

CITY OF OAK HILL, TENNESSEE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019

CITY OF OAK HILL, TENNESSEE

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION	
Officials of City of Oak Hill, Tennessee - Unaudited	i
FINANCIAL SECTION	
INDEPENDENT AUDITOR’S REPORT	1 - 3
MANAGEMENT’S DISCUSSION AND ANALYSIS	4 - 9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance of Governmental Funds	
Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in	
Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balances of Governmental Funds to the	
Statement of Activities.....	15
Statement of Revenues, Expenditures and Changes in	
Fund Balance - Budgetary Comparison Statement - General Fund.....	16 - 17
Notes to Financial Statements.....	18 - 31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability (Asset) and	
Related Ratios - Pension Plan	32
Schedules of Employer Contributions - Pension Plan.....	33
SUPPLEMENTARY INFORMATION	
Schedule of Capital Assets by Function and Activity	34
Schedule of Changes in Capital Assets	35
Schedule of Cash and Cash Equivalents and Investments	36
Schedule of Insurance Coverage - Unaudited	37

CITY OF OAK HILL, TENNESSEE

Table of Contents

	<u>Page</u>
COMPLIANCE SECTION	
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	38 - 39
Summary of Findings and Responses	40 - 41
Summary of Prior Audit Findings	42
Corrective Action Plan	43 - 44

INTRODUCTORY SECTION



CITY OF OAK HILL, TENNESSEE
OFFICIALS (UNAUDITED)
JUNE 30, 2019

Elected Board of Mayor and Commissioners

Mayor	Heidi Campbell
Vice-Mayor	Dale Grimes
Commissioner	Stacy Widelitz

City Management Team

City Manager	Jeff Clawson
Administrative Assistant	Victoria Talbott

FINANCIAL SECTION





Independent Auditor's Report

The Honorable Mayor and Board of Commissioners
City of Oak Hill, Tennessee
Oak Hill, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Oak Hill, Tennessee, (the "City") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Oak Hill, Tennessee, as of June 30, 2019, and the respective changes in financial position 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 4-9, the schedule of changes in net pension liability (asset) and related ratios – pension plan on page 32, and the schedule of employer contributions – pension plan on page 33 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, the schedule of capital assets by function and activity, the schedule of changes in capital assets, the schedule of cash and cash equivalents and investments, and the schedule of insurance coverage are presented for purposes of additional analysis and are not required as part of the basic financial statements.

The schedule of capital assets by function and activity, the schedule of changes in capital assets, and the 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 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 schedule of capital assets by function and activity, the schedule of changes in capital assets, and the schedule of cash and cash equivalents and investments are fairly stated in all material respects in relation to the basic financial statements as a whole.

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



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020 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 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 the City's 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.

Nashville, Tennessee
January 30, 2020

CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

As management of the City of Oak Hill, Tennessee (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$7,411,522 at June 30, 2019. Of this amount, unrestricted net position of \$6,552,255 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 increased by \$1,024,910 for the year ended June 30, 2019, primarily due to an increase in building permits, local sales tax, and state income tax revenue, as well as cost containment of expenses.
- As of June 30, 2019, the City's governmental funds reported ending fund balance of \$6,559,893 representing an increase of \$1,022,620 from the previous year. The increase was also due to an increase in building permits, tax revenues, and cost containment of expenses.

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 of Oak Hill'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.

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 expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The governmental activities of the City include general government, personnel, finance, streets and public works. The financial statements can be found on pages 10 - 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Oak Hill, 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.

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 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 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 governmental 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 statement has been provided for the general fund to demonstrate compliance with this budget and can be found on pages 16- 17 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.

CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of government's financial position. At June 30, 2019, the City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$7,411,522.

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

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 6,614,726	\$ 5,605,354 (1)
Capital assets	720,518	725,095
Net pension asset	138,749	125,560
Total assets	<u>7,473,993</u>	<u>6,456,009</u>
Deferred outflows of resources	<u>46,527</u>	<u>51,950</u>
Long-term liabilities outstanding	16,749	10,517 (1)
Other liabilities	<u>54,833</u>	<u>68,081 (1)</u>
Total liabilities	<u>71,582</u>	<u>78,598</u>
Deferred inflows of resources	<u>37,416</u>	<u>42,749</u>
Net position:		
Net investment in capital assets	720,518	725,095
Restricted	138,749	125,560
Unrestricted	<u>6,552,255</u>	<u>5,535,957 (1)</u>
Total net position	<u>\$ 7,411,522</u>	<u>\$ 6,386,612</u>

(1) As restated. See Note 1 to the financial statements.

A portion of the City's net position, \$720,518 (10%) reflects its investment in capital assets (for example - land, buildings, vehicles, equipment and infrastructure). The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. The City has no debt related to these assets.

At year-end, \$138,749 of the City's net position represents resources that are subject to external restrictions on how they may be used. For the City, the restricted resources must be used for pensions. The remaining balance of unrestricted net position, \$6,552,255 (88%), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reports positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business- type activities.

CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

The following is a summary of financial activities for the City during the fiscal years ended June 30, 2019 and 2018:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for service	\$ 630,861	\$ 580,919 (1)
Operating grants and contributions	164,672	168,922 (1)
General revenues:		
Sales tax	611,207	504,278 (1)
Income tax	687,805	553,489
Payments in lieu of taxes	55,527	53,171
Beer tax	2,171	2,187
Gas tax	9,310	10,224 (1)
Unrestricted investment earnings	190,594	16,388
Other	6,017	60,718
Total revenues	<u>2,358,164</u>	<u>1,950,296</u>
Expenses:		
General government	575,781	583,653 (1)
Highways and streets	230,324	240,355
Sanitation	527,149	565,934 (1)
Total expenses	<u>1,333,254</u>	<u>1,389,942</u>
Change in net position	1,024,910	560,354
Net position - beginning of year, as restated (Note 1)	<u>6,386,612</u>	<u>5,826,258 (1)</u>
Net position - end of year	<u>\$ 7,411,522</u>	<u>\$ 6,386,612</u>

(1) As restated. See Note 1 to the financial statements.

FINANCIAL ANALYSIS OF THE CITY'S FUND

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

CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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. As of the end of the current fiscal year, the City's governmental funds reported an ending fund balance of \$6,559,893 representing an increase of \$1,022,620 from the previous year. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 491% of total general fund expenditures.

GOVERNMENTAL BUDGETARY HIGHLIGHTS

The City amended some of its general fund budget during the year. See pages 16 - 17 for further analysis.

CAPITAL ASSETS

The City's investment in capital assets from its governmental activities at June 30, 2019, totaled \$720,518 (net of accumulated depreciation). This investment in capital assets is in buildings, infrastructure, and equipment.

Additional information on the City capital assets can be found in Note 5 to the financial statements. The following table compares capital assets at June 30, 2019 and 2018:

	Governmental Activities	
	2019	2018
Buildings and improvements	\$ 319,577	\$ 319,577
Equipment	74,196	74,196
Infrastructure	895,817	877,047
Construction in progress	24,172	-
Total capital assets	1,313,762	1,270,820
Less: Accumulated depreciation	(593,244)	(545,725)
Capital assets, net	\$ 720,518	\$ 725,095

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Despite continued improving economic conditions, a conservative approach was used in preparing the City's budget for the 2019 - 2020 fiscal year.

1. The continued significant economic development and growth of the City makes the budget projection a challenging process. A conservative view of new development was made for the purpose of revenue projection.
2. Expenditures were budgeted at a rate to maintain citizen services at approximately the same level as in prior years.

CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Oak Hill, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Oak Hill, Tennessee
Attn: Jeff Clawson, City Manager
5548 Franklin Road, Suite 101
Nashville, Tennessee 37220

BASIC FINANCIAL STATEMENTS



GOVERNMENT-WIDE FINANCIAL STATEMENTS



City of Oak Hill, Tennessee
Statement of Net Position
June 30, 2019

	Governmental Activities	Total Primary Government
Assets:		
Cash and cash equivalents	\$ 1,320,201	\$ 1,320,201
Investments	4,435,071	4,435,071
Due from other governments	859,454	859,454
Capital assets:		
Capital assets not being depreciated	24,172	24,172
Other capital assets, net of accumulated depreciation	696,346	696,346
Net pension asset	138,749	138,749
Total assets	7,473,993	7,473,993
Deferred Outflows of Resources:		
Pension	46,527	46,527
Total deferred outflows of resources	46,527	46,527
Liabilities:		
Accounts payable and accrued expenses	54,833	54,833
Accrued compensated absences	16,749	16,749
Total liabilities	71,582	71,582
Deferred Inflows of Resources:		
Pension	37,416	37,416
Total deferred inflows of resources	37,416	37,416
Net Position:		
Net investment in capital assets	720,518	720,518
Restricted	138,749	138,749
Unrestricted	6,552,255	6,552,255
Total net position	\$ 7,411,522	\$ 7,411,522

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

City of Oak Hill, Tennessee
Statement of Activities
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental Activities:						
General government	\$ 575,781	\$ 630,861	\$ -	\$ -	\$ 55,080	\$ 55,080
Highways and streets	230,324	-	164,672	-	(65,652)	(65,652)
Sanitation	527,149	-	-	-	(527,149)	(527,149)
Total governmental activities	<u>1,333,254</u>	<u>630,861</u>	<u>164,672</u>	<u>-</u>	<u>(537,721)</u>	<u>(537,721)</u>
General Revenues:						
Sales tax					611,207	611,207
Income tax					687,805	687,805
Payments in lieu of taxes					55,527	55,527
Beer tax					2,171	2,171
Gas tax					9,310	9,310
Unrestricted investment earnings					190,594	190,594
Other					6,017	6,017
Total general revenues					<u>1,562,631</u>	<u>1,562,631</u>
Change in net position					1,024,910	1,024,910
Net position - beginning, as restated (Note 1)					6,386,612	6,386,612
Net position - ending					<u>\$ 7,411,522</u>	<u>\$ 7,411,522</u>

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

FUND FINANCIAL STATEMENTS



City of Oak Hill, Tennessee
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Total Governmental Funds
Assets:		
Cash and cash equivalents	\$ 1,320,201	\$ 1,320,201
Investments	4,435,071	4,435,071
Due from other governments	859,454	859,454
Total assets	\$ 6,614,726	\$ 6,614,726
Liabilities:		
Accounts payable and accrued expenditures	\$ 54,833	\$ 54,833
Total liabilities	54,833	54,833
Fund Balances:		
Unassigned	6,559,893	6,559,893
Total fund balances	6,559,893	6,559,893
Total liabilities and fund balances	\$ 6,614,726	\$ 6,614,726

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

City of Oak Hill, Tennessee
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2019

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

Total fund balances of governmental funds	\$ 6,559,893
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the governmental funds, net of accumulated depreciation of \$593,244	720,518
Net pension asset in governmental activities is not a financial resource, and therefore not reported in the governmental funds	138,749
Deferred inflows and outflows of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.	
Deferred inflows of resources	46,527
Deferred outflows of resources	(37,416)
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the governmental funds:	
Compensated absences	(16,749)
Net position of governmental activities	\$ 7,411,522

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

City of Oak Hill, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Total Governmental Funds
Revenues:		
Licenses, permits and fees	\$ 488,663	\$ 488,663
Taxes	1,366,020	1,366,020
Intergovernmental	306,870	306,870
Interest revenue	190,594	190,594
Other	6,017	6,017
Total revenues	2,358,164	2,358,164
Expenditures:		
Current:		
General government	565,079	565,079
Highways and streets	198,031	198,031
Sanitation	527,149	527,149
Capital outlay	45,285	45,285
Total expenditures	1,335,544	1,335,544
Excess of revenues over expenditures	1,022,620	1,022,620
Net change in fund balances	1,022,620	1,022,620
Fund balance - beginning, as restated (Note 1)	5,537,273	5,537,273
Fund balance - ending	\$ 6,559,893	\$ 6,559,893

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

City of Oak Hill, Tennessee
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 1,022,620

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically these items are as follows:

Acquisition of capital assets	42,942
Depreciation expense	(47,519)

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds:

Negative pension expense	13,099
Compensated absences	<u>(6,232)</u>

Change in net position of governmental activities \$ 1,024,910

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

City of Oak Hill, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Statement - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES:				
Licenses, permits and fees:				
Building permits	\$ 300,000	\$ 300,000	\$ 476,841	\$ 176,841
Sign permits	250	250	175	(75)
Planning and zoning fees	9,750	9,750	9,500	(250)
Other fines and permits	250	250	2,147	1,897
Total licenses, permits and fees	<u>310,250</u>	<u>310,250</u>	<u>488,663</u>	<u>178,413</u>
Intergovernmental:				
Payments in lieu of taxes	52,600	52,600	55,527	2,927
State of Tennessee - sales tax	380,000	380,000	415,876	35,876
State of Tennessee - beer tax	2,400	2,400	2,171	(229)
State of Tennessee - income tax	280,000	280,000	687,805	407,805
State of Tennessee - gas tax	10,000	10,000	9,310	(690)
State of Tennessee - state street aid	170,000	170,000	164,672	(5,328)
Metro Nashville - sales tax	40,000	40,000	195,331	155,331
Metro Nashville - franchise fees	95,000	95,000	142,198	47,198
Total intergovernmental revenue	<u>1,030,000</u>	<u>1,030,000</u>	<u>1,672,890</u>	<u>642,890</u>
Other income:				
Interest	49,000	49,000	190,594	141,594
Other	750	750	6,017	5,267
Fund balance appropriation	-	61,000	-	(61,000)
Total other income	<u>49,750</u>	<u>110,750</u>	<u>196,611</u>	<u>85,861</u>
Total revenues	<u>1,390,000</u>	<u>1,451,000</u>	<u>2,358,164</u>	<u>907,164</u>
EXPENDITURES:				
General Government:				
Salaries and wages	272,000	272,000	283,102	11,102
Employee benefits	63,000	63,000	64,190	1,190
Occupancy	50,000	50,000	55,755	5,755
Professional services	96,000	96,000	107,213	11,213
Public relations/legal notices	12,000	12,000	6,245	(5,755)
Office expenses	5,500	5,500	14,329	8,829
Insurance	18,000	18,000	19,909	1,909
Repairs and maintenance	1,000	1,000	1,109	109
Dues and subscriptions	6,500	6,500	6,251	(249)
Travel and vehicle expense	3,000	3,000	4,796	1,796
Miscellaneous	11,000	46,000	2,180	(43,820)
Total general government	<u>538,000</u>	<u>573,000</u>	<u>565,079</u>	<u>(7,921)</u>

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

City of Oak Hill, Tennessee
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary Comparison Statement - General Fund
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original Budget	Final Budget		
Highways and Streets:				
Street lights	60,000	60,000	73,239	13,239
Emergency	10,000	10,000	-	(10,000)
ROW maintenance	35,000	35,000	21,114	(13,886)
Street maintenance	80,000	80,000	99,582	19,582
Snow removal	45,000	45,000	4,096	(40,904)
Capital outlay	275,000	275,000	45,285	(229,715)
Total highways and streets	<u>505,000</u>	<u>505,000</u>	<u>243,316</u>	<u>(261,684)</u>
Sanitation:				
Contract services	187,000	213,000	372,309	159,309
Chipper and tree service	160,000	160,000	154,840	(5,160)
Total sanitation	<u>347,000</u>	<u>373,000</u>	<u>527,149</u>	<u>154,149</u>
Total expenditures	<u>1,390,000</u>	<u>1,451,000</u>	<u>1,335,544</u>	<u>(115,456)</u>
NET CHANGE IN FUND BALANCE	-	-	1,022,620	1,022,620
FUND BALANCE-BEGINNING OF YEAR, AS RESTATED (NOTE 1)	5,537,273	5,537,273	5,537,273	-
FUND BALANCE-END OF YEAR	<u>\$ 5,537,273</u>	<u>\$ 5,537,273</u>	<u>\$ 6,559,893</u>	<u>\$ 1,022,620</u>

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the significant accounting policies of the City.

The City’s accompanying financial statements present the governmental units relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Oak Hill, Tennessee.

Based on criteria in GASB pronouncements, there are no component units to be included within the City’s financial reporting entity as of June 30, 2019.

Basis of Accounting and Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements, the statement of net position and the statement of activities, report information on all the nonfiduciary activities of the City. The Statement of Net Position presents the City’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets. Debt that was issued for capital purposes is not a part of the calculation of net investment in capital assets, until the proceeds have been used to acquire capital assets. As of June 30, 2019, the City has no debt.

Restricted net position results from restrictions placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position which do not meet the definition of the two preceding categories.

The statement of activities presents the amount of direct expenses of a given function that are offset by the related program revenues. The direct expenses are those that are clearly related to a specific function. Program revenues include charges to those who use, purchase and/or directly benefit from the services and/or goods provided by a given function. Taxes and other revenues not properly included in program revenues are reported as general revenues.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. On this basis, the City deems revenue to be available if the revenues are collectible within 60 days after the end of the close of the fiscal year, and up to one year for certain grant revenues.

Sales taxes, licenses and interest associated with the current period are considered to be susceptible to accrual. Some expenditures (debt service, long-term compensated absences, and claims and judgments expenditures) are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

The City has one governmental fund, the General Fund, which is considered to be a major fund. The General Fund is the City's primary operating fund and includes all financial resources of the general government.

Governmental Fund Balances

In accordance with GASB Statement No. 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, either ordinance or resolutions, of the Board of Mayor and Commissioners level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The Board of Mayor and Commissioners have authorized the City Manager to assign fund balance up to certain amounts.

Unassigned - Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes have exceeded the amounts restricted, committed, or assigned to those purposes, those amounts are reported as a negative unassigned fund balance.

The City does not have any committed or assigned fund balances at June 30, 2019. The City's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

Budgetary Basis of Accounting

The City adopts an annual budget for the General Fund. The City's budgetary process accounts for transactions using the modified-accrual basis of accounting, which is consistent with the basis used in the governmental fund statements, in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

Cash and cash equivalents are stated at cost and include amounts in demand deposits, interest bearing accounts and short-term investments maturing within three months or less and amounts held by the State Local Government Investment Pool.

Receivables

All trade and tax receivables are shown net of an allowance for uncollectible accounts, when applicable. There was no allowance recorded at June 30, 2019.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments for the City are reported at fair value; securities traded on a national or international exchange are valued primarily at quoted market prices.

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 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 not 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 to 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 useful lives are as follows:

Infrastructure	20 - 30 years
Building	15 - 30 years
Equipment	3 - 15 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and as such, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category: (1) deferred outflows of resources relating to pensions resulting from differences between expected and actual actuarial experience, certain changes in actuarial assumptions, differences between actual and expected investment earnings, and amounts of employer contributions to the pension plan made subsequent to the measurement date.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and as such, will not be recognized as an inflow of resources (revenue) until that time. The City has the following items of this type that qualify for reporting on the statement of net position: (1) relating to pensions resulting from differences between expected and actual actuarial experience, certain changes in actuarial assumptions, and differences between actual and expected investment earnings.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated absences

City policy provides for the accumulation of unused vacation and sick days equal to those earned in the current year. In the event of employee termination or retirement, the employee is entitled to payment for unused vacation and sick leave.

All annual leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if amounts are actually due employees as a result of termination and / or retirement.

Pensions

For purposes of measuring the net pension liability, 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 the City’s fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Estimates

Estimates and assumptions are used in preparing financial statements. These estimates and assumptions affect the reported amounts of assets, liabilities and deferred inflows of resources at the date of the financial statements and reported revenue and expenses during the period. Actual results could differ from those estimates.

Restatement

During the audit of the year ended June 30, 2019, it was detected that receivables and payables were not appropriately recorded as of June 30, 2018, as described below. The impact on the financial statements is a restatement of beginning net position as follows:

	General Fund	Governmental Activities
Total fund balance / net position, June 30, 2018, as previously reported	\$ 5,478,150	\$ 6,338,006
To record accrued compensated absences	-	(10,517)
To record expenditures paid in fiscal 2019 from prior fiscal years in proper period	(31,025)	(31,025)
To record taxes and state shared revenues in proper period	90,148	90,148
Total fund balance / net position, June 30, 2018, as restated	\$ 5,537,273	\$ 6,386,612

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 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.

NOTE 3 - INVESTMENTS

The City has investments totaling \$4,435,071 with Stone Wealth Management. These investments include cash and cash equivalents and fixed income securities, which are all insured by the FDIC.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets in active markets that can be accessed at the measurement date (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability like interest rates and yield curves observable at commonly quoted intervals, implied volatilities, or credit spreads; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified term, the level 2 must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs are unobservable and significant to the fair value measurement.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3 - INVESTMENTS - Continued

As of June 30, 2019, the City had the following investments measured at fair value per GASB Statement 72 and the noted weighted average maturities:

	June 30, 2019	Fair Value Measurements Using			Weighted Average Maturity (Years)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by Fair Value Level					
Fixed Income Securities	\$ 4,165,320	\$ 4,165,320	\$ -	\$ -	1.29
Money Market Access	269,751	269,751	-	-	-
Total Investments at Fair Value	<u>\$ 4,435,071</u>	<u>\$ 4,435,071</u>	<u>\$ -</u>	<u>\$ -</u>	
Portfolio Weighted Average Maturity					<u>1.29</u>

As of June 30, 2019, the investments that constituted a concentration risk due to the investments exceeding 5% of the portfolio balance were the fixed income securities and money market accounts.

Interest Rate Risk: Investments held for longer periods are subject to increased risk for adverse interest rate changes. City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Typically, fixed income securities include certificates of deposit issued at fixed interest rates over their maturity periods. Investments in the Local Government Investment Pool are available daily. At June 30, 2019, investments of the City had average weighted maturities as noted above.

Credit Risk: The City’s policies limit deposits and investments to those instruments allowed by applicable state laws. Statutes authorize the City to invest in: (1) U.S. Government securities and obligations guaranteed by the U.S. Government; (2) deposit accounts at state and federal chartered banks and savings and loan associations; and (3) the Local Government Investment Pool of the State of Tennessee. As of June 30, 2019, all bank deposits were fully collateralized or insured.

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consist of the following:

<u>Fund</u>	<u>Other Government</u>
General Fund	<u>\$859,454</u>

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
<i>Capital assets, not being depreciated -</i>				
Construction in progress	\$ -	\$ 24,172	\$ -	\$ 24,172
Subtotal	-	24,172	-	24,172
<i>Capital assets, being depreciated -</i>				
Buildings and improvements	\$ 319,577	\$ -	\$ -	\$ 319,577
Equipment	74,196	-	-	74,196
Infrastructure	877,047	18,770	-	895,817
Subtotal	1,270,820	18,770	-	1,289,590
Accumulated depreciation	(545,725)	(47,519)	-	(593,244)
Capital assets, being depreciated, net	725,095	(28,749)	-	696,346
Capital assets, net	<u>\$ 725,095</u>	<u>\$ (4,577)</u>	<u>\$ -</u>	<u>\$ 720,518</u>

Construction in progress consisted of street improvements on the Blevins/Lakeview project. Estimated costs to complete the project at June 30, 2019 is approximately \$675,000.

Depreciation expense was charges to functions/programs of the primary government as follows for the year ended June 30, 2019:

<i>Governmental Activities:</i>	
General government	\$ 17,569
Highways and streets	29,950
Total	<u>\$ 47,519</u>

NOTE 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
JUNE 30, 2019

NOTE 7 - RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

Employees of the City 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 publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years average compensation and the member's service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

Employees Covered by Benefit Term

At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to, but not yet receiving, benefits	4
Active employees	3
	<hr/>
	<u>7</u>

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - RETIREMENT PLAN - Continued

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, 2019, the employer contributions for the City were \$5,044 based on a rate of 2.74 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 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)

City of Oak Hill's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF OAK HILL, TENNESSEE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

NOTE 7 - RETIREMENT PLAN - Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best- estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 percent. The best- estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-Term Securities	0.00%	<u>1%</u>
		<u>100%</u>

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

Discount Rate

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - RETIREMENT PLAN - Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2017	\$ 134,748	\$ 260,308	\$ (125,560)
Changes for the year:			
Service cost	13,775	-	13,775
Interest	10,768	-	10,768
Differences between expected and actual experience	8,781	-	8,781
Contributions-employer	-	7,229	(7,229)
Contributions-employees	-	16,969	(16,969)
Net investment income	-	22,600	(22,600)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(285)	285
Net changes	<u>33,324</u>	<u>46,513</u>	<u>(13,189)</u>
Balance at June 30, 2018	<u>\$ 168,072</u>	<u>\$ 306,821</u>	<u>\$ (138,749)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Current		
	1% Decrease	Discount Rate	1% Increase
	(6.25%)	(7.25%)	(8.25%)
Net pension liability (asset)	<u>\$ (107,231)</u>	<u>\$ (138,749)</u>	<u>\$ (164,211)</u>

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - RETIREMENT PLAN - Continued

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

Pension Expense (Negative Pension Expense)

For the year ended June 30, 2019, the City recognized pension expense (negative pension expense) of (\$13,099).

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,613	\$ 35,624
Changes in assumptions	2,870	-
Net difference between projected and actual earnings on pension plan investments	-	1,792
Contributions subsequent to the measurement date of June 30, 2018	5,044	-
	<u>\$ 46,527</u>	<u>\$ 37,416</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2018,” will be recognized as a reduction (increase) to net pension liability (asset) 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:

<u>Year Ended June 30 ,</u>	
2020	\$ 3,498
2021	1,936
2022	(164)
2023	1,592
2024	(4,052)
Thereafter	1,257

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - RETIREMENT PLAN - Continued

Payable to the Pension Plan

At June 30, 2019, the City reported a payable of \$3,196 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

NOTE 8 – OTHER POST RETIREMENT BENEFIT PLAN

Employees of the City are provided with pre-65 retiree health insurance benefits through the Local Government OPEB Plan (“LGOP”) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (“OPEB”). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGOP. The City made no contributions to the plan during the year ended June 30, 2019, and the associated liability is not material to the City at June 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION



City of Oak Hill, Tennessee
Required Supplementary Information
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability (Asset)					
Service cost	\$ 13,775	\$ 3,055	\$ 27,159	\$ 65,703	\$ -
Interest	10,768	8,512	11,682	5,504	-
Changes in Benefit Terms	-	-	-	-	-
Differences between actual and expected experience	8,781	8,720	(56,999)	49,714	7,680
Changes in assumptions	-	4,018	-	-	-
Benefit payments, including refunds of employee contributions	-	-	-	-	-
Net change in total pension liability	33,324	24,305	(18,158)	120,921	7,680
Total pension liability-beginning	134,748	110,443	128,601	7,680	-
Total pension liability-ending (a)	<u>\$ 168,072</u>	<u>\$ 134,748</u>	<u>\$ 110,443</u>	<u>\$ 128,601</u>	<u>\$ 7,680</u>
Plan Fiduciary Net Position					
Contributions-employer	\$ 7,229	\$ 3,245	\$ 887	\$ 2,953	\$ 3,719
Contributions-employee	16,969	7,617	2,083	62,749	78,897
Net investment income	22,600	25,953	5,744	5,446	14,605
Benefit payments, including refunds of employee contributions	-	-	-	-	-
Administrative expense	(285)	(229)	(76)	(51)	(137)
Net change in plan fiduciary net position	46,513	36,586	8,638	71,097	97,084
Plan fiduciary net position-beginning	260,308	223,722	215,084	143,987	46,903
Plan fiduciary net position-ending (b)	<u>\$ 306,821</u>	<u>\$ 260,308</u>	<u>\$ 223,722</u>	<u>\$ 215,084</u>	<u>\$ 143,987</u>
Net pension liability (a) - (b)	<u>\$ (138,749)</u>	<u>\$ (125,560)</u>	<u>\$ (113,279)</u>	<u>\$ (86,483)</u>	<u>\$ (136,307)</u>
Plan fiduciary net position as a percentage of total pension liability	182.55%	193.18%	202.57%	167.25%	1874.83%
Covered payroll	\$ 211,916	\$ 152,342	\$ 41,661	\$ 138,648	\$ 174,586
Net pension liability (asset) as a percentage of covered payroll	-65.47%	-82.42%	-271.91%	-62.38%	-78.07%

Notes to Schedule:

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

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Information regarding the Plan's annual money-weighted rate of return can be obtained in the separate TCRS report at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

City of Oak Hill, Tennessee
Required Supplementary Information
Schedules of Employer Contributions - Pension Plan
Based on Participation in the Public Employee Pension Plan of the TCRS
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 5,044	\$ 7,229	\$ 3,245	\$ 887	\$ 2,953	\$ 3,719
Contributions in relation to the actuarially determine contribution	<u>5,044</u>	<u>7,229</u>	<u>3,245</u>	<u>887</u>	<u>2,953</u>	<u>3,719</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 184,050	\$ 211,916	\$ 152,342	\$ 41,661	\$ 138,648	\$ 174,586
Contributions as a percentage of covered payroll	2.74%	3.41%	2.13%	2.13%	2.13%	2.13%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 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	Various
Asset valuation method	10-year smoothed within a 20% corridor to market value
Inflation rate	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25%, if provided

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

SUPPLEMENTARY INFORMATION



City of Oak Hill, Tennessee
Schedule of Capital Assets by Function and Activity
June 30, 2019

<u>Description</u>	<u>General Government</u>	<u>Highways and Streets</u>	<u>Total</u>
Buildings and improvements	\$ 319,577	\$ -	\$ 319,577
Equipment	74,196	-	74,196
Infrastructure	-	895,817	895,817
Construction in progress	-	24,172	24,172
Total capital assets	<u>\$ 393,773</u>	<u>\$ 919,989</u>	<u>\$ 1,313,762</u>

See independent auditor's report.

City of Oak Hill, Tennessee
Schedule of Changes in Capital Assets
For the Year Ended June 30, 2019

<u>Description</u>	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2019</u>
Buildings and improvements	\$ 319,577	\$ -	\$ -	\$ 319,577
Equipment	74,196	-	-	74,196
Infrastructure	877,047	18,770	-	895,817
Construction in progress	-	24,172	-	24,172
Total capital assets	<u>\$ 1,270,820</u>	<u>\$ 42,942</u>	<u>\$ -</u>	<u>\$ 1,313,762</u>

See independent auditor's report.

City of Oak Hill, Tennessee
Schedule of Cash and Cash Equivalents and Investments
June 30, 2019

	Carrying Value
General Fund	
Petty cash	\$ 150
Demand deposits - Pinnacle	1,318,928
State of Tennessee - Local Government Investment Pool	1,123
Investments	<u>4,435,071</u>
 Total General Fund	<u>5,755,272</u>
Total - All Funds	<u><u>\$ 5,755,272</u></u>

See independent auditor's report.

City of Oak Hill, Tennessee
Schedule of Insurance Coverage
(Unaudited)
June 30, 2019

<u>Type of Coverage</u>	<u>Limits of Liability</u>
General Liability	\$300,000/700,000/100,000
Errors and Omission Liability	\$1,000,000
Property	\$202,147
Electronic Data	\$40,000
Crime	\$250,000
Workers' compensation	Statutory
Employee Dishonesty Policy	\$150,000

See independent auditor's report.

COMPLIANCE AND INTERNAL CONTROL





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*

The Honorable Mayor and Board of Commissioners
City of Oak Hill, Tennessee
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 the major fund of the City of Oak Hill, Tennessee (the "City"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 30, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 to be material weaknesses.

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2019-003 and 2019-004 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported *under Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, and 2019-003.

City of Oak Hill, Tennessee's Response to Findings

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

Purpose of this Report

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

Nashville, Tennessee
January 30, 2020

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENT FINDINGS

2019-001 – Recording of Accounts Receivable

Condition, Criteria, Cause, and Effect: During the audit, we noted that the City was recording accounts receivable on a cash basis and relied on audit adjustments to correctly reflect receivables in accordance with GAAP.

Recommendation: The balances of accounts receivable and other receivables should be recorded and reconciled each month.

Views of Responsible Officials and Planned Corrective Actions: The City does not have an in-house accountant or formally trained bookkeeper. This has been the situation for countless years. I would recommend that the Board either hire an accounting firm to do the monthly books or provide the appropriate level of training to the existing staff member(s).

2019-002 – Recording of Accounts Payable and Other Liabilities

Condition, Criteria, Cause, and Effect: During the audit, we noted that the City was recording accounts payable and other liabilities on a cash basis and relied on audit adjustments to correctly reflect payables in accordance with GAAP.

Recommendation: The balances of accounts payable and other liabilities should be recorded and reconciled each month.

Views of Responsible Officials and Planned Corrective Actions: The City does not have an in-house accountant or formally trained bookkeeper. This has been the situation for countless years. I would recommend that the Board either hire an accounting firm to do the monthly books or provide the appropriate level of training to the existing staff members(s).

2019-003 – Segregation of Duties and Internal Control Documentation

Condition, Criteria, Cause, and Effect: During the audit, we noted that the City has several functions that are regularly performed by one or two persons due to the limited number of City personnel, causing a limit to proper segregation of duties. We also noted the City has not documented its internal controls in compliance with Tennessee Code Annotated Section 9-18-102(a).

Recommendation: Internal control procedures should be documented and followed; and duties should be segregated as much as possible. Specific oversight by the Mayor and Commissioners should also be documented. These procedures should be documented in compliance with Tennessee Code Annotated Section 9-18-102(a).

Views of Responsible Officials and Planned Corrective Actions: Internal controls were incorporated into the 2016 audit field work. The internal control documents have been provided to all staff members and to the Board of Commissioners as of February 25, 2020.

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENT FINDINGS - Continued

2019-004 – Document Retention

Condition, Criteria, Cause, and Effect: During the audit, we noted that the City does not retain copies of checks received, and noted instances of I-9 and payroll approval documentation missing from personnel files.

Recommendation: A document retention policy should be implemented to retain support for financial statement amounts, specifically surrounding internal control procedures, and documentation should be retained in accordance with these policies.

Views of Responsible Officials and Planned Corrective Actions: A document retention policy has been incorporated into routine procedures effective February 1, 2020. All future processes will include the appropriate documents being copied and retained to meet the retention policy.

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

PRIOR YEAR FINDINGS

Finding Number	Finding Title	Status
2018-001	Segregation of Duties (See 2019-003)	Repeated
2018-002	Reconciliation of Accounts Receivable (See 2019-001)	Repeated
2018-003	Reconciliation of Accounts Payable (See 2019-002)	Repeated



Heidi Campbell, Mayor
Dale Grimes, Vice-Mayor
Stacy Widelitz, Commissioner
Jeff Clawson, City Manager

Sheri Jacobs, City Attorney
Tom Lawless, City Judge
Wade Hill, Chair, Planning Commission
Chris Taylor, Interim Chair, Board of Zoning Appeals

Corrective Action Plan

2019-001 Recording of Accounts Receivable

Corrective Action The City does not have an in-house accountant or formally trained bookkeeper. This has been the situation for countless years. I would recommend that the Board either hire an accounting firm to do the monthly books or provide the appropriate level of training to the existing staff member(s).

Anticipated

Completion Date June 30, 2020

Name of Contact

Person Jeff Clawson, City Manager

City of Oak Hill

(615) 371-8291

2019-002 Recording of Accounts Payable and Other Liabilities

Corrective Action The City does not have an in-house accountant or formally trained bookkeeper. This has been the situation for countless years. I would recommend that the Board either hire an accounting firm to do the monthly books or provide the appropriate level of training to the existing staff members(s).

Anticipated

Completion Date June 30, 2020

Name of Contact

Person Jeff Clawson, City Manager

City of Oak Hill

(615) 371-8291

2019-003

Segregation of Duties and Internal Control Documentation

Corrective Action

Internal controls were incorporated into the 2016 audit field work. The internal control documents have been provided to all staff members and to the Board of Commissioners as of February 25, 2020.

Anticipated

Completion Date June 30, 2020

Name of Contact

Person Jeff Clawson, City Manager

City of Oak Hill

(615) 371-8291

2019-004

Document Retention

Corrective Action

A document retention policy has been incorporated into routine procedures effective February 1, 2020. All future processes will include the appropriate documents being copied and retained to meet the retention policy.

Anticipated

Completion Date June 30, 2020

Name of Contact

Person Jeff Clawson, City Manager

City of Oak Hill

(615) 371-8291

Respectfully Submitted,



Jeff Clawson, City Manager