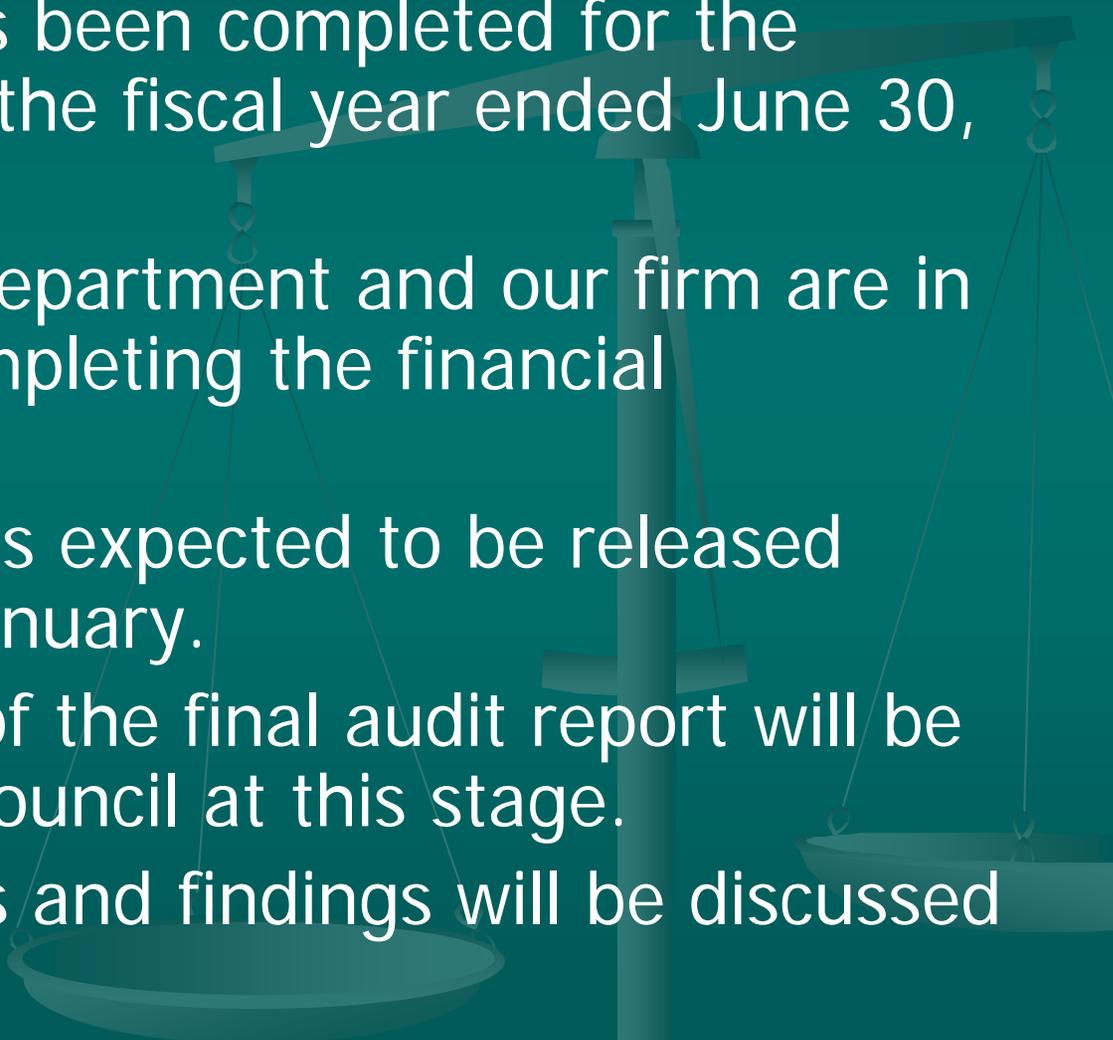


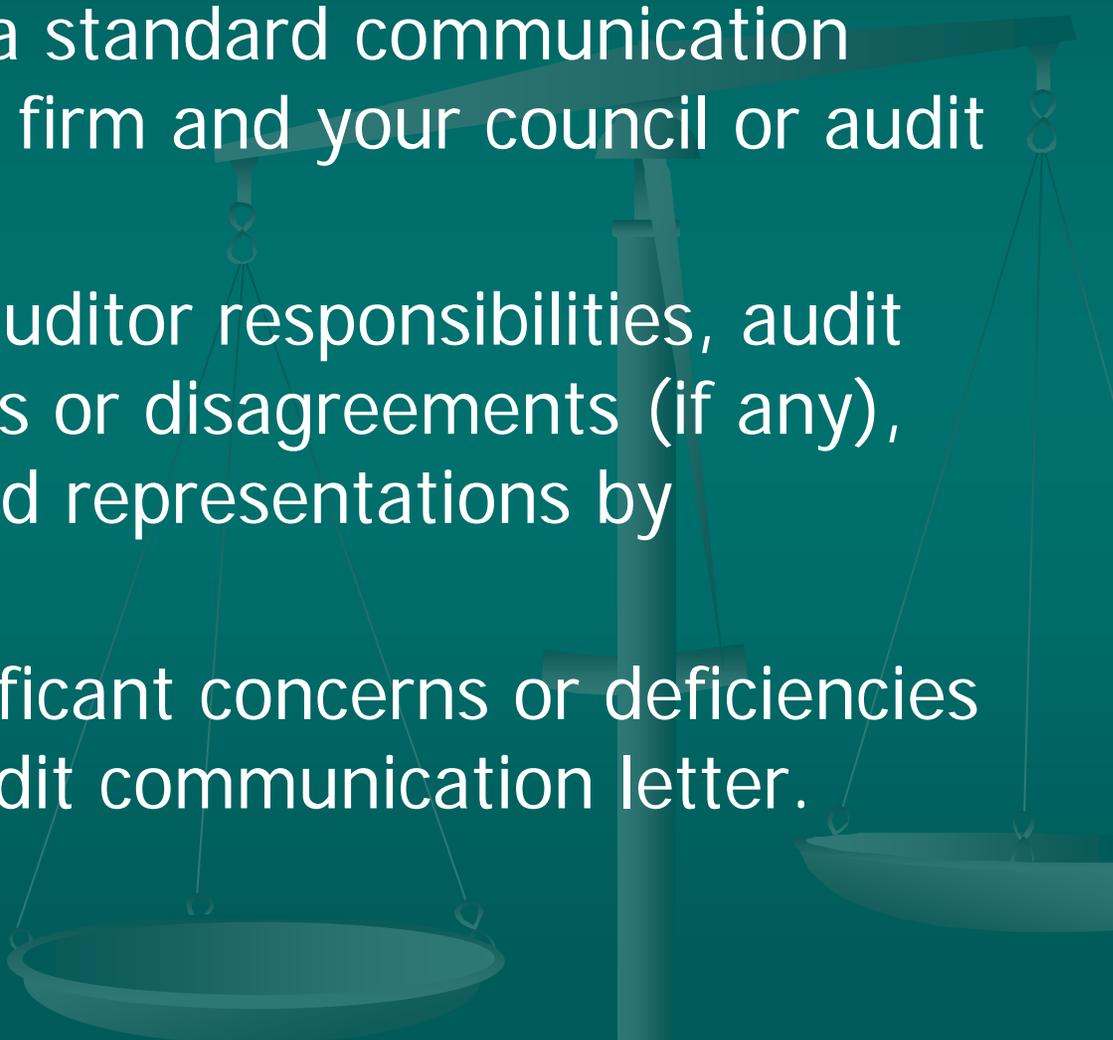
Preliminary Audit Report – City of Oak Ridge

City Council Meeting – January 9, 2012

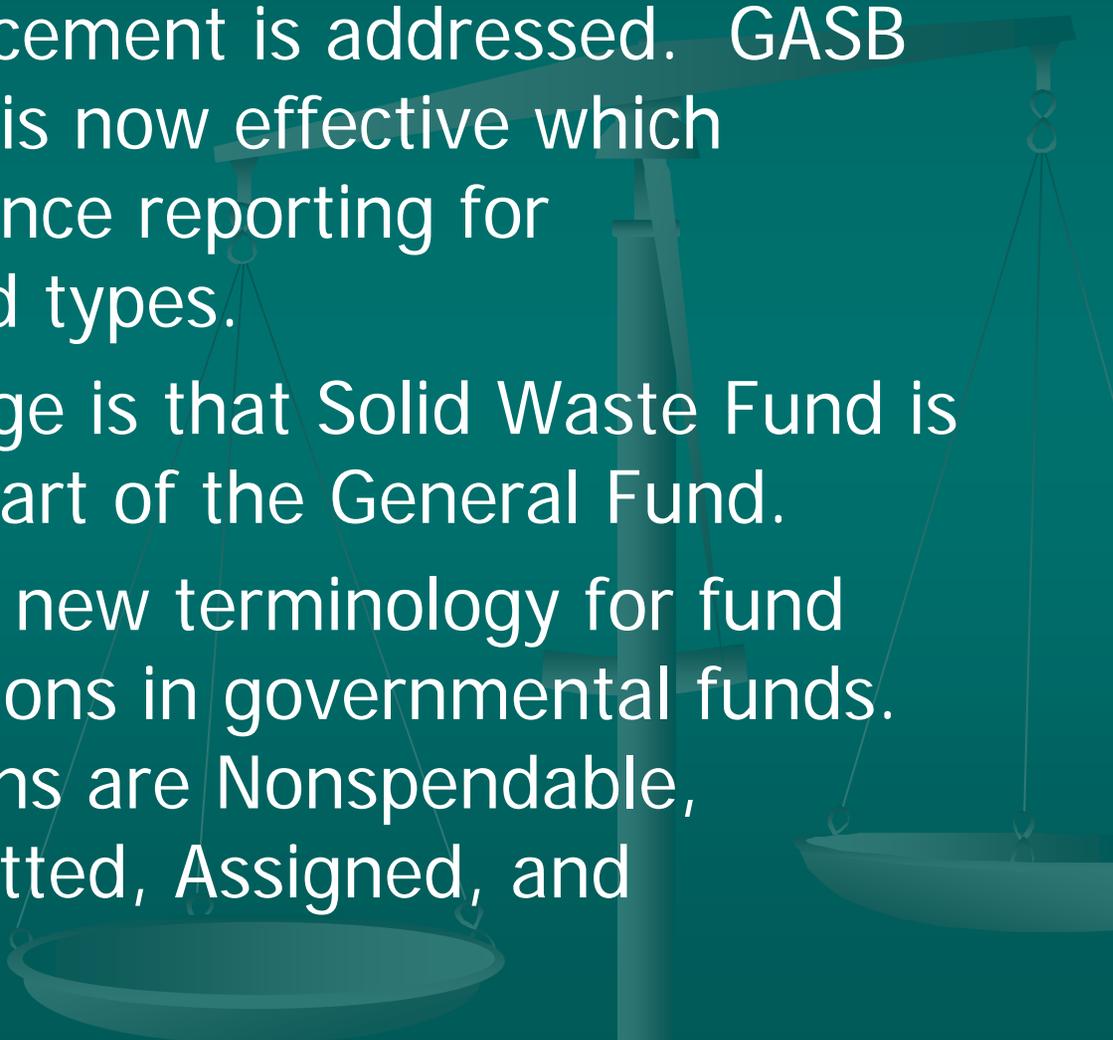
Audit Status

- Audit testwork has been completed for the financial audit for the fiscal year ended June 30, 2011.
 - The City finance department and our firm are in the process of completing the financial statement draft.
 - Final audit report is expected to be released near the end of January.
 - Electronic copies of the final audit report will be available to City Council at this stage.
 - Preliminary figures and findings will be discussed this evening.
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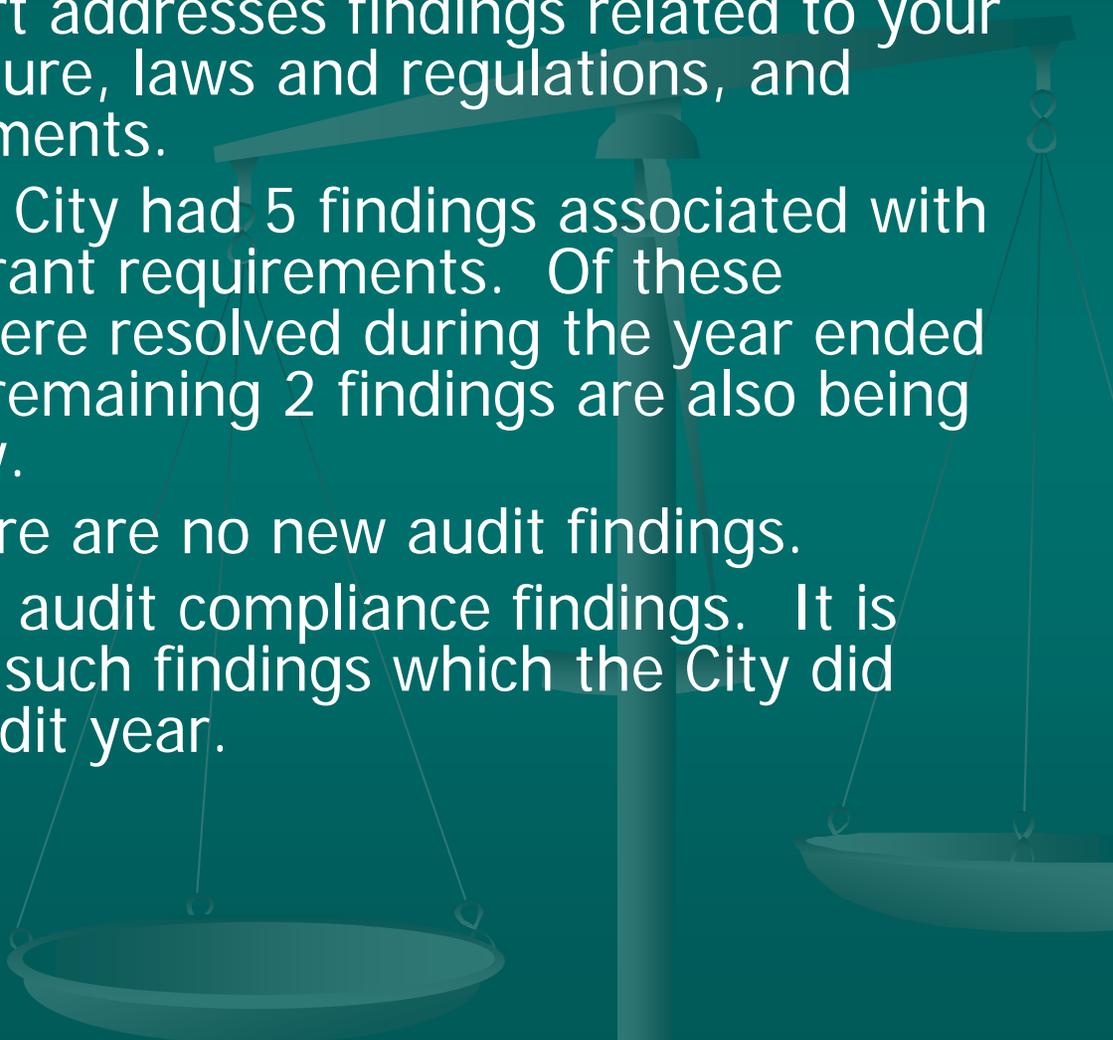
Audit Communication Letter

- 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 reported in the audit communication letter.
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Audit Communication Letter

- One new pronouncement is addressed. GASB Statement No. 54 is now effective which changes fund balance reporting for governmental fund types.
 - One primary change is that Solid Waste Fund is now reported as part of the General Fund.
 - Another change is new terminology for fund balance classifications in governmental funds. These classifications are Nonspendable, Restricted, Committed, Assigned, and Unassigned.
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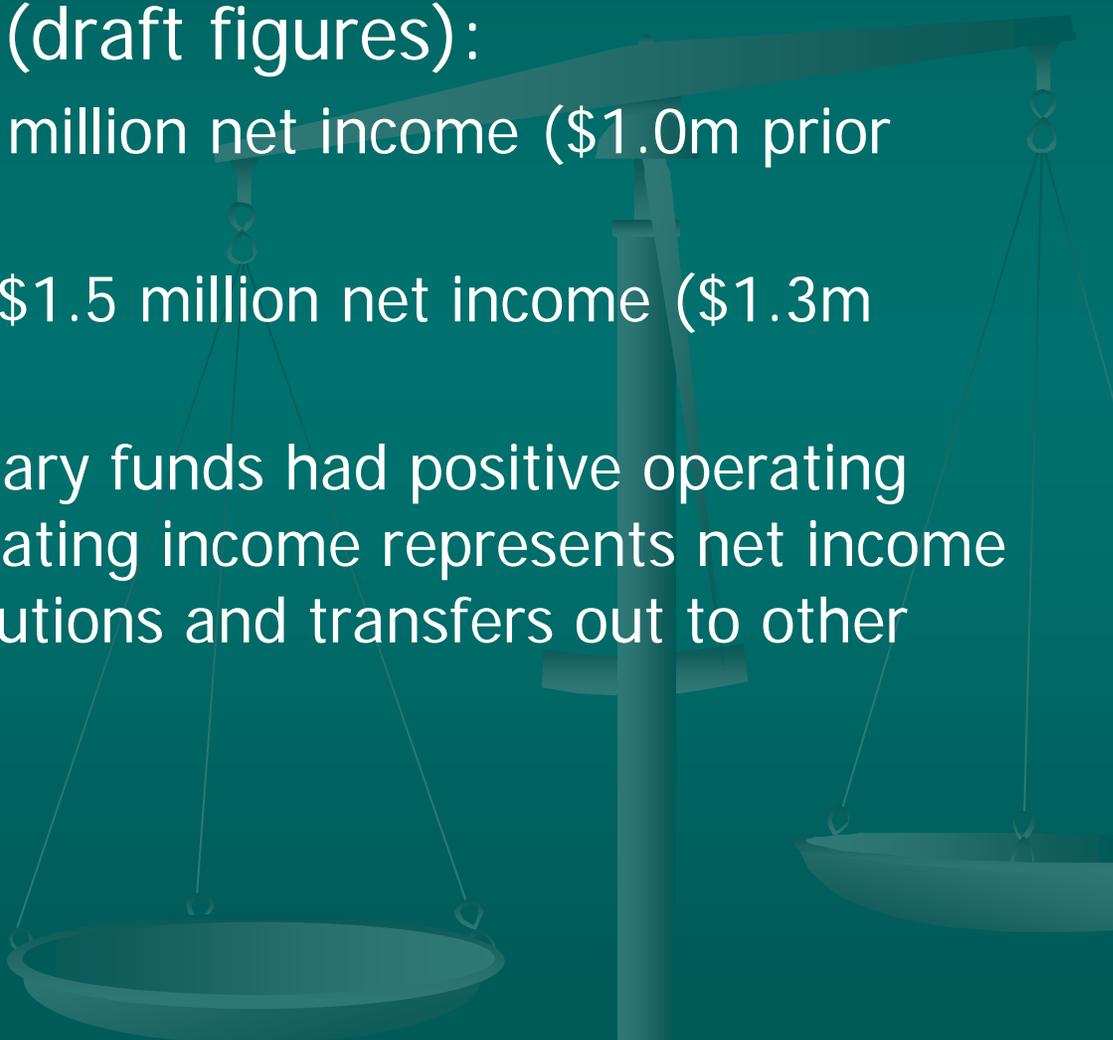
Compliance Report (DRAFT)

- The compliance report addresses findings related to your internal control structure, laws and regulations, and federal grant requirements.
 - Last year (2010), the City had 5 findings associated with internal controls or grant requirements. Of these findings, 3 findings were resolved during the year ended June 30, 2011. The remaining 2 findings are also being addressed by the City.
 - This year (2011), there are no new audit findings.
 - It is common to have audit compliance findings. It is important to address such findings which the City did during the current audit year.
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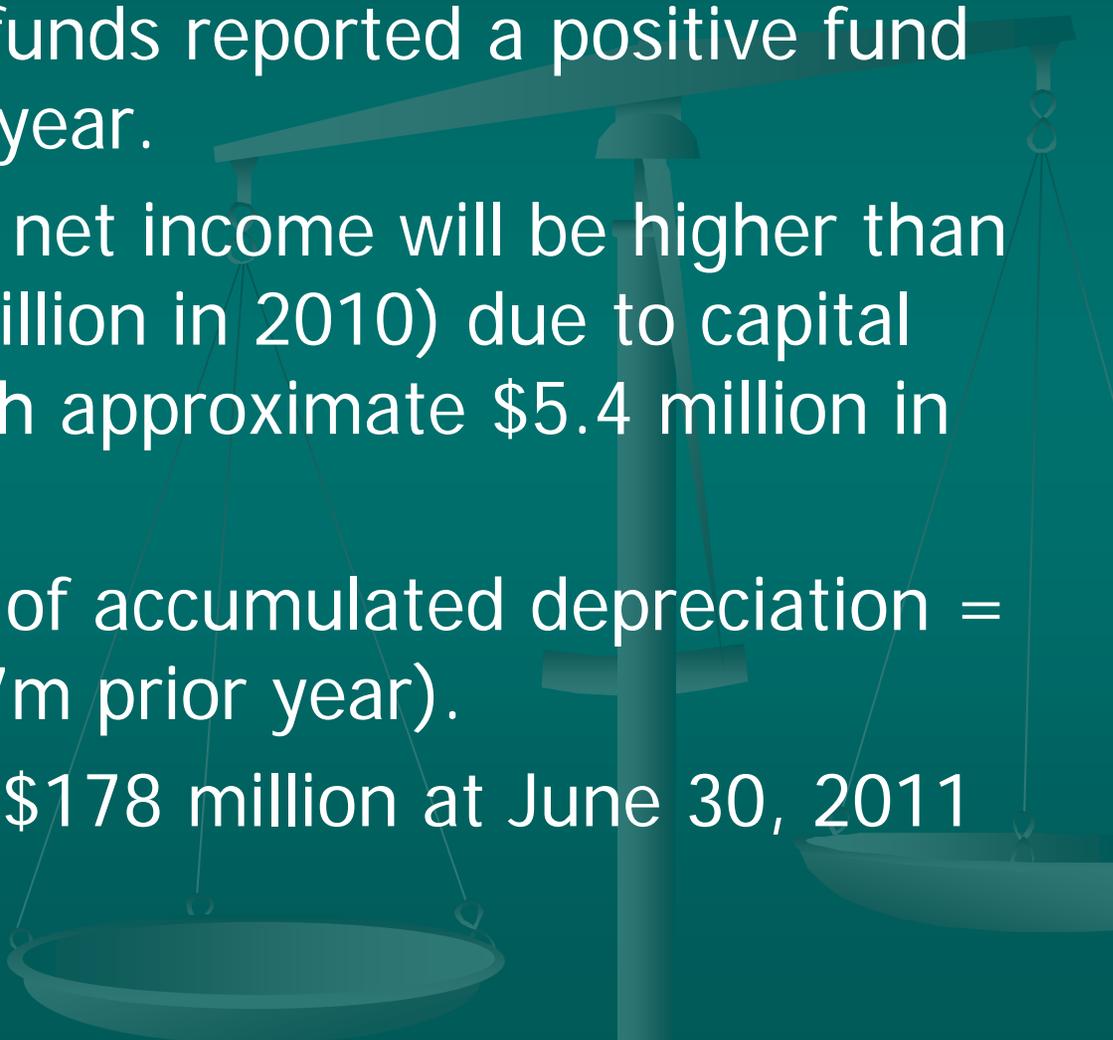
Key Financial Figures (DRAFT)

- General Fund (draft figures):
 - Total Revenues \$38.2 million (\$37.0m last year-2010)
 - Total Expenditures \$21.2 million (\$18.6m last year). Current year includes Solid Waste expenditures.
 - Transfers Out \$19.4 million/ Transfers In \$2.6 million (net of \$16.8m last year also)
 - Excess Revenue over Expenditures/ Transfers = \$300k (\$1.6 million last year)
 - Total Fund Balance \$9.5 million (\$9.2m last year)
 - Unassigned Fund Balance \$4.3 million. Unassigned balance will increase as \$5m capital outlay note is repaid.
 - Net reserve (unassigned fund balance vs. expenditures + transfers out):
 - 10.7% as of June 30, 2011

Key Financial Figures (DRAFT)

- Proprietary Funds (draft figures):
 - Electric Fund \$2.4 million net income (\$1.0m prior year)
 - Waterworks Fund \$1.5 million net income (\$1.3m 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 (DRAFT)

- All individual City funds reported a positive fund balance at end of year.
 - Government Wide net income will be higher than prior year (\$2.6 million in 2010) due to capital contributions which approximate \$5.4 million in 2011.
 - Capital Assets net of accumulated depreciation = \$284 million (\$277m prior year).
 - Long term debt is \$178 million at June 30, 2011 (\$179m for 2010)
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Wrapup

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

