <u>544,711</u>
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(9,238,091)	(8,237,478)	(5,878,250)	2,359,228
Proceeds from sale of assets	10,000	10,000	4,356	(5,644)
Total other financing sources (uses)	<u>(9,228,091)</u>	<u>(8,227,478)</u>	<u>(5,873,894)</u>	<u>2,353,584</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	 <u>\$ (8,625)</u>	 <u>\$ (244,075)</u>	 2,654,220	 <u>\$ 2,898,295</u>
 <b>FUND BALANCE</b>				
Beginning			<u>11,846,719</u>	
Ending			<u>\$ 14,500,939</u>	

See independent auditor's report.

**CITY OF EAST RIDGE, TENNESSEE**

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

YEAR ENDED JUNE 30, 2024

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 54,904	\$ 9,904
Drug related fines and forfeitures	20,000	20,000	24,645	4,645
Sale of confiscated property	<u>(2,000)</u>	<u>(2,000)</u>	<u>12,070</u>	<u>14,070</u>
Total revenues	<u>63,000</u>	<u>63,000</u>	<u>91,619</u>	<u>28,619</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Employee training and testing	1,000	1,000	-	1,000
Office supplies	26,500	26,500	-	26,500
Uniforms	22,000	22,000	13,453	8,547
Travel	500	500	-	500
Equipment operations and maintenance	<u>17,000</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>
<b>TOTAL EXPENDITURES</b>	<u>67,000</u>	<u>67,000</u>	<u>13,453</u>	<u>53,547</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>\$ (4,000)</u>	<u>\$ (4,000)</u>	78,166	<u>\$ 82,166</u>
<b>FUND BALANCE</b>				
Beginning			<u>173,682</u>	
Ending			<u>\$ 251,848</u>	

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,445,000	\$ 1,445,000	\$ 783,475	\$ (661,525)
Interest	100	100	178	78
Total revenues	<u>1,445,100</u>	<u>1,445,100</u>	<u>783,653</u>	<u>(661,447)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Utilities	225,000	225,000	218,712	6,288
Professional services	60,000	60,000	35,691	24,309
Grant expenditures	315,711	315,711	419,720	(104,009)
Road paving and maintenance	2,319,238	2,319,238	1,342,807	976,431
<b>TOTAL EXPENDITURES</b>	<u>2,919,949</u>	<u>2,919,949</u>	<u>2,017,522</u>	<u>902,427</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,474,849)</u>	<u>(1,474,849)</u>	<u>(1,233,869)</u>	<u>240,980</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	-	-	(184,607)	(184,607)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ (1,474,849)</u>	<u>\$ (1,474,849)</u>	(1,418,476)	<u>\$ 56,373</u>
<b>FUND BALANCE</b>				
Beginning			<u>1,769,695</u>	
Ending			<u>\$ 351,219</u>	

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Room occupancy tax	\$ 713,774	\$ 713,774	\$ 818,957	\$ 105,183
Interest	<u>1,000</u>	<u>1,000</u>	<u>111,479</u>	<u>110,479</u>
Total revenues	<u>714,774</u>	<u>714,774</u>	<u>930,436</u>	<u>215,662</u>
<b>DEBT SERVICE</b>				
Principal	1,366,330	1,366,330	1,328,530	37,800
Interest	<u>749,444</u>	<u>749,444</u>	<u>511,977</u>	<u>237,467</u>
Total debt service	<u>2,115,774</u>	<u>2,115,774</u>	<u>1,840,507</u>	<u>275,267</u>
<b>TOTAL EXPENDITURES</b>	<u>2,115,774</u>	<u>2,115,774</u>	<u>1,841,007</u>	<u>274,767</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(1,401,000)	(1,401,000)	(910,571)	490,429
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>1,401,000</u>	<u>1,401,000</u>	<u>1,401,000</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ -</u>	490,429	<u>\$ 490,429</u>
<b>FUND BALANCE</b>				
Beginning			<u>2,461,322</u>	
Ending			<u>\$ 2,951,751</u>	

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	<b>Budget Amounts</b>			<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Intergovernmental	\$ 202,000	\$ 202,000	\$ 197,296	\$ (4,704)
Interest	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Total revenues	<u>202,000</u>	<u>202,000</u>	<u>197,297</u>	<u>(4,703)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public works	<u>210,000</u>	<u>213,528</u>	<u>195,598</u>	<u>17,930</u>
<b>TOTAL EXPENDITURES</b>	<u>210,000</u>	<u>213,528</u>	<u>195,598</u>	<u>17,930</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>\$ (8,000)</u>	<u>\$ (11,528)</u>	1,699	<u>\$ 13,227</u>
<b>FUND BALANCE</b>				
Beginning			<u>17,444</u>	
Ending			<u>\$ 19,143</u>	

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 1,640,979	\$ 1,640,979	\$ 1,560,600	\$ (80,379)
Total revenues	<u>1,640,979</u>	<u>1,640,979</u>	<u>1,560,600</u>	<u>(80,379)</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Salaries	607,289	607,289	595,920	11,369
Payroll taxes	45,148	45,148	43,687	1,461
Health insurance	122,726	122,726	124,608	(1,882)
Pension	59,016	59,016	58,576	440
Unemployment insurance	840	840	479	361
Employee training and testing	1,200	1,200	625	575
Printing and duplicating	1,200	1,200	-	1,200
Dues and memberships	260	260	275	(15)
Utilities	11,500	11,500	9,864	1,636
Contract services	375,000	375,000	420,926	(45,926)
Operating supplies	341,800	436,800	406,029	30,771
Building and equipment maintenance	75,000	75,000	47,880	27,120
Equipment purchases	-	419,000	435,571	(16,571)
Total expenditures	<u>1,640,979</u>	<u>2,154,979</u>	<u>2,144,440</u>	<u>10,539</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>-</u>	<u>(514,000)</u>	<u>(583,840)</u>	<u>(69,840)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>187,827</u>	<u>187,827</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>\$ -</u>	<u>\$ (514,000)</u>	<u>(396,013)</u>	<u>\$ 117,987</u>
<b>FUND BALANCE</b>				
Beginning			<u>414,568</u>	
Ending			<u>\$ 18,555</u>	

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2024

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 32	\$ 32
Total revenues	-	-	32	32
<b>EXPENDITURES</b>				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
<b>EXCESS REVENUES OVER EXPENDITURES</b>				
	-	-	32	32
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from other funds	6,628,998	6,628,998	6,260,218	(368,780)
Transfers to other funds	(6,628,998)	(6,628,998)	(6,260,218)	368,780
Total other financing sources (uses)	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>				
	\$ -	\$ -	32	\$ 32
<b>FUND BALANCE</b>				
Beginning			3,316	
Ending			\$ 3,348	

See independent auditor's report.



# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2024

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<b>Year</b>	<b>Tax Rate</b>	<b>Assessment</b>	<b>Levy</b>
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	4,938,120
2018	1.3382	351,143,775	4,699,006
2019	1.3382	352,770,886	4,720,780
2020	1.3381	385,410,209	5,157,174
2021	1.2500	521,102,155	6,513,777
2022	1.2500	505,887,120	6,323,589
2023	1.2500	541,543,600	6,769,295
2024	1.2500	527,036,960	6,587,962

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2024

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Tax Year	Property Tax Receivable Balance June 30, 2023	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2024
2024	\$ -	\$ -	\$ 6,587,962	\$ -	\$ -	\$ 6,587,962
2023	6,769,295	-	-	-	(6,430,772)	338,523
2022	341,119	-	-	-	(206,688)	134,431
2021	88,253	-	-	-	(42,439)	45,814
2020	30,528	-	-	-	(18,315)	12,213
2019	11,626	-	-	-	(639)	10,987
2018	1,053	-	-	-	-	1,053
2017	8,245	-	-	-	-	8,245
2016	6,971	-	-	-	(145)	6,826
2015	9,568	-	-	-	-	9,568
2014	9,974	-	-	-	-	9,974
2013	8,717	-	-	-	(8,717)	-
2012	8,648	-	-	-	(8,648)	-
	<u>\$ 7,293,997</u>	<u>\$ -</u>	<u>\$ 6,587,962</u>	<u>\$ -</u>	<u>\$ (6,716,363)</u>	<u>\$ 7,165,596</u>

*Note: All uncollected delinquent taxes have been filed in accordance with applicable laws.*

**CITY OF EAST RIDGE, TENNESSEE**

SCHEDULE OF DEBT SERVICE REQUIREMENTS  
GOVERNMENTAL ACTIVITIES

JUNE 30, 2024

Year Ending June 30,	General Obligation Bonds Series 2015		TML Bond Fund Series 2020		General Obligation Refunding Bonds, Series 2021		Fire Department Capital Outlay Note Series 2021		TML Bond Fund Series 2022		General Obligation Bonds, Series 2024		Financed Purchase, Motorola Solutions 2024		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 75,000	\$ 131,813	\$ 108,000	\$ 36,525	\$ 525,000	\$ 156,963	\$ 98,000	\$ 7,508	\$ 351,000	\$ 256,941	\$ 275,000	\$ 400,000	\$ 77,377	\$ 7,237	\$ 1,509,377	\$ 996,987
2026	80,000	129,750	111,000	33,744	500,000	141,213	100,000	5,874	365,000	243,076	260,000	386,250	35,261	5,558	1,451,261	945,465
2027	80,000	125,750	114,000	30,886	500,000	126,213	101,000	4,216	379,000	228,659	270,000	373,250	37,024	3,795	1,481,024	892,769
2028	85,000	121,750	116,000	27,965	505,000	111,213	102,000	2,541	394,000	213,688	285,000	359,750	38,875	1,945	1,525,875	838,852
2029	90,000	117,500	119,000	24,981	495,000	96,063	103,000	850	410,000	198,125	300,000	345,500	-	-	1,517,000	783,019
2030	95,000	113,000	122,000	21,920	445,000	76,263	-	-	426,000	181,930	315,000	330,500	-	-	1,403,000	723,613
2031	100,000	108,250	125,000	18,783	445,000	67,363	-	-	443,000	165,103	330,000	314,750	-	-	1,443,000	674,249
2032	105,000	103,250	129,000	15,558	445,000	58,463	-	-	460,000	147,605	345,000	298,250	-	-	1,484,000	623,126
2033	110,000	98,000	132,000	12,243	450,000	49,563	-	-	478,000	129,435	365,000	281,000	-	-	1,535,000	570,241
2034	115,000	92,500	135,000	8,852	450,000	40,563	-	-	497,000	110,554	385,000	262,750	-	-	1,582,000	515,219
2035	120,000	86,750	139,000	5,372	455,000	31,563	-	-	517,000	90,922	400,000	243,500	-	-	1,631,000	458,107
2036	130,000	80,750	142,000	1,803	395,000	23,600	-	-	537,000	70,501	420,000	178,800	-	-	1,624,000	355,454
2037	135,000	74,250	-	-	425,000	16,688	-	-	559,000	49,289	440,000	162,000	-	-	1,559,000	302,227
2038	140,000	67,500	-	-	380,000	9,250	-	-	581,000	27,209	455,000	144,400	-	-	1,556,000	248,359
2039	150,000	60,500	-	-	130,000	2,593	-	-	167,827	4,259	475,000	126,200	-	-	922,827	193,552
2040	155,000	53,000	-	-	-	-	-	-	-	-	495,000	107,200	-	-	650,000	160,200
2041	165,000	45,250	-	-	-	-	-	-	-	-	515,000	87,400	-	-	680,000	132,650
2042	170,000	37,000	-	-	-	-	-	-	-	-	535,000	66,800	-	-	705,000	103,800
2043	180,000	28,500	-	-	-	-	-	-	-	-	555,000	45,400	-	-	735,000	73,900
2044	190,000	19,500	-	-	-	-	-	-	-	-	580,000	23,925	-	-	770,000	43,425
2045	200,000	10,000	-	-	-	-	-	-	-	-	-	-	-	-	200,000	10,000
<b>Total</b>	<b>\$ 2,670,000</b>	<b>\$ 1,704,563</b>	<b>\$ 1,492,000</b>	<b>\$ 238,632</b>	<b>\$ 6,545,000</b>	<b>\$ 1,007,574</b>	<b>\$ 504,000</b>	<b>\$ 20,989</b>	<b>\$ 6,564,827</b>	<b>\$ 2,117,295</b>	<b>\$ 8,000,000</b>	<b>\$ 4,537,625</b>	<b>\$ 188,537</b>	<b>\$ 18,535</b>	<b>#####</b>	<b>\$ 9,645,213</b>

See independent auditor's report.

**CITY OF EAST RIDGE, TENNESSEE**

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2024

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
<b>BONDS PAYABLE</b>									
<u>Payable through TML Bond Fund</u>									
General Obligation, Series 2015	\$ 3,085,000	5.00%	9/1/2015	3/1/2045	\$ 2,745,000	\$ -	\$ 75,000	\$ -	\$ 2,670,000
General Obligation Refunding Bonds, Series 2021	8,495,000	1.75 - 4.00%	6/15/2021	6/1/2039	7,205,000	-	660,000	-	6,545,000
General Obligation Bonds, Series 2024	8,000,000	4.00 - 5.00%	6/28/2024	6/1/2024	-	8,000,000	-	-	8,000,000
Total bonds payable through TML bond fund	<u>\$ 19,580,000</u>				<u>\$ 9,950,000</u>	<u>\$ 8,000,000</u>	<u>\$ 735,000</u>	<u>\$ -</u>	<u>\$ 17,215,000</u>
<b>NOTES PAYABLE</b>									
<u>Payable through TML Bond Fund</u>									
TML Bond, Series 2020	\$ 1,800,000	2.54%	11/10/2020	11/1/2035	\$ 1,586,185	\$ -	\$ 94,185	\$ -	\$ 1,492,000
Fire Department Capital Outlay Note, Series 2021	696,079	1.65%	12/14/2021	12/1/2028	601,000	-	97,000	-	504,000
TML Bond, Series 2022	10,000,000	3.95%	10/14/2022	9/1/2042	3,615,947	3,226,880	278,000	-	6,564,827
Total notes payable through debt service fund	<u>\$ 12,684,616</u>				<u>\$ 5,803,132</u>	<u>\$ 3,415,417</u>	<u>\$ 512,980</u>	<u>\$ -</u>	<u>\$ 8,560,827</u>
<b>FINANCED PURCHASES</b>									
<u>Payable through Capital Projects Fund</u>									
Motorola Solutions Financed Purchase	\$ 188,537	5.00%	2/8/2024	2/8/2028	\$ -	\$ 188,537	\$ -	\$ -	\$ 188,537
Total financed purchases through capital projects fund	<u>\$ 188,537</u>				<u>\$ -</u>	<u>\$ 188,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,537</u>

See independent auditor's report.

**CITY OF EAST RIDGE, TENNESSEE**

SCHEDULE OF CHANGES IN LEASE OBLIGATIONS

JUNE 30, 2024

<b>Description of Indebtedness</b>	<b>Original Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Maturity Date</b>	<b>Outstanding 7/1/2023</b>	<b>Issued During Period</b>	<b>Paid and/or Matured During Period</b>	<b>Remeasurements</b>	<b>Outstanding 6/30/2024</b>
<b>LEASES PAYABLE</b>									
Axon taser lease	\$ 250,849	3.30%	8/1/2022	8/31/2027	\$ 197,319	\$ -	\$ 46,919	\$ -	\$ 150,400
Total leases payable - governmental activities	<u>\$ 250,849</u>				<u>\$ 197,319</u>	<u>\$ -</u>	<u>\$ 46,919</u>	<u>\$ -</u>	<u>\$ 150,400</u>

See independent auditor's report.

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF LEASE OBLIGATIONS, PRINCIPAL, AND INTEREST REQUIREMENTS

JUNE 30, 2024

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<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 48,491	\$ 5,039	\$ 53,530
2026	50,115	3,414	53,529
2027	<u>51,794</u>	<u>1,735</u>	<u>53,529</u>
Total	<u>\$ 150,400</u>	<u>\$ 10,188</u>	<u>\$ 160,588</u>

See independent auditor's report.

## **COMPLIANCE SECTION**

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2024

<u>Federal Agency/Pass-through Agency/ State Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
U.S. Department of Treasury			
Passed through TN Department of Revenue			
COVID-19 American Rescue Plan Act (ARPA)	21.027	N/A	\$ 2,922,045
Total U.S. Department of Treasury			<u>2,922,045</u>
U.S. Department of Transportation			
Passed through Tennessee Department of			
Transportation Multimodal Access Grant	20.205	N/A	<u>1,220,060</u>
Total U.S. Department of Transportation			<u>1,220,060</u>
Federal Bureau of Justice			
Bulletproof Vest Program	16.607	N/A	<u>13,453</u>
Total Federal Bureau of Justice			<u>13,453</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 4,155,558</u>
<b>STATE AWARDS</b>			
Direct Appropriation Grant	N/A	<u>Contract Number</u> N/A	<u>\$ 1,237,500</u>
<b>TOTAL STATE AWARDS</b>			<u>1,237,500</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u>\$ 5,393,058</u>

See independent auditor's report.



# **CITY OF EAST RIDGE, TENNESSEE**

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

JUNE 30, 2024

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

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) includes the federal and state grant activity of the City 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.

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of assistance listing number 21.027, which follow criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

### **NOTE 3 – INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

### **NOTE 4 – SUBRECIPIENTS**

Of the federal expenditures presented in the Schedule, the City has not provided any federal awards to subrecipients.



CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2024, 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, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for determining 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 that we considered to be significant deficiencies.

## **Report on Compliance and Other Matters**

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

## **City of East Ridge's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **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.

Cleveland, Tennessee  
December 6, 2024

*Henderson Hutcherson  
in McCullough, PLLC*



CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cleveland, Tennessee  
December 6, 2024

*Henderson Hutcherson  
& McCullough, PLLC*

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2024**

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**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified: \_\_\_yes   x  no
- Significant deficiencies identified that are not considered to be material weaknesses?   x  yes \_\_\_none reported

Noncompliance material to financial statements noted? \_\_\_yes   x  no

Federal Awards

Internal control over major programs:

- Material weaknesses identified: \_\_\_yes   x  no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_yes   x  none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed under the Uniform Guidance? \_\_\_yes   x  no

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	U.S. Department of Treasury American Rescue Plan Act

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_yes   x  no

# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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### SECTION II - FINANCIAL STATEMENT FINDINGS

#### Financial Statement Findings

#### **2024-001: Preparation of Financial Statements and Schedule of Expenditures of Federal and State Awards**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** Accounting standards dictate that management is responsible for preparation of the financial statements. An audit of the financial statements of an organization requires the evaluation of the internal control system's design of controls in generating and overseeing of the financial statements to be audited. The organization must have the ability to prepare and evaluate the financial statements' format, content, and disclosures in accordance with generally accepted accounting principles and recognize any material items missing in the financial statements through the organization's control system. This is true whether the organization prepares the financial statements or not. These controls can be established or achieved by use of a third-party organization or internally, but external auditors are never considered a control element.

**Condition:** The City currently does not prepare financial statements under generally accepted accounting principles. The external auditors prepare the statements and disclosures, and management approves and takes responsibility for the statements after they are prepared.

**Context:** During the year under audit, we noted that there were account balances that did not agree to supporting documentation. As a result, significant audit adjustments had to be made to correct the balances. These instances would have been discovered and corrected prior to the audit had a proper review system been followed.

**Cause:** The City believes its current reporting meets all of the City's internal needs. While management knows their responsibility for understanding and presenting the annual financial statements, they do not believe it is currently cost beneficial to design and/or strengthen controls over the accounting department's financial reporting process.

**Effect:** The City does not have proper controls over financial statements preparation.

**Repeat Finding:** Yes

**Recommendation:** We recommend the City continue to monitor the need, costs, and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding. Management has addressed their corrective action plan in a separately issued letter.

(Continued)



# CITY OF EAST RIDGE, TENNESSEE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

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### **2024-002: Reconciling of Account Balances**

**Type of Finding:** Significant Deficiency in Internal Control over Financial Reporting

**Criteria:** Management is responsible for ensuring the accuracy of account balances.

**Condition:** The City does not review all account balances for items that need to be removed or adjusted as of year-end.

**Context:** During the year under audit, we noted that there were account balances that did not agree to supporting documentation. As a result, significant audit adjustments had to be made to correct the balances. These instances would have been discovered and corrected prior to the audit had a proper review system been followed.

**Cause:** The City does not have proper controls in place to ensure all accounts are reconciled and accurately recorded as of year-end.

**Effect:** Account balances can be misstated as of year-end.

**Repeat Finding:** Yes

**Recommendation:** We recommend that the City reviews account balances at year-end to ensure that the balances agree to the supporting schedules and that they are free of misstatements.

**Views of responsible officials and planned corrective actions:** There is no disagreement with the audit finding. Management has addressed their corrective action plan in a separately issued letter.

### **SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS**

None noted.

**CITY OF EAST RIDGE, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2024**

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**SECTION IV - PRIOR YEAR FINDINGS**

See attached summary schedule of prior audit findings prepared by the City.



# City of East Ridge

1517 Tombras Avenue  
East Ridge, Tennessee 37412  
(423)867~7711 • [www.eastridgetn.gov](http://www.eastridgetn.gov)

## Management's Corrective Action Plan

The City of East Ridge, Tennessee (the City) respectfully submits the following corrective action plan for the year ended June 30, 2024.

Independent public accounting firm:  
Henderson, Hutcherson & McCullough, PLLC  
266 Inman Street E  
Cleveland, Tennessee 37311

Responsible officials for corrective action for all findings noted below:

Diane Qualls, Finance Director

Audit Period: July 1, 2023 – June 30, 2024

### 2024-001: Preparation of Financial Statements and Schedule of Expenditures of Federal and State Awards

**Recommendation:** We recommend the City continue to monitor the need, costs, and benefits of developing a control structure to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

**Action Taken:** The City feels we meet our internal needs, and it is not cost beneficial to hire a third party to prepare the financial statements. We will continue to strive to be more involved and take more ownership of this process as our time and resources allow. This plan will be implemented as of June 30, 2025.

### 2024-002: Reconciling of Account Balances

**Recommendation:** We recommend that the City reviews account balances at year-end to ensure that the balances agree to the supporting schedules and that they are free of misstatements.

**Action Taken:** The City has re-evaluated our internal controls related to reconciling year end account balances. The updated controls will be implemented as of June 30, 2025.



Diane Qualls, Finance Director



# City of East Ridge

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## Summary of Prior Year Findings

The City of East Ridge, Tennessee (the City) respectfully submits the following summary of prior year findings for the year ended June 30, 2024.

Independent public accounting firm:  
Henderson, Hutcherson & McCullough, PLLC  
266 Inman Street E  
Cleveland, Tennessee 37311

Responsible officials for all findings noted below:

Diane Qualls, Finance Director

### **Finding 2023-001**

**Condition:** The City did not have the proper internal controls in place to oversee the preparation of financial statements in accordance with generally accepted accounting principles.

**Current Status:** Current year finding.

### **Finding 2023-002**

**Condition:** The City did not have proper controls in place to ensure that account balances agree to the supporting schedules and that they are free of misstatements.

**Current Status:** Current year finding.

### **Finding 2023-003**

**Condition:** The City did not have proper controls in place to ensure that actual expenditures did not exceed budgeted expenditures.

**Current Status:** Corrected.