

City of Oak Hill, Tennessee

Annual Financial Report
For the Year Ended June 30, 2022

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Introductory Section

City of Oak Hill, Tennessee
Roster of City Officials (Unaudited)
As of June 30, 2022

Position	Official	Period of Service
Mayor	Dale Grimes	7/1/21 – 6/30/22
Vice Mayor	Winston Evans	7/1/21 – 6/30/22
Commissioner	David DeMarco	7/1/21 – 6/30/22
Commissioner	Joy O'Dell	7/1/21 – 6/30/22
Commissioner	John DeLuca	7/1/21 – 6/30/22
City Manager	Steve Collie	6/1/22 – 6/30/22
City Manager – Acting	Austin Edmonson	12/1/21 – 6/01/22
City Manager	Travis Mortimer	7/1/21 – 12/01/21
Administrative Assistant	Victoria Talbott	7/1/21 – 6/30/22

Financial Section



Independent Auditor's Report

Board of Commissioners
City of Oak Hill, Tennessee

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability (asset) and related ratios and employer's contributions on pages 31-32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedules on pages 33-35 (including the schedule of expenditures of federal awards and state financial assistance as required by the State of Tennessee on page 33) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the schedules (including the schedule of expenditures of federal awards and state financial assistance) are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the City's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
December 13, 2022

City of Oak Hill, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

The City of Oak Hill, Tennessee (the City), provides this Management Discussion and Analysis as prescribed by the Government Accounting Standards Board. This discussion and analysis is intended to serve as an introduction to the City's basic financial statements for the fiscal year ending June 30, 2022.

The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows with the difference between the two reported as net position. Comparing the year-to-year increases or decreases in net position may be used as an indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences). These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues 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 and administration, Highways and streets, and the sanitation operations. The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be used in evaluating a government's near-term financing requirements. Since the focus of governmental funds is narrower than that of the government-wide financial statements, a comparison of the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements may offer readers a better understanding of the long-term effect of near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between funds and activities.

The City maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, which is a major fund.

City of Oak Hill, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Notes to 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.

Other Information

In addition to the basic financial statements, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Condensed Comparative Data

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

	Governmental Activities	
	2022	2021
Assets		
Current and other	\$ 9,561,653	\$ 8,534,642
Capital assets	2,182,526	2,050,727
Other noncurrent assets	<u>150,907</u>	<u>129,742</u>
Total assets	11,895,086	10,715,111
Deferred Outflows of Resources	82,041	47,842
Liabilities		
Other liabilities	747,071	173,516
Long-term liabilities	<u>354,848</u>	<u>401,293</u>
Total liabilities	1,101,919	574,809
Deferred Inflows of Resources	67,706	21,374
Net Position		
Net investment in capital assets	1,799,482	1,627,964
Restricted	150,907	129,742
Unrestricted	<u>8,857,113</u>	<u>8,409,064</u>
Total net position	\$10,807,502	\$10,166,770

The overall financial condition of the City on June 30, 2022 is sound. The governmental activities net position increased from \$10,166,770 to \$10,807,502 for the current year change in net position of \$640,732. A portion of the City's net position, \$1,799,482 (17%) 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's lease liabilities are the only debt related to these assets. At year-end, \$150,907 (1%) 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, \$8,857,113 (82%), 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 fund.

City of Oak Hill, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

The following is a summary of financial activities for the City during the fiscal years ended June 30, 2022 and 2021:

	Governmental Activities	
	2022	2021
Program Revenues		
Charges for services	\$ 1,203,832	\$ 1,251,318
Operating grants and contributions	169,438	168,484
General Revenues		
Sales and use taxes	1,045,754	811,893
County street aid	478,500	406,725
Grants and contributions	161,293	130,718
Other general revenues	<u>128,717</u>	<u>222,368</u>
Total revenues	3,187,534	2,991,506
Expenses		
General government	936,665	773,559
Highways and streets	865,957	387,093
Sanitation	<u>744,180</u>	<u>703,019</u>
Total expenses	2,546,802	1,863,671
Change in net position	640,732	1,127,835
Net position, beginning	10,166,770	8,896,406
Prior period adjustment	<u>-</u>	<u>142,529</u>
Net position, ending	\$10,807,502	\$10,166,770

The change in net position was \$640,732 for 2022. Sales and use taxes continue to increase (\$233,861, or 29% in 2022) due in large part to the State's efforts to collect on internet sales. General government professional services expenses increased \$119,514 over the prior year due to contracting with acting city manager, increased IT consulting, and increased building and codes expense. Highways and streets snow removal expenses increased \$197,549 over the prior year due to storms. The City recorded a prior period adjustment for prior year revenue accruals and the effect of adopting the new GASB Statement on leases, which together increased the governmental activities net position by \$142,529.

Fund Analysis

The focus on the City's governmental fund 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 general fund reported an ending fund balance of \$8,855,848 representing an increase of \$452,992 from the previous year, as restated. General fund cash increased \$1,136,469, in part due to approximately \$573,000 in unspent ARPA grant money received during the 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 324% of total general fund expenditures.

General Fund Budgetary Highlights

The most significant budget amendment amounts consisted of increases for professional services (\$35,000), dues and subscriptions (\$30,000), snow removal (\$140,000), and sanitation contract services (\$90,000). See details on pages 14-15.

City of Oak Hill, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

The most significant budget variance resulted from higher than anticipated state and local sales and use tax revenue, and lower than projected state income tax revenue. Expenditures for snow removal and professional services were higher than anticipated.

Capital Assets and Long-term Debt Activity

Following is a summary of the City's capital assets, excluding leased assets:

	Governmental Activities	
	2022	2021
Construction in progress	\$ 262,881	\$ -
Buildings and improvements	387,832	387,832
Equipment	74,196	74,196
Infrastructure	1,886,234	1,886,234
Less: accumulated depreciation	<u>(803,530)</u>	<u>(718,466)</u>
	\$ 1,807,613	\$ 1,629,796

The City's investment in capital assets from its governmental activities at June 30, 2022, totaled \$2,182,526 (net of accumulated depreciation/amortization). The construction in progress represents amounts for the culvert improvement project.

Leased right-to-use assets are comprised of building and copier rentals.

Following is a summary of the City's long-term liabilities:

	Governmental Activities	
	2022	2021
Lease liabilities	\$ 341,778	\$ 383,044
Compensated absences	<u>13,070</u>	<u>18,249</u>
	\$ 354,848	\$ 401,293

More detailed information can be found in notes 6 and 7 to the financial statements.

Economic Factors and Next Year's Budget

The City received its first half of ARPA funds in the current year and its second half after year-end for a total amount of \$1,339,958. The 2022-23 budget represents expenditure of these funds for eligible purposes.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be forwarded to the City Manager at:

City of Oak Hill, Tennessee
5548 Franklin Road, Suite 101
Nashville, Tennessee 37220

City of Oak Hill, Tennessee
Statement of Net Position
June 30, 2022

	Governmental activities
Assets	
Cash and cash equivalents, unrestricted	\$ 5,086,902
Investments	4,083,230
Accounts receivable	45,984
Intergovernmental receivables	336,886
Prepaid expenses	8,651
Capital assets not being depreciated	262,881
Capital assets, net of accumulated depreciation	1,544,732
Lease assets, net of accumulated amortization	374,913
Net pension asset	<u>150,907</u>
Total assets	11,895,086
 Deferred Outflows of Resources	
Pension related	82,041
 Liabilities	
Accounts payable	66,537
Unearned revenues	639,268
Noncurrent liabilities	
Due within one year - lease liabilities	41,266
Due in more than one year	
Compensated absences	13,070
Lease liabilities	<u>341,778</u>
Total liabilities	1,101,919
 Deferred Inflows of Resources	
Pension related	67,706
 Net Position	
Net investment in capital assets	1,799,482
Restricted for pensions	150,907
Unrestricted	<u>8,857,113</u>
Total net position	\$ 10,807,502

City of Oak Hill, Tennessee
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Program Revenues				<u>Primary Government Net (Expenses) Revenues and Changes in Net Position</u>
Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	
Primary Government					
General government	\$ 936,665	\$ 684,836	\$ -	\$ -	\$ (251,829)
Highways and streets	865,957	-	169,438	-	(696,519)
Sanitation	744,180	518,996	-	-	(225,184)
Total governmental activities	\$ 2,546,802	\$ 1,203,832	\$ 169,438	\$ -	(1,173,532)
General Revenues					
Sales and use taxes					1,045,754
Income taxes					85,052
Payments in lieu of taxes					50,782
Beer taxes					4,608
Gas taxes					8,909
County street aid					478,500
Sportsbetting					4,919
Grants and contributions not restricted to specific programs					161,293
Unrestricted unrealized investment losses, net of interest income					(29,095)
Other					3,542
Total general revenues					1,814,264
Change in net position					640,732
Net position, beginning of year					10,024,241
Prior period adjustment					142,529
Net position, end of year					\$ 10,807,502

City of Oak Hill, Tennessee

Balance Sheet
Governmental Fund
June 30, 2022

	General
Assets	
Cash	\$ 5,086,902
Investments	4,083,230
Accounts receivable	45,984
Intergovernmental receivables	336,886
Prepaid items	<u>8,651</u>
Total assets	\$ 9,561,653
Liabilities	
Accounts payable and accrued expenditures	\$ 66,537
Unearned revenues	<u>639,268</u>
Total liabilities	705,805
Fund Balance	
Nonspendable	8,651
Unassigned	<u>8,847,197</u>
Total fund balance	8,855,848
Total liabilities and fund balance	\$ 9,561,653

City of Oak Hill, Tennessee
 Reconciliation of the Balance Sheet - Governmental Fund to the
 Government-wide Statement of Net Position
 June 30, 2022

Amounts reported for fund balance - governmental fund	\$ 8,855,848
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Capital assets	2,611,143
Less: accumulated depreciation	(803,530)
Lease assets in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
	374,913
Net pension asset in governmental activities is not a financial resource and, therefore, is not reported in governmental funds.	
	150,907
Differences between expected and	
Deferred inflows and outflows of resources related to pensions are not financial resources, and therefore, are not reported in governmental funds.	
Deferred outflows of resources, TCRS pension plan	82,041
Deferred inflows of resources, TCRS pension plan	(67,706)
Liabilities not due and payable currently are not recorded in governmental funds.	
Compensated absences	(13,070)
Lease liabilities	(383,044)
Net position of governmental activities	\$ 10,807,502

City of Oak Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

	General
Revenues	
Taxes	\$ 1,195,105
Intergovernmental	950,184
Charges for services	518,996
Licenses and permits	548,802
Investment earnings (loss)	(29,095)
Other	<u>3,542</u>
Total revenues	3,187,534
Expenditures	
Current	
General government	973,697
Highways and streets	1,016,665
Sanitation	<u>744,180</u>
Total expenditures	2,734,542
Excess (deficiency) of revenues over expenditures	<u>452,992</u>
Net change in fund balance	452,992
Fund balance, beginning of year	8,256,484
Prior period adjustment	<u>146,372</u>
Fund balance, end of year	\$ 8,855,848

City of Oak Hill, Tennessee
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balance - Governmental Fund to the Government-wide
 Statement of Activities
 For the Year Ended June 30, 2022

Net change in fund balance - governmental fund	\$	452,992
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Capital outlay		262,881
Depreciation expense		(85,064)
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.		
Changes in lease assets and lease liabilities		(4,288)
Change in compensated absences		5,179
Changes in pension asset and related deferred outflows of resources and deferred inflows of resources		9,032
Change in net position of governmental activities	\$	<u>640,732</u>

City of Oak Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted amounts</u>		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes				
State sales and use	\$ 200,000	\$ 200,000	\$ 555,236	\$ 355,236
State income	335,000	335,000	85,052	(249,948)
State gas	9,500	9,500	8,909	(591)
State beer	2,400	2,400	4,608	2,208
Local option sales	100,000	100,000	490,518	390,518
Payments in-lieu	<u>55,000</u>	<u>55,000</u>	<u>50,782</u>	<u>(4,218)</u>
Total taxes	701,900	701,900	1,195,105	493,205
Intergovernmental				
State street aid	125,000	125,000	169,438	44,438
State grants	64,410	64,410	64,409	(1)
State sportsbetting	-	-	4,919	4,919
County franchise fees	125,000	125,000	136,034	11,034
County street aid	478,500	478,500	478,500	-
Federal grants	<u>-</u>	<u>-</u>	<u>96,884</u>	<u>96,884</u>
Total intergovernmental	792,910	792,910	950,184	157,274
Charges for services				
Garbage and recycling fees	500,000	500,000	518,996	18,996
Licenses and permits				
Building permits	320,000	320,000	531,400	211,400
Planning and zoning fees	7,940	7,940	14,000	6,060
Sign permits	250	250	200	(50)
Other fines and permits	<u>1,000</u>	<u>1,000</u>	<u>3,202</u>	<u>2,202</u>
Total licenses and permits	329,190	329,190	548,802	219,612
Investment earnings (loss)	65,000	65,000	(29,095)	(94,095)
Other revenues	<u>-</u>	<u>-</u>	<u>3,542</u>	<u>3,542</u>
Total revenues	2,389,000	2,389,000	3,187,534	798,534

City of Oak Hill, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	<u>Budgeted amounts</u>		Actual amounts	Variance with final budget
	Original	Final		
Expenditures				
General government				
Current				
Salaries and wages	\$ 400,000	\$ 400,000	\$ 320,862	\$ (79,138)
Employee benefits	110,000	110,000	119,809	9,809
Occupancy	54,000	59,000	61,476	2,476
Professional services	88,000	123,000	371,538	248,538
Public relations/legal notices	12,800	12,800	11,036	(1,764)
Office expenses	12,500	12,500	22,972	10,472
Insurance	20,000	20,000	11,305	(8,695)
Repairs and maintenance	2,500	2,500	4,821	2,321
Dues and subscriptions	8,500	38,500	29,770	(8,730)
Travel and vehicle expenses	3,000	3,000	1,000	(2,000)
Bank and credit card fees	-	-	6,630	6,630
Marketing	25,000	25,000	9,507	(15,493)
Miscellaneous	-	-	2,971	2,971
Total general government	<u>736,300</u>	<u>806,300</u>	<u>973,697</u>	<u>167,397</u>
Highways and streets				
Current				
Street lights	78,000	78,000	86,691	8,691
Emergency	20,000	20,000	-	(20,000)
ROW maintenance	52,650	52,650	102,602	49,952
Street maintenance	50,000	50,000	43,112	(6,888)
Snow removal	50,000	190,000	298,338	108,338
Contractual services	72,000	72,000	112,414	40,414
Permit/fees	4,000	4,000	1,382	(2,618)
Capital outlay	<u>500,000</u>	<u>500,000</u>	<u>372,126</u>	<u>(127,874)</u>
Total highways and streets	<u>826,650</u>	<u>966,650</u>	<u>1,016,665</u>	<u>50,015</u>
Sanitation				
Current				
Contract services	485,000	575,000	564,060	(10,940)
Chipper and tree services	185,000	185,000	180,120	(4,880)
Total sanitation	<u>670,000</u>	<u>760,000</u>	<u>744,180</u>	<u>(15,820)</u>
Total expenditures	2,232,950	2,532,950	2,734,542	201,592
Net change	156,050	(143,950)	452,992	596,942
Fund balance, beginning of year	8,256,484	8,256,484	8,256,484	-
Prior period adjustment	146,372	146,372	146,372	-
Fund balance, end of year	\$ 8,558,906	\$ 8,258,906	\$ 8,855,848	\$ 596,942

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

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

Reporting Entity

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.

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, 2022.

Government-wide and Fund Financial Statements

The government-wide financial statements, the statement of net position, and the statement of activities report information on all the non-fiduciary 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, 2022, 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 elements of net position that 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
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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 revenues to be available if the revenues are collectible within 60 days after the end 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 a major fund. The general fund is the City's primary operating fund and includes all financial resources of the general government.

Use of Estimates

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

Cash and Cash Equivalents

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

Tennessee statutes authorize the City to invest in: (1) securities and obligations guaranteed by the US 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. During the current fiscal year, the City invested funds that were not immediately needed in savings. Deposits in financial institutions are required by statute to be secured and collateralized by the institutions holding the deposits. The collateral must meet certain requirements and must have a total minimum fair value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the state of Tennessee's collateral pool.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

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, 2022.

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 include: property, plant, and equipment; infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets, and sidewalks; and drainage systems. These 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:

Building and improvements	15 – 30 years
Equipment	3 – 15 years
Infrastructure	20 – 30 years

Leased assets include building and copier rentals. Amortization is provided over the lives of the leases, which are 10 and 5 years, respectively.

Unearned Garbage and Recycling Fees

The City provides pickup and disposal of garbage and recycling services to its residents and charges a fee of \$25 per month. The City also offers its residents the option of paying an annual or quarterly fee in advance of monthly services being provided, which includes a 10% and 5% overall discount, respectively. These advance payments are considered unearned revenues, and are recognized as income on a monthly basis as garbage and recycling services are provided by the City.

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 to employees as a result of termination and/or retirement.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

Governmental Fund Equity Classification

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 – amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's related items are not in spendable form.

Restricted – amounts with constraints placed on the use of resources that 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.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (either ordinance or resolutions) at the Board of Mayor and Commissioners level of decision-making authority (the Board). These 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 that they be used for specific purposes, but that are neither restricted nor committed, are reported as assigned fund balance. The City Commission has authorized the City Manager to assign fund balance up to certain amounts.

Unassigned – amounts representing 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, 2022. The City's practice is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

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 which, 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, all relating to pensions: 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.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 1. Summary of Significant Accounting Policies

Deferred Outflows/Inflows of Resources

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 which, as such, will not be recognized as an inflow of resources (revenues) until that time. The City has the following items of this type that qualify for reporting on the statement of net position, all relating to pensions: differences between expected and actual actuarial experience, certain changes in actuarial assumptions, and differences between actual and expected investment earnings.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from 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.

Other Postemployment Benefits (OPEB)

Postemployment healthcare benefits other than pension benefits are accounted for under GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which establishes standards for the measurement, recognition, and presentation of postemployment healthcare benefits expense and related liabilities, assets, note disclosures, and, if applicable, required supplementary information.

Note 2. Stewardship, Compliance, and Accountability

Budgetary Information

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 GAAP.

Total expenditures for the fund may not exceed the total amount appropriated in the budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within an individual fund; however, any revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the City Commission. All annual appropriations lapse at year-end.

Excess Expenditures

For the year ended June 30, 2022, expenditures exceeded appropriations by \$201,592 for the general fund.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 3. Custodial Credit Risk – Deposits

Statutes authorize the City to invest in: (1) US government securities and obligations guaranteed by the US 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. The City's cash is held by a financial institution that participates in the bank collateral pool administered by the Treasurer of the State of Tennessee. Deposits in financial institutions are required by statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool.

Custodial risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City, minimizes this risk by requiring full collateralization on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit, except when the institution issuing the certificate of deposit belongs to the State of Tennessee bank collateral pool. The City's deposits with financial institutions are fully insured or collateralized by securities held in the City's name.

Note 4. Investments

The City has investments totaling \$4,083,230 with an investment manager. These investments include cash and cash equivalents and fixed income securities. Interest income and unrealized losses on investments totaled \$45,484 and \$(74,579), respectively, for the year.

The City categorizes its fair value measurements within the fair value hierarchy established by GAAP. The framework for measuring fair value provides a 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 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 input 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
For the Year Ended June 30, 2022

Note 4. Investments

As of June 30, 2022, the City had the following investments measured at fair value and the noted weighted average:

	Level 1	Level 2	Total	Weighted Average Maturity (Years)
Fixed income securities				
Government bonds	\$ 891,542	\$ -	\$ 891,542	0.27
US Treasury notes	1,574,749	-	1,574,749	0.29
Certificates of deposit	1,333,582	-	1,333,582	1.11
Money market access	<u>283,357</u>	-	<u>283,357</u>	-
	\$ 4,083,230	\$ -	\$ 4,083,230	

As of June 30, 2022, each of the investment types listed above constitute a concentration risk due to the investments exceeding 5% of the portfolio balance.

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, 2022, 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) US government securities and obligations guaranteed by the US 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, 2022, all bank deposits were fully collateralized or insured.

Note 5. Accounts Receivable

Accounts receivable consist of the following:

Accounts receivable	\$ 45,984
Due from other governments	<u>336,886</u>
	\$ 382,870

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 6. Capital Assets

A summary of changes in capital assets is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements and transfers</u>	<u>Ending balance</u>
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 262,881	\$ -	\$ 262,881
Capital assets being depreciated				
Building and improvements	387,832	-	-	387,832
Equipment	74,196	-	-	74,196
Infrastructure	<u>1,886,234</u>	<u>-</u>	<u>-</u>	<u>1,886,234</u>
	2,348,262	-	-	2,348,262
Less: accumulated depreciation				
Building and improvements	(259,868)	(19,478)	-	(279,346)
Equipment	(66,273)	(2,641)	-	(68,914)
Infrastructure	<u>(392,325)</u>	<u>(62,945)</u>	<u>-</u>	<u>(455,270)</u>
	<u>(718,466)</u>	<u>(85,064)</u>	<u>-</u>	<u>(803,530)</u>
Capital assets, net	\$ 1,629,796	\$ 177,817	\$ -	\$ 1,807,613

Construction in progress consisted of the culvert improvement project.

Depreciation expense was charged to functions/programs of the primary government as follows for the year:

Governmental activities	
General government	\$ 20,119
Highways and streets	<u>64,945</u>
	\$ 85,064

Lease assets are summarized below:

	<u>Building rental</u>	<u>Copier rental</u>	<u>Total</u>
Right-to-use asset	\$ 448,298	\$ 5,940	\$ 454,238
Less: accumulated amortization	<u>(78,137)</u>	<u>(1,188)</u>	<u>(79,325)</u>
Lease assets, net	\$ 370,161	\$ 4,752	\$ 374,913

Amortization expense for the year was charged to the general government function in the amount of \$46,018.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 7. Lease Liabilities

The City leases a portion of its office space from Nashville Cambridge Court. Lease payments are \$3,645 per month, with escalating increases through lease expiration in December 2030. Additionally, the City leases copier equipment, with payments of \$99 per month. The lease extends through June 2026. The City used the risk free rate in effect as of the lease inception dates, which was between 1.26% and 2.03%. Neither lease contains variable payments, residual value guarantees, or commitments before the commencement of the lease term.

The amount of payments made during the year applied to the lease liabilities totaled \$39,719.

Principal and interest requirements on these leases are as follows:

Year ended June 30,	<u>Principal</u>	<u>Interest</u>	Total
2023	\$ 41,266	\$ 4,622	\$ 45,888
2024	42,927	4,083	47,010
2025	44,624	3,524	48,148
2026	46,385	2,943	49,328
2027	46,939	2,349	49,288
Thereafter	<u>160,903</u>	<u>3,356</u>	<u>164,259</u>
Total	\$ 383,044	\$ 20,877	\$ 403,921

Note 8. Defined Benefit Pension 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 statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reportingand-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 nonservice-related disability eligibility. The service-related and nonservice-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 8. Defined Benefit Pension Plan

General Information about the Pension Plan

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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

	TCRS Hybrid
Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<div style="border-top: 1px solid black; display: inline-block; width: 100%;"></div> 2
	9

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for the City were \$3,759, based on a rate of 1.59% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contributions (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)

Pension Liabilities (Assets)

The City's net pension liability (asset) was measured as of June 30, 2021 and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, and averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 8. Defined Benefit Pension Plan

Net Pension Liability (Asset)

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in Assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (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 2.25%. 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:

Asset class	Long-term expected real rate of return	Target allocation
US equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
US fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

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

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 8. Defined Benefit Pension Plan

Net Pension Liability (Asset)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. 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 ADC 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 statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a)-(b)
Balance, June 30, 2020	\$ 250,633	\$ 380,375	\$ (129,742)
Service cost	15,790	-	15,790
Interest	19,249	-	19,249
Experience differences	10,346	-	10,346
Changes in assumptions	49,624	-	49,624
Contributions, employer	-	5,465	(5,465)
Contributions, employees	-	10,929	(10,929)
Net investment income	-	99,978	(99,978)
Benefit payments/refunds	(1,840)	(1,840)	-
Administrative expenses	-	(198)	198
Net changes	<u>93,169</u>	<u>114,334</u>	<u>(21,165)</u>
Balance, June 30, 2021	\$ 343,802	\$ 494,709	\$ (150,907)

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ (98,446)	\$ (150,907)	\$ (194,166)

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

Pension Expense (Negative Pension Expense)

For the year ended June 30, 2022, the City recognized pension expense (negative pension expense) of \$(3,480).

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 8. Defined Benefit Pension Plan

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

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 34,514	\$ 14,249
Net difference between projected and actual earnings on pension plan investments	-	53,457
Changes in assumptions	42,501	-
Contributions subsequent to the measurement date of June 30, 2021	5,026	-
	\$ 82,041	\$ 67,706

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," 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:

Year ended June 30,	
2023	\$ 2,065
2024	(3,577)
2025	1,851
2026	(1,025)
2027	9,995
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2022, the City reported a payable of \$3,150 for the outstanding amount of contributions to the pension plan required as of the end of the year.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 9. Defined Contribution Pension Plans

City employees are eligible to participate in the following defined contribution pension plans depending on date of hire and certain eligibility factors:

Plan name	Plan administrator	Plan type
State of Tennessee Deferred Compensation Plan II – 401(k)	TCRS	401(k)
Tennessee State Employees Deferred Compensation Plan and Trust – 457(b)	TCRS	457(b)

Participation in the defined contribution pension plans permits participants to defer a portion of their salary to future years. The deferred compensation is not available to them until termination, retirement, death, or unforeseeable emergency.

The City has determined that none of its defined contribution pension plans are fiduciary component units or fiduciary activities of the government.

State of Tennessee Deferred Compensation Plan II – 401(k)

The City's participating employer agreement for the State of Tennessee Deferred Compensation Plan II – 401(k) (State 401(k) Plan) was effective on October 1, 2013. The plan's investments are held in trust by Empower Retirement.

Each employee hired after July 1, 2014, is eligible to participate in the plan for the purpose of making elective deferrals and receiving non-matching contributions. Employee salary reduction contributions are voluntary. Participating employees vest 20% per year after one year of service in non-matching contributions. Forfeitures of unvested amounts for employees that leave employment prior to becoming fully vested will be used first to reduce the employer's non-matching contributions and then to offset plan expenses. The City's non-matching contribution amount is 7% of the employee's compensation for participating employees.

Benefit terms and contribution rates are established and may be amended by formal resolution of the City's Board of Commissioners.

The City's contributions to the State 401(k) Plan recognized in pension expense for the year totaled \$17,138. No forfeitures were used by the City during the year. At June 30, 2022, there were no amounts relating to required contributions payable to the plan.

Tennessee State Employees Deferred Compensation Plan and Trust – 457(b)

The City's participating employer agreement for the Tennessee State Employees Deferred Compensation Plan and Trust – 457(b) (State 457(b) Plan) was effective on October 1, 2013. The plan's investments are held in trust by Empower Retirement.

Each employee hired after July 1, 2014, is eligible to participate in the plan for the purpose of making elective deferrals. Employee salary reduction contributions are voluntary. The City does not make matching or non-matching contributions and, as such, forfeiture policies are not applicable.

City of Oak Hill, Tennessee
Notes to Financial Statements
For the Year Ended June 30, 2022

Note 9. Defined Contribution Pension Plans

Benefit terms and contribution rates are established and may be amended by formal resolution of the City's Board of Commissioners.

Note 10. Other Postemployment Benefits (OPEB) Plan

Employees of the City are provided with pre-age 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 a multiple-employer defined benefit plan that is used to provide OPEB benefits to employees. However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-age 65 retired employees and disability participants of local governments who elect this coverage participate in the LGOP. The City made no contributions to the plan during the year and the associated liability is not material to the City.

Note 11. Risk Management

The City is exposed to various risks of general liability and property and casualty losses. The City has determined it is more economically feasible to join a public entity risk pool than to purchase commercial insurance for general liability and property and casualty coverage. The City joined the 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.

Note 12. Prior Period Adjustments

In June 2017, GASB issued Statement No. 87, *Leases*, (GASB 87) which established a single model for lease accounting based on the foundational principles that leases are financing and requires the lessee to recognize a lease liability and intangible right-to-use asset. This standard was clarified by portions of GASB Statement No. 92, *Omnibus 2020*. The City adopted the standard (and related clarifications) and retroactively applied the accounting effective July 1, 2021 through the recognition of lease assets and related lease liabilities. During fiscal year 2022, the City adopted GASB 87 and 92 using the full retrospective approach. The accompanying financial statements as of and for the year ended June 30, 2021, have been restated for the change, which decreased net position by \$3,843. As a result of adopting GASB 87 and 92, the City recorded intangible right-to-use assets of \$448,298 with accumulated amortization of \$35,318 and recognized lease liabilities of \$416,823.

A prior period adjustment of \$146,372 was made to the governmental activities and general fund to increase previously stated net position/fund balance of \$10,024,241 and \$8,256,484, respectively. The correction of an error was made to properly state various taxes collected by the state and remitted to the City.

Note 13. Subsequent Events

On November 1, 2022, the City, as a non-entitlement unit of local government, received \$669,979, passed through the State, from the US Treasury. This amount represents the second half of the City's total \$1,339,958 allocation from the Coronavirus State and Local Fiscal Recovery Funds, a part of the American Rescue Plan Act of 2021.

Required Supplementary Information

City of Oak Hill, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
City TCRS Pension Plan (Unaudited)
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 15,790	\$ 16,062	\$ 15,915	\$ 13,775	\$ 3,055	\$ 27,159	\$ 65,703	\$ -
Interest	19,249	16,023	13,339	10,768	8,512	11,682	5,504	-
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between actual and expected experience	10,346	13,600	7,622	8,781	8,720	(56,999)	49,714	7,680
Changes in assumptions	49,624	-	-	-	4,018	-	-	-
Benefit payments, including refunds of employee contributions	(1,840)	-	-	-	-	-	-	-
Net change in total pension liability	93,169	45,685	36,876	33,324	24,305	(18,158)	120,921	7,680
Total pension liability, beginning of year	250,633	204,948	168,072	134,748	110,443	128,601	7,680	-
Total pension liability, end of year (a)	343,802	250,633	204,948	168,072	134,748	110,443	128,601	7,680
Plan Fiduciary Net Position								
Contributions, employer	5,465	5,221	4,668	7,229	3,245	887	2,953	3,719
Contributions, employees	10,929	12,255	10,957	16,969	7,617	2,083	62,749	78,897
Net investment income	99,978	17,569	23,417	22,600	25,953	5,744	5,446	14,605
Benefit payments, including refunds of employee contributions	(1,840)	-	-	-	-	-	-	-
Administrative expenses	(198)	(266)	(267)	(285)	(229)	(76)	(51)	(137)
Net change in plan fiduciary net position	114,334	34,779	38,775	46,513	36,586	8,638	71,097	97,084
Plan fiduciary net position, beginning of year	380,375	345,596	306,821	260,308	223,722	215,084	143,987	46,903
Plan fiduciary net position, end of year (b)	494,709	380,375	345,596	306,821	260,308	223,722	215,084	143,987
Net pension liability (asset), end of year (a)-(b)	\$ (150,907)	\$ (129,742)	\$ (140,648)	\$ (138,749)	\$ (125,560)	\$ (113,279)	\$ (86,483)	\$ (136,307)
Plan fiduciary net position as a percentage of total pension liability	143.89%	151.77%	168.63%	182.55%	193.18%	202.57%	167.25%	1874.83%
Covered payroll	\$ 218,588	\$ 245,109	\$ 219,143	\$ 211,916	\$ 152,342	\$ 41,661	\$ 138,648	\$ 174,586
Net pension liability (asset) as a percentage of covered payroll	(69.04%)	(52.93%)	(64.18%)	(65.47%)	(82.42%)	(271.91%)	(62.38%)	(78.07%)

Notes to Schedule

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

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

Information in this schedule is presented for the fiscal year. The measurement year is the prior period (i.e., the measurement date for fiscal year 2022, is June 30, 2021).

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
Schedule of Employer's Contributions
City TCRS Pension Plan (Unaudited)
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 7,229	\$ 3,245	\$ 887	\$ 2,953	\$ 3,719
Contributions in relation to									
actuarially determined contribution	3,759	5,465	5,221	4,668	7,229	3,245	887	2,953	3,719
Contribution deficiency (excess)	\$ (3,759)	\$ (5,465)	\$ (5,221)	\$ (4,668)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 235,964	\$ 218,588	\$ 245,109	\$ 219,143	\$ 211,916	\$ 152,342	\$ 41,661	\$ 138,648	\$ 174,586
Contributions as a percentage of covered payroll	1.59%	2.50%	2.13%	2.13%	3.41%	2.13%	2.13%	2.13%	2.13%

Notes to Schedule

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.

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

Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed, within a 20% corridor to market value
Inflation	2.50%
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 adjustment for some anticipated improvement
Cost-of-living adjustment	2.25%

Supplementary Information

City of Oak Hill, Tennessee
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 For the Year Ended June 30, 2022

Grantor / Pass-through Grantor	Program name	Assistance Listing number	Contract number	Expenditures
Federal Awards				
U.S. Department of the Treasury / Tennessee Department of Finance and Administration	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 96,884
State Financial Assistance				
Tennessee Department of Finance and Administration	Governor's Local Government Support Grant	N/A	N/A	64,409
Total federal awards and state financial assistance				\$ 161,293

Notes

Note 1. Basis of Presentation

This schedule of expenditures of federal awards and state financial assistance summarizes the expenditures of the City under programs of the federal and state governments for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, change in net position, or cash flows of the City. Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. Indirect Cost Rate

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

City of Oak Hill, Tennessee
Schedule of Changes in Lease Obligations
For the Year Ended June 30, 2022

Description of indebtedness	Original amount of issue	Interest rate	Date of issue	Maturity date	Restated outstanding July 1, 2021	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding June 30, 2022
Governmental Activities									
<i>Leases payable through general fund</i>									
Building rental	\$ 448,298	1.26%	10/01/2020	09/01/2030	\$ 416,823	\$ -	\$ 38,531	\$ -	\$ 378,292
Copier rental	5,940	2.03%	06/18/2021	06/18/2026	5,940	-	1,188	-	4,752
Total leases payable - Governmental Activities					\$ 422,763	\$ -	\$ 39,719	\$ -	\$ 383,044

City of Oak Hill, Tennessee
Schedule of Lease Obligations, Principal, and Interest Requirements by Fiscal Year
June 30, 2022

Fiscal Year Ending	Building rental		Copier rental		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 40,114	\$ 4,536	\$ 1,152	\$ 86	\$ 41,266	\$ 4,622
2024	41,751	4,021	1,176	62	42,927	4,083
2025	43,424	3,486	1,200	38	44,624	3,524
2026	45,161	2,929	1,224	14	46,385	2,943
2027	46,939	2,349	-	-	46,939	2,349
2028	48,771	1,747	-	-	48,771	1,747
2029	50,662	1,122	-	-	50,662	1,122
2030	52,603	473	-	-	52,603	473
2031	8,867	14	-	-	8,867	14
	\$ 378,292	\$ 20,677	\$ 4,752	\$ 200	\$ 383,044	\$ 20,877

Internal Control and Compliance Section



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Commissioners
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 (*Government Auditing Standards*), the financial statements of the governmental activities and the general fund of the City of Oak Hill, Tennessee (the City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 13, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 deficiency described in the accompanying schedule of findings and responses as item 2022-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2022-002 to be a significant deficiency.

Report on 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 financial statements. 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's Response to Findings

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

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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
December 13, 2022

City of Oak Hill, Tennessee
Schedule of Findings and Responses
For the Year Ended June 30, 2022

Finding No. 2022-001. **Timely and Accurate Bank Reconciliations**
(Material Weakness)

Criteria

A good system of internal controls requires timely and accurate bank reconciliations of all cash accounts.

Condition

During our audit we noted that the general checking account was not timely or accurately reconciled throughout the year and at year-end.

Cause

The City's internal controls over financial reporting did not identify, or detect and correct, the deficiency in internal control on a timely basis.

Effect

An adjustment was required to properly reflect the unreconciled transactions. Furthermore, the City's expenditures in the general fund exceeded the appropriated amounts by \$201,592, in part due to the delayed reconciliations.

Recommendation

We recommend that bank reconciliations be performed timely and accurately.

Management's Response

The City experienced unanticipated turnover at the City Manager level as well as with its outsourced accounting assistance provider. Beginning in September 2022, the City engaged a certified public accountant/certified municipal financial officer who has been reconciling bank accounts timely.

City of Oak Hill, Tennessee
Schedule of Findings and Responses
For the Year Ended June 30, 2022

Finding No. 2022-002. **Timely and Accurate Other Account Reconciliations**
(Significant Deficiency)

Criteria

A good system of internal controls requires timely and accurate reconciliations of accounts.

Condition

During our audit we noted that the following accounts were not timely or accurately reconciled throughout the year and at year-end: state shared taxes, local option sales taxes, sanitation accounts receivable, and sanitation unearned revenues.

Cause

The City's internal controls over financial reporting did not identify, or detect and correct, the deficiency in internal control on a timely basis.

Effect

Adjustments was required to properly classify amounts and present them in the correct period.

Recommendation

We recommend that general ledger accounts be reconciled on a monthly basis.

Management's Response

The City experienced unanticipated turnover at the City Manager level as well as with its outsourced accounting assistance provider. Beginning in September 2022, the City engaged a certified public accountant/certified municipal financial officer who has been reconciling accounts timely.

City of Oak Hill, Tennessee
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2022

Financial Statement Findings

Finding Number	Finding Title	Status
2021-001	Reconciliation of Accounts Payable	Corrected
2021-002	Garbage and Recycling Billing System Revenue Recognition	Corrected

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
N/A	There were no prior findings reported	N/A



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**Management's Corrective Action Plan
For the Year Ended June 30, 2022**

December 13, 2022

To the Comptroller of the Treasury

Division of Local Government Audit

The City of Oak Hill, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2022.

Finding No. 2022-001 – Timely and Accurate Bank Reconciliations

Management accepts the recommendation.

Corrective Action Taken:

The City experienced unanticipated turnover at the City Manager level as well as with its outsourced accounting assistance provider. Beginning in September 2022, the City engaged a certified public accountant/certified municipal financial officer who has been reconciling bank accounts timely.

Anticipated Completion Date: **December 31st, 2022**

Responsible Party: J. Steven Collie, City Manager

Finding No. 2022-002 – Timely and Accurate Other Account Reconciliations

Management accepts the recommendation.

Corrective Action Taken:

The City experienced unanticipated turnover at the City Manager level as well as with its outsourced accounting assistance provider. Beginning in September 2022, the City engaged a certified public accountant/certified municipal financial officer who has been reconciling bank accounts timely.

Anticipated Completion Date: **December 31st, 2022**

Responsible Party: J. Steven Collie, City Manager

Sincerely,

A blue ink signature of J. Steven Collie.

J. Steven Collie
City Manager