

CITY OF OAK HILL, TENNESSEE

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

**CITY OF OAK HILL, TENNESSEE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015**

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ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

**CITY OF OAK HILL, TENNESSEE
OFFICIALS (UNAUDITED)
JUNE 30, 2015**

ELECTED BOARD OF MAYOR AND COMMISSIONERS

Ron Coles	Mayor
Heidi Campbell	Vice-Mayor
Austin McMullen	Commissioner

CITY MANAGEMENT TEAM

Jeff Clawson	City Manager
Victoria Talbott	Administrative Assistant

FINANCIAL SECTION



BELLENFANT

CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

INDEPENDENT AUDITORS' REPORT

Mayor and Commissioners
City of Oak Hill, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund of the City of Oak Hill, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Oak Hill, Tennessee, as of June 30, 2015, and the respective changes in financial position, and, respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of capital assets by function and activity, schedule of changes in capital assets, and schedule of cash and cash equivalents and investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of capital assets by function and activity, schedule of changes in capital assets, and schedule of cash and cash equivalents and investments are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 30, 2015, on my consideration of the City of Oak Hill, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Oak Hill, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Bellenfant PLLC".

November 30, 2015

**CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

As management of the City of Oak Hill, Tennessee ("the City"), we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2015. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD & A) focuses on current year activities and resulting changes.

Financial Highlights

The assets of the City exceeded its liabilities by \$5,421,815 at June 30, 2015. Of this amount, unrestricted net position of \$4,791,078 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 \$59,036 for the year ended June 30, 2015, primarily as a result of the addition of pension income.

As of June 30, 2015, the City's governmental funds reported ending fund balances of \$4,791,078 representing an increase of \$149,384 from the previous year. The increase was due to reasons explained above.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

**CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

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

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

Fund Financial Statements

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

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

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

The City maintains an individual governmental fund. Information is presented separately in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund.

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

Notes to the Financial Statements

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

**CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

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

As noted earlier, net position may serve over time as a useful indicator of government's financial position. At June 30, 2015, the City's assets exceeded liabilities by \$5,421,815. The smallest portion of the City's net position (13.16%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure). The City's capital assets are used to provide services to citizens and they are not available for future spending.

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

	Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Current and other assets	\$ 4,797,380	\$ 4,658,557
Capital assets	630,737	670,463
Deferred Outflows of Resources	<u>8,686</u>	<u>-</u>
Total Assets	<u>\$ 5,436,803</u>	<u>\$ 5,329,020</u>
Other liabilities	\$ 8,593	\$ 16,863
Deferred Inflows of Resources	<u>6,395</u>	<u>-</u>
Total Liabilities	<u>\$ 14,988</u>	<u>\$ 16,863</u>
Net position:		
Net investment in capital assets	630,737	670,463
Unrestricted	<u>4,791,078</u>	<u>4,641,694</u>
Total Net Position	<u>\$ 5,421,815</u>	<u>\$ 5,312,157</u>

**CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Government-wide comparison of revenues and expenses:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Variance</u>
Revenues:			
Program Revenues:			
Charge for services	\$ 390,537	\$ 234,184	\$ 156,353
Operating grants and contributions	120,732	125,358	(4,626)
General Revenues:			
Sales tax	352,635	399,230	(46,595)
State income tax	464,097	476,692	(12,595)
In lieu of taxes	54,346	50,107	4,239
State beer tax	2,243	2,143	100
Interest and investment income	50,455	55,261	(4,806)
Pension income	85,434	-	85,434
Other	1,913	5,939	(4,026)
	<u>\$ 1,522,392</u>	<u>\$ 1,348,914</u>	<u>\$ 173,478</u>
Expenditures:			
General government	\$ 508,336	\$ 809,521	\$ (301,185)
Highways and streets	511,080	521,657	(10,577)
Sanitation	443,940	456,442	(12,502)
Total Expenditures	<u>\$ 1,463,356</u>	<u>\$ 1,787,620</u>	<u>\$ (324,264)</u>
Change in net position	<u>\$ 59,036</u>	<u>\$ (438,706)</u>	<u>\$ 497,742</u>

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,421,815. Of this amount \$4,791,078 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The government's total net position increased by \$59,036 primarily due to the addition of pension income.

Financial Analysis of the Financial Statements

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

Governmental Funds

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

Governmental Budgetary Highlights

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

**CITY OF OAK HILL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

Capital Assets

The City's investment in capital assets from its governmental activities at June 30, 2015, totaled \$630,737 (net of accumulated depreciation). This investment in capital assets is in buildings, infrastructure, and equipment.

	<u>Capital Assets</u>	
	Governmental Activities	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Buildings	\$ 319,577	\$ 319,577
Infrastructure	660,472	660,472
Equipment	77,058	77,058
	<u>1,057,107</u>	<u>1,057,107</u>
Less accumulated depreciation	<u>(426,370)</u>	<u>(386,644)</u>
Net Capital Assets	<u>\$ 630,737</u>	<u>\$ 670,463</u>

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

Request for Information

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE FINANCIAL STATEMENTS

CITY OF OAK HILL, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Total
<u>ASSETS</u>		
Current Assets:		
Cash	\$ 284,063	\$ 284,063
Investments	3,902,729	3,902,729
Accounts receivable from other governments	464,097	464,097
Prepaid expenses	10,184	10,184
Net Pension Asset	136,307	136,307
Capital assets, net of accumulated depreciation	630,737	630,737
TOTAL ASSETS	\$ 5,428,117	\$ 5,428,117
Deferred Outflows of Resources -		
Pension deferrals	8,686	8,686
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts payable	8,593	8,593
TOTAL LIABILITIES	\$ 8,593	\$ 8,593
Deferred Inflows of Resources -		
Pension deferrals	6,395	6,395
<u>NET POSITION</u>		
Net investment in capital assets	630,737	630,737
Unrestricted	4,791,078	4,791,078
TOTAL NET POSITION	\$ 5,421,815	\$ 5,421,815

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

**CITY OF OAK HILL, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	TOTAL
Governmental Activities:						
General government	\$ 508,336	\$ 390,537	\$ -	\$ -	\$ (117,799)	\$ (117,799)
Highway and streets	511,080	-	120,732	-	(390,348)	(390,348)
Sanitation	443,940	-	-	-	(443,940)	(443,940)
Total governmental activities	1,463,356	390,537	120,732	-	(952,087)	(952,087)
General revenues:						
Sales tax					352,635	352,635
State income tax					464,097	464,097
In lieu of taxes					54,346	54,346
State beer tax					2,243	2,243
Interest and investment income					50,455	50,455
Pension income					85,434	85,434
Other					1,913	1,913
Total general revenues					1,011,123	1,011,123
Change in net position					59,036	59,036
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED					5,312,157	5,312,157
PRIOR PERIOD ADJUSTMENT (Note 1)					50,622	50,622
NET POSITION, BEGINNING OF YEAR, AS RESTATED					5,362,779	5,362,779
NET POSITION, END OF YEAR					\$ 5,421,815	\$ 5,421,815

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

FUND FINANCIAL STATEMENTS

**CITY OF OAK HILL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General	Total Governmental Funds
<u>ASSETS</u>		
Cash	\$ 284,063	\$ 284,063
Investments	3,902,729	3,902,729
Accounts receivable from other governments	464,097	464,097
Prepaid expenses	10,184	10,184
Net Pension Asset	136,307	136,307
TOTAL ASSETS	\$ 4,797,380	\$ 4,797,380
 Deferred Outflows of Resources	 8,686	 8,686
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 \$ 4,806,066	 \$ 4,806,066
 <u>LIABILITIES</u>		
Accounts payable	8,593	8,593
TOTAL LIABILITIES	8,593	8,593
 Deferred Inflows of Resources	 6,395	 6,395
 <u>FUND BALANCES</u>		
Unassigned	4,791,078	4,791,078
TOTAL FUND BALANCES	4,791,078	4,791,078
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 \$ 4,806,066	 \$ 4,806,066

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

CITY OF OAK HILL, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Governmental Funds Balance		\$ 4,791,078
Adjustments		
Capital assets, net of depreciation		
Assets	1,057,107	
Accumulated depreciation	<u>(426,370)</u>	630,737
Net Position Balance		<u><u>\$ 5,421,815</u></u>

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

CITY OF OAK HILL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General	Total Governmental Funds
REVENUES		
Licenses and permits	\$ 267,633	\$ 267,633
Local Sales Tax	30,774	30,774
Franchise Fees	106,532	106,532
State Sales Tax	321,861	321,861
State Income Tax	464,097	464,097
Beer Tax	2,243	2,243
Petroleum Special	8,771	8,771
TVA in Lieu of Tax	54,346	54,346
Telecommunications Sales Tax	448	448
Gas 1989	12,301	12,301
Gas 3 Cent	22,831	22,831
Gasoline and Motor Fuel Tax	76,830	76,830
Pension	85,434	85,434
Miscellaneous	68,291	68,291
	1,522,392	1,522,392
EXPENDITURES		
General Government	468,610	468,610
Highways and streets	511,080	511,080
Sanitation	443,940	443,940
	1,423,630	1,423,630
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	98,762	98,762
FUND BALANCES, JULY 1, 2014	4,641,694	4,641,694
PRIOR PERIOD ADJUSTMENT	50,622	50,622
FUND BALANCES, JUNE 30, 2015	\$ 4,791,078	\$ 4,791,078

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

CITY OF OAK HILL, TENNESSEE
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO STATEMENT OF
ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Net Change in Fund Balance - Total Governmental Funds \$ 98,762

Amounts reported for governmental activities in the statement of net position
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 (39,726)

Change in Net Position of Governmental Activities \$ 59,036

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

**CITY OF OAK HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
REVENUES:				
Licenses and permits	\$ 166,025	\$ 217,075	\$ 267,633	\$ 50,558
INTERGOVERNMENTAL				
TVA in Lieu of Tax	51,750	50,000	54,346	4,346
State sales tax	338,000	344,000	321,861	(22,139)
Local sales tax	5,000	27,915	30,774	2,859
State income tax	464,000	464,000	464,097	97
Beer tax	2,300	2,409	2,243	(166)
Petroleum Special	9,600	9,564	8,771	(793)
State street aid	125,000	113,899	111,962	(1,937)
(Gas 1989, Gas 3 Cent, Gasoline and Motor Fuel Tax)				
Franchise fees	98,000	88,925	106,532	17,607
Planning and zoning fees	16,000	16,000	17,000	1,000
Total intergovernmental	1,109,650	1,116,712	1,117,586	874
OTHER REVENUES				
Pension	-	-	85,434	85,434
Interest and investment income	50,000	46,000	50,455	4,455
Grants - 2010 Flood	325	42,000	-	(42,000)
Miscellaneous revenues	1,500	2,886	1,284	(1,602)
Total other revenues	51,825	90,886	137,173	46,287
TOTAL REVENUES	1,327,500	1,424,673	1,522,392	97,719

**CITY OF OAK HILL TENNESSEE
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
EXPENDITURES:				
GENERAL GOVERNMENT				
Salaries and wages	\$ 250,000	\$ 235,802	\$ 243,973	\$ 8,171
Employee benefits	75,000	55,161	45,997	(9,164)
Occupancy	47,600	46,499	42,763	(3,736)
Professional services	55,000	65,298	60,328	(4,970)
Public safety	16,000	2,730	2,730	-
Public relations	20,000	32,417	26,400	(6,017)
Office expenses	6,000	2,820	4,191	1,371
Insurance	28,400	9,141	23,557	14,416
Legal notices	4,000	828	694	(134)
Repairs and maintenance	2,000	1,451	1,293	(158)
Dues and subscriptions	5,000	4,380	4,524	144
Training	1,000	1,000	180	(820)
Travel and vehicle expense	-	2,569	3,260	691
Election	-	7,479	7,479	-
Miscellaneous	5,000	4,245	1,241	(3,004)
	<u>515,000</u>	<u>471,820</u>	<u>468,610</u>	<u>(3,210)</u>
Total general government	515,000	471,820	468,610	(3,210)

CITY OF OAK HILL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
HIGHWAYS AND STREETS				
Street lights	\$ 43,500	\$ 43,292	\$ 42,923	\$ (369)
Emergency	15,000	15,000	750	(14,250)
Professional services	30,000	145,592	173,228	27,636
Chipper and tree service	150,000	151,091	152,480	1,389
ROW maintenance	28,000	15,000	4,908	(10,092)
Drainage systems maintenance	20,000	12,000	6,453	(5,547)
Street maintenance	150,000	150,000	26,615	(123,385)
Snow removal	60,000	100,000	102,672	2,672
Street supplies	6,000	5,000	1,051	(3,949)
Total highways and streets	<u>502,500</u>	<u>636,975</u>	<u>511,080</u>	<u>(125,895)</u>
SANITATION				
Contract services	<u>308,000</u>	<u>444,000</u>	<u>443,940</u>	<u>(60)</u>
TOTAL EXPENDITURES	<u>1,325,500</u>	<u>1,552,795</u>	<u>1,423,630</u>	<u>(129,165)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,000	(128,122)	98,762	226,884
FUND BALANCE, JULY 1, 2014	4,641,694	4,641,694	4,641,694	-
PRIOR PERIOD ADJUSTMENT	<u>50,622</u>	<u>50,622</u>	<u>50,622</u>	<u>-</u>
FUND BALANCE, JUNE 30, 2015	<u>\$ 4,694,316</u>	<u>\$ 4,564,194</u>	<u>\$ 4,791,078</u>	<u>\$ 226,884</u>

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, include whether:

- The Organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, management has determined the city has no component units.

Accounting Pronouncements

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

Government-Wide and Fund Financial Statements

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Measurement Focus, Basis of Accounting, and Financial Statements Presentation

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

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

State shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Implementation of New Accounting Principles

In June 2012 the Governmental Accounting Standards Board issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014. This statement revises existing standards for measuring and reporting pension liabilities for pensions provided by the Town to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The Town's Net Position at that date was restated to reflect the effects of this pronouncement as follows:

Net Position, June 30, 2014	\$	5,312,157
Recognition of Pension Asset	\$	50,622
Restated Net Position, July 1, 2014	\$	5,362,779

The government reports the following major fund:

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

Cash and Cash Equivalents

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

Receivables and Payables

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

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets, and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 or more and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is 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	30 years
Building	30 years
Furniture and Equipment	5-10 years

Investments

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

Estimates

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

Credit Risk

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

Fund Balance

The City implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are reported in the following manner:

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

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.

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

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

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

Unbilled Revenue

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

Restricted Funds

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgets and Budgetary Accounting

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

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

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

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.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

3. INVESTMENTS

The City has investments of \$3,902,729 with Stern Agee. These investments include cash and cash equivalents of \$333,933, certificates of deposit of \$3,154,995 and federal government bonds of \$413,801. These investments must be collateralized and must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the City and must total a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The City's investments with financial institutions are invested in certificate of deposits which are all insured by the FDIC and US governments securities which are guaranteed by the United States government.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 consist of the following:

<u>Fund</u>	<u>Other Government</u>
General Fund	<u>\$ 464,097</u>

5. CAPITAL ASSETS

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

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Building	\$ 319,577	\$ -	\$ -	\$ 319,577
Infrastructure	660,472	-	-	660,472
Equipment	<u>77,058</u>	<u>-</u>	<u>-</u>	<u>77,058</u>
Total	1,057,107	<u>-</u>	<u>-</u>	1,057,107
Less accumulated depreciation	<u>(386,644)</u>			<u>(426,370)</u>
Net capital assets	<u>\$ 670,463</u>			<u>\$ 630,737</u>

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

General Fund:

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

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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.

7. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description

Employees of Oak Hill 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 www.treasury.tn.gov/tcrs.

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 65 with 5 years of service 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 year average compensation and the member's years of service credit. Reduced benefits for early retirement are permitted 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.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

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 onehalf percent. A one percent COLA is granted if the CPI change is between onehalf percent and one percent. 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, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	5
Active Employees	4
Total	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 percent of salary. Oak Hill makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Oak Hill were \$2,542 based on a rate of 1.06% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Oak Hill's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability

Net Pension Liability (Asset)

Oak Hill net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.5 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 Oak Hill 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 (CONTINUED)
JUNE 30, 2015

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 6/30/13	\$ -	\$ 46,903	\$ (46,903)
Changes for the year			-
Service Cost	-	-	-
Interest	-	-	-
Differences between expected and actual experience	7,680	-	7,680
Contributions- employer		3,719	(3,719)
Contributions- employees		78,897	(78,897)
Net Investment Income		14,605	(14,605)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense		(137)	137
Net Changes	<u>7,680</u>	<u>97,084</u>	<u>(89,404)</u>
Balance at 6/30/14	<u>\$ 7,680</u>	<u>\$ 143,987</u>	<u>\$ (136,307)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of Oak Hill calculated using the discount rate of 7.5 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 (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Oak Hill's net pension liability (asset)	<u>\$ (135,278)</u>	<u>\$ (136,307)</u>	<u>\$ (137,228)</u>

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

Pension income

For the year ended June 30, 2015, Oak Hill recognized pension income of \$85,434.

CITY OF OAK HILL, TENNESSEE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2015

Deferred outflows of resources and deferred inflows of resources.

For the year ended June 30, 2015, Oak Hill 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	\$ 6,144	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,395
Contributions subsequent to the measurement date of June 30, 2014	2,542	(Not Applicable)
Total	\$ 8,686	\$ 6,395

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2014," 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:

2016	\$ (63)
2017	(63)
2018	(63)
2019	(63)
2020	-
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, 2015, Oak Hill reported a payable of \$413 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 15, 2015 which is the date of the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CITY OF OAK HILL, TENNESSEE
Schedule of Changes in Oak Hill's Net Pension Liability (Asset)
and Related Ratios Based on Participation in the
Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014
Total pension liability	
Service cost	\$ -
Interest	-
Changes in benefit terms	-
Differences between actual & expected experience	7,680
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
Net change in total pension liability	7,680
Total pension liability-beginning	-
Total pension liability-ending (a)	\$ 7,680
 Plan fiduciary net position	
Contributions-employer	\$ 3,719
Contributions-employee	78,897
Net investment income	14,605
Benefit payments, including refunds of employee contributions	-
Administrative expense	(137)
Net change in plan fiduciary net position	97,084
Plan fiduciary net position-beginning	46,903
Plan fiduciary net position-ending (b)	\$ 143,987
 Net Pension Liability (asset)-ending (a) - (b)	\$ (136,307)
 Plan fiduciary net position as a percentage of total pension liability	1874.83%
 Covered-employee payroll	\$ 174,586
 Net pension liability (asset) as a percentage of covered-employee payroll	78.07%

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

CITY OF OAK HILL, TENNESSEE
Schedule of Oak Hill's Contributions
Based on Participation in the Public Employee Pension Plan of TCRS
JUNE 30, 2015

	Last Fiscal Year ending June 30	
	2014	2015
Actuarially determined contribution	\$ 3,719	\$ 2,542
Contributions in relation to the actuarially determined contribution	3,719	2,542
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 174,586	\$ 238,572.00
Contributions as a percentage covered-employee payroll	2.13%	1.06%

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

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	n/a
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
JUNE 30, 2015

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

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Description</u>	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Building	\$ 319,577	\$ -	\$ -	\$ 319,577
Infrastructure	660,472	-	-	660,472
Equipment	<u>77,058</u>	<u>-</u>	<u>-</u>	<u>77,058</u>
Total Assets	<u>\$ 1,057,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,107</u>

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF CASH AND CASH EQUIVALENTS AND INVESTMENTS
JUNE 30, 2015

	<u>Carrying Value</u>
General Fund	
Petty Cash	\$ 150
Demand deposits - Pinnacle	281,140
State of Tennessee - local government investment pool	1,123
Investments	<u>3,902,729</u>
Total - General Fund	<u>4,185,142</u>
Total - All Funds	<u><u>\$ 4,185,142</u></u>

COMPLIANCE AND INTERNAL CONTROL



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CERTIFIED PUBLIC ACCOUNTING FIRM

Professional Accounting & Consulting Services

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

Mayor and Commissioners of the
City of Oak Hill, Tennessee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Oak Hill, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Oak Hill, Tennessee's basic financial statements, and have issued my report thereon dated November 30, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered City of Oak Hill, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Oak Hill, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of City of Oak Hill, Tennessee's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that I consider to be significant deficiencies as item 14-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oak Hill, Tennessee's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Oak Hill, Tennessee's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.



November 30, 2015

CITY OF OAK HILL, TENNESSEE

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2015

PART 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

PART II - FINDINGS FINANCIAL STATEMENTS AUDIT

14-01 - SEGREGATION OF DUTIES

Condition:

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

Criteria:

Internal control should require that functions are strengthened.

Cause:

The size of the office staff is very small.

Effect:

Segregation of duties is not possible with a small office.

Recommendation:

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

Views of Responsible Officials and Planned Corrective Actions:

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

CITY OF OAK HILL, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS

JUNE 30, 2015

Audit finding 14-01 is same finding as year ended June 30, 2014.