

CITY OF OAK HILL, TENNESSEE

Annual Financial Statements

June 30, 2000

CITY OF OAK HILL, TENNESSEE

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YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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Independent Auditors' Report

The Board of Commissioners
City of Oak Hill, Tennessee:

We have audited the combined financial statements of the City of Oak Hill, Tennessee and the combining, individual fund, and account group financial statements of the City as of and for the year ended June 30, 2000 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

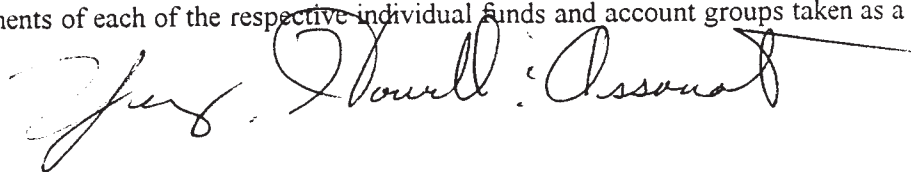
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly in all material respects, the financial position of the City of Oak Hill, Tennessee at June 30, 2000 and the results of its operations for the year then ended in conformity with generally accepted auditing principles. Also, in our opinion, the combining, individual fund and account group financial statements referred to above present fairly the financial position of the individual funds and account groups of the City of Oak Hill, Tennessee at June 30, 2000, and the results of these operations for the year then ended, in conformity with generally accepted auditing principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 18, 2000 on our consideration of the City of Oak Hill's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole and on the combining, individual fund, and account group financial statements. The accompanying financial information listed as supplemental schedules in the table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Oak Hill, Tennessee. The information has been subjected to the auditing procedures applied in the audit of the combined, individual fund, and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole.

October 18, 2000

A handwritten signature in cursive script, appearing to read "Greg Howell, Associate", written in black ink over a horizontal line.

CITY OF OAK HILL, TENNESSEE

Combined Balance Sheet

June 30, 2000

<u>Assets</u>	<u>Governmental Fund Type</u>		<u>General Fixed Asset Account Group</u>	<u>(Memorandum Only) Total</u>
	<u>Governmental Fund Type</u>	<u>Special Revenue Funds</u>		
Cash and cash equivalents	\$ 6,224,176	-	-	6,224,176
Account receivable - Federal Government	23,764	-	-	23,764
Fixed assets	-	-	115,691	115,691
Total assets	\$ 6,247,940	-	115,691	6,363,631
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 8,058	-	-	8,058
Fund Balance:				
Investment in general fixed assets	-	-	115,691	115,691
Unreserved, undesignated	6,239,882	-	-	6,239,882
Total fund balance	6,239,882	-	115,691	6,355,573
Total liabilities and fund balance	\$ 6,247,940	-	115,691	6,363,631

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

**Combined Statement of Revenue, Expenditures
and Changes in Fund Balances**

All Governmental Fund Types

For the Year Ended June 30, 2000

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>(Memorandum Only) Total</u>
Revenue:			
Intergovernmental	\$ 558,088	123,862	681,950
Licenses and permits	65,366	-	65,366
Other, primarily interest	445,844	-	445,844
	<hr/>	<hr/>	<hr/>
Total revenue	1,069,298	123,862	1,193,160
	<hr/>	<hr/>	<hr/>
Expenditures:			
General Government	182,707	-	182,707
Streets	550,263	272,236	822,499
	<hr/>	<hr/>	<hr/>
Total expenditures	732,970	272,236	1,005,206
	<hr/>	<hr/>	<hr/>
Excess (deficiency) revenues over expenditures	336,328	(148,374)	187,954
	<hr/>	<hr/>	<hr/>
Other Financing Sources (Uses):			
Operating transfer from other funds	123,862	272,236	396,098
Operating transfer to other funds	(272,236)	(123,862)	(396,098)
Total Other Financing Sources (Uses)	(148,374)	148,374	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) revenues and other sources over expenditures and other uses	187,954	-	187,954
	<hr/>	<hr/>	<hr/>
Fund Balance, Beginning of Year	6,051,928	-	6,051,928
	<hr/>	<hr/>	<hr/>
Fund Balance, End of Year	\$ <u>6,239,882</u>	<u>-</u>	<u>6,239,882</u>

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget (GAAP Basis) and Actual - General and Special Revenue Funds

June 30, 2000

	General Fund			Special Revenue Funds			(Memorandum Only Totals)		
	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget	Budget	Actual	Actual Over (Under) Budget
Revenue:									
Intergovernmental	\$ 537,100	558,088	20,988	140,000	123,862	(16,138)	677,100	681,950	4,850
Licenses and permits	25,000	65,366	40,366	-	-	-	25,000	65,366	40,366
Other, primarily interest	406,995	445,844	38,849	-	-	-	406,995	445,844	38,849
Total revenue	969,095	1,069,298	100,203	140,000	123,862	(16,138)	1,109,095	1,193,160	84,065
Expenditures:									
General Government	162,330	182,707	20,377	-	-	-	162,330	182,707	20,377
Sanitation	-	-	-	335,000	272,236	(62,764)	335,000	272,236	(62,764)
Streets	563,600	550,263	(13,337)	-	-	-	563,600	550,263	(13,337)
Total expenditures	725,930	732,970	7,040	335,000	272,236	(62,764)	1,060,930	1,005,206	(55,724)
Excess (deficiency) revenues over expenditures	243,165	336,328	93,163	(195,000)	(148,374)	46,626	48,165	187,954	139,789
Other Financing Sources (Uses)									
Operating transfer from other funds	140,000	123,862	(16,138)	335,000	272,236	(62,764)	475,000	396,098	(78,902)
Operating transfer to other funds	(335,000)	(272,236)	(62,764)	(140,000)	(123,862)	(16,138)	(475,000)	(396,098)	(78,902)
Total Other Financing Sources (Uses)	(195,000)	(148,374)	46,626	195,000	148,374	(46,626)	-	-	-
Excess (deficiency) revenues and other sources over expenditures and other uses	48,165	187,954	139,789	-	-	-	48,165	187,954	139,789
Fund Balance, Beginning of Year	6,051,928	6,051,928	-	-	-	-	6,051,928	6,051,928	-
Fund Balance, End of Year	\$ 6,100,093	6,239,882	139,789	-	-	-	6,100,093	6,239,882	139,789

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

Notes to Financial Statements

June 30, 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the City of Oak Hill, Tennessee conform to generally accepted auditing principles as applicable to governmental units. The financial statements are presented in conformity with generally accepted accounting principles. The following is a summary of the significant policies:

Fund Accounting

The accounts of the City are organized on the basis of funds and account group, each of which is considered to be a separate accounting entity.

Financial Reporting Entity

Governmental Accounting Standards Board Statement (GASB) Number 14, "The Financial Reporting Entity" requires the General Purpose Financial Statements present the reporting entity which consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the City's General Purpose Financial Statements to be misleading or incomplete. At June 30, 2000, no potential component units were considered to meet the above criteria.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decrease (i.e., expenditures and other financing uses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Sales taxes and other shared revenues received through intermediary collecting governments are considered measurable and available if collected within 30 days of year end. Expenditures are recorded when the related fund liability is incurred.

CITY OF OAK HILL, TENNESSEE

Notes to Financial Statements

June 30, 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, (Continued)

Governmental Fund Types

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

Special Revenue Fund - Special revenue funds are used to account for the proceeds of a specific revenue sources legally restricted to expenditures for specified purposes.

Budgets and Budgetary Accounting

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

1. Operating budgets for the General and Special Revenue Funds are prepared for the fiscal year commencing the following July 1.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to June 30, the budgets are legally enacted through passage of an ordinance. In no event shall the total appropriations for any fund included in the budget exceed the estimated revenues and unappropriated fund balance.
4. The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total appropriations of any department or fund must be approved by the Mayor and Commissioners.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund from which appropriations were made at the end of the fiscal year.

CITY OF OAK HILL, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, (Continued)

General Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the General Fund and capitalized at cost in the General Fixed Assets Group of Accounts. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads and bridges, curbs and gutters, streets and sidewalks and drainage systems, are not capitalized. No depreciation has been provided on general fixed assets.

(2) CASH AND CASH EQUIVALENTS

Cash and cash equivalents, consist of cash and highly liquid investments with a maturity of three months or less, which are stated at cost, at June 30, 2000.

At year-end the carrying amount of the City’s deposits of cash and cash equivalents was \$6,224,176 of which \$5,920,429 is held in the local government investment pool. The bank balance was \$303,747 which was, either insured by federal depository insurance or fully collateralized by securities held by the City’s agent in the City’s name.

3) GENERAL FIXED ASSETS

Activity in the City’s General Fixed Asset Fund for the year ended June 30, 2000 is as follows:

Balance beginning of year	\$	115,691
Additions for the year		<u> -</u>
Balance end of year	\$	<u>115,691</u>

CITY OF OAK HILL, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2000

(4) INTERFUND TRANSACTIONS

Individual Operating transfers for the year ended June 30, 2000 were as follows:

	Transfer <u>From</u>	Transfer <u>To</u>
General Fund	\$ 123,862	272,236
State Street Aid Fund	-	123,862
Solid Waste Collection Fund	<u>272,236</u>	<u>-</u>
Total	\$ <u>396,098</u>	<u>396,098</u>

(5) RISK MANAGEMENT

The City of Oak Hill is exposed to various risks to general liability, property, and casualty losses. The City deems it more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty and workman's compensation coverage. The City participates in the TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member Cities. The City pays an annual premium to the TML for its general liability and casualty insurance coverage. The creation of the pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss, including employees health and accident and environmental. Settled claims for these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

(6) BUDGET OVERAGE

For the year ended June 30, 2000, the following expenditures exceeded budget appropriations:

General Fund:	<u>Budget</u>	<u>Expenditures</u>	<u>Budget overage</u>
General government	\$162,330	182,707	20,377

CITY OF OAK HILL, TENNESSEE

**Statement of Revenue, Expenditures and Changes in Fund Balance -
Budget (GAAP Basis) and Actual**

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenue:			
Intergovernmental:			
State sales tax	\$ 235,000	263,690	28,690
State income tax	300,000	239,472	(60,528)
State beer tax	2,100	2,218	118
Federal and state grant	-	42,350	42,350
Metro tax allocation for streets and roads	-	10,358	10,358
	<u>537,100</u>	<u>558,088</u>	<u>20,988</u>
Licenses and permits	<u>25,000</u>	<u>65,366</u>	<u>40,366</u>
Other:			
Miscellaneous income - primarily interest	<u>406,995</u>	<u>445,844</u>	<u>38,849</u>
Total receipts	<u>969,095</u>	<u>1,069,298</u>	<u>100,203</u>
Expenditures:			
General Government:			
Salaries:			
City manager	28,080	44,511	16,431
City attorney	6,000	7,200	1,200
Clerical help	22,000	21,793	(207)
Payroll taxes	9,500	5,246	(4,254)
Automobile allowance	4,200	4,200	-
Office supplies	5,000	2,276	(2,724)
Legal and professional	41,000	53,981	12,981
Utilities and maintenance fee	10,600	6,042	(4,558)
Miscellaneous expense	<u>35,950</u>	<u>37,458</u>	<u>1,508</u>
Total general government	<u>162,330</u>	<u>182,707</u>	<u>20,377</u>
Streets:			
Street signs, lights and energy	40,000	43,575	3,575
Street construction, maintenance and improvements	350,000	335,945	(14,055)
Maintenance of right of way	150,000	128,619	(21,381)
Engineering expense	3,600	3,600	-
Federal and state program costs	-	35,887	35,887
Miscellaneous expense	<u>20,000</u>	<u>2,637</u>	<u>(17,363)</u>
Total streets	<u>563,600</u>	<u>550,263</u>	<u>(13,337)</u>
Total expenditures	<u>725,930</u>	<u>732,970</u>	<u>7,040</u>
Excess (deficiency) Revenue over expenditures	<u>243,165</u>	<u>336,328</u>	<u>93,163</u>

Continued on next page.

CITY OF OAK HILL, TENNESSEE

**Statement of Revenue, Expenditures and Changes in Fund Balance -
Budget (GAAP Basis) and Actual**

For the Year Ended June 30, 2000

Continued from preceeding page:

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Excess (deficiency) Revenue over expenditures	\$ 243,165	336,328	93,163
Other financing sources (uses)			
Operating transfer from State Street Aid Fund	140,000	123,862	(16,138)
Operating transfer to Waste Disposal Fund	<u>(335,000)</u>	<u>(272,236)</u>	<u>62,764</u>
Total other financing sources (uses)	<u>(195,000)</u>	<u>(148,374)</u>	<u>46,626</u>
Excess (deficiency) Revenue over expenditures and other financing sources (uses)	48,165	187,954	139,789
Fund balance, Beginning of year	<u>6,051,928</u>	<u>6,051,928</u>	<u>-</u>
Fund balance, End of year	<u>\$ 6,100,093</u>	<u>6,239,882</u>	<u>139,789</u>

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

Combining Balance Sheet
All Special Revenue Funds

June 30, 2000

	<u>Solid Waste Collection</u>	<u>State Street Aid</u>	<u>Combined Total</u>
Assets	\$ <u>-</u>	<u>-</u>	<u>-</u>
Liabilities	\$ -	-	-
Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	\$ <u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

**Combining Statement of Revenue, Expenditures and Changes
in Fund Balance**

All Special Revenue Funds

June 30, 2000

	<u>State Street Aid</u>	<u>Solid Waste Collection</u>	<u>Combined Total</u>
Revenue:			
Intergovernmental	\$ 123,862	-	123,862
	<hr/>	<hr/>	<hr/>
Total revenue	123,862	-	123,862
	<hr/>	<hr/>	<hr/>
Expenditures:			
Sanitation:			
Solid waste removal costs	-	272,236	272,236
	<hr/>	<hr/>	<hr/>
Total expenditures	-	272,236	272,236
	<hr/>	<hr/>	<hr/>
Excess (deficiency) Revenue over expenditures	123,862	(272,236)	(148,374)
	<hr/>	<hr/>	<hr/>
Other financing sources (uses)			
Operating transfer from General Fund	-	272,236	272,236
Operating transfer to General Fund	(123,862)	-	(123,862)
Total other financing sources (uses)	(123,862)	272,236	148,374
	<hr/>	<hr/>	<hr/>
Excess (deficiency) Revenue over expenditures and other financing sources (uses)	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balance, Beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balance, End of year	\$ <u>-</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

**Statement of Revenue, Expenditures and Changes
in Fund Balance - Budget and Actual**

State Street Aid Fund

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenue:			
Intergovernmental	\$ 140,000	123,862	(16,138)
	<u>140,000</u>	<u>123,862</u>	<u>(16,138)</u>
Total revenue			
Expenditures	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures			
Excess (deficiency) Revenue over expenditures	<u>140,000</u>	<u>123,862</u>	<u>(16,138)</u>
Other financing sources (uses)			
Operating transfer to General Fund	<u>(140,000)</u>	<u>(123,862)</u>	<u>(16,138)</u>
Total other financing sources (uses)	<u>(140,000)</u>	<u>(123,862)</u>	<u>(16,138)</u>
Excess (deficiency) Revenue over expenditures and other financing sources (uses)	-	-	-
Fund balance, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, End of year	<u>\$ -</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE

**Statement of Revenue, Expenditures and Changes
in Fund Balance - Budget and Actual**

Solid Waste Collection Fund

For the Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Budget</u>
Revenue:			
Intergovernmental	\$ -	-	-
	<hr/>	<hr/>	<hr/>
Total revenue	<hr/> -	<hr/> -	<hr/> -
Expenditures:			
Sanitation:			
Solid waste removal costs	335,000	272,236	(62,764)
	<hr/>	<hr/>	<hr/>
Total expenditures	<hr/> 335,000	<hr/> 272,236	<hr/> (62,764)
Excess (deficiency) Revenue over expenditures	<hr/> (335,000)	<hr/> (272,236)	<hr/> (62,764)
Other financing sources (uses)			
Operating transfer from General Fund	335,000	272,236	(62,764)
Total other financing sources (uses)	<hr/> 335,000	<hr/> 272,236	<hr/> (62,764)
Excess (deficiency) Revenue over expenditures and other financing sources (uses)	-	-	-
Fund balance, Beginning of year	<hr/> -	<hr/> -	<hr/> -
Fund balance, End of year	<hr/> <u>\$ -</u>	<hr/> <u>-</u>	<hr/> <u>-</u>

See accompanying notes to the financial statements

CITY OF OAK HILL, TENNESSEE
Schedule of Cash and Cash Equivalents
June 30, 2000

Sun Trust Bank	\$ 303,697
Local government investment pool	5,920,429
Petty cash	<u>50</u>
	<u>\$ 6,224,176</u>

CITY OF OAK HILL, TENNESSEE

Salaries and Official Bonds of Principal Officials

For the Year Ended June 30, 2000

	<u>Yearly Salary</u>	<u>Fidelity Bond</u>
City manager:		
Mr. Barnett Williams	\$ 44,510	\$ *
Administrative assistant:		
Mary Clyde Sparks	21,792	*

* Covered under Crime Coverage Insurance

CITY OF OAK HILL, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2000

<u>CFDA Number</u>	<u>Grant No.</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Deferred (Receivable) Balance June 30, 1999</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>	<u>Deferred (Receivable) Balance June 30, 2000</u>
<u>Federal Program</u>							
83.544	Z-90-955418-00	Storm Damage	Federal Emergency Management Agency	\$ (56,912)	75,496	(30,682)	(12,098)
83.544	FEMA-1331-DR-TN	Storm Damage	Federal Emergency Management Agency	-	-	(11,668)	(11,668)
				<u>\$ -</u>	<u>75,496</u>	<u>(42,350)</u>	<u>(23,766)</u>

CITY OF OAK HILL, TENNESSEE

Insurance Coverage

June 30, 2000

<u>Type of Coverage</u>	<u>Amount</u>
Public officials' errors and omissions liability	\$ 1,000,000
Workmen's compensation	1,000,000 each accident 1,000,000 policy limits 1,000,000 each employee
Crime coverage	\$ 100,000 all employees
General liability	\$ 130/350,000 - Except for work which is performed for the City, which varies by type of services performed.
	\$ 1,000,000 per occurrence

YEARY, HOWELL & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROLS

The Board of Commissioners
City of Oak Hill, Tennessee

We have audited the financial statements of the City of Oak Hill, Tennessee for the year ended June 30, 2000 and have issued our report thereon dated October 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

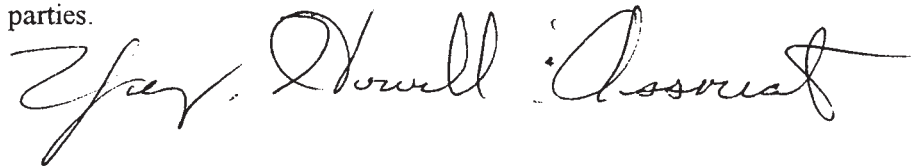
As part of obtaining reasonable assurance about whether the City of Oak Hill, Tennessee financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Oak Hill's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We, however, noted other matters involving the internal control over financial reporting that we have reported to management of City of Oak Hill, Tennessee in a separate letter dated October 18, 2000.

This report is intended solely for the information of the State comptroller's Office, the Board of Commissioners and City management, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 18, 2000

A handwritten signature in cursive script that reads "Gregory V. Howell" followed by "Associates".