

A faint, stylized illustration of a balance scale is visible in the background, centered behind the text. The scale has two pans hanging from a horizontal beam, and a vertical post supports the beam. The entire scene is set against a dark blue gradient background.

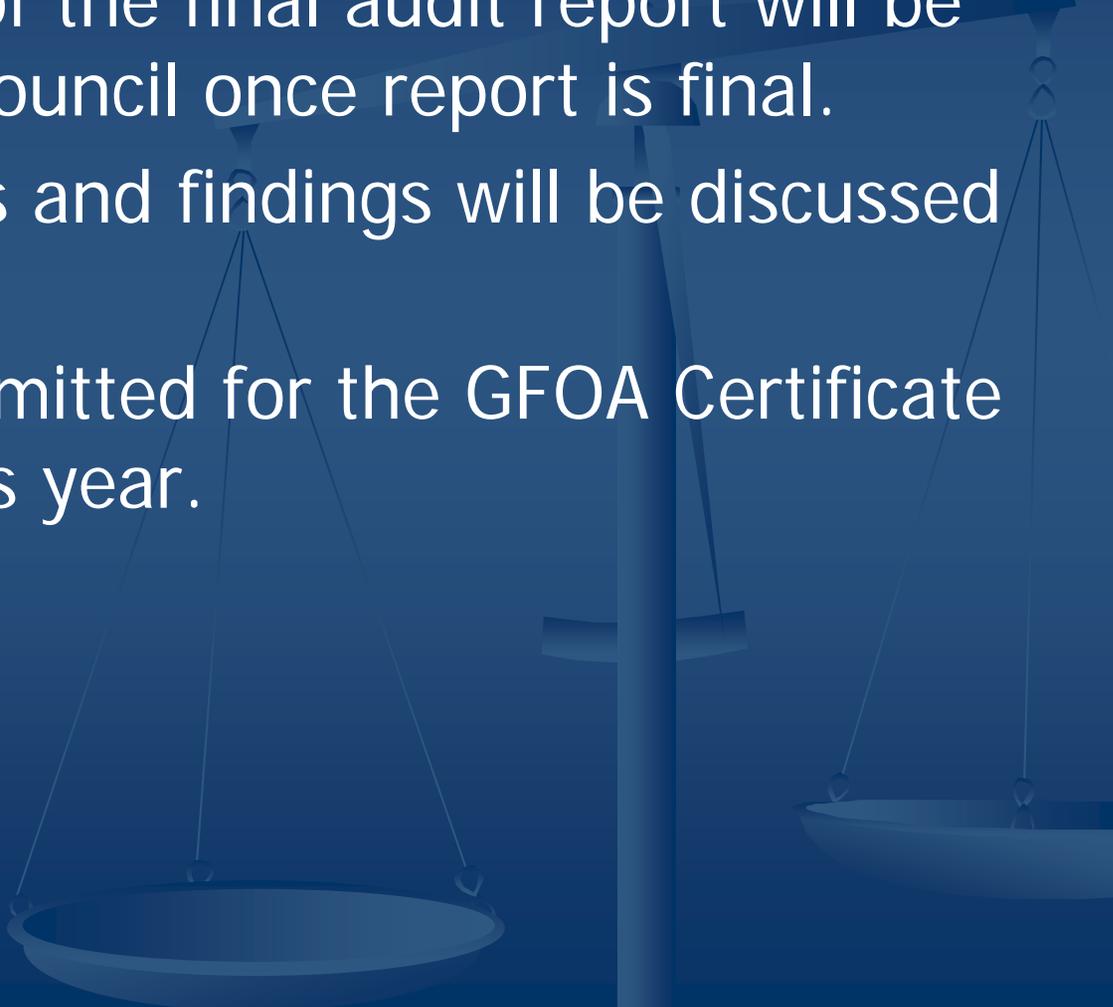
Audit Presentation – City of Oak Ridge

City Council Meeting – January 13, 2014

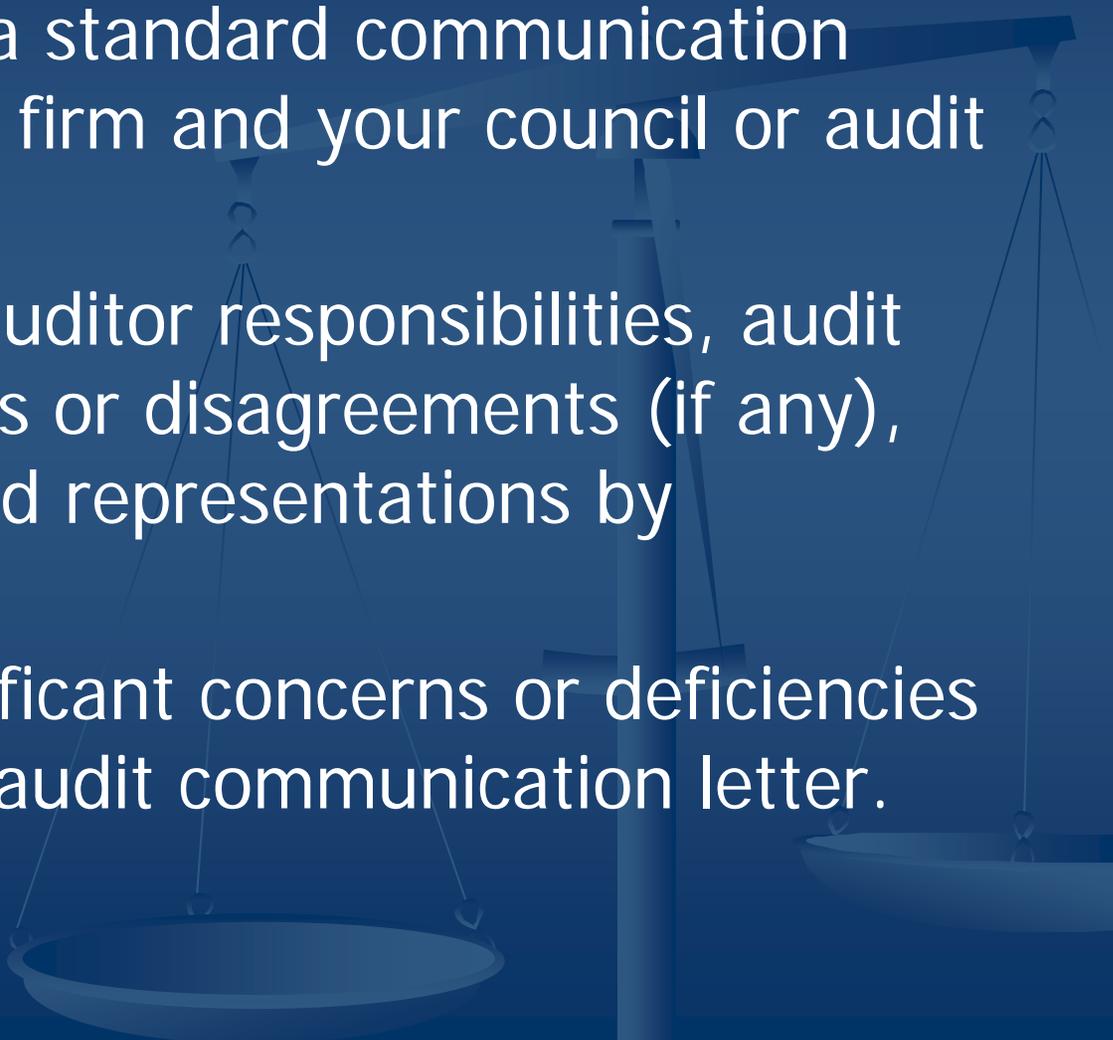
Audit Report

- The financial audit for the fiscal year ended June 30, 2013 is in the report drafting and review stage.
- Audit testwork has been completed for the 2013 financial audit.
- The financial statement and individual fund schedules have been prepared in draft form. Report footnotes and other report areas will be drafted soon.
- Final audit report is expected to be released near the end of January.

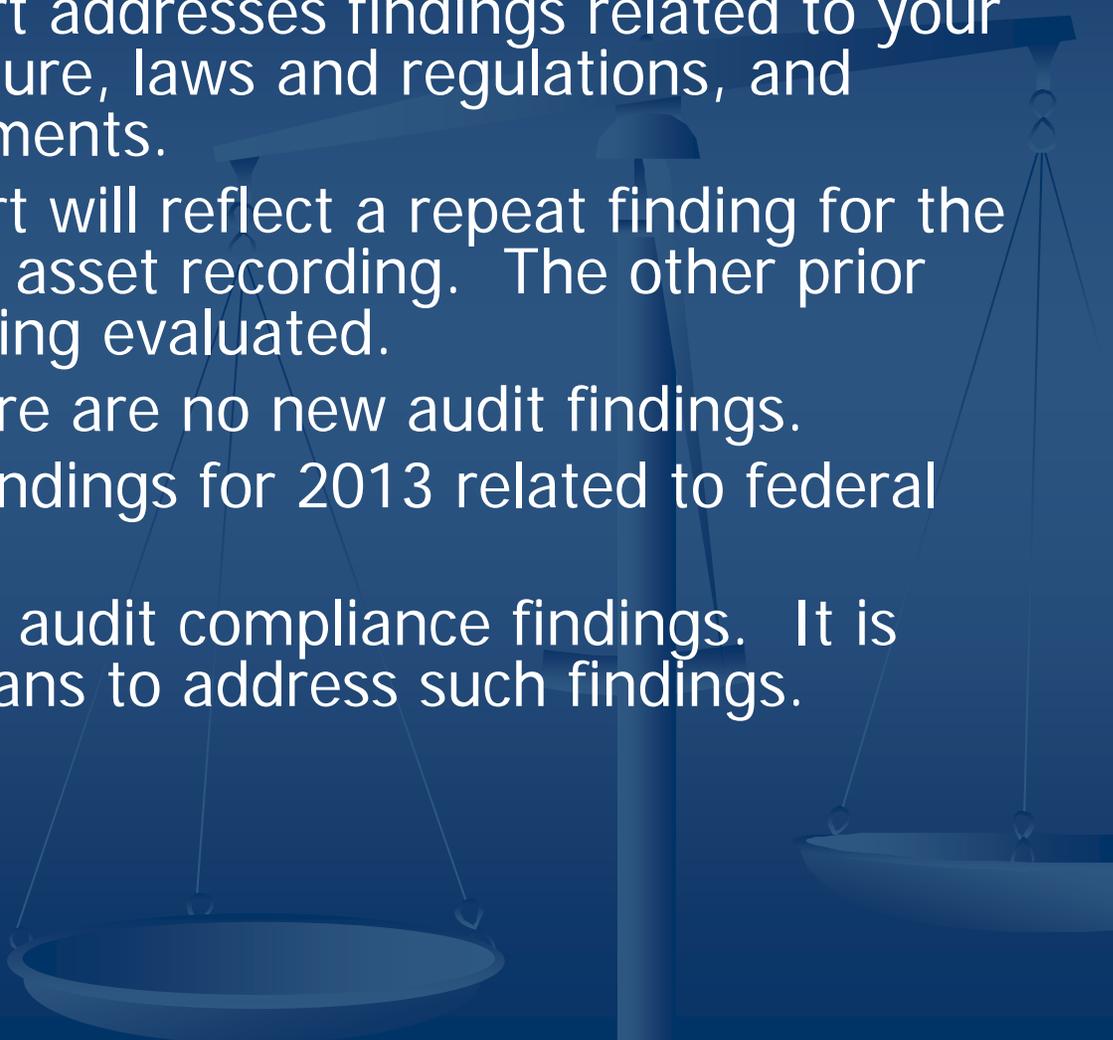
Audit Report (continued)

- Electronic copies of the final audit report will be available to City Council once report is final.
 - Preliminary figures and findings will be discussed this evening.
 - Report will be submitted for the GFOA Certificate program again this year.
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Audit Communication Letter

- Letter represents a standard communication between the audit firm and your council or audit committee.
 - Letter addresses auditor responsibilities, audit findings, difficulties or disagreements (if any), misstatements, and representations by management.
 - There are no significant concerns or deficiencies anticipated in the audit communication letter.
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Compliance Report

- The compliance report addresses findings related to your internal control structure, laws and regulations, and federal grant requirements.
 - The compliance report will reflect a repeat finding for the City regarding capital asset recording. The other prior year finding is still being evaluated.
 - This year (2013), there are no new audit findings.
 - There were also no findings for 2013 related to federal grants.
 - It is common to have audit compliance findings. It is important to make plans to address such findings.
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Key Financial Figures

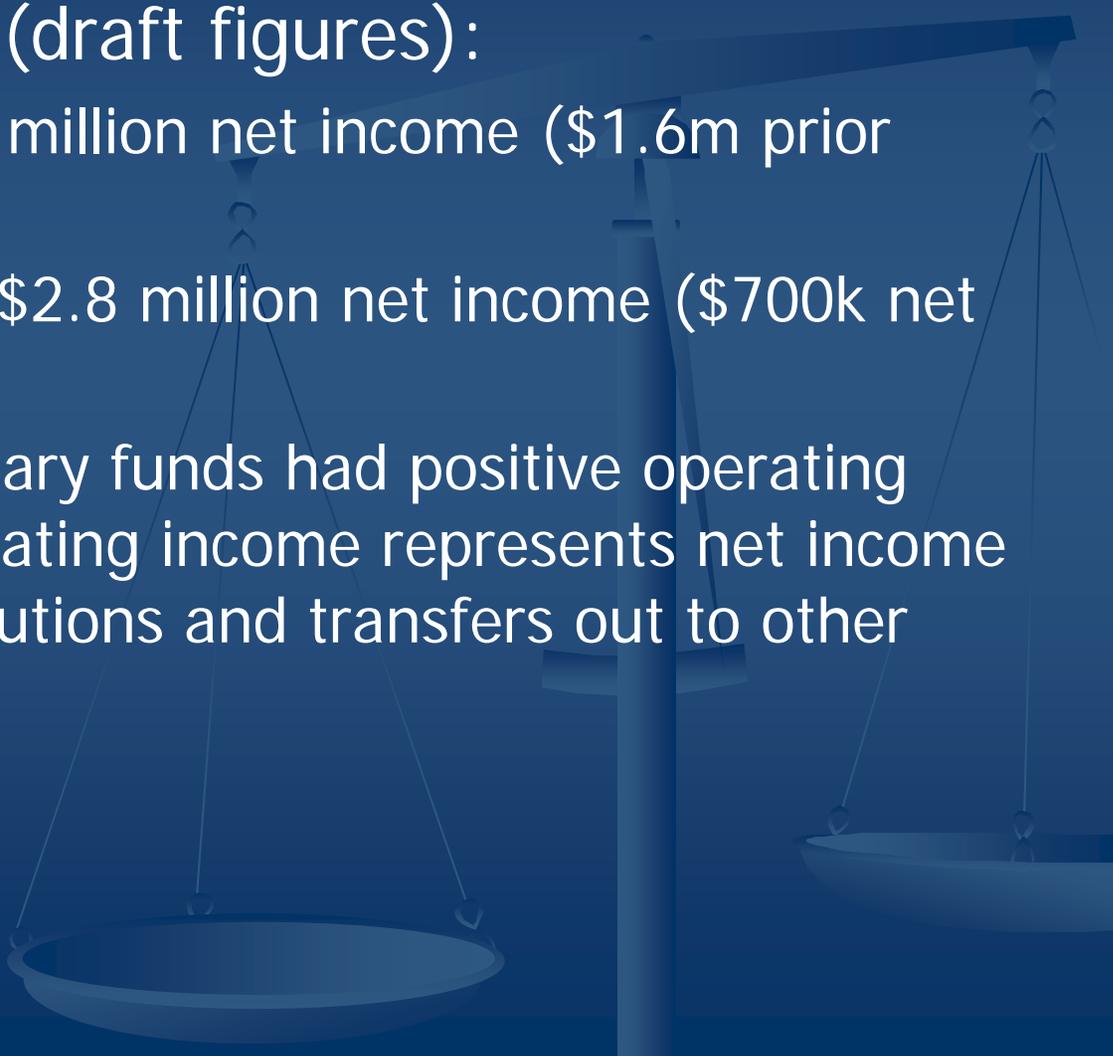
- General Fund (draft figures):
 - Total Revenues \$38.6 million (\$39.0m last year-2012)
 - Total Expenditures \$21.6 million (\$21.5m last year).
 - Transfers Out \$19.1 million/ Transfers In \$2.9 million (net of \$17.8m last year)
 - Excess Revenue over Expenditures/ Transfers = \$800k; \$(250k) excess expenditures last year
 - Total Fund Balance \$10.1 million (\$9.2m last year)
 - Unassigned Fund Balance \$6.5 million (\$5.0m last year). Unassigned balance is increasing as \$5m capital outlay note is repaid.
 - Net reserve (unassigned fund balance vs. expenditures + net transfers out):
 - 17.1% as of June 30, 2013 (12.8% in 2012)

Key Financial Figures



- Other Governmental Funds:
 - School Fund
 - Capital Projects Fund
 - Debt Service Fund
 - Other Governmental Funds (primarily special revenue funds)
- Net change in fund balance (preliminary) for all governmental funds is \$1.3m decrease from \$32.8m to \$31.5m due to planned decreases in Capital Projects, Debt Service and Special Revenue Funds.

Key Financial Figures

- Proprietary Funds (draft figures):
 - Electric Fund \$2.7 million net income (\$1.6m prior year)
 - Waterworks Fund \$2.8 million net income (\$700k net loss in prior year)
 - Both primary proprietary funds had positive operating income results. Operating income represents net income before capital contributions and transfers out to other funds.
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Key Financial Figures

- All individual City funds reported a positive fund balance at end of year.
- Government Wide net income (preliminary numbers):
 - Approximately \$3.0 million net income for governmental activities due to income recovery of fair value of interest rate swaps (\$4.6m net loss in 2012)
 - Income recovery from interest rate swaps was \$3.2 million in 2013 (\$4.8 million loss in prior year).
 - \$5.6 million net income for business-type activities (\$970k net income for 2012).

Key Financial Figures (con't)

- Capital Assets net of accumulated depreciation = \$282 million (\$284m prior year).
- Long Term Liabilities total approximately \$176 million at June 30, 2013 (\$178m for 2012). These amounts exclude derivative liabilities. Long-term liabilities do include bonded debt, notes payable, capital lease obligations, compensated absences and OPEB liabilities.

Wrapup

- Thank you for the opportunity for Pugh & Company, P.C. to serve the City of Oak Ridge.
- Will be glad to field any questions.

