

Town of Oakland, Tennessee
Audited Financial Statements
For The Year Ended
June 30, 2012

TOWN OF OAKLAND, TENNESSEE
June 30, 2012

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June 30, 2012

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TOWN OF OAKLAND, TENNESSEE
June 30, 2012

ROSTER – BOARD OF ALDERMAN

SCOTT FERGUSON – MAYOR
KARL CHAMBLESS – VICE MAYOR
CHUCK WOMBOUGH – ALDERMAN
JOHN EVANS – ALDERMAN
MAGGIE POWERS – ALDERMAN

HARVEY ELLIS – PUBLIC WORKS

WALTER OWEN – BUILDING INSPECTOR



Brownsville | Jackson | Martin | Milan | Paris

Clark H. Cowart, CPA
 B. Rex Baker, CPA
 Fancher P. Sargent, CPA
 T. Paul Anderson, CPA, CFE
 Beth Paschall, CPA
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Independent Auditors' Report

To the Honorable Mayor and
 Board of Aldermen
 Town of Oakland, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oakland, Tennessee, as of and for the year ended June 30, 2012 and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Oakland, Tennessee's management.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Disclaimer of Opinion

There was significant missing documentation related debit card transactions that prevented us from being able to determine completeness and accuracy of the transactions as well as missing documentation related to other expenditures of the Town for legal expenditures in excess of \$150,000.

As there was no information and/or other supporting documents provided to us to resolve the above matters and we are unable to carry out other audit procedures to satisfy ourselves as to the accuracy and appropriateness of these transactions and that they do not contain misstatements that may materially affect the current year amounts reflected in the financial statements.

Disclaimer of Opinion

Because of the matters described in the Basis for Disclaimer Opinion paragraphs above, we are unable to form an opinion as to the appropriateness of the financial statements of the Town.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oakland's basic financial statements. The accompanying other supplemental information such as the combining and individual nonmajor fund financial statements and the other information, such as the roster of public officials and other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental 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. 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. Because of the matters described in the Basis for Disclaimer Opinion paragraphs above, we are unable to form an opinion as to the appropriateness of the other supplemental information of the Town.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2014, on our consideration of the Town's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Town's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs
Jackson, TN
July 9, 2014

Management's Discussion and Analysis

This section of the Town of Oakland, Tennessee's annual financial report presents a narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2012.

Financial Highlights

- The assets of the Town's governmental activities exceeded its liabilities at the close of the fiscal year by \$2,854,522 (*net assets*). Of this amount, \$345,347 is restricted for Special Revenue Programs.
- The net assets of the Town's business-type activities increased \$176,415, or 1% percent
- The Town received property taxes and in lieu of taxes of \$372,075, local taxes of \$2,375,160, intergovernmental revenue of \$571,720, and federal awards and other assistance of \$15,000.
- As of the close of the fiscal year, the Town's governmental funds reported combined ending fund balances of \$364,615.
- The Town has governmental long-term debt that has increased by \$86,511 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Oakland, Tennessee's financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The first two statements are government-wide financial statements. They are designed to provide readers with both long-term and short-term information about the Town's overall financial status in a manner similar to a private-sector business.

The government-wide financial statements are:

- **Statement of Net Assets** – presents information about the Town's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.
- **Statement of Activities** – presents information showing how the Town's net assets changed during the most recent fiscal year. All current year revenues and expenditures are taken into account regardless of the timing of related cash flows.

Fund financial statements. The fund financial statements provide more detailed information about the more significant funds – not the Town as a whole. Other special revenue funds are established by the Town to help it control and manage money for

designated or restricted purposes or to show that it is meeting legal responsibilities for how certain revenues, grants and other monies are used.

All the funds of the Town can be divided into two types of funds: (1) governmental funds and (2) proprietary funds.

- **Governmental funds** – The Town's basic services are included in the governmental funds. The focus of these funds is on (1) how cash and other financial assets that can readily be converted to cash were received and used and (2) what remains at the end of the fiscal year for future spending. This detailed short-term view helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not include the additional long-term focus of the government-wide statements, we provide additional information after the governmental fund statement that explains the differences between the long-term view and the short-term view.

The Town maintains a general fund and various special revenue funds as governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund and the Solid Waste Fund since these are considered major funds. Data for the other funds is combined into a single column with individual fund data for each of these nonmajor governmental funds provided in the other supplementary information section of this report.

The Town of Oakland, Tennessee adopts a budget for all governmental funds. Budgetary comparisons for the General Fund and the Solid Waste Fund are found in the fund financial statements of this report. Comparisons for the nonmajor governmental funds are provided in the other supplementary information section of this report. Budgetary comparisons for funds with an annual budget are provided to demonstrate compliance with the budget.

- **Proprietary funds** – Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The Town maintains one type of proprietary fund: enterprise funds.

Enterprise funds are the same as business-type activities in the government-wide financial statements but provide more detail and additional information, such as cash flows.

Notes to the financial statements. The financial statements also include notes that provide additional information. These notes are essential to a full understanding of the information provided in the government-wide and fund financial statements.

Other supplementary information. This includes the combining statements for the nonmajor governmental funds, a more detailed budget to actual comparison for the General Fund, and budget to actual comparisons for special revenue funds.

Financial Analysis of the Town as a Whole

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$16,364,865 at the close of the most recent fiscal year. Approximately 90 percent of the Town's net assets reflect its investment in capital assets (land, buildings and equipment). Because capital assets are used to provide services to citizens, the assets are not available for future spending. It should be noted that although the Town reports capital assets net of related debt, the resources needed to repay the debt must be provided from other sources.

Another 2 percent of the Town's net assets represent resources that are restricted in how they may be used. The remaining portion of the Town's net assets, approximately 82 percent, is unrestricted and can be used to provide services to its citizens in the future. At the end of the fiscal year, the Town of Oakland, Tennessee is able to report a positive net asset balance for the government as a whole, as well as for its governmental and business-type activities.

In order to provide a complete picture of the net assets of the Town, information is provided for the net assets and changes in net assets of governmental activities. See the tables on the following page.

General Fund Budgetary Highlights. Local taxes and intergovernmental revenues were more than expected. On the expenditures side, all departments spent less than what was appropriated.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, customers, taxpayers and creditors of the Town with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Town of Oakland
P.O. Box 56
Oakland, Tennessee 38060
(901) 465-8523

Town of Oakland, Tennessee's Net Assets

June 30, 2011 and 2012

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Current and other assets	\$ 2,019,957	\$ 2,328,920	\$ 2,440,867	\$ 2,003,910	\$ 4,460,824	\$ 4,332,830
Capital assets, net	1,539,852	1,308,913	11,203,582	11,780,998	12,743,434	13,089,911
Total assets	<u>3,559,809</u>	<u>3,637,833</u>	<u>13,644,449</u>	<u>13,784,908</u>	<u>17,204,258</u>	<u>17,422,741</u>
Long-term debt	-	31,629	-	-	-	31,629
Other liabilities	863,617	783,311	336,620	274,565	1,200,237	1,057,876
Total liabilities	<u>863,617</u>	<u>814,940</u>	<u>336,620</u>	<u>274,565</u>	<u>1,200,237</u>	<u>1,089,505</u>
Net assets:						
Invested in capital assets, net of debt	1,539,852	1,308,913	11,203,582	11,780,998	12,743,434	13,089,911
Restricted	272,866	345,347	-	-	272,866	345,347
Unrestricted	883,474	1,200,262	2,104,247	1,729,345	2,987,721	2,929,607
Total net assets	<u>\$ 2,696,192</u>	<u>\$ 2,854,522</u>	<u>\$ 13,307,829</u>	<u>\$ 13,510,343</u>	<u>\$ 16,004,021</u>	<u>\$ 16,364,865</u>

Town of Oakland, Tennessee's Changes in Net Assets

June 30, 2011 and 2012

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
Revenues						
Program revenues:						
Charges for services	\$ 1,463,354	1,618,301	\$ 1,752,346	1,963,917	\$ 3,215,700	3,582,218
Grants and contributions	86,659	41,020	-	-	86,659	41,020
General revenues:						
Property & In Lieu of Tax	350,426	372,075	-	-	350,426	372,075
Other taxes	1,566,996	2,122,000	-	-	1,566,996	2,122,000
Investment income	5,455	10,490	3,719	12,287	9,174	22,777
Miscellaneous	3,640	25,100	-	(17,000)	3,640	8,100
Total revenues	<u>3,476,530</u>	<u>4,188,986</u>	<u>1,756,065</u>	<u>1,959,204</u>	<u>5,232,595</u>	<u>6,148,190</u>
Expenses						
Governmental activities:						
General government	786,440	984,811	-	-	786,440	984,811
Finance Administration	139,455	127,627	-	-	139,455	127,627
Public Safety	1,782,270	2,180,448	-	-	1,782,270	2,180,448
Public Works	698,684	640,051	-	-	698,684	640,051
Miscellaneous	-	-	-	-	-	-
Business-type activities:						
Water and Sewer	-	-	1,657,944	1,782,789	1,657,944	1,782,789
Total expenses	<u>3,406,849</u>	<u>3,932,937</u>	<u>1,657,944</u>	<u>1,782,789</u>	<u>5,064,793</u>	<u>5,715,726</u>
Increase (decrease) in net assets	<u>\$ 69,681</u>	<u>\$ 256,049</u>	<u>\$ 98,121</u>	<u>\$ 176,415</u>	<u>\$ 167,802</u>	<u>\$ 432,464</u>

TOWN OF OAKLAND, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,885,634	\$ 1,680,953	\$ 3,566,587
Receivables (net where applicable of allowance for uncollectibles)	443,286	322,957	766,243
Total Current Assets	<u>2,328,920</u>	<u>2,003,910</u>	<u>4,332,830</u>
Noncurrent Assets:			
Capital Assets:			
Land and Land Improvements	486,964	52,054	539,018
Buildings	212,935	2,763	215,698
Equipment	2,400,127	593,642	2,993,769
Easement	-	14,520	14,520
Utility Plant in Service	-	15,530,803	15,530,803
Less Accumulated Depreciation	(1,791,113)	(4,412,784)	(6,203,897)
Total Noncurrent Assets	<u>1,308,913</u>	<u>11,780,998</u>	<u>13,089,911</u>
Total Assets	<u>3,637,833</u>	<u>13,784,908</u>	<u>17,422,741</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	25,426	15,449	40,875
Meter Deposits	-	205,988	205,988
Interfund Balance	(36,404)	36,404	-
Irrevocable Cash Bond	56,000	-	56,000
Deferred Revenues	794,289	-	794,289
Compensated Absences Payable	-	16,724	16,724
Current Portion of Notes Payable	54,882	-	54,882
Total Current Liabilities	<u>839,311</u>	<u>274,565</u>	<u>1,113,876</u>
Long-Term Liabilities			
Notes Payable	86,511	-	86,511
Less: Current Portion	(54,882)	-	(54,882)
Total Long-Term Liabilities	<u>31,629</u>	<u>-</u>	<u>31,629</u>
NET ASSETS			
Invested in Capital Assets	1,308,913	11,780,998	13,089,911
Restricted For:			
Roads and Streets	160,513	-	160,513
Other Purposes	184,834	-	184,834
Unrestricted	1,144,262	1,729,345	2,873,607
Total Net Assets	<u>\$ 2,798,522</u>	<u>\$ 13,510,343</u>	<u>\$ 16,308,865</u>

The notes to the financial statements are an integral part of this statement

TOWN OF OAKLAND, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/ Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$ 984,811	\$ 144,065	\$ -	\$ -	\$ (840,746)	\$ -	\$ (840,746)
Finance Administration	127,627	-	-	-	(127,627)	-	(127,627)
Public Safety	2,180,488	899,172	41,020	-	(1,240,296)	-	(1,240,296)
Public Works	640,051	373,817	-	-	(266,234)	-	(266,234)
Miscellaneous	-	201,247	-	-	201,247	-	201,247
Total Governmental Activities	<u>3,932,977</u>	<u>1,618,301</u>	<u>41,020</u>	<u>-</u>	<u>(2,273,656)</u>	<u>-</u>	<u>(2,273,656)</u>
Business-type Activities:							
Water and Sewer	<u>1,782,789</u>	<u>1,963,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,128</u>	<u>181,128</u>
Total Business-type Activities	<u>1,782,789</u>	<u>1,963,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,128</u>	<u>181,128</u>
Total Primary Government	<u>\$ 5,715,766</u>	<u>\$ 3,582,218</u>	<u>\$ 41,020</u>	<u>\$ -</u>	<u>\$ (2,273,656)</u>	<u>\$ 181,128</u>	<u>\$ (2,092,528)</u>
		General Revenues:					
					\$ 295,555	\$ -	\$ 295,555
					1,194,372	-	1,194,372
					224,254	-	224,254
					44,353	-	44,353
					76,520	-	76,520
					19,870	-	19,870
					426,658	-	426,658
					27,971	-	27,971
					4,045	-	4,045
					3,251	-	3,251
					13,029	-	13,029
					376	-	376
					163,871	-	163,871
					8,100	-	8,100
					10,490	12,287	22,777
					17,000	(17,000)	-
					<u>2,529,715</u>	<u>(4,713)</u>	<u>2,525,002</u>
					256,059	176,415	432,474
					2,696,192	13,307,829	16,004,021
					(153,729)	26,099	(127,630)
					<u>2,542,463</u>	<u>13,333,928</u>	<u>15,876,391</u>
					<u>\$ 2,798,522</u>	<u>\$ 13,510,343</u>	<u>\$ 16,308,865</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,493,840	\$ 62,182	\$ 329,612	\$ 1,885,634
Receivables (net where applicable of allowance for uncollectibles)				
Accounts	101,884	30,740	-	132,624
Interfund	113,591	22,312	-	135,903
Taxes	310,662	-	-	310,662
Grants	-	-	-	-
Interest	-	-	-	-
Total Assets	<u>2,019,977</u>	<u>115,234</u>	<u>329,612</u>	<u>2,464,823</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	25,426	-	-	25,426
Interfund Payable	-	20,521	78,978	99,499
Irrevocable Cash Bond	56,000	-	-	56,000
Deferred Revenues	504,007	-	-	504,007
Deferred Property Tax	290,282	-	-	290,282
Total Liabilities	<u>875,715</u>	<u>20,521</u>	<u>78,978</u>	<u>975,214</u>
Fund Balances:				
Unrestricted reported in:				
General Fund	1,144,262	-	-	1,144,262
Solid Waste	-	94,713	-	94,713
Restricted:				
Special Revenue Funds	-	-	250,634	250,634
Total Fund Balances	<u>1,144,262</u>	<u>94,713</u>	<u>250,634</u>	<u>1,489,609</u>
 Total Liabilities and Fund Balances	 <u>\$2,019,977</u>	 <u>\$115,234</u>	 <u>\$329,612</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

1,308,913

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

 Compensated absences

-

Net Assets of Governmental Activities

\$2,798,522

TOWN OF OAKLAND, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Solid Waste</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,758,534	\$ -	\$ -	\$ 1,758,534
Intergovernmental	571,720	-	163,871	735,591
Licenses and Permits	144,065	-	-	144,065
Fines, Forfeitures, and Fees	852,647	373,817	46,525	1,272,989
Other Revenue	136,054	4,169	71,514	211,737
Grant Revenue	6,480	-	34,540	41,020
Total Revenues	<u>3,469,500</u>	<u>377,986</u>	<u>316,450</u>	<u>4,163,936</u>
EXPENDITURES				
Current:				
General Government	935,103	-	-	935,103
Finance Administration	127,627	-	-	127,627
Public Safety	2,033,258	-	18,986	2,052,244
Public Works	-	351,541	265,794	617,335
Capital Outlay	135,748	-	33,769	169,517
Debt Service	58,343	-	-	58,343
Total Expenditures	<u>3,290,079</u>	<u>351,541</u>	<u>318,549</u>	<u>3,960,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>179,421</u>	<u>26,445</u>	<u>(2,099)</u>	<u>203,767</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	17,000	17,000
Transfers Out	-	-	-	-
Note Proceeds	135,748	-	-	135,748
Sale of Assets	3,100	5,000	-	8,100
Total Other Financing Sources (Uses)	<u>138,848</u>	<u>5,000</u>	<u>17,000</u>	<u>160,848</u>
Net Change in Fund Balance	318,269	31,445	14,901	364,615
Fund Balance - Beginning	811,173	109,433	235,733	1,156,339
Prior Period Adjustment	14,820	(46,165)	-	(31,345)
Fund Balance - Beginning - Restated	<u>825,993</u>	<u>63,268</u>	<u>235,733</u>	<u>1,124,994</u>
Fund Balance - Ending	<u>\$ 1,144,262</u>	<u>\$ 94,713</u>	<u>\$ 250,634</u>	<u>\$ 1,489,609</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds	\$	364,615
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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 depreciated expense.

Acquisition of Capital Assets	169,517	
Depreciation Expense	<u>(191,562)</u>	(22,045)

The statement of activities reports losses arising from sale of capital assets.

Losses on sale of assets do not appear in the governmental funds. Thus, the change in net assets differs from the change in fund balance.

-

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position.

Loan Proceeds	(135,748)	
Principal Payments	<u>49,237</u>	(86,511)

Change in Net Assets of Governmental Activities	\$	<u><u>256,059</u></u>
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TOWN OF OAKLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Property Tax	\$ 296,350	\$ 296,350	\$ 295,555	\$ (795)
Local Sales Tax	1,239,100	1,239,100	1,194,372	(44,728)
Business Tax	-	-	-	-
Wholesale Liquor Tax	46,000	46,000	44,353	(1,647)
Wholesale Beer Tax	205,600	205,600	224,254	18,654
Intergovernmental:				
TVA Payments in Lieu of Taxes	24,000	60,500	76,520	16,020
Franchise and Excise Tax	25,500	25,500	19,870	(5,630)
State Sales Tax	325,000	325,000	426,658	101,658
State Income Tax	13,400	27,970	27,971	1
State Liquor Tax	4,500	4,500	4,045	(455)
State Beer Tax	2,500	2,500	3,251	751
State Street and Transportation	9,000	12,000	13,029	1,029
State Tele Communications	1,500	1,500	376	(1,124)
Licenses and Permits	100,300	114,300	144,065	29,765
Fines Forfeitures and Fees	840,380	840,380	852,647	12,267
Other Revenue				
Parks and Recreation	11,500	17,150	-	(17,150)
Interest Income	35,000	37,000	8,467	(28,533)
Grants	-	-	6,480	6,480
BZA Planning	6,300	6,300	6,750	450
Miscellaneous	28,000	120,871	120,837	(34)
Total Revenues	<u>3,213,930</u>	<u>3,382,521</u>	<u>3,469,500</u>	<u>86,979</u>
Expenditures				
General Government:				
Administrative				
Salary and Related Taxes	339,150	345,871	354,678	(8,807)
Other Contracted Services	16,500	16,500	14,428	2,072
Advertising	17,000	17,000	-	17,000
Dues & Memberships	3,500	3,500	24,994	(21,494)
Donations	48,000	48,000	42,140	5,860
Utilities	15,500	15,500	11,274	4,226
Telephone	12,000	12,000	9,797	2,203
Legal and Professional	144,500	144,500	126,084	18,416
Consulting Fees	39,500	55,000	12,319	42,681
Repairs and Maintenance	4,500	4,500	2,956	1,544
Office Expense	10,000	17,800	20,921	(3,121)
Fuel Expense	4,000	4,000	4,609	(609)
Insurance	15,000	15,525	16,198	(673)
Education	3,000	6,000	6,643	(643)
Miscellaneous	2,840	11,340	(8,415)	19,755
Capital Outlay	-	5,000	42,427	(37,427)
Park and Recreation				

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Salary and Related Taxes	50,910	50,710	49,078	1,632
Advertising	2,000	2,000	-	2,000
Dues & Memberships	200	200	2,792	(2,592)
Utilities	5,000	5,000	5,309	(309)
Telephone	1,500	1,500	3,735	(2,235)
Repairs and Maintenance	30,000	30,000	10,154	19,846
Office Expense	2,000	2,000	396	1,604
Fuel Expense	500	500	45	455
Public Events	25,000	25,000	8,302	16,698
Insurance	2,500	2,500	2,359	141
Education	1,200	1,200	546	654
Miscellaneous	37,500	37,500	9,224	28,276
Capital Outlay	-	-	-	-
Building Inspector Office				
Salary and Related Taxes	127,675	127,275	130,598	(3,323)
Dues & Memberships	500	500	310	190
Utilities	3,700	3,700	3,495	205
Telephone	5,500	5,500	4,191	1,309
Repairs and Maintenance	6,250	6,250	3,043	3,207
Office Expense	3,250	5,250	6,584	(1,334)
Fuel Expense	2,500	2,500	2,715	(215)
Insurance	6,500	6,500	3,398	3,102
Education	250	250	75	175
Miscellaneous	300	300	510	(210)
Other Contracted Services	3,500	3,500	7,191	(3,691)
Capital Outlay	-	-	-	-
Total General Government	<u>993,225</u>	<u>1,041,671</u>	<u>935,103</u>	<u>106,568</u>
Public Works:				
Salary and Related Taxes	52,850	52,650	50,019	2,631
Repairs and Maintenance	5,000	5,000	11,573	(6,573)
Insurance	3,000	3,000	1,006	1,994
Grass Cutting	87,000	61,735	65,020	(3,285)
Miscellaneous	200	200	9	191
Total Finance and Administration	<u>148,050</u>	<u>122,585</u>	<u>127,627</u>	<u>(5,042)</u>
Public Safety:				
Fire Department:				
Salary and Related Taxes	358,452	357,752	350,829	6,923
Dues and Memberships	600	600	750	(150)
Utilities	7,100	7,100	5,865	1,235
Telephone	4,000	4,000	4,825	(825)
Repairs and Maintenance	26,500	26,500	16,846	9,654
Office Expense	4,000	4,000	3,861	139
Fuel Expense	7,500	7,500	8,116	(616)
Insurance	20,000	24,000	17,596	6,404

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGETARY COMPARISON
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Legal and Professional Fees	-	-	-	-
Education	8,500	8,500	6,088	2,412
Miscellaneous	10,020	8,520	9,402	(882)
Other Contracted Services	8,000	8,000	36,688	(28,688)
Fire Equipment	8,000	8,000	9,561	(1,561)
Fire Uniforms	10,000	10,000	7,647	2,353
Debt Service	-	-	-	-
Capital Outlay	4,000	4,000	-	4,000
Police Department:				
Salary and Related Taxes	1,198,399	1,194,399	1,130,763	63,636
Dues and Memberships	1,500	1,500	410	1,090
Utilities	300	-	-	-
Telephone	6,500	6,500	9,492	(2,992)
Repairs and Maintenance	34,000	35,440	31,470	3,970
Office Expense	9,000	9,000	8,258	742
Fuel Expense	85,000	85,000	104,485	(19,485)
Insurance	65,000	65,000	57,351	7,649
Legal and Professional Fees	1,200	1,200	109,011	(107,811)
Education	9,000	9,000	6,824	2,176
Miscellaneous	16,500	16,500	11,735	4,765
Other Contracted Services	5,000	5,900	6,465	(565)
Tennessee Department of Revenue	26,200	28,200	32,395	(4,195)
Police Equipment	31,600	35,600	32,615	2,985
Police Uniforms	12,000	12,000	11,488	512
Interest Expense	-	-	2,422	(2,422)
Debt Service	69,200	69,200	58,343	10,857
Capital Outlay	-	-	135,748	(135,748)
Total Public Safety	<u>2,047,071</u>	<u>2,052,911</u>	<u>2,227,349</u>	<u>(174,438)</u>
Total Expenditures	<u>3,188,346</u>	<u>3,217,167</u>	<u>3,290,079</u>	<u>(72,912)</u>
Excess of Revenues over Expenditures	<u>25,584</u>	<u>165,354</u>	<u>179,421</u>	<u>14,067</u>
Other Financing Sources (Uses)				
Transfer to Solid Waste	-	-	-	-
Transfer to State Street Aid	-	-	-	-
Note Proceeds	-	-	135,748	135,748
Sale of Assets	-	-	3,100	3,100
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>138,848</u>	<u>138,848</u>
Net Change in Fund Balances	<u>25,584</u>	<u>165,354</u>	318,269	<u>152,915</u>
Fund Balance - Beginning			811,173	
Prior Period Adjustment			14,820	
Fund Balance - Beginning (Restated)			<u>825,993</u>	
Fund Balance - Ending			<u>\$ 1,144,262</u>	

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGETARY COMPARISON
MAJOR - SPECIAL REVENUE FUND - SOLID WASTE
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Sanitation Fees	\$ 500,000	\$ 500,000	\$ 373,817	\$ (126,183)
Miscellaneous	-	-	3,660	3,660
Interest	-	-	509	509
	<u>500,000</u>	<u>500,000</u>	<u>377,986</u>	<u>(122,014)</u>
Expenditures				
Current:				
Salaries	-	-	-	-
Payroll Taxes	-	-	-	-
Retirement	-	-	-	-
Employee Insurance	-	-	-	-
Disability Insurance	-	-	-	-
Advertising	-	-	-	-
Medical Expense	-	-	-	-
Collection Fees	500,000	500,000	345,213	154,787
Repairs and Maintenance	-	-	-	-
Utilities	-	-	-	-
Gas and Oil	-	-	-	-
Insurance	-	-	-	-
Uniforms	-	-	-	-
Supplies	-	-	5,209	(5,209)
Miscellaneous	-	-	1,119	(1,119)
Capital Outlay	-	-	-	-
Total Expenditures	<u>500,000</u>	<u>500,000</u>	<u>351,541</u>	<u>148,459</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>26,445</u>	<u>26,445</u>
Other Financing Sources (Uses)				
Transfer From General Fund	-	-	-	-
Sale of Equipment	-	-	5,000	5,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	31,445	<u>31,445</u>
Fund Balance - Beginning			109,433	
Prior Period Adjustment			<u>(46,165)</u>	
Fund Balance - Beginning (Restated)			63,268	
Fund Balance - Ending			<u>\$94,713</u>	

The notes to the financial statements are an integral part of this statement

TOWN OF OAKLAND, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Fund Water and Sewer	Total
ASSETS		
Current Assets:		
Cash and Investments	\$ 1,680,953	\$ 1,680,953
Accounts Receivable	322,957	322,957
Interest Receivable	-	-
Total Current Assets	<u>2,003,910</u>	<u>2,003,910</u>
Noncurrent Assets:		
Capital Assets:		
Property, Plant and Equipment	16,193,782	16,193,782
Less: Accumulated Depreciation	(4,412,784)	(4,412,784)
Total Noncurrent Assets	<u>11,780,998</u>	<u>11,780,998</u>
Total Assets	<u>13,784,908</u>	<u>13,784,908</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	15,449	15,449
Meter Deposits	205,988	205,988
Interfund Payable	36,404	36,404
Compensated Absences Payable	16,724	16,724
Total Current Liabilities	<u>274,565</u>	<u>274,565</u>
NET ASSETS		
Invested in Capital Assets	11,780,998	11,780,998
Unrestricted	1,729,345	1,729,345
Total Net Assets	<u>\$ 13,510,343</u>	<u>\$ 13,510,343</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Fund Water and Sewer	Total
Operating Revenues:		
Charges for sales and services:		
Water, Sewer, and Inspection Fees	\$ 1,958,635	\$ 1,958,635
Miscellaneous	5,282	5,282
Total Operating Revenues	<u>1,963,917</u>	<u>1,963,917</u>
Operating Expenses:		
Salaries and Related Expenses	666,083	666,083
Depreciation	372,884	372,884
Dues and Subscriptions	17,352	17,352
Advertising	-	-
Water and Sewer Analysis	24,103	24,103
Chemicals	64,554	64,554
Uniforms	13,321	13,321
Utilities	170,366	170,366
Telephone	17,990	17,990
Attorney and Engineering Fees	84,661	84,661
Repairs	93,952	93,952
Supplies	97,062	97,062
Gas and Oil	33,350	33,350
Travel and Education	2,003	2,003
Taxes and Licenses	-	-
Insurance	58,322	58,322
Other Contracted Services	62,055	62,055
Miscellaneous	4,731	4,731
Total Operating Expenses	<u>1,782,789</u>	<u>1,782,789</u>
Operating Income	<u>181,128</u>	<u>181,128</u>
Nonoperating Revenues (Expenses):		
Transfer to State Street Aid Fund	(17,000)	(17,000)
Interest Income	12,287	12,287
Total Nonoperating Revenues	<u>(4,713)</u>	<u>(4,713)</u>
Changes in Net Assets	176,415	176,415
Total Net Assets - Beginning	13,307,829	13,307,829
Prior Period Adjustment	26,099	26,099
Total Net Assets - Beginning (Restated)	<u>13,333,928</u>	<u>13,333,928</u>
Total Net Assets - Ending	<u>\$ 13,510,343</u>	<u>\$ 13,510,343</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities - Enterprise Fund Water and Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 1,919,624	\$ 1,919,624
Payments to Suppliers	(828,454)	(828,454)
Payments to Employees	(666,083)	(666,083)
Net Cash Provided by Operating Activities	<u>425,086</u>	<u>425,086</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(977,279)	(977,279)
Proceeds from Interfund Balance	(17,000)	(17,000)
Net Cash Provided (Used) by capital and related financing activities	<u>(994,279)</u>	<u>(994,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	12,287	12,287
Net Cash Provided (Used) by Investing Activities	<u>12,287</u>	<u>12,287</u>
Net Decrease in Cash and Cash Equivalents	(556,906)	(556,906)
Cash and Cash Equivalents - July 1	<u>2,237,859</u>	<u>2,237,859</u>
Cash and Cash Equivalents - June 30	<u>\$ 1,680,953</u>	<u>\$ 1,680,953</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income	\$ 181,128	\$ 181,128
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	372,884	372,884
(Increase)Decrease in accounts receivable	(48,313)	(48,313)
Increase in customer deposits	4,020	4,020
Decrease in accounts payable	(84,632)	(84,632)
Total Adjustments	<u>243,958</u>	<u>243,958</u>
Net Cash Provided by Operating Activities	<u>\$ 425,086</u>	<u>\$ 425,086</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Town of Oakland, Tennessee is a municipal corporation governed by an elected mayor and a four member council. The accompanying financial statements present the government and provides the following services, as authorized by its charter: general administrative services, public safety (police and fire protection), roads and streets, parks, sanitation, and water and sewer facility services.

The financial statements of the Town have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB) as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard- setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental 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.

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 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

C. 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, as is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental funds:

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

The solid waste fund accounts for the activities of the government's sanitation operations.

The government reports the following major proprietary fund:

The water and sewer fund accounts for the activities of the water and sewer department, which operates and maintains a water distribution and a sewer collection system for residents and businesses on a user charge basis. All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The Town had no internal service funds or fiduciary funds as of or for the year ended June 30, 2012.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's water and sewer function, and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned.

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided,

2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating activities of the Town's proprietary water and sewer are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. These fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

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

D. ASSETS, LIABILITIES AND NET ASSETS

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute's authorize the government and to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the Town are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

D. ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)

2. 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 "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All property tax receivables are shown net of an allowance for uncollectibles.

The Town's property tax is levied for the current fiscal year each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. Property taxes are secured by a statutory lien effective as of the original assessment date of January 1 and as such an enforceable legal claim to the subsequent fiscal year levy exists at the year end.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The Town incurred no interest expense during the current fiscal year.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40 - 50
Improvements other than buildings	10 - 20
Machinery, equipment and vehicles	5 - 20
Road system infrastructure	10 - 50
Sidewalks	30
Bridges	60

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

D. ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)

4. Compensated Absences

The Town's policy permits employees to accumulate earned but unused annual (vacation) leave and sick days. The employees accumulate vacation days: after one year, 5 days per year; after two to five years, 10 days per year, after five years, 15 days per year with total accrual up to 360 hours.

Sick pay can be accrued up to 720 hours payable to employees with ten years service.

All annual leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee termination or retirements.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

6. Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority, (Board of Aldermen). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Aldermen.
- Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Board of Aldermen or by an official or body to which the Board delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose.

The Board of Aldermen establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Aldermen through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

D. ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)

The details of the fund balances are included in the Governmental Funds Balance Sheet as listed in the table of contents. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the Board of Aldermen or the Assignment has been changed. Decreases to fund balance first reduce restricted funds; then committed funds; then assigned funds and finally unassigned funds.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State Statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2012, all bank deposits were fully collateralized or insured.

NOTE 3 - RECEIVABLES

Receivables as of year end for the government's individual major funds and nonmajor are as follows:

	General	Solid Waste	Water and Sewer	Nonmajor	Total
Receivables:					
Taxes	\$ 338,640				\$ 338,640
Accounts	101,884	30,740	322,957		455,581
Grant					
Interest					
Gross Receivables	440,524	30,740	322,957	-	794,221
Less: Allowance for Uncollectibles	(27,978)				
Net Total Receivables	<u>\$ 468,502</u>	<u>\$ 30,740</u>	<u>\$ 322,957</u>	<u>\$ -</u>	<u>\$ 794,221</u>

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases / Adjustments	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 598,758	\$ -	\$ (111,794)	\$ 486,964
Capital assets, being depreciated:				
Buildings	260,965		(48,030)	212,935
Machinery and equipment	1,967,465	169,517	263,145	2,400,127
Total assets being depreciated	<u>2,228,430</u>	<u>169,517</u>	<u>215,115</u>	<u>2,613,062</u>
Less: Accumulated Depreciation	<u>(1,255,881)</u>	<u>(191,562)</u>	<u>343,670</u>	<u>(1,791,113)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,571,307</u>	<u>\$ (22,045)</u>	<u>\$ 446,991</u>	<u>\$ 1,308,913</u>

	Beginning Balance	Increases	Decreases / Corrections	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	\$ 47,054	\$ -	\$ -	\$ 47,054
Easement	14,520	-	-	14,520
Capital assets, being depreciated:				
Land Improvements	5,000	-	-	5,000
Building	1,763	-	1,000	2,763
Equipment	589,213	-	4,429	593,642
Utility Plant and Improvements	14,524,012	977,279	29,512	15,530,803
Total assets being depreciated	<u>15,119,988</u>	<u>977,279</u>	<u>34,941</u>	<u>16,132,208</u>
Less: Accumulated Depreciation	<u>(3,629,030)</u>	<u>(372,884)</u>	<u>(410,870)</u>	<u>(4,412,784)</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,552,532</u>	<u>\$ 604,395</u>	<u>\$ (375,929)</u>	<u>\$ 11,780,998</u>

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Governmental Activities:	
General government	\$ 39,402
Public Safety	119,138
Public Works	22,716
Parks and Recreation	10,306
	<u>\$ 191,562</u>
Business-type Activities:	
Water and Sewer	<u>\$ 372,884</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/ payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All payroll is paid out of the general fund and each individual fund reimburses the general fund. As of June 30, 2012, the water and sewer fund had not reimbursed the general fund \$23,336 for payroll that had already been paid. The Water and Sewer has also not reimbursed the Solid Waste for revenues received for Solid Waste in the Water and Sewer Fund. The Solid Waste fund had not reimbursed the General \$27,419 for payroll that had already been paid. Money that was due to State Street Aid from the state was deposited into the General Fund; therefore, the General Fund owes State Street Aid \$7,074. The General Fund owes the Drug Fund for the auction of seized vehicles in the amount of \$17,425.

The composition of interfund balances as of June 30, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General	State Street	\$ 78,978
General	Water and Sewer	14,092
General	Solid Waste	20,521
Solid Waste	Water and Sewer	22,312
		<u>\$ 135,903</u>

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (continued)

Transfers:

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

Transfers were made from the general fund to solid waste to help support the solid waste fund.

	<u>Transfer In:</u>	
	State Street	
<u>Transfer Out:</u>	Fund	
Water Fund	\$	17,000

NOTE 6 - SHORT-TERM DEBT

Changes in short-term liabilities Short-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Compensated Absences	\$ 19,515	\$ -	\$ 19,515	\$ -
Governmental Activity				
Short-term Liability	<u>19,515</u>	<u>-</u>	<u>19,515</u>	<u>-</u>
Business-type Activities:				
Compensated Absences	16,724	-	-	16,724
Business-type Activity				
Short-term Liability	<u>\$ 16,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,724</u>

F. Net Assets

Net assets represent the difference between assets and liabilities. The restricted net assets as of June 30, 2012 were as follows:

Invested in Capital Assets	\$13,089,911
Restricted for:	
State Street Aid	160,513
Drug Fund	90,121
Unrestricted	<u>2,929,607</u>
Total Net Assets	<u>\$16,364,865</u>

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 – OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains insurance coverage through the Tennessee Municipal League Risk Management Pool, covering each of those risks of loss. The TML Pool is a cooperative risk sharing arrangement between local government agencies that works in many ways like a traditional insurer. The Town pays a premium, receives coverage, and can make claims against that coverage. The Town meets the TML Pool's guidelines and complies with its rules and regulations, including loss control requirements as well as its underwriting standards. Rates of the TML Pool are actuarially projected to provide adequate funding to cover loss reserves and expenses, as well as building contingency reserves. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this coverage in any of the past three fiscal years.

B. Litigation

The Town is party to various legal proceedings which normally occur in risk management. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Town.

C. Employee Retirement System and Plan

Plan Description. Employees of Town of Oakland are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Town of Oakland participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a politician subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

The Town of Oakland requires employees to contribute 5.0 percent of earnable compensation.

Town of Oakland is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 5.48% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Town of Oakland is established and may be amended by the TCRS Board of Trustees.

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Annual Pension Cost.

For the year ending June 30, 2012, Town of Oakland's annual pension cost of \$86,902 to TCRS was equal to Town of Oakland's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Town of Oakland's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$ 86,902	100.00%	\$ -
June 30, 2009	85,575	100.00%	-
June 30, 2008	96,167	100.00%	-

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 85.40% funded. The actuarial accrued liability for benefits was \$1.04 million, and the actuarial value of assets was \$.89 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.15 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1million, and the ratio of the UAAL to the covered payroll was 11.43%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	\$ 890	\$ 1,042	\$ 152	85.41%	\$ 1,330	11.43%
July 1, 2007	\$ 583	\$ 698	\$ 115	83.52%	\$ 1,293	8.89%

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method went into affect during the year of the 2007 actuarial valuation, therefore only the two most recent valuations are presented.

D. Budgetary Information

Prior to May 15 of each year, the Mayor formally submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Aldermen to obtain citizen comments on the budget. Prior to June 30, the budget is legally enacted through passage of an ordinance. Annual appropriated budgets for the special revenue and debt service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America ("GAAP"). The annual appropriated budget for the general fund is adopted on a GAAP basis.

Budgeted amounts shown are those originally adopted, as well as the final budgets which reflect amendments by the Board of Aldermen.

Total expenditures for each of these funds may not exceed the total amount appropriated in the budget ordinance. The Mayor is authorized to transfer budgeted amounts between departments within an individual fund; and revisions that alter the total appropriations for any fund must be approved through the passage of an ordinance by the Board of Aldermen. All annual appropriations lapse at year end.

For the current year, the Town exceeded budget is several areas in the General, Solid Waste & Drug funds.

NOTE 8 – LONG TERM DEBT

During the fiscal year ended June 30, 2012, three notes payable to the Bank of Fayette County were executed finance the purchase of new Police vehicles. The notes require monthly payments of \$1,301, \$2,899 and \$496., including interest at 2.42%.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<i>Governmental Activities</i>					
Capital Outlay Note - Police Cars	\$ -	\$ 45,166	\$ 13,466	\$ 31,700	\$ 16,314
Capital Outlay Note - Police Cars		67,999	30,795	37,204	33,240
Capital Outlay Note - Police Cars		22,583	4,976	17,607	5,328
	\$ -	\$ 135,748	\$ 49,237	\$ 86,511	\$ 54,882

TOWN OF OAKLAND, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 – ASSIGNMENT OF SPECIAL REVENUES

In May 2006, the Town entered into an agreement with the Bank of Bartlett and Chapel Ridge Partners (a Tennessee General Partnership) titled the Irrevocable Waste Water Pumping System Funding Agreement. In essence, the Bank agreed to fund the cost of a new sewage pumping station for to support a subdivision identified as the Villages of Riverwood being developed by Chapel Ridge Partners. The agreement stipulated that the bank would advance the \$1,200,000 cost expected to construct the pumping station. The Town agreed to that \$1,000 out of every tap fee from any lot in the subdivision and the monthly sewage revenue from the subdivision would be refunded to the developer until an amount equal to \$1,200,000 or the Ultimate System Cost, whichever is less or the 20th anniversary of the first date of the System's operations.

Whereas the Developer ultimately filed for bankruptcy, the Bank of Bartlett obtained the Developer's rights, title and interest in the Special Revenues as described above. In December 2011, the Bank entered into an agreement with the Town to release all rights, title and interest in the Special Revenues, that were presently estimated at \$1,183,000, for \$600,000. This in effect allowed the Town to obtain sewage pumping station with an estimated cost to the Development of \$1.2 million for \$600,000.

NOTE 10 – SUBSEQUENT EVENTS

The Town has evaluated subsequent events through July 9, 2014, the date which the financial statements were made available to be issued.

NOTE 11 – PRIOR PERIOD ADJUSTMENTS

The governmental activities net assets and business-type activities net assets were restated to correct the prior period's capital assets, accumulated depreciation and correct prior year end accounts payable.

The fund balance of the general fund was restated to correct for expenditures recorded in the prior period that were for the current period and the fund balance for the solid waste fund was restated to properly record expenditures that were due and payable in the prior period.

-END NOTES-

TOWN OF OAKLAND, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>State Street Aid</u>	<u>Drug</u>	
ASSETS			
Cash and Cash Equivalents	\$ 239,491	\$ 90,121	\$ 329,612
Receivables:			
Taxes	-	-	-
Due From Other Governments	-	-	-
Total Assets	<u>239,491</u>	<u>90,121</u>	<u>329,612</u>
LIABILITIES			
Accounts Payable	-	-	-
Due to State of TN DUI	-	-	-
Monies Due Claimants	-	-	-
Due to other funds	78,978	-	78,978
Total Liabilities	<u>78,978</u>	<u>-</u>	<u>78,978</u>
FUND BALANCES			
Reserved Fund Balance	160,513	90,121	250,634
Total Fund Balance	<u>160,513</u>	<u>90,121</u>	<u>250,634</u>
Total Liabilities and Fund Balance	<u>\$ 239,491</u>	<u>\$ 90,121</u>	<u>\$ 329,612</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF OAKLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>		
	<u>State Street Aid</u>	<u>Drug Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Intergovernmental:			
Gasoline Tax	\$ 163,871	\$ -	\$ 163,871
Other:			
Drug related fines	-	46,525	46,525
Grants	-	34,540	34,540
University of Memphis	-	-	-
Miscellaneous	70,000	-	70,000
Interest	1,514	-	1,514
Total Revenues	<u>235,385</u>	<u>81,065</u>	<u>316,450</u>
Expenditures			
Current:			
Repairs and Maintenance	36,247	-	36,247
Salaries	33,630	-	33,630
Payroll Taxes	2,572	-	2,572
Employee Benefits	2,154	-	2,154
Advertising	-	-	-
Vehicle Expense	-	-	-
Materials and Asphalt	163,710	-	163,710
Street Lighting	24,331	-	24,331
Live Scan	-	-	-
TBI Fees	-	-	-
Supplies	-	2,421	2,421
Telephone	-	415	415
Drug Dog Expenses	-	7,522	7,522
Miscellaneous	3,150	628	3,778
Towing and Storage	-	4,400	4,400
Special Investigative	-	3,600	3,600
Capital Outlay	-	33,769	33,769
Total Expenditures	<u>265,794</u>	<u>52,755</u>	<u>318,549</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(30,409)</u>	<u>28,310</u>	<u>(2,099)</u>
Other Financing Sources (Uses)			
Transfer From Water Fund	17,000	-	17,000
Total Other Financing Sources (Uses)	<u>17,000</u>	<u>-</u>	<u>17,000</u>
Net Change in Fund Balance	(13,409)	28,310	14,901
Fund Balance - Beginning	<u>173,922</u>	<u>61,811</u>	<u>235,733</u>
Fund Balance - Ending	<u>\$160,513</u>	<u>\$90,121</u>	<u>\$250,634</u>

**TOWN OF OAKLAND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET (GAAP BASIS) AND ACTUAL
NONMAJOR - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	State Street Aid Fund				Drug Fund				Totals			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final			Original	Final			Original	Final		
Revenues												
Intergovernmental:												
Gas 1989			\$ 18,081									
Gas 3 Cent			33,559									
Gasoline & Motor Fuel Tax			112,231									
Gasoline Tax Subtotal	\$ 140,000	\$ 140,000	\$ 163,871	\$ 23,871	\$ -	\$ -	\$ -	\$ -	\$ 140,000	\$ 140,000	\$ 163,871	\$ 23,871
Other:												
Drug Related Fines	-	-	-	-	41,600	41,600	46,525	4,925	41,600	41,600	46,525	4,925
Grants	-	-	-	-	-	-	34,540	34,540	-	-	34,540	34,540
University of Memphis	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	70,000	-	-	-	-	-	-	-	70,000	70,000
Interest	-	-	1,514	-	-	-	-	-	-	-	1,514	1,514
Total Revenues	140,000	140,000	235,385	23,871	41,600	41,600	81,065	39,465	181,600	181,600	316,450	134,850
Expenditures												
Current:												
Repairs and Maintenance	45,985	45,985	36,247	9,738	-	-	-	-	45,985	45,985	36,247	9,738
Salaries	29,965	29,765	33,630	(3,865)	-	-	-	-	29,965	29,765	33,630	(3,865)
Payroll Taxes	2,300	2,300	2,572	(272)	-	-	-	-	2,300	2,300	2,572	(272)
Employee Benefits	2,325	2,325	2,154	171	-	-	-	-	2,325	2,325	2,154	171
Advertising	-	-	-	-	-	-	-	-	-	-	-	-
Vehicle Expense	-	-	-	-	-	-	-	-	-	-	-	-
Materials and Asphalt	-	-	163,710	(163,710)	-	-	-	-	-	-	163,710	(163,710)
Street Lighting	24,500	24,500	24,331	169	-	-	-	-	24,500	24,500	24,331	169
Live Scan	-	-	-	-	-	-	-	-	-	-	-	-
TBI Fees	-	-	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	2,421	(2,421)	-	-	2,421	(2,421)
Telephone	-	-	-	-	500	500	415	85	500	500	415	85
Drug Dog Expenses	-	-	-	-	3,000	3,000	7,522	(4,522)	3,000	3,000	7,522	(4,522)
Miscellaneous	-	-	3,150	(3,150)	11,500	500	628	(128)	11,500	500	3,778	(3,278)
Towing and Storage	-	-	-	-	12,000	12,000	4,400	7,600	12,000	12,000	4,400	7,600
Special Investigative	-	-	-	-	-	-	3,600	(3,600)	-	-	3,600	(3,600)
Capital Outlay	-	-	-	-	14,600	14,600	33,769	(19,169)	14,600	14,600	33,769	(19,169)
Total Expenditures	105,075	104,875	265,794	(160,919)	41,600	30,600	52,755	(22,155)	146,675	135,475	318,549	(183,074)
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,925	35,125	(30,409)	(137,048)	-	11,000	28,310	17,310	34,925	46,125	(2,099)	(48,224)
Other Financing Sources (Uses)												
Transfer From Water Fund	17,000	17,000	17,000	-	-	-	-	-	17,000	17,000	17,000	-
Total Other Financing Sources (Uses)	17,000	17,000	17,000	-	-	-	-	-	17,000	17,000	17,000	-
Net Change in Fund Balance	51,925	52,125	(13,409)	(137,048)	-	11,000	28,310	17,310	51,925	63,125	14,901	(48,224)
Fund Balance - Beginning			173,922				61,811				235,733	
Prior Period Adjustment			-				6,977				6,977	
Fund Balance - Beginning (Restated)			173,922				68,788				242,710	
Fund Balance - Ending			\$ 160,513				\$ 90,121				250,634	

TOWN OF OAKLAND, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

<u>Fiscal Year</u>	<u>Property Tax Rates</u>	<u>Assessed Value</u>	<u>Original Tax Levy</u>	<u>Balance July 1, 2011</u>	<u>Levy</u>	<u>Collections</u>	<u>Adjustments</u>	<u>Balance June 30, 2012</u>
2012	0.155	185,688,726		\$ -	\$ 287,740	\$ -	\$ -	287,740
2011	0.155	186,676,527	290,282	290,282	-	285,860	-	4,422
2010	0.155	183,332,902	284,166	29,300	-	22,414	-	6,886
2009	0.155	177,407,283	275,000	11,696	-	790	-	10,906
2008	0.18	144,990,664	261,053	6,768	-	330	-	6,438
2007	0.18	114,317,820	205,762	2,311	-	17	-	2,294
2006	0.18	96,373,237	173,438	2,741	-	320	-	2,421
2005	0.18	95,305,042	171,549	2,589	-	17	-	2,572
2004	0.18	76,869,479	138,365	5,508	-	66	-	5,442
2003	0.18	62,724,127	112,903	2,402	-	-	-	2,402
2002	0.21	51,896,315	83,635	1,437	-	-	-	1,437
2001	0.21	35,029,575	75,009	2,601	-	-	-	2,601
2000	0.21	-	62,036	3,079	-	-	-	3,079
Total				<u>\$ 360,714</u>	<u>\$ 287,740</u>	<u>\$ 309,814</u>	<u>\$ -</u>	<u>\$ 338,640</u>
						Uncollectible accounts		<u>27,978</u>
						Tax Receivable		<u>\$ 310,662</u>

The delinquent taxes have not been turned over to the attorney for collection.

TOWN OAKLAND, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL & STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Grant Description</u>	<u>Federal CFDA#</u>	<u>Grant Number</u>	<u>Accrued 06/30/2011</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued 06/30/2012</u>
Federal Awards						
<i>Passed through State of Tennessee</i>						
Tennessee Department of Transportation	20.607	Z12GHS226	\$ -	\$ 15,000	\$ 15,000	\$ -
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ -</u>

TOWN OF OAKLAND, TENNESSEE
SCHEDULE OF LONG-TERM DEBT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

Year Ended	Note Payable Fayette County Bank 2409202		Note Payable Fayette County Bank 2409302		Note Payable Fayette County Bank 2409402		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2013	\$ 34,316	\$ 491	\$ 15,012	\$ 602	\$ 5,554	\$ 395	\$ 56,370
2014	2,888	6	15,380	234	5,701	248	24,457
2015	-	-	1,308	3	5,853	96	7,260
2016	-	-	-	-	499	1	500
2017	-	-	-	-	-	-	-
	<u>\$ 37,204</u>	<u>\$ 497</u>	<u>\$ 31,700</u>	<u>\$ 839</u>	<u>\$ 17,607</u>	<u>\$ 740</u>	<u>\$ 88,587</u>

TOWN OF OAKLAND, TENNESSEE
UTILITY STATISTICAL DATA (Unaudited)
JUNE 30, 2012

<u>Service</u>	<u>Consumers</u>
Water	3,680
Sewer	2,758
Sanitation	2,500

Water Rates*Rt2 Residential, Residential Outside, Commercial Outside & Commercial*

	<u>Outside</u>
First 2000 gallons	\$19.50 (minimum bill)
Next 3000 gallons	4.75 per 100 gallons
Thereafter	2.50 per 100 gallons

Apartment Minimum

	<u>Outside</u>
First 34,000 gallons	\$333.20 (minimum bill)
Thereafter	1.40 per 100 gallons

Oakland Apartment

First 51,000 gallons	\$148.75 (minimum bill)
Thereafter	2.50 per 100 gallons

Residential Inside

First 3000 gallons	\$8.75 (minimum bill)
Thereafter	2.50 per 100 gallons

Commercial Inside

First 2,000 gallons	\$13.25 (minimum bill)
Thereafter	3.75 per 100 gallons

Rt1 Outside Residential

First 2000 gallons	\$8.75 (minimum bill)
Thereafter	2.50 per 100 gallons

Sewer Rates*Arlington Lake* \$50.00 (minimum bill)*Pinelake* \$35.00 (minimum bill)*Sewer Residential*

First 3,000 gallons	\$8.75 (minimum bill)
Thereafter	2.50 per 100 gallons

Sewer Commercial Inside

First 3,000 gallons	\$13.25 (minimum bill)
Thereafter	3.75 per 100 gallons

Oakland Apartment

First 51,000	\$148.75 (minimum bill)
Thereafter	2.50 per 100 gallons

Sanitation*Oakland Appts.* \$136.00*Residential* \$8.00*Heavy Commerical* \$16.00

[Back to instructions](#)

[?](#) Click to access definition

Water Audit Report for: Oaklnad water Department
Reporting Year: 2012 / 7/2011 - 6/2012

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

WATER SUPPLIED

<< Enter grading in column 'E'

Volume from own sources:	?	5	402.836	Million gallons (US)/yr (MG/Yr)
Master meter error adjustment (enter positive value):	?	8	8.050	under-registered MG/Yr
Water imported:	?	n/a	0.000	MG/Yr
Water exported:	?	n/a	0.000	MG/Yr
WATER SUPPLIED:			410.886	MG/Yr

AUTHORIZED CONSUMPTION

Billed metered:	?	7	308.893	MG/Yr	Click here: ? for help using option buttons below Pcnt: <input type="radio"/> Value: <input type="text"/> Use buttons to select percentage of water supplied OR value
Billed unmetered:	?	10	0.000	MG/Yr	
Unbilled metered:	?	10	0.000	MG/Yr	
Unbilled unmetered:	?		5.136	MG/Yr	
AUTHORIZED CONSUMPTION:			314.029	MG/Yr	Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed Choose this option to enter a percentage of billed metered consumption. This is NOT a default value

WATER LOSSES (Water Supplied - Authorized Consumption)

96.857 MG/Yr

Apparent Losses

Unauthorized consumption:	?		1.027	MG/Yr	Pcnt: <input type="radio"/> Value: <input type="text"/> 0.25% <input checked="" type="radio"/>
Apparent Losses:			11.581		
Customer metering inaccuracies:	?	7	9.553	MG/Yr	Pcnt: <input type="radio"/> Value: <input type="text"/> 3.00% <input checked="" type="radio"/>
Systematic data handling errors:	?	5	1.000	MG/Yr	

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	?		85.277	MG/Yr
WATER LOSSES:			96.857	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	?		101.993	MG/Yr
= Total Water Loss + Unbilled Metered + Unbilled Unmetered				

SYSTEM DATA

Length of mains:	?	6	97.0	miles
Number of active AND inactive service connections:	?	8	3,931	
Connection density:	?		41	conn./mile main
Average length of customer service line:	?	10	0.0	ft (pipe length between curbstop and customer meter or property boundary)
Average operating pressure:	?	5	70.0	psi

COST DATA

Total annual cost of operating water system:	?	5	\$952,547	\$/Year
Customer retail unit cost (applied to Apparent Losses):	?	7	\$17.94	\$/1000 gallons (US)
Variable production cost (applied to Real Losses):	?	7	\$1,810.59	\$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	24.8%
Non-revenue water as percent by cost of operating system:	39.0%
Annual cost of Apparent Losses:	\$207,756
Annual cost of Real Losses:	\$154,401

Operational Efficiency Indicators

Apparent Losses per service connection per day:	8.07	gallons/connection/day
Real Losses per service connection per day*:	59.43	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.85	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	28.47	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	85.28	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.99	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:
***** YOUR SCORE IS: 62 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Total annual cost of operating water system
- 3: Billed metered

[For more information, click here to see the Grading Matrix worksheet](#)



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

To the Honorable Mayor
and Board of Aldermen
Town of Oakland, Tennessee

We were engaged to 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oakland as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated July 9, 2014. Our report disclaims an opinion on such financial statements because of the lack of supporting documentation in significant areas.

Internal Control Over Financial Reporting

In connection with our engagement to audit the financial statements of the Town of Oakland, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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], we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings to be material weaknesses. 2012-1, 2012-2, 2012-3, 2012-4, 2012-6.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2012-5 and 2012-7.

Town of Oakland's Response to Findings

The Town of Oakland's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Town's responses and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.



Cowart Reese Sargent, CPAs
Jackson, TN
July 9, 2014

**TOWN OF OAKLAND, TENNESSEE
SCHEDULE OF FINDINGS
Year Ended June 30, 2012**

Summary of Auditors' Results

1. The auditors' report is a disclaimer of opinion on the accompanying financial statements of the Town of Oakland.
2. Instances of material weakness or significant deficiencies were disclosed during the audit.
3. Instances of noncompliance that were material to the financial statements were disclosed during the audit.

Findings – Financial Statement Audit

Current Year Findings

2012-1 Overall Bookkeeping – (All funds)

The books and records of the Town were not kept in a manner to allow for accurate and timely reporting. Bank statements were not reconciled, all invoices and other documentation were not properly submitted or safeguarded, new loans were not recorded, year end accounts payable were not recorded to appropriately reflect the period in which the expenditures occurred, and significant capital outlay expenditures were not recorded. This resulted in the auditors from being able to issue an opinion on the financial statements due to questions about the completeness and accuracy of the financial records we were able to examine.

Recommendation

The Town should ensure that all records by all departments are adequately safeguarded and that all expenditures are supported by documentation such as invoices and purchase orders, and all transactions are appropriately recorded. We observed during our audit that the records are kept in an unsecure location that is used as a passage way by all employees to other areas of City Hall.

Management Response

We have taken some necessary steps to ensure that the bookkeeping of the Town is in better order. This includes hiring new staff, including a new Town recorder/CFO, who has the requisite experience and skill set to oversee the Town's accounting.

2012-2 Debit Cards

The Town had allowed the use of Debit Cards on the General Fund bank account. It was discovered that not all transactions were appropriately approved or supported by receipts.

Management Response

The former Mayor who was responsible for the bulk purchases made with the debit cards has since resigned and all debit cards were cancelled.

2012-3 – Repeat of 2011-2Management Response

The Town has since become more proactive in turning delinquent taxes over to the county and Chancery court for better collections.

2012-4 – Repeat of 2011-3Management Response

The Town has begun to take a thorough inventory of all its capital assets, tag it and ensure that all are adequately safeguarded and properly accounted for.

Current Year follow-up

We observed that there still appears to be some pushback from some departments in cooperating with management on this issue. It should be noted that this is a requirement of the *Internal Control and Compliance Manual for Tennessee Municipalities*, TITLE 5, Chapter 24. Section 1 stipulates: “Municipal officials should require that all capital assets be identified (tagged or marked).....”

2012-5 – Expenditures exceeding budget (non-compliance)

The Town exceeded appropriations in the General, State Street Aid & Drug Funds in several areas. Tennessee Code Annotated 6-56-203 prohibits expenditures of funds except in accordance with an authorized budget. We recommend that budgets be reviewed on a regular basis to ensure that expenditures are properly authorized.

Management Response

In the future, we will monitor expenditures, amend the budget when necessary and adhere to the approved budget.

2012-6 – Personal use of vehicles

The Mayor was originally allowed personal use of a police vehicle, however, no documentation was ever provided for by the Mayor for use of the vehicle. We recommend that Town ensure that the policy for personal use of vehicles is adhered to.

Management Response

The former Mayor since resigned and Town adopted a new policy to severely limit the personal use of vehicles and other Town assets.

2012-7 - Bank Accounts

We discovered that there was a bank account maintained by individuals in the community for the upkeep of a family cemetery. The bank account was established using the City's EIN. However, the City has never had access to these funds, accounted for them or properly approved for the bank account to be established. The City has in the past given donations to this fund. We recommend that the City officially request that the individuals who established the bank account remove the City's name and EIN from the account. Additionally, the City should ensure that it follows *Internal Control and Compliance Manual for Tennessee Municipalities, Title 5, Chapter 29 "Non Profit Contributions"*, which stipulates that municipal officials should ensure that all organizations requesting an appropriate of funds for financial aid are either nonprofit charitable or civic organization (TCA 6-54-111). The Manual also states " that the city clerk should have complete files on all nonprofit organizations requesting financial assistance. Those files should include, at minimum, an annual audit, a description of the program that serves the residents of the municipality, and the proposed use of the municipal assistance."

Management Response

We concur and will take the necessary steps to correct this situation.

Prior Year Findings

2011-1 Deferred development cost

At June 30, 2011, the Town had \$562,549 in deferred revenue- development costs but only \$470,097 in restricted cash. Both these accounts relate to the estimated cost of completing the streets in the various subdivisions within the Town. A review of the current status of all uncompleted streets in the various subdivisions should be made in order to determine what the actual liability should be and the amount of designated funds available.

Current Follow-up – This appears to be corrected

2011-2 Property taxes

The Town chose to be responsible for collecting its delinquent taxes. However, there has been little, if any, attempt to collect the taxes due as required. Consideration should be given to turning all delinquent property taxes over to the County for collection. It would be less costly with better result.

Current Follow-up – This is repeated in current year

2011-3 Capital assets

Per GASB 34, the Town is required to adopt a capitalization policy for assets purchased, depreciate such assets and include them on its financial statements. The Town adopted a policy of \$ 5,000 and three year life. The detailed schedules provided for audit did not agree to the adopted policy. An inventory of capital assets, as defined by policy, should be taken and the appropriate adjustments made.

Current Follow-up – This is repeated in current year

2011-4 General fund operations

The Town has experienced tremendous growth over the past few years. That growth brought a substantial increase in revenues but also expenditures. Over the past three years, the General Fund has experienced a 40% decline in its fund balance. Some of the reason for this decline has been corrected by contracting sanitation services. In order to better insure a more efficient, less costly

method of operations and reduce the possible future increase in property taxes, a review of the different department operations should be made, starting with the police department which now accounts for almost 50% of the General Fund's expenditures.

Current Follow-up – We recommend that the City keep striving for adequate separation of duties where possible. One area we noted is that reconciliations of the cash drawers be performed by personnel independent of their own cash drawer on a daily basis. Also, the City needs to ensure it is adhering to the purchasing laws and policies as outlined in the *Internal Control and Compliance Manual for Tennessee Municipalities and TCA Section 6-56-301*.