

CITY OF EAST RIDGE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2021



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF EAST RIDGE, TENNESSEE

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CITY OF EAST RIDGE, TENNESSEE

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CITY OF EAST RIDGE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2021

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

Chris Dorsey

Finance Director

Diane Qualls*

*Certified Municipal Finance Officer (CMFO)

FINANCIAL SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund and solid waste collection fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

AN INDEPENDENT MEMBER OF THE BDO ALLIANCE USA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and OPEB schedules on pages 3-9 and pages 38-42, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Ridge's basic financial statements. The introductory section, combining financial statements, budgetary comparison schedules, financial schedules, and schedule of expenditures of federal and state awards 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 included as other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements, budgetary comparison schedules, financial schedules, and schedule of expenditures of federal and state awards included as other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 on our consideration of the City of East Ridge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of East Ridge's internal control over financial reporting and compliance.

Chattanooga, Tennessee
December 9, 2021

Henderson Hutcherson
in McCullough, PLLC

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2021

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, 2021. 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 \$13,669,969 (*net position*). Of this amount, \$7,805,324 is invested in capital assets (*net of related debt*) and \$1,982,793 is restricted for specific purposes.
- The City's overall net position increased by \$1,786,452 (15.03%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$10,544,103, an increase in overall fund balance of \$2,568,947. Of this amount, \$2,315,337 is restricted, and \$1,036,429 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$5,795,374, or 34.64% of total general fund expenditures including transfers out. This balance includes no non-spendable, restricted, or assigned funds.
- The City's total outstanding long-term debt increased by \$482,703, or 3.52% as detailed on pages 30 through 31 of this report.

Overview of the Financial Statements

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

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

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

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

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

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2021

The *business-type activities* include water, power, and sewer. Business-type activities are supported exclusively by charges to the users of those activities. The City of East Ridge had no business-type activities for the fiscal year ending June 30, 2021.

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12 through 20 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 21 through 37 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 38 through 42 of this report.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2021

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 43 through 73 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of East Ridge, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$13,669,969, at the close of the June 30, 2021 fiscal year.

City of East Ridge's Net Position

| | Governmental Activities | |
|--------------------------------------|-------------------------|----------------------|
| | June 30, 2021 | June 30, 2020 |
| Current and other assets | \$ 18,327,505 | \$ 14,460,536 |
| Capital assets | <u>20,467,958</u> | <u>20,576,072</u> |
| Total assets | <u>38,795,463</u> | <u>35,036,608</u> |
| Deferred charge on refunding | 112,787 | - |
| Deferred pension outflows | 1,535,990 | 1,084,222 |
| Deferred OPEB outflows | <u>369,021</u> | <u>186,380</u> |
| Total deferred outflows of resources | <u>2,017,798</u> | <u>1,270,602</u> |
| Other liabilities | 5,445,560 | 4,929,064 |
| Long-term liabilities | <u>14,201,986</u> | <u>13,295,305</u> |
| Total liabilities | <u>19,647,546</u> | <u>18,224,369</u> |
| Deferred revenue – property taxes | 6,490,323 | 5,157,174 |
| Deferred OPEB inflows | 431,000 | 355,000 |
| Deferred pension inflows | <u>574,423</u> | <u>687,150</u> |
| Total deferred inflows of resources | <u>7,495,746</u> | <u>6,199,324</u> |
| Net position | | |
| Net investment in capital assets | 7,805,324 | 7,829,172 |
| Restricted | 1,982,793 | 1,460,714 |
| Unrestricted | <u>3,881,852</u> | <u>2,593,631</u> |
| Total net position | <u>\$ 13,669,969</u> | <u>\$ 11,883,517</u> |

Net Position

The largest portion of the City's net position (57.10%) 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, 2021

An additional portion of the City's net position (14.50%) represents resources that are subject to external restrictions on how they may be used. The remaining 28.40% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the City reports positive balances in all categories of net position for the government as a whole.

The City's overall net position increased by \$1,786,452 from the prior fiscal year, representing an 15.03% increase in the City's net position.

City of East Ridge's Statement of Activities

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | June 30, 2021 | June 30, 2020 |
| Revenues | | |
| Charges for services | \$ 2,921,446 | \$ 2,739,663 |
| Grants & contributions | 970,172 | 781,351 |
| General Revenues | | |
| Property taxes | 5,213,795 | 5,543,285 |
| Local option sales tax | 6,423,149 | 5,412,760 |
| Other taxes | 4,929,395 | 4,490,571 |
| Interest | 9,619 | 23,885 |
| Other | <u>195,522</u> | <u>330,690</u> |
| Total revenues | <u>20,663,098</u> | <u>19,322,205</u> |
| Expenses | | |
| General government | 5,857,881 | 3,765,746 |
| Public safety | 7,808,995 | 7,385,416 |
| Public works | 2,650,407 | 3,420,522 |
| Public welfare | 210,812 | 1,623,397 |
| Culture and recreation | 1,966,947 | 1,825,383 |
| Interest | <u>381,604</u> | <u>405,653</u> |
| Total expenses | <u>18,876,646</u> | <u>18,426,117</u> |
| Change in net position | 1,786,452 | 896,088 |
| Beginning net position, as previously stated | 11,883,517 | 11,173,372 |
| Prior period adjustment | - | (185,943) |
| Beginning net position, as restated | <u>11,883,517</u> | <u>10,987,429</u> |
| Ending net position | <u>\$ 13,669,969</u> | <u>\$ 11,883,517</u> |

Financial Analysis of the City's Funds

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

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2021

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 \$10,544,103, a current year increase of \$2,568,947. Restricted fund balance of \$2,315,337 includes amounts legally constrained for law enforcement (\$86,012), state street aid (\$1,376,655), economic development (\$332,544) and solid waste operations (\$520,126). Funds assigned for a particular purpose total \$1,036,429. Assigned funds include funds for capital projects (\$1,036,429). The remaining unassigned balance of \$7,192,337 represents funds available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance totaled \$5,795,374 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 34.64% of total general fund expenditures and transfers out.

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

The fund balance of the City's general fund increased by \$643,281.

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

Budgetary Highlights

Original and Final Budgeted Amounts. Differences, between the original budget and the final amended budget for the general fund, represent a variance of \$630,741.

Final Amended Budget and Actual Amounts. The City's General Fund operated within its final amended budget, which resulted in a positive variance of \$1,920,022.

Capital Asset and Debt Administration

Capital Assets. The City of East Ridge's investment in capital assets for its governmental activities as of June 30, 2021, amounted to \$20,467,958 (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, 2021

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

| | Governmental Activities | |
|-------------------------------|-------------------------|----------------------|
| | June 30, 2021 | June 30, 2020 |
| Land | \$ 1,841,429 | \$ 1,841,429 |
| Construction in process | 1,288,090 | - |
| Buildings | 11,181,996 | 11,181,996 |
| Infrastructure | 21,068,182 | 20,907,744 |
| Equipment/vehicles | <u>10,416,471</u> | <u>10,234,597</u> |
| | 45,796,168 | 44,165,766 |
| Less accumulated depreciation | <u>25,328,210</u> | <u>23,589,694</u> |
| Total capital assets, net | <u>\$ 20,467,958</u> | <u>\$ 20,576,072</u> |

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

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$14,201,986. All of this debt is backed by the full faith and credit of the government.

City of East Ridge's Long-Term Debt

| | Governmental Activities | |
|--------------------------|-------------------------|----------------------|
| | June 30, 2021 | June 30, 2020 |
| General obligation bonds | \$ 2,890,000 | \$ 2,960,000 |
| Notes payable | 9,712,634 | 9,666,900 |
| Capital leases | 60,000 | 120,000 |
| Plus: Premium | 963,283 | 423,978 |
| Compensated absences | <u>576,069</u> | <u>548,405</u> |
| Total long-term debt | <u>\$ 14,201,986</u> | <u>\$ 13,719,283</u> |

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

Additional information on the City's long-term debt can be found in Note 7 on pages 30 and 31 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 East Ridge thanks to the Border Region incentives.
- The Red Wolves development now has soccer events which will bring in more people from the surrounding communities and get them involved in all that East Ridge has to offer and soon will have more retail and residential options.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2021

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, 2021

| | Total Governmental Activities |
|---|--|
| ASSETS | |
| Cash and cash equivalents | \$ 9,192,140 |
| Investments | 587,386 |
| Property taxes receivable | 7,043,310 |
| Grants receivable | 607,641 |
| Accounts receivable | 890,409 |
| Prepaid expenses | 6,619 |
| Capital assets - | |
| Land and other non depreciable assets | 3,129,519 |
| Capital assets, net of accumulated depreciation | <u>17,338,439</u> |
| Total assets | <u>38,795,463</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred charge on refunding | 112,787 |
| Deferred pension outflows | 1,535,990 |
| Deferred OPEB outflows | <u>369,021</u> |
| Total deferred outflows of resources | <u>2,017,798</u> |
| LIABILITIES | |
| Accounts payable | 304,026 |
| Accrued liabilities | 486,000 |
| OPEB obligation | 3,780,000 |
| Net pension liability | 875,534 |
| Long-term liabilities - | |
| Due within one year | 1,525,069 |
| Due in more than one year | <u>12,676,917</u> |
| Total liabilities | <u>19,647,546</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred revenue - property taxes | 6,490,323 |
| Deferred OPEB inflows | 431,000 |
| Deferred pension inflows | <u>574,423</u> |
| Total deferred inflows of resources | <u>7,495,746</u> |
| NET POSITION | |
| Net investment in capital assets | 7,805,324 |
| Restricted | 1,982,793 |
| Unrestricted | <u>3,881,852</u> |
| Total net position | <u>\$ 13,669,969</u> |

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

| Functions/Programs | Expenses | Program Revenues | | | Total Governmental Activities (Net) |
|---------------------------|----------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| PRIMARY GOVERNMENT | | | | | |
| Governmental activities - | | | | | |
| General government | \$ 5,857,881 | \$ 299,394 | \$ 814,178 | \$ - | \$ (4,744,309) |
| Public safety | 7,808,995 | 448,602 | 110,641 | - | (7,249,752) |
| Public works | 2,650,407 | 1,544,291 | 18,811 | 25,542 | (1,061,763) |
| Public welfare | 210,812 | - | - | - | (210,812) |
| Culture and recreation | 1,966,947 | 629,159 | 1,000 | - | (1,336,788) |
| Interest | <u>381,604</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(381,604)</u> |
| Total primary government | <u>\$ 18,876,646</u> | <u>\$ 2,921,446</u> | <u>\$ 944,630</u> | <u>\$ 25,542</u> | (14,985,028) |
| GENERAL REVENUES | | | | | |
| Property taxes | | | | | 5,213,795 |
| Local sales taxes | | | | | 6,423,149 |
| Local beer taxes | | | | | 471,674 |
| State shared taxes | | | | | 3,624,993 |
| Other taxes | | | | | 568,490 |
| Franchise fees | | | | | 264,238 |
| Other revenues | | | | | 195,522 |
| Interest | | | | | <u>9,619</u> |
| Total general revenue | | | | | <u>16,771,480</u> |
| Change in net position | | | | | <u>1,786,452</u> |
| NET POSITION | | | | | |
| Beginning | | | | | <u>11,883,517</u> |
| Ending | | | | | <u>\$ 13,669,969</u> |

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

CITY OF EAST RIDGE, TENNESSEE

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2021

| | General | Grant Fund | Capital Projects |
|--|--------------------------|-------------------------|-----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,744,503 | \$ 472,305 | \$ 1,214,930 |
| Investments | 587,386 | - | - |
| Property taxes receivable | 7,043,310 | - | - |
| Grant funds receivable | - | 593,297 | 14,344 |
| Accounts receivables | 774,628 | - | - |
| Other assets | 6,619 | - | - |
| Due from other funds | <u>1,376,008</u> | <u>15,414</u> | <u>11,198</u> |
| Total assets | <u>\$ 13,532,454</u> | <u>\$ 1,081,016</u> | <u>\$ 1,240,472</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 104,017 | \$ - | \$ 150,414 |
| Accrued liabilities | 436,050 | - | - |
| Due to other funds | <u>177,157</u> | <u>1,193,908</u> | <u>53,629</u> |
| Total liabilities | <u>717,224</u> | <u>1,193,908</u> | <u>204,043</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue - property taxes | <u>7,019,856</u> | <u>-</u> | <u>-</u> |
| Total deferred inflows of resources | <u>7,019,856</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Restricted for - | | | |
| Law enforcement | - | - | - |
| State approved street aid | - | - | - |
| Economic Development | - | - | - |
| Solid waste operations | - | - | - |
| Assigned to - | | | |
| Capital projects | - | - | 1,036,429 |
| Unassigned | <u>5,795,374</u> | <u>(112,892)</u> | <u>-</u> |
| Total fund balances | <u>5,795,374</u> | <u>(112,892)</u> | <u>1,036,429</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 13,532,454</u> | <u>\$ 1,081,016</u> | <u>\$ 1,240,472</u> |

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

| Solid Waste Collection | Other Governmental Funds | Total Governmental Funds |
|-----------------------------------|---|---|
| \$ 627,576 | \$ 3,132,826 | \$ 9,192,140 |
| - | - | 587,386 |
| - | - | 7,043,310 |
| - | - | 607,641 |
| 52,414 | 63,367 | 890,409 |
| - | - | 6,619 |
| <u>28,931</u> | <u>121,614</u> | <u>1,553,165</u> |
| <u>\$ 708,921</u> | <u>\$ 3,317,807</u> | <u>\$ 19,880,670</u> |
| \$ 48,268 | \$ 1,327 | \$ 304,026 |
| 23,470 | - | 459,520 |
| <u>117,057</u> | <u>11,414</u> | <u>1,553,165</u> |
| <u>188,795</u> | <u>12,741</u> | <u>2,316,711</u> |
| - | - | <u>7,019,856</u> |
| - | - | <u>7,019,856</u> |
| - | 86,012 | 86,012 |
| - | 1,376,655 | 1,376,655 |
| - | 332,544 | 332,544 |
| 520,126 | - | 520,126 |
| - | - | 1,036,429 |
| - | <u>1,509,855</u> | <u>7,192,337</u> |
| <u>520,126</u> | <u>3,305,066</u> | <u>10,544,103</u> |
| <u>\$ 708,921</u> | <u>\$ 3,317,807</u> | <u>\$ 19,880,670</u> |

CITY OF EAST RIDGE, TENNESSEE

RECONCILIATION OF THE BALANCE SHEET

OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

JUNE 30, 2021

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

| | | |
|--|-------------|---------------|
| Fund balances – total governmental funds | | \$ 10,544,103 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 20,467,958 |
| 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 | | 899,588 |
| The net pension liability is not due and payable in the current period and is not reported in the funds. | | (875,534) |
| 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 | (2,890,000) | |
| Net bond issue premiums | (963,283) | |
| Deferred refunding | 112,787 | |
| Notes payable | (9,712,634) | |
| Capital leases | (60,000) | |
| Compensated absences | (576,069) | |
| Accrued interest payable | (26,480) | (14,115,679) |
| | | |
| 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. | | (3,780,000) |
| Net position of governmental activities | | \$ 13,669,969 |

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, 2021

| | General | Grant Fund | Capital Projects | Solid Waste Collection |
|---|---------------------|-----------------------|-----------------------------|-----------------------------------|
| REVENUES | | | | |
| Taxes | \$ 12,824,372 | \$ - | \$ - | \$ - |
| Licenses and permits | 237,824 | - | - | - |
| Intergovernmental | 2,963,382 | 547,512 | 25,542 | - |
| Charges for services | 806,570 | - | - | 1,535,471 |
| Fines and forfeitures | 330,598 | - | - | - |
| Miscellaneous | <u>170,323</u> | <u>46</u> | <u>-</u> | <u>796</u> |
| Total revenues | <u>17,333,069</u> | <u>547,558</u> | <u>25,542</u> | <u>1,536,267</u> |
| EXPENDITURES | | | | |
| Current - | | | | |
| General government | 3,418,627 | - | 321,819 | - |
| Public safety | 7,169,071 | - | - | - |
| Public works | 593,865 | 186,259 | - | 1,329,239 |
| Incentive payments | - | - | - | - |
| Public welfare | 221,543 | - | - | - |
| Culture and recreation | 1,482,811 | - | - | - |
| Capital outlay | - | - | 995,447 | - |
| Debt service - | | | | |
| Principal | - | - | - | - |
| Interest and other costs | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>12,885,917</u> | <u>186,259</u> | <u>1,317,266</u> | <u>1,329,239</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | <u>4,447,152</u> | <u>361,299</u> | <u>(1,291,724)</u> | <u>207,028</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | 17,000 | 761,852 | - |
| Transfers to other funds | (3,844,041) | - | - | - |
| Note proceeds | - | - | 1,036,634 | - |
| Proceeds from sale of assets | <u>40,170</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(3,803,871)</u> | <u>17,000</u> | <u>1,798,486</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | |
| | 643,281 | 378,299 | 506,762 | 207,028 |
| FUND BALANCES | | | | |
| Beginning | <u>5,152,093</u> | <u>(491,191)</u> | <u>529,667</u> | <u>313,098</u> |
| Ending | <u>\$ 5,795,374</u> | <u>\$ (112,892)</u> | <u>\$ 1,036,429</u> | <u>\$ 520,126</u> |

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

| Other Governmental Funds | Total Governmental Funds |
|---|---|
| \$ 555,088 | \$ 13,379,460 |
| - | 237,824 |
| 779,901 | 4,316,337 |
| - | 2,342,041 |
| 17,123 | 347,721 |
| 876 | 172,041 |
| <u>1,352,988</u> | <u>20,795,424</u> |
| - | 3,740,446 |
| 70,186 | 7,239,257 |
| 411,901 | 2,521,264 |
| 1,867,150 | 1,867,150 |
| - | 221,543 |
| - | 1,482,811 |
| - | 995,447 |
| 838,895 | 838,895 |
| <u>396,468</u> | <u>396,468</u> |
| <u>3,584,600</u> | <u>19,303,281</u> |
| <u>(2,231,612)</u> | <u>1,492,143</u> |
| 5,534,585 | 6,313,437 |
| (2,469,396) | (6,313,437) |
| - | 1,036,634 |
| - | 40,170 |
| <u>3,065,189</u> | <u>1,076,804</u> |
| 833,577 | 2,568,947 |
| <u>2,471,489</u> | <u>7,975,156</u> |
| <u>\$ 3,305,066</u> | <u>\$ 10,544,103</u> |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

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

Net change in fund balances – total governmental funds \$ 2,568,947

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. 1,838,914

Depreciation expense on governmental capital assets are included in the statement of activities. (1,933,818)

Net book value of disposed capital assets. (13,210)

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 | 836,800 | |
| Proceeds from 2021 TML Bond refunding | 8,779,100 | |
| Retirement of notes from 2021 TML Bond refunding | (8,495,000) | |
| Deferred refunding loss on 2021 TML Bond refunding | 112,787 | |
| Premium on 2021 TML Bond refunding | (556,264) | |
| Amortization | 16,959 | |
| Notes issued | <u>(1,036,634)</u> | (342,252) |

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of:

| | | |
|--|------------------|-----------|
| Change in personal leave liability | (27,664) | |
| Change in net pension liability and related deferred items | 166,180 | |
| Change in net OPEB liability and related deferral item | <u>(311,359)</u> | (172,843) |

Certain governmental revenues will not be collected for several months after the fiscal year and are deferred in the governmental funds. (159,286)

Change in net position of governmental activities \$ 1,786,452

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 TO
ACTUAL - GAAP BASIS - GENERAL FUND

YEAR ENDED JUNE 30, 2021

| | Budget | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 11,529,300 | \$ 12,042,182 | \$ 12,824,372 | \$ 782,190 |
| Licenses and permits | 169,250 | 226,250 | 237,824 | 11,574 |
| Intergovernmental | 2,209,126 | 2,650,029 | 2,963,382 | 313,353 |
| Charges for services | 752,002 | 878,602 | 806,570 | (72,032) |
| Fines and forfeitures | 354,400 | 360,500 | 330,598 | (29,902) |
| Miscellaneous | 75,900 | 190,106 | 170,323 | (19,783) |
| Total revenue | <u>15,089,978</u> | <u>16,347,669</u> | <u>17,333,069</u> | <u>985,400</u> |
| EXPENDITURES | | | | |
| Current- | | | | |
| General government | 3,524,706 | 3,763,685 | 3,418,627 | 345,058 |
| Public safety | 6,698,877 | 7,465,607 | 7,169,071 | 296,536 |
| Public works | 708,747 | 722,169 | 593,865 | 128,304 |
| Public welfare | 213,498 | 225,898 | 221,543 | 4,355 |
| Culture and recreation | 1,509,144 | 1,623,010 | 1,482,811 | 140,199 |
| Total expenditures | <u>12,654,972</u> | <u>13,800,369</u> | <u>12,885,917</u> | <u>914,452</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | 2,435,006 | 2,547,300 | 4,447,152 | 1,899,852 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to other funds | (3,101,006) | (3,844,041) | (3,844,041) | - |
| Proceeds from sale of assets | 20,000 | 20,000 | 40,170 | 20,170 |
| Total other financing sources (uses) | <u>(3,081,006)</u> | <u>(3,824,041)</u> | <u>(3,803,871)</u> | <u>20,170</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (646,000) | (1,276,741) | 643,281 | <u>\$ 1,920,022</u> |
| FUND BALANCE | | | | |
| Beginning | <u>6,607,990</u> | <u>5,633,330</u> | <u>5,152,093</u> | |
| Ending | <u>\$ 5,961,990</u> | <u>\$ 4,356,589</u> | <u>\$ 5,795,374</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 TO
ACTUAL - GAAP BASIS - SOLID WASTE COLLECTION FUND

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | Actual | Variance with Final Budget |
|--|-------------------|-------------------|-------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$ 1,523,710 | \$ 1,523,710 | \$ 1,535,471 | \$ 11,761 |
| Insurance recoveries | - | - | 796 | 796 |
| Total revenues | <u>1,523,710</u> | <u>1,523,710</u> | <u>1,536,267</u> | <u>12,557</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Salaries | 481,266 | 501,199 | 441,721 | 59,478 |
| Payroll taxes | 35,528 | 37,054 | 32,399 | 4,655 |
| Health insurance | 136,049 | 136,049 | 121,280 | 14,769 |
| Pension | 45,055 | 47,049 | 42,594 | 4,455 |
| Unemployment insurance | 840 | 840 | 371 | 469 |
| Employee training and testing | 1,100 | 1,100 | 645 | 455 |
| Printing and duplicating | 800 | 800 | 500 | 300 |
| Utilities | 8,720 | 8,720 | 7,828 | 892 |
| Contract services | 323,000 | 323,000 | 405,224 | (82,224) |
| Operating supplies | 233,278 | 233,278 | 257,822 | (24,544) |
| Building and equipment maintenance | <u>15,000</u> | <u>15,000</u> | <u>18,855</u> | <u>(3,855)</u> |
| Total expenditures | <u>1,280,636</u> | <u>1,304,089</u> | <u>1,329,239</u> | <u>(25,150)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | 243,074 | 219,621 | 207,028 | (12,593) |
| FUND BALANCE | | | | |
| Beginning | <u>586,097</u> | <u>148,911</u> | <u>313,098</u> | |
| Ending | <u>\$ 829,171</u> | <u>\$ 368,532</u> | <u>\$ 520,126</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 TO
ACTUAL - GAAP BASIS - GRANT FUND

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance |
|---|--------------------|-----------------------|---------------------|----------------------|
| | Original | Final | Actual | with Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 26,500 | \$ 566,171 | \$ 547,512 | \$ (18,659) |
| Interest | - | - | 46 | 46 |
| Total revenues | <u>26,500</u> | <u>566,171</u> | <u>547,558</u> | <u>(18,613)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | <u>43,500</u> | <u>583,171</u> | <u>186,259</u> | <u>396,912</u> |
| TOTAL EXPENDITURES | <u>43,500</u> | <u>583,171</u> | <u>186,259</u> | <u>396,912</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | (17,000) | (17,000) | 361,299 | 378,299 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | <u>17,000</u> | <u>17,000</u> | <u>17,000</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | |
| | - | - | 378,299 | <u>\$ 378,299</u> |
| FUND BALANCE | | | | |
| Beginning | <u>(71,240)</u> | <u>(1,071,240)</u> | <u>(491,191)</u> | |
| Ending | <u>\$ (71,240)</u> | <u>\$ (1,071,240)</u> | <u>\$ (112,892)</u> | |

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

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

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

The Industrial Development Board (IDB) was formed on November 19, 1979 and serves all citizens of the government. The Board was formed to promote industry and to develop trade by attracting manufacturing, industrial, and commercial enterprises to the City of East Ridge. The organization is governed by a board as appointed by City Council. Debt issuance authorizations are approved by City Council, and the City is legally obligated in case there are deficiencies in debt service payments and resources are not available from any other remedies. At June 30, 2021, 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)

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. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The City reports the following major governmental 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 *Grant Fund* is established to account for and report all grant activity.

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

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

Additionally, the City reports the following other fund types:

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

Budgets and Budgetary Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and Prepaid Items (Continued)

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 \$465,862. 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. The City capitalizes net interest costs and interest earned as part of the cost of construction when material. No interest was capitalized during the fiscal year ended June 30, 2021.

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

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

Deferred Outflows/Inflows of Resources

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Compensated Absences

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

Long-term Obligations

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

(Continued)

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 nonspendable, restricted, committed, assigned or unassigned.

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

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

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

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

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

Property Tax Information

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Information (Continued)

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 2021 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 City of East Ridge’s participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from City of East Ridge’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

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 additional material violations of finance related legal and contractual provisions.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

The City’s investments are carried at fair value which is based on quoted market prices (level 1) and consist of certificates of deposit totaling \$587,386.

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.

(Continued)

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

The City’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The deposits must be covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool, by collateral held in the City’s agent in the City’s name, or by Federal Reserve Banks acting as third-party agents. State statutes also authorize the types of investments in which the City may participate. The City limits its investments to certificates of deposit, savings accounts and money market accounts with local banks. The City could also invest with the State of Tennessee local government pooled investment fund but has not chosen to do so.

Credit Risk

The City’s policies are designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2021, consist of the following:

| | Taxes | Grant Funds | Accounts | Gross | (Less) | Net |
|---------------------------|---------------------|--------------------|---------------------|---------------------|---------------------|---------------------|
| | Receivables | | | Receivables | Allowance | |
| Governmental Funds | | | | | | |
| General | \$ 7,043,310 | \$ - | \$ 774,628 | \$ 7,817,938 | \$ - | \$ 7,817,938 |
| Grant | - | 593,297 | - | 593,297 | - | 593,297 |
| Capital Projects | - | 14,344 | - | 14,344 | - | 14,344 |
| Solid Waste | - | - | 518,276 | 518,276 | (465,862) | 52,414 |
| Other Funds | - | - | 63,367 | 63,367 | - | 63,367 |
| Total Governmental | \$ 7,043,310 | \$ 607,641 | \$ 1,356,271 | \$ 9,007,222 | \$ (465,862) | \$ 8,541,360 |

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

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

Transfers to/from other funds during the year ended June 30, 2021, are as follows:

| | Transfers In | | | | Total |
|-----------------------|---------------------|-------------------------|--------------------|---------------------------|---------------------|
| | General Fund | Capital Projects | Grant Admin | Other Governmental | |
| Transfers Out: | | | | | |
| General Fund | \$ - | \$ 761,852 | \$ 17,000 | \$3,065,189 | \$ 3,844,041 |
| Other Governmental | - | - | - | 2,469,396 | 2,469,396 |
| | <u>\$ -</u> | <u>\$ 761,852</u> | <u>\$ 17,000</u> | <u>\$5,534,585</u> | <u>\$ 6,313,437</u> |

(Continued)

NOTE 5 – INTERFUND TRANSFERS AND BALANCES (Continued)

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, 2021, are as follows:

| Receivable Fund | Payable Fund | Amount |
|------------------------|---------------------|---------------------|
| General Fund | Solid Waste | \$ 117,057 |
| General Fund | Grant Fund | 1,193,908 |
| General Fund | Capital Projects | 53,629 |
| General Fund | Nonmajor Funds | 11,414 |
| Solid Waste Fund | General Fund | 28,931 |
| Capital Projects Fund | General Fund | 11,198 |
| Grant Fund | General Fund | 15,414 |
| Nonmajor Funds | General Fund | 121,614 |
| | | <u>\$ 1,553,165</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 | \$ 1,841,429 | \$ - | \$ - | \$ 1,841,429 |
| Construction in process | - | 1,288,090 | - | 1,288,090 |
| Total non-depreciable assets | <u>1,841,429</u> | <u>1,288,090</u> | <u>-</u> | <u>3,129,519</u> |
| Depreciable capital assets: | | | | |
| Buildings | 11,181,996 | - | - | 11,181,996 |
| Infrastructure | 20,907,744 | 160,438 | - | 21,068,182 |
| Equipment / Vehicles | <u>10,234,597</u> | <u>390,386</u> | <u>208,512</u> | <u>10,416,471</u> |
| | <u>42,324,337</u> | <u>550,824</u> | <u>208,512</u> | <u>42,666,649</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 7,776,732 | 247,268 | - | 8,024,000 |
| Infrastructure | 7,995,122 | 1,026,259 | - | 9,021,381 |
| Equipment / Vehicles | <u>7,817,840</u> | <u>660,291</u> | <u>195,302</u> | <u>8,282,829</u> |
| | <u>23,589,694</u> | <u>1,933,818</u> | <u>195,302</u> | <u>25,328,210</u> |
| Total depreciable assets, net | <u>18,734,643</u> | <u>(1,382,994)</u> | <u>13,210</u> | <u>17,338,439</u> |
| Total capital assets, net | <u>\$ 20,576,072</u> | <u>\$ (94,904)</u> | <u>\$ 13,210</u> | <u>\$ 20,467,958</u> |

Depreciation expense is charged to functions as follows:

| | |
|------------------------|---------------------|
| General | \$ 174,043 |
| Public safety | 734,851 |
| Public works | 483,455 |
| Culture and recreation | <u>541,469</u> |
| Total | <u>\$ 1,933,818</u> |

NOTE 7 – BONDS AND NOTES PAYABLE

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

| | | |
|---|--|---------------------|
| General obligation bonds: | | |
| Series 2015, payable in variable, annual installments, plus interest at a rate of 5%, through March 2045 | | <u>\$ 2,890,000</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 | | \$ 1,036,634 |
| Note of \$8,495,000 to Tennessee Municipal League Bond Fund, with semi-annual interest payments between 1.75 - 4.00% beginning December 2021, and additional interest and principal due through June 2039 | | 8,495,000 |
| Note of \$725,000 to Tennessee Municipal League Bond Fund, with semiannual interest payments at 3.98% beginning December 5, 2018, and additional interest and principal due through December 1, 2022 | | 113,000 |
| Note of \$132,748 to Tennessee Municipal League Bond Fund, with semiannual interest payments at 2.83% beginning December 2019, and additional interest and principal due through June, 2023 | | <u>68,000</u> |
| | | <u>\$ 9,712,634</u> |
| Capital lease obligation: | | |
| Payable to Motorola Solutions in annual installments of \$30,000, through July 2023 | | <u>\$ 60,000</u> |
| Liability for compensated absences | | <u>\$ 576,069</u> |

Maturities of general long-term debt are as follows:

| For the year ending June 30, | General Obligation Bonds | Notes | Lease Obligations | Compensated Absences | Total |
|------------------------------------|--------------------------------|---------------------|----------------------|-------------------------|----------------------|
| 2022 | \$ 70,000 | \$ 849,000 | \$ 30,000 | \$ 576,069 | \$ 1,525,069 |
| 2023 | 75,000 | 825,000 | 30,000 | - | 930,000 |
| 2024 | 75,000 | 765,000 | - | - | 840,000 |
| 2025 | 75,000 | 633,000 | - | - | 708,000 |
| 2026 | 80,000 | 611,000 | - | - | 691,000 |
| 2027-2031 | 450,000 | 2,899,634 | - | - | 3,349,634 |
| 2032-2036 | 580,000 | 2,195,000 | - | - | 2,775,000 |
| 2037-2041 | 740,000 | 935,000 | - | - | 1,675,000 |
| 2042-2045 | <u>745,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>745,000</u> |
| | <u>\$ 2,890,000</u> | <u>\$ 9,712,634</u> | <u>\$ 60,000</u> | <u>\$ 576,069</u> | <u>\$ 13,238,703</u> |

(Continued)

NOTE 7 – BONDS AND NOTES PAYABLE (Continued)

During the year ended June 30, 2021, changes in long-term debt were as follows:

| | Beginning Balance | Additions | Retirements | Ending Balance | Amount Due Within One Year |
|---------------------------|------------------------------|----------------------|-----------------------|---------------------------|---|
| Bonds payable | \$ 2,960,000 | \$ - | \$ (70,000) | \$ 2,890,000 | \$ 70,000 |
| Notes payable | 9,666,900 | 9,531,634 | (9,485,900) | 9,712,634 | 849,000 |
| Capital lease obligations | 120,000 | - | (60,000) | 60,000 | 30,000 |
| Plus: Premium | 423,978 | 556,264 | (16,959) | 963,283 | - |
| Compensated absences | <u>548,405</u> | <u>576,069</u> | <u>(548,405)</u> | <u>576,069</u> | <u>576,069</u> |
| | <u>\$ 13,719,283</u> | <u>\$ 10,663,967</u> | <u>\$(10,181,264)</u> | <u>\$ 14,201,986</u> | <u>\$ 1,525,069</u> |

Other Matters

During the year ended June 30, 2021, the City issued General Obligation Refunding Bonds, Series 2021 in the amount of \$8,495,000. Proceeds of the bonds were deposited in an irrevocable escrow account with a third-party trustee to affect an in-substance defeasance of the majority of the TML Bonds. The refunded debt was refinanced in order to capitalize on the lower interest rate market. Due to the refinance, the City experienced a net present value savings of approximately \$1,091,000.

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS

Tennessee Consolidated Retirement System

General Information about the Pension Plan

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

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

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

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

General Information about the Pension Plan (Continued)

Employees covered by benefit terms. At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 62 |
| Inactive employees entitled to but not yet receiving benefits | 65 |
| Active employees | <u>130</u> |
| | <u>257</u> |

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City of East Ridge makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2021, employer contributions for East Ridge were \$605,829 based on a rate of 10.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept East Ridge's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

East Ridge's net pension liability (asset) was measured as of June 30, 2020, 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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 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 2.5 percent. 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:

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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

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

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

Changes in the Net Pension Liability (Asset)

| | Increase (Decrease) | | |
|---|-----------------------------------|--------------------------------------|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Pension (b) | Net Position Liability (Asset) (a) – (b) |
| Balance at 06/30/19 | \$ 20,994,523 | \$ 20,517,304 | \$ 477,219 |
| Changes for the year: | | | |
| Service cost | 486,199 | - | 486,199 |
| Interest | 1,520,358 | - | 1,520,358 |
| Differences between expected and actual experience | 270,034 | - | 270,034 |
| Contributions – employer | - | 583,981 | (583,981) |
| Contributions – employees | - | 291,992 | (291,992) |
| Net investment income | - | 1,013,806 | (1,013,806) |
| Benefit payments, including refund of employee contributions | (1,020,544) | (1,020,544) | - |
| Administrative expense | - | (11,503) | 11,503 |
| Net changes | <u>1,256,047</u> | <u>857,732</u> | <u>398,315</u> |
| Balance at 06/30/20 | <u>\$ 22,250,570</u> | <u>\$ 21,375,036</u> | <u>\$ 875,534</u> |

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability (Asset) (Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-------------------------------|------------------------------------|--|------------------------------------|
| Net pension liability (asset) | \$ <u>3,842,418</u> | \$ <u>875,534</u> | \$ <u>(1,581,132)</u> |

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

Pension expense. For the year ended June 30, 2021, the City recognized pension expense of \$429,937.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 354,738 | \$ 351,276 |
| Change of assumptions | 200,990 | - |
| Net difference between projected and actual earnings of pension plan investments | 374,433 | 223,147 |
| Employer contributions after Measurement Date but prior To fiscal year end | <u>605,829</u> | <u>-</u> |
| Total | <u>\$ 1,535,990</u> | <u>\$ 574,423</u> |

The amount shown for “contributions subsequent to the measurement date of June 30, 2020,” 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: | |
| 2022 | \$ (10,194) |
| 2023 | 140,264 |
| 2024 | 148,315 |
| 2025 | 65,442 |
| 2026 | <u>11,911</u> |
| | <u>\$ 355,738</u> |

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

Payable to the Pension Plan

At June 30, 2021, East Ridge did not report a payable for the outstanding amount of contributions to the plan required at the year ended June 30, 2021.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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. The City Council has the authority to establish and amend benefit provisions of the Plan.

Employees covered by benefit terms. At July 1, 2019 (the valuation date) the following employees were covered by the benefit terms:

| | Count |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 15 |
| Active employees | <u>138</u> |
| | <u><u>153</u></u> |

Employer Contributions

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

Employee Contributions

None

Net OPEB Liability

The employer's net OPEB liability is reported herein as of June 30, 2021 for the employer fiscal year and reporting period of July 1, 2020 to June 30, 2021. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2020 and the corresponding measurement period of July 1, 2019 to July 1, 2020. The measurement of the total OPEB liability is based on a valuation date of July 1, 2019.

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------------------|--|
| Expected Return on Assets: | N/A |
| Discount Rate: | 2.45 percent |
| Salary Scale: | 2.50 percent |
| Healthcare Cost Trend Rates: | 3.51 percent for fiscal year end 2020, then 5.50% for fiscal year end 2021, decreasing 0.50 percent per year to an ultimate rate of 5.00 percent |
| Mortality: | RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2020 |
| Actuarial Cost Method: | Entry Age Actuarial Cost Method |

Expected Return on Assets

None

Discount Rate

The discount rate has been set equal to 2.45% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2020.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (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 at July 1, 2020 | \$ 3,362,000 | \$ - | \$ 3,362,000 |
| Changes for the year: | | | |
| Service cost | 309,000 | - | 309,000 |
| Interest | 114,000 | - | 114,000 |
| Differences between expected and actual experience | (164,000) | - | (164,000) |
| Contributions – employer | - | 64,000 | (64,000) |
| Benefit payments | (64,000) | (64,000) | - |
| Other changes | 223,000 | - | 223,000 |
| Net changes | <u>418,000</u> | <u>-</u> | <u>418,000</u> |
| Balance at June 30, 2021 | <u>\$ 3,780,000</u> | <u>\$ -</u> | <u>\$ 3,780,000</u> |

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|-------------------------------|------------------------|----------------------------------|------------------------|
| Employer’s Net OPEB Liability | <u>\$ 4,117,000</u> | <u>\$ 3,780,000</u> | <u>\$ 3,461,000</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 1-percentage-point lower or 1-percentage-point higher than the current rate:

| | 1% Decrease | Current Trend Rate | 1% Increase |
|-------------------------------|------------------------|-------------------------------|------------------------|
| Employer’s Net OPEB Liability | <u>\$ 3,222,000</u> | <u>\$ 3,780,000</u> | <u>\$ 4,464,000</u> |

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

For the year ended June 30, 2021, under GASB 75 the employer OPEB expense is \$393,000. The Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB as of June 30, 2021 from various sources are as follows:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ 420,000 |
| Changes of assumptions | 291,000 | 11,000 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - |
| Employer contributions after Measurement Date but prior Date but prior to fiscal year end | <u>78,021</u> | <u>-</u> |
| Total | <u>\$ 369,021</u> | <u>\$ 431,000</u> |

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS (Continued)

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: | |
| 2022 | \$ (37,000) |
| 2023 | (37,000) |
| 2024 | (37,000) |
| 2025 | (36,000) |
| 2026 | (2,000) |
| 2027 | 6,000 |
| 2028 | 3,000 |
| | <u>\$ (140,000)</u> |

NOTE 9 – RESTRICTIONS AND CONTINGENCIES

Federal and State Grants

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

NOTE 10 – RISK MANAGEMENT AND LITIGATION

The City of East Ridge is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers' compensation coverage and general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise, they are submitted to and paid by TMP-RMP. The amount contributed to the plan during fiscal year 2021 was \$411,974. There were no significant reductions in insurance coverage from the prior year.

NOTE 11 – UNCERTAINTIES

During 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size, and duration of group meetings. Many sectors are experiencing disruption to business operations and the impact of reduced customer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. If the pandemic continues, it may have an adverse effect on the City's future operations, financial position, and liquidity.

NOTE 12 – FUND DEFICITS

At June 30, 2021, the Grant fund had a deficit fund balance of \$112,892.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of net position date through the date of the independent auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Aside from the item discussed below, management has not identified any items requiring recognition or disclosure.

CITY OF EAST RIDGE, TENNESSEE

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

LAST TEN FISCAL YEARS ENDING

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability (Asset) | | | | | | | |
| Service cost | \$ 486,199 | \$ 466,527 | \$ 436,698 | \$ 401,914 | \$ 387,433 | \$ 378,218 | \$ 355,419 |
| Interest | 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 | 270,034 | (231,693) | (280,511) | 163,918 | 208,110 | (178,441) | 277,808 |
| Change in assumptions | - | - | - | 468,974 | - | - | - |
| Benefit payments, including refunds of employee contributions | <u>(1,020,544)</u> | <u>(1,122,949)</u> | <u>(948,647)</u> | <u>(904,986)</u> | <u>(915,163)</u> | <u>(766,168)</u> | <u>(643,140)</u> |
| Net change in total pension liability | 1,256,047 | 584,713 | 638,250 | 1,496,645 | 972,779 | 679,911 | 1,152,830 |
| Total pension liability - beginning | <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> | <u>15,469,395</u> |
| Total pension liability - ending (a) | <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> |
| Plan Fiduciary Net Position | | | | | | | |
| Contributions - employer | \$ 583,981 | \$ 551,838 | \$ 531,711 | \$ 487,590 | \$ 414,430 | \$ 413,814 | \$ 407,430 |
| Contributions - employee | 291,992 | 275,919 | 265,857 | 243,796 | 224,017 | 223,684 | 220,711 |
| Net investment income | 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 | (1,020,544) | (1,122,949) | (948,647) | (904,986) | (915,163) | (766,168) | (643,140) |
| Administrative expense | <u>(11,503)</u> | <u>(11,475)</u> | <u>(12,243)</u> | <u>(10,331)</u> | <u>(8,744)</u> | <u>(5,714)</u> | <u>(4,837)</u> |
| Net change in plan fiduciary net position | 857,732 | 1,125,800 | 1,329,179 | 1,663,886 | 141,948 | 353,348 | 2,237,789 |
| Plan fiduciary net position - beginning | <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> | <u>13,665,354</u> |
| Plan fiduciary net position - ending (b) | <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>\$ 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 | 96.07% | 97.73% | 95.01% | 91.36% | 89.73% | 93.96% | 95.67% |
| Covered - employee payroll | \$ 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 | 14.99% | 8.65% | 19.15% | 35.05% | 41.88% | 23.37% | 16.29% |

Notes to Schedule:

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

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

CITY OF EAST RIDGE, TENNESSEE

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

LAST FISCAL YEAR ENDING

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------|--------------------|----------------|----------------|--------------------|----------------|
| Actuarially determined contribution | \$ 605,829 | \$ 521,495 | \$ 551,838 | \$ 531,711 | \$ 451,020 | \$ 414,431 |
| Contributions in relation to the actuarially determined contribution | <u>605,829</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>\$ (62,486)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (36,570)</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 6,058,290 | \$ 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% | 9.25% |

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO PENSION SCHEDULES

LAST FISCAL YEAR ENDING JUNE 30, 2021

Valuation date: Actuarially determined contribution rates for 2021 were calculated based on the June 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level dollar, closed (not to exceed 20 years) |
| Remaining amortization period | Varies by year |
| Asset valuation | Fair market value |
| Inflation | 2.5 percent |
| Salary increases | Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent |
| Investment Rate of Return | 7.25 percent, net of investment expense, including inflation |
| Retirement age | Pattern of retirement determined by experience study |
| Mortality | Customized table based on actual experience including projection of mortality improvement using Scale MP-2018 |
| Cost of Living Adjustments | 2.25 percent |

CITY OF EAST RIDGE, TENNESSEE

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

Last 10 Fiscal Years (as information becomes available)

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability (Asset) | | | | |
| Service cost | \$ 309,000 | \$ 233,000 | \$ 250,000 | \$ 244,000 |
| Interest | 114,000 | 119,000 | 118,000 | 108,000 |
| Differences between actual and expected experience | (164,000) | (156,000) | (287,000) | - |
| Change in assumptions | 223,000 | 139,000 | (20,000) | - |
| Benefit payments, including refunds of employee contributions | <u>(64,000)</u> | <u>(67,000)</u> | <u>(67,000)</u> | <u>(102,000)</u> |
| Net change in total OPEB liability | 418,000 | 268,000 | (6,000) | 250,000 |
| Total pension liability - beginning | <u>3,362,000</u> | <u>3,094,000</u> | <u>3,100,000</u> | <u>2,850,000</u> |
| Total pension liability - ending (a) | <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 | \$ 64,000 | \$ 67,000 | \$ 67,000 | \$ 102,000 |
| Contributions - employee | - | - | - | - |
| Net investment income | - | - | - | - |
| Benefit payments, including refunds of employee contributions | (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> |
| Net Pension Liability (asset) - ending (a) - (b) | <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 pension | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered - employee payroll | \$ 5,785,000 | \$ 5,785,000 | \$ 4,665,000 | \$ 4,665,000 |
| Net pension liability (asset) as a percentage of covered payroll | 65.34% | 58.12% | 66.32% | 66.45% |
| Notes to Schedule: | | | | |
| None. | | | | |

CITY OF EAST RIDGE, TENNESSEE

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

Last 10 Fiscal Years (as information becomes available)

| | 2021 | 2020 | 2019 | 2018 |
|--|---------------|---------------|---------------|----------------|
| Actuarially determined contribution | \$ 64,000 | \$ 67,000 | \$ 67,000 | \$ 102,000 |
| Contributions in relation to the actuarially determined contribution | <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> |
| Covered-employee payroll | \$ 5,785,000 | \$ 5,785,000 | \$ 4,665,000 | \$ 4,665,000 |
| Contributions as a percentage covered-employee payroll | 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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF EAST RIDGE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

JUNE 30, 2021

| | Special Revenue | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|---------------------|---------------------|-------------------------|---------------------------|--|
| | Drug Investigation | State Street Aid | TML Bond Fund | Asset Forfeiture | Economic Development | Industrial Development | |
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 90,324 | \$ 1,263,297 | \$ 1,445,249 | \$ 173 | \$ 332,544 | \$ 1,239 | \$ 3,132,826 |
| Accounts receivables | - | - | 63,367 | - | - | - | 63,367 |
| Due from other funds | <u>2,510</u> | <u>119,104</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>121,614</u> |
| Total assets | <u>\$ 92,834</u> | <u>\$ 1,382,401</u> | <u>\$ 1,508,616</u> | <u>\$ 173</u> | <u>\$ 332,544</u> | <u>\$ 1,239</u> | <u>\$ 3,317,807</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ - | \$ 1,327 | \$ - | \$ - | \$ - | \$ - | \$ 1,327 |
| Due to other funds | <u>6,995</u> | <u>4,419</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>11,414</u> |
| Total liabilities | <u>6,995</u> | <u>5,746</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>12,741</u> |
| Fund balances | | | | | | | |
| Restricted for - | | | | | | | |
| Law enforcement | 85,839 | - | - | 173 | - | - | 86,012 |
| State approved street aid | - | 1,376,655 | - | - | - | - | 1,376,655 |
| Economic Development | - | - | - | - | 332,544 | - | 332,544 |
| Unassigned | <u>-</u> | <u>-</u> | <u>1,508,616</u> | <u>-</u> | <u>-</u> | <u>1,239</u> | <u>1,509,855</u> |
| Total fund balances | <u>85,839</u> | <u>1,376,655</u> | <u>1,508,616</u> | <u>173</u> | <u>332,544</u> | <u>1,239</u> | <u>3,305,066</u> |
| Total liabilities and fund balances | <u>\$ 92,834</u> | <u>\$ 1,382,401</u> | <u>\$ 1,508,616</u> | <u>\$ 173</u> | <u>\$ 332,544</u> | <u>\$ 1,239</u> | <u>\$ 3,317,807</u> |

CITY OF EAST RIDGE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES YEAR ENDED JUNE 30, 2021

| | Special Revenue | | | | | | Total Nonmajor Governmental Funds |
|--|-----------------------|---------------------|---------------------|---------------------|-------------------------|---------------------------|--|
| | Drug Investigation | State Street Aid | TML Bond Fund | Asset Forfeiture | Economic Development | Industrial Development | |
| REVENUES | | | | | | | |
| Taxes | \$ - | \$ - | \$ 555,088 | \$ - | \$ - | \$ - | \$ 555,088 |
| Intergovernmental | 25,908 | 753,993 | - | - | - | - | 779,901 |
| Fines and forfeitures | 17,123 | - | - | - | - | - | 17,123 |
| Miscellaneous | - | 114 | 601 | - | 30 | 131 | 876 |
| Total revenues | <u>43,031</u> | <u>754,107</u> | <u>555,689</u> | <u>-</u> | <u>30</u> | <u>131</u> | <u>1,352,988</u> |
| EXPENDITURES | | | | | | | |
| Current- | | | | | | | |
| Public safety | 70,186 | - | - | - | - | - | 70,186 |
| Public works | - | 411,901 | - | - | - | - | 411,901 |
| Incentive payments | - | - | - | - | - | 1,867,150 | 1,867,150 |
| Debt service - | | | | | | | |
| Principal | - | - | 838,895 | - | - | - | 838,895 |
| Interest and other costs | - | - | 396,468 | - | - | - | 396,468 |
| Total expenditures | <u>70,186</u> | <u>411,901</u> | <u>1,235,363</u> | <u>-</u> | <u>-</u> | <u>1,867,150</u> | <u>3,584,600</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(27,155)</u> | <u>342,206</u> | <u>(679,674)</u> | <u>-</u> | <u>30</u> | <u>(1,867,019)</u> | <u>(2,231,612)</u> |
| OTHER FINANCING SOURCES | | | | | | | |
| Transfers from other funds | - | - | 917,931 | - | 2,748,396 | 1,868,258 | 5,534,585 |
| Transfers to other funds | - | - | - | - | (2,469,396) | - | (2,469,396) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>917,931</u> | <u>-</u> | <u>279,000</u> | <u>1,868,258</u> | <u>3,065,189</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | <u>(27,155)</u> | <u>342,206</u> | <u>238,257</u> | <u>-</u> | <u>279,030</u> | <u>1,239</u> | <u>833,577</u> |
| FUND BALANCES | | | | | | | |
| Beginning | 112,994 | 1,034,449 | 1,270,359 | 173 | 53,514 | - | 2,471,489 |
| Ending | <u>\$ 85,839</u> | <u>\$ 1,376,655</u> | <u>\$ 1,508,616</u> | <u>\$ 173</u> | <u>\$ 332,544</u> | <u>\$ 1,239</u> | <u>\$ 3,305,066</u> |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance with Final Budget |
|---------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| | Original | Final | Actual | |
| TAXES | | | | |
| Local sales tax | \$ 2,650,000 | \$ 2,772,610 | \$ 3,486,488 | \$ 713,878 |
| Property taxes | 5,375,000 | 5,375,000 | 5,373,081 | (1,919) |
| Business taxes | 5,000 | 5,000 | 6,420 | 1,420 |
| Local beer taxes | 375,000 | 375,000 | 471,481 | 96,481 |
| Gross receipts taxes | 2,813,146 | 3,203,418 | 3,222,664 | 19,246 |
| Franchise taxes | 311,154 | 311,154 | 264,238 | (46,916) |
| Total taxes | <u>11,529,300</u> | <u>12,042,182</u> | <u>12,824,372</u> | <u>782,190</u> |
| LICENSES AND PERMITS | | | | |
| Building permits | 80,000 | 125,000 | 126,723 | 1,723 |
| Plumbing permits | 10,000 | 10,000 | 13,407 | 3,407 |
| Electrical permits | 20,000 | 20,000 | 25,982 | 5,982 |
| Other permits and licenses | 59,250 | 71,250 | 71,712 | 462 |
| Total licenses and permits | <u>169,250</u> | <u>226,250</u> | <u>237,824</u> | <u>11,574</u> |
| INTERGOVERNMENTAL | | | | |
| State sales tax | 1,806,320 | 1,891,383 | 2,190,081 | 298,698 |
| State beer tax | 13,000 | 13,000 | 9,932 | (3,068) |
| State telecommunications tax | 3,500 | 3,500 | 153 | (3,347) |
| State mixed drink tax | 17,000 | 50,000 | 68,122 | 18,122 |
| State income and excise tax | 5,000 | 12,480 | 29,288 | 16,808 |
| Interstate sales tax | 3,000 | 3,000 | 5,392 | 2,392 |
| City streets and transportation | 43,958 | 43,958 | 41,650 | (2,308) |
| TVA in lieu of tax | 263,748 | 263,748 | 239,802 | (23,946) |
| State and other grants | 53,600 | 368,960 | 378,962 | 10,002 |
| Total intergovernmental | <u>2,209,126</u> | <u>2,650,029</u> | <u>2,963,382</u> | <u>313,353</u> |
| CHARGES FOR SERVICES | | | | |
| Fire service contract | 103,662 | 103,662 | 103,662 | - |
| Recreation fees | 616,320 | 742,920 | 681,465 | (61,455) |
| Mowing charges | 8,820 | 8,820 | 8,820 | - |
| Other | 23,200 | 23,200 | 12,623 | (10,577) |
| Total charges for services | <u>752,002</u> | <u>878,602</u> | <u>806,570</u> | <u>(72,032)</u> |
| FINES AND FORFEITS | | | | |
| City court fines and fees | 354,400 | 360,500 | 330,598 | (29,902) |
| Total fines and forfeits | <u>354,400</u> | <u>360,500</u> | <u>330,598</u> | <u>(29,902)</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | | Variance |
|---|-----------------------|-------------------|-------------------|-------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| MISCELLANEOUS | | | | |
| Insurance recoveries | \$ 20,000 | \$ 126,706 | \$ 128,431 | \$ 1,725 |
| Interest | 10,000 | 10,000 | 8,697 | (1,303) |
| Other | <u>45,900</u> | <u>53,400</u> | <u>33,195</u> | <u>(20,205)</u> |
| Total miscellaneous | <u>75,900</u> | <u>190,106</u> | <u>170,323</u> | <u>(19,783)</u> |
| | | | | |
| Total revenues | <u>15,089,978</u> | <u>16,347,669</u> | <u>17,333,069</u> | <u>985,400</u> |
| | | | | |
| GENERAL GOVERNMENT | | | | |
| General Government | | | | |
| Health insurance | 77,625 | 77,625 | 78,982 | (1,357) |
| Pension | 3,500 | 3,500 | 469 | 3,031 |
| Workers' compensation | 200,990 | 164,377 | 164,377 | - |
| Dues and memberships | 16,000 | 16,000 | 15,197 | 803 |
| Data processing services | 56,200 | 56,200 | 48,292 | 7,908 |
| Insurance | 667,000 | 703,613 | 695,468 | 8,145 |
| Professional fees | <u>172,075</u> | <u>172,075</u> | <u>154,079</u> | <u>17,996</u> |
| | <u>1,193,390</u> | <u>1,193,390</u> | <u>1,156,864</u> | <u>36,526</u> |
| | | | | |
| Administration | | | | |
| Salaries | 543,072 | 558,674 | 520,657 | 38,017 |
| Payroll taxes | 40,611 | 41,079 | 42,605 | (1,526) |
| Health insurance | 91,197 | 91,197 | 91,757 | (560) |
| Pension | 63,350 | 64,910 | 62,252 | 2,658 |
| Unemployment insurance | 504 | 504 | 280 | 224 |
| Employee training and testing | 10,150 | 10,150 | 1,945 | 8,205 |
| Printing and duplicating | 15,000 | 15,000 | 15,150 | (150) |
| Dues and memberships | 2,650 | 2,650 | 1,713 | 937 |
| Telephone | 18,000 | 18,000 | 24,165 | (6,165) |
| Public relations | 9,000 | 9,000 | 4,824 | 4,176 |
| Travel | 14,322 | 14,322 | 1,828 | 12,494 |
| Operating supplies | 80,800 | 105,800 | 97,493 | 8,307 |
| Equipment operations and maintenance | 12,000 | 12,000 | 8,858 | 3,142 |
| Professional fees | 37,000 | 37,000 | 40,436 | (3,436) |
| Other | <u>17,500</u> | <u>17,500</u> | <u>19,357</u> | <u>(1,857)</u> |
| | <u>955,156</u> | <u>997,786</u> | <u>933,320</u> | <u>64,466</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | Actual | Variance with Final Budget |
|-------------------------------|----------------|----------------|----------------|----------------------------------|
| | Original | Final | | |
| City Council | | | | |
| Salaries | \$ 40,800 | \$ 40,800 | \$ 40,800 | \$ - |
| Payroll taxes | 3,121 | 3,121 | 2,883 | 238 |
| Health insurance | 25,951 | 25,951 | 26,076 | (125) |
| Employee training and testing | 4,000 | 4,000 | - | 4,000 |
| Printing and duplicating | 400 | 400 | - | 400 |
| Dues and memberships | 350 | 350 | 300 | 50 |
| Telephone | 3,000 | 3,000 | 1,814 | 1,186 |
| Council meeting | 12,000 | 12,000 | 7,314 | 4,686 |
| Travel | 10,000 | 10,000 | - | 10,000 |
| Special events | 25,000 | 25,000 | 16,369 | 8,631 |
| Operating supplies | 3,600 | 3,600 | 460 | 3,140 |
| | <u>128,222</u> | <u>128,222</u> | <u>96,016</u> | <u>32,206</u> |
| Municipal Court | | | | |
| Salaries | 168,737 | 171,398 | 170,803 | 595 |
| Payroll taxes | 12,561 | 12,765 | 12,563 | 202 |
| Health insurance | 44,052 | 44,052 | 44,349 | (297) |
| Employee training and testing | 650 | 650 | 50 | 600 |
| Pension | 8,089 | 8,355 | 8,259 | 96 |
| Unemployment insurance | 168 | 168 | 143 | 25 |
| Printing and duplicating | 500 | 500 | 1,159 | (659) |
| Dues and memberships | - | - | 150 | (150) |
| Subscriptions | 175 | 175 | 166 | 9 |
| Telephone | 2,500 | 2,500 | 2,852 | (352) |
| Travel | 500 | 500 | - | 500 |
| Operating supplies | 7,650 | 7,650 | 2,765 | 4,885 |
| Child restraint | 15,000 | 15,000 | 8,030 | 6,970 |
| Litigation fees | 60,000 | 60,000 | 49,345 | 10,655 |
| Other | 10,500 | 10,500 | 6,712 | 3,788 |
| | <u>331,082</u> | <u>334,213</u> | <u>307,346</u> | <u>26,867</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | Actual | Variance with Final Budget |
|---|----------------|----------------|----------------|----------------------------------|
| | Original | Final | | |
| Economic Development- | | | | |
| Professional services | \$ 41,000 | \$ 91,000 | \$ 90,737 | \$ 263 |
| | <u>41,000</u> | <u>91,000</u> | <u>90,737</u> | <u>263</u> |
| City Hall Complex- | | | | |
| Utilities | 32,850 | 32,850 | 31,197 | 1,653 |
| Operating supplies | 2,750 | 15,950 | 8,354 | 7,596 |
| | <u>35,600</u> | <u>48,800</u> | <u>39,551</u> | <u>9,249</u> |
| Inspection | | | | |
| Salaries | 252,008 | 258,916 | 243,480 | 15,436 |
| Payroll taxes | 17,615 | 18,143 | 18,834 | (691) |
| Health insurance | 75,790 | 75,790 | 75,901 | (111) |
| Pension | 22,714 | 23,405 | 23,294 | 111 |
| Unemployment insurance | 336 | 336 | 155 | 181 |
| Employee training and testing | 4,000 | 4,000 | 4,364 | (364) |
| Printing and duplicating | 3,300 | 3,300 | 8,551 | (5,251) |
| Dues and memberships | 275 | 275 | 178 | 97 |
| Telephone | 6,700 | 6,700 | 5,793 | 907 |
| Travel | 5,000 | 5,000 | 1,775 | 3,225 |
| Contract services | 87,950 | 168,950 | 100,524 | 68,426 |
| Operating supplies | 5,500 | 12,340 | 5,456 | 6,884 |
| Equipment operations and maintenance | 9,100 | 9,100 | 11,129 | (2,029) |
| Uniform | 2,500 | 6,500 | 1,495 | 5,005 |
| Other | 25,000 | 45,000 | 47,107 | (2,107) |
| | <u>517,788</u> | <u>637,755</u> | <u>548,036</u> | <u>89,719</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| (Continued) | Budget Amounts | | | Variance with Final Budget |
|---|-----------------------|----------------------|----------------------|---|
| | Original | Final | Actual | |
| City Garage | | | | |
| Telephone | \$ 1,648 | \$ 1,648 | \$ 1,597 | \$ 51 |
| Utilities | 3,600 | 8,600 | 5,796 | 2,804 |
| Equipment operations and maintenance | <u>3,750</u> | <u>3,750</u> | <u>1,766</u> | <u>1,984</u> |
| | <u>8,998</u> | <u>13,998</u> | <u>9,159</u> | <u>4,839</u> |
| Building Maintenance | | | | |
| Salaries | 153,665 | 157,958 | 142,192 | 15,766 |
| Payroll taxes | 10,946 | 11,275 | 10,706 | 569 |
| Health insurance | 25,021 | 25,021 | 20,685 | 4,336 |
| Pension | 10,608 | 11,037 | 9,271 | 1,766 |
| Unemployment insurance | 280 | 280 | 111 | 169 |
| Printing and duplicating | 200 | 200 | - | 200 |
| Telephone | 3,700 | 3,700 | 3,738 | (38) |
| Utilities | 6,300 | 6,300 | 7,151 | (851) |
| Medical | 100 | 100 | - | 100 |
| Operating supplies | 20,650 | 20,650 | 13,633 | 7,017 |
| Custodial services | 2,800 | 2,800 | 2,081 | 719 |
| Equipment operations and maintenance | 4,000 | 4,000 | 1,485 | 2,515 |
| Building maintenance | 60,000 | 60,000 | 21,221 | 38,779 |
| Grounds maintenance | 15,000 | 15,000 | 5,324 | 9,676 |
| Other | <u>200</u> | <u>200</u> | <u>-</u> | <u>200</u> |
| | <u>313,470</u> | <u>318,521</u> | <u>237,598</u> | <u>80,923</u> |
| TOTAL GENERAL GOVERNMENT | <u>3,524,706</u> | <u>3,763,685</u> | <u>3,418,627</u> | <u>345,058</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | | Variance |
|---|-----------------------|------------------|------------------|-------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| DEPARTMENT OF PUBLIC SAFETY | | | | |
| Police | | | | |
| Salaries | \$ 591,457 | \$ 605,680 | \$ 579,174 | \$ 26,506 |
| Payroll taxes | 36,270 | 37,359 | 43,004 | (5,645) |
| Health insurance | 101,610 | 101,610 | 99,239 | 2,371 |
| Pension | 47,412 | 52,225 | 47,054 | 5,171 |
| Unemployment insurance | 560 | 560 | 323 | 237 |
| Employee training and testing | 31,100 | 31,100 | 25,708 | 5,392 |
| Contract services | 26,000 | 26,000 | 6,083 | 19,917 |
| Printing and duplicating | 2,700 | 2,700 | 1,907 | 793 |
| Dues and memberships | 2,775 | 2,775 | 4,436 | (1,661) |
| Subscriptions | 100 | 100 | - | 100 |
| Telephone | 40,000 | 40,000 | 46,024 | (6,024) |
| Utilities | 17,000 | 17,000 | 15,205 | 1,795 |
| Medical | 2,000 | 2,000 | 1,335 | 665 |
| Travel | 25,000 | 25,000 | 11,538 | 13,462 |
| Operating supplies | 31,000 | 31,000 | 36,634 | (5,634) |
| Contracts with other governments | 329,000 | 329,000 | 327,008 | 1,992 |
| Supplies and small equipment | 50,500 | 65,500 | 88,318 | (22,818) |
| Equipment operations and maintenance | 48,150 | 241,716 | 140,871 | 100,845 |
| Building maintenance | 1,000 | 1,000 | - | 1,000 |
| Uniforms | 2,500 | 15,715 | 13,252 | 2,463 |
| Insurance | 5,000 | 8,000 | 19,892 | (11,892) |
| | <u>1,391,134</u> | <u>1,636,040</u> | <u>1,507,005</u> | <u>129,035</u> |
| Criminal Investigation | | | | |
| Salaries | 448,119 | 486,105 | 479,531 | 6,574 |
| Payroll taxes | 33,114 | 34,107 | 35,290 | (1,183) |
| Health insurance | 124,098 | 124,098 | 124,658 | (560) |
| Pension | 43,287 | 44,587 | 47,082 | (2,495) |
| Unemployment insurance | 504 | 504 | 252 | 252 |
| Operating supplies | 20,000 | 20,000 | 20,575 | (575) |
| | <u>669,122</u> | <u>709,401</u> | <u>707,388</u> | <u>2,013</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|----------------------------------|
| | Original | Final | | |
| Patrol | | | | |
| Salaries | \$ 1,513,618 | \$ 1,631,944 | \$ 1,604,932 | \$ 27,012 |
| Payroll taxes | 108,707 | 114,700 | 117,882 | (3,182) |
| Health insurance | 397,284 | 397,284 | 393,853 | 3,431 |
| Pension | 145,085 | 149,527 | 152,323 | (2,796) |
| Unemployment insurance | 1,792 | 1,792 | 1,092 | 700 |
| Operating supplies | 152,428 | 219,781 | 221,454 | (1,673) |
| | <u>2,318,914</u> | <u>2,515,028</u> | <u>2,491,536</u> | <u>23,492</u> |
| Fire | | | | |
| Salaries | 1,223,273 | 1,274,732 | 1,274,212 | 520 |
| Payroll taxes | 80,220 | 82,627 | 93,168 | (10,541) |
| Health insurance | 309,241 | 309,241 | 295,586 | 13,655 |
| Pension | 104,863 | 108,009 | 117,052 | (9,043) |
| Workers' compensation | 1,288 | 1,288 | 647 | 641 |
| Employee training and testing | 6,000 | 6,000 | 3,580 | 2,420 |
| Printing and duplicating | 500 | 500 | 1,064 | (564) |
| Dues and memberships | 600 | 600 | 995 | (395) |
| Subscriptions | 500 | 500 | - | 500 |
| Telephone | 23,000 | 23,000 | 18,454 | 4,546 |
| Utilities | 34,000 | 34,000 | 32,602 | 1,398 |
| Medical | 1,400 | 1,400 | 425 | 975 |
| Travel | 8,000 | 8,000 | 5,513 | 2,487 |
| Rent | 7,700 | 7,700 | 2,123 | 5,577 |
| Operating supplies | 27,900 | 37,900 | 27,940 | 9,960 |
| Contracts with other governments | 141,042 | 141,042 | 139,186 | 1,856 |
| Supplies and small equipment | 24,500 | 28,500 | 29,351 | (851) |
| Equipment operations and maintenance | 52,000 | 252,000 | 172,887 | 79,113 |
| Building maintenance | 2,500 | 2,500 | 720 | 1,780 |
| Uniforms | 22,000 | 22,000 | 14,546 | 7,454 |
| Insurance | 2,000 | 2,000 | 2,381 | (381) |
| | <u>2,072,527</u> | <u>2,343,539</u> | <u>2,232,432</u> | <u>111,107</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | | Variance |
|--|-----------------------|------------------|------------------|-------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| Animal Control | | | | |
| Salaries | \$ 118,885 | \$ 132,715 | \$ 117,171 | \$ 15,544 |
| Payroll taxes | 8,492 | 8,747 | 8,581 | 166 |
| Health insurance | 41,056 | 41,056 | 33,884 | 7,172 |
| Pension | 9,177 | 9,511 | 10,935 | (1,424) |
| Contract services | 3,546 | 3,546 | 1,051 | 2,495 |
| Workers' compensation | 224 | 224 | 84 | 140 |
| Employee training and testing | 2,650 | 2,650 | - | 2,650 |
| Printing and duplicating | - | - | 863 | (863) |
| Dues and memberships | 600 | 600 | 370 | 230 |
| Telephone | 4,800 | 4,800 | 4,702 | 98 |
| Utilities | 8,800 | 8,800 | 8,249 | 551 |
| Medical | 250 | 250 | 124 | 126 |
| Travel | 1,500 | 1,500 | 1,264 | 236 |
| Operating supplies | 21,500 | 21,500 | 24,522 | (3,022) |
| Equipment operations and maintenance | 6,400 | 6,400 | 5,530 | 870 |
| Building maintenance | 2,300 | 2,300 | 1,028 | 1,272 |
| Uniforms | 2,000 | 2,000 | 518 | 1,482 |
| Other | 15,000 | 15,000 | 11,834 | 3,166 |
| | <u>247,180</u> | <u>261,599</u> | <u>230,710</u> | <u>30,889</u> |
| TOTAL DEPARTMENT OF PUBLIC SAFETY | <u>6,698,877</u> | <u>7,465,607</u> | <u>7,169,071</u> | <u>296,536</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | | Variance |
|---|-----------------------|----------------|----------------|-------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| DEPARTMENT OF PUBLIC WORKS | | | | |
| Traffic Control and Street Markers | | | | |
| Salaries | \$ 147,202 | \$ 151,218 | \$ 148,627 | \$ 2,591 |
| Payroll taxes | 10,241 | 10,548 | 10,827 | (279) |
| Health insurance | 41,913 | 41,913 | 42,195 | (282) |
| Pension | 13,283 | 13,685 | 13,791 | (106) |
| Workers' compensation | 168 | 168 | 84 | 84 |
| Employee training and testing | 1,000 | 1,000 | - | 1,000 |
| Dues and memberships | 280 | 280 | 270 | 10 |
| Telephone | 2,500 | 2,500 | 2,438 | 62 |
| Utilities | 4,375 | 4,375 | 5,108 | (733) |
| Travel | 500 | 500 | - | 500 |
| Operating supplies | 18,525 | 18,525 | 24,046 | (5,521) |
| Equipment operations and maintenance | 11,000 | 11,000 | 5,136 | 5,864 |
| Building maintenance | 500 | 500 | - | 500 |
| Uniforms | 1,500 | 1,500 | 1,322 | 178 |
| Other | 1,600 | 1,600 | 2,128 | (528) |
| | <u>254,587</u> | <u>259,312</u> | <u>255,972</u> | <u>3,340</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | Actual | Variance with Final Budget |
|---|----------------|----------------|----------------|----------------------------------|
| | Original | Final | | |
| Streets | | | | |
| Salaries | \$ 253,097 | \$ 260,489 | \$ 173,265 | \$ 87,224 |
| Payroll taxes | 18,849 | 19,415 | 12,666 | 6,749 |
| Health insurance | 66,988 | 66,988 | 43,812 | 23,176 |
| Pension | 24,640 | 25,379 | 16,453 | 8,926 |
| Workers' compensation | 336 | 336 | 122 | 214 |
| Employee training and testing | 500 | 500 | - | 500 |
| Telephone | 2,800 | 2,800 | 2,300 | 500 |
| Utilities | 4,500 | 4,500 | 4,580 | (80) |
| Medical | 200 | 200 | - | 200 |
| Professional and contract services | 5,000 | 5,000 | 7,500 | (2,500) |
| Operating supplies | 24,500 | 24,500 | 20,271 | 4,229 |
| Equipment operations and maintenance | 50,000 | 50,000 | 54,892 | (4,892) |
| Building maintenance | 250 | 250 | 225 | 25 |
| Uniforms | 1,500 | 1,500 | 1,807 | (307) |
| Damage claims | 1,000 | 1,000 | - | 1,000 |
| | <u>454,160</u> | <u>462,857</u> | <u>337,893</u> | <u>124,964</u> |
| TOTAL DEPARTMENT OF PUBLIC WORKS | <u>708,747</u> | <u>722,169</u> | <u>593,865</u> | <u>128,304</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| (Continued) | Budget Amounts | | | Variance with Final Budget |
|---|-----------------------|----------------|----------------|---|
| | Original | Final | Actual | |
| DEPARTMENT OF PUBLIC WELFARE | | | | |
| Library | | | | |
| Salaries | \$ 122,537 | \$ 130,307 | \$ 124,391 | \$ 5,916 |
| Payroll taxes | 9,101 | 9,374 | 8,945 | 429 |
| Health insurance | 18,537 | 18,537 | 29,748 | (11,211) |
| Pension | 7,240 | 7,597 | 7,619 | (22) |
| Workers' compensation | 280 | 280 | 162 | 118 |
| Employee training and testing | 200 | 200 | - | 200 |
| Printing and duplicating | 1,500 | 1,500 | 376 | 1,124 |
| Subscriptions | 2,500 | 2,500 | 1,300 | 1,200 |
| Telephone | 2,500 | 2,500 | 2,934 | (434) |
| Medical | 250 | 250 | 180 | 70 |
| Professional and contract services | 5,550 | 5,550 | 5,374 | 176 |
| Operating supplies | 11,101 | 9,101 | 7,716 | 1,385 |
| Equipment/book operations and maintenance | <u>23,802</u> | <u>21,802</u> | <u>20,331</u> | <u>1,471</u> |
| | <u>205,098</u> | <u>209,498</u> | <u>209,076</u> | <u>422</u> |
| Museum | | | | |
| Telephone | 100 | 100 | 99 | 1 |
| Contract services | <u>300</u> | <u>300</u> | <u>300</u> | <u>-</u> |
| | <u>400</u> | <u>400</u> | <u>399</u> | <u>1</u> |
| Community Development Centers | | | | |
| Transportation Assistance | <u>8,000</u> | <u>16,000</u> | <u>12,068</u> | <u>3,932</u> |
| TOTAL DEPARTMENT OF PUBLIC WELFARE | <u>213,498</u> | <u>225,898</u> | <u>221,543</u> | <u>4,355</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| (Continued) | Budget Amounts | | | Variance with Final Budget |
|---|-----------------------|----------------|----------------|---|
| | Original | Final | Actual | |
| CULTURE AND RECREATION | | | | |
| Arena | | | | |
| Salaries | \$ 454,071 | \$ 471,076 | \$ 435,414 | \$ 35,662 |
| Payroll taxes | 33,162 | 34,157 | 31,988 | 2,169 |
| Health insurance | 114,418 | 114,418 | 110,651 | 3,767 |
| Pension | 36,529 | 37,829 | 36,619 | 1,210 |
| Workers' compensation | 784 | 784 | 445 | 339 |
| Employee training and testing | 2,300 | 2,300 | 820 | 1,480 |
| Printing and duplicating | 900 | 900 | - | 900 |
| Dues and subscriptions | 1,500 | 1,500 | 380 | 1,120 |
| Telephone | 6,000 | 6,000 | 5,859 | 141 |
| Utilities | 60,750 | 68,250 | 79,563 | (11,313) |
| Travel | 2,000 | 2,000 | 299 | 1,701 |
| Operating supplies | 15,300 | 15,300 | 15,910 | (610) |
| Contracted services | 11,000 | 11,000 | 18,005 | (7,005) |
| Equipment operations and maintenance | 26,200 | 81,200 | 93,013 | (11,813) |
| Building maintenance | 2,000 | 2,000 | 3,273 | (1,273) |
| Grounds maintenance | 59,300 | 59,300 | 65,124 | (5,824) |
| Uniforms | 1,500 | 1,500 | 1,277 | 223 |
| Medical | 600 | 600 | 620 | (20) |
| Damage claims | 2,000 | 2,000 | 1,000 | 1,000 |
| Other | 1,500 | 1,500 | 1,620 | (120) |
| | <u>831,814</u> | <u>913,614</u> | <u>901,880</u> | <u>11,734</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | Actual | Variance with Final Budget |
|---|----------------|----------------|----------------|----------------------------------|
| | Original | Final | | |
| Maintenance of Recreational Facilities | | | | |
| Salaries | \$ 83,472 | \$ 85,634 | \$ 82,971 | \$ 2,663 |
| Payroll taxes | 5,512 | 5,677 | 6,160 | (483) |
| Health insurance | 18,627 | 18,627 | 18,098 | 529 |
| Pension | 7,205 | 7,422 | 7,479 | (57) |
| Workers' compensation | 112 | 112 | 56 | 56 |
| Employee training and testing | 750 | 750 | - | 750 |
| Printing and duplicating | 250 | 250 | - | 250 |
| Dues and memberships | 1,000 | 1,000 | 515 | 485 |
| Telephone | 6,500 | 6,500 | 4,858 | 1,642 |
| Utilities | 73,000 | 85,500 | 80,936 | 4,564 |
| Operating supplies | 9,700 | 12,700 | 6,749 | 5,951 |
| Contracted services | 9,200 | 14,200 | 17,023 | (2,823) |
| Equipment operations and maintenance | 11,000 | 11,000 | 7,510 | 3,490 |
| Grounds maintenance | - | - | (1,008) | 1,008 |
| Travel | 750 | 750 | - | 750 |
| Park promotions | 1,000 | 1,000 | 392 | 608 |
| Uniforms | 500 | 500 | 672 | (172) |
| Medical | 150 | 150 | - | 150 |
| Other | 1,000 | 1,000 | - | 1,000 |
| | <u>229,728</u> | <u>252,772</u> | <u>232,411</u> | <u>20,361</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | | Variance |
|---|-----------------------|----------------|----------------|-------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| Community Center | | | | |
| Salaries | \$ 117,938 | \$ 121,356 | \$ 92,031 | \$ 29,325 |
| Payroll taxes | 8,716 | 8,978 | 6,761 | 2,217 |
| Health insurance | 6,357 | 6,699 | 6,761 | (62) |
| Pension | 3,224 | 3,224 | 3,283 | (59) |
| Workers' compensation | 392 | 392 | 201 | 191 |
| Employee training and testing | 800 | 800 | - | 800 |
| Printing and duplicating | 300 | 300 | 80 | 220 |
| Dues and memberships | 350 | 350 | - | 350 |
| Telephone | 3,500 | 3,500 | 2,837 | 663 |
| Utilities | 23,000 | 23,000 | 19,380 | 3,620 |
| Medical | 500 | 500 | 150 | 350 |
| Operating supplies | 11,800 | 11,800 | 5,279 | 6,521 |
| Contracted services | 4,900 | 4,900 | 1,073 | 3,827 |
| Equipment operations and maintenance | 1,150 | 1,150 | 416 | 734 |
| Building maintenance | 1,000 | 1,000 | - | 1,000 |
| Grounds maintenance | 1,200 | 1,200 | - | 1,200 |
| Travel | 250 | 250 | - | 250 |
| Uniforms | 650 | 650 | 435 | 215 |
| | <u>186,027</u> | <u>190,049</u> | <u>138,687</u> | <u>51,362</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

(Continued)

| | Budget Amounts | | | Variance |
|--------------------------------------|-----------------------|-------------------|-------------------|-------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| McBrien School | | | | |
| Telephone | \$ 300 | \$ 300 | \$ 350 | \$ (50) |
| Utilities | 11,250 | 11,250 | 13,337 | (2,087) |
| Contracted services | 400 | 400 | 435 | (35) |
| Operating supplies | 9,000 | 9,000 | 2,498 | 6,502 |
| Building maintenance | 750 | 750 | - | 750 |
| | <u>21,700</u> | <u>21,700</u> | <u>16,620</u> | <u>5,080</u> |
| | | | | |
| Recreational Sports | | | | |
| Contracted services | 6,150 | 5,550 | 5,553 | (3) |
| Printing and duplicating | 800 | 700 | - | 700 |
| Equipment, supplies and uniforms | 97,525 | 65,925 | 49,865 | 16,060 |
| Tournament fees | 9,150 | 12,150 | 12,686 | (536) |
| Officials, referees and players fees | 90,000 | 134,300 | 107,518 | 26,782 |
| Insurance | 36,250 | 26,250 | 17,591 | 8,659 |
| | <u>239,875</u> | <u>244,875</u> | <u>193,213</u> | <u>51,662</u> |
| | | | | |
| TOTAL CULTURE AND RECREATION | <u>1,509,144</u> | <u>1,623,010</u> | <u>1,482,811</u> | <u>140,199</u> |
| | | | | |
| TOTAL EXPENDITURES | <u>12,654,972</u> | <u>13,800,369</u> | <u>12,885,917</u> | <u>914,452</u> |

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| (Continued) | Budget Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ 2,435,006 | \$ 2,547,300 | \$ 4,447,152 | \$ 1,899,852 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to other funds | (3,101,006) | (3,844,041) | (3,844,041) | - |
| Proceeds from sale of assets | <u>20,000</u> | <u>20,000</u> | <u>40,170</u> | <u>20,170</u> |
| Total other financing sources (uses) | <u>(3,081,006)</u> | <u>(3,824,041)</u> | <u>(3,803,871)</u> | <u>20,170</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (646,000) | (1,276,741) | 643,281 | <u>\$ 1,920,022</u> |
| FUND BALANCE | | | | |
| Beginning | <u>6,607,990</u> | <u>5,633,330</u> | <u>5,152,093</u> | |
| Ending | <u>\$ 5,961,990</u> | <u>\$ 4,356,589</u> | <u>\$ 5,795,374</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | Actual | Variance with Final Budget |
|---|------------------|-------------------|------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 45,000 | \$ 45,000 | \$ 25,908 | \$ (19,092) |
| Drug related fines and forfeitures | <u>20,000</u> | <u>26,995</u> | <u>17,123</u> | <u>(9,872)</u> |
| Total revenues | <u>65,000</u> | <u>71,995</u> | <u>43,031</u> | <u>(28,964)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Employee training and testing | 1,000 | 1,000 | - | 1,000 |
| Office supplies | 26,500 | 14,987 | 24,094 | (9,107) |
| Uniforms | 22,000 | 22,000 | 9,270 | 12,730 |
| Travel | 500 | 500 | - | 500 |
| Equipment operations and maintenance | <u>15,000</u> | <u>68,230</u> | <u>36,822</u> | <u>31,408</u> |
| TOTAL EXPENDITURES | <u>65,000</u> | <u>106,717</u> | <u>70,186</u> | <u>36,531</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | | | | |
| | - | (34,722) | (27,155) | <u>\$ 7,567</u> |
| FUND BALANCE | | | | |
| Beginning | <u>38,001</u> | <u>32,001</u> | <u>112,994</u> | |
| Ending | <u>\$ 38,001</u> | <u>\$ (2,721)</u> | <u>\$ 85,839</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance |
|--|-----------------------|-------------------|---------------------|--------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 1,820,085 | \$ 1,820,085 | \$ 753,993 | \$ (1,066,092) |
| Interest | <u>100</u> | <u>100</u> | <u>114</u> | <u>14</u> |
| Total revenues | <u>1,820,185</u> | <u>1,820,185</u> | <u>754,107</u> | <u>(1,066,078)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Utilities | 225,000 | 225,000 | 211,761 | 13,239 |
| Operating supplies | 21,000 | 21,000 | - | 21,000 |
| Professional services | 71,000 | 71,000 | 160,438 | (89,438) |
| Road paving and maintenance | 1,343,856 | 1,343,856 | 39,651 | 1,304,205 |
| Other | <u>-</u> | <u>-</u> | <u>51</u> | <u>(51)</u> |
| TOTAL EXPENDITURES | <u>1,660,856</u> | <u>1,660,856</u> | <u>411,901</u> | <u>1,248,955</u> |
| EXCESS (DEFICIENCY) OF REVENUES | | | | |
| OVER EXPENDITURES | 159,329 | 159,329 | 342,206 | <u>\$ 182,877</u> |
| FUND BALANCE | | | | |
| Beginning | <u>159,429</u> | <u>159,429</u> | <u>1,034,449</u> | |
| Ending | <u>\$ 318,758</u> | <u>\$ 318,758</u> | <u>\$ 1,376,655</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Room occupancy tax | \$ 400,000 | \$ 400,000 | \$ 555,088 | \$ 155,088 |
| Interest | <u>1,000</u> | <u>1,000</u> | <u>601</u> | <u>(399)</u> |
| Total revenues | <u>401,000</u> | <u>401,000</u> | <u>555,689</u> | <u>154,689</u> |
| DEBT SERVICE | | | | |
| Principal | 801,800 | 846,575 | 838,895 | 7,680 |
| Interest | <u>451,023</u> | <u>441,248</u> | <u>396,468</u> | <u>44,780</u> |
| Total debt service | <u>1,252,823</u> | <u>1,287,823</u> | <u>1,235,363</u> | <u>52,460</u> |
| TOTAL EXPENDITURES | <u>1,252,823</u> | <u>1,287,823</u> | <u>1,235,363</u> | <u>52,460</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (851,823) | (886,823) | (679,674) | 207,149 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | <u>887,931</u> | <u>917,931</u> | <u>917,931</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | 36,108 | 31,108 | 238,257 | <u>\$ 207,149</u> |
| FUND BALANCE | | | | |
| Beginning | <u>941,407</u> | <u>740,567</u> | <u>1,270,359</u> | |
| Ending | <u>\$ 977,515</u> | <u>\$ 771,675</u> | <u>\$ 1,508,616</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance with Final Budget |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Public safety | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | | |
| | - | - | - | <u>\$ -</u> |
| FUND BALANCE | | | | |
| Beginning | <u>2</u> | <u>2</u> | <u>173</u> | |
| Ending | <u>\$ 2</u> | <u>\$ 2</u> | <u>\$ 173</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance with Final Budget |
|---|-----------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Miscellaneous | \$ 150 | \$ 150 | \$ 30 | \$ (120) |
| Total revenues | <u>150</u> | <u>150</u> | <u>30</u> | <u>(120)</u> |
| EXPENDITURES | | | | |
| Public safety | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS REVENUES OVER EXPENDITURES | | | | |
| | 150 | 150 | 30 | (120) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | 2,023,607 | 2,489,396 | 2,748,396 | 259,000 |
| Transfers to other funds | <u>(2,023,757)</u> | <u>(2,489,396)</u> | <u>(2,469,396)</u> | <u>20,000</u> |
| Total other financing sources (uses) | <u>(150)</u> | <u>-</u> | <u>279,000</u> | <u>279,000</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | |
| | - | 150 | 279,030 | <u>\$ 278,880</u> |
| FUND BALANCE | | | | |
| Beginning | - | - | 53,514 | |
| Ending | <u>\$ -</u> | <u>\$ 150</u> | <u>\$ 332,544</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance |
|---|--------------------|---------------------|---------------------|--------------------|
| | Original | Final | Actual | with Final |
| | | | | Budget |
| REVENUES | | | | |
| Intergovernmental | \$ 1,411,693 | \$ 1,411,693 | \$ 25,542 | \$ (1,386,151) |
| Total revenues | <u>1,411,693</u> | <u>1,411,693</u> | <u>25,542</u> | <u>(1,386,151)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 158,341 | 630,559 | 321,819 | 308,740 |
| Capital outlay | <u>2,107,693</u> | <u>3,827,693</u> | <u>995,447</u> | <u>2,832,246</u> |
| TOTAL EXPENDITURES | <u>2,266,034</u> | <u>4,458,252</u> | <u>1,317,266</u> | <u>3,140,986</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (854,341) | (3,046,559) | (1,291,724) | 1,754,835 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | 761,852 | 1,098,820 | 761,852 | (336,968) |
| Note proceeds | <u>-</u> | <u>1,800,000</u> | <u>1,036,634</u> | <u>(763,366)</u> |
| Total other financing sources (uses) | <u>761,852</u> | <u>2,898,820</u> | <u>1,798,486</u> | <u>(1,100,334)</u> |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | (92,489) | (147,739) | 506,762 | <u>\$ 654,501</u> |
| FUND BALANCE | | | | |
| Beginning | <u>-</u> | <u>-</u> | <u>529,667</u> | |
| Ending | <u>\$ (92,489)</u> | <u>\$ (147,739)</u> | <u>\$ 1,036,429</u> | |

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2021

| | Budget Amounts | | | Variance with Final Budget |
|---|-----------------------|--------------|------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Miscellaneous | \$ - | \$ - | \$ 131 | \$ 131 |
| Total revenues | <u>-</u> | <u>-</u> | <u>131</u> | <u>131</u> |
| EXPENDITURES | | | | |
| Incentive payments | - | - | 1,867,150 | (1,867,150) |
| Total expenditures | <u>-</u> | <u>-</u> | <u>1,867,150</u> | <u>(1,867,150)</u> |
| EXCESS REVENUES OVER EXPENDITURES | | | | |
| | - | - | (1,867,019) | (1,867,019) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | - | 1,868,258 | (1,868,258) |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | |
| | - | - | 1,239 | <u>\$ 1,239</u> |
| FUND BALANCE | | | | |
| Beginning | <u>-</u> | <u>-</u> | <u>-</u> | |
| Ending | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,239</u> | |

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2021

| Year | Tax Rate | Assessment | Levy |
|-------------|-----------------|-------------------|--------------|
| 2012 | 1.4227 | \$ 328,635,500 | \$ 4,675,497 |
| 2013 | 1.4227 | 329,294,159 | 4,684,868 |
| 2014 | 1.4227 | 329,375,343 | 4,686,023 |
| 2015 | 1.4227 | 330,771,069 | 4,705,880 |
| 2016 | 1.4227 | 338,446,967 | 4,815,085 |
| 2017 | 1.3382 | 369,012,134 | 4,938,120 |
| 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 |

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2021

| Tax Year | Property Tax Receivable Balance June 30, 2020 | Property Tax Levied | Anticipated Property Tax Levy | Abatements and Adjustments | Tax Collections | Property Tax Receivable Balance June 30, 2021 |
|-----------------|--|----------------------------|--------------------------------------|-----------------------------------|------------------------|--|
| 2021 | \$ - | \$ - | \$ 6,513,777 | \$ - | \$ - | \$ 6,513,777 |
| 2020 | 5,157,174 | - | - | - | (4,878,388) | 278,786 |
| 2019 | 314,333 | - | - | - | (200,612) | 113,721 |
| 2018 | 325,292 | - | - | - | (272,112) | 53,180 |
| 2017 | 29,553 | - | - | - | (21,031) | 8,522 |
| 2016 | 11,430 | - | - | - | (2,180) | 9,250 |
| 2015 | 10,269 | - | - | - | (149) | 10,120 |
| 2014 | 11,378 | - | - | - | (1,367) | 10,011 |
| 2013 | 9,248 | - | - | - | (672) | 8,576 |
| 2012 | 8,800 | - | - | - | (137) | 8,663 |
| 2011 | 8,904 | - | - | - | (288) | 8,616 |
| 2010 | 8,016 | - | - | - | (341) | 7,675 |
| 2009 | 5,767 | - | - | - | - | 5,767 |
| 2008 | 6,646 | - | - | - | - | 6,646 |
| | <u>\$ 5,906,810</u> | <u>\$ -</u> | <u>\$ 6,513,777</u> | <u>\$ -</u> | <u>\$ (5,377,277)</u> | <u>\$ 7,043,310</u> |

Note: All uncollected taxes for the years prior to 2017 have been turned over to the Clerk and Master for collection.

CITY OF EAST RIDGE, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

| Year Ending June 30, | General Obligation Bonds Series 2015 | | Capital Lease Obligations | | General Obligation Capital Outlay Notes Series 2018 | | TML Bond Fund Series 2019 | | TML Bond Fund Series 2020 | | General Obligation Refunding Bonds, Series 2021 | | Total | |
|-------------------------|--|--------------|------------------------------|----------|---|----------|------------------------------|----------|------------------------------|------------|--|--------------|---------------|--------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2022 | \$ 70,000 | \$ 136,538 | \$ 30,000 | \$ - | \$ 65,000 | \$ 3,204 | \$ 34,000 | \$ 1,924 | \$ 100,000 | \$ 44,577 | \$ 650,000 | \$ 207,083 | \$ 949,000 | \$ 393,326 |
| 2023 | 75,000 | 134,813 | 30,000 | - | 48,000 | 955 | 34,000 | 962 | 103,000 | 43,180 | 640,000 | 195,963 | 930,000 | 375,873 |
| 2024 | 75,000 | 132,844 | - | - | - | - | - | - | 105,000 | 40,564 | 660,000 | 176,763 | 840,000 | 350,171 |
| 2025 | 75,000 | 130,781 | - | - | - | - | - | - | 108,000 | 37,896 | 525,000 | 156,963 | 708,000 | 325,640 |
| 2026 | 80,000 | 127,750 | - | - | - | - | - | - | 111,000 | 35,154 | 500,000 | 141,213 | 691,000 | 304,117 |
| 2027 | 80,000 | 123,750 | - | - | - | - | - | - | 114,000 | 32,334 | 500,000 | 126,213 | 694,000 | 282,297 |
| 2028 | 85,000 | 119,625 | - | - | - | - | - | - | 116,000 | 29,438 | 505,000 | 111,213 | 706,000 | 260,276 |
| 2029 | 90,000 | 115,250 | - | - | - | - | - | - | 119,000 | 26,492 | 495,000 | 96,063 | 704,000 | 237,805 |
| 2030 | 95,000 | 110,625 | - | - | - | - | - | - | 122,000 | 23,470 | 445,000 | 76,263 | 662,000 | 210,358 |
| 2031 | 100,000 | 105,750 | - | - | - | - | - | - | 38,634 | 2,040 | 445,000 | 67,363 | 583,634 | 175,153 |
| 2032 | 105,000 | 100,625 | - | - | - | - | - | - | - | - | 445,000 | 58,463 | 550,000 | 159,088 |
| 2033 | 110,000 | 95,250 | - | - | - | - | - | - | - | - | 450,000 | 49,563 | 560,000 | 144,813 |
| 2034 | 115,000 | 89,625 | - | - | - | - | - | - | - | - | 450,000 | 40,563 | 565,000 | 130,188 |
| 2035 | 120,000 | 83,750 | - | - | - | - | - | - | - | - | 455,000 | 31,563 | 575,000 | 115,313 |
| 2036 | 130,000 | 77,500 | - | - | - | - | - | - | - | - | 395,000 | 23,600 | 525,000 | 101,100 |
| 2037 | 135,000 | 70,875 | - | - | - | - | - | - | - | - | 425,000 | 16,688 | 560,000 | 87,563 |
| 2038 | 140,000 | 64,000 | - | - | - | - | - | - | - | - | 380,000 | 9,250 | 520,000 | 73,250 |
| 2039 | 150,000 | 56,750 | - | - | - | - | - | - | - | - | 130,000 | 2,593 | 280,000 | 59,343 |
| 2040 | 155,000 | 53,250 | - | - | - | - | - | - | - | - | - | - | 155,000 | 53,250 |
| 2041 | 160,000 | 45,500 | - | - | - | - | - | - | - | - | - | - | 160,000 | 45,500 |
| 2042 | 170,000 | 37,250 | - | - | - | - | - | - | - | - | - | - | 170,000 | 37,250 |
| 2043 | 175,000 | 28,500 | - | - | - | - | - | - | - | - | - | - | 175,000 | 28,500 |
| 2044 | 180,000 | 19,500 | - | - | - | - | - | - | - | - | - | - | 180,000 | 19,500 |
| 2045 | 220,000 | 10,000 | - | - | - | - | - | - | - | - | - | - | 220,000 | 10,000 |
| Total | \$ 2,890,000 | \$ 2,070,101 | \$ 60,000 | \$ - | \$ 113,000 | \$ 4,159 | \$ 68,000 | \$ 2,886 | \$ 1,036,634 | \$ 315,145 | \$ 8,495,000 | \$ 1,587,383 | \$ 12,662,634 | \$ 3,979,674 |

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2021

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Final Maturity Date | Outstanding 7/1/2020 | Issued During Period | Paid and/or Matured During Period | Refunded During Period | Outstanding 6/30/2021 |
|---|---|--------------------------|--------------------------|--------------------------------|---------------------------------|-------------------------------------|--|-----------------------------------|----------------------------------|
| BONDS PAYABLE | | | | | | | | | |
| <u>Payable through Capital Projects Fund</u> | | | | | | | | | |
| General Obligation, Series 2015 | \$ 3,085,000 | 5.00% | 9/1/2015 | 3/1/2045 | \$ 2,960,000 | \$ - | \$ 70,000 | \$ - | \$ 2,890,000 |
| Total bonds payable through capital projects fund | | | | | <u>\$ 2,960,000</u> | <u>\$ -</u> | <u>\$ 70,000</u> | <u>\$ -</u> | <u>\$ 2,890,000</u> |
| NOTES PAYABLE | | | | | | | | | |
| <u>Payable through Debt Service Fund</u> | | | | | | | | | |
| Capital Outlay, Series 2018 | \$ 725,000 | 3.98% | 12/5/2018 | 12/1/2028 | \$ 176,000 | \$ - | \$ 63,000 | \$ - | \$ 113,000 |
| TML Bond, Series 2018 | 2,300,000 | 4.05% | 12/28/2018 | 12/1/2038 | 2,209,200 | - | 80,000 | 2,129,200 | - |
| General Obligation, Series 2017 | 4,900,000 | 2.55% | 10/30/2017 | 10/1/2037 | 4,513,000 | - | 201,000 | 4,312,000 | - |
| TML Bond, Series 2004 | 2,700,000 | 4.00% | 9/26/2005 | 5/1/2024 | 687,000 | - | 165,000 | 522,000 | - |
| TML Bond, Series 2017 | 750,000 | 2.76% | 6/28/2017 | 6/1/2029 | 584,000 | - | 58,000 | 526,000 | - |
| General Obligation, Series 2018 | 221,793 | 2.68% | 2/12/2018 | 2/1/2025 | 162,700 | - | 30,800 | 131,900 | - |
| TML Bond, Series 2019 | 132,748 | 2.83% | 12/30/2019 | 6/1/2023 | 101,000 | - | 33,000 | - | 68,000 |
| TML Bond, Series 2015 | 1,600,000 | 3.00% | 5/1/2015 | 5/25/2035 | 1,234,000 | - | 76,000 | 1,158,000 | - |
| TML Bond, Series 2020 | 1,800,000 | 2.54% | 11/10/2020 | 11/1/2035 | - | 1,036,634 | - | - | 1,036,634 |
| General Obligation Refunding Bonds, Series 2021 | 8,495,000 | 1.75 - 4.00% | 6/15/2021 | 6/1/2039 | - | 8,495,000 | - | - | 8,495,000 |
| Total notes payable through debt service fund | | | | | <u>\$ 9,666,900</u> | <u>\$ 9,531,634</u> | <u>\$ 706,800</u> | <u>\$ 8,779,100</u> | <u>\$ 9,712,634</u> |
| CAPITAL LEASES | | | | | | | | | |
| <u>Payable through General Fund</u> | | | | | | | | | |
| Motorola Solutions | \$ 150,000 | 0.00% | 7/1/2018 | 7/1/2023 | \$ 120,000 | \$ - | \$ 60,000 | \$ - | \$ 60,000 |
| Total capital leases payable through general fund | | | | | <u>\$ 120,000</u> | <u>\$ -</u> | <u>\$ 60,000</u> | <u>\$ -</u> | <u>\$ 60,000</u> |

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDING JUNE 30, 2021

| Federal Grantor/Pass-Through/Grantor Program Title | Federal Assistance Listing Number | Contract Number | Beginning (Accrued) Deferred Grant Revenue | Cash Receipts | Expenditures | Ending (Accrued) Deferred Grant Revenue |
|---|--|--------------------|---|-------------------|-------------------|--|
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | |
| Passed through Tennessee Department of Safety and Homeland Security | | | | | | |
| State Homeland Security Program | 97.073 | N/A | \$ - | \$ 20,000 | \$ 20,000 | \$ - |
| Homeland Security - Police | 97.067 | N/A | 3,825 | - | - | 3,825 |
| Homeland Security - Fire | 97.067 | N/A | <u>17,415</u> | <u>17,333</u> | <u>17,333</u> | <u>17,415</u> |
| Total U.S. Department of Homeland Security | | | <u>21,240</u> | <u>37,333</u> | <u>37,333</u> | <u>21,240</u> |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | |
| Passed Through the Tennessee Department of Transportation | | | | | | |
| Highway Planning and Construction Cluster 2015 Multimodal Access Grant | 20.205 | 150077 | (587,863) | 11,202 | 25,542 | (602,203) |
| Highway Safety Cluster Safe Routes to Schools | 20.200 | 122240 | <u>-</u> | <u>12,000</u> | <u>-</u> | <u>12,000</u> |
| Total U.S. Department of Transportation | | | <u>(587,863)</u> | <u>23,202</u> | <u>25,542</u> | <u>(590,203)</u> |
| National Highway Safety Office Passed Through the Governor's Highway Safety Office | | | | | | |
| GHSO Police Traffic Services Grant | 20.600 | Z20THS075 | <u>21,603</u> | <u>15,414</u> | <u>7,780</u> | <u>29,237</u> |
| U.S. DEPARTMENT OF TREASURY | | | | | | |
| Passed through the Tennessee Department of Revenue | | | | | | |
| TN CARES ACT Grant | 21.019 | N/A | <u>-</u> | <u>315,360</u> | <u>315,360</u> | <u>-</u> |
| TOTAL FEDERAL AWARDS | | | <u>(545,020)</u> | <u>391,309</u> | <u>386,015</u> | <u>(539,726)</u> |
| STATE AWARDS | | | | | | |
| Tennessee Department of Environment and Conservation LPRF 2018 Grant | | | | | | |
| | N/A | 60850 | <u>(5,438)</u> | <u>-</u> | <u>-</u> | <u>(5,438)</u> |
| Tennessee Department of Finance and Administration Local Government Direct Appropriation Grant | | | | | | |
| | N/A | N/A | <u>-</u> | <u>493,968</u> | <u>151,211</u> | <u>342,757</u> |
| Tennessee State Library and Archives TN CARES Library Grant | | | | | | |
| | N/A | N/A | <u>-</u> | <u>7,800</u> | <u>7,426</u> | <u>374</u> |
| TOTAL STATE AWARDS | | | <u>(5,438)</u> | <u>501,768</u> | <u>158,637</u> | <u>337,693</u> |
| TOTAL FEDERAL AND STATE AWARDS | | | <u>\$ (550,458)</u> | <u>\$ 893,077</u> | <u>\$ 544,652</u> | <u>\$ (202,033)</u> |

CITY OF EAST RIDGE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – INDIRECT COST RATE

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

NOTE 3 – SUBRECIPIENTS

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

COMPLIANCE SECTION



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee, as of and for the year ended June 30, 2021, 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 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of East Ridge, Tennessee's internal control over financial reporting (internal control) 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of East Ridge, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as item 2021-001.

City of East Ridge's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Chattanooga, Tennessee
December 9, 2021

*Henderson Hutcherson
is McCullough, PLLC*

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

Finding 2021-001

Condition: The City had two funds (Solid Waste and IDB) that had actual expenditures that exceeded budgeted amounts.

Criteria: Following of laws and regulations.

Effect: Purchases could be made without preemptively being approved in the budgets which could caused unapproved purchases to be made.

Recommendation: When additional expenditures occur that were not budgeted for the City should propose amendments to the budgets before any purchases are made.

Views of the Responsible Officials: The officials concur with the finding.

Correction Action Plan: See letter provided by management.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2021

None reported