

CITY OF EAST RIDGE, TENNESSEE

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED
JUNE 30, 2023



CERTIFIED PUBLIC ACCOUNTANTS

INTRODUCTORY SECTION

CITY OF EAST RIDGE, TENNESSEE

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CITY OF EAST RIDGE, TENNESSEE

CITY OFFICIALS

JUNE 30, 2023

Mayor

Brian Williams

Vice-Mayor

Mike Chauncey

Council Member

Jacky Cagle

Council Member

Esther Helton

Council Member

Andrea Witt

City Attorney

Mark Litchford

City Manager

J Scott Miller

Finance Director

Diane Qualls*

*Certified Municipal Finance Officer (CMFO)

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, budgetary comparisons for the General Fund, Capital Projects Fund, Industrial Development Fund and American Rescue Plan Act Fund, and the aggregate remaining fund information of the City of East Ridge, Tennessee (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Capital Projects Fund, Industrial Development Fund and American Rescue Plan Act Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required pension and OPEB schedules on pages 4-10 and pages 41-45, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, budgetary comparison schedules, financial schedules, and schedule of expenditures of federal and state awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over financial reporting and compliance.

Cleveland, Tennessee
April 5, 2024

*Henderson Hutcherson
is McCullough, PLLC*

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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, 2023. 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 \$26,206,454 (*net position*). Of this amount, \$9,910,522 is invested in capital assets (*net of related debt*) and \$4,841,203 is restricted for specific purposes.
- The City's overall net position increased by \$6,516,634 (33.10%), for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$18,391,423, an increase in overall fund balance of \$4,756,043. Of this amount, \$4,841,203 is restricted, and \$1,703,501 is assigned for specific uses.
- At the end of the current fiscal year, fund balance for the general fund was \$11,846,719, or 55.20% of total general fund expenditures including transfers out. This balance includes no non-spendable, restricted, or assigned funds.
- The City's total outstanding long-term liabilities increased by \$2,889,569, or 19.72% as detailed on pages 32 through 33 of this report.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Emphasis is placed on the net position of governmental activities and the change in net position. The governmental activities of the City include general government, public safety, public works, public welfare, solid waste and other city services.

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

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

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

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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 eleven governmental funds, including the general operating fund, special revenue funds, debt service funds, and a capital projects fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Industrial Development Fund, and American Rescue Plant Act Fund which are considered to be major funds.

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

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

The basic governmental fund financial statements can be found on pages 13 through 22 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 40 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 41 through 45 of this report.

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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 46 through 78 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,206,454, at the close of the June 30, 2023 fiscal year.

City of East Ridge's Net Position

	Governmental Activities	
	June 30, 2023	June 30, 2022
Current and other assets	\$ 32,072,436	\$ 26,168,798
Capital assets	<u>26,728,530</u>	<u>22,268,387</u>
Total assets	<u>58,800,966</u>	<u>48,437,185</u>
Deferred charge on refunding	100,255	106,521
Deferred pension outflows	2,757,441	3,086,751
Deferred OPEB outflows	<u>373,878</u>	<u>480,334</u>
Total deferred outflows of resources	<u>3,231,574</u>	<u>3,673,606</u>
Other liabilities	10,313,942	6,888,572
Long-term liabilities	<u>17,543,322</u>	<u>14,623,753</u>
Total liabilities	<u>27,857,264</u>	<u>21,512,325</u>
Deferred revenue – property taxes	6,717,379	6,637,364
Deferred OPEB inflows	1,072,000	811,000
Deferred pension inflows	<u>179,443</u>	<u>3,460,282</u>
Total deferred inflows of resources	<u>7,968,822</u>	<u>10,908,646</u>
Net position		
Net investment in capital assets	9,910,522	9,106,123
Restricted	4,841,203	2,725,092
Unrestricted	<u>11,454,729</u>	<u>7,858,605</u>
Total net position	<u>\$ 26,206,454</u>	<u>\$ 19,689,820</u>

Net Position

The largest portion of the City's net position (37.82%) 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, 2023

An additional portion of the City's net position (18.47%) represents resources that are subject to external restrictions on how they may be used. The remaining 43.71% 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 \$6,516,634 from the prior fiscal year, representing an 33.10% increase in the City's net position.

City of East Ridge's Statement of Activities

	Governmental Activities	
	June 30, 2023	June 30, 2022
Revenues		
Charges for services	\$ 3,402,986	\$ 3,227,372
Grants & contributions	7,787,012	1,124,970
General Revenues		
Property taxes	6,912,016	6,696,231
Local option sales tax	10,623,918	8,783,425
Other taxes	5,775,571	5,385,107
Interest	67,397	7,987
Other	<u>631,342</u>	<u>353,765</u>
Total revenues	<u>35,200,242</u>	<u>25,578,857</u>
Expenses		
General government	6,909,046	4,637,350
Public safety	9,416,296	8,791,311
Public works	9,002,506	2,988,615
Public welfare	695,062	685,038
Culture and recreation	2,172,166	2,082,922
Interest	<u>488,532</u>	<u>373,770</u>
Total expenses	<u>28,683,608</u>	<u>19,559,006</u>
Change in net position	6,516,634	6,019,851
Beginning net position	<u>19,689,820</u>	<u>13,669,969</u>
Ending net position	<u>\$ 26,206,454</u>	<u>\$ 19,689,820</u>

Financial Analysis of the City's Funds

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

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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 \$18,391,423, a current year increase of \$4,756,043. Restricted fund balance of \$4,841,203 includes amounts legally constrained for law enforcement (\$173,682), state street aid (\$1,769,695), industrial development (\$1,176), economic development (\$3,316), debt service (\$2,461,322), grant projects (\$17,444), and solid waste operations (\$414,568). Funds assigned for a particular purpose total \$1,703,501. Assigned funds include funds for capital projects (\$1,703,501). The remaining unassigned balance of \$11,846,719 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 \$11,846,719 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 55.20% of total general fund expenditures and transfers out.

It is important to consider that the City has maintained a relatively high ratio of unassigned fund balance in the general fund to operating expenditures and other financing uses, which ensures that the City is able to meet and exceed six (6) months of general fund expenditures, in accordance with sound budgeting and financial management practices. Additionally, the ratio of unrestricted funds also allows the City to meet any emergent or unanticipated needs should these arise.

The fund balance of the City's general fund increased by \$2,887,474.

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

Budgetary Highlights

Final Amended Budget and Actual Amounts. The City's general fund operated within its final amended budget, which resulted in a positive variance of \$2,833,699.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental activities as of June 30, 2023, amounted to \$26,728,530 (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, 2023

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, 2023	June 30, 2022
Land	\$ 1,966,429	\$ 1,966,429
Construction in process	5,713,380	1,150,811
Buildings	11,371,718	11,342,263
Infrastructure	24,138,961	24,138,961
Equipment/vehicles	11,819,021	10,435,123
Right to use assets	<u>400,849</u>	<u>150,000</u>
	55,410,358	49,183,587
Less accumulated depreciation	<u>28,681,828</u>	<u>26,915,200</u>
Total capital assets, net	<u>\$ 26,728,530</u>	<u>\$ 22,268,387</u>

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

Long-term Liabilities. At the end of the current fiscal year, the City had total liabilities outstanding of \$17,543,322. All of which is backed by the full faith and credit of the government.

City of East Ridge's Long-Term Liabilities

	Governmental Activities	
	June 30, 2023	June 30, 2022
General obligation bonds	\$ 2,745,000	\$ 2,820,000
Notes payable	13,008,132	10,312,264
Lease liability	197,319	30,000
Plus: Premium	867,557	915,420
Compensated absences	<u>725,314</u>	<u>576,069</u>
Total long-term liabilities	<u>\$ 17,543,322</u>	<u>\$ 14,653,753</u>

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

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

Economic Factors and Next Year's Budget and Rates

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

CITY OF EAST RIDGE, TENNESSEE

MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)

YEAR ENDED JUNE 30, 2023

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, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 22,539,436
Investments	590,723
Property taxes receivable	7,293,997
Grants receivable	417,486
Accounts receivable	1,132,582
Prepaid expenses	98,212
Capital assets -	
Land and other non depreciable assets	7,679,809
Capital assets, net of accumulated depreciation	<u>19,048,721</u>
Total assets	<u>58,800,966</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	100,255
Deferred pension outflows	2,757,441
Deferred OPEB outflows	<u>373,878</u>
Total deferred outflows of resources	<u>3,231,574</u>
LIABILITIES	
Accounts payable	388,519
Accrued liabilities	490,810
Deferred revenue	5,682,442
OPEB obligation	2,357,000
Net pension liability	1,395,171
Long-term liabilities -	
Due within one year	2,095,096
Due in more than one year	<u>15,448,226</u>
Total liabilities	<u>27,857,264</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred revenue - property taxes	6,717,379
Deferred OPEB inflows	1,072,000
Deferred pension inflows	<u>179,443</u>
Total deferred inflows of resources	<u>7,968,822</u>
NET POSITION	
Net investment in capital assets	9,910,522
Restricted	4,841,203
Unrestricted	<u>11,454,729</u>
Total net position	<u>\$ 26,206,454</u>

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

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	\$ 6,909,046	\$ 417,827	\$ 75,000	\$ -	\$ (6,416,219)
Public safety	9,416,296	596,288	163,985	-	(8,656,023)
Public works	9,002,506	1,602,360	3,031,166	4,516,418	147,438
Public welfare	695,062	-	-	-	(695,062)
Culture and recreation	2,172,166	786,511	443	-	(1,385,212)
Interest	488,532	-	-	-	(488,532)
Total primary government	<u>\$ 28,683,608</u>	<u>\$ 3,402,986</u>	<u>\$ 3,270,594</u>	<u>\$ 4,516,418</u>	(17,493,610)
GENERAL REVENUES					
Property taxes					6,912,016
Local sales taxes					10,623,918
Local beer taxes					732,168
State shared taxes					4,291,087
Other taxes					752,316
Franchise fees					216,576
Other revenues					414,766
Interest					<u>67,397</u>
Total general revenue					<u>24,010,244</u>
Change in net position					<u>6,516,634</u>
NET POSITION					
Beginning					<u>19,689,820</u>
Ending					<u>\$ 26,206,454</u>

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

CITY OF EAST RIDGE, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2023

	General	Capital Projects	Industrial Development
ASSETS			
Cash and cash equivalents	\$ 10,666,534	\$ 1,845,474	\$ 1,238,676
Investments	590,723	-	-
Property taxes receivable	7,293,997	-	-
Grant funds receivable	-	404,917	-
Accounts receivable	926,591	-	-
Other assets	98,212	-	-
Due from other funds	<u>159,341</u>	<u>4,126</u>	<u>-</u>
 Total assets	 <u>\$ 19,735,398</u>	 <u>\$ 2,254,517</u>	 <u>\$ 1,238,676</u>
LIABILITIES			
Accounts payable	\$ 83,623	\$ 241,496	\$ -
Accrued liabilities	350,808	-	-
Due to other funds	207,336	227,135	-
Deferred revenue	<u>-</u>	<u>82,385</u>	<u>1,237,500</u>
 Total liabilities	 <u>641,767</u>	 <u>551,016</u>	 <u>1,237,500</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue - property taxes	<u>7,246,912</u>	<u>-</u>	<u>-</u>
 Total deferred inflows of resources	 <u>7,246,912</u>	 <u>-</u>	 <u>-</u>
FUND BALANCES			
Restricted for -			
Law enforcement	-	-	-
State approved street aid	-	-	-
Industrial development	-	-	1,176
Economic development	-	-	-
Debt service	-	-	-
Grant projects	-	-	-
Solid waste operations	-	-	-
Assigned to -			
Capital projects	-	1,703,501	-
Unassigned	<u>11,846,719</u>	<u>-</u>	<u>-</u>
 Total fund balances	 <u>11,846,719</u>	 <u>1,703,501</u>	 <u>1,176</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 19,735,398</u>	 <u>\$ 2,254,517</u>	 <u>\$ 1,238,676</u>

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

American Rescue Plan Act	Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,141,692	\$ 4,647,060	\$ 22,539,436
-	-	590,723
-	-	7,293,997
-	12,569	417,486
-	205,991	1,132,582
-	-	98,212
<u>221,847</u>	<u>208,498</u>	<u>593,812</u>
<u>\$ 4,363,539</u>	<u>\$ 5,074,118</u>	<u>\$ 32,666,248</u>
\$ -	\$ 63,400	\$ 388,519
-	11,350	362,158
-	159,341	593,812
<u>4,363,539</u>	<u>-</u>	<u>5,683,424</u>
<u>4,363,539</u>	<u>234,091</u>	<u>7,027,913</u>
<u>-</u>	<u>-</u>	<u>7,246,912</u>
<u>-</u>	<u>-</u>	<u>7,246,912</u>
-	173,682	173,682
-	1,769,695	1,769,695
-	-	1,176
-	3,316	3,316
-	2,461,322	2,461,322
-	17,444	17,444
-	414,568	414,568
-	-	1,703,501
<u>-</u>	<u>-</u>	<u>11,846,719</u>
<u>-</u>	<u>4,840,027</u>	<u>18,391,423</u>
<u>\$ 4,363,539</u>	<u>\$ 5,074,118</u>	<u>\$ 32,666,248</u>

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

CITY OF EAST RIDGE, TENNESSEE

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

JUNE 30, 2023

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

Fund balances – total governmental funds	\$ 18,391,423
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	26,728,530
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.	1,879,876
The net pension liability is not due and payable in the current period and therefore is not reported in the funds.	(1,395,171)
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	\$ (2,745,000)
Net bond issue premiums	(867,557)
Deferred refunding	100,255
Notes payable	(13,008,132)
Lease liability	(197,319)
Compensated absences	(725,314)
Accrued interest payable	<u>(127,670)</u>
	(17,570,737)
The City's OPEB plan has not been funded. The OPEB obligation is considered a long-term obligation and is not reported in the funds.	<u>(2,357,000)</u>
Net position of governmental activities	<u>\$ 26,206,454</u>

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	General	Capital Projects	Industrial Development	American Rescue Plan Act
REVENUES				
Taxes	\$ 18,900,588	\$ -	\$ -	\$ -
Licenses and permits	365,650	-	-	-
Intergovernmental	3,230,340	803,918	3,712,500	1,922,127
Charges for services	966,230	-	-	-
Fines and forfeitures	428,563	-	-	-
Miscellaneous	182,555	4,126	6	-
Total revenues	<u>24,073,926</u>	<u>808,044</u>	<u>3,712,506</u>	<u>1,922,127</u>
EXPENDITURES				
Current -				
General government	3,926,535	3,630,783	-	-
Public safety	9,393,154	-	-	-
Public works	812,588	-	-	-
Incentive payments	-	-	7,537,406	-
Public welfare	264,235	-	-	1,922,127
Culture and recreation	1,623,878	-	-	-
Capital outlay	30,094	537,102	-	-
Debt service -				
Principal	-	-	-	-
Interest and other costs	-	-	-	-
Total expenditures	<u>16,050,484</u>	<u>4,167,885</u>	<u>7,537,406</u>	<u>1,922,127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>8,023,442</u>	<u>(3,359,841)</u>	<u>(3,824,900)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	948,475	3,824,836	-
Transfers to other funds	(5,411,477)	-	-	-
Note proceeds	-	3,615,947	-	-
Proceeds from sale of assets	275,509	-	-	-
Total other financing sources (uses)	<u>(5,135,968)</u>	<u>4,564,422</u>	<u>3,824,836</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	2,887,474	1,204,581	(64)	-
FUND BALANCE				
Beginning, as previously stated	5,815,771	498,920	1,240	3,143,474
Prior period adjustment	3,143,474	-	-	(3,143,474)
Beginning, as restated	<u>8,959,245</u>	<u>498,920</u>	<u>1,240</u>	<u>-</u>
Ending	<u>\$ 11,846,719</u>	<u>\$ 1,703,501</u>	<u>\$ 1,176</u>	<u>\$ -</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 735,616	\$ 19,636,204
-	365,650
2,010,004	11,678,889
1,592,560	2,558,790
49,983	478,546
58,319	245,006
<u>4,446,482</u>	<u>34,963,085</u>
-	7,557,318
21,088	9,414,242
2,963,768	3,776,356
-	7,537,406
-	2,186,362
-	1,623,878
-	567,196
995,079	995,079
440,661	440,661
<u>4,420,596</u>	<u>34,098,498</u>
<u>25,886</u>	<u>864,587</u>
5,631,650	10,404,961
(4,993,484)	(10,404,961)
-	3,615,947
-	275,509
<u>638,166</u>	<u>3,891,456</u>
664,052	4,756,043
4,175,975	13,635,380
-	-
<u>4,175,975</u>	<u>13,635,380</u>
<u>\$ 4,840,027</u>	<u>\$ 18,391,423</u>

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

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

Net change in fund balances – total governmental funds \$ 4,756,043

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. 6,610,249

Depreciation expense on governmental capital assets are included in the statement of activities. (2,111,754)

Net book value of disposed capital assets. (38,352)

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	\$ 995,079	
Principal paid - Leases	83,530	
Deferred refunding loss on 2021 TML Bond refunding	(6,266)	
Change in accrued interest	(101,190)	
Amortization	47,863	
Leases	(250,849)	
Notes issued	<u>(3,615,947)</u>	(2,847,780)

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

Change in compensated absences	(149,245)	
Change in net pension liability and related deferred items	237,929	
Change in net OPEB liability and related deferral item	<u>59,544</u>	<u>148,228</u>

Change in net position of governmental activities \$ 6,516,634

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 15,676,199	\$ 17,238,566	\$ 18,900,588	\$ 1,662,022
Licenses and permits	254,950	254,950	365,650	110,700
Intergovernmental	6,063,344	11,063,344	3,230,340	(7,833,004)
Charges for services	901,104	901,104	966,230	65,126
Fines and forfeitures	418,800	418,800	428,563	9,763
Miscellaneous	60,692	165,692	182,555	16,863
Total revenue	<u>23,375,089</u>	<u>30,042,456</u>	<u>24,073,926</u>	<u>(5,968,530)</u>
EXPENDITURES				
Current -				
General government	4,039,270	4,312,270	3,926,535	385,735
Public safety	8,777,681	9,553,048	9,393,154	159,894
Public works	831,410	831,410	812,588	18,822
Public welfare	286,416	296,416	264,235	32,181
Culture and recreation	1,619,955	1,686,955	1,623,878	63,077
Capital outlay	-	-	30,094	(30,094)
Total expenditures	<u>15,554,732</u>	<u>16,680,099</u>	<u>16,050,484</u>	<u>629,615</u>
EXCESS OF REVENUES OVER EXPENDITURES	7,820,357	13,362,357	8,023,442	(5,338,915)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(7,791,582)	(13,583,582)	(5,411,477)	8,172,105
Proceeds from sale of assets	25,000	275,000	275,509	509
Total other financing sources (uses)	<u>(7,766,582)</u>	<u>(13,308,582)</u>	<u>(5,135,968)</u>	<u>8,172,614</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 53,775</u>	<u>\$ 53,775</u>	2,887,474	<u>\$ 2,833,699</u>
FUND BALANCE				
Beginning, as previously stated			5,815,771	
Prior period adjustment			<u>3,143,474</u>	
Beginning, as restated			<u>8,959,245</u>	
Ending			<u>\$ 11,846,719</u>	

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 2,000,000	\$ 2,250,000	\$ 803,918	\$ (1,446,082)
Miscellaneous	<u>-</u>	<u>-</u>	<u>4,126</u>	<u>4,126</u>
Total revenues	<u>2,000,000</u>	<u>2,250,000</u>	<u>808,044</u>	<u>(1,441,956)</u>
EXPENDITURES				
 Current				
General government	713,341	10,457,195	3,630,783	6,826,412
Capital outlay	<u>2,050,000</u>	<u>3,550,801</u>	<u>537,102</u>	<u>3,013,699</u>
TOTAL EXPENDITURES	<u>2,763,341</u>	<u>14,007,996</u>	<u>4,167,885</u>	<u>9,840,111</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(763,341)	(11,757,996)	(3,359,841)	8,398,155
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	375,000	2,297,127	948,475	(1,348,652)
Note proceeds	<u>-</u>	<u>10,000,000</u>	<u>3,615,947</u>	<u>(6,384,053)</u>
Total other financing sources (uses)	<u>375,000</u>	<u>12,297,127</u>	<u>4,564,422</u>	<u>(7,732,705)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>\$ (388,341)</u>	<u>\$ 539,131</u>	1,204,581	<u>\$ 665,450</u>
FUND BALANCE				
Beginning			<u>498,920</u>	
Ending			<u>\$ 1,703,501</u>	

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

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 3,712,500	\$ 3,712,500
Miscellaneous	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Total revenues	<u>-</u>	<u>-</u>	<u>3,712,506</u>	<u>3,712,506</u>
EXPENDITURES				
Incentive payments	<u>-</u>	<u>7,537,336</u>	<u>7,537,406</u>	<u>(70)</u>
Total expenditures	<u>-</u>	<u>7,537,336</u>	<u>7,537,406</u>	<u>(70)</u>
EXCESS REVENUES OVER EXPENDITURES	-	(7,537,336)	(3,824,900)	3,712,436
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>3,824,836</u>	<u>(3,824,836)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ -</u>	<u>\$ (7,537,336)</u>	(64)	<u>\$ 7,537,272</u>
FUND BALANCE				
Beginning			<u>1,240</u>	
Ending			<u>\$ 1,176</u>	

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

CITY OF EAST RIDGE, TENNESSEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
AMERICAN RESCUE PLAN ACT FUND

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ -	\$ 3,142,192	\$ 1,922,127	\$ (1,220,065)
Total revenues	<u>-</u>	<u>3,142,192</u>	<u>1,922,127</u>	<u>(1,220,065)</u>
EXPENDITURES				
Current				
Public welfare	<u>3,142,192</u>	<u>3,142,192</u>	<u>1,922,127</u>	<u>1,220,065</u>
TOTAL EXPENDITURES	<u>3,142,192</u>	<u>3,142,192</u>	<u>1,922,127</u>	<u>1,220,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(3,142,192)	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>3,142,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>3,142,192</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE				
Beginning, as previously stated			3,143,474	
Prior period adjustment			<u>(3,143,474)</u>	
Beginning, as restated			<u>-</u>	
Ending			<u>\$ -</u>	

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

CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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CITY OF EAST RIDGE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

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

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

The Industrial Development Board (the Board) was formed on November 19, 1979, and serves all citizens of the government. The Board was formed to promote industry and to develop trade by attracting manufacturing, industrial, and commercial enterprises to the City. The organization is governed by a board as appointed by City Council. Debt issuance authorizations are approved by City Council, and the City is legally obligated in case there are deficiencies in debt service payments and resources are not available from any other remedies. At June 30, 2023, 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. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

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

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

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

Additionally, the City reports the following other fund types:

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

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

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

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Use of Estimates in the Preparation of Financial Statements

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

Budgets and Budgetary Accounting

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

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

Cash and Cash Equivalents

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

Investments

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

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 \$117,804. Other receivable amounts are considered collectible in all material respects.

Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

	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 and OPEB plans and certain amounts related to pensions and OPEB, as detailed as (2) below. Deferred contributions for the pension and OPEB plans were made during the fiscal year but are after the measurement date of the actuarial report. These amounts will be recognized during the next measurement period.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources (Continued)

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Compensated Absences

The City has a policy of compensated annual leave up to 33 days based on years of service. Employees hired before June 30, 2012 accumulate leave and vest to a maximum of 320 hours, the excess payable at the employee's anniversary date. Employees hired after July 1, 2012 do not receive the excess each year but rather continue to accumulate leave hours. The liability for compensated absences of the governmental funds is recorded in the government-wide financial statements. No liability is recorded in the governmental funds because any payments, even those which would be paid in the next 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 non-spendable, restricted, committed, assigned or unassigned.

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

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

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

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

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

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 2023 are recorded as receivables. No allowance has been made for uncollectible taxes; based on historical collection data, uncollectible amounts are considered immaterial.

Interfund Transactions

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

Pensions

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

Leases

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

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

Reclassifications

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

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

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

The City’s investments are carried at fair value (level 2) and consist of certificates of deposit totaling \$590,723.

(Continued)

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

Custodial Credit Risk

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

Credit Risk

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

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2023, consisted of the following:

	Taxes			Gross	(Less)	
	Receivables	Grant Funds	Accounts	Receivables	Allowance	Net
Governmental Funds						
General	\$ 7,293,997	\$ -	\$ 926,591	\$ 8,220,588	\$ -	\$ 8,220,588
Capital Projects	-	404,917	-	404,917	-	404,917
Nonmajor Funds	<u>-</u>	<u>12,569</u>	<u>675,050</u>	<u>687,619</u>	<u>(469,059)</u>	<u>218,560</u>
Total Governmental	<u>\$ 7,293,997</u>	<u>\$ 417,486</u>	<u>\$ 1,601,641</u>	<u>\$ 9,313,124</u>	<u>\$ (469,059)</u>	<u>\$ 8,844,065</u>

NOTE 5 – INTERFUND TRANSFERS AND BALANCES

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

(Continued)

NOTE 5 – INTERFUND TRANSFERS AND BALANCES (Continued)

Transfers to/from other funds during the year ended June 30, 2023, were as follows:

	Transfers In			
	Capital Projects	Industrial Development	Other Governmental	Total
Transfers Out:				
General Fund	\$ 375,000	\$ -	\$ 5,036,477	\$ 5,411,477
Other Governmental	<u>573,475</u>	<u>3,824,836</u>	<u>595,173</u>	<u>4,993,484</u>
	<u>\$ 948,475</u>	<u>\$ 3,824,836</u>	<u>\$ 5,631,650</u>	<u>\$ 10,404,961</u>

Interfund balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The composition of the City’s interfund balances as of June 30, 2023, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Collection	\$ 159,341
American Rescue Plan Act	Capital Projects	221,847
Capital Projects	General Fund	4,126
State Street Aid	Capital Projects	5,288
Grant Fund	General Fund	1,443
Drug Investigation	General Fund	10,884
State Street Aid	General Fund	<u>190,883</u>
		<u>\$ 593,812</u>

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets:				
Land	\$ 1,966,429	\$ -	\$ -	\$ 1,966,429
Construction in process	<u>1,150,811</u>	<u>4,917,838</u>	<u>355,269</u>	<u>5,713,380</u>
Total non-depreciable assets	<u>3,117,240</u>	<u>4,917,838</u>	<u>355,269</u>	<u>7,679,809</u>
Depreciable capital assets:				
Buildings	11,342,263	29,455	-	11,371,718
Infrastructure	24,138,961	-	-	24,138,961
Equipment / Vehicles	10,435,123	1,767,376	383,478	11,819,021
Right to use assets	<u>150,000</u>	<u>250,849</u>	<u>-</u>	<u>400,849</u>
	<u>46,066,347</u>	<u>2,047,680</u>	<u>383,478</u>	<u>47,730,549</u>
Less accumulated depreciation:				
Buildings	8,261,552	223,592	-	8,485,144
Infrastructure	10,137,207	1,183,494	-	11,320,701
Equipment / Vehicles	8,396,441	632,860	345,126	8,684,175
Right to use assets	<u>120,000</u>	<u>71,808</u>	<u>-</u>	<u>191,808</u>
	<u>26,915,200</u>	<u>2,111,754</u>	<u>345,126</u>	<u>28,681,828</u>
Total depreciable assets, net	<u>19,151,147</u>	<u>(64,074)</u>	<u>38,352</u>	<u>19,048,721</u>
Total capital assets, net	<u>\$ 22,268,387</u>	<u>\$ 4,853,764</u>	<u>\$ 393,621</u>	<u>\$ 26,728,530</u>

(Continued)

NOTE 6 – CAPITAL ASSETS (Continued)

Depreciation expense is charged to functions as follows:

General	\$ 190,058
Public safety	802,467
Public works	527,939
Culture and recreation	<u>591,290</u>
Total	<u>\$ 2,111,754</u>

NOTE 7 – LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations relative to governmental activities are reported as liabilities of the entity. Debt reported in the government-wide financial statements is expected to be liquidated with general government resources. The debt represents amounts not expected to be paid with expendable, available resources, and bonds, notes payable, and lease liability consisted of the following as of June 30, 2023:

General obligation bonds:

Series 2015, payable in variable, annual installments, plus interest at a rate of 5%, through March 2045	\$ <u>2,745,000</u>
	\$ <u>2,745,000</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	\$ 1,586,185
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	7,205,000
Note of \$696,079 to Tennessee Municipal League Bond Fund, with semiannual interest payments at 1.65% beginning December 2021, and additional interest and principal due through December 2028	601,000
Note of \$3,615,947 to Tennessee Municipal Bond Fund, with semiannual interest payments at 3.95% beginning October 2022, and additional interest and principal due through September 2042	<u>3,615,947</u>
	\$ <u>13,008,132</u>

Lease liability:

On August 1, 2022, the City entered into a lease agreement with Axon Enterprises to lease equipment for 5 years with annual payments of \$53,530. A discount rate of 3.30% was used in calculating the lease liability.	\$ <u>197,319</u>
	\$ <u>197,319</u>

(Continued)

NOTE 7 – LONG-TERM LIABILITIES (Continued)

Maturities of general long-term debt are as follows:

For the year ending June 30,	Lease Liability	General Obligation Bonds	Notes	Total
2024	\$ 46,919	\$ 75,000	\$ 1,200,000	\$ 1,275,000
2025	48,491	75,000	1,082,000	1,157,000
2026	50,115	80,000	1,076,000	1,156,000
2027	51,794	80,000	1,094,000	1,174,000
2028	-	85,000	1,117,000	1,202,000
2029-2033	-	500,000	4,798,947	5,298,947
2034-2038	-	640,000	2,510,185	3,150,185
2039-2043	-	810,000	130,000	940,000
2044-2045	-	400,000	-	400,000
	<u>\$ 197,319</u>	<u>\$ 2,745,000</u>	<u>\$ 13,008,132</u>	<u>\$ 15,753,132</u>

During the year ended June 30, 2023, changes in long-term liabilities were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
Bonds payable	\$ 2,820,000	\$ -	\$ 75,000	\$ 2,745,000	\$ 75,000
Notes payable	10,312,264	3,615,947	920,079	13,008,132	1,200,000
Lease liability	30,000	250,849	83,530	197,319	46,919
Plus: Premium	915,420	-	47,863	867,557	47,863
Compensated absences	<u>576,069</u>	<u>149,245</u>	<u>-</u>	<u>725,314</u>	<u>725,314</u>
	<u>\$ 14,653,753</u>	<u>\$ 4,016,041</u>	<u>\$ 1,126,472</u>	<u>\$ 17,543,322</u>	<u>\$ 2,095,096</u>

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Tennessee Consolidated Retirement System

General Information about the Pension Plan

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

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.

(Continued)

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

General Information about the Pension Plan (Continued)

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

Employees covered by benefit terms. As of the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	75
Active employees	<u>132</u>
	<u>270</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 makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for East Ridge were \$734,179 based on a rate of 10.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

The City’s net pension liability (asset) was measured as of June 30, 2022, 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, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 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	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

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

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 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 AND OTHER POSTEMPLOYMENT BENEFIT PLANS (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Position Liability (Asset) (a) – (b)
Balance as of 06/30/21	\$ 25,316,333	\$ 26,634,762	\$ (1,318,429)
Changes for the year:			
Service cost	591,986	-	591,986
Interest	1,711,781	-	1,711,781
Differences between expected and actual experience	431,285	-	431,285
Contributions – employer	-	701,710	(701,710)
Contributions – employees	-	350,857	(350,857)
Net investment income	-	(1,017,837)	1,017,837
Benefit payments, including refund of employee contributions	(1,097,202)	(1,097,202)	-
Administrative expense	-	(13,278)	13,278
Net changes	<u>1,637,850</u>	<u>(1,075,750)</u>	<u>2,713,600</u>
Balance as of 06/30/22	<u>\$ 26,954,183</u>	<u>\$ 25,559,012</u>	<u>\$ 1,395,171</u>

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 5,179,347	\$ 1,395,171	\$ (1,725,120)

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

Pension expense. For the year ended June 30, 2023, the City recognized pension expense of \$499,955.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, 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	\$ 580,432	\$ 179,443
Change of assumptions	1,378,276	-
Net difference between projected and actual earnings of pension plan investments	64,554	-
Employer contributions after Measurement Date but prior To fiscal year end	<u>734,179</u>	<u>-</u>
Total	<u>\$ 2,757,441</u>	<u>\$ 179,443</u>

The amount shown for “contributions subsequent to the measurement date of June 30, 2022,” 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:	
2024	\$ 337,708
2025	254,835
2026	201,300
2027	978,095
2028	<u>71,881</u>
	<u>\$ 1,843,819</u>

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

Payable to the Pension Plan

As of June 30, 2023, the City did not report a payable for the outstanding amount of contributions to the plan.

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (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 and hired prior to July 1, 2012. The City Council has the authority to establish and amend benefit provisions of the Plan.

Employees covered by benefit terms. As of July 1, 2021 (the valuation date) the following employees were covered by the benefit terms:

	Count		
Inactive employees or beneficiaries currently receiving benefits	7		
Active employees	<table style="margin-left: auto; margin-right: auto; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">60</td> </tr> <tr> <td style="border-bottom: 3px double black; text-align: right;">67</td> </tr> </table>	60	67
60			
67			

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, 2023 for the employer fiscal year and reporting period of July 1, 2022 to June 30, 2023. The values shown for this fiscal year and reporting period are based on a measurement date of July 1, 2022 and the corresponding measurement period of July 1, 2021 to July 1, 2022. The measurement of the total OPEB liability is based on a valuation date of July 1, 2021.

Actuarial Assumptions and Actuarial Methods

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following key actuarial assumptions, applied to all periods included in the measurement:

Discount Rate:	3.69%
Salary Scale:	2.50%
Healthcare Cost Trend Rates:	0.00% for fiscal year end 2022 (to reflect actual experience), then 6.50% for fiscal year end 2023, decreasing 0.50% per year to an ultimate rate of 5.00%
Mortality:	RP-2014 Mortality Table, fully generational with base year 2006, projected using two-dimensional mortality improvement scale MP-2021
Actuarial Cost Method:	Entry Age Actuarial Cost Method

Expected Return on Assets

None.

Discount Rate

The discount rate has been set equal to 3.69% and represents the Municipal GO AA 20-year yield curve rate as of June 30, 2022.

(Continued)

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Pension (b)	Net OPEB Liability (Asset) (a) – (b)
Balance as of July 1, 2022	\$ 2,784,000	\$ -	\$ 2,784,000
Changes for the year:			
Service cost	155,000	-	155,000
Interest	56,000	-	56,000
Differences between expected and actual experience	(209,000)	-	(209,000)
Contributions – employer	-	89,000	(89,000)
Benefit payments	(89,000)	(89,000)	-
Change in benefit terms	(14,000)	-	(14,000)
Other changes	<u>(326,000)</u>	<u>-</u>	<u>(326,000)</u>
Net changes	<u>(427,000)</u>	<u>-</u>	<u>(427,000)</u>
Balance as of June 30, 2023	<u>\$ 2,357,000</u>	<u>\$ -</u>	<u>\$ 2,357,000</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>\$ 2,540,000</u>	<u>\$ 2,357,000</u>	<u>\$ 2,182,000</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>\$ 2,054,000</u>	<u>\$ 2,357,000</u>	<u>\$ 2,717,000</u>

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

For the year ended June 30, 2023, under GASB 75 the employer OPEB expense is \$18,000. The Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB as of June 30, 2023 from various sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 795,000
Changes of assumptions	338,000	277,000
Net difference between projected and actual earnings on OPEB plan investments	-	-
Employer contributions after Measurement Date but prior to fiscal year end	<u>35,878</u>	<u>-</u>
Total	<u>\$ 373,878</u>	<u>\$ 1,072,000</u>

(Continued)

NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND OTHER POSTEMPLOYMENT BENEFIT PLANS (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:	
2024	\$ (185,000)
2025	(184,000)
2026	(150,000)
2027	(128,000)
2028	(85,000)
Thereafter	(2,000)
	<u>\$ (734,000)</u>

NOTE 9 – RESTRICTIONS AND CONTINGENCIES

Federal and State Grants

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

NOTE 10 – RISK MANAGEMENT AND LITIGATION

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (TML-RMP) to provide workers’ compensation coverage and general liability and property insurance. The City, along with other participating entities, contributes annual amounts determined by TML-RMP management. As claims arise, they are submitted to and paid by TMP-RMP. The amount contributed to the plan during fiscal year 2023 was \$662,361. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded this insurance coverage in any of the past three years.

As of June 30, 2023, the City was involved in several lawsuits as defendant. Additionally, the City is exposed to several unasserted claims. Management feels that uninsured exposure if any would not be material to the financial statements.

NOTE 11 – LEASES

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

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

During the year ended June 30, 2022, there were deferred grant revenues recorded in the General Fund that should have been recorded in the American Rescue Plan Act Fund. As such, a prior period adjustment has been recorded on the Statement of Revenues, Expenditures, and Changes in Fund Balances to reflect the correction. The effect on the governmental funds balance sheet resulted in an increase in the fund balance of the General Fund by \$3,143,474 and a decrease in the fund balance of the American Rescue Plan Act fund by the same amount.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated events and transactions subsequent to the statement of net position date through April 5, 2024 (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST RIDGE, TENNESSEE

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

LAST TEN FISCAL YEARS ENDING

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability (Asset)									
Service cost	\$ 591,986	\$ 499,971	\$ 486,199	\$ 466,527	\$ 436,698	\$ 401,914	\$ 387,433	\$ 378,218	\$ 355,419
Interest	1,711,781	1,609,380	1,520,358	1,472,828	1,430,710	1,366,825	1,292,399	1,246,302	1,162,743
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Differences between actual and expected experience	431,285	93,894	270,034	(231,693)	(280,511)	163,918	208,110	(178,441)	277,808
Change in assumptions	-	1,966,916	-	-	-	468,974	-	-	-
Benefit payments, including refunds of employee contributions	(1,097,202)	(1,104,398)	(1,020,544)	(1,122,949)	(948,647)	(904,986)	(915,163)	(766,168)	(643,140)
Net change in total pension liability	1,637,850	3,065,763	1,256,047	584,713	638,250	1,496,645	972,779	679,911	1,152,830
Total pension liability - beginning	25,316,333	22,250,570	20,994,523	20,409,810	19,771,560	18,274,915	17,302,136	16,622,225	15,469,395
Total pension liability - ending (a)	<u>\$ 26,954,183</u>	<u>\$ 25,316,333</u>	<u>\$ 22,250,570</u>	<u>\$ 20,994,523</u>	<u>\$ 20,409,810</u>	<u>\$ 19,771,560</u>	<u>\$ 18,274,915</u>	<u>\$ 17,302,136</u>	<u>\$ 16,622,225</u>
Plan Fiduciary Net Position									
Contributions - employer	\$ 701,710	\$ 593,744	\$ 583,981	\$ 551,838	\$ 531,711	\$ 487,590	\$ 414,430	\$ 413,814	\$ 407,430
Contributions - employee	350,857	296,873	291,992	275,919	265,857	243,796	224,017	223,684	220,711
Net investment income	(1,017,837)	5,485,033	1,013,806	1,432,467	1,492,501	1,847,817	427,408	487,732	2,257,625
Benefit payments, including refunds of employee contributions	(1,097,202)	(1,104,398)	(1,020,544)	(1,122,949)	(948,647)	(904,986)	(915,163)	(766,168)	(643,140)
Administrative expense	(13,278)	(11,526)	(11,503)	(11,475)	(12,243)	(10,331)	(8,744)	(5,714)	(4,837)
Net change in plan fiduciary net position	(1,075,750)	5,259,726	857,732	1,125,800	1,329,179	1,663,886	141,948	353,348	2,237,789
Plan fiduciary net position - beginning	26,634,762	21,375,036	20,517,304	19,391,504	18,062,325	16,398,439	16,256,491	15,903,143	13,665,354
Plan fiduciary net position - ending (b)	<u>\$ 25,559,012</u>	<u>\$ 26,634,762</u>	<u>\$ 21,375,036</u>	<u>\$ 20,517,304</u>	<u>\$ 19,391,504</u>	<u>\$ 18,062,325</u>	<u>\$ 16,398,439</u>	<u>\$ 16,256,491</u>	<u>\$ 15,903,143</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 1,395,171</u>	<u>\$ (1,318,429)</u>	<u>\$ 875,534</u>	<u>\$ 477,219</u>	<u>\$ 1,018,306</u>	<u>\$ 1,709,235</u>	<u>\$ 1,876,476</u>	<u>\$ 1,045,645</u>	<u>\$ 719,082</u>
Plan fiduciary net position as a percentage of total pension liability	94.82%	105.21%	96.07%	97.73%	95.01%	91.36%	89.73%	93.96%	95.67%
Covered - employee payroll	\$ 7,017,097	\$ 5,937,433	\$ 5,839,802	\$ 5,518,376	\$ 5,317,111	\$ 4,875,894	\$ 4,480,329	\$ 4,473,661	\$ 4,414,199
Net pension liability (asset) as a percentage of covered payroll	19.88%	-22.21%	14.99%	8.65%	19.15%	35.05%	41.88%	23.37%	16.29%

Notes to Schedule:

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. In 2017, amount reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

Note: GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

LAST FISCAL YEAR ENDING

	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 734,179	\$ 627,329	\$ 530,213	\$ 521,495	\$ 551,838	\$ 531,711	\$ 451,020	\$ 414,431
Contributions in relation to the actuarially determined contribution	<u>734,179</u>	<u>701,710</u>	<u>593,744</u>	<u>583,981</u>	<u>551,838</u>	<u>531,711</u>	<u>487,590</u>	<u>414,431</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (74,381)</u>	<u>\$ (63,531)</u>	<u>\$ (62,486)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (36,570)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 7,341,790	\$ 7,017,097	\$ 5,937,440	\$ 5,839,810	\$ 5,518,376	\$ 5,317,111	\$ 4,875,894	\$ 4,480,329
Contributions as a percentage covered-employee payroll	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	9.25%

Note: GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date.

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

NOTES TO PENSION SCHEDULES

LAST FISCAL YEAR ENDING JUNE 30, 2023

Valuation date: Actuarially determined contribution rates for 2023 were calculated based on the June 30, 2021 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 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	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

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

CITY OF EAST RIDGE, TENNESSEE

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

Last 10 Fiscal Years (as information becomes available)

	2023	2022	2021	2020	2019	2018
Total OPEB Liability (Asset)						
Service cost	\$ 155,000	\$ 348,000	\$ 309,000	\$ 233,000	\$ 250,000	\$ 244,000
Interest	56,000	99,000	114,000	119,000	118,000	108,000
Changes in benefit terms	(14,000)	(960,000)	-	-	-	-
Differences between actual and expected experience	(209,000)	(565,000)	(164,000)	(156,000)	(287,000)	-
Change in assumptions	(326,000)	225,000	223,000	139,000	(20,000)	-
Benefit payments, including refunds of employee contributions	<u>(89,000)</u>	<u>(143,000)</u>	<u>(64,000)</u>	<u>(67,000)</u>	<u>(67,000)</u>	<u>(102,000)</u>
Net change in total OPEB liability	(427,000)	(996,000)	418,000	268,000	(6,000)	250,000
Total pension liability - beginning	<u>2,784,000</u>	<u>3,780,000</u>	<u>3,362,000</u>	<u>3,094,000</u>	<u>3,100,000</u>	<u>2,850,000</u>
Total pension liability - ending (a)	<u>\$ 2,357,000</u>	<u>\$ 2,784,000</u>	<u>\$ 3,780,000</u>	<u>\$ 3,362,000</u>	<u>\$ 3,094,000</u>	<u>\$ 3,100,000</u>
Plan Fiduciary Net Position						
Contributions - employer	\$ 89,000	\$ 143,000	\$ 64,000	\$ 67,000	\$ 67,000	\$ 102,000
Contributions - employee	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(89,000)	(143,000)	(64,000)	(67,000)	(67,000)	(102,000)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Pension Liability (asset) - ending (a) - (b)	<u>\$ 2,357,000</u>	<u>\$ 2,784,000</u>	<u>\$ 3,780,000</u>	<u>\$ 3,362,000</u>	<u>\$ 3,094,000</u>	<u>\$ 3,100,000</u>
Plan fiduciary net position as a percentage of total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered - employee payroll	\$ 2,989,000	\$ 2,989,000	\$ 5,785,000	\$ 5,785,000	\$ 4,665,000	\$ 4,665,000
Net pension liability (asset) as a percentage of covered payroll	78.86%	93.14%	65.34%	58.12%	66.32%	66.45%
Notes to Schedule:						
None.						

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

Last 10 Fiscal Years (as information becomes available)

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

Notes to Schedule:

The employer has elected to make an annual contribution equal to the benefit payments. The employer share of net benefits is the difference between the expected benefit payments and the retiree contributions. It is sometimes referred to as "pay-as-you-go".

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

Actuarially determined contributions, which are based on the expected "pay-as-you-go" cost, and actual contributions are from the measurement periods ending June 30 of the year prior to the year-end of the reporting periods shown.

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

CITY OF EAST RIDGE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2023

	Special Revenue						Total Nonmajor Governmental Funds	
	Drug Investigation	State Street Aid	TML Bond Fund	Asset Forfeiture	Grant Fund	Solid Waste Collection		Economic Development
ASSETS								
Cash and cash equivalents	\$ 162,798	\$ 1,576,082	\$ 2,373,135	\$ -	\$ 16,001	\$ 515,728	\$ 3,316	\$ 4,647,060
Grant funds receivables	-	12,569	-	-	-	-	-	12,569
Accounts receivables	-	-	88,187	-	-	117,804	-	205,991
Due from other funds	10,884	196,171	-	-	1,443	-	-	208,498
Total assets	<u>\$ 173,682</u>	<u>\$ 1,784,822</u>	<u>\$ 2,461,322</u>	<u>\$ -</u>	<u>\$ 17,444</u>	<u>\$ 633,532</u>	<u>\$ 3,316</u>	<u>\$ 5,074,118</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ -	\$ 15,127	\$ -	\$ -	\$ -	\$ 48,273	\$ -	\$ 63,400
Accrued liabilities	-	-	-	-	-	11,350	-	11,350
Due to other funds	-	-	-	-	-	159,341	-	159,341
Total liabilities	-	15,127	-	-	-	218,964	-	234,091
Fund balances								
Restricted for -								
Law enforcement	173,682	-	-	-	-	-	-	173,682
State approved street aid	-	1,769,695	-	-	-	-	-	1,769,695
Economic development	-	-	-	-	-	-	3,316	3,316
Debt service	-	-	2,461,322	-	-	-	-	2,461,322
Grant projects	-	-	-	-	17,444	-	-	17,444
Solid waste operations	-	-	-	-	-	414,568	-	414,568
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>173,682</u>	<u>1,769,695</u>	<u>2,461,322</u>	<u>-</u>	<u>17,444</u>	<u>414,568</u>	<u>3,316</u>	<u>4,840,027</u>
Total liabilities and fund balances	<u>\$ 173,682</u>	<u>\$ 1,784,822</u>	<u>\$ 2,461,322</u>	<u>\$ -</u>	<u>\$ 17,444</u>	<u>\$ 633,532</u>	<u>\$ 3,316</u>	<u>\$ 5,074,118</u>

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 YEAR ENDED JUNE 30, 2023

	Special Revenue							Total Nonmajor Governmental Funds
	Drug Investigation	State Street Aid	TML Bond Fund	Asset Forfeiture	Grant Fund	Solid Waste Collection	Economic Development	
REVENUES								
Taxes	\$ -	\$ -	\$ 735,616	\$ -	\$ -	\$ -	\$ -	\$ 735,616
Intergovernmental	104,102	807,041	-	-	1,098,861	-	-	2,010,004
Charges for services	-	-	-	-	-	1,592,560	-	1,592,560
Fines and forfeitures	49,983	-	-	-	-	-	-	49,983
Miscellaneous	1,404	181	56,684	-	18	-	32	58,319
Total revenues	<u>155,489</u>	<u>807,222</u>	<u>792,300</u>	<u>-</u>	<u>1,098,879</u>	<u>1,592,560</u>	<u>32</u>	<u>4,446,482</u>
EXPENDITURES								
Current -								
Public safety	20,915	-	-	173	-	-	-	21,088
Public works	-	845,225	-	-	62,438	2,056,105	-	2,963,768
Debt service -								
Principal	-	-	995,079	-	-	-	-	995,079
Interest and other costs	-	-	440,661	-	-	-	-	440,661
Total expenditures	<u>20,915</u>	<u>845,225</u>	<u>1,435,740</u>	<u>173</u>	<u>62,438</u>	<u>2,056,105</u>	<u>-</u>	<u>4,420,596</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>134,574</u>	<u>(38,003)</u>	<u>(643,440)</u>	<u>(173)</u>	<u>1,036,441</u>	<u>(463,545)</u>	<u>32</u>	<u>25,886</u>
OTHER FINANCING SOURCES								
Transfers from other funds	-	-	1,366,648	-	-	-	4,265,002	5,631,650
Transfers to other funds	-	-	-	-	(573,475)	-	(4,420,009)	(4,993,484)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,366,648</u>	<u>-</u>	<u>(573,475)</u>	<u>-</u>	<u>(155,007)</u>	<u>638,166</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>134,574</u>	<u>(38,003)</u>	<u>723,208</u>	<u>(173)</u>	<u>462,966</u>	<u>(463,545)</u>	<u>(154,975)</u>	<u>664,052</u>
FUND BALANCES								
Beginning	<u>39,108</u>	<u>1,807,698</u>	<u>1,738,114</u>	<u>173</u>	<u>(445,522)</u>	<u>878,113</u>	<u>158,291</u>	<u>4,175,975</u>
Ending	<u>\$ 173,682</u>	<u>\$ 1,769,695</u>	<u>\$ 2,461,322</u>	<u>\$ -</u>	<u>\$ 17,444</u>	<u>\$ 414,568</u>	<u>\$ 3,316</u>	<u>\$ 4,840,027</u>

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
TAXES				
Local sales tax	\$ 3,100,000	\$ 3,100,000	\$ 4,382,457	\$ 1,282,457
Property taxes	6,725,000	6,725,000	6,912,016	187,016
Business taxes	5,000	5,000	9,217	4,217
Local beer taxes	402,199	402,199	475,191	72,992
Gross receipts taxes	5,184,000	6,746,367	6,905,131	158,764
Franchise taxes	260,000	260,000	216,576	(43,424)
Total taxes	<u>15,676,199</u>	<u>17,238,566</u>	<u>18,900,588</u>	<u>1,662,022</u>
LICENSES AND PERMITS				
Building permits	150,000	150,000	193,433	43,433
Plumbing permits	12,000	12,000	22,044	10,044
Electrical permits	30,000	30,000	32,183	2,183
Other permits and licenses	62,950	62,950	117,990	55,040
Total licenses and permits	<u>254,950</u>	<u>254,950</u>	<u>365,650</u>	<u>110,700</u>
INTERGOVERNMENTAL				
State sales tax	2,460,537	2,460,537	2,630,788	170,251
State beer tax	10,415	10,415	10,122	(293)
State telecommunications tax	500	500	797	297
State mixed drink tax	75,000	75,000	115,001	40,001
State income and excise tax	6,000	6,000	6,211	211
Interstate sales tax	5,000	5,000	4,094	(906)
Sports betting	33,250	33,250	36,154	2,904
City streets and transportation	40,565	40,565	37,226	(3,339)
TVA in lieu of tax	231,985	231,985	269,904	37,919
State and other grants	3,200,092	8,200,092	120,043	(8,080,049)
Total intergovernmental	<u>6,063,344</u>	<u>11,063,344</u>	<u>3,230,340</u>	<u>(7,833,004)</u>
CHARGES FOR SERVICES				
Fire service contract	112,119	112,119	111,761	(358)
Recreation fees	763,985	763,985	835,741	71,756
Mowing charges	9,800	9,800	9,800	-
Other	15,200	15,200	8,928	(6,272)
Total charges for services	<u>901,104</u>	<u>901,104</u>	<u>966,230</u>	<u>65,126</u>
FINES AND FORFEITS				
City court fines and fees	418,800	418,800	428,563	9,763
Total fines and forfeits	<u>418,800</u>	<u>418,800</u>	<u>428,563</u>	<u>9,763</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
MISCELLANEOUS				
Insurance recoveries	\$ 20,000	\$ 75,000	\$ 57,630	\$ (17,370)
Interest	3,000	3,000	10,476	7,476
Other	<u>37,692</u>	<u>87,692</u>	<u>114,449</u>	<u>26,757</u>
Total miscellaneous	<u>60,692</u>	<u>165,692</u>	<u>182,555</u>	<u>16,863</u>
Total revenues	<u>23,375,089</u>	<u>30,042,456</u>	<u>24,073,926</u>	<u>(5,968,530)</u>
GENERAL GOVERNMENT				
General Government				
Health insurance	77,625	77,625	77,625	-
Pension	3,500	3,500	-	3,500
Workers' compensation	213,635	273,635	272,676	959
Dues and memberships	16,000	16,000	18,767	(2,767)
Data processing services	76,680	146,680	142,908	3,772
Insurance	697,221	745,221	589,187	156,034
Professional fees	175,075	205,075	212,559	(7,484)
Land and equipment	<u>-</u>	<u>-</u>	<u>23,740</u>	<u>(23,740)</u>
	<u>1,259,736</u>	<u>1,467,736</u>	<u>1,337,462</u>	<u>130,274</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Administration				
Salaries	\$ 668,735	\$ 668,735	\$ 602,010	\$ 66,725
Payroll taxes	49,533	49,533	45,608	3,925
Health insurance	74,429	74,429	71,144	3,285
Pension	71,093	71,093	62,089	9,004
Unemployment insurance	504	504	289	215
Employee training and testing	10,150	10,150	4,594	5,556
Printing and duplicating	15,000	15,000	11,725	3,275
Dues and memberships	2,650	2,650	915	1,735
Telephone	20,000	20,000	26,704	(6,704)
Public relations	9,000	9,000	8,329	671
Travel	14,322	14,322	7,174	7,148
Operating supplies	115,800	115,800	166,143	(50,343)
Equipment operations and maintenance	13,320	53,320	35,845	17,475
Professional fees	37,000	37,000	43,104	(6,104)
Other	17,500	17,500	18,241	(741)
	<u>1,119,036</u>	<u>1,159,036</u>	<u>1,103,914</u>	<u>55,122</u>
City Council				
Salaries	40,800	40,800	40,800	-
Payroll taxes	3,121	3,121	3,023	98
Health insurance	23,528	23,528	10,666	12,862
Employee training and testing	4,000	4,000	2,873	1,127
Printing and duplicating	400	400	180	220
Dues and memberships	350	350	345	5
Telephone	3,000	3,000	1,980	1,020
Council meeting	10,300	10,300	10,991	(691)
Travel	10,000	10,000	9,432	568
Special events	25,000	25,000	18,763	6,237
Operating supplies	3,600	3,600	2,305	1,295
	<u>124,099</u>	<u>124,099</u>	<u>101,358</u>	<u>22,741</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Municipal Court				
Salaries	\$ 204,397	\$ 204,397	\$ 196,145	\$ 8,252
Payroll taxes	16,207	16,207	14,541	1,666
Health insurance	31,178	31,178	26,996	4,182
Employee training and testing	650	650	314	336
Pension	11,811	11,811	10,279	1,532
Unemployment insurance	168	168	112	56
Printing and duplicating	500	500	790	(290)
Dues and memberships	-	-	209	(209)
Subscriptions	175	175	-	175
Telephone	2,500	2,500	3,326	(826)
Travel	500	500	565	(65)
Operating supplies	72,650	72,650	12,791	59,859
Child restraint	15,000	15,000	18,236	(3,236)
Litigation fees	60,000	60,000	69,188	(9,188)
Other	10,800	10,800	28,775	(17,975)
	<u>426,536</u>	<u>426,536</u>	<u>382,267</u>	<u>44,269</u>
Economic Development				
Professional services	56,000	56,000	29,067	26,933
	<u>56,000</u>	<u>56,000</u>	<u>29,067</u>	<u>26,933</u>
City Hall Complex				
Utilities	34,228	34,228	35,915	(1,687)
Operating supplies	8,875	28,875	18,039	10,836
	<u>43,103</u>	<u>63,103</u>	<u>53,954</u>	<u>9,149</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Inspection				
Salaries	\$ 268,162	\$ 268,162	\$ 299,457	\$ (31,295)
Payroll taxes	18,850	18,850	22,196	(3,346)
Health insurance	65,094	65,094	62,644	2,450
Pension	24,641	24,641	27,345	(2,704)
Unemployment insurance	336	336	218	118
Employee training and testing	6,250	6,250	1,289	4,961
Printing and duplicating	4,000	4,000	507	3,493
Dues and memberships	285	285	600	(315)
Telephone	6,250	6,250	4,237	2,013
Travel	3,000	3,000	856	2,144
Contract services	122,950	122,950	55,391	67,559
Operating supplies	29,800	29,800	29,026	774
Equipment operations and maintenance	12,790	12,790	13,963	(1,173)
Uniform	1,500	1,500	1,041	459
Other	<u>100,000</u>	<u>100,000</u>	<u>66,626</u>	<u>33,374</u>
	<u>663,908</u>	<u>663,908</u>	<u>585,396</u>	<u>78,512</u>
 City Garage				
Telephone	1,650	1,650	1,545	105
Utilities	6,000	11,000	6,249	4,751
Equipment operations and maintenance	<u>1,650</u>	<u>1,650</u>	<u>4,990</u>	<u>(3,340)</u>
	<u>9,300</u>	<u>14,300</u>	<u>12,784</u>	<u>1,516</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Building Maintenance				
Salaries	\$ 180,888	\$ 180,888	\$ 180,400	\$ 488
Payroll taxes	13,029	13,029	13,500	(471)
Health insurance	25,404	25,404	34,195	(8,791)
Pension	17,031	17,031	17,295	(264)
Unemployment insurance	280	280	112	168
Printing and duplicating	-	-	314	(314)
Telephone	4,000	4,000	3,468	532
Utilities	9,500	9,500	7,488	2,012
Medical	100	100	-	100
Operating supplies	26,120	26,120	21,106	5,014
Custodial services	8,000	8,000	6,145	1,855
Equipment operations and maintenance	3,000	3,000	7,653	(4,653)
Building maintenance	40,000	40,000	25,981	14,019
Grounds maintenance	10,000	10,000	2,659	7,341
Other	200	200	17	183
	<u>337,552</u>	<u>337,552</u>	<u>320,333</u>	<u>17,219</u>
TOTAL GENERAL GOVERNMENT	<u>4,039,270</u>	<u>4,312,270</u>	<u>3,926,535</u>	<u>385,735</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
DEPARTMENT OF PUBLIC SAFETY				
Police				
Salaries	\$ 721,188	\$ 721,188	\$ 632,985	\$ 88,203
Payroll taxes	47,035	47,035	57,502	(10,467)
Health insurance	124,698	124,698	118,247	6,451
Pension	61,484	61,484	64,570	(3,086)
Unemployment insurance	616	616	501	115
Employee training and testing	31,500	31,500	45,069	(13,569)
Contract services	35,000	35,000	28,291	6,709
Printing and duplicating	4,300	4,300	2,171	2,129
Dues and memberships	3,000	3,000	2,633	367
Subscriptions	100	100	174	(74)
Telephone	40,000	40,000	37,461	2,539
Utilities	17,000	17,000	15,926	1,074
Medical	2,000	2,000	4,725	(2,725)
Travel	35,000	35,000	23,187	11,813
Operating supplies	45,000	45,000	31,302	13,698
Contracts with other governments	400,000	387,000	352,001	34,999
Supplies and small equipment	133,100	133,100	218,790	(85,690)
Equipment operations and maintenance	427,372	570,872	532,663	38,209
Building maintenance	2,500	2,500	117	2,383
Uniforms	8,000	8,000	10,118	(2,118)
Insurance	5,000	5,000	15,258	(10,258)
	<u>2,143,893</u>	<u>2,274,393</u>	<u>2,193,691</u>	<u>80,702</u>
Criminal Investigation				
Salaries	566,581	566,581	459,134	107,447
Payroll taxes	42,158	42,158	36,271	5,887
Health insurance	108,213	108,213	108,706	(493)
Pension	55,108	55,108	47,643	7,465
Unemployment insurance	560	560	193	367
Operating supplies	24,504	24,504	31,174	(6,670)
	<u>797,124</u>	<u>797,124</u>	<u>683,121</u>	<u>114,003</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Patrol				
Salaries	\$ 1,857,608	\$ 2,002,475	\$ 1,971,663	\$ 30,812
Payroll taxes	141,579	141,579	133,119	8,460
Health insurance	423,051	423,051	354,390	68,661
Pension	173,054	173,054	175,027	(1,973)
Unemployment insurance	1,904	1,904	1,210	694
Operating supplies	<u>210,880</u>	<u>210,880</u>	<u>191,303</u>	<u>19,577</u>
	<u>2,808,076</u>	<u>2,952,943</u>	<u>2,826,712</u>	<u>126,231</u>
Fire				
Salaries	1,543,913	1,543,913	1,648,319	(104,406)
Payroll taxes	103,917	103,917	122,443	(18,526)
Health insurance	298,289	298,289	283,050	15,239
Pension	135,839	135,839	152,089	(16,250)
Workers' compensation	1,288	1,288	728	560
Employee training and testing	10,500	10,500	11,353	(853)
Printing and duplicating	3,500	3,500	1,118	2,382
Dues and memberships	600	600	1,135	(535)
Subscriptions	500	500	-	500
Telephone	29,000	29,000	21,176	7,824
Utilities	35,000	35,000	40,741	(5,741)
Medical	1,400	1,400	1,245	155
Travel	8,000	8,000	8,700	(700)
Rent	7,700	7,700	21,327	(13,627)
Operating supplies	32,900	32,900	33,902	(1,002)
Contracts with other governments	321,000	449,000	448,010	990
Supplies and small equipment	24,500	24,500	26,901	(2,401)
Equipment operations and maintenance	128,600	500,600	533,031	(32,431)
Building maintenance	2,500	2,500	2,891	(391)
Uniforms	25,000	25,000	19,443	5,557
Insurance	<u>2,000</u>	<u>2,000</u>	<u>2,650</u>	<u>(650)</u>
	<u>2,715,946</u>	<u>3,215,946</u>	<u>3,380,252</u>	<u>(164,306)</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Animal Control				
Salaries	\$ 165,705	\$ 165,705	\$ 159,697	\$ 6,008
Payroll taxes	12,044	12,044	11,910	134
Health insurance	35,650	35,650	32,868	2,782
Pension	13,533	13,533	14,929	(1,396)
Contract services	3,000	3,000	719	2,281
Workers' compensation	224	224	96	128
Employee training and testing	2,250	2,250	245	2,005
Printing and duplicating	1,000	1,000	-	1,000
Dues and memberships	600	600	-	600
Telephone	4,800	4,800	3,316	1,484
Utilities	9,000	9,000	8,251	749
Medical	250	250	100	150
Travel	1,500	1,500	-	1,500
Operating supplies	25,000	25,000	56,312	(31,312)
Equipment operations and maintenance	8,286	8,286	6,862	1,424
Building maintenance	1,800	1,800	1,147	653
Uniforms	3,000	3,000	1,602	1,398
Other	25,000	25,000	11,324	13,676
	<u>312,642</u>	<u>312,642</u>	<u>309,378</u>	<u>3,264</u>
TOTAL DEPARTMENT OF PUBLIC SAFETY	<u>8,777,681</u>	<u>9,553,048</u>	<u>9,393,154</u>	<u>159,894</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
DEPARTMENT OF PUBLIC WORKS				
Traffic Control and Street Markers				
Salaries	\$ 202,636	\$ 202,636	\$ 198,689	\$ 3,947
Payroll taxes	14,587	14,587	14,591	(4)
Health insurance	52,433	52,433	48,092	4,341
Pension	19,069	19,069	19,258	(189)
Workers' compensation	168	168	112	56
Employee training and testing	2,750	2,750	-	2,750
Dues and memberships	370	370	266	104
Telephone	2,500	2,500	2,746	(246)
Utilities	4,900	4,900	5,573	(673)
Medical	250	250	-	250
Travel	1,000	1,000	-	1,000
Operating supplies	23,800	23,800	30,343	(6,543)
Equipment operations and maintenance	11,490	11,490	15,540	(4,050)
Building maintenance	500	500	-	500
Uniforms	1,500	1,500	791	709
Other	2,100	2,100	495	1,605
	<u>340,053</u>	<u>340,053</u>	<u>336,496</u>	<u>3,557</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Streets				
Salaries	\$ 282,621	\$ 282,621	\$ 240,971	\$ 41,650
Payroll taxes	21,108	21,108	17,806	3,302
Health insurance	66,750	66,750	65,349	1,401
Pension	27,592	27,592	23,763	3,829
Workers' compensation	336	336	196	140
Employee training and testing	2,250	2,250	-	2,250
Telephone	2,700	2,700	2,351	349
Utilities	4,750	4,750	8,615	(3,865)
Medical	250	250	85	165
Professional and contract services	5,000	5,000	9,022	(4,022)
Operating supplies	24,050	24,050	29,875	(5,825)
Equipment operations and maintenance	51,450	51,450	68,663	(17,213)
Building maintenance	-	-	6,680	(6,680)
Uniforms	1,500	1,500	1,898	(398)
Damage claims	1,000	1,000	818	182
	<u>491,357</u>	<u>491,357</u>	<u>476,092</u>	<u>15,265</u>
TOTAL DEPARTMENT OF PUBLIC WORKS	<u>831,410</u>	<u>831,410</u>	<u>812,588</u>	<u>18,822</u>

(Continued)

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
DEPARTMENT OF PUBLIC WELFARE				
Library				
Salaries	\$ 181,959	\$ 181,959	\$ 162,267	\$ 19,692
Payroll taxes	13,614	13,614	11,814	1,800
Health insurance	29,782	29,782	29,060	722
Pension	9,881	9,881	9,896	(15)
Workers' compensation	280	280	177	103
Employee training and testing	500	500	-	500
Printing and duplicating	1,500	1,500	-	1,500
Subscriptions	2,000	2,000	1,340	660
Telephone	5,200	5,200	5,201	(1)
Medical	250	250	-	250
Professional and contract services	5,550	5,550	6,191	(641)
Operating supplies	6,400	6,400	3,093	3,307
Equipment/book operations and maintenance	23,900	23,900	23,778	122
Other	200	200	-	200
	<u>281,016</u>	<u>281,016</u>	<u>252,817</u>	<u>28,199</u>
Museum				
Telephone	100	100	100	-
Contract services	300	300	300	-
	<u>400</u>	<u>400</u>	<u>400</u>	<u>-</u>
Community Development Centers				
Transportation Assistance	5,000	15,000	11,018	3,982
TOTAL DEPARTMENT OF PUBLIC WELFARE	<u>286,416</u>	<u>296,416</u>	<u>264,235</u>	<u>32,181</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
CULTURE AND RECREATION				
Arena				
Salaries	\$ 517,492	\$ 517,492	\$ 491,777	\$ 25,715
Payroll taxes	38,289	38,289	36,739	1,550
Health insurance	84,882	84,882	78,832	6,050
Pension	38,701	38,701	39,795	(1,094)
Workers' compensation	784	784	489	295
Employee training and testing	2,300	2,300	613	1,687
Printing and duplicating	700	700	80	620
Dues and subscriptions	1,500	1,500	145	1,355
Telephone	3,000	3,000	4,723	(1,723)
Utilities	60,750	60,750	75,751	(15,001)
Travel	1,000	1,000	158	842
Operating supplies	17,300	17,300	10,831	6,469
Contracted services	17,000	17,000	24,159	(7,159)
Equipment operations and maintenance	40,500	40,500	86,596	(46,096)
Building maintenance	2,000	2,000	3,418	(1,418)
Grounds maintenance	65,750	65,750	27,575	38,175
Uniforms	1,500	1,500	2,074	(574)
Medical	600	600	675	(75)
Damage claims	2,000	2,000	445	1,555
Other	1,500	1,500	165	1,335
	<u>897,548</u>	<u>897,548</u>	<u>885,040</u>	<u>12,508</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
Maintenance of Recreational Facilities				
Salaries	\$ 89,919	\$ 89,919	\$ 106,093	\$ (16,174)
Payroll taxes	6,082	6,082	7,899	(1,817)
Health insurance	18,195	21,595	21,507	88
Pension	7,950	9,950	9,118	832
Workers' compensation	112	112	56	56
Employee training and testing	750	750	-	750
Printing and duplicating	250	250	34	216
Dues and memberships	1,000	1,000	470	530
Telephone	5,500	5,500	4,401	1,099
Utilities	74,000	86,000	83,159	2,841
Operating supplies	7,700	13,800	11,759	2,041
Contracted services	17,000	17,000	17,521	(521)
Equipment operations and maintenance	10,495	11,995	8,194	3,801
Grounds maintenance	-	-	40	(40)
Travel	500	500	-	500
Park promotions	750	750	119	631
Uniforms	500	500	681	(181)
Medical	150	150	-	150
Other	1,000	1,000	-	1,000
	<u>241,853</u>	<u>266,853</u>	<u>271,051</u>	<u>(4,198)</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Community Center				
Salaries	\$ 133,880	\$ 133,880	\$ 82,169	\$ 51,711
Payroll taxes	9,307	9,307	6,181	3,126
Health insurance	6,500	6,500	5,907	593
Pension	7,392	7,392	3,361	4,031
Workers' compensation	392	392	157	235
Employee training and testing	800	800	620	180
Printing and duplicating	200	200	-	200
Dues and memberships	350	350	67	283
Telephone	1,000	1,000	491	509
Utilities	24,500	24,500	33,932	(9,432)
Medical	500	500	-	500
Operating supplies	45,000	45,000	44,425	575
Contracted services	3,500	3,500	6,625	(3,125)
Equipment operations and maintenance	933	933	270	663
Building maintenance	1,000	1,000	468	532
Grounds maintenance	1,500	1,500	7,308	(5,808)
Travel	250	250	152	98
Uniforms	500	500	-	500
	<u>237,504</u>	<u>237,504</u>	<u>192,133</u>	<u>45,371</u>
McBrien School				
Utilities	11,000	10,600	686	9,914
Contracted services	-	400	360	40
	<u>11,000</u>	<u>11,000</u>	<u>1,046</u>	<u>9,954</u>

(Continued)

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

(Continued)	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
Recreational Sports				
Contracted services	\$ 7,300	\$ 7,300	\$ 9,134	\$ (1,834)
Printing and duplicating	600	600	-	600
Equipment, supplies and uniforms	78,150	88,150	91,772	(3,622)
Tournament fees	13,000	18,000	15,594	2,406
Officials, referees and players fees	107,500	134,500	127,567	6,933
Insurance	<u>25,500</u>	<u>25,500</u>	<u>30,541</u>	<u>(5,041)</u>
	<u>232,050</u>	<u>274,050</u>	<u>274,608</u>	<u>(558)</u>
TOTAL CULTURE AND RECREATION	<u>1,619,955</u>	<u>1,686,955</u>	<u>1,623,878</u>	<u>63,077</u>
TOTAL EXPENDITURES	<u>15,594,732</u>	<u>16,720,099</u>	<u>16,050,484</u>	<u>669,615</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,780,357</u>	<u>13,322,357</u>	<u>8,023,442</u>	<u>(5,298,915)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(7,791,582)	(13,583,582)	(5,411,477)	8,172,105
Proceeds from sale of assets	<u>25,000</u>	<u>275,000</u>	<u>275,509</u>	<u>509</u>
Total other financing sources (uses)	<u>(7,766,582)</u>	<u>(13,308,582)</u>	<u>(5,135,968)</u>	<u>8,172,614</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ 13,775</u>	<u>\$ 13,775</u>	2,887,474	<u>\$ 2,873,699</u>
FUND BALANCE				
Beginning, as previously stated			5,815,771	
Prior period adjustment			<u>3,143,474</u>	
Beginning, as restated			<u>8,959,245</u>	
Ending			<u>\$ 11,846,719</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 45,000	\$ 45,000	\$ 104,102	\$ 59,102
Drug related fines and forfeitures	20,000	20,000	49,983	29,983
Sale of confiscated property	-	-	1,404	1,404
Total revenues	<u>65,000</u>	<u>65,000</u>	<u>155,489</u>	<u>90,489</u>
EXPENDITURES				
Current				
Employee training and testing	1,000	1,000	-	1,000
Bank fees	-	-	77	(77)
Office supplies	26,500	26,500	10,266	16,234
Uniforms	22,000	22,000	10,572	11,428
Travel	500	500	-	500
Equipment operations and maintenance	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
TOTAL EXPENDITURES	<u>65,000</u>	<u>65,000</u>	<u>20,915</u>	<u>44,085</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	134,574	<u>\$ 134,574</u>
FUND BALANCE				
Beginning			<u>39,108</u>	
Ending			<u>\$ 173,682</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Intergovernmental	\$ 1,473,762	\$ 1,473,762	\$ 807,041	\$ (666,721)
Interest	<u>100</u>	<u>100</u>	<u>181</u>	<u>81</u>
Total revenues	<u>1,473,862</u>	<u>1,473,862</u>	<u>807,222</u>	<u>(666,640)</u>
EXPENDITURES				
Current				
Utilities	225,000	225,000	249,547	(24,547)
Operating supplies	21,000	21,000	-	21,000
Professional services	71,000	71,000	35,280	35,720
Grant expenditures	349,707	349,707	104	349,603
Road paving and maintenance	<u>1,061,004</u>	<u>1,061,004</u>	<u>560,294</u>	<u>500,710</u>
TOTAL EXPENDITURES	<u>1,727,711</u>	<u>1,727,711</u>	<u>845,225</u>	<u>882,486</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$ (253,849)</u>	<u>\$ (253,849)</u>	(38,003)	<u>\$ 215,846</u>
FUND BALANCE				
Beginning			<u>1,807,698</u>	
Ending			<u>\$ 1,769,695</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Room occupancy tax	\$ 600,000	\$ 600,000	\$ 735,616	\$ 135,616
Interest	500	500	56,684	56,184
Total revenues	<u>600,500</u>	<u>600,500</u>	<u>792,300</u>	<u>191,800</u>
DEBT SERVICE				
Principal	1,173,079	1,173,079	995,079	178,000
Interest	<u>360,070</u>	<u>385,070</u>	<u>440,661</u>	<u>(55,591)</u>
Total debt service	<u>1,533,149</u>	<u>1,558,149</u>	<u>1,435,740</u>	<u>122,409</u>
TOTAL EXPENDITURES	<u>1,533,149</u>	<u>1,558,149</u>	<u>1,435,740</u>	<u>122,409</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(932,649)	(957,649)	(643,440)	314,209
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	<u>771,475</u>	<u>957,649</u>	<u>1,366,648</u>	<u>(408,999)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>\$ (161,174)</u>	<u>\$ -</u>	723,208	<u>\$ 723,208</u>
FUND BALANCE				
Beginning			<u>1,738,114</u>	
Ending			<u>\$ 2,461,322</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

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

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 26,500	\$ 53,250	\$ 1,098,861	\$ 1,045,611
Interest	-	-	18	18
Total revenues	<u>26,500</u>	<u>53,250</u>	<u>1,098,879</u>	<u>1,045,629</u>
EXPENDITURES				
Current				
Public works	<u>43,500</u>	<u>93,471</u>	<u>62,438</u>	<u>31,033</u>
TOTAL EXPENDITURES	<u>43,500</u>	<u>93,471</u>	<u>62,438</u>	<u>31,033</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(17,000)	(40,221)	1,036,441	1,076,662
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>17,000</u>	<u>17,000</u>	<u>(573,475)</u>	<u>(590,475)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>\$ -</u>	<u>\$ (23,221)</u>	462,966	<u>\$ 486,187</u>
FUND BALANCE				
Beginning			<u>(445,522)</u>	
Ending			<u>\$ 17,444</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 1,539,718	\$ 1,539,718	\$ 1,592,560	\$ 52,842
Total revenues	<u>1,539,718</u>	<u>1,539,718</u>	<u>1,592,560</u>	<u>52,842</u>
EXPENDITURES				
Current				
Salaries	585,088	585,088	590,102	(5,014)
Payroll taxes	43,449	43,449	43,039	410
Health insurance	122,895	122,895	127,644	(4,749)
Pension	56,796	56,796	57,722	(926)
Unemployment insurance	840	840	364	476
Employee training and testing	1,900	1,900	300	1,600
Printing and duplicating	800	800	-	800
Dues and memberships	260	260	-	260
Utilities	9,250	9,250	13,108	(3,858)
Contract services	375,000	375,000	366,594	8,406
Operating supplies	297,122	367,122	424,134	(57,012)
Building and equipment maintenance	51,318	51,318	30,098	21,220
Equipment purchases	-	581,533	403,000	178,533
Total expenditures	<u>1,544,718</u>	<u>2,196,251</u>	<u>2,056,105</u>	<u>140,146</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$ (5,000)</u>	<u>\$ (656,533)</u>	(463,545)	<u>\$ 192,988</u>
FUND BALANCE				
Beginning			<u>878,113</u>	
Ending			<u>\$ 414,568</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

YEAR ENDED JUNE 30, 2023

	Budget Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 32	\$ 32
Total revenues	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
EXPENDITURES				
Public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUES OVER EXPENDITURES				
	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	595,173	9,389,999	4,265,002	(5,124,997)
Transfers to other funds	<u>(595,173)</u>	<u>(9,389,999)</u>	<u>(4,420,009)</u>	<u>4,969,990</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(155,007)</u>	<u>(155,007)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES				
	<u>\$ -</u>	<u>\$ -</u>	(154,975)	<u>\$ (154,975)</u>
FUND BALANCE				
Beginning			<u>158,291</u>	
Ending			<u>\$ 3,316</u>	

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PROPERTY TAX RATES AND ASSESSMENTS

JUNE 30, 2023

Year	Tax Rate	Assessment	Levy
2014	1.4227	\$ 329,375,343	\$ 4,686,023
2015	1.4227	330,771,069	4,705,880
2016	1.4227	338,446,967	4,815,085
2017	1.3382	369,012,134	4,938,120
2018	1.3382	351,143,775	4,699,006
2019	1.3382	352,770,886	4,720,780
2020	1.3381	385,410,209	5,157,174
2021	1.2500	521,102,155	6,513,777
2022	1.2500	505,887,120	6,323,589
2023	1.2500	541,543,600	6,769,295

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE

JUNE 30, 2023

Tax Year	Property Tax Receivable Balance June 30, 2022	Property Tax Levied	Anticipated Property Tax Levy	Abatements and Adjustments	Tax Collections	Property Tax Receivable Balance June 30, 2023
2023	\$ -	\$ -	\$ 6,769,295	\$ -	\$ -	\$ 6,769,295
2022	6,619,649	-	-	-	(6,278,530)	341,119
2021	336,857	-	-	-	(248,604)	88,253
2020	95,441	-	-	-	(64,913)	30,528
2019	68,860	-	-	-	(57,234)	11,626
2018	10,188	-	-	-	(9,135)	1,053
2017	9,972	-	-	-	(1,727)	8,245
2016	9,593	-	-	-	(2,622)	6,971
2015	11,708	-	-	-	(2,140)	9,568
2014	12,371	-	-	-	(2,397)	9,974
2013	12,196	-	-	-	(3,479)	8,717
2012	11,687	-	-	-	(3,039)	8,648
2011	12,365	-	-	-	(12,365)	-
	<u>\$ 7,210,887</u>	<u>\$ -</u>	<u>\$ 6,769,295</u>	<u>\$ -</u>	<u>\$ (6,686,185)</u>	<u>\$ 7,293,997</u>

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

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES

JUNE 30, 2023

Year Ending June 30,	General Obligation Bonds Series 2015		TML Bond Fund Series 2020		General Obligation Refunding Bonds, Series 2021		Fire Department Capital Outlay Note Series 2021		TML Bond Fund Series 2022		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 75,000	\$ 132,844	\$ 105,000	\$ 39,230	\$ 660,000	\$ 176,763	\$ 97,000	\$ 9,116	\$ 338,000	\$ 142,830	\$ 1,275,000	\$ 500,783
2025	75,000	130,781	108,000	36,525	525,000	156,963	98,000	7,508	351,000	129,479	1,157,000	461,256
2026	80,000	127,750	111,000	33,744	500,000	141,213	100,000	5,874	365,000	115,614	1,156,000	424,195
2027	80,000	123,750	114,000	30,886	500,000	126,213	101,000	4,216	379,000	101,197	1,174,000	386,262
2028	85,000	119,625	116,000	27,965	505,000	111,213	102,000	2,541	394,000	86,226	1,202,000	347,570
2029	90,000	115,250	119,000	24,981	495,000	96,063	103,000	850	410,000	70,663	1,217,000	307,807
2030	95,000	110,625	122,000	21,920	445,000	76,263	-	-	426,000	54,468	1,088,000	263,276
2031	100,000	105,750	125,000	18,783	445,000	67,363	-	-	443,000	37,641	1,113,000	229,537
2032	105,000	100,625	129,000	15,558	445,000	58,463	-	-	460,000	20,143	1,139,000	194,789
2033	110,000	95,250	132,000	12,243	450,000	49,563	-	-	49,947	1,973	741,947	159,029
2034	115,000	89,625	135,000	8,852	450,000	40,563	-	-	-	-	700,000	139,040
2035	120,000	83,750	139,000	5,372	455,000	31,563	-	-	-	-	714,000	120,685
2036	130,000	77,500	131,185	1,803	395,000	23,600	-	-	-	-	656,185	102,903
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	<u>\$ 2,745,000</u>	<u>\$ 1,798,750</u>	<u>\$ 1,586,185</u>	<u>\$ 277,862</u>	<u>\$ 7,205,000</u>	<u>\$ 1,184,337</u>	<u>\$ 601,000</u>	<u>\$ 30,105</u>	<u>\$ 3,615,947</u>	<u>\$ 760,234</u>	<u>\$ 15,753,132</u>	<u>\$ 4,051,288</u>

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE

JUNE 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Final Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2023
BONDS PAYABLE									
<u>Payable through Capital Projects Fund</u>									
General Obligation, Series 2015	\$ 3,085,000	5.00%	9/1/2015	3/1/2045	\$ 2,820,000	\$ -	\$ 75,000	\$ -	\$ 2,745,000
Total bonds payable through capital projects fund	<u>\$ 3,085,000</u>				<u>\$ 2,820,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 2,745,000</u>
NOTES PAYABLE									
<u>Payable through Debt Service Fund</u>									
Capital Outlay, Series 2018	\$ 725,000	3.98%	12/5/2018	12/1/2028	\$ 48,000	\$ -	\$ 48,000	\$ -	\$ -
TML Bond, Series 2019	132,748	2.83%	12/30/2019	6/1/2023	34,000	-	34,000	-	-
TML Bond, Series 2020	1,800,000	2.54%	11/10/2020	11/1/2035	1,689,185	-	103,000	-	1,586,185
General Obligation Refunding Bonds, Series 2021	8,495,000	1.75 - 4.00%	6/15/2021	6/1/2039	7,845,000	-	640,000	-	7,205,000
Fire Department Capital Outlay Note, Series 2021	696,079	1.65%	12/14/2021	12/1/2028	696,079	-	95,079	-	601,000
TML Bond, Series 2022	10,000,000	3.95%	10/14/2022	9/1/2042	-	3,615,947	-	-	3,615,947
Total notes payable through debt service fund	<u>\$ 21,848,827</u>				<u>\$ 10,312,264</u>	<u>\$ 3,615,947</u>	<u>\$ 920,079</u>	<u>\$ -</u>	<u>\$ 13,008,132</u>

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF CHANGES IN LEASE OBLIGATIONS

JUNE 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 6/30/2023
LEASES PAYABLE									
Axon taser lease	\$ 250,849	3.30%	8/1/2022	8/31/2027	\$ -	\$ 250,849	\$ 53,530	\$ -	\$ 197,319
Motorola - Police Body Cams	<u>150,000</u>	1.48%	7/1/2018	7/1/2023	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Total Leases Payable - Governmental Activities	<u>\$ 400,849</u>				<u>\$ 30,000</u>	<u>\$ 250,849</u>	<u>\$ 83,530</u>	<u>\$ -</u>	<u>\$ 197,319</u>

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

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

JUNE 30, 2023

Year Ending June 30,	Principal	Interest	Total
2024	\$ 46,919	\$ 6,611	\$ 53,530
2025	48,491	5,039	53,530
2026	50,115	3,414	53,529
2027	<u>51,794</u>	<u>1,735</u>	<u>53,529</u>
Total	<u>\$ 197,319</u>	<u>\$ 16,799</u>	<u>\$ 214,118</u>

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2023

<u>Federal Agency/Pass-through Agency/State Grantor Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Amount Passed-through to Subrecipients</u>	<u>Expenditures</u>
FEDERAL AWARDS				
U.S. Department of Treasury Passed through TN Department of Revenue American Rescue Plan Act	21.027	N/A	\$ -	\$ 1,922,127
Total U.S. Department of Treasury			-	1,922,127
U.S. Department of Transportation Passed through Tennessee Department of Transportation Multimodal Access Grant	20.205	N/A	-	1,821,842
Total U.S. Department of Transportation			-	1,821,842
Federal Bureau of Justice Bulletproof Vest Program	16.607	N/A	-	6,175
Total Federal Bureau of Justice			-	6,175
TOTAL FEDERAL AWARDS			\$ -	\$ 3,750,144
STATE AWARDS				
Direct Appropriation Grant	N/A	<u>Contract Number</u> N/A	\$ -	\$ 3,765,500
TOTAL STATE AWARDS			-	3,765,500
TOTAL FEDERAL AND STATE AWARDS			\$ -	\$ 7,515,644

See independent auditor's report.

CITY OF EAST RIDGE, TENNESSEE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

JUNE 30, 2023

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – SUBRECIPIENTS

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

COMPLIANCE SECTION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated April 5, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002 and 2023-003 that we considered to be significant deficiencies.

Report on Compliance and Other Matters

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

City of East Ridge's Response to Findings

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

Purpose of this Report

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

Cleveland, Tennessee
April 5, 2024

*Henderson Hutcherson
in McCullough, PLLC*



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2023. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Cleveland, Tennessee
April 5, 2024

*Henderson Hutcherson
& McCullough, PLLC*

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified: ___yes ___x no
- Significant deficiencies identified that are not considered to be material weaknesses? ___x yes ___ none reported

Noncompliance material to financial statements noted? ___yes ___x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified: ___yes ___x no
- Significant deficiencies identified that are not considered to be material weaknesses? ___yes ___x none reported

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

Any audit findings disclosed under the Uniform Guidance? ___x yes ___no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? ___yes ___x no

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

Financial Statement Findings

2023-001: Preparation of Financial Statements and Schedule of Expenditures of Federal and State Awards

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

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

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

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

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

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

Repeat Finding: No

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

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

(Continued)

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

2023-002: Reconciling of Account Balances

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

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

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

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

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

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

Repeat Finding: No

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

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

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

2023-003: Budget Violations

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

Criteria: Fund expenditures cannot exceed amounts budgeted by the government.

Condition: In the Industrial Development Fund and Asset Forfeiture Fund actual expenditures exceeded budgeted expenditures by \$70 and \$173, respectively.

Context: During the year under audit, we noted two funds had expenditures that exceeded budgeted amounts. Both of these instances would have been discovered and corrected prior to the audit had a proper review system been followed.

Cause: The City does not have proper controls in place to ensure actual expenditures do not exceed budgeted amounts.

Effect: Unauthorized expenditures were incurred by the government.

Repeat Finding: No

Recommendation: Management should take steps to make sure that actual expenditures do not exceed budgeted amounts.

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

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

None noted.

CITY OF EAST RIDGE, TENNESSEE

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2023

SECTION IV - PRIOR YEAR FINDINGS

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



City of East Ridge

1517 Tombras Avenue
East Ridge, Tennessee 37412
(423)867-7711 • www.eastridgetn.gov

Management's Corrective Action Plan

The City of East Ridge, Tennessee (the City) respectfully submits the following corrective action plan for the year ended June 30, 2023.

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

Responsible officials for corrective action for all findings noted below:

Diane Qualls, Finance Director

Audit Period: July 1, 2022 – June 30, 2023

2023-001: Preparation of Financial Statements and Schedule of Expenditures of Federal and State Awards

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

Action Taken: The City feels we meet our internal needs, and it is not cost beneficial to hire a third party to prepare the financial statements. We will continue to strive to be more involved and take more ownership of this process as our time and resources allow. This plan will be implemented as of June 30, 2024.

2023-002: Reconciling of Account Balances

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

Action Taken: The City has re-evaluated our internal controls related to reconciling year end account balances. The updated controls will be implemented as of June 30, 2024.

2023-003: Budget Violations

Recommendation: Management should take steps to make sure that actual expenditures do not exceed budgeted amounts.

Action Taken: The City has re-evaluated our internal controls related to budgeted expenditures to ensure actual expenditures do not exceed budgeted amounts. The updated controls will be implemented as of June 30, 2024.


Diane Qualls, Finance Director



City of East Ridge

1517 Tombras Avenue
East Ridge, Tennessee 37412
(423)867-7711 • www.eastridgetn.gov

Summary of Prior Year Findings

The City of East Ridge, Tennessee (the City) respectfully submits the following summary of prior year findings for the year ended June 30, 2023.

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

Responsible officials for all findings noted below:

Diane Qualls, Finance Director

Finding 2022-001

Condition: The City's fire department was not properly recording payroll correctly.

Current Status: Resolved.