

**CITY OF OAK HILL, TENNESSEE**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2014**

**CITY OF OAK HILL, TENNESSEE**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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**CITY OF OAK HILL, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2014**

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**INTRODUCTORY SECTION**

CITY OF OAK HILL, TENNESSEE  
OFFICIALS (UNAUDITED)  
JUNE 30, 2014

ELECTED BOARD OF MAYOR AND COMMISSIONERS

|                 |              |
|-----------------|--------------|
| Ron Coles       | Mayor        |
| Heidi Campbell  | Vice-Mayor   |
| Austin McMullen | Commissioner |

CITY MANAGEMENT TEAM

|                  |                          |
|------------------|--------------------------|
| DeWayne Baskette | City Manager             |
| Victoria Talbott | Administrative Assistant |

**FINANCIAL SECTION**



**BELLENFANT + MILES, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Mayor and Commissioners  
City of Oak Hill, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Oak Hill, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Oak Hill, Tennessee, as of June 30, 2014, and the respective changes in financial position, and, respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oak Hill, Tennessee's basic financial statements. The introductory section and the supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of capital assets by function and activity, schedule of changes in capital assets, and schedule of cash and cash equivalents and investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 schedule of capital assets by function and activity, schedule of changes in capital assets, and schedule of cash and cash equivalents and investments are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014, on our consideration of the City of Oak Hill, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Oak Hill, Tennessee's internal control over financial reporting and compliance.

*Bill Dugant & Miles, P.C.*

November 15, 2014

**CITY OF OAK HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

As management of the City of Oak Hill, Tennessee ("the City"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2014. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD & A) focuses on current year activities and resulting changes.

**Financial Highlights**

The assets of the City exceeded its liabilities by \$5,312,157 at June 30, 2014. Of this amount, unrestricted net position of \$4,641,694 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's policies.

The City's total net position decreased by \$438,706 for the year ended June 30, 2014, as a result of decreased state income tax and end of fema grant revenue.

As of June 30, 2014, the City's governmental funds reported ending fund balances of \$4,641,694 representing a decrease of \$398,979 from the previous year. The decrease was due to reasons explained above.

**Overview of the Financial Statements**

This discussion and analysis 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 contains supplementary information in addition to the basic financial statements.

**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.

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

**CITY OF OAK HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

The statement of activities presents information showing how the government'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 expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, personnel, finance, streets and public works. The financial statements can be found on pages 17-18 of this report.

**Fund Financial Statements**

A fund is a group 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 funds of the City are governmental funds.

**Government funds** - Government 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 the 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 evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the government fund 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 an individual governmental fund. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statements has been provided for the general fund to demonstrate compliance with this budget and can be found on page 24-26 of this report.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 27-34 of this report.

**CITY OF OAK HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Financial Analysis of the Financial Statements - Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. At June 30, 2014, the City's assets exceeded liabilities by \$5,312,157. The smallest portion of the City's net position (12.62%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure). The City's capital assets are used to provide services to citizens and they are not available for future spending.

The following table provides a summary of the City's net position:

|                                  | Governmental Activities |                      |
|----------------------------------|-------------------------|----------------------|
|                                  | <u>June 30, 2014</u>    | <u>June 30, 2013</u> |
| Current and other assets         | \$ 4,658,557            | \$ 5,105,357         |
| Capital assets                   | <u>670,463</u>          | <u>710,189</u>       |
| Total Assets                     | <u>\$ 5,329,020</u>     | <u>\$ 5,815,546</u>  |
| Other liabilities                | <u>\$ 16,863</u>        | <u>\$ 64,683</u>     |
| Total Liabilities                | <u>\$ 16,863</u>        | <u>\$ 64,683</u>     |
| Net position:                    |                         |                      |
| Net investment in capital assets | 670,463                 | \$ 710,189           |
| Unrestricted                     | <u>4,641,694</u>        | <u>5,040,674</u>     |
| Total Net Position               | <u>\$ 5,312,157</u>     | <u>\$ 5,750,863</u>  |

**CITY OF OAK HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Government-wide comparison of revenues and expenses:**

|                                    | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Variance</u>     |
|------------------------------------|----------------------|----------------------|---------------------|
| Revenues:                          |                      |                      |                     |
| Program Revenues:                  |                      |                      |                     |
| Charge for services                | \$ 234,184           | \$ 125,130           | \$ 109,054          |
| Operating grants and contributions | 125,358              | 182,500              | (57,142)            |
| General Revenues:                  |                      |                      |                     |
| Sales tax                          | 399,230              | 369,566              | 29,664              |
| State income tax                   | 476,692              | 668,619              | (191,927)           |
| In lieu of taxes                   | 50,107               | 51,648               | (1,541)             |
| State beer tax                     | 2,143                | 2,239                | (96)                |
| Interest and investment income     | 55,261               | 25,271               | 29,990              |
| Other                              | 5,939                | 11,740               | (5,801)             |
| Total Revenues                     | <u>\$ 1,348,914</u>  | <u>\$ 1,436,713</u>  | <u>\$ (87,799)</u>  |
| Expenditures:                      |                      |                      |                     |
| General government                 | \$ 809,521           | \$ 794,466           | \$ 15,055           |
| Highways and streets               | 521,657              | 428,087              | 93,570              |
| Sanitation                         | 456,442              | 457,466              | (1,024)             |
| Total Expenditures                 | <u>\$ 1,787,620</u>  | <u>\$ 1,680,019</u>  | <u>\$ 107,601</u>   |
| Change in net position             | <u>\$ (438,706)</u>  | <u>\$ (243,306)</u>  | <u>\$ (195,400)</u> |

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,312,157. Of this amount \$4,641,694 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position decreased by \$438,706 primarily due to decreased state income tax and fema grant ending.

**Financial Analysis of the Financial Statements**

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

**Governmental Funds**

The focus on the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources. Such information is useful in assessing the City's financing requirements in particular, unassigned fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

**Governmental Budgetary Highlights**

The City amended some of its general fund budget during the year. See pages 24-26 for further analysis.

**CITY OF OAK HILL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2014**

**Capital Assets**

The City's investment in capital assets from its governmental activities at June 30, 2014, totaled \$670,463 (net of accumulated depreciation). This investment in capital assets is in buildings, infrastructure, and equipment.

|                               | <u>Capital Assets</u>   |                      |
|-------------------------------|-------------------------|----------------------|
|                               | Governmental Activities |                      |
|                               | <u>June 30, 2014</u>    | <u>June 30, 2013</u> |
| Buildings                     | \$ 319,577              | \$ 319,577           |
| Infrastructure                | 660,472                 | 660,472              |
| Equipment                     | 77,058                  | 77,058               |
|                               | <u>1,057,107</u>        | <u>1,057,107</u>     |
| Less accumulated depreciation | <u>(386,644)</u>        | <u>(346,918)</u>     |
| Net Capital Assets            | <u>\$ 670,463</u>       | <u>\$ 710,189</u>    |

Additional information on the City's capital assets can be found in the notes to the financial statements section of this report.

**Request for Information**

This financial report is designed to provide a general overview of the City of Oak Hill, Tennessee's finances for those interested parties. If you have questions about this report or need additional information, contact DeWayne Baskette, City Manager, 5548 Franklin Rd, Suite 101, Nashville, TN 37220.

**BASIC FINANCIAL STATEMENTS**

**GOVERNMENT WIDE FINANCIAL STATEMENTS**



**CITY OF OAK HILL, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|   | <b>Governmental<br/>Activities</b> | <b>Total</b>        |
|---|------------------------------------|---------------------|
| <b><u>ASSETS</u></b>                            |                                    |                     |
| Current Assets:                                 |                                    |                     |
| Cash  | \$ 128,811                         | \$ 128,811          |
| Investments                                     | 4,002,499                          | 4,002,499           |
| Accounts receivable from other governments      | 513,403                            | 513,403             |
| Prepaid expenses                                | 13,844                             | 13,844              |
| Capital assets, net of accumulated depreciation | 670,463                            | 670,463             |
| <b>TOTAL ASSETS</b>                             | <b>\$ 5,329,020</b>                | <b>\$ 5,329,020</b> |
| <b><u>LIABILITIES</u></b>                       |                                    |                     |
| Current Liabilities:                            |                                    |                     |
| Accounts payable                                | 16,863                             | 16,863              |
| <b>TOTAL LIABILITIES</b>                        | <b>\$ 16,863</b>                   | <b>\$ 16,863</b>    |
| <b><u>NET POSITION</u></b>                      |                                    |                     |
| Net investment in capital assets                | 670,463                            | 670,463             |
| Unrestricted                                    | 4,641,694                          | 4,641,694           |
| <b>TOTAL NET POSITION</b>                       | <b>\$ 5,312,157</b>                | <b>\$ 5,312,157</b> |

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

**CITY OF OAK HILL, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014**

| <u>FUNCTIONS/PROGRAMS</u>            | <u>PROGRAM REVENUES</u> |                                 |   |   | <u>NET (EXPENSE) REVENUE AND<br/>CHANGE IN NET POSITION</u> |                     |
|--------------------------------------|-------------------------|---------------------------------|---|---|---|---------------------|
|                                      | <u>EXPENSES</u>         | <u>CHARGES FOR<br/>SERVICES</u> | <u>OPERATING<br/>GRANTS AND<br/>CONTRIBUTIONS</u> | <u>CAPITAL<br/>GRANTS AND<br/>CONTRIBUTIONS</u> | <u>GOVERNMENTAL<br/>ACTIVITIES</u>                          | <u>TOTAL</u>        |
| Governmental Activities:             |                         |                                 |   |   |   |                     |
| General government                   | \$ 809,521              | \$ 234,184                      | \$ -  | \$ -  | \$ (575,337)  | \$ (575,337)        |
| Highway and streets                  | 521,657                 | -                               | 125,358   | -   | (396,299)   | (396,299)           |
| Sanitation                           | 456,442                 | -                               | -   | -   | (456,442)   | (456,442)           |
| <b>Total governmental activities</b> | <b>1,787,620</b>        | <b>234,184</b>                  | <b>125,358</b>                                    | <b>-</b>  | <b>(1,428,078)</b>  | <b>(1,428,078)</b>  |
| General revenues:                    |                         |                                 |   |   |   |                     |
| Sales tax                            |                         |                                 |   |   | 399,230   | 399,230             |
| State income tax                     |                         |                                 |   |   | 476,692   | 476,692             |
| In lieu of taxes                     |                         |                                 |   |   | 50,107  | 50,107              |
| State beer tax                       |                         |                                 |   |   | 2,143   | 2,143               |
| Interest and investment income       |                         |                                 |   |   | 55,261  | 55,261              |
| Other                                |                         |                                 |   |   | 5,939   | 5,939               |
| <b>Total general revenues</b>        |                         |                                 |   |   | <b>989,372</b>  | <b>989,372</b>      |
| Change in net position               |                         |                                 |   |   | (438,706)   | (438,706)           |
| NET POSITION, BEGINNING OF YEAR      |                         |                                 |   |   | 5,750,863   | 5,750,863           |
| NET POSITION, END OF YEAR            |                         |                                 |   |   | <b>\$ 5,312,157</b>   | <b>\$ 5,312,157</b> |

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

**FUND FINANCIAL STATEMENTS**

**CITY OF OAK HILL, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014**

|  | <b>General</b>      | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---------------------|---|
| <b><u>ASSETS</u></b>                       |                     |   |
| Cash                                       | \$ 128,811          | \$ 128,811                              |
| Investments                                | 4,002,499           | 4,002,499                               |
| Accounts receivable from other governments | 513,403             | 513,403                                 |
| Prepaid expenses                           | 13,844              | 13,844                                  |
| <b>TOTAL ASSETS</b>                        | <b>\$ 4,658,557</b> | <b>\$ 4,658,557</b>                     |
| <b><u>LIABILITIES</u></b>                  |                     |   |
| Accounts payable                           | 16,863              | 16,863                                  |
| <b>TOTAL LIABILITIES</b>                   | <b>16,863</b>       | <b>16,863</b>                           |
| <b><u>FUND BALANCES</u></b>                |                     |   |
| Unassigned                                 | 4,641,694           | 4,641,694                               |
| <b>TOTAL FUND BALANCES</b>                 | <b>4,641,694</b>    | <b>4,641,694</b>                        |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 4,658,557</b> | <b>\$ 4,658,557</b>                     |

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

**CITY OF OAK HILL, TENNESSEE**  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

|                                     |                  |                     |
|-------------------------------------|------------------|---------------------|
| <b>Governmental Funds Balance</b>   |                  | \$ 4,641,694        |
| Adjustments                         |                  |                     |
| Capital assets, net of depreciation |                  |                     |
| Assets                              | 1,057,107        |                     |
| Accumulated depreciation            | <u>(386,644)</u> | 670,463             |
| <b>Net Position Balance</b>         |                  | <u>\$ 5,312,157</u> |

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

**CITY OF OAK HILL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|   | <u>General</u>      | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---|
| <b>REVENUES</b>   |                     |   |
| Licenses and permits                                    | \$ 165,038          | \$ 165,038                              |
| Intergovernmental                                       | 1,122,676           | 1,122,676                               |
| Miscellaneous   | <u>61,200</u>       | <u>61,200</u>                           |
| <b>TOTAL REVENUES</b>                                   | <u>1,348,914</u>    | <u>1,348,914</u>                        |
| <b>EXPENDITURES</b>                                     |                     |   |
| General Government                                      | 769,794             | 769,794                                 |
| Highways and streets                                    | 521,657             | 521,657                                 |
| Sanitation  | <u>456,442</u>      | <u>456,442</u>                          |
| <b>TOTAL EXPENDITURES</b>                               | <u>1,747,893</u>    | <u>1,747,893</u>                        |
| <b>EXCESS OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>(398,979)</b>    | <b>(398,979)</b>                        |
| <b>FUND BALANCES, JULY 1, 2013</b>                      | <u>5,040,674</u>    | <u>5,040,674</u>                        |
| <b>FUND BALANCES, JUNE 30, 2014</b>                     | <u>\$ 4,641,695</u> | <u>\$ 4,641,695</u>                     |

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

**CITY OF OAK HILL, TENNESSEE**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF**  
**ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|   |              |
|---|--------------|
| Net Change in Fund Balance - Total Governmental Funds | \$ (398,979) |
|---|--------------|

Amounts reported for governmental activities in the statement of net position  
are different because

|   |                 |
|---|-----------------|
| Governmental funds report capital outlays as expenditures. However, in the<br>statement of activities the cost of those assets is allocated over their estimated<br>useful lives and reported as depreciation expense | <u>(39,727)</u> |
|---|-----------------|

|   |                     |
|---|---------------------|
| Change in Net Position of Governmental Activities | <u>\$ (438,706)</u> |
|---|---------------------|

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

CITY OF OAK HILL, TENNESSEE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

|                                | Original<br>Budget | Final<br>Budget | Actual     | Variance with<br>Final Budget<br>Over (Under) |
|--------------------------------|--------------------|-----------------|------------|---|
| REVENUES:                      |                    |                 |            |   |
| Licenses and permits           | \$ 106,050         | \$ 106,050      | \$ 165,038 | \$ 58,988                                     |
| INTERGOVERNMENTAL              |                    |                 |            |   |
| TVA in lieu                    | 50,000             | 50,000          | 50,107     | 107   |
| State sales tax                | 317,000            | 317,000         | 332,405    | 15,405  |
| Local sales tax                | 55,000             | 55,000          | 66,825     | 11,825  |
| State income tax               | 515,000            | 515,000         | 476,692    | (38,308)                                      |
| State beer tax                 | 2,250              | 2,250           | 2,143      | (107)   |
| Gasoline and motor fuel        | 9,300              | 9,300           | 9,271      | (29)  |
| State street aid               | 118,000            | 118,000         | 116,087    | (1,913)                                       |
| Franchise fees                 | 75,000             | 75,000          | 51,996     | (23,004)                                      |
| Planning and zoning fees       | 17,000             | 17,000          | 17,150     | 150   |
| Total intergovernmental        | 1,158,550          | 1,158,550       | 1,122,676  | (35,874)                                      |
| OTHER REVENUES                 |                    |                 |            |   |
| Interest and investment income | 51,000             | 51,000          | 55,261     | 4,261   |
| Miscellaneous revenues         | 1,725              | 1,725           | 5,939      | 4,214   |
| Total other revenues           | 52,725             | 52,725          | 61,200     | 8,475   |
| TOTAL REVENUES                 | 1,317,325          | 1,317,325       | 1,348,914  | 31,589  |



**CITY OF OAK HILL TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|                                 | Original<br>Budget | Final<br>Budget | Actual         | Variance with<br>Final Budget<br>Over (Under) |
|---------------------------------|--------------------|-----------------|----------------|---|
| <b>EXPENDITURES:</b>            |                    |                 |                |   |
| <b>GENERAL GOVERNMENT</b>       |                    |                 |                |   |
| Salaries and wages              | \$ 288,200         | \$ 288,200      | \$ 300,248     | \$ 12,048                                     |
| Employee benefits               | 128,575            | 128,575         | 107,189        | (21,386)                                      |
| Occupancy                       | 46,500             | 46,500          | 43,847         | (2,653)                                       |
| Professional services           | 92,000             | 113,667         | 103,666        | (10,001)                                      |
| Public safety                   | 44,000             | 44,000          | 11,366         | (32,634)                                      |
| Public relations                | 52,000             | 52,000          | 65,881         | 13,881  |
| Office expenses                 | 10,000             | 10,000          | 9,200          | (800)   |
| Insurance                       | 29,325             | 29,325          | 29,533         | 208   |
| Legal notices                   | 4,000              | 4,000           | 6,627          | 2,627   |
| Repairs and maintenance         | 4,000              | 4,000           | 900            | (3,100)                                       |
| Dues and subscriptions          | 5,500              | 5,500           | 6,862          | 1,362   |
| Training                        | 5,000              | 5,000           | 2,305          | (2,695)                                       |
| Travel and vehicle expense      | 10,000             | 10,000          | 9,839          | (161)   |
| Election                        | 4,000              | 4,000           | -              | (4,000)                                       |
| Miscellaneous                   | 10,000             | 48,000          | 13,308         | (34,692)                                      |
| Special project                 | -                  | 23,500          | 59,023         | 35,523  |
| <b>Total general government</b> | <b>733,100</b>     | <b>816,267</b>  | <b>769,794</b> | <b>(46,473)</b>                               |

**CITY OF OAK HILL, TENNESSEE**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2014**

|  | Original<br>Budget      | Final<br>Budget         | Actual                  | Variance with<br>Final Budget<br>Over (Under) |
|--|-------------------------|-------------------------|-------------------------|---|
| <b>HIGHWAYS AND STREETS</b>                                  |                         |                         |                         |   |
| Street lights  | 43,000                  | 43,000                  | 38,901                  | (4,099)                                       |
| Emergency  | 10,000                  | 10,000                  | 33,541                  | 23,541  |
| Professional services  | 35,000                  | 35,000                  | 30,652                  | (4,348)                                       |
| Chipper and tree service                                     | 150,000                 | 150,000                 | 149,800                 | (200)   |
| ROW maintenance  | 27,500                  | 27,500                  | 17,107                  | (10,393)                                      |
| Drainage systems maintenance                                 | 20,000                  | 20,000                  | 12,725                  | (7,275)                                       |
| Street maintenance   | 150,000                 | 150,000                 | 148,307                 | (1,693)                                       |
| Snow removal   | 60,000                  | 60,000                  | 59,477                  | (523)   |
| Street supplies  | 7,500                   | 7,500                   | 3,985                   | (3,515)                                       |
| Special project  | -                       | 53,000                  | 27,162                  | (25,838)                                      |
| <b>Total highways and streets</b>                            | <u>503,000</u>          | <u>556,000</u>          | <u>521,657</u>          | <u>(34,343)</u>                               |
| <b>SANITATION</b>  |                         |                         |                         |   |
| Contract services  | <u>460,000</u>          | <u>460,000</u>          | <u>456,442</u>          | <u>(3,558)</u>                                |
| <b>TOTAL EXPENDITURES</b>                                    | <u>1,696,100</u>        | <u>1,832,267</u>        | <u>1,747,893</u>        | <u>(84,374)</u>                               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER EXPENDITURES</b> | <b>(378,775)</b>        | <b>(514,942)</b>        | <b>(398,979)</b>        | <b>115,963</b>                                |
| <b>FUND BALANCE, JULY 1, 2013</b>                            | <u>5,040,674</u>        | <u>5,040,674</u>        | <u>5,040,674</u>        | <u>-</u>                                      |
| <b>FUND BALANCE, JUNE 30, 2014</b>                           | <u><u>4,661,899</u></u> | <u><u>4,525,732</u></u> | <u><u>4,641,695</u></u> | <u><u>115,963</u></u>                         |

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Oak Hill, Tennessee ("the City"), was incorporated under the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: streets, public improvements, and general administrative services. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of more significant policies.

Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" requires that financial statements present the reporting entity which consists of the primary government and any "Component Unit" organization for which the primary government is financially accountable and any other "Component Unit" organizations of which the nature and significance of their relationship with the primary government are such that exclusion, could cause the City's financial statements to be misleading. There are no component units requiring blended or discrete presentation under the requirements of GASB Statement No. 14.

Accounting Pronouncements

Effective July 1, 2003, the City adopted GASB Statement No. 34, Basis Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments: Omnibus, an amendment of GASB Statements No. 21 and 34, Statement No. 38, Certain Financial Statement Note Disclosures and Interpretation No 6, Recognition and measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements. The requirements of these statements represent a significant change in the financial reporting model used by the City. The financial statements now include government-wide funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. Other significant changes include the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net position and statement of changes in net position, report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Government activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included amount program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 45 days of year end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

State shared revenues, 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 using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major fund:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities of three months or less and amounts held by the State Local Government Investment Pool.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/due to other funds (i.e. the current portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets, and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 or more and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is to available. Donated fixed assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add o the value of the asset or materially extend asset lives are not capitalized.

Depreciation is provided over the estimated lives using the straight-line method. The estimated

|                         |            |
|-------------------------|------------|
| Infrastructure          | 30 years   |
| Building                | 30 years   |
| Furniture and Equipment | 5-10 years |

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Investments

Investments are stated at fair value, which is based on quoted market prices. Current year increases and decreases in fair value are included in the change in net position.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of 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.

Credit Risk

Financial instruments that potentially subject the City to significant concentrations of credit risk consist primarily of cash and account receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is limited to two governmental agencies, the State of Tennessee and the City of Nashville, Tennessee, and as such credit is deemed not significant.

Fund Balance

The City implemented GASB 54 which addresses issues related to how fund balances are

Nonspendable Fund Balance - amounts that are not in a spendable form.

Restricted Fund Balance - amounts constrained to specific purposes by their providers, provisions, or by enabling legislation.

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed,

Assigned Fund Balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned Fund Balance - amounts that are available for any purpose; these amounts are reported only in the general fund.

Only by Board approval (via ordinance) can fund balance amounts be classified as committed or assigned. Board approval (via ordinance) is required to establish, modify or rescind a fund balance requirement.

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Unbilled Revenue

Unavailable revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when government has a legal claim to resources, the unavailable revenue is removed from the statement of net position and revenue is recognized.

Restricted Funds

When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the City uses committed, assigned, then unassigned funds.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a.) Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b.) The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c.) The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**2. CASH AND CASH EQUIVALENTS**

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposits, savings accounts and investments in the State of Tennessee Local Government Investment Pool. The City has deposit policies to minimize custodial credit risks. Deposits in financial institutions are required by State Statute to be secured and collateralized by the Institutions.

The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the City and must total a minimum 105% of the value of the deposits placed in the institution less the amount protected by federal depository insurance. The City's deposits with financial institutions are fully insured or collateralized by securities held in the government's name.

**3. INVESTMENTS**

The City has investments of \$4,002,499 with Stern Agee. These investments include cash and cash equivalents of \$257,336, certificates of deposit of \$3,339,747 and federal government bonds of \$405,416. These investments must be collateralized and must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the City and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City's investments with financial institutions are invested in certificate of deposits which are all insured by the FDIC and US governments securities which are guaranteed by the United States government.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2014 consist of the following:

| <u>Fund</u>  | <u>Other<br/>Government</u> |
|--------------|-----------------------------|
| General Fund | \$ <u>513,403</u>           |



**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**5. CAPITAL ASSETS**

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

|                               | Balance<br><u>July 1, 2013</u> | <u>Additions</u> | <u>Deletions</u> | Balance<br><u>June 30, 2014</u> |
|-------------------------------|--------------------------------|------------------|------------------|---------------------------------|
| Building                      | \$ 319,577                     | \$ -             | \$ -             | \$ 319,577                      |
| Infrastructure                | 660,472                        | -                | -                | 660,472                         |
| Equipment                     | <u>77,058</u>                  | <u>-</u>         | <u>-</u>         | <u>77,058</u>                   |
| Total                         | 1,057,107                      | <u>-</u>         | <u>-</u>         | 1,057,107                       |
| Less accumulated depreciation | <u>(346,918)</u>               |                  |                  | <u>(386,644)</u>                |
| Net capital assets            | <u>\$ 710,189</u>              |                  |                  | <u>\$ 670,463</u>               |

Depreciation expense was charges to functions/programs of the primary government as follows:

General Fund:

|                      |                  |
|----------------------|------------------|
| General government   | \$ 14,927        |
| Highways and streets | <u>24,799</u>    |
| Total                | <u>\$ 39,726</u> |

**6. RISK MANAGEMENT**

The City is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies. The City has not had claims in excess of insurance coverage during the last three years.

**CITY OF OAK HILL, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

**7. RETIREMENT PLAN**

Plan Description

Employees of the City of Oak Hill are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Vested members in the Hybrid Pension Plan become eligible to retire at the age of 65 with five years of service or upon such time that the member's age plus years of service total at least 90. A reduced retirement benefit is available to vested members at the age of 60 with five years of service or upon such time that the members' age plus years of service total at least 80. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident of injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four year of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly, Political subdivisions such as the City of Oak Hill participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

Funding Policy

The City of Oak Hill requires employees to contribute 5% of earnable compensation. The City is required to contribute to an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 2.13% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2014, the City's annual pension cost of \$3,719 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-tem volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**8. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 15, 2014 which is the date of the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

CITY OF OAK HILL, TENNESSEE  
 SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY  
JUNE 30, 2014

| <u>Description</u> | <u>General<br/>Government</u> | <u>Highways<br/>and Streets</u> | <u>Total</u>        |
|--------------------|-------------------------------|---------------------------------|---------------------|
| Building           | \$ 319,577                    | \$ -                            | \$ 319,577          |
| Infrastructure     | -                             | 660,472                         | 660,472             |
| Equipment          | <u>77,058</u>                 | <u>-</u>                        | <u>77,058</u>       |
| Total Assets       | <u>\$ 396,635</u>             | <u>\$ 660,472</u>               | <u>\$ 1,057,107</u> |

**CITY OF OAK HILL, TENNESSEE**  
**SCHEDULE OF CHANGES IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Description</u> | <u>Balance</u><br><u>July 1, 2013</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u><br><u>June 30, 2014</u> |
|--------------------|---------------------------------------|------------------|------------------|--|
| Building           | \$ 319,577                            | \$ -             | \$ -             | \$ 319,577                             |
| Infrastructure     | 660,472                               | -                | -                | 660,472                                |
| Equipment          | 77,058                                | -                | -                | 77,058                                 |
| Total Assets       | <u>\$ 1,057,107</u>                   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 1,057,107</u>                    |

**CITY OF OAK HILL, TENNESSEE**  
**SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS**  
**JUNE 30, 2014**

|   | <u>Carrying<br/>Value</u>  |
|---|----------------------------|
| General Fund  |                            |
| Petty Cash  | \$      150                |
| Demand deposits - Pinnacle                            | 127,538                    |
| State of Tennessee - local government investment pool | 1,123                      |
| Investments   | <u>4,002,499</u>           |
| Total - General Fund                                  | <u>4,131,310</u>           |
| Total - All Funds                                     | <u><u>\$ 4,131,310</u></u> |

**CITY OF OAK HILL, TENNESSEE**  
**SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)**  
**JUNE 30, 2014**

| Type of Coverage              | Limits of Liability |
|-------------------------------|---------------------|
| General Liability             | \$ 250,000          |
| Errors and Omission Liability | \$ 1,000,000        |
| Property                      | Blanket Coverage    |
| Crime                         | \$ 100,000          |
| Workers Compensation          | Statutory           |
| Employee Dishonesty Policy -  |                     |
| Mayor                         | \$ 100,000          |
| City Recorder                 | \$ 100,000          |
| All Other Employees           | \$ 100,000          |

**COMPLIANCE AND INTERNAL CONTROL**





# BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' 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*

Mayor and Commissioners of the  
City of Oak Hill, 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 and each major fund of City of Oak Hill, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Oak Hill, Tennessee's basic financial statements, and have issued our report thereon dated November 15, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Oak Hill, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Oak Hill, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Oak Hill, Tennessee'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as item 14-01.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oak Hill, Tennessee's financial statements are free from 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 Oak Hill, Tennessee's Response to Findings

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

### Purpose of this Report

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

*Bellenfant & Miles, PLLC*

November 15, 2014

CITY OF OAK HILL, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2014

PART 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_ Yes      X   No

Significant deficiencies identified not considered to be material weaknesses?

  X   Yes    \_\_\_\_\_ None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

PART II - FINDINGS FINANCIAL STATEMENTS AUDIT

14-01 - SEGREGATION OF DUTIES

Condition:

The City has several functions that are regularly performed by one or two persons.

Criteria:

Internal control should require that functions are strengthened.

Cause:

The size of the office staff is very small.

Effect:

Segregation of duties is not possible with a small office.

Recommendation:

Procedures should be documented and duties should be segregated as much as possible. Specific oversight by the Mayor and Commissioners should be documented.

Views of Responsible Officials and Planned Corrective Actions:

We concur. The City Manger will consider hiring another staff member and have written procedures in place as soon as possible.

**CITY OF OAK HILL, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS**

**JUNE 30, 2014**

Audit finding 14-01 is same finding as year ended June 30, 2013.