OFFICIAL STATEMENT

NEW ISSUE Rating: Standard & Poor's: "AA+"
BOOK-ENTRY-ONLY (See "MISCELLANEOUS-Rating")

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS - Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS - Tax Matters" herein).

$9,665,000
CITY OF OAK RIDGE, TENNESSEE
General Obligation Refunding Bonds, Series 2016

Dated: December 23, 2016 Due: June 1 (as indicated below)

The $9,665,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") shall be issued by the City of Oak Ridge, Tennessee (the "City") as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2017 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City have been irrevocably pledged. That portion, as determined by the Municipality, of the Bonds that refinances indebtedness that financed or refinanced improvements to the Municipality's water and sewer system (the "Water and Sewer System") is additionally payable from, but not secured by, revenues derived from the Water and Sewer System, subject to the reasonable and necessary costs of operating, maintaining, repairing and insuring the Water and Sewer System and to any obligations of the Municipality to which such revenues are pledged. That portion, as determined by the Municipality, of the Bonds that refinances indebtedness that financed or refinanced improvements to the Municipality's electric system (the "Electric System") is additionally payable from, but not secured by, revenues derived from the Electric System, subject to the reasonable and necessary costs of operating, maintaining, repairing and insuring the Electric System and to any obligations of the Municipality to which such revenues are pledged.

Bonds maturing June 1, 2022 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2021.

Maturity (June 1)	Amount	Interest Rate	Yield		CUSIPS **	Maturity (June 1)	Amount	Interest Rate	Yield		CUSIPS **
2017	$ 705,000	3.00%	0.95%		671783 SJ8	2024	$ 870,000	2.50%	1.95%	c	671783 SR0
2018	780,000	3.00	1.15		671783 SK5	2025	750,000	2.50	2.05	c	671783 SS8
2019	805,000	3.00	1.40		671783 SL3	2026	655,000	2.75	2.15	c	671783 ST6
2020	820,000	3.00	1.50		671783 SM1	2027	280,000	2.75	2.25	c	671783 SU3
2021	840,000	3.00	1.65		671783 SN9	2031	350,000	3.00	2.60	c	671783 SY5
2022	870,000	2.50	1.75	c	671783 SP4	2032	375,000	3.00	2.65	c	671783 SZ2
2023	865,000	2.50	1.85	c	671783 SQ2	2033	375,000	3.00	2.75	c	671783 TA6

$325,000 3.00% Term Bond Due June 1, 2030 @ 2.50% c 671783 SX7

c = Yield to call on June 1, 2021.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued by the City, subject to the approving legal opinion of Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters in connection with the Bonds will be passed upon for the City by Kenneth R. Krushenski, Esq., counsel to the City. It is expected that the Bonds, in book-entry-only form, will be available for delivery through the facilities of DTC, New York, New York, on or about December 23, 2016.

Cumberland Securities Company, Inc.
Financial Advisor

December 13, 2016

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate (as defined herein), and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer or the Underwriter. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

** These CUSIP numbers have been assigned by Standard & Poor’s CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc., and are included solely for the convenience of the Bond holders. The City is not responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated herein.

CITY OF OAK RIDGE, TENNESSEE

MEMBERS OF CITY COUNCIL

Warren L. Gooch, *Mayor*
Kelly Callison
Rick Chinn, Jr., Mayor Pro Tem
Jim Dodson
Charles J. Hope, Jr.
Ellen Smith
Hans Vogel

CITY OFFICIALS

Mark S. Watson
City Manager

Janice E. McGinnis
Finance Director

Beth Hickman
City Clerk

Kenneth R. Krushenski
City Attorney

UDNERWRITER

Cantor Fitzgerald
Memphis, Tennessee

REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

TABLE OF CONTENTS

APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT

SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

Issuer	City of Oak Ridge, Tennessee (the "City" or "Issuer"). See APPENDIX B contained herein.
The Bonds	$9,665,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds").
Security	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal of, premium, if any, and interest on the Bonds, the full faith and credit of the City have been irrevocably pledged. The Bonds are also payable from but not secured by certain utility revenues of the City as described herein.
Purpose	The Bonds are being issued for the purpose of providing funds to (i) refund all or a portion of certain outstanding indebtedness of the City, as described herein; and (ii) pay all legal, fiscal and administrative costs incident to the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2021, at the redemption price of par plus accrued interest. See section entitled "SECURITIES OFFERED - Optional Redemption".
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining the adjusted current earnings of certain corporations for purposes of the alternative minimum tax on corporations. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled "LEGAL MATTERS-Tax Matters" and APPENDIX A included herein.
Bank Qualification	The Bonds have been designated or deemed designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled "LEGAL MATTERS - Tax Matters" for additional information.
Rating	Standard & Poor's: "AA+". See the section entitled "MISCELLANEOUS - Rating" for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the "Registration Agent").
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled "MISCELLANEOUS - Financial Advisor; Related Parities; Others", herein.
Underwriter	Cantor Fitzgerald, Memphis, Tennessee.

Book-Entry-Only........................... The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled "BASIC DOCUMENTATION – Book–Entry-Only System".

General .... The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See the section entitled SECURITIES OFFERED herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of the Depository Trust Company, New York, New York.

Disclosure .... In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board ("MSRB") through the operation of the Electronic Municipal Market Access system ("EMMA") and the State Information Depository ("SID"), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled "MISCELLANEOUS-Continuing Disclosure."

Other Information.......................... The information in the Official Statement is deemed "final" within the meaning of the Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City, or the Official Statement, contact Mr. Warren L. Gooch, Mayor, P. O. Box 1, Oak Ridge, Tennessee 37831-0001, Telephone: (865) 425-3432; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

GENERAL FUND
Summary of Changes In Fund Balances

For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Beginning Fund Balance	$ 9,169,606	$ 9,468,748	$9,217,049	$10,060,140	$9,473,710
Revenues	38,222,434	39,008,221	38,623,875	38,974,825	38,795,748
Expenditures	21,162,492	21,497,435	21,551,918	22,748,714	22,725,477
Other Financing Sources:					
Transfers In	2,685,282	2,855,907	3,393,631	3,012,318	3,339,582
Transfers Out	(19,446,082)	(20,618,392)	(19,622,497)	(19,824,859)	(19,467,238)
Excess of Revenue/Other Sources Over (Under)	299,142	(251,699)	843,091	(586,430)	(57,385)
Ending Fund Balance	**$ 9,468,748**	**$ 9,217,049**	**$10,060,140**	**$9,473,710**	**$9,416,325**

Source: City of Oak Ridge Financial Statements with Report of Certified Public Accountants.

$9,665,000
CITY OF OAK RIDGE, TENNESSEE
General Obligation Refunding Bonds, Series 2016

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Oak Ridge, Tennessee (the "City" or "Issuer") of its $9,665,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated,* as amended, and other applicable provisions of the law and pursuant to resolutions (the "Resolution") adopted by the City Council of the City (the "City Council") on December 12, 2016.

The Bonds are being issued for the purpose of providing funds to (i) refinance a portion of certain outstanding indebtedness of the City, as described herein and (ii) pay all legal, fiscal and administrative costs incident to the issuance and sale of the Bonds.

REFUNDING PLAN

With the proceeds of the Bonds, the City is proposing to refinance all or a portion of its outstanding indebtedness under that certain Loan Agreement dated as of June 16, 2006 between the City and The Public Building Authority of the City of Clarksville, Tennessee (the "2006 Loan Agreement") and all or a portion of its outstanding indebtedness under that certain Loan Agreement dated as of December 26, 2012 between the City and The Public Building Authority of the City of Clarksville, Tennessee (the "2012 Loan Agreement", collectively "Outstanding Indebtedness").

As required by Title 9, Chapter 21, Part 9 of *Tennessee Code Annotated* as supplemented and revised, a plan of refunding (the "Plan") for the Outstanding Indebtedness was submitted to the Director of State and Local Finance for the State of Tennessee for review, and the report with respect to the Plan was issued on November 28, 2016.

DESCRIPTION OF THE BONDS

The Bonds will be dated and bear interest from the date of issuance December 23, 2016. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2017. The Bonds are issuable in registered book-entry-only form only and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Clerk. No Bond shall be valid until it has been authenticated by the manual signature of an authorized representative of the Registration Agent and the date of authentication noted thereon.

SECURITY

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the Municipality. For the prompt payment of the principal of, premium, if any, and interest on the Bonds, the full faith and credit of the Municipality are hereby irrevocably pledged. That portion, as determined by the Municipality, of the Bonds that refinances the Refunded Indebtedness that financed or refinanced improvements to the Municipality's water and sewer system (the "Water and Sewer System") is additionally payable from, but not secured by, revenues derived from the Water and Sewer System, subject to the reasonable and necessary costs of operating, maintaining, repairing and insuring the Water and Sewer System and to any obligations of the Municipality to which such revenues are pledged. That portion, as determined by the Municipality, of the Bonds that refinances the Refunded Indebtedness that financed or refinanced improvements to the Municipality's electric system (the "Electric System") is additionally payable from, but not secured by, revenues derived from the Electric System, subject to the reasonable and necessary costs of operating, maintaining, repairing and insuring the Electric System and to any obligations of the Municipality to which such revenues are pledged.

The City through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The tax required to be levied as described above may be reduced to the extent of any direct appropriations from other funds, taxes and revenues of the City to the payment of debt service on the Bonds, including the revenue described above.

The Bonds will not be obligations of the State of Tennessee.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Under the Internal Revenue Code of 1986, as amended (the “Code”), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain “qualified tax-exempt obligations,” as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be “qualified tax-exempt obligations” within the meaning of the Code.

OPTIONAL REDEMPTION

Bonds maturing June 1, 2022, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2021 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the City Council of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

MANDATORY REDEMPTION

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 2030 on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed within a maturity shall be selected in the same manner as is described above in connection with optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

Maturity	Redemption Date	Principal Amount of Bonds Redeemed
June 1, 2030	June 1, 2028	$ 95,000
	June 1, 2029	$110,000
	June 1, 2030*	$120,000

*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) of this subsection are to be availed of with respect to such payment and confirm that funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to effect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository, if applicable, or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth (15) day of the month next preceding the interest payment date (the "Regular Record Date") by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC's partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book entry system maintained by DTC (the "Book Entry Only System"). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

DTC and its Participants. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of __. The DTC Rules applicable to its Participants are on file with the U.S. Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchase of Ownership Interests. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

Payments of Principal and Interest. Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of Direct and Indirect Participants.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds f or their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE FINANCIAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

Transfers of Bonds. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

No Assurance Regarding DTC Practices. The foregoing information in this section concerning DTC and DTC's Book-Entry-Only system has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent, the Financial Advisor and the Underwriter do not take any responsibility for the accuracy thereof. So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent, the Financial Advisor or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect

Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled "SECURITIES OFFERED – Redemption."

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be applied by the City as follows:

(a) A portion of the proceeds from the sale of the Bonds shall be used to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds.

(b) The remainder of the proceeds from the sale of the Bonds, together with such other City funds as may be identified by the Mayor and, if applicable, investment earnings on the foregoing, shall be applied to refinance the Outstanding Indebtedness.

DISCHARGE AND SATISFACTION OF BONDS

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (an "Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving or such notice); or

3. By delivering such Bonds to the Registration Agent for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such escrow agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void; and if the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations (defined herein) deposited as aforesaid.

Except as otherwise provided in this section, neither Defeasance Obligations nor moneys deposited with the Registration Agent nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes hereof, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or any agency thereof, obligations of any agency or instrumentality of the United States or any other obligations at the time of the purchase thereof are permitted investments under Tennessee law for the purposes described herein, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

REMEDIES OF BONDHOLDERS

Under Tennessee law, any bondholder has the right, in addition to all other rights:

(1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

(2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such bondholder.

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LEGAL MATTERS

LITIGATION

There are no claims against the City, including claims in litigation, which, in the opinion of the City, would have a material adverse effect on the City's financial position. There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended, (the "Code")
- is not a preference item for a bondholder under the federal alternative minimum tax, and
- is included in the adjusted current earnings of a corporation under the federal corporate alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also the section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Bond will have "original issue discount" if the price paid by the original purchaser of such Bond is less than the principal amount of such Bond. Bond Counsel's opinion is that any original issue discount on the Bonds as it accrues is excluded from a bondholder's federal gross income under the Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder's tax basis in the Bonds will be increased. If a bondholder owns one of the Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

Qualified Tax-Exempt Obligations. Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CLOSING CERTIFICATES

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the Official Statement, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the Official Statement, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the Official Statement, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the Official Statement, in final form, and having attached thereto a copy of the Official Statement, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Clerk acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Disclosure Certificate regarding certain covenants of the City concerning the preparation and distribution of certain annual financial information and notification of certain material events, if any.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the Preliminary Official Statement or the Official Statement, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the Preliminary Official Statement or Official Statement, in final form, except for the information in the section entitled "LEGAL MATTERS - Tax Matters." The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The Bond Counsel's opinion will be delivered with the Bonds and the form of Bond Counsel opinion is included in APPENDIX A.

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MISCELLANEOUS

RATING

Standard & Poor's Financial Services ("Standard & Poor's") has given the Bonds the rating of "AA+".

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Standard & Poor's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Standard & Poor's and any explanation of the significance of such rating should be obtained from Standard & Poor's.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on December 13, 2016. Details concerning the public sale were provided to potential bidders and others in the Detailed Notice of Sale and the Preliminary Official Statement that was dated December 7, 2016.

The successful bidder for the Bonds was an account led by Cantor Fitzgerald, Memphis, Tennessee (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Detailed Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $9,877,052.30 (consisting of the par amount of the Bonds, plus a reoffering premium of $277,462.20 less an underwriter's discount of $65,409.90) or 102.194023% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

Financial Advisor. Cumberland Securities Company, Inc., Knoxville, Tennessee, has served as financial advisor (the "Financial Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Financial Advisor has not been engaged by the City to compile, create, or interpret any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Financial Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Financial Advisor as to its accuracy or completeness or otherwise. The Financial Advisor is not a public accounting firm and has not been engaged by the City to review or audit any information in the PRELIMINARY OFFICIAL STATEMENT and OFFICIAL STATEMENT in accordance with accounting standards.

Regions Bank. Regions Bank (the "Bank") is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to state and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

Official Statements. Certain information relative to the location, economy and finances of the Issuer is found in the Preliminary Official Statement, in final form and the Official Statement, in final form. Except where otherwise indicated, all information contained in this Official Statement has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Financial Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the Preliminary Official Statement, in final form, and the Official Statement, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

Bond Counsel. From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

Other. Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company's role as serving as the City's Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

DEBT RECORD

There is no record of default on principal or interest payments of the Issuer. Additionally, no agreements or legal proceedings of the Issuer relating to securities have been declared invalid or unenforceable.

ADDITIONAL DEBT

The City has not authorized any additional debt. However, the City has ongoing capital needs and may or may not issue additional debt in the future.

CONTINUING DISCLOSURE

The City will, at the time the Bonds are delivered, execute a continuing disclosure certificate (the "Disclosure Certificate") under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve (12) months after the end of each fiscal year commencing with the fiscal year ending June 30, 2015 (the "Annual Reports"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The Annual Reports (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Reports or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year History of Filing. In the past five years, the City has filed its Annual Reports at www.emma.msrb.org under the base CUSIP Number 671783 which is the base CUSIP Number for the City; however, the City inadvertently failed to also file such Annual Reports under the CUSIP Number of certain conduit issuers of bonds for which the City was an obligated person. The City has now additionally filed its Annual Reports for all outstanding bonds for which it is an obligated person under the conduit issuer's CUSIP Number. While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of the bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. With the exception of the foregoing, which the City does not believe were material for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted auditing standards, provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available. The Annual Report shall also include in a similar format the following information included in APPENDIX B entitled "SUPPLEMENTAL INFORMATION STATEMENT."

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-20;

2. The indebtedness and debt ratios as of the end of such fiscal year, together with information about the property tax base as shown on pages B-21 and B-22;

3. Information about the Bonded Debt Service Requirements – General Obligation Fund as of the end of such fiscal year as shown on page B-23;

4. Information about Bonded Debt Service Requirments– Water and Sewer System as of the end of such fiscal year as shown on page B-24;

5. Information about Bonded Debt Service Requirments– Electric System as of the end of such fiscal year as shown on page B-25;

6. The fund balances and retained earnings for the fiscal year as shown on page B-27;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-28;

8. Summary of Revenues, Expenditures and Changes in Fund Balances - Electric Fund for the fiscal year as shown on page B-29;

9. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated appraised value of all taxable property for such year as shown on page B-36;

10. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-36; and

11. The ten largest taxpayers as shown on page B-37.

Any or all of the items listed above may be incorporated by reference from other documents, including OFFICIAL STATEMENTS in final form for debt issues of the City or related public entities, which have been submitted to the MSRB or the U.S. Securities and Exchange Commission. If the document incorporated by reference is an OFFICIAL STATEMENT, in final form, it will be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Significant Events. The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.

2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

    c. Unscheduled draws on debt service reserves reflecting financial difficulties;

    d. Unscheduled draws on credit enhancements reflecting financial difficulties;

    e. Substitution of credit or liquidity providers, or their failure to perform;

    f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

g. Modifications to rights of Bondholders, if material;

h. Bond calls, if material, and tender offers;

i. Defeasances;

j. Release, substitution, or sale of property securing repayment of the securities, if material;

k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

n. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Termination of Reporting Obligation. The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

Amendment; Waiver. Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or beneficial owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Default. In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

ADDITIONAL INFORMATION

Use of the words "shall," "must," or "will" in the Preliminary Official Statement and Official Statement in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in the Preliminary Official Statement and Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither the Preliminary Official Statement and Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The Preliminary Official Statement and Official Statement, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in this Preliminary Official Statement or the Official Statement, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this Official Statement as “final” as of its date within the meaning of the Rule 15c2-12.

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CERTIFICATION OF ISSUER

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ Warren Gooch
City Mayor

ATTEST:

/s/ Beth Hickman
City Clerk

FORM OF BOND COUNSEL OPINION

LAW OFFICES OF
BASS, BERRY & SIMS PLC
900 SOUTH GAY STREET, SUITE 1700
KNOXVILLE, TENNESSEE 37902

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Oak Ridge, Tennessee (the "Issuer") of the $9,665,000 General Obligation Refunding Bonds, Series 2016 (the "Bonds") dated December 23, 2016. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Issuer. That portion, as determined by the Issuer, of the Bonds that refinances indebtedness that financed or refinanced improvements to the Issuer's water and sewer system (the "Water and Sewer System") is additionally payable from, but not secured by, revenues derived from the Water and Sewer System, subject to the reasonable and necessary costs of operating, maintaining, repairing and insuring the Water and Sewer System and to any obligations of the Issuer to which such revenues are pledged. That portion, as determined by the Issuer, of the Bonds that refinances indebtedness that financed or refinanced improvements to the Issuer's electric system (the "Electric System") is additionally payable from, but not secured by, revenues derived from the Electric System, subject to the reasonable and necessary costs of operating, maintaining, repairing and insuring the Electric System and to any obligations of the Issuer to which such revenues are pledged.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest

thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT

GENERAL INFORMATION

LOCATION

The City of Oak Ridge, Tennessee (the "City") is located in the eastern portion of the scenic Tennessee River Valley between the Cumberland Mountains and the Southern Appalachians. Most of Oak Ridge is contained in a southern portion of Anderson County (the "County"). It is approximately 22 miles northwest of Knoxville. Scott, Campbell and Union Counties all border Anderson County to the north. Knox County borders Anderson County to the east. Morgan and Roane Counties border Anderson County to the west.

A portion of the City of Oak Ridge is also located in Roane County. This portion includes facilities run by the U.S. Department of Energy (the "DOE"): the Oak Ridge National Laboratory (the "ORNL") and the Y-12 National Security Complex (the "Y-12"). These facilities were built during World War II and produced uranium 235 for the first atomic bomb. The project was known as the "The Manhattan Project"

The City has considerable acreage of meadow and wooded hills within the 18 square miles of its residential and commercial area. Atlanta, Chattanooga, Nashville, Louisville, Lexington and Asheville are with 200 miles, connected by interstate highways. The Great Smoky Mountain National Park, the most visited of all the national parks, is within a 90-minute drive.

GENERAL

The City is part of the Knoxville Metropolitan Statistical Area (the "MSA") that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox, Anderson, Blount, Campbell, Grainger, Loudon, Morgan, Roane and Union Counties.

The City is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The population of Anderson County is estimated to be 75,129 persons per the U.S. Bureau of the Census in 2010. The population of the City of Oak Ridge in 2010, according to the U.S. Bureau of the Census, was 29,330.

TRANSPORTATION

The City and County have access to several transportation facilities. Four state highways, Route 95, 61, 58, and 62, intersect in the County, and access to Interstates 75 and 40 is also available. The County is served by the CSX Railroad, Norfolk Southern Railroad, and L & N Railroad, bus lines and numerous truck lines. The nearest general aviation airport is located at Jacksboro, Tennessee, approximately 15 miles away from the County. There is also an airstrip at Oliver Springs, 5 miles outside Oak Ridge. Commercial air service is provided by McGhee Tyson Airport, a major commercial and freight air terminal at Alcoa, Tennessee about 25 miles away.

Oak Ridge borders the Clinch River's navigable waterway for 42 miles along the shores of Watts Bar and Melton Hill Lakes. These TVA waterways connect to the Tennessee River. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south.

EDUCATION

There are two school systems located within the County. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2014 enrollment was about 4,438 students with 322 teachers. In addition to the City system, a parochial school also exists within the City limits covering grades one through eight with an enrollment of approximately 200 students. *Anderson County School System* has a very extensive school system made up of 17 schools countywide. These schools can be broken down into nine elementary schools, four middle schools, two high schools, and one vocational school. Anderson County had a fall 2014 enrollment of about 6,651 students for 480 teachers.

Source: Tennessee Department of Education.

Oak Ridge Associated Universities (the "ORAU") is a consortium of 100 colleges and universities and a contractor for the DOE located in Oak Ridge, Tennessee. Founded in 1946, ORAU works with its member institutions that include the University of Tennessee and its satellite campuses. The purposes are to help their students and faculty gain access to federal research facilities throughout the country; to keep its members informed about opportunities for fellowship, scholarship, and research appointments; and to organize research alliances among its members. ORAU has contracted with the U.S. Nuclear Regulatory Commission since 1992 for radiation training and managing the Radiation Emergency Center / Training Site in Oak Ridge and the Technical Training Center in Chattanooga. Through the Oak Ridge Institute for Science and Education, the DOE facility that ORAU operates, undergraduates, graduates, postgraduates, as well as faculty enjoy access to a multitude of opportunities for study and research. A pioneer in technology transfer, with historic contributions in nuclear medicine and health physics, ORAU today conducts specialized training in nuclear related areas of energy, health and the environment. Appointment and program length range from one month to four years. Many of these programs are especially designed to increase the numbers of underrepresented minority students pursuing degrees in science - and engineering - related disciplines. ORAU currently does about $100 million in work annually that falls outside the contract for managing the Oak Ridge Institute for Science and Education.

Source: Oak Ridge Associated Universities, University of Tennessee at Chattanooga.

The University of Tennessee, Knoxville (the "UTK") is one of the oldest land-grant universities in the nation. There are 220 buildings on a 550-acre campus. Blount College, the UTK's forerunner, was established in Knoxville in 1794, two years before Tennessee became a state. With a fall 2016 enrollment of more than 28,052 students, UTK is the largest campus in the UT System. The University of Tennessee System is a statewide institution governed by a 26-member Board of Trustees appointed by the governor of Tennessee. Institutions of the UT system are UTK, UT Health Science Center in Memphis, UT Chattanooga, UT Martin, UT Space Institute in Tullahoma, and UT Institute for Public Service in Knoxville. In addition to the primary campus, the Agricultural

Campus houses the UT Institute of Agriculture, a statewide administrative unit that includes the College of Veterinary Medicine, the College of Agricultural Sciences and Natural Resources, the Agricultural Extension Service and the Agricultural Experiment Stations.

UTK is a major research institution, attracting more than $150 million in externally sponsored programs annually. The Division of Aeromedical Services is one of the country's most respected and comprehensive aeromedical programs. The university is a co-manager with Battelle of the nearby ORNL. UT-Battelle, LLC, was established in 2000 as a private not-for-profit company for the sole purpose of managing and operating the ORNL for the DOE. Formed as a 50-50 limited liability partnership between the University of Tennessee and Battelle Memorial Institute, UT-Battelle is the legal entity responsible delivering the DOE's research mission at ORNL. Faculty and students experience unparalleled research and learning opportunities at the DOE's largest science and energy lab.

The University conducts externally-funded research totaling more than $300 million annually, including some $17.3 million annually in research sponsored by ORNL. Areas of joint research with ORNL include the Bioenergy Science Center's work on cellulosic ethanol; the Center for Computational Sciences partnership with the National Science Foundation; and the Science Alliance, with divisions in biological, chemical, physical, and mathematical/computer science. UT/ORNL Joint Institutes and Centers include Biological Sciences, Computational Sciences, Neutron Sciences, Heavy Ion Research and the National Transportation Center.

Source: University of Tennessee, UT-Battelle and Knoxville News Sentinel.

Roane State Community College Oak Ridge Campus. Roane State Community College, which began operation in 1971 in Harriman, Tennessee, is a two-year higher education institution which serves a fifteen county area. Fall 2016 enrollment was about 5,636 students. Designed for students who plan to transfer to senior institutions, the Roane State academic transfer curricula include two years of instruction in the humanities, mathematics, natural sciences, and social sciences. Approximately 21 college transfer programs and/or options are offered by the college.

Roane State's 104-acre main campus is centrally located in Roane County where a wide variety of programs are offered. Roane State has nine locations across East Tennessee – the Roane County flagship campus; an Oak Ridge campus; campuses in Campbell, Cumberland, Fentress, Loudon, Morgan and Scott Counties; and a center for health science education in West Knoxville.

Source: Roane State Community College.

The Tennessee Technology Center at Harriman. The Tennessee Technology Center at Harriman is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Harriman serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The Technology Center at Harriman began operations in 1970, and the main campus is located in Roane County. Fall 2013 enrollment was 550 students.

Source: Tennessee Technology Center at Harriman.

MEDICAL

Oak Ridge residents have access to two hospitals, Methodist Medical Center and Roane Medical Center, which are both affiliated with Covenant Health. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also one of the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

The *Methodist Medical Center of Oak Ridge* has 301 beds and 188 physicians representing at least 30 specialties from primary health care to open heart surgery. It is a full-service regional medical facility. Methodist Medical Center dates back to 1942 and became part of Covenant Health in 1996.

Source: Covenant Health and Methodist Medical Center.

Roane Medical Center has about 105 beds and a large medical staff of about 140 physicians and nurses. The general medical and surgical facility is located in Harriman. In 2008 it joined Covenant Health (based in Knoxville) as the sixth acute care facility in the health system. Construction in 2011 began on a new $72 million facility (see “RECENT DEVELOPMENTS” for more information).

Source: Roane Medical Center.

SCIENCE AND ENERGY

History

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. The original town site was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. This project (known as the "Manhattan Project") was transferred to the Atomic Energy Commission in 1947, and the community was operated by contractors under the control of the Atomic Energy Commission. In 1955 the Atomic Energy Commission sold the homes and land to the residents. By 1959 the residents voted in favor of incorporation under a modified city manager-council form of government.

Since the 1940's, the nuclear industry has been the largest employer for the City of Oak Ridge and Roane and Anderson Counties when a weapons fabrication division was built by the U.S. Corps of Engineers. As part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process to be utilized in the world's first atomic bomb. Some 80,000 workers were hired for emergency construction of the laboratories and offices on the 56,000-acre site. At the peak of production during the war, 23,000 employees kept the separation units working at a cost of $500 million for the entire project.

Today, the DOE occupies approximately 33,000 acres and almost 1,200 buildings within the Oak Ridge city limits, and employs over 13,000 in engineering, skilled and semi-skilled crafts, technical and administrative support. Since October 1999 The DOE has contracted with the University of Tennessee and Battelle to manage the ORNL. UT-Battelle began management of the lab on June 1, 2000. Consolidated Nuclear Security, a Bechtel-led contractor team, took over management of the Y-12 nuclear weapons plant effective July 1, 2014 (BWXT, Inc. was the appointed contractor for the Y-12 Plant). DOE awarded its environmental cleanup contract to Bechtel Jacobs from 1997 to 2011. URS-CH2M Oak Ridge took over the cleanup contract in 2011.

Research

The extensive energy research and development conducted by private and public agencies make the city one of the world's great research centers. The presence of the University of Tennessee, the ORNL, Oak Ridge Associated Universities and the Tennessee Valley Authority (the "TVA") makes Oak Ridge a prime location for research facilities, as well as technology-based and conventional manufacturing industries. Science is a worldwide business, and the facilities at the DOE in the City have attracted a large number of technical people and their families. ORNL campus also houses visiting scientists and researchers that come to work at the world-class facility in an $8.9 million Guest House (built in 2010) with 47 units. The City is well prepared to accommodate families from abroad and the school system is equipped to ease language and cultural differences.

BioEnergy Sciences Center (the "BESC"). BESC is one of only three sites in the country operated by one of the DOE's new bioenergy research centers. It opened in ORNL in 2007. BESC works to accelerate research in the development of cellulosic ethanol and other biofuels, and make biofuel production cost competitive on a national scale. The new site received $135 million in federal funding. The University of Tennessee serves as one of the academic partners, providing specialized instrumentation, plant breeding technologies and new microbe discovery. Energy crops like switchgrass, which can be grown on marginal crop land, can produce affordable, domestic renewable fuel without raising food or feed costs. The BESC is dedicated to studying how to economically break down the cellulose in those sources to convert it into usable sugars for ethanol production.

Roane and Anderson Counties are also able to benefit from many other advanced technology and research and development based companies located in the area. The University of Tennessee, the Technology 2020 project and TVA are some of these companies that are in the area.

Oak Ridge National Lab. The ORNL is a multiprogram science and technology laboratory managed for the DOE by UT-Battelle, LLC. Scientists and engineers at ORNL conduct basic and applied research and development to create scientific knowledge and technological solutions that strengthen the nation's leadership in key areas of science; increase the availability of clean, abundant energy; restore and protect the environment; and contribute to national security. ORNL also performs other work for the DOE, including isotope production, information management, and technical program management, and provides research and technical assistance to other organizations. The laboratory is a program of DOE's Oak Ridge Field Office.

ORNL also boasts having the Spallation Neutron Source accelerator project and several supercomputers for scientific purposes. These unique projects bring about 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. Each job created is expected to have an impact on housing, retail banking, automobile and transportation, hotels, restaurants, hospitals, and business services.

The world’s most powerful neutron science project is the *Spallation Neutron Source* (the “SNS”) at ORNL. The giant research complex, spread across 75 acres on Chestnut Ridge a couple of miles from the main ORNL campus, is the world's top source of neutrons for experiments. The SNS is an accelerator-based neutron source built in Roane County by the DOE. The SNS provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At a total cost of $1.4 billion, construction began in 1999 and was completed in 2006. In 2009, SNS reached full power when it set the world record in producing beam power three times more powerful than the previous world record. More neutrons are produced with a higher beam power.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products. The medical field will also be impacted with new drugs and medicines expected from experiments at the SNS.

ORNL is also completing a series of upgrades at the *High Flux Isotope Reactor*. This ORNL facility is sometimes referred to as the lab's "other" billion-dollar machine. It is the world's most powerful research reactor, and it is used to perform experiments similar to - but different from - those to be done at the Spallation Neutron Source.

Neutron-scattering research has a lot to do with everyday lives. For example, things like jets; credit cards; pocket calculators; compact discs, computer disks, and magnetic recording tapes; shatter-proof windshields; adjustable seats; and satellite weather information for forecasts have all been improved by neutron-scattering research. Neutron research also helps researchers improve materials used in high-temperature superconductors, powerful lightweight magnets, aluminum bridge decks, and stronger, lighter plastic products. The medical field will also be impacted with new drugs and medicines expected from experiments at the SNS.

ORNL's *Supercomputers* are housed in a 170,000-square-foot facility that includes 449 staff and 40,000 square feet of space for computer systems and data storage. The facility will house or has housed four supercomputers, the planned “Summit”, the “Titan” (currently the world’s second fastest supercomputer), the “Kraken”, and the now dismantled “Jaguar” (which at one point was the world’s fastest supercomputer). The machines will work on breakthrough discoveries in biology, fusion energy, climate prediction, nanoscience and many other fields that will fundamentally change both science and its impact across society.

The DOE awarded IBM an estimated $162 million contract to build the new “Summit” supercomputer (expected to be completed in 2017) at ORNL to be used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. The “Summit” is expected to be five times faster than the “Titan” supercomputer already online at ORNL, which was ranked the fastest supercomputer in the world in 2012.

The National Oceanic and Atmospheric Administration’s (the “NOAA”) sponsor the supercomputer, called “Titan”, funded with Recovery Act money. NOAA awarded Cray and ORNL a $47 million contract to provide the supercomputer “Titan” to work on climate research. The Cray supercomputer, the “Titan”, was online in late 2012 after several years of development to replace the “Jaguar” supercomputer at ORNL. When the “Titan” was listed as the world’s fastest computer in late 2012 it marked the fourth time a computer from ORNL has achieved that distinction since 1953. The “Titan’s” purpose is to support research in energy, climate change, efficient engines and materials science. “Titan” has been billed as a 17.5-petaflops machine, which means it is capable of a peak performance of about 17,500 trillion (or 17.5 quadrillion) mathematical calculations per second. That speed is about 10 times the capability of the first “Jaguar”, which at one time was the world's fastest computer. The total cost of the “Titan” was estimated to be about $100 million, but about $20 million was saved by reusing much of the “Jaguar” structure.

The DOE and the National Science Foundation (the “NSF”) sponsor the supercomputer “Kraken” which came on line in 2009. The NSF awarded the University of Tennessee (the “UT”), ORNL and other institutions a $65 million grant to build “Kraken” to work on a range of scientific challenges, such as climate change and new medicines. UT’s “Kraken” is housed with the ORNL’s “Titan”.

The DOE awarded ORNL and its development partners – Cray Inc., IBM Corp. and Silicon Graphics Inc. - $25 million in funding to build the “Jaguar” supercomputer, which is now obsolete and replaced as of 2012.

A dedicated effort by the DOE to transfer technology to the private sector that was heretofore held as proprietary to the U.S. Government alone has led to an unparalleled growth in new business development in the area. Licenses have been granted to existing firms as well as start-up firms to manufacture for commercial use products using state-of-the-art technology in robotics, ceramics and nuclear medicine.

Through interagency agreements, DOE's Oak Ridge facilities have launched a highly successful "work for others" program. Local firms contract with numerous federal agencies to provide services and products. The value of these contracts have grown from approximately $50 million in 1983 to $270 million in recent years.

Tennessee Valley Authority (the “TVA”). TVA provides support, technology, expertise, and financial resources to existing businesses and industries in the Valley to help them grow and be more efficient and profitable. These resources include technical assistance, low-interest loans, and other tools needed by businesses for successful operation.

University of Tennessee. The University of Tennessee's flagship campus in Knoxville is home to a wide array of vigorous programs doing research on issues vital to the community, the state, the nation, and the world. The university has collaborative relationships with public and private agencies including ORNL, Battelle Memorial Institute (forming UT-Battelle), St. Jude Children's Research Hospital, the Memphis Bioworks Foundation, and the Boston-Baskin Cancer group (forming UT Cancer Institute).

National Institute for Mathematical and Biological Synthesis (NIMBioS) is a first-of-its-kind institute dedicated to combining mathematics and biology to solve problems in both scientific fields. The center is funded by a 2008 $16 million award from the National Science Foundation and is located at the University of Tennessee. A unique aspect of NIMBioS will be its partnership with the

Great Smoky Mountains National Park. The park and its Twin Creeks Science Center play a key role in the institute's work, with the park serving as a testing ground for many of the ideas that come from NIMBioS. Partners in NIMBioS include the US Department of Agriculture and the US Department of Homeland Security, IBM and ESRI, a developer of software and technology related to geographic information systems. It draws over 600 researchers each year to Knoxville.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

Nuclear

Integrated Facilities Disposition Program. The DOE approved a massive $18 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated building at ORNL and the Y-12 nuclear weapons plan. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 45 years to complete.

In 2015 $424 million was set aside for the environmental cleanup activities in Oak Ridge.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office $1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, $1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: $239 million to ORNL, $292 million to Y-12, $144 million to East Tennessee Technology Park and $80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste.

A former gaseous diffusion building was torn down by the DOE as part of its program to convert the former K-25 site for use by private industry. The K-29 Building was part of a series of mammoth buildings to enrich uranium for weapons and fuel for nuclear power plants. The building went into operation in 1951 and was shut down in 1987. The building in size equates to 6 1/2 football fields under one roof. Demolition was completed at the end of 2007. The gigantic K-25 building, a mile-long U-shaped structure that processed the uranium in WWII, was demolished in 2010.

Y-12 National Security Complex. The Y-12 National Security Complex is another large federal plant in Oak Ridge. The ongoing functions of the Y-12 plant are to support the DOE's weapons design labs, recover U-235 from spent nuclear weapons and provide support to other government agencies.

Y-12 has been undergoing a major modernization program. Y-12 is a key facility in the U.S. Nuclear Weapons Complex and is responsible for ensuring the safety, reliability, and security of the nuclear weapons stockpile and serves as the nation's primary repository of highly enriched uranium. Y-12 houses the country's stockpile of bomb-grade uranium, builds uranium bomb parts and dismantles nuclear weapon systems as needed to support a much smaller nuclear arsenal. National Nuclear Security Administration's (the "NNSA") is planning to transform the nuclear weapons complex to be smaller, more efficient and more cost effective. The goal is by 2020 to have only two facilities where there used to be 700 buildings.

Contractors have already demolished dozens of World War II era buildings at Y-12, about a million square feet since 2001, to reduce the surveillance and maintenance costs, and to support the new programs. Some new office buildings already have been built, including the Jack Case Center that holds about a third of the workforce, or around 1,500 employees. This $58 million, 420,000-square-foot office building was completed in the summer of 2007. A new 137,000-square-foot visitor's center and auditorium, for about $18 million, was also completed in 2007.

A planned $120 Million water treatment plant to capture Y-12 mercury runoff is expected to begin construction in 2017 and begin filtering 1,500 gallon a minute of water by 2020.

The $549 million *Highly Enriched Uranium Materials Facility* at Y-12, a storage complex for weapons-grade uranium, was completed in late 2008. This storage facility replaced multiple aging facilities and allows for storage of its uranium stocks in one central location that represents maximized physical security with minimal vulnerabilities and operating costs. It is designed to protect the large cache of U-235 against any type of terrorist assault. The facility is currently over 85% storage capacity of bomb-grade uranium.

The *Uranium Processing Facility* (the "UPF") Project, cornerstone of Y-12's new modernization strategy, will replace current enriched uranium and other processing operations. It will replace Y-12's main production center and cost billions of dollars. The design phase began in 2006, construction began in 2009, and should be operation by 2025. Construction of the UPF will accelerate consolidation of aging facilities, bringing production operations currently housed in multiple buildings together, reducing the size of the plant's highest security area by 90 percent, improving the overall security posture, making the plant more secure and saving millions of dollars in annual operating costs.

Source: City of Oak Ridge, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

POWER PRODUCTION

Bull Run Fossil Plant. TVA's Bull Run Fossil Plant is located on Bull Run Creek near Oak Ridge in Anderson County. It is the only single-generator coal-fired power plant in the TVA system. When the generator went into operation in 1967, it was the largest in the world in the volume of steam produced. Bull Run has a single coal-fired generating unit. The winter net dependable generating capacity is about 870 megawatts. The plant consumes about 7,300 tons of coal a day. Bull Run's boiler, one of the largest in the United States, contains about 300 miles of tubes.

Electricity is generated at Bull Run by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Bull Run generates more than six billion kilowatt-hours of electricity a year, enough to supply about 430,000 homes. It has been ranked the most-efficient coal-fired plant in the nation 13 times and is consistently in the top five each year.

To reduce sulfur dioxide (SO_2) emissions, Bull Run burns a blend of low-sulfur coal. Construction of a scrubber to further reduce SO_2 began in 2005 and is scheduled for completion in 2009. To reduce nitrogen oxides (NO_X), the plant uses a selective catalytic reduction system as well as combustion and boiler optimization controls. In 2010 TVA had spent about $5.7 billion on emission controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.

Kingston Fossil Plant. TVA's Kingston Fossil Plant is located on Watts Bar Reservoir on the Tennessee River near Kingston in Roane County. At the time it was finished in 1955, Kingston was the largest coal-burning power plant in the world. Kingston has nine coal-fired generating units. The winter net dependable generating capacity is 1,456 megawatts. The plant consumes some 14,000 tons of coal a day.

Electricity is produced at each of Kingston's nine coal-fired units by the process of heating water in a boiler to produce steam. Under extremely high pressure, the steam flows into a turbine that spins a generator to make electricity. Kingston generates about 10 billion kilowatt-hours of electricity a year, enough to supply more than 700,000 homes.

To reduce sulfur dioxide (SO_2) emissions, all nine units use a blend of low-sulfur coal. Scrubbers are being added to the units to further reduce SO_2. This project cost about $500 million. TVA spent about $6 billion on emissions controls at its fossil-fuel plants to ensure that this power supply is generated as cleanly as possible, consistent with efficiency.
Source: Tennessee Valley Authority.

Kingston Ash Slide. An estimated 1.1 billion gallons of water and fly ash burst from a failed retention pond for the TVA Kingston Fossil plant near Harriman in December 2008. The breach of a 40-acre earthen holding pond at the coal-burning power plant discharged 5.4 million cubic yards, or about 1.1 billion gallons, of fly ash and water across 300 acres, destroying three homes, closing roads, rail road tracks and clogging the Emory River. TVA was fined $11.5 million by the State of Tennessee, and the agency has incurred legal bills of $10.8 million. The agency also paid $42.5 million to Roane County to offset the economic impact of the spill. In 2011 TVA approved to spend $53 million to build a gypsum dewatering facility at the Kingston Plant. The cleanup of the ash spill is expected to be completed in 2014.
Source: Tennessee Valley Authority and Knoxville News Sentinel.

Norris Dam. TVA's Norris Dam, the first dam TVA built, is located in Anderson County on the Clinch River. Construction of the Dam began in 1933, just a few months after the creation of TVA, and was completed in 1936. Norris Dam is 265 feet high and stretches 1,860 feet across the Clinch River. The generating capacity of Norris is 131,400 kilowatts of electricity. In 2005 TVA opened a new visitor center at the dam. Visitors can learn about the history of Norris, hydropower operations, and TVA's management of the river system.
Source: Tennessee Valley Authority.

MANUFACTURING AND COMMERCE

A dedicated effort by the DOE to transfer technology to the private sector that was heretofore held as proprietary to the U.S. Government alone has led to an unparalleled growth in new business development in the City. Licenses have been granted to existing firms as well as start-up firms to manufacture for commercial use products using state-of-the-art technology in robotics, ceramics and nuclear medicine.

Currently, there are several industrial parks in the County which were developed by the municipality, and a few parks which were developed by private firms. The number of tenants, the diversity of their products and total employment in these parks point to a stable and thriving economic sector. The *Municipal Industrial Park* was the first park to be developed by the County and has been fully privatized for some years.

The activities undertaken by these firms include generalized and highly specific tooling and machining operations; design and manufacture of instrumentation and measurement devices; design and fabrication of metal bellows, piping and damping systems; custom fabrication of aluminum and zinc die cast parts, design and manufacture of food packaging systems; super-conducting magnet design and fabrication; and decontamination, restoration and recycling of nuclear equipment components and materials.

Oak Ridge completed building the infrastructure for the 118-acre *Bethel Valley Industrial Park* in 1989. All of the park's 28 sites, totaling approximately 80 acres, have been sold to industries.

The *Clinch River Industrial Park* is a 100-acre site that has been fully privatized since 1990. The Scientific Ecology Group, Inc. and International Technology Corporation (IT) occupy the 8 lots within this park resulting in employment of approximately 1,300 individuals. Both firms operate decontamination waste facilities. The *Clinton / I-75 Industrial Park* has about 40 acres near Interstate 75.

Commerce Park, a 300-acre fully planned industrial/research and development park developed by Lockheed Martin is strategically located as the northern anchor to the Technology Corridor. The Technical Center is a 262,000 square foot office complex consisting of five structures, all of which are fully leased.

Located on the west side of Oak Ridge, *The East Tennessee Technology Park* (the "ETTP") is a compilation of resource-rich industrial facilities which have their beginnings in the Manhattan Project during World War II. The site's original mission was to enrich uranium in the uranium 235 isotope for use in atomic weapons and subsequently for use in the commercial nuclear power industry. The plant was permanently shut down in 1987 and in 1996 reindustrialization went into effect with efforts focusing on restoration of the environment, decontamination and decommissioning of the facilities, and management of legacy wastes. The biggest task includes dismantlement and demolition of the K-25 building – a mile-long, U-shaped structure that was built to process uranium.

The ETTP site also serves as the test location of the next-generation enrichment technology under the U.S. Enrichment Corporation's American Centrifuge Program. This technology will allow the United States to maintain energy security through use of state-of-the-art materials, control systems and manufacturing processes to enrich uranium. Centrifuges are presently tested at the site for eventual use in a full-scale American Centrifuge Plant by the end of the decade.

The goal is to create a brownfields industrial park known as *Heritage Center* under coordination of the Community Reuse Organization of East Tennessee. Also, near the ETTP site is Horizon Center, which includes more than 1,000 acres of pristine greenfield land that is available for private industrial use.

The Horizon Center is a greenfield industrial park with more than 1,000 acres ready for immediate development. Horizon Center is a designed to provide building sites and amenities desired by high-tech companies while still preserving the area's scenic beauty. There is one corporate headquarters located in the park, Carbon Fiber Technology, which opened in 2013.

The *Valley Industrial Park*, a 90-acre site has more than 20 industrial facilities located within the Parks. The activities undertaken by firms in this park include development and manufacturing of robotics devices; development of coating materials; manufacturing of security devices; integrated information management services; manufacturing of precision measuring devices; tooling and machining operations; rolling and fabrication of metal sheet products; and a waste management facility. See “RECENT DEVELOPMENTS” for more information.

Source: Knoxville News Sentinel.

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Listed below are the larger employers located in the County:

Major Employers in Anderson County[1]

Name	Product	Employment
Consolidated Nuclear Services	National Security	4,500
Oak Ridge National Lab[2]	National Security	4,400
Anderson County	Government	1,716
UCOR	Environmental Management	1,383
Methodist Medical Center	Health Care	1,175
Anderson County Schools	Education	1,050
SL Tennessee[3]	Manufacturing	750
Eagle Bend Manufacturing	Manufacturing	671
Oak Ridge Schools	Public School System	652
Energy Solutions	Nuclear Engineering Services	625
Aisin Automotive Casting	Automotive Parts	580
Oak Ridge Associated Universities	Research & Development	549
Science Applications, Int'l. Corp.	IT Research & Engineering	546
Sitel (Client Logic)	Customer/Technical Service	500
Navarro Research & Engineering	Engineering & Administrative Services	445
Department of Energy (2 departments)	National Security	440
ORNL Federal Credit Union	Financial Institution	412
City of Oak Ridge	Government Administration	401
Carlisle Tire & Wheel	Manufacturing	400
Faris Enterprises (McDonalds)	Restaurants	400
Southern Tube Form	Metal Tubing for Auto Industry	365
Leidos Engineering	National Security & Engineering	350
Jacobs Engineering	Environmental Management	322
Washington Group	Waste Management	300
Pro2Serve	National Security	250
Food Lion Corporation	Distribution	250

[1] Contains employers located in both the counties the City of Oak Ridge lies in.
[2] ORNL is a joint venture of University of Tennessee and Battelle
[3] SL Tennessee will have an estimated 1,750 employment once its next expansion is completed.
Source: Knoxville News Sentinel, Anderson County Audit and the City of Oak Ridge – 2015.

EMPLOYMENT INFORMATION

For the month of July 2016, the unemployment rate for Oak Ridge stood at 4.7% with 13,880 persons employed out of a labor force of 14,560. For the month of July 2016 the unemployment rate for Anderson County stood at 5.0% with 33,120 persons employed out of a labor force of 34,880.

The Knoxville MSA's unemployment for July 2016 was at 4.6% with 404,000 persons employed out of a labor force of 423,490. As of July 2016, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 4.6%, representing 519,060 persons employed out of a workforce of 544,250.

Unemployment

	Annual Average **2011**	Annual Average **2012**	Annual Average **2013**	Annual Average **2014**	Annual Average **2015**
National	8.9%	8.1%	7.4%	6.2%	5.3%
Tennessee	9.2%	8.0%	8.2%	6.7%	5.8%
Oak Ridge	**7.7%**	**7.4%**	**7.6%**	**6.2%**	**5.3%**
Index vs. National	87	91	103	100	100
Index vs. State	84	92	93	93	91
Anderson County	**8.4%**	**7.8%**	**7.9%**	**6.8%**	**6.0%**
Index vs. National	94	96	107	110	113
Index vs. State	91	97	96	101	103
Knoxville MSA	**7.3%**	**6.6%**	**6.9%**	**6.2%**	**5.4%**
Index vs. National	82	81	93	100	102
Index vs. State	79	82	84	93	93
Knoxville-Sevierville-Harriman CSA	**8.3%**	**7.5%**	**7.7%**	**6.5%**	**6.5%**
Index vs. National	93	93	104	105	123
Index vs. State	90	94	94	97	112

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

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ECONOMIC DATA

Per Capita Personal Income

	2010	2011	2012	2013	2014
National	$40,277	$42,453	$44,266	$44,438	$46,049
Tennessee	$35,601	$37,323	$39,137	$39,312	$40,457
Anderson County	**$36,005**	**$38,201**	**$39,245**	**$39,047**	**$40,361**
Index vs. National	89	90	89	88	88
Index vs. State	101	102	100	99	100
Knoxville MSA	**$34,799**	**$36,850**	**$38,557**	**$38,359**	**$39,530**
Index vs. National	86	87	87	86	86
Index vs. State	98	99	99	98	98
Knoxville-Sevierville-Harriman CSA	**$33,312**	**$35,215**	**$36,675**	**$36,614**	**$37,718**
Index vs. National	83	83	83	82	82
Index vs. State	94	94	94	93	93

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Social and Economic Characteristics

	National	Tennessee	Anderson County	Clinton	Oak Ridge
Median Value Owner Occupied Housing	$175,700	$139,900	$131,700	$135,400	$152,000
% High School Graduates or Higher Persons 25 Years Old and Older	86.3%	84.9%	85.9%	88.3%	92.0%
% Persons with Income Below Poverty Level	14.8%	18.3%	15.6%	13.2%	16.8%
Median Household Income	$53,482	$44,621	$44,199	$40,194	$52,534

Source: U.S. Census Bureau State & County QuickFacts - 2014.

TOURISM AND RECREATION

American Museum of Science and Energy. Drawing thousands of visitors from across the United States and abroad are the American Museum of Science and Energy and the Oak Ridge Graphite Reactor. More than 225,000 persons visit the Museum annually. The museum opened in 1949 in an old wartime cafeteria of the ORNL. Its guided tours took visitors through the peaceful uses of atomic energy. The present facility, opened in 1975, continues to provide the general public with energy information. The museum includes historical photographs, documents and artifacts explaining the story of Oak Ridge and the Manhattan Project. There is an Exploration Station that offers self-directed activities which explore light and color, sound, problem-solving, static electricity, robotics, vision and more. It also includes exhibits on Y-12 and National Defense, the Earth's energy resources and nuclear reactors and energy.

The X-10 Graphite Reactor at ORNL, formerly known as the Clinton Pile and X-10 Pile, was the world's second artificial nuclear reactor and was the first reactor designed and built for continuous operation. The Graphite Reactor is open to the public and a National Historic Landmark. Also, an overlook display at the Oak Ridge Gaseous Diffusion Plant and facilities of the TVA is available for visitors.

Source: American Museum of Science and Energy.

Arboretum. The Arboretum is a project of the University of Tennessee Forest Resources Research and Education Center located in Oak Ridge. It generally hosts more than 30,000 visitors annually. This 250-acre research and education facility has over 2,500 native and exotic woody plant specimens that represent 800 species, varieties, and cultivars. The Arboretum serves as an outdoor classroom to university students in a variety of fields. It is also a place that provides a natural laboratory for research in plant uses, genetics and adaptability, insect and disease control, and the management of associated natural resources. The facility is recognized as an official Wildlife Observation Area and part of the National Watchable Wildlife Program by the Tennessee Wildlife Resources Agency. It is also recognized by the Holly Society of America as an official Holly test garden and the trails are part of the Tennessee Recreational Trail System.

Source: Forest Resources Research and Education Center.

Melton Hill Reservoir. TVA's Melton Hill Dam is located in Loudon County on the Clinch River. Melton Hill Reservoir extends almost 57 miles upstream from Melton Hill Dam to Norris Dam along the county lines of Loudon, Roane, Knox and Anderson Counties. Unlike other TVA reservoirs, Melton Hill is not used for flood control. But because it's used for power production, the level of the water in the reservoir fluctuates about four feet throughout the year. Melton Hill Reservoir has a nationally recognized rowing course and is a spring training site for collegiate teams from throughout the eastern United States. The reservoir has hosted a number of national championships. Melton Hill Reservoir extends the reach of barge traffic 38 miles up the Clinch River to Clinton, Tennessee, making the area attractive to industries that rely on this mode of transportation.

Source: Tennessee Valley Authority.

Parks nearby. Within 50 miles of the County are over a dozen lakeside resorts and State parks with cabins for rent, camping facilities, or both. The State parks - Cove Lake and Norris Dam in Campbell County, Big Ridge in Union County and Cumberland Mountain in Cumberland County - all offer cabins, camping and restaurants. Great Smoky Mountains National Park is a scenic seventy-five-minute drive south of the County. Big South Fork National Recreation Area, with its top rated white water rafting, is only a sixty-minute drive north.

Norris Reservoir. Norris Reservoir extends 73 miles up the Clinch River and 56 miles up the Powell from Norris Dam. It covers 5 counties: Anderson, Campbell, Union, Claiborne and Grainger Counties. Norris provides 809 miles of shoreline and 33,840 acres of water surface. It is the largest reservoir on a tributary of the Tennessee River. Norris Reservoir is an important component of the system TVA set up to reduce the risks of these disasters. The area around the Clinch River receives more than 45 inches of rain a year. In the past, floodwaters on the Clinch sometimes inundated areas hundreds of miles downstream. The recreational use of Norris Reservoir exceeds that of any other tributary reservoir in the TVA river system. Water sports at Norris include boating, water skiing, swimming, and excellent fishing.

Source: Tennessee Valley Authority.

Watts Bar Reservoir. TVA's Watts Bar Dam is located along the Meigs and Rhea County line on the Tennessee River. Watts Bar Reservoir extends 72.4 miles northeast from the Dam to Fort Loudoun Dam through Rhea, Meigs, Roane and Loudon Counties. Watts Bar, located about midway between Knoxville and Chattanooga, is one of nine TVA dams on the Tennessee River. The reservoir attracts millions of recreation visits each year for boating, fishing, swimming, camping, and other outdoor activities. Watts Bar also creates a slack-water channel for navigation more than 20 miles up the Clinch River and 12 miles up its tributary, the Emory. The lock at Watts Bar handles more than a million tons of cargo a year, and the reservoir plays an important role in flood control. In conjunction with other tributary and main-river reservoirs above Chattanooga, it is of special value to that city, which is the point of greatest flood hazard in the Valley.

Source: Tennessee Valley Authority.

OTHER DEVELOPMENTS

CVMR. CVMR is working with the State of Tennessee to establish its global headquarters in Oak Ridge, moving all of its current operations from Toronto, Canada. This can potentially result in 620 new jobs. CVMR is intending to invest $313 million in the new facility for the production of advanced metal materials for a variety of industries, including aerospace, energy, automotive and medical devices. CVMR plans to quadruple its production capacity at the site over the next three years and will begin construction of additional facility in 2016. Company officials cited the proximity of the Oak Ridge National Laboratory in its decision to move from Canada.

The Oak Ridge facility will house CVMR USA's corporate headquarters, research and development, production of nano materials and metallurgical coating services, customer support, product development and planning for US production facilities. The CVMR Centre of Excellence for Innovation in Powder Metallurgy will collaborate with academic, industrial, government and businesses entities interested in the development of advanced materials and innovative technologies. The Centre will focus on production of new metallurgical products that can benefit the metal industry.

CVMR® Corporation is a privately held multinational, multi-disciplinary organization operating in four continents. The company specializes in project management of large mining operations, mineral processing plant design, construction and commissioning. A large portion of the US plant will be dedicated to the production of metal powders used in 3D Printing (Additive Manufacturing) and producing graphene for advanced products.

Dura-Line. Headquartered in Knoxville, Dura-Line is a manufacturer of conduit products for the telecommunications industry. In 2015 the company announced a new $25 million facility in Clinton that will create 70 new jobs.

Eagle Bend Manufacturing Inc. Eagle Bend began an expansion project to the 25-year-old plant in Clinton in 2012. The $64 million project will create 188 new jobs over the next 5 years. The plant added another 100,000 square feet to the current 344,000 square feet. The company is an automotive part supplier for cars and light trucks worldwide. It is a division of Magna International Inc. of Canada.

Integrated Facilities Disposition Program. The DOE approved a massive $14.5 billion Oak Ridge cleanup campaign. The cleanup program would demolish more than 400 contaminated building at ORNL and the Y-12 nuclear weapons plan. The program would also focus on mitigating polluted ground water at the sites and other actions to reduce environmental damage. The work began in 2011 and could take up to 25 years to complete.

The 2009 stimulus act passed by Congress gave the DOE Oak Ridge's office $1.9 billion for environmental cleanup projects. The stimulus money sent directly for projects in Oak Ridge, $1.2 billion, saved or created about 3,863 new jobs through sub-contracting construction-type jobs as well as technical and specialty positions associated with handling radioactive materials and evaluating environmental risks. The clean-up money was divided among four sites: $239 million to ORNL, $292 million to Y-12, $144 million to East Tennessee Technology Park and $80 million to the Transuranic Waste Processing Center. At Y-12 alone, seven cleanup projects created 2,000 jobs, demolished about 150,000 square feet of old buildings and got rid of about 74,000 cubic meters of waste. All clean-up projects have an extended deadline of 2015.

Oak Ridge Associated Universities (the "ORAU"). In 2015 the ORAU received a five-year $7.3 million contract for radiation training for the U.S. Nuclear Regulatory Commission (the "NRC"). The new contract with NRC will include training at the contractor's Oak Ridge facilities, as well as development and maintenance of the NRC's Technical Training Center in Chattanooga.

Oak Ridge National Laboratory. In 2011 ORNL cut 350 jobs to prepare for anticipated federal budget cuts in the Fiscal Year 2011-2012. In late 2014 the national lab employed 4,374.

ORNL is in the final stages of a $300 million project to provide a modern campus for the next generation of great science. A unique combination of federal, state and private funds is building 13 new facilities. Included in these new facilities will be the Laboratory for Comparative and Functional Genomics, the Center for Nanophase Materials Sciences, the Advanced Microscopy Laboratory, the Oak Ridge Center for Advanced Studies and the joint institutes for computational sciences, biological sciences, and neutron sciences. ORNL has been selected as the site of the Office of Science's National Leadership Computing Facility for unclassified high-performance computing.

In early 2009 and in 2012 ORNL dedicated two solar arrays, respectively. The first one is a 288-foot span of solar array panels that provides 51.25 kilowatts of power to the lab's grid. The latest array cost $800,000 and provides 200 kilowatts. These arrays will offset nearly half of the power use in one of ORNL's research facilities and expand a green initiative known as the "sustainable campus" project.

In the summer of 2009 ORNL broke ground on a $95 million chemistry laboratory funded with federal stimulus money. The new 160,000-square-foot Chemical and Materials Science Building replaced old labs in a 1950s-era structure across the street from the construction site.

Completion was in the summer of 2011. In 2010 the $8.9 million Guest House was built on the ORNL campus. It houses visiting scientists and researchers that come to work at the world-class facility. The min-hotel has 47 units.

ORNL Credit Union. The ORNL Credit Union opened its $30 million corporate headquarters in the Horizon Center in 2011. The consolidation of operations in Anderson and Knox Counties employ about 257 people, with an additional 100 more workers hired in the next 10-15 years.

SL Tennessee. An automotive parts supplier, SL Tennessee, will invest $80.5 million and create 1,000 jobs to expand its Clinton facility in the Eagle Bend Industrial Park, which will be operational by April 2015. This 2015 expansion will add 250,000 more square feet to its existing 500,000 square feet under roof. The company already has made $50 million in expansions and added 400 workers since 2010. This will make it the largest employer in Anderson County. In 2013 the company leased a 65,000-square-foot facility in the Eagle Bend Industrial Park and added 250 new jobs. A 2010 expansion cost about $35 million and added another 100,000 square feet to the existing 164,000-square-foot plant. The expansions are due to the new Volkswagen automotive plant north of Chattanooga. SL America Corporation has three facilities in North America and more than 6,000 employees world-wide.

Source: City of Oak Ridge, the OakRidger, ORNL, Y-12 National Security Complex and the Knoxville News Sentinel.

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CITY OF OAK RIDGE, TENNESSEE
SUMMARY OF BONDED INDEBTEDNESS

	PURPOSE	DUE DATE	INTEREST RATE(S)		OUTSTANDING AS OF JUNE 30, 2016
(4)	$7,400,000 General Obligation Loan, Series 1995	May 2023	Variable	(7)	$ 3,372,500
	$1,000 000 General Obligation Loan, Series 2001	May 2017	Variable	(7)	37,000
(2)	$3,000,000 Water & Sewer Revenue & Tax Loan, Series 2001	May 2022	Variable	(7)	1,222,000
	$7,049,360 Qualified Zone Academy Bonds, Series 2004	Nov 2020	Fixed		2,547,092
(5)	$9,000,000 General Obligation Loan, Series 2006	May 2026	Variable	(7)	5,374,000
(9)	$11,000,000 General Obligation Loan, Series 2008	May 2027	Variable	(7)	10,785,000
(6)	$27,285,000 General Obligation Refunding Bonds, Series 2009	Jun 2025	Fixed		24,955,000
(8)	$21,140,000 Local Gov. Public Imp. Bonds, Series VII-E-1	Jun 2036	Synthetic Fixed	(7)	21,140,000
(10)	$20,000,000 General Obligation Bonds, Series 2009B	Jun 2041	Fixed		19,750,000
(8)	$4,735,000 Local Gov. Public Imp. Bonds, Series VI-M-1	Jun 2036	Synthetic Fixed	(7)	4,735,000
	$5,240,000 General Obligation Refunding Bonds, Series 2010	Jun 2021	Fixed		2,695,000
	$5,000,000 Interfund Capital Outlay Note, Series 2010	Nov 2015	Fixed		952,381
(2)	$9,810,000 General Obligation Bonds, Series 2011B	Jun 2028	Fixed		9,410,000
(2)	$5,000,000 General Obligation Loan, Series 2012	June 2033	Variable		4,501,000
(11)	$23,205,000 General Obligation Bonds, Series 2013	June 2034	Fixed		17,260,000
(2)	$18,000,000 State Revolving Fund Wastewater Loan, Series 2013	June 2035	Fixed		17,006,773
(2)	$3,000,000 State Revolving Fund Wastewater Loan, Series 2014	June 2037	Fixed		3,000,000
	$9,140,000 General Obligation Refunding Bonds, Series 2015A	June 2024	Fixed		8,500,000
	$9,445,000 General Obligation Refunding Bonds, Series 2015B	June 2032	Fixed		9,390,000
	TOTAL BONDED DEBT				$ 166,632,746
	Plus: $9,665,000 General Obligation Refunding Bonds, Series 2016	June 2033	Fixed		9,665,000
	Less: Refunded Bonds	Apr 2015	Fixed		(9,875,000)
	Less: Revenue-Supported Debt				(84,542,601)
	NET BONDED DEBT				$ 81,880,145

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) Revenue & Tax Supported bonds.

(3) Revenue Supported bonds.

(4) Water and Wastewater system revenues support $2,803,735 of this outstanding debt.

(5) Water and Wastewater system revenues support $3,867,780 of this outstanding debt, while the Electric system revenues support the remaining $1,936,220.

(6) The Electric system revenues support $10,070,000 of this outstanding debt.

(7) The City budgets to account for interest rate and/or basis risk. For more information, see the notes to the Financial Statements in the CAFR.

(8) The Borrower's Series VII-E-1 obligation refunded the Borrower's Series VI-D-3 obligation and $11,000,000 of the VI-H-1 obligation. The Authority on behalf of the Borrower has entered into interest rate swap agreements with respect to Series VI-D-3 and VI-H-1 Bonds. The interest rate swap agreement with respect to the Series VI-D-3 Bonds still remains outstanding and serves as a hedge for the portion of the Series VII-E-1 Bonds allocated to the refunding of the Series VI-D-3 Bonds. The interest rate swap agreement with respect to the Series VI-H-1 Bonds still remains outstanding and serves as a hedge for the portion of the Series VII-E-1 Bonds allocated to the refunding of the Series VI-H-1 Bonds and for the Series VI-M-1 Bonds.

(9) The Water & Wastewater system revenues support $1,794,416 of this outstanding debt. The Electric system revenues support $1,428,296 of this outstanding debt.

(10) The Water & Wastewater system revenues support $5,000,000 of this outstanding debt. The Electric system revenues support $5,000,000 of this outstanding debt.

(11) The Water & Wastewater system revenues support $17,990,000 of this outstanding debt.

CITY OF OAK RIDGE, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

The information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. The table does not include future funding plans whether disclosed or not in this Official Statement.

	For the Fiscal Year Ended June 30					Unaudited	After Issuance
INDEBTEDNESS	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**20216**
TAX SUPPORTED							
General Obligation Bonds & Notes	$98,324,237	$94,852,818	$91,112,400	$87,393,982	$83,601,563	$79,185,145	$79,185,145
Golf Course	$4,860,000	$4,455,000	$4,035,000	$3,600,000	$3,155,000	$2,695,000	$2,695,000
TOTAL TAX SUPPORTED	$103,184,237	$99,307,818	$95,147,400	$90,993,982	$86,756,563	$81,880,145	$81,880,145
REVENUE SUPPORTED							
Water & Sewer Revenue Bonds & Notes	35,108,209	48,791,527	51,964,714	67,732,392	68,824,408	66,531,534	66,364,305
Electric Revenue Bonds & Notes	23,970,934	22,848,169	21,710,400	20,482,626	19,394,516	18,221,067	18,178,296
TOTAL REVENUE SUPPORTED	$59,079,143	$71,639,696	$73,675,114	$88,215,019	$88,218,923	$84,752,601	$84,542,601
TOTAL DEBT	$162,263,380	$170,947,514	$168,822,514	$179,209,000	$174,975,486	$166,632,746	$166,422,746
Less: Revenue Supported Debt	($59,079,143)	($71,639,696)	($73,675,114)	($88,215,019)	($88,218,923)	($84,752,601)	($84,542,601)
Less: Debt Service Fund	(11,993,611)	(11,029,837)	(10,297,194)	(10,098,497)	(9,461,652)	(9,461,652)	(9,461,652)
NET DIRECT DEBT	$91,190,626	$88,277,981	$84,850,206	$80,895,485	$77,294,911	$72,418,493	$72,418,493
OVERLAPPING DEBT (1)	20,048,340	20,625,778	26,955,139	26,062,789	12,118,932	12,118,932	12,118,932
NET DIRECT & OVERLAPPING DEBT	$111,238,966	$108,903,759	$111,805,345	$106,958,274	$89,413,843	$84,537,425	$84,537,425
PROPERTY TAX BASE (2)							
Estimated Actual Value	$ 2,701,817,124	$ 2,681,489,595	$ 2,673,378,952	$ 2,712,967,800	$ 2,739,211,457	$ 2,739,211,457	$ 2,739,211,457
Appraised Value	2,163,615,153	2,681,489,595	2,673,378,952	2,712,967,800	2,739,211,457	2,739,211,457	2,739,211,457
Assessed Value	807,284,686	801,395,021	799,797,029	814,281,004	825,281,660	825,281,660	825,281,660

(1) OVERLAPPING DEBT Includes the City's share of Anderson and Roane County's Net Direct Debt.

(2) The Property Tax Base figures are based on both Counties the City is located in, Anderson and Roane County.

Source: Comprehensive Annual Financial Report for City of Oak Ridge, Tennessee and City Officials.

DEBT RATIOS	For the Fiscal Year Ended June 30 2011	2012	2013	2014	2015	2016	After Issuance 20216
TOTAL DEBT to Estimated Actual Value	6.01%	6.38%	6.31%	6.61%	6.39%	6.08%	6.08%
TOTAL DEBT to Appraised Value	7.50%	6.38%	6.31%	6.61%	6.39%	6.08%	6.08%
TOTAL DEBT to Assessed Value	20.10%	21.33%	21.11%	22.01%	21.20%	20.19%	20.17%
NET DIRECT DEBT to Estimated Actual Value	3.38%	3.29%	3.17%	2.98%	2.82%	2.64%	2.64%
NET DIRECT DEBT to Appraised Value	4.21%	3.29%	3.17%	2.98%	2.82%	2.64%	2.64%
NET DIRECT DEBT to Assessed Value	11.30%	11.02%	10.61%	9.93%	9.37%	8.78%	8.78%
OVERLAPPING DEBT to Estimated Actual Value	0.74%	0.77%	1.01%	0.96%	0.44%	0.44%	0.44%
OVERLAPPING DEBT to Appraised value	0.93%	0.77%	1.01%	0.96%	0.44%	0.44%	0.44%
OVERLAPPING DEBT to Assessed Value	2.48%	2.57%	3.37%	3.20%	1.47%	1.47%	1.47%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	4.12%	4.06%	4.18%	3.94%	3.26%	3.09%	3.09%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	5.14%	4.06%	4.18%	3.94%	3.26%	3.09%	3.09%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	13.78%	13.59%	13.98%	13.14%	10.83%	10.24%	10.24%
PER CAPITA RATIOS							
POPULATION (1)	29,295	29,320	29,419	29,303	29,303	29,303	29,303
PER CAPITA PERSONAL INCOME (2)	$38,201	$39,245	$39,047	$40,361	$40,361	$40,361	$40,361
Estimated Actual Value to POPULATION	92,228	91,456	90,873	92,583	93,479	93,479	93,479
Assessed Value to POPULATION	27,557	27,333	27,186	27,788	28,164	28,164	28,164
Total Debt to POPULATION	5,539	5,830	5,739	6,116	5,971	5,687	5,679
Net Direct Debt to POPULATION	3,113	3,011	2,884	2,761	2,638	2,471	2,471
Overlapping Debt to POPULATION	684	703	916	889	414	414	414
Net Direct & Overlapping Debt to POPULATION	3,797	3,714	3,800	3,650	3,051	2,885	2,885
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	14.50%	14.86%	14.70%	15.15%	14.79%	14.09%	14.07%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	8.15%	7.67%	7.39%	6.84%	6.54%	6.12%	6.12%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	1.79%	1.79%	2.35%	2.20%	1.02%	1.02%	1.02%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	9.94%	9.46%	9.73%	9.04%	7.56%	7.15%	7.15%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

CITY OF OAK RIDGE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation

Fiscal Year Ending June 30, 2016

F.Y. Ended	Total Bonded Debt Service Requirements(1)				% Principal
6/30	Principal	Interest (2)	Treasury Subsidy	TOTAL	Repaid
2017	$ 4,872,140	$ 3,542,730	$ (194,803)	$ 8,220,067	5.95%
2018	4,899,745	3,337,246	(192,845)	8,044,146	
2019	5,129,669	3,153,282	(192,845)	8,090,105	
2020	4,969,930	2,960,601	(188,319)	7,742,212	
2021	5,145,564	2,749,478	(188,319)	7,706,723	30.55%
2022	4,637,183	2,527,314	(188,319)	6,976,178	
2023	4,328,626	2,399,454	(188,319)	6,539,760	
2024	4,025,000	2,284,134	(188,319)	6,120,815	
2025	4,080,000	2,181,334	(188,319)	6,073,015	
2026	4,190,000	2,039,609	(178,228)	6,051,382	56.52%
2027	4,032,288	1,839,713	(166,036)	5,705,965	
2028	2,215,000	1,652,250	(154,537)	3,712,713	
2029	2,185,000	1,542,500	(146,708)	3,580,792	
2030	2,245,000	1,434,250	(140,837)	3,538,413	
2031	2,220,000	1,323,000	(134,965)	3,408,035	72.27%
2032	4,515,000	1,220,000	(134,965)	5,600,035	
2033	4,515,000	998,250	(134,965)	5,378,285	
2034	2,295,000	772,500	(134,965)	2,932,535	
2035	2,390,000	657,750	(134,965)	2,912,785	
2036	2,490,000	538,250	(134,965)	2,893,285	92.06%
2037	-	413,750	(134,965)	278,785	
2038	-	413,750	(134,965)	278,785	
2039	2,500,000	413,750	(134,965)	2,778,785	
2040	2,500,000	260,000	(84,812)	2,675,188	
2041	1,500,000	97,500	(31,805)	1,565,696	100.00%
	$ 81,880,145	$ 40,752,397	$ (3,828,059)	$ 118,804,482	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets to account for interest rate and/or basis risk.

CITY OF OAK RIDGE, TENNESSEE
BONDED DEBT SERVICE REQUIREMENTS - Water & Sewer
For Fiscal Year Ending June 30, 2016

F.Y. Ended	Existing Debt - Water & Sewer				General Obligation Ref Bonds, Series 2016			Less: Refunded Bonds			Total Bonded Debt Service Requirements				% Principal
6/30	Principal	Interest (2)	Net Treasury Subsidy	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	Net Treasury Subsidy	TOTAL	Repaid
2017	$ 2,532,145	$ 2,051,978	$ (95,291)	$ 4,488,832	$ 550,000	$ 97,647	$ 647,647	$ (480,547)	$ (182,069)	$ (662,615)	$ 2,601,598	$ 1,967,557	$ (93,349)	$ 4,475,806	3.92%
2018	2,738,695	2,036,361	(95,291)	4,679,765	620,000	205,988	825,988	(499,876)	(340,201)	(840,077)	2,858,819	1,902,148	(93,349)	4,667,618	
2019	2,815,938	1,959,788	(95,291)	4,680,435	640,000	187,388	827,388	(521,537)	(317,625)	(839,163)	2,934,400	1,829,550	(93,349)	4,670,602	
2020	3,296,007	1,880,799	(95,291)	5,081,514	650,000	168,188	818,188	(543,199)	(294,075)	(837,274)	3,402,808	1,754,911	(93,349)	5,064,371	
2021	3,491,314	1,787,928	(95,291)	5,183,950	665,000	148,688	813,688	(566,193)	(269,545)	(835,738)	3,590,120	1,667,070	(93,349)	5,163,842	23.19%
2022	3,588,879	1,682,752	(95,291)	5,176,340	690,000	128,738	818,738	(590,188)	(243,976)	(834,164)	3,688,691	1,567,514	(93,349)	5,162,856	
2023	3,808,612	1,564,121	(95,291)	5,277,442	685,000	111,488	796,488	(614,182)	(217,328)	(831,510)	3,879,430	1,458,280	(93,349)	5,244,362	
2024	4,006,923	1,446,091	(92,029)	5,360,985	685,000	94,363	779,363	(640,509)	(189,591)	(830,100)	4,051,414	1,350,863	(90,153)	5,312,124	
2025	4,122,250	1,324,058	(83,956)	5,362,351	560,000	77,238	637,238	(667,503)	(160,667)	(828,170)	4,014,747	1,240,628	(82,244)	5,173,131	
2026	4,272,759	1,194,329	(75,699)	5,391,389	465,000	63,238	528,238	(694,496)	(130,528)	(825,024)	4,043,262	1,127,039	(74,156)	5,096,146	52.84%
2027	4,298,376	1,060,885	(68,196)	5,291,065	280,000	50,450	330,450	(282,000)	(100,823)	(382,823)	4,296,376	1,010,513	(66,806)	5,240,083	
2028	4,320,840	917,689	(53,823)	5,184,706	95,000	42,750	137,750	(295,000)	(88,084)	(383,084)	4,120,840	872,355	(52,726)	4,940,469	
2029	4,102,909	770,371	(36,208)	4,837,072	110,000	39,900	149,900	(308,000)	(74,760)	(382,760)	3,904,909	735,511	(35,470)	4,604,950	
2030	4,256,169	615,599	(18,593)	4,853,174	120,000	36,600	156,600	(322,000)	(60,848)	(382,848)	4,054,169	591,351	(18,214)	4,627,306	
2031	3,355,623	454,000	-	3,809,623	350,000	33,000	383,000	(337,000)	(46,301)	(383,301)	3,368,623	440,699	-	3,809,321	82.59%
2032	3,465,270	347,731	-	3,813,001	375,000	22,500	397,500	(352,000)	(31,080)	(383,080)	3,488,270	339,151	-	3,827,421	
2033	3,581,115	229,922	-	3,811,037	375,000	11,250	386,250	(368,000)	(15,180)	(383,180)	3,588,115	225,992	-	3,814,107	
2034	2,958,163	108,914	-	3,067,076	-	-	-	-	-	-	2,958,163	108,914	-	3,067,076	
2035	1,168,415	14,694	-	1,183,109	-	-	-	-	-	-	1,168,415	14,694	-	1,183,109	99.47%
2036	173,979	4,917	-	178,896	-	-	-	-	-	-	173,979	4,917	-	178,896	99.73%
2037	177,155	1,742	-	178,896	-	-	-	-	-	-	177,155	1,742	-	178,896	100.00%
	66,531,534	21,454,668	($1,095,543)	$86,890,659	$7,915,000	$1,519,410	$9,434,410	($8,082,229)	($2,762,680)	($10,844,909)	$ 66,364,305	$ 20,211,398	$ (1,073,209)	$ 85,502,494	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets to account for interest rate and/or basis risk.

(3) True Interest Cost of 2.44%

CITY OF OAK RIDGE, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Revenue Supported Bonds - Electric System

For Fiscal Year Ending June 30, 2016

F.Y. Ended	Electric System - (1)				General Obligation Ref Bonds, Series 2016			Less: Refunded Bonds			Total Bonded Debt Service Requirements (1)				% Principal
6/30	Principal	Interest	Net Treasury Subsidy	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest (2)	Net Treasury Subsidy	TOTAL	Repaid
2017	$ 1,149,452	$ 892,456	$ (98,765)	$ 2,041,908	$ 155,000	$ 21,220	$ 176,220	$ (149,453)	$ (40,225)	$ (189,678)	$ 1,154,999	$ 873,452	$ (98,765)	$ 1,929,685	6.35%
2018	1,200,124	835,710	(98,765)	2,035,834	160,000	43,700	203,700	(155,124)	(73,368)	(228,492)	1,205,000	806,042	(98,765)	1,912,276	
2019	1,251,463	786,774	(98,765)	2,038,237	165,000	38,900	203,900	(161,463)	(66,363)	(227,826)	1,255,000	759,311	(98,765)	1,915,546	
2020	1,302,801	735,841	(98,765)	2,038,642	170,000	33,950	203,950	(167,801)	(59,074)	(226,875)	1,305,000	710,717	(98,765)	1,916,952	
2021	1,364,807	671,363	(98,765)	2,036,170	175,000	28,850	203,850	(174,807)	(51,496)	(226,303)	1,365,000	648,717	(98,765)	1,914,952	34.57%
2022	1,391,812	604,321	(98,765)	1,996,133	180,000	23,600	203,600	(181,812)	(43,604)	(225,416)	1,390,000	584,317	(98,765)	1,875,551	
2023	1,488,818	547,713	(98,765)	2,036,531	180,000	19,100	199,100	(188,818)	(35,396)	(224,214)	1,480,000	531,417	(98,765)	1,912,652	
2024	1,551,491	482,850	(98,765)	2,034,341	185,000	14,600	199,600	(196,491)	(26,870)	(223,361)	1,540,000	470,580	(98,765)	1,911,814	
2025	1,619,498	414,278	(98,765)	2,033,776	190,000	9,975	199,975	(204,497)	(17,998)	(222,495)	1,605,001	406,255	(98,765)	1,912,490	
2026	567,505	341,183	(98,765)	908,688	190,000	5,225	195,225	(212,504)	(8,766)	(221,270)	545,001	337,642	(98,765)	783,878	70.66%
2027	333,296	316,523	(98,765)	649,819	-	-	-	-	-	-	333,296	316,523	(98,765)	551,054	
2028	450,000	302,775	(98,765)	752,775	-	-	-	-	-	-	450,000	302,775	(98,765)	654,010	
2029	450,000	275,775	(89,958)	725,775	-	-	-	-	-	-	450,000	275,775	(89,958)	635,817	
2030	450,000	248,775	(81,150)	698,775	-	-	-	-	-	-	450,000	248,775	(81,150)	617,625	
2031	450,000	221,775	(72,343)	671,775	-	-	-	-	-	-	450,000	221,775	(72,343)	599,432	82.40%
2032	450,000	194,775	(63,536)	644,775	-	-	-	-	-	-	450,000	194,775	(63,536)	581,239	
2033	450,000	167,775	(54,728)	617,775	-	-	-	-	-	-	450,000	167,775	(54,728)	563,047	
2034	450,000	140,775	(45,921)	590,775	-	-	-	-	-	-	450,000	140,775	(45,921)	544,854	
2035	450,000	113,775	(37,113)	563,775	-	-	-	-	-	-	450,000	113,775	(37,113)	526,662	
2036	450,000	86,100	(28,086)	536,100	-	-	-	-	-	-	450,000	86,100	(28,086)	508,014	94.77%
2037	475,000	58,425	(19,058)	533,425	-	-	-	-	-	-	475,000	58,425	(19,058)	514,367	
2038	475,000	29,213	(9,529)	504,213	-	-	-	-	-	-	475,000	29,213	(9,529)	494,683	100.00%
	$ 18,221,067	$ 8,468,949	$ (1,686,605)	$ 26,690,016	$ 1,750,000	$ 239,120	$ 1,989,120	$ (1,792,771)	$ (423,160)	$ (2,215,931)	$ 18,178,296	$ 8,284,910	$ (1,686,605)	$ 24,776,601	

NOTES:

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets to account for interest rate and/or basis risk.

FINANCIAL INFORMATION

INTRODUCTION

The City has an appointed Finance Director who is in charge of the City Finance Department. The Finance Department is responsible for all general accounting, financial reporting, purchasing, warehousing and utility accounting functions of the City.

As required by the City Charter and generally accepted accounting principles (GAAP), all City funds and account groups are organized according to standards established by the Government Accounting Standards Board (GASB). The City's financial reporting system is designed to provide timely, accurate feedback on the City's overall financial position and includes, at a minimum, quarterly reports to the City Council. All City financial statements are audited annually by independent certified public accountants.

The City has received annually the GFOA Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report since the City was incorporated. The Certificate of Achievement recognizes that the City's financial statements meet the strict standards of GASB. The City's General Purpose Financial Statements, which are extracts of the Comprehensive Annual Financial Reports are included herein.

BASIS OF ACCOUNTING AND PRESENTATION

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as a net current asset. Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general ruling include: (1) sick pay which is not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred. The reserve method is used to estimate the allowance for doubtful accounts for electric, water and sewer service receivables.

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FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The City maintains fund balances, net assets or retained earnings in most major operating funds. Additionally, several reserves have been established to address specific needs of the City. The Reserve for Debt Retirement was established to accumulate excess revenues from the sales tax which were pledged to the retirement of outstanding general obligation school debt. The following table depicts fund balances, net assets and retained earnings for the last five fiscal years.

	For the Fiscal Year Ended June 30,				
Fund Type	**2011**	**2012**	**2013**	**2014**	**2015**
Governmental Funds:					
General	$ 9,468,748	$ 9,217,049	$10,060,140	$ 9,473,710	$ 9,416,325
School Fund	5,688,681	5,981,008	6,289,435	5,922,323	6,006,340
Capital Projects	1,376,440	2,133,392	1,547,444	1,697,888	2,515,731
Debt Service	11,993,611	11,029,837	10,297,194	10,098,497	9,461,652
Other Governmental	4,147,958	4,443,884	3,258,912	3,553,843	1,894,604
Total	**$32,675,438**	**$32,805,170**	**$31,453,125**	**$30,746,261**	**$29,294,652**
Proprietary Net Assets:					
Electric Fund	$27,438,551	$29,083,453	$31,810,398	$34,162,638	$ 35,646,138
Waterworks Fund	50,968,514	50,241,222	53,042,355	54,708,551	56,031,873
Nonmajor Fund	775,250	826,989	949,522	1,583,110	1,666,074
Internal Service Funds	6,402,024	6,640,799	6,840,207	6,797,188	6,879,717
Total	**$85,584,339**	**$86,792,463**	**$92,642,482**	**$97,251,487**	**$100,223,802**

Source: Comprehensive Annual Financial Reports of the City of Oak Ridge, Tennessee.

CITY OF OAK RIDGE, TENNESSEE
Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - General Fund
For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Revenues:					
Local taxes	$ 21,947,796	$ 23,172,607	$ 21,915,100	$ 23,176,750	$ 22,995,915
Licenses and Permits	207,479	173,179	167,826	174,011	198,147
Intergovernmental Revenue	13,885,336	13,397,048	14,187,861	13,292,265	13,401,285
Charges For Services	1,352,979	1,370,125	1,370,919	1,342,178	1,328,652
Fines and Forfeits	332,805	324,693	419,490	353,138	321,828
Interest and Investment Earnings	25,034	63,426	52,964	30,839	26,256
Miscellaneous	471,005	507,143	509,715	605,644	523,665
Total Revenues	$ 38,222,434	$ 39,008,221	$ 38,623,875	$ 38,974,825	$ 38,795,748
Expenditures and Other Uses:					
General Government	$ 969,826	$ 905,182	$ 854,416	$ 1,841,776	$ 1,818,670
Administration	889,831	917,059	927,140	-	-
Public Safety	10,219,162	10,276,714	10,335,807	10,473,956	10,722,546
Public Works	1,931,858	4,511,849	4,552,683	4,640,079	4,694,930
Community Services	7,151,815	4,886,631	4,881,872	5,792,903	5,489,331
Total Expenditures	$ 21,162,492	$ 21,497,435	$ 21,551,918	$ 22,748,714	$ 22,725,477
Excess of Revenues & Over (under) Expenditures	$ 17,059,942	$ 17,510,786	$ 17,071,957	$ 16,226,111	$ 16,070,271
Other Financing Sources (Uses):					
Interfund Transfers - In	$ 2,685,282	$ 2,855,907	$ 3,393,631	$ 3,012,318	$ 3,339,582
Interfund Transfers - Out	(19,446,082)	(20,618,392)	(19,622,497)	(19,824,859)	(19,467,238)
Interfund Transfers - Out Component Fund	-	-	-	-	-
Other Transfers	-	-	-	-	-
Total Other Financing Sources (Uses)	$ (16,760,800)	$ (17,762,485)	$ (16,228,866)	$ (16,812,541)	$ (16,127,656)
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	$ 299,142	$ (251,699)	$ 843,091	$ (586,430)	$ (57,385)
Residual Equity Transfers	$ -	$ -	$ -	$ -	$ -
Fund Balance July 1	$ 9,169,606	$ 9,468,748	$ 9,217,049	$ 10,060,140	$ 9,473,710
Prior Period Adjustment	-	-	-	-	-
Fund Balance June 30	**$ 9,468,748**	**$ 9,217,049**	**$ 10,060,140**	**$ 9,473,710**	**$ 9,416,325**

Source: Comprehensive Annual Financial Report for City of Oak Ridge, Tennessee

CITY OF OAK RIDGE, TENNESSEE

Five Year Summary of Revenues, Expenditures and
Changes In Fund Balances - Electric Fund
For the Fiscal Year Ended June 30

	2011	2012	2013	2014	2015
Operating Revenues:					
Charges for Services	$ 53,998,664	$ 52,650,987	$ 52,891,247	$ 55,752,733	$ 55,589,835
Other	823,961	2,303,977	2,817,424	931,109	959,771
Total Operating Revenues	$ 54,822,625	$ 54,954,964	$ 55,708,671	$ 56,683,842	$ 56,549,606
Operating Expenses:					
Maintenance and Administrative	$ 6,770,981	$ 7,095,124	$ 7,093,911	$ 7,532,551	$ 7,511,833
Purchased Power and Water	41,266,396	41,686,544	41,620,223	42,445,405	41,983,485
Depreciation	2,263,229	2,389,559	2,057,575	2,175,288	2,195,340
Total Operating Expenses	$ 50,300,606	$ 51,171,227	$ 50,771,709	$ 52,153,244	$ 51,690,658
Operating Income (Loss)	$ 4,522,019	$ 3,783,737	$ 4,936,962	$ 4,530,598	$ 4,858,948
Non-Operating Revenues (Expenses):					
Intergovernmental Revenue	$ -	$ 26,546	$ -	$ -	$ -
Capital Contributions	-	-	-	-	113,539
Interest Revenue	45,859	39,775	3,988	4,489	4,662
Interest Expense	(870,681)	(781,711)	(680,717)	(719,445)	(643,972)
Total Non-Operating Revenues (Expenses)	$ (824,822)	$ (715,390)	$ (676,729)	$ (714,956)	$ (525,771)
Net Income (Loss) Before Operating Transfers	$ 3,697,197	$ 3,068,347	$ 4,260,233	$ 3,815,642	$ 4,333,177
Operating Transfers In (Out):					
Operating Transfers In	$ -	$ -	$ -	$ -	$ -
Operating Transfers Out	(1,317,761)	(1,423,445)	(1,438,864)	(1,463,402)	(1,484,735)
Total Operating Transfers In (Out)	$ (1,317,761)	$ (1,423,445)	$ (1,438,864)	$ (1,463,402)	$ (1,484,735)
Net Income	$ 2,379,436	$ 1,644,902	$ 2,821,369	$ 2,352,240	$ 2,848,442
Retained Earnings - July 1	$ 25,059,115	$ 27,438,551	$ 29,083,453	$ 31,810,580	$ 34,162,638
Prior Year Adjustments	-	-	(94,242)	(182)	(1,364,942)
Retained Earnings - June 30	**$ 27,438,551**	**$ 29,083,453**	**$ 31,810,580**	**$ 34,162,638**	**$ 35,646,138**

Source: Comprehensive Annual Financial Reports for City of Oak Ridge, Tennessee.

BUDGETARY PROCESS

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

1. By mid-May, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Also, a six-year capital budget is developed and presented to City Council prior to preparation of the upcoming annual operating budget.

2. A public hearing is conducted at the Municipal Building to obtain taxpayer comments.

3. Prior to July 1, the budgets for all governmental funds are legally enacted through passage of an ordinance by City Council.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions.

6. The budgets for all governmental funds are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that in the General, Special Revenue, and Capital Projects Funds, encumbrances are treated as budgeted expenditures in the year the commitment to purchase is incurred. The adjustments necessary to convert the basis of budgeting to GAAP represent the net change in encumbrances outstanding at the beginning and ending of the fiscal year.

7. All appropriations which are not expended or encumbered lapse at year end.

8. During the year, supplementary appropriations were necessary for the School Fund. Refer to the City's Annual Comprehensive Annual Financial Report.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. Unless deposited in a financial institution participating in the State Consolidated Collateral Pool, all demand deposits or Certificates of Deposit must be secured by similar grade collateral (such as direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit) pledged at 105% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. The Finance Director is responsible for the administration of all City investments.

Unless deposited in an institution participating in the State Collateral Pool, all collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

Prevailing State law does not allow cities or counties in the State to invest in reverse repurchase agreements or unusual "derivative" products.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

State Taxation of Property; Classifications of Taxable Property; Assessment Rates

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

(a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;

(b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;

(c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and

(d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

(a) Public Utility Property, to be assessed at 55% of its value;
(b) Industrial and Commercial Property, to be assessed at 30% of its value; and
(c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of $7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

County Taxation of Property

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated,* the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

Assessment of Property

County Assessments; County Board of Equalization. The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January I for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

State Assessments of Public Utility Property; State Board of Equalization. The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

Periodic Reappraisal and Equalization

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

Valuation for Property Tax Purposes

County Valuation of Property. The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

State Valuation of Public Utility Property. The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole *(i.e.,* the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

Certified Tax Rate

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the *"Certified Tax Rate")* which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

Tax Freeze for the Elderly Homeowners

The Tennessee Constitution was amended by the voters in November, 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is $500 for the year in which he becomes eligible, his property taxes will remain at $500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

Tax Collection and Tax Lien

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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Assessed Valuations. According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to true market value of 1.00 in Anderson County. The following table shows pertinent data for tax year 2014[1].

Class	Estimated Assessed Valuation[2]	Assessment Rate	Estimated Appraised Value[2]
Public Utilities	$ 11,380,860	55%	$ 26,072,990
Commercial and Industrial	340,144,160	40%	850,360,400
Personal Tangible Property	48,372,540	30%	161,241,667
Residential and Farm	425,384,100	25%	1,701,536,400
Total	**$825,281,660**		**$2,739,211,457**

[1] The tax year coincides with the calendar year, therefore, tax year 2014 is actually fiscal year 2014-2015.
Source: 2014 Tax Aggregate Report and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2015 (tax year 2014) is $824,764,059[2] compared to $814,281,004[2] for the fiscal year ending June 30, 2014 (tax year 2013). The estimated actual value of all taxable property for tax year 2014 is $2,732,940,566[2] compared to $2,712,967,800[2] for tax year 2013.

Property Tax Rates and Collections. The following table shows the property tax rates and collections of the City for tax years 2011 through 2015 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2015.

PROPERTY TAX RATES AND COLLECTIONS				Fiscal Yr Collections		Aggregate Uncollected Balance as of June 30, 2015	
Tax Year [3]	**Assessed Valuation[2]**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**Amount**	**Pct**
2011	$801,395,021	$2.39	$19,153,341	$18,695,063	97.2%	$ 29,396	0.2%
2012	799,797,029	2.39	19,115,149	18,350,887	96.3%	76,775	0.4%
2013	814,281,004	2.39	19,461,316	18,853,042	97.0%	253,673	1.3%
2014	824,764,059	2.39	19,711,861	19,128,736	97.1%	583,125	3.0%
2015	796,977,842[4]	2.52	20,083,842	IN PROCESS			

[2] Includes both Counties the City is located in.
[3] The tax year coincides with the calendar year, therefore, tax year 2015 is actually fiscal year 2015-2016.
[4] Estimated
Source: The City

Ten Largest Taxpayers. For the fiscal year ending June 30, 2015 (tax year 2014), the ten largest taxpayers in the City were as follows:

	Taxpayer	Type of Business	Assessed Valuation	Percentage of Total
1.	UT Battelle	National Laboratory	$ 55,390,175	6.72%
2.	Oak Ridge Projects LLC	Real Estate	36,615,687	4.44%
3.	Scientific Ecology Group (AKA GTS Duratek)	Environmental Services	12,648,429	1.53%
4.	Oak Ridge Tech Center Oak Ridge Corp Partners	Office Complex	12,461,728	1.51%
5.	Richard Chinn (R & R Properties)	Entrepreneur	12,086,889	1.47%
6.	Methodist Medical Center	Health Services	10,500,405	1.27%
7.	Wilkinson Realty	Apartment Complexes	7,107,938	0.86%
8.	BellSouth	Communications	6,716,259	0.81%
9.	A&M Enterprises Inc.	Real Estate Developer	5,968,480	0.72%
10.	Advanced Measurement Tec (ORTEC)	Manufacturing Services	5,124,728	0.62%
	TOTAL		**$164,620,718**	**19.95%**

Source: The City.

SALES TAX

Pursuant to applicable provisions of Title 67, Chapter 6, Part 7 of *Tennessee Code Annotated* as amended, (the "Act"), Anderson and Roane Counties levy a county-wide local option sales tax. Under the Act, counties and incorporated cities may levy a sales tax on the same privileges on which the State levies its sales tax. The rate of any sales tax levied by a county or city is limited under State law to two and three-fourths percent (2 3/4%).

Pursuant to the Act, the levy of a sales tax by a county precludes any city from within the county from levying a sales tax, but a city may levy a sales tax in addition to the county's sales tax a rate not exceeding the difference between the county sales tax rate and the maximum local option sales tax rate of two and three fourths percent (2 3/4%). If a city is located in more than one county, each portion of the city that is located in a separate county is treated as a separate city for purposes of determining the maximum sales tax rate.

On August 5, 2004, the citizens in the Anderson County portion of Oak Ridge overwhelmingly voted to increase the local sales tax option from 2.25% to the state maximum of 2.75%, with the additional tax proceeds being legally restricted to fund the renovation, construction and related debt service of the Oak Ridge High School project. The sales tax rate increase became effective with sales beginning on October 1, 2004. In July 2006, the .50% increase in the local sales tax option became countywide. The City was required to split the additional .50% in local sales tax collections with Anderson County effective with July 2006 sale transactions.

The revenues from the county-wide sales taxes of Anderson and Roane Counties are distributed pursuant to the provisions of the Act and other provisions of the *Tennessee Code Annotated*. Fifty percent (50 %) of the revenues raised through the county-wide sales taxes are directed to educational purposes and are distributed to all organized school systems, such as the City's school system, in the county in which the taxes are collected based upon the average daily attendance of each school system. The balance of the sales tax collections are divided between the general fund of the county in which the taxes are collected and all incorporated cities or towns in such county based upon the situs of collection.

Sales tax receipts available to the City and its school system from the city-wide sales tax and the City's portion of the county-wide sales taxes are as follows:

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
City	$11,811,555	$10,949,982	$10,906,934	$ 9,694,331	$ 9,888,838
Schools	4,005,204	3,984,776	4,986,448	4,854,777	4,304,972
TOTAL	**$15,816,759**	**$14,934,758**	**$15,893,382**	**$14,549,108**	**$14,193,810**
**Sites of Collection Roane/ Anderson	22%/78%	20%/80%	23%/77%	16%/84%	13%/87%

**Based on City Collections
Source: City of Oak Ridge Department of Finance and Comprehensive Annual Financial Report of the City.

The Act authorizes a local jurisdiction, by resolution of its governing body, to pledge proceeds raised by the power and authority granted by the Act to the punctual payment of principal of and interest on bonds, notes or other evidence of indebtedness issued for purposes for which such proceeds were intended to be spent. The security provisions of the Bonds do not include a pledge of available local option sales tax revenues as additional security.

The increase in the sales taxes has allowed the City to move away from a primary reliance on property taxes to a more equitable funding formula utilized in property taxes, sales taxes and other revenues. The net result of the new sales taxes has been nearly a substantial reduction in the historical level of the City's property tax rate (see PROPERTY TAX - Property Tax Rates and Collections, contained herein).

PENSION PLANS

Employees of the City 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. Employees working in the school system are members of a separate plan administrated by the TCRS. 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 5 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 5 years of service who became 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. Active members on June 1, 1994 became vested after 5 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. Cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increase is less than .50%. The maximum annual COLA is capped at 3.0%. Political subdivisions such as the City 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 political subdivision unless approved by the chief governing body.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the Notes to Financial Statements located in the General Purpose Financial Statements of the City located herein.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS

THE CITY OF OAK RIDGE, TENNESSEE

Comprehensive Annual Financial Report
City of Oak Ridge, Tennessee

For the Fiscal Year Ended
June 30, 2015

CITY OF OAK RIDGE, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Prepared by
FINANCE DEPARTMENT

CITY OF OAK RIDGE, TENNESSEE
TABLE OF CONTENTS

For the Year Ended June 30, 2015

CITY OF
OAK RIDGE

POST OFFICE BOX 1 • OAK RIDGE, TENNESSEE 37831-0001

December 31, 2015

Honorable Mayor,
Members of the City Council and
Citizens of the City of Oak Ridge, Tennessee

The Comprehensive Annual Financial Report (CAFR) of the City of Oak Ridge, Tennessee, for the fiscal year ended June 30, 2015, is hereby submitted. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and have been audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Oak Ridge. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Oak Ridge has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Oak Ridge's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Oak Ridge's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Oak Ridge's financial statements have been audited by Coulter & Justus, PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Oak Ridge, for the fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Oak Ridge's financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Oak Ridge was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City of Oak Ridge's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are contained in section four of this report titled "Single Audit Report and Findings and Recommendations."

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Oak Ridge's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Oak Ridge

The City of Oak Ridge, incorporated on June 16, 1959, is located in the eastern part of the State, occupying the southern portion of Anderson County and an eastern portion of Roane County. The population of Oak Ridge according to the 2010 census is 29,330.

The City of Oak Ridge has a unique history. This area was selected by the United States government in 1942 as the location for its production plants for uranium 235, a component of the first atomic bomb. Constructed by the U.S. Corps of Engineers as part of the secret World War II "Manhattan Project", the early task of the plant was the separation of fissionable uranium-235 from the more stable uranium-238 by an electro-magnetic process. Some 80,000 workers were hired for emergency construction of the laboratories and offices in the then 56,000-acre site. The original townsite was built during World War II to house and furnish necessary facilities for the employees of the uranium plants. In 1955 Congress passed Public Law 22, which allowed the Atomic Energy Commission to sell the homes and land to the residents, and to give the City all municipal facilities if it voted to incorporate. Oak Ridge is approximately 92 square miles in area and includes the plant and facilities of the U.S. Department of Energy (DOE). Residential, commercial and municipal owned portions of the City make up nearly 30 square miles. The remaining area of the City is owned by the U.S. Department of Energy (DOE).

The City of Oak Ridge is empowered to levy a property tax on both real and personal property located within its boundaries. The City receives an annual in-lieu of tax payment from DOE on the acreage owned by the federal government, subject to annual congressional appropriation. The calculation is based on the land's usage prior to ownership by the federal government and is therefore valued as if it were residential farmland. Federal buildings located on this property are currently not subject to taxation by the City, with the exception of four newer facilities located at the Oak Ridge National Laboratory (ORNL) and the Y-12 complex.

The City is governed by a modified City Manager-Council form of government. The governing body of the City is a seven member City Council. Approximately, half of the City Council is elected on a non-partisan basis every two years for a four-year term of office. Following each regular City election, the City Council elects one of its members as mayor to serve for a two-year period as ceremonial head of the City and presiding officer of the City Council. Policy-making and legislative authority are vested in City Council. The Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, oversees the City's day-to-day operations, and appoints heads of the various departments.

The City provides a full range of services, which includes police and fire protection; electric, water and wastewater services; residential solid waste collection; the construction and maintenance of highways, streets and infrastructure; public library, recreational activities and cultural events. The Oak Ridge Schools operate under the City Charter and are considered part of the City and therefore, has been included as an integral part of the City of Oak Ridge's financial statements. In addition to general government activities, the City is financially accountable for the Convention and Visitors' Bureau whose activities are reported separately within the City of Oak Ridge's financial statements. Added in fiscal 2014, was the Oak Ridge Land Bank which was allowed for establishment under new state legislation sponsored by the City to reclaim unused, vacant and/or undesirable land for revitalization. Also included are the activities of the Oak Ridge Public Schools Education

Foundation, Inc. whose primary mission is to enhance, promote and support the City of Oak Ridge Schools. However, the Oak Ridge Housing Authority, Oak Ridge Utility District, Oak Ridge Industrial Development Board and the Oak Ridge Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Oak Ridge's financial planning and control. The budget preparation process begins in the late summer when City departments begin the preparation of six-year Capital Improvements Program (CIP) requests for submission to the Oak Ridge Municipal Planning Commission for review. The program identifies anticipated capital projects, establishes priorities and identifies the anticipated source of funding. The CIP, as modified and approved by the Planning Commission, is submitted for Council's consideration prior to budget deliberations.

After one or more council meetings devoted to guidance to the city manager with respect to the budget to be submitted, the City Manager submits to the council a proposed budget for the next fiscal year. As part of the budget preparation, the City Manager meets with City departments who outline requirements and challenges related to their departmental operating budgets. The Finance Department quantifies preliminary budget information, including revenue projections, for preparation of the City Manager's proposed budget. Prior to the first reading of the budget ordinance, the City Manager presents the proposed budget for the upcoming fiscal year to City Council at a work session or council meeting. The Board of Education also presents the School Funds budget prior to final reading of the budget ordinance which includes a request for appropriation of City funds to meet program obligations. Budget work sessions may be held with City Council during budget deliberations to provide a detailed review of the proposed operating and capital improvements budgets. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate prior to the start of the City's fiscal year on July 1. However, if for any reason an appropriation ordinance is not adopted by July 1, the appropriations for the current year shall be carried forward for the next fiscal year until the adoption of the new appropriation ordinance occurs.

The budget is presented by fund, function (e.g., public safety), and department (e.g., police). The budget is legally appropriated at the fund level. Department heads may make transfers of appropriations within a department and the City Manager may make transfers of appropriations between departments. Transfers of appropriation between funds, however, require approval of City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and general purpose school fund, this comparison is presented on pages C-8 and C-9 as part of the basic financial statements for the governmental funds. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page E-4. The comparison for the capital projects and debt service funds are presented on pages E-25 and E-26, respectively.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Oak Ridge operates.

Local economy. The City of Oak Ridge currently enjoys a strong economic environment. Recently, the development pace has escalated, particularly in the retail sector. Oak Ridge has not been impacted as much as many areas in the country during the recent nationwide economic downturn due to the large presence of the federal government in Oak Ridge and the federal stimulus money awarded to those entities.

Located at Oak Ridge National Laboratory (ORNL), is the Spallation Neutron Source (SNS) accelerator project which was built by a partnership of six U.S. Department of Energy laboratories and provides the most intense pulsed neutron beams in the world for scientific research and industrial development. At full power, SNS will deliver 1.4 million watts (1.4 MW) of beam power onto the target. Scientists from around the world visit each year to study materials that will form the basis for new technologies in telecommunications, manufacturing, transportation, information, biotechnology and health. The complex includes the Joint Institute for Neutron Sciences, a 32,000 square-foot facility supporting users who come to Oak Ridge for experiments at the SNS and the High Flux Isotope Reactor and a guest house, providing an on-site hotel for scientists conducting experiments at the ORNL facilities.

In 2005, construction of a $50 million private sector funded complex was completed at ORNL to house a supercomputer. This was the first privately owned facility to be located on the federal reservation on which the City received real property tax payments based on the appraised value of the building. With three similar type facilities completed at ORNL and the Y-12 complex, the construction of taxable facilities on federal property represents a significant revenue stream for the City. The City real property taxes on these facilities are nearly $2,000,000 annually.

Phase I of the Science and Technology Park on the ORNL campus is complete and two buildings totaling 155,000 square feet are now occupied by more than 15 companies. Future development phases will enable the S&T Park to grow to nearly 30 acres and up to 350,000 square feet of offices and laboratories to help meet ORNL's goal of successful technology transfer and commercialization.

Design and site work is underway for the estimated $6.5 billion Uranium Processing Facility (UPF) at the Y-12 Complex in Oak Ridge. The UPF is a multibillion dollar project that will take nearly ten years to complete. The project is already generating increased employment with at least 20 companies involved in design work and other preparations. The economic impact of construction is estimated at $1.8 billion in goods and services, 2,400 jobs at peak and 8,000 supporting jobs in the surrounding area.

The Department of Energy (DOE) is funding a five-year project to design, license and help commercialize small, modular nuclear reactors (SMR's) in the US. DOE will fund up to half the cost of the $450 million project under a cost-share agreement with Babcock & Wilcox (B & W), the lead company selected to implement it. The Tennessee Valley Authority and Bechtel are also partners. DOE says it expects Nuclear Regulatory Commission licensing and achievement of commercial operations by mid-2020's. TVA is preparing an application to the Nuclear Regulatory Commission to license for two or more B & W Power SMRs at its Clinch River site in Oak Ridge. This project will create a significant number of new jobs at the Clinch River site and at manufacturing and supplier facilities.

In 2015, CVMR announced they will invest $313 million to establish its global headquarters in Oak Ridge and create the CVMR Centre of Excellence for Innovation in Powder Metallurgy and production facilities, resulting in 620 new jobs. The Oak Ridge facility will house CVMR USA's corporate headquarters, research and development, production of nano materials and metallurgical coating services, customer support, product development and planning for US production facilities. The CVMR Centre of Excellence for Innovation in Powder Metallurgy will collaborate with academic, industrial, government and businesses entities interested in the development of advanced materials and innovative technologies and focus on production of new metallurgical products that can benefit the metal industry.

Since 2013, there has been a significant upturn in economic activity in Oak Ridge. Multiple restaurants, a fuel/convenience center, and specialty grocery store have opened at newly constructed sites. A three-story, $13.8 million 64,000 square-foot Health Sciences and Technology Building expansion to Roane State Community College's Oak Ridge campus was completed.

Completed is a 91-unit assisted living facility developed in partnership with Methodist Medical Center of Oak Ridge that is three stories and features 18 memory-care residences. Recently completed is Dogwood Manor, an independent living apartment complex for the low-to-moderate seniors. Just completed is the $6 million renovation of the historic Alexander Inn into an assisted living facility by a private developer in partnership with Knox Heritage, a nonprofit organization dedicated to preserving historic properties and a grant from the Department of Energy.

A 123,000 square-foot Kroger Marketplace opened at the end of June 2014. The site also contains a 12,000 square-foot strip center and 5 additional outparcels still under development. Across the street another 12,000 square-foot strip center was just completed. UT Arboretum, a 250 acre research and education facility that has over 2,500 native and exotic woody plant specimens, has just completed construction of a new meeting facility.

Closure of the sale of the Oak Ridge Mall site is expected in early January 2016. This sale of the Mall site will be a major economic development accomplishment that will allow for redevelopment of the underutilized 65 acre site located in the center of Oak Ridge. It is anticipated that demolition of the current mall and redevelopment of the site development will begin in January 2016. Plans currently call for a retail and mixed-use development. Some new retail stores are anticipated to be open for holiday shopping in late 2016.

New housing construction is slowly recovering from the nationwide downturn in 2008. New residential subdivisions approved within the past ten years where construction is ongoing include Crossroads at Wolf Creek, a 73-acre site on which 102 single-family and 76 multi-family dwelling units is substantially developed out and a clubhouse has been completed at this site. Groves Park Commons, the most recently approved development utilizing traditional neighborhood design is underway. When complete the development will have approximately 355 dwelling units, with surrounding open space areas and a small neighborhood commercial area. Clark's Preserve is under development with 38 lots.

U.S. Department of Energy. During fiscal 2008, the City entered into a contract with the U.S. Department of Energy to provide services to areas previously served by federal contractors. The City entered into an agreement with DOE, through their site contractor, to assume fire and emergency medical response duties for the federal East Tennessee Technology Park (ETTP) site. Under the agreement with DOE, through its contractor the City received over $10,000,000 in funding over the first four-year period of the agreement. On October 1, 2007, DOE transferred 2.23 acres of land, the ETTP fire station and firefighting and ambulance vehicles and equipment to the City to operate this facility. The City added an additional 28 employees to man this station, which will also serve the west end of Oak Ridge. The West End Fund, a special revenue fund, was established by the City to account for the operations of the ETTP fire station. The City received $2,540,004 under this contract in fiscal 2015. The contract was renewed for an additional four years through September 30, 2019.

The City receives an annual in-lieu tax (PILOT) payment from DOE, which was $1,659,520 in fiscal 2015. DOE's PILOT payment to the City is based on the number of acres on the federal reservation (approximately 32,869 acres) at a per acre appraisal approved by DOE at the City's property tax rate. In accordance with the Atomic Energy Commission Act, the land value is assessed based on the original usage of the property, which was residential farmland when DOE purchased the land for the WWII effort, rather than the current use of the property. The residential property tax assessment rate of 25% is therefore used, rather than the 40% rate that would normally apply to commercial/industrial properties. DOE's remittance is also contingent on the annual federal appropriation of this payment.

DOE is also a major water and wastewater customer with over 50% of the City's annual water plant production being used by DOE facilities.

Long-term financial planning

A major focus at this time is the water and wastewater infrastructure systems. The City is continuing its improvement to the wastewater collection system and wastewater lift station rehabilitation and replacement. The City began the project in 1997 to upgrade, expand and rehabilitate the wastewater treatment plant and wastewater collection system. The upgrades and expansion to the wastewater treatment plant increased capacity from 6 mgd to 9 mgd, a 33% increase in capacity to service new customers and construction of a new wastewater plant at the Rarity Ridge development site.

On September 27, 2010, the City received an administrative order (AO) from the United States Environmental Protection Agency (EPA). The City was found to be in violation of Section 301 of the Clean Water Act (CWA), 33 U.S.C. Section 1311. The City was given a timetable and actions to be made to remedy the violations. The City's approved mediation plan projected costs of $23,090,000 for wastewater capital projects. In September 2015, the City received a "closure letter" from EPA stating the AO had been fulfilled.

Upgrades and improvements are also planned to the water system. The City has projected to spend over $16,000,000 in water capital improvements, particularly to the water treatment plant and raw water intake system, over the next six years.

Water and wastewater capital improvements will be funded through the issuance of long-term debt. On September 29, 2011, the City issued $9,810,000 in bonds to fund the first phase of these improvements and an additional $5,000,000 loan was closed in December 2012. In late June 2013, the City was approved for two low-interest rate loans totaling $18,000,000 from the Tennessee State Revolving Fund (SRF) Loan program. The SFR loans include a $400,000 principal forgiveness. In May 2014, the City was approved for an additional $3,000,000 loan to provide funding to complete the capital improvement projects required to meet the AO. As part of an overall debt refunding and restructuring in August 2013, the City received $3,585,000 in new debt proceeds to fund water and wastewater projects.

Significant rate increases have been adopted for both water and wastewater rates with the first phase effective May 1, 2012 and the second phase effective January 1, 2013. A new water and wastewater rate review was conducted in the summer 2013 which resulted in the adoption of rate increases effective January 1, 2014 and January 2015. Annual rate increases for both water and wastewater services are anticipated to occur through 2019 with a 6% increase for both water and wastewater rates projected for 2016.

City revenues from local sales and use tax collections were unusually high in fiscals 2010 and 2011 due to expenditures by federal contractors from stimulus grant awards. As federal funding to local contractors from stimulus awards diminished, the City has experienced a decline in local sales and use tax collections that continued into fiscal 2015. Overall, local sales and use tax collections are budgeted to increase 1% in fiscal 2016 over actual 2015 levels due to recent retail developments.

The City has also embarked on a new program "Not in Our City" to deal with housing and housing related issues, particularly in the legacy WWII neighborhoods, making Oak Ridge a better place to live and invest. The Oak Ridge Land Bank was established as a part of the program.

In December 2015, the City issued $18,585,000 in General Obligation Refunding Bonds in two bond series. The issuance refunded the City's outstanding Series B-9-A and B-11-A Bonds which were used to fund the renovation of the Oak Ridge High School. The refunding's resulted in an economic gain of $4,401,229 and a reduction of $6,571,871 in future debt service payments.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oak Ridge, Tennessee, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. This is the fifty-fourth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past thirty-one consecutive years. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

Preparation of this report was accomplished through the dedicated services of the Finance Department. We express our appreciation to all who contributed to its preparation. Credit also must be given to the governing City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Oak Ridge's finances.

Respectfully submitted,

Mark S. Watson

Mark S. Watson
City Manager

Janice McGinnis

Janice E. McGinnis
Finance Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oak Ridge

Tennessee

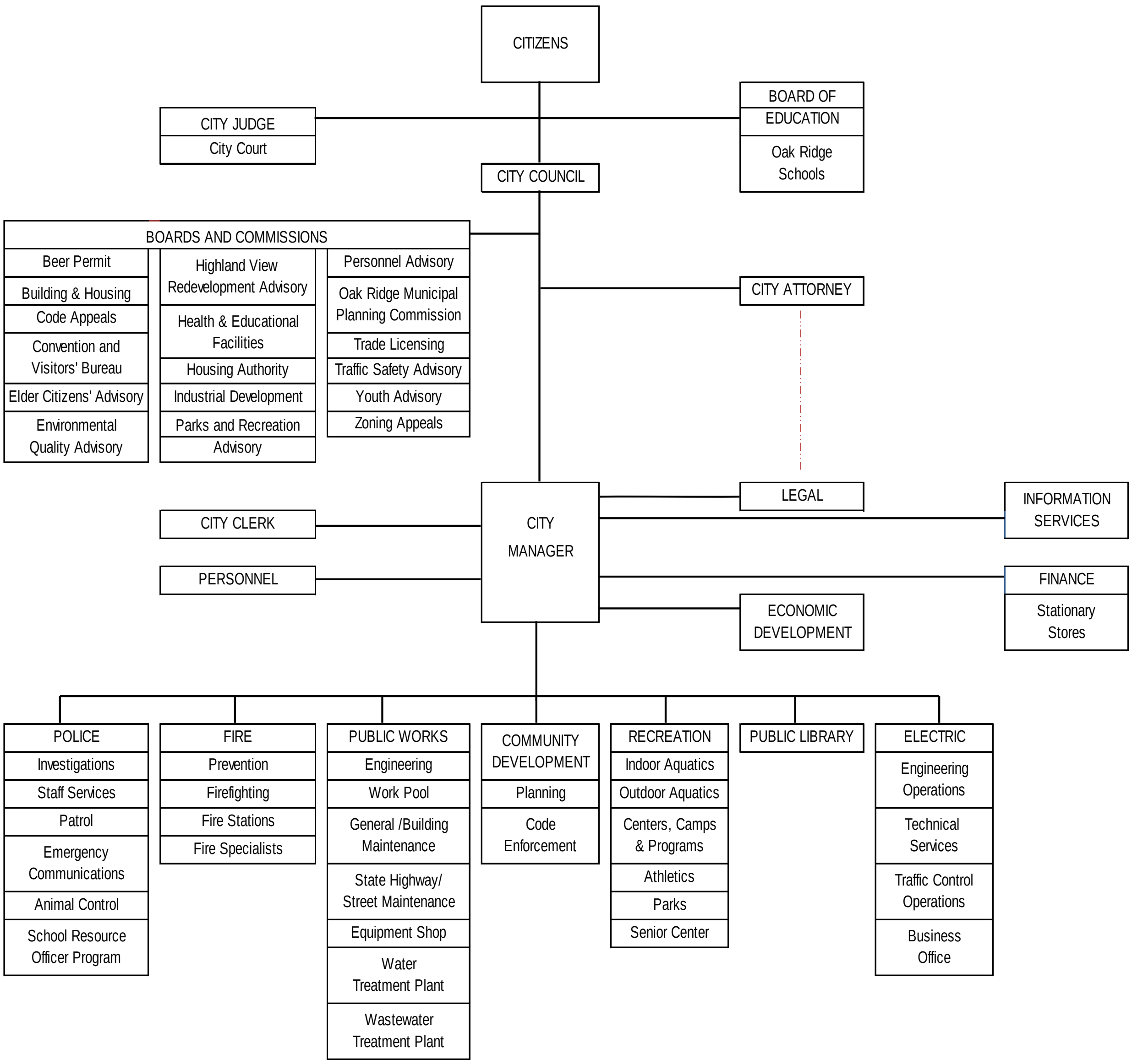
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Organizational Chart

City of Oak Ridge, Tennessee



CITY OF OAK RIDGE, TENNESSEE

CITY OFFICIALS

Mayor

Warren L. Gooch

Members of City Council

Trina Baughn	Kelly Callison
Rick Chinn, Jr.	L. Charles Hensley
Charles J. Hope, Jr.	Ellen Smith

City Manager

Mark S. Watson

Department Directors

Kathryn Baldwin	Community Development Director
Jack L. Suggs	Electrical Director
Janice E. McGinnis	Finance Director
R. Darryl Kerley	Fire Chief
Kathy McNeilly	Library Director
Jon Hetrick	Parks & Recreation Director
Penelope H. Sissom	Personnel Director
James T. Akagi	Police Chief
Gary M. Cinder	Public Works Director

City Attorney

Kenneth R. Krushenski

City Judge

Robert A. McNees III

City Clerk

Diana Stanley

Board of Education

Keys Fillauer, Chairman
Robert Eby, Vice-Chair
Jennifer Richter, Parliamentarian
Angi Agle, Treasurer
Paige Marshall
Laura McLean

Superintendent of Schools

Bruce Borchers, Ed.D

Assistant Superintendent of Schools

TBD

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Report of Independent Auditors

Members of the City Council
City of Oak Ridge, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Oak Ridge, Tennessee (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 did not audit the financial statements of the General Purpose School Fund, the School Federal Projects Fund, the Other Education Special Revenue Fund, the Extended School Program Fund, the Central Cafeteria Fund, or the School Equipment Replacement Fund, which represent 41% of assets, (33%) of net position, and 44% of revenues of the governmental activities of the City. We did not audit the financial statements of the Oak Ridge Public Schools Education Foundation, Inc., a discretely presented component unit, which represents 92% of both the assets and net position of the aggregate discretely presented component units. We did not audit the financial statements of the Scholarship Fund or the Internal School Funds, which represent 100% of the assets and net position of the fiduciary funds of the City. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as it relates to the amounts included for those funds, is based solely on the report of the other auditors. 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.

Members of the City Council
City of Oak Ridge, Tennessee

Auditor's Responsibility (continued)

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 City'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 City'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the City adopted new accounting guidance, *Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-1 through B-12 and the required supplementary information on pages D-1 through D-5 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 and other auditors 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.

COULTER & JUSTUS, P.C.

Members of the City Council
City of Oak Ridge, Tennessee

Other Matters (continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of federal and state financial assistance activity is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information section and the schedule of federal and state financial assistance activity are the responsibility of management and were derived from and relate 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 by us and other auditors. In our opinion, based on our audit, the procedures performed and described above and the report of the other auditors, the other supplementary information section and the schedule of federal and state financial assistance activity are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Coulter & Justus, P.C.

Knoxville, Tennessee
December 31, 2015

As management of the City of Oak Ridge, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- The assets of the City of Oak Ridge exceeded its liabilities at the close of the most recent fiscal year by $142,633,785 (*net position*). Of this amount, $13,879,553 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.

- Net position decreased by $10,148,464 (6.64%) compared to last fiscal year's ending net position. In fiscal 2015, the City adopted Statement No. 68 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions*. The decrease in net position from the adoption of this Statement resulted in an $18,861,866 reduction in the beginning Net Position from that previously reported at the end of fiscal 2014. Changes in Net Position, excluding the adoption of GASB Statement No. 68, are related to investment in capital assets and current. The City of Oak Ridge's changes in net position are detailed on page B-6 of this report.

- Total revenues increased $155,059 compared with the prior fiscal year, comprised of a $379,510 reduction in revenues in governmental activities and a $534,569 increase in business type activities. The comparative reduction in governmental activities revenue is primarily due to charges for services, which declined $908,080 due to the elimination of the issuance of traffic citations from photo enforcement cameras. Changes in business-type activities revenue include an increase of $818,547 in charges for service primarily from electric, water and wastewater rate increases during fiscal 2015.

- The City's property tax rate remained at the fiscal 2014 rate of $2.39 per $100 of assessed valuation. Electric rates increased 1.2% in October 2014 to pass-through a wholesale power increase by TVA and water and wastewater rates increased 8% and 10%, respectively, in January 2015.

- As of the close of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of $29,294,652, a decrease of $1,451,609 in comparison with the prior year. The fund balance reductions include $427,321 in the Golf Course Fund due to a decline in revenue related to weather and other factors and planned reductions of $450,768 in the State Street Aid Fund for street resurfacing projects and $636,845 in the Debt Service Fund related to the usage of accumulated reserves to fund debt service on debt previously issued for the Oak Ridge High School renovation project.

- At the end of fiscal year 2015, three Special Revenue Funds, nonmajor governmental funds, were closed. The Special Programs Fund accounted for the proceeds from the issuance of traffic citations from photo enforcement cameras. The contract for usage of the cameras ended in late 2014. The remaining $903,819 in the Special Programs Fund was transferred to the Capital Projects Fund at the end of fiscal 2015. The Street and Public Transportation and Grant Funds accounted for the revenues and corresponding expenditures from state and federal grant awards. It was determined the activities in these funds could be accounted for in the General Fund. At the end of fiscal 2015, the remaining $144,939 in the Street and Public Transportation Fund and the $112,877 in the Grant Fund were transferred to the General Fund.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $8,026,420, or 35.3% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled $19,467,238 in the City's general fund.

- At June 30, 2015, the General Fund had a nonspendable fund balance of $1,389,905. This includes a $1,190,477 long-term note receivable from the City's Waterworks Fund.

- At the end of the current fiscal year, the General Purpose School Fund had an assigned fund balance of $5,886,330. This is 12.2% of expenditures for fiscal 2015.

- Overall, the City's total debt decreased by $325,580 (.19%) during the current fiscal year. The City entered into a capital lease agreement for $964,291 for two fire pumper trucks and wastewater debt increased $6,662,797 related to draws on previously authorized State Revolving Fund Loan (SRF) program loans. At year-end there was $10,768,826 remaining available for draw on SRF approved loans for wastewater capital projects.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Oak Ridge's basic financial statements. The City of Oak Ridge's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements, and 4) single audit report and findings and recommendations. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Oak Ridge that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Oak Ridge include general government, public safety, highways and streets, residential solid waste collection, economic development, culture and recreation. The business-type activities of the City of Oak Ridge include electric distribution operation, water and wastewater treatment, distribution and collection and operation of an Emergency Communications District.

The government-wide financial statements include not only the City of Oak Ridge itself (known as the *primary government*) and the operations of the Oak Ridge Schools, but also the legally separate Convention and Visitors Bureau and the Oak Ridge Land Bank for which the City of Oak Ridge is financially accountable and the Oak Ridge Public Schools Education Foundation, Inc. whose main purpose is to provide financial support to the schools. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages C-1 through C-3 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Oak Ridge, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Oak Ridge can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of Oak Ridge maintained fifteen individual governmental funds during fiscal 2015. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general purpose school fund, capital projects fund and debt service fund, all of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* as other supplementary information.

The City of Oak Ridge adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages C-4 through C-9 of this report.

Proprietary funds. The City of Oak Ridge maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Oak Ridge uses enterprise funds to account for its electric, water and wastewater, and emergency communications district operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Oak Ridge's various functions. The City uses internal service funds to account for its City and School fleet of vehicles and insurance and benefit functions. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric distribution operation, water and wastewater treatment, collection and distribution, both of which are considered to be major funds of the City of Oak Ridge, and emergency communication. Conversely, all three internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* as other supplementary information.

The basic proprietary fund financial statements can be found on pages C-10 through C-13 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Oak Ridge's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages C-14 and C-15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages C-16 through C-78 of this report.

Other information. The *required supplementary information* presented on pages D-1 through D-5 pertains to the City of Oak Ridge's and the School's progress in funding their obligation to provide pension and other post employment benefits to their employees. Additional schedules regarding the City and Schools pension liability have been added in fiscal 2015 due to the City's adoption of Statement No. 68 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Pensions*.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages E-1 through E-26 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Oak Ridge, assets exceeded liabilities by $142,633,785 at the close of the most recent fiscal year.

By far the largest portion of the City of Oak Ridge's net position (89.4%) reflects its net investment in capital assets (e.g., land, building, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Oak Ridge uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Oak Ridge's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (0.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $13,879,553 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Oak Ridge is able to report positive balances in all three categories of net position for both the government as a whole, as well as for its separate governmental and business-type activities.

Net Position

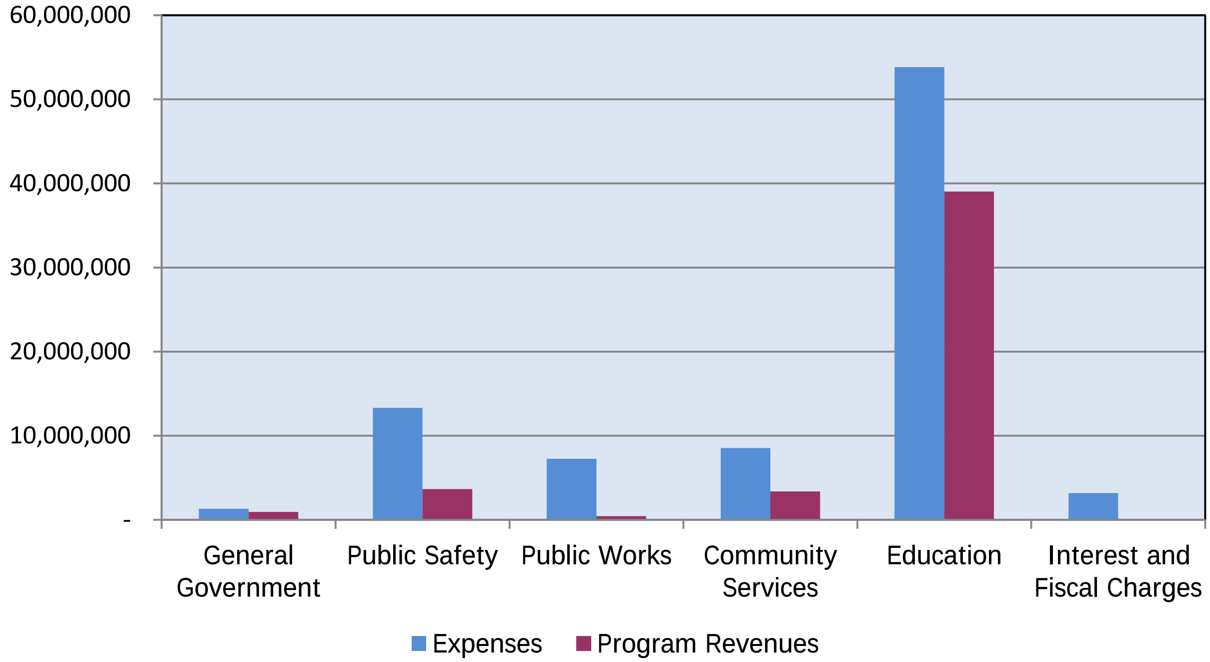
	Governmental activities		Business-type activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Current and other assets	$ 62,922,460	$ 64,351,437	$ 25,355,042	$ 25,615,289	$ 88,277,502	$ 89,966,726
Capital assets	129,994,230	132,467,246	164,972,144	153,794,896	294,966,374	286,262,142
Total assets	192,916,690	196,818,683	190,327,186	179,410,185	383,243,876	376,228,868
Deferred outflows of resources	5,337,844	-	1,038,794	-	6,376,638	-
Long-term liabilities outstanding	102,726,864	101,762,816	80,743,590	74,832,696	183,470,454	176,595,512
Other liabilities	7,718,464	7,951,520	14,644,564	13,101,808	22,363,028	21,053,328
Total liabilities	110,445,328	109,714,336	95,388,154	87,934,504	205,833,482	197,648,840
Deferred inflows of resources	38,519,506	24,776,397	2,633,741	1,021,382	41,153,247	25,797,779
Net position:						
Net investment in capital assets	41,105,838	37,380,405	86,340,385	78,797,599	127,446,223	116,178,004
Restricted	1,308,009	1,715,972	-	-	1,308,009	1,715,972
Unrestricted	6,875,853	23,231,573	7,003,700	11,656,700	13,879,553	34,888,273
Total net position	$ 49,289,700	$ 62,327,950	$ 93,344,085	$ 90,454,299	$142,633,785	$152,782,249

Governmental activities. Governmental activities increased the City of Oak Ridge's net position by $2,535,374. Adoption of GASB Statement No. 68 resulted in an additional $15,573,624 reduction in the beginning Net Position from that previously reported at the end of fiscal 2014. Total revenues decreased $817,767 from the prior fiscal year. Revenues from charges for services decreased $908,080, operating grants and contributions decreased $684,235. Capital grants and contributions increased $846,244. Property tax collections increased $118,368. Other taxes increased $219,297, primarily in state-shared tax collections. Miscellaneous revenues and investment earnings increased $28,896 in comparison to the prior year. Governmental activities expenditures decreased $4,260,338 from the prior fiscal year. The reductions were primarily in expenditures for education of $3,568,064, expenditures for public safety of $641,402 and general government expenditures of $403,095.

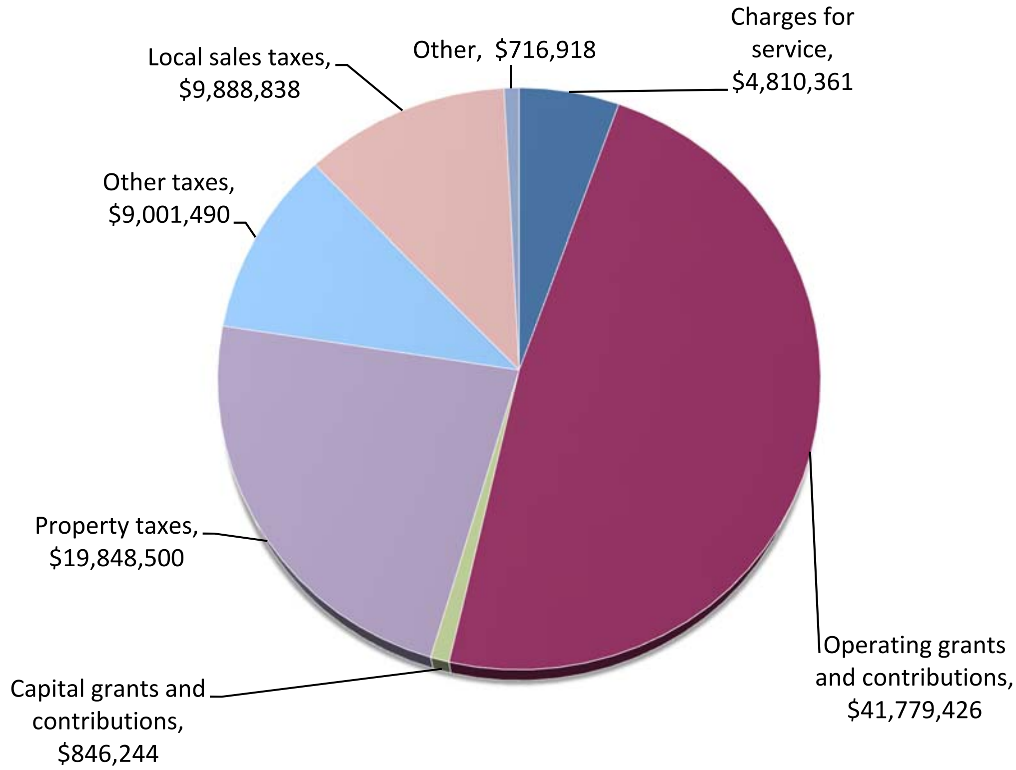
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Revenues:						
Program revenues:						
Charges for service	$ 4,810,361	$ 5,718,441	$ 76,694,128	$ 75,875,581	$ 81,504,489	$ 81,594,022
Operating grants and contributions	41,779,426	42,463,661	171,097	692,522	41,950,523	43,156,183
Capital grants and contributions	846,244	-	695,198	138,929	1,541,442	138,929
General revenues:						
Property taxes	19,848,500	19,730,132	-	-	19,848,500	19,730,132
Other taxes	18,890,328	18,671,031	-	-	18,890,328	18,671,031
Other	716,918	688,022	1,107,853	1,426,675	1,824,771	2,114,697
Total Revenues	86,891,777	87,271,287	78,668,276	78,133,707	165,560,053	165,404,994
Expenses:						
General government	1,319,757	1,722,852	-	-	1,319,757	1,722,852
Public safety	13,311,097	13,952,499	-	-	13,311,097	13,952,499
Public works	7,255,705	6,837,541	-	-	7,255,705	6,837,541
Community services	8,525,602	8,505,463	-	-	8,525,602	8,505,463
Education	53,833,767	57,401,831	-	-	53,833,767	57,401,831
Interest and fiscal					-	
charges	3,192,241	3,278,321	-	-	3,192,241	3,278,321
Electric	-	-	52,334,630	52,872,689	52,334,630	52,872,689
Waterworks	-	-	16,501,948	17,063,502	16,501,948	17,063,502
Emergency communication					-	
district	-	-	571,904	533,174	571,904	533,174
Total expenses	87,438,169	91,698,507	69,408,482	70,469,365	156,846,651	162,167,872
Increase (decrease) in net position before transfer	(546,392)	(4,427,220)	9,259,794	7,664,342	8,713,402	3,237,122
Transfers	3,081,766	3,012,318	(3,081,766)	(3,012,318)	-	-
Increase (decrease) in net position	2,535,374	(1,414,902)	6,178,028	4,652,024	8,713,402	3,237,122
Net position, beginning of						-
period, as previously reported	62,327,950	63,742,852	90,454,299	85,802,275	152,782,249	149,545,127
Prior period restatement	(15,573,624)	-	(3,288,242)	-	(18,861,866)	-
Net position, beginning of period, as restated	46,754,326	63,742,852	87,166,057	85,802,275	133,920,383	149,545,127
Net position, end of period	$ 49,289,700	$ 62,327,950	$ 93,344,085	$ 90,454,299	$ 142,633,785	$ 152,782,249

Expenses and Program Revenues - Governmental Activities

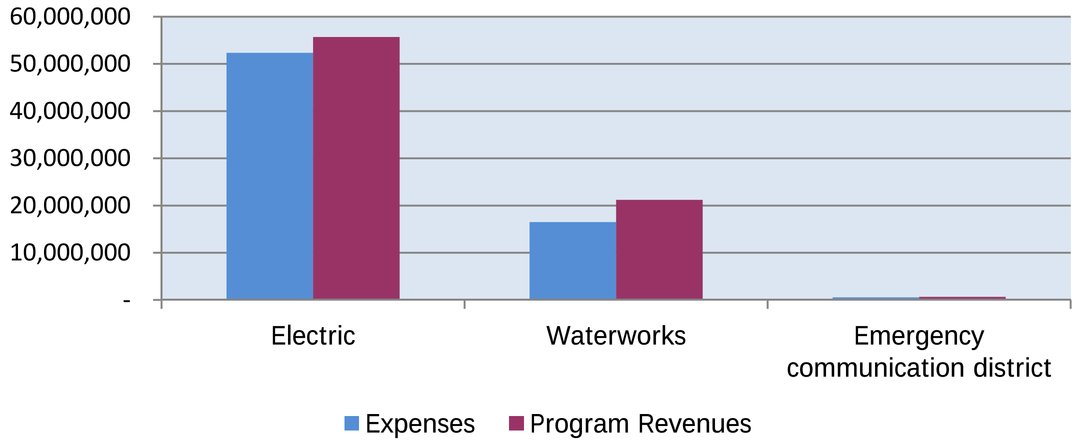


Revenues by Source - Governmental Activities

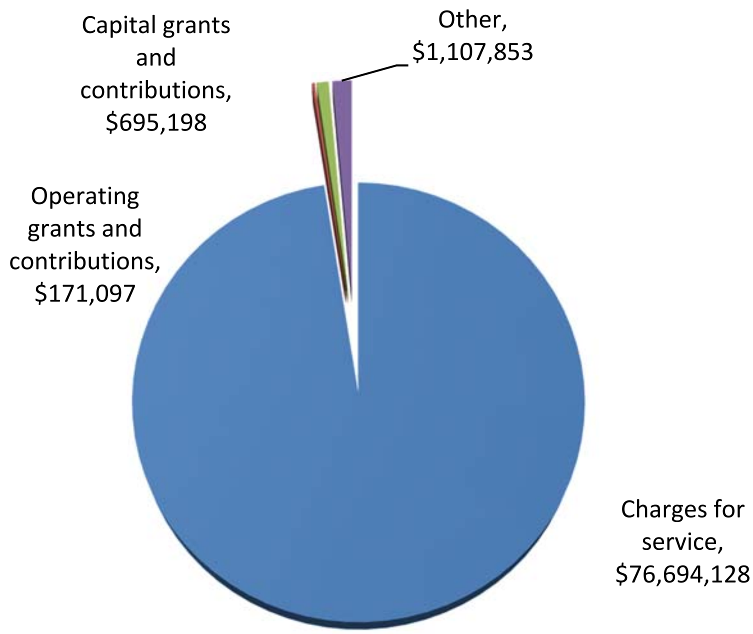


Business-type activities. Business-type activities increased the City of Oak Ridge's net position by $6,178,028. Adoption of GASB Statement No. 68 resulted in an additional $3,288,242 reduction in the beginning Net Position from that previously reported at the end of fiscal 2014. Total revenues increased $534,569 in a comparison to the prior year. Charges for services increased $818,547, primarily due to increases in electric and waterworks rates during fiscal 2015. This was offset by a $521,425 reduction in operating grants and contributions resulting from a state grant the city received in the Emergency Communications District Fund in fiscal 2014. Capital grants and contributions increased $556,269 due to higher capital asset contributions by private developers and federal grants. Total expenditures declined $1,060,883 from the prior fiscal year, with reductions of $538,059 in Electric and $561,554 in Waterworks expenditures.

Expenses and Program Revenues - Business-type Activities



Revenues by Source – Business-type Activities



The net position of the electric fund increased by $1,483,500 from the prior fiscal year. Adoption of GASB Statement No. 68 resulted in a $1,364,942 reduction in the beginning net position from that previously reported at the end of fiscal 2014. The City of Oak Ridge is a distributor of electrical power that is purchased from the Tennessee Valley Authority (TVA) and then transmitted and sold by the City to its residential and commercial customers. In October 2006, TVA began adjusting the wholesale power costs to the City for a fuel cost adjustment (FCA). These FCA cost adjustments are passed through in electric rate adjustments to the City's customers each month and can fluctuate the City's electric rates either up or down. In October 2014, Electric rates increased 1.2% to pass-through an increase in wholesale power costs to the City by TVA.

The net position of the waterworks fund increased by $1,323,322 from fiscal 2014. Adoption of GASB Statement No. 68 resulted in a $1,923,300 reduction in the beginning net position from that previously reported at the end of fiscal 2014. The increase is from a series of water and wastewater rate increases that have occurred since 2012 to fund debt related to capital needs for the water and wastewater infrastructure. Rate increases in water of 8% and wastewater of 10% were effective January 1, 2014

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of $29,294,652, a decrease of $1,451,609 in comparison to the prior year. Of this amount, $1,620,152 is nonspendable and is comprised of a $1,190,477 long-term interfund note receivable, inventory and prepaid items. $8,510,637 is restricted with externally enforceable limitations on use, $13,901 is committed, $11,123,542 is assigned as designated usage and $8,026,420 is unassigned.

The general fund is the chief operating fund of the City of Oak Ridge. At the end of the current fiscal year, the unassigned fund balance of the general fund was $8,026,420, while total fund balance was $9,416,325. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 35.3% of total general fund expenditures. However, unassigned fund balance only represents 19.0% when compared to total fund expenditures and transfers to other funds (e.g. school and debt service funds).

The fund balance of the City of Oak Ridge's general fund decreased by $57,385 during the current fiscal year. The general fund had a budgeted fund balance decrease of $304,751. Revenues were $497,374 below budget, primarily due to lower than budgeted sales and property tax collections, particularly sales (use) tax collections from federal sites in the Roane County portion of Oak Ridge. Expenditures were $589,300 below budget, primarily due to retirements and employee turnover and an overall planned reduction in expenditures to match lower than expected revenues.

There were budgetary amendments to reduce the legal expenditure appropriation of the various School Funds during fiscal 2015 of $6,751,430 and to increase the appropriation of the West End Fund by $132,412. The decrease in the budget for the School Funds was primarily related to a funding request by the Schools from the City not being approved by City Council due to the tax rate impact. The budgeted increase in the West End Fund was to allow additional expenditures that will be funded through a federal contractual agreement.

The debt service fund has a total fund balance of $9,461,652, of which $7,196,838 is restricted to debt service on Oak Ridge High School debt issuances and $2,264,814 is assigned for the payment of debt service. The net decrease in fund balance of the debt service fund during the current year was $636,845 due to the planned use of restricted reserves to fund debt service.

The capital projects fund has a total fund balance of $2,515,731. The net increase in fund balance during the year was $817,843 which resulted from the delay of planned capital expenditures until fiscal 2016.

Proprietary funds. The City of Oak Ridge's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to $1,977,832 for the electric fund, $4,011,407 for the waterworks fund, and $1,014,461 for the emergency communications district fund. Unrestricted net position decreased $1,336,612 in the electric fund and $3,328,165 in the waterworks, primarily from change in accounting method for pensions. The unrestricted net position of the emergency communications district fund increased by $11,777.

Capital Asset and Debt Administration

Capital assets. The City of Oak Ridge's investment in capital assets for its governmental and business type activities as of June 30, 2015, amounts to $294,966,374 (net of accumulated depreciation), which is a $8,704,232 increase over last fiscal year. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, construction in progress and infrastructure.

City of Oak Ridge's Capital Assets

	Governmental activities		Business-type activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Land	$ 3,359,822	$ 3,221,245	$ 880,193	$ 880,193	$ 4,240,015	$ 4,101,438
Construction in progress	29,373	538,312	4,280,000	4,207,900	4,309,373	4,746,212
Buildings	77,873,929	80,838,680	-	-	77,873,929	80,838,680
Improvements	7,482,595	7,092,347	-	-	7,482,595	7,092,347
Infrastructure	29,508,338	30,017,951	-	-	29,508,338	30,017,951
Equipment	11,740,173	10,758,711	3,324,280	3,354,707	15,064,453	14,113,418
Electric Plant	-	-	50,133,129	49,002,621	50,133,129	49,002,621
Waterworks Plant	-	-	106,354,542	96,349,475	106,354,542	96,349,475
Total	$129,994,230	$132,467,246	$164,972,144	$ 153,794,896	$294,966,374	$286,262,142

Capital asset activities totals decreased $2,473,016 in governmental activities due to depreciation and increased $11,177,248 in business-type activities in 2015. Major capital asset events during the current fiscal year included the following:

- Community services and development activities added $686,672; $427,777 for lighting improvements to the Civic Center and Library, partially funded by a TN Clean Energy Grant; $248,000 funded by federal grants for efforts in the City's "Not In Our City" program for the purchase of blighted properties for demolishment and revitalization; and $10,895 to complete a City Dog Park funded by private donations.

- Public safety added $1,867,848, which included the purchase of 3 new fire pumper trucks at $1,454,660, $180,225 for the purchase of police vehicles, $144,043 for police software, and $88,920 for miscellaneous equipment.

- General government added $40,834 primarily for computer hardware and audio and video equipment upgrades in the court room.

- Public works activities added $1,238,198 in capital assets, which included $575,375 in the largely grant funded Jackson Square Revitalization project, $26,525 in lighting upgrades in the Municipal Building, $541,433 in donated infrastructure, and $94,865 in miscellaneous equipment and infrastructure.

- Educational activities increased $462,101, and included $29,373 in construction in process at year end.

- Business-type activities added $18,475,649 in capital assets. $3,677,196 in electrical capital assets was added, primarily for routine replacement of overhead and underground distribution systems. $14,667,516 in waterworks capital assets was added, which included $1,933,719 in water improvements and $12,733,797 in wastewater improvements. Wastewater capital projects included those required to meet the Administrative Order by the Environmental Protection Agency (EAP). The above includes $329,058 in donated water and wastewater assets during the fiscal year. $130,937 was added in the emergency communications capital, primarily to upgrade the City's 911 dispatch center.

Additional information on the City of Oak Ridge's capital assets can be found in Note 13 on pages C-53 and C-54 of this report.

Long-term debt. At the end of the current fiscal year, the City of Oak Ridge had total long-term debt outstanding of $167,520,150. Of this amount, $88,888,391 comprises debt backed solely by the full faith and credit of the City. $77,671,759 in long-term debt is secured by specified revenue sources (electric and waterworks debt); however, in the event of default, the full faith and credit of the City are irrevocably pledged. The $960,000 in remaining debt is backed by the income and revenues from the operation of the electric power distribution system.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
General obligation and Revenue bonds	$ 31,635,133	$ 35,092,745	$49,240,426	$51,296,399	$ 80,875,559	$ 86,389,144
Qualified Zone Academy Bonds (QZAB)	3,056,510	3,565,929	-	-	3,056,510	3,565,929
Long-term notes and loans	53,180,053	53,658,053	29,110,665	23,289,801	82,290,718	76,947,854
Capital leases	1,016,695	531,707	280,668	411,096	1,297,363	942,803
Total	$ 88,888,391	$ 92,848,434	$78,631,759	$74,997,296	$167,520,150	$167,845,730

The City of Oak Ridge's total debt decreased by $325,580 (0.19%) during the current fiscal year.

During fiscal 2014, the City entered into a $964,291 lease agreement for the purchase of two fire pumper trucks which were delivered to the City in August 2014. Terms of the lease agreement call for annual lease payments of $98,937 from November 2014 to November 2025. Interest is at 3.35%

Effective November 1, 2010, the waterworks fund entered into a $5,000,000 interfund loan with the General Fund. Under Tennessee State Law, this is in the form of a capital outlay note issuance by the waterworks fund. The note will be repaid over a 6 year period. The balance at June 30, 2015 was $1,190,477.

On December 26, 2012, the city closed on a $5,000,000 draw loan through the Tennessee Municipal Bond Fund to fund water and wastewater capital improvements. During fiscal 2015, the City drew the final remaining available amount on the loan of $352,825.

In late June 2013, the City was approved for an $18,000,000 loan through the State Revolving Fund Loan Program (SRF). In May 2014, the City was approved for an additional $3,000,000 SRF Loan. Loan proceeds will be used for wastewater capital projects that are required under the EPA Administrative Order. The principal balance of these loans was $10,021,740 at June 30, 2015, leaving $10,768,826 available to draw. There is an available $400,000 principal forgiveness on the one of the SRF loans, of which $188,664 has been utilized.

On August 15, 2013, the City issued $23,205,000 in General Obligation Bonds, Series 2013 which refunded $19,881,973 in outstanding debt, including the outstanding Series 2003 General Obligation Bonds and the outstanding 1997, 1998 and 2002 State Revolving Fund (SRF) Loans. The issue also provided an approximate $3,000,000 in additional funding for sewer projects and $600,000 for water projects. There was $1,907,268 in available unspent bond proceeds at the end of fiscal 2015.

The City has $25,675,000 in outstanding debt for which the City has entered into an interest rate swap agreement. Under terms of the swap agreements, the city effectively pays a fixed rate on the debt plus or minus the difference between the variable interest due to the bondholders and the variable rate received from the counterparty. For additional information regarding these swaps refer to Note 15.

Additional information on the City of Oak Ridge's long-term debt can be found in Note 14 on pages C-55 through C-67 of this report.

The City of Oak Ridge currently maintains an "Aa2" from Moody's and an "AA+" rating from Standard & Poor's for general obligation debt. State statutes do not limit the amount of general obligation debt a governmental entity may issue. The City's bond rating from Standard & Poor's was upgraded from a "AA" to an "AA+" in November 2015.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Oak Ridge in census year 2010 was 8.2%. Data for Oak Ridge is only available in census years. Oak Ridge's unemployment rate has historically been well below that of Anderson County, State and national levels.
- Tax year 2015, which funds the City's fiscal 2016, was the standard reappraisal year for property tax purposes for property located in both the Anderson and Roane County portions of Oak Ridge. As a result of the reappraisal, overall assessed property values declined. The last reappraisal was for tax year 2010. The Tennessee State Board of Equalization has "certified" the City's 2015 tax year property tax rate at $2.52 per $100 of assessed valuation. This is a 13-cent increase over the $2.39 tax rate for the 2014 tax year. The State certified property tax rate of $2.52 was adopted by City Council for the 2015 tax year. Due to reappraisal delays in the Roane County Property Assessor's Office, the City did not complete the adoption process for the fiscal 2016 budget and 2015 tax rate until August 2015. The property tax collection period was delayed from the normal July – August time frame to the September – October time frame for tax year 2015. A few large appraisal appeals are still ongoing at the State appeal Board level.
- Since 2013, the City has experienced a resurgence in retail growth within the City. The largest impact was from the construction of a 123,000 square-foot Kroger Marketplace which opened at the very end of June 2014. The site also contains a 12,000 square-foot strip center and 5 outparcels which are still under development. Numerous restaurants, specialty grocery and other chain-type retail have opened during this period. The redevelopment of the 65 acre Oak Ridge mall site into the Main Street development is slated to begin in early calendar 2016. Construction of some of the retail sites is expected to be completed to allow holiday shopping in late 2016.
- Local sales and use tax collections accounted for in the General Fund were down $331,863 in fiscal 2015 compared to the prior fiscal year. Retail sales tax collections were up; however, overall collections were negatively impacted due to reduced spending by the federal contractors located within Oak Ridge. Fiscal 2016 sales and use tax collections are budgeted to be up 1% or $90,000 from projected fiscal 2015 levels. This was based on anticipated continued retail growth and the flattening and stabilizing of spending by federal contractors.
- Inflationary trends in the region compare with national indices. Pressures generally come from drivers such as medical, retirement, and utilities. Medical costs, while still increasing, have stabilized somewhat due to a restructuring of plans offered by the City. Retirement rates change biennially and the rate will be flat for fiscal 2016.
- TVA is continuing to restructure wholesale rates, which is anticipated to result in annual rate increases over the next few years in the 1.5% to 3% range. Water and wastewater rate increases were adopted effective January 1, 2014, and January 1, 2015. Annual rate increases are anticipated to continue in the near term for both these services due to major capital and debt requirements to maintain these systems. Rate increases of 6% are expected for both water and wastewater services during fiscal 2016.
- $325,786 in fund balance is budgeted to be drawn in fiscal 2016, primarily to maintain the property tax rate at the $2.52 certified tax rate which is comparable to the fiscal 2015 level. Future property taxes will be impacted by approximately 4-cents if revenue growth does not occur to offset the fund balance draw in future fiscal years.

All of these factors were considered in preparing the City of Oak Ridge's budget for the 2016 fiscal year.

During the fiscal 2015, the unassigned fund balance in the general fund increased by $620,218 to $8,026,420. This increase was primarily from the utilization of assigned fund balance first and the annual payment of the $5,000,000 interfund loan from the general fund to the City's waterworks Fund of $238,095. This $5,000,000 loan amount is classified as nonspendable fund balance at year end in the general fund. It will be repaid by the waterworks fund over a six year period. The interfund loan balance at June 30, 2015, is $1,190,477.

Requests for Information

This financial report is designed to provide a general overview of the City of Oak Ridge's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Oak Ridge, Office of the Finance Director, P.O. Box 1, Oak Ridge, TN 37831-0001.

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Oak Ridge Land Bank	Convention and Visitors Bureau	Education Foundation
Assets						
Cash and cash equivalents	$ 26,167,153	$ 11,700,780	$ 37,867,933	$ 71,279	$ 139,945	$ 171,664
Investments	-	-	-	-	-	5,458,376
Receivables, net	21,803,093	9,246,359	31,049,452	-	-	-
Unconditional promises to give, net	-	-	-	-	-	89,239
Due from other governments	5,904,355	23,947	5,928,302	-	-	-
Property inventory	-	-	-	284,640	-	-
Inventory, at cost	395,190	2,466,839	2,862,029	-	-	-
Prepaid items	93,458	-	93,458	-	-	-
Restricted assets:						
Cash and cash equivalents	7,264,207	3,107,594	10,371,801	-	-	-
Long-term interfund note receivable (payable)	1,190,477	(1,190,477)	-	-	-	-
Net pension asset	104,527	-	104,527	-	-	-
Capital assets nondepreciable	3,389,195	5,160,193	8,549,388	-	-	-
Capital assets depreciable, net	126,605,035	159,811,951	286,416,986	-	-	-
Total assets	192,916,690	190,327,186	383,243,876	355,919	139,945	5,719,279
Deferred outflows of resources						
Deferred employer contributions to pensions	5,337,844	1,038,794	6,376,638	-	-	-
Total deferred outflows of resources	5,337,844	1,038,794	6,376,638	-	-	-

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Oak Ridge Land Bank	Convention and Visitors Bureau	Education Foundation
Liabilities						
Accounts payable	$ 1,973,800	$ 11,211,187	$ 13,184,987	$ -	$ -	$ -
Accrued liabilities	4,792,842	171,288	4,964,130	-	-	245
Deposits payable	680,655	2,823,913	3,504,568	-	-	-
Due to other governments	761	-	761	-	-	-
Contracts payable	-	266,840	266,840	-	-	-
Accrued interest payable	270,406	171,336	441,742	-	-	-
Long-term liabilities:						
Due within one year	6,699,699	4,259,436	10,959,135	-	-	-
Due in more than one year	91,725,993	74,467,341	166,193,334	-	-	-
Net pension liability	4,301,172	2,016,813	6,317,985	-	-	-
Total liabilities	110,445,328	95,388,154	205,833,482	-	-	245
Deferred inflows of resources						
Deferred property taxes	20,461,432	-	20,461,432	-	-	-
Derivative instruments - interest rate swaps	5,437,032	-	5,437,032	-	-	-
Deferred pension investment earnings	12,602,050	1,783,456	14,385,506			
Advance payments	18,992	850,285	869,277	-	-	-
Total deferred inflows of resources	38,519,506	2,633,741	41,153,247	-	-	-
Net position						
Net investment in capital assets	41,105,838	86,340,385	127,446,223	-	-	-
Restricted for:						
Drug enforcement	261,346	-	261,346	-	-	-
Street improvements	912,682	-	912,682	-	-	-
Education	133,981	-	133,981	-	-	5,719,034
Unrestricted	6,875,853	7,003,700	13,879,553	355,919	139,945	-
Total net position	$ 49,289,700	$ 93,344,085	$ 142,633,785	$ 355,919	$ 139,945	$ 5,719,034

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

		Program Revenues			Net (Expense) Revenue and Changes in Net Position					
					Primary Government			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Oak Ridge Land Bank	Convention and Visitors Bureau	Education Foundation
Functions/Programs										
Primary government:										
Governmental activities:										
General government	$ 1,319,757	$ 936,763	$ -	$ -	$ (382,994)	$ -	$ (382,994)	$ -	$ -	$ -
Public safety	13,311,097	465,442	3,135,774	52,057	(9,657,824)	-	(9,657,824)	-	-	-
Public works	7,255,705	-	-	436,211	(6,819,494)	-	(6,819,494)	-	-	-
Community services	8,525,602	2,333,738	686,582	357,976	(5,147,306)	-	(5,147,306)	-	-	-
Education	53,833,767	1,074,418	37,957,070	-	(14,802,279)	-	(14,802,279)	-	-	-
Interest and fiscal charges	3,192,241	-	-	-	(3,192,241)	-	(3,192,241)	-	-	-
Total governmental activities	87,438,169	4,810,361	41,779,426	846,244	(40,002,138)	-	(40,002,138)	-	-	-
Business-type activities:										
Electric	52,334,630	55,589,835	-	113,539	-	3,368,744	3,368,744	-	-	-
Waterworks	16,501,948	20,622,223	-	581,659	-	4,701,934	4,701,934	-	-	-
Emergency communication district	571,904	482,070	171,097	-	-	81,263	81,263	-	-	-
Total business-type activities	69,408,482	76,694,128	171,097	695,198	-	8,151,941	8,151,941	-	-	-
Total primary government	$ 156,846,651	$ 81,504,489	$ 41,950,523	$ 1,541,442	(40,002,138)	8,151,941	(31,850,197)	-	-	-
Component units:										
Oak Ridge Land Bank	163,084	95,500	153,794	-	-	-	-	86,210	-	-
Convention and Visitors Bureau	308,343	25,201	-	-	-	-	-	-	(283,142)	-
Education Foundation	534,855	-	-	48,978	-	-	-	-	-	(485,877)
Total component units	$ 1,006,282	$ 120,701	$ 153,794	$ 48,978	-	-	-	86,210	(283,142)	(485,877)
General revenues:										
Property taxes					19,848,500	-	19,848,500	-	-	-
In-lieu of tax payments					2,256,958	-	2,256,958	-	-	-
Sales taxes					9,888,838	-	9,888,838	-	-	-
Unrestricted state shared taxes					4,489,726	-	4,489,726	-	-	-
Business taxes					906,967	-	906,967	-	-	-
Occupancy taxes					542,257	-	542,257	-	-	-
Wholesale beer and liquor taxes					805,582	-	805,582	-	-	-
Investment earnings					44,170	12,883	57,053	11	5	135,175
Investment loss - change in fair value of interest rate swaps					(882,448)	-	(882,448)	-	-	-
Miscellaneous					1,555,196	1,094,970	2,650,166	-	323,300	-
Transfers					3,081,766	(3,081,766)	-	-	-	-
Total general revenues and transfers					42,537,512	(1,973,913)	40,563,599	11	323,305	135,175
Change in net position					2,535,374	6,178,028	8,713,402	86,221	40,163	(350,702)
Net position - beginning, as previously reported					62,327,950	90,454,299	152,782,249	269,698	99,782	6,069,736
Change in method of accounting for pension					(15,573,624)	(3,288,242)	(18,861,866)	-	-	-
Net position - beginning, as restated					46,754,326	87,166,057	133,920,383	269,698	99,782	6,069,736
Net position - ending					$ 49,289,700	$ 93,344,085	$ 142,633,785	$ 355,919	$ 139,945	$ 5,719,034

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

CITY OF OAK RIDGE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	General Purpose School	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 6,161,347	$ 8,279,224	$ 2,238,837	$ 1,993,627	$ 2,080,774	$ 20,753,809
Receivables, net	21,778,277	8,894	-	-	11,148	21,798,319
Due from other funds	-	516,730	-	-	-	516,730
Due from other governments	3,131,619	1,316,867	530,793	271,669	653,407	5,904,355
Inventories, at cost	199,428	-	-	-	69,420	268,848
Prepaid items	-	87,814	-	-	5,644	93,458
Long-term interfund note receivable	1,190,477	-	-	-	-	1,190,477
Total unrestricted assets	32,461,148	10,209,529	2,769,630	2,265,296	2,820,393	50,525,996
Restricted assets:						
Cash and cash equivalents	-	-	-	7,196,838	67,369	7,264,207
Total assets	$ 32,461,148	$ 10,209,529	$ 2,769,630	$ 9,462,134	$ 2,887,762	$ 57,790,203
Liabilities, deferred inflows of resources and fund balances						
Liabilities:						
Accounts payable	$ 784,607	$ 365,668	$ 253,899	$ 482	$ 343,512	$ 1,748,168
Accrued liabilities	323,795	3,837,521	-	-	113,924	4,275,240
Deposits	680,655	-	-	-	-	680,655
Due to other funds	-	-	-	-	516,730	516,730
Due to other governments	761	-	-	-	-	761
Total liabilities	1,789,818	4,203,189	253,899	482	974,166	7,221,554
Deferred inflows of resources:						
Deferred property tax	21,255,005	-	-	-	-	21,255,005
Advance payments	-	-	-	-	18,992	18,992
Total deferred inflows of resources	21,255,005	-	-	-	18,992	21,273,997
Fund balances:						
Nonspendable	1,389,905	87,814	-	-	142,433	1,620,152
Restricted	-	18,295	-	7,196,838	1,295,504	8,510,637
Committed	-	13,901	-	-	-	13,901
Assigned	-	5,886,330	2,515,731	2,264,814	456,667	11,123,542
Unassigned	8,026,420	-	-	-	-	8,026,420
Total fund balances	9,416,325	6,006,340	2,515,731	9,461,652	1,894,604	29,294,652
Total liabilities, deferred inflows of resources and fund balances	$ 32,461,148	$ 10,209,529	$ 2,769,630	$ 9,462,134	$ 2,887,762	$ 57,790,203

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

CITY OF OAK RIDGE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

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

Total fund balances - governmental funds		$ 29,294,652
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		126,326,029
Internal service funds are used by management to charge the costs of insurance and equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		6,879,717
Property tax revenues that have been deferred in the balance sheet of the governmental funds because they were not available to pay current liabilities of the period are recognized as revenue in the statement of activities and therefore are not included in the statement of net position.		793,573
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
General obligation debt	(30,015,000)	
Qualified zone academy bonds (QZAB)	(3,056,510)	
Capital lease obligation	(121,313)	
Notes payable	(53,180,053)	
Discounts and premiums (net)	(1,168,179)	
Compensated absences	(2,457,373)	
Termination benefits	(306,210)	
OPEB obligation	(6,700,059)	
Accrued interest	(250,249)	
Net pension liability	(4,088,147)	(101,343,093)
Deferred outflows of resources for deferred employer pension contributions are reported on the statement of net position for future outflow of resources that are not reported on the balance sheet of the governmental funds.		5,281,960
Deferred inflows of resources are reported on the statement of net position for future inflows of resources that are not reported on the balance sheet of the governmental funds:		
Derivative instrument - interest rate swaps	(5,437,032)	
Deferred pension investment earnings	(12,506,106)	(17,943,138)
Net position of governmental activities		$ 49,289,700

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	General Purpose School	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 22,995,915	$ -	$ -	$ 1,861,735	$ -	$24,857,650
Licenses and permits	198,147	-	-	-	-	198,147
Intergovernmental	13,401,285	33,511,625	546,187	-	9,035,865	56,494,962
Charges for services	1,328,652	311,755	-	892,732	1,648,743	4,181,882
Fines and forfeitures	321,828	-	-	-	108,504	430,332
Investment earnings	26,256	-	1,508	9,480	2,824	40,068
Miscellaneous	523,665	270,437	-	403,056	115,661	1,312,819
Total revenues	38,795,748	34,093,817	547,695	3,167,003	10,911,597	87,515,860
Expenditures						
Current:						
General government	1,818,670	-	-	-	-	1,818,670
Public safety	10,722,546	-	-	-	2,700,298	13,422,844
Public works	4,694,930	-	-	-	1,926,058	6,620,988
Community services	5,489,331	-	-	-	2,457,164	7,946,495
Education	-	48,323,291	-	-	5,499,117	53,822,408
Capital outlay	-	-	1,333,671	-	-	1,333,671
Debt service:						
Principal	-	-	-	3,848,056	83,000	3,931,056
Interest	-	-	-	3,150,792	2,311	3,153,103
Total expenditures	22,725,477	48,323,291	1,333,671	6,998,848	12,667,948	92,049,235
Excess (deficiency) of revenues over expenditures	16,070,271	(14,229,474)	(785,976)	(3,831,845)	(1,756,351)	(4,533,375)
Other financing sources (uses)						
Transfers in	3,339,582	14,629,302	1,603,819	3,545,000	995,312	24,113,015
Transfers out	(19,467,238)	(52,376)	-	(350,000)	(1,161,635)	(21,031,249)
Total other financing sources (uses)	(16,127,656)	14,576,926	1,603,819	3,195,000	(166,323)	3,081,766
Net change in fund balances	(57,385)	347,452	817,843	(636,845)	(1,922,674)	(1,451,609)
Fund balances - beginning	9,473,710	5,658,888	1,697,888	10,098,497	3,817,278	30,746,261
Fund balances - ending	$ 9,416,325	$ 6,006,340	$ 2,515,731	$ 9,461,652	$ 1,894,604	$ 29,294,652

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

CITY OF OAK RIDGE, 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, 2015

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

Net change in fund balances - total governmental funds	$ (1,451,609)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(3,965,151)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.	417,434
Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,886
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,052,945
Change in fair value of ineffective derivative - interest rate swap	(882,448)
Expenses reported in the statement of activities for changes in the net pension liability, deferred outflows related to pensions, and deferred inflows related to pensions are not reported in the funds.	4,084,434
Accrued interest associated with long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds.	8,457
The internal service funds are used by management to charge the costs of insurance and equipment replacement to individual funds. The net revenue of certain activities of internal service funds is reported with governmental	259,426
Change in net position of governmental activities	$ 2,535,374

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance With Final Positive (Negative)
Revenues						
Taxes	$ 23,256,585	$ 23,256,585	$ 22,995,915	$ -	$ 22,995,915	$ (260,670)
Licenses and permits	230,000	230,000	198,147	-	198,147	(31,853)
Intergovernmental	13,566,683	13,566,683	13,401,285	-	13,401,285	(165,398)
Charges for services	1,316,568	1,316,568	1,328,652	-	1,328,652	12,084
Fines and forfeitures	376,000	376,000	321,828	-	321,828	(54,172)
Investment earnings	32,286	32,286	26,256	-	26,256	(6,030)
Miscellaneous	515,000	515,000	523,665	-	523,665	8,665
Total revenues	39,293,122	39,293,122	38,795,748	-	38,795,748	(497,374)
Expenditures						
Current:						
General government	1,918,015	1,918,015	1,818,670	-	1,818,670	99,345
Public safety	10,659,650	10,659,650	10,722,546	(93,267)	10,629,279	30,371
Public works	4,936,508	4,936,508	4,694,930	-	4,694,930	241,578
Community services	5,707,337	5,707,337	5,489,331	-	5,489,331	218,006
Total expenditures	23,221,510	23,221,510	22,725,477	(93,267)	22,632,210	589,300
Excess (deficiency) of revenues over (under) expenditures	16,071,612	16,071,612	16,070,271	93,267	16,163,538	91,926
Other financing sources (uses)						
Transfers in	3,090,875	3,090,875	3,339,582	-	3,339,582	248,707
Transfers out	(19,467,238)	(19,467,238)	(19,467,238)	-	(19,467,238)	-
Net other financing uses	(16,376,363)	(16,376,363)	(16,127,656)	-	(16,127,656)	248,707
Net change in fund balances	(304,751)	(304,751)	(57,385)	93,267	35,882	340,633
Fund balance - beginning	9,380,443	9,380,443	9,473,710	(93,267)	9,380,443	-
Fund balance - ending	$ 9,075,692	$ 9,075,692	$ 9,416,325	$ -	$ 9,416,325	$ 340,633

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Positive (Negative)
Revenues				
Intergovernmental	$ 33,850,049	$ 33,666,925	$ 33,511,625	$ (155,300)
Charges for services	304,000	304,000	311,755	7,755
Other	251,980	468,657	270,437	(198,220)
Total revenues	34,406,029	34,439,582	34,093,817	(345,765)
Expenditures				
Current:				
Education	56,993,641	50,142,784	48,323,291	1,819,493
Total expenditures	56,993,641	50,142,784	48,323,291	1,819,493
Excess (deficiency) of revenues over (under) expenditures	(22,587,612)	(15,703,202)	(14,229,474)	1,473,728
Other financing sources (uses)				
Transfers in	14,629,302	14,629,302	14,629,302	-
Transfers out	(42,802)	(42,802)	(52,376)	(9,574)
Total other financing sources (uses)	14,586,500	14,586,500	14,576,926	(9,574)
Net change in fund balances	(8,001,112)	(1,116,702)	347,452	1,464,154
Fund balance - beginning	5,658,888	5,658,888	5,658,888	-
Fund balance - ending	$ (2,342,224)	$ 4,542,186	$ 6,006,340	$ 1,464,154

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-type Activities				Governmental Activities
	Electric	Waterworks	Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	$ 6,104,588	$ 4,571,737	$ 1,024,455	$ 11,700,780	$ 5,413,344
Receivables, net	6,879,515	2,366,844	-	9,246,359	4,774
Due from other governments	-	23,947	-	23,947	-
Inventories, at cost	1,403,095	1,063,744	-	2,466,839	126,342
Restricted assets:					
Cash and cash equivalents	83,200	2,174,109	850,285	3,107,594	-
Total current assets	14,470,398	10,200,381	1,874,740	26,545,519	5,544,460
Noncurrent assets:					
Capital assets, net	53,196,034	110,843,829	932,281	164,972,144	3,668,201
Total noncurrent assets	53,196,034	110,843,829	932,281	164,972,144	3,668,201
Total assets	67,666,432	121,044,210	2,807,021	191,517,663	9,212,661
Deferred outflows of resources:					
Deferred employer contributions to pensions	431,201	607,593	-	1,038,794	55,884
Total deferred outflows of resources	431,201	607,593	-	1,038,794	55,884
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	8,124,997	3,083,185	3,005	11,211,187	225,632
Accrued liabilities	66,526	104,762	-	171,288	517,602
Deposits	2,753,913	70,000	-	2,823,913	-
Current portion of noncurrent liabilities	1,393,887	2,728,625	136,924	4,259,436	109,525
Contracts payable	-	266,840	-	266,840	-
Accrued interest payable	57,616	106,731	6,989	171,336	20,157
Total current liabilities	12,396,939	6,360,143	146,918	18,904,000	872,916
Noncurrent liabilities:					
Compensated absences	78,061	225,092	-	303,153	16,459
Notes payable	3,151,068	23,241,910	-	26,392,978	-
Interfund note payable	-	1,190,477	-	1,190,477	-
Bonds payable	15,175,093	32,216,913	-	47,392,006	451,455
Capital lease payable	-	-	143,744	143,744	826,905
Other post employment benefits obligation	72,851	162,609	-	235,460	16,651
Net pension liability	837,175	1,179,638		2,016,813	108,498
Total noncurrent liabilities	19,314,248	58,216,639	143,744	77,674,631	1,419,968
Total liabilities	31,711,187	64,576,782	290,662	96,578,631	2,292,884
Deferred inflows of resources:					
Grants received in advance	-	-	850,285	850,285	-
Pension changes in investment earnings	740,308	1,043,148	-	1,783,456	95,944
Total deferred inflows of resources	740,308	1,043,148	850,285	2,633,741	95,944
Net position					
Net investment in capital assets	33,668,306	52,020,466	651,613	86,340,385	2,320,865
Unrestricted	1,977,832	4,011,407	1,014,461	7,003,700	4,558,852
Total net position	$ 35,646,138	$ 56,031,873	$ 1,666,074	$ 93,344,085	$ 6,879,717

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities				Governmental Activities
	Electric	Waterworks	Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
Operating revenues:					
Charges for services	$ 55,589,835	$ 20,622,223	$ 482,070	$ 76,694,128	$ 7,364,755
Miscellaneous	959,771	135,199	23,608	1,118,578	-
Employer's contributions	-	-	-	-	3,998,058
Employees' contributions	-	-	-	-	984,421
Total operating revenues	56,549,606	20,757,422	505,678	77,812,706	12,347,234
Operating expenses:					
Maintenance and administrative	7,511,833	10,548,676	386,950	18,447,459	1,251,886
Purchased power and water	41,983,485	34,609	-	42,018,094	-
Depreciation	2,195,340	4,716,177	190,180	7,101,697	804,849
Materials	-	-	-	-	690,290
Medical/liability claims	-	-	-	-	488,934
Insurance premiums	-	-	-	-	5,343,421
Other benefits	-	-	-	-	3,568,934
Total operating expenses	51,690,658	15,299,462	577,130	67,567,250	12,148,314
Operating income (loss)	4,858,948	5,457,960	(71,452)	10,245,456	198,920
Nonoperating revenues (expenses):					
Gain on disposal of capital assets	-	-	-	-	103,999
Revenue from other governments	-	-	171,097	171,097	-
Investment earnings	4,662	6,520	1,701	12,883	4,102
Interest expense	(643,972)	(1,202,486)	(18,382)	(1,864,840)	(47,595)
Net nonoperating revenues (expenses)	(639,310)	(1,195,966)	154,416	(1,680,860)	60,506
Income before capital contributions and transfers	4,219,638	4,261,994	82,964	8,564,596	259,426
Transfers out	(1,484,735)	(1,597,031)	-	(3,081,766)	-
Capital contributions	113,539	581,659	-	695,198	-
Change in net position	2,848,442	3,246,622	82,964	6,178,028	259,426
Net position - beginning, as previously reported	34,162,638	54,708,551	1,583,110	90,454,299	6,797,188
Prior period restatement	(1,364,942)	(1,923,300)	-	(3,288,242)	(176,897)
Net position - beginning, as restated	32,797,696	52,785,251	1,583,110	87,166,057	6,620,291
Net position - ending	$ 35,646,138	$ 56,031,873	$ 1,666,074	$ 93,344,085	$ 6,879,717

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities				Governmental Activities
	Electric	Waterworks	Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
Cash flows from operating activities					
Receipts from customers	$ 57,007,553	$ 20,692,383	$ 535,791	$ 78,235,727	$ 12,342,460
Payments to employees for salaries and benefits	(3,052,099)	(3,385,865)	-	(6,437,964)	(436,085)
Payments to suppliers and service providers	(46,825,910)	(5,515,904)	(396,649)	(52,738,463)	(10,889,555)
Net cash provided by operating activities	7,129,544	11,790,614	139,142	19,059,300	1,016,820
Cash flows from noncapital financing activities					
Transfers to other funds	(1,484,735)	(1,597,031)	-	(3,081,766)	-
Net cash used in noncapital financing activities	(1,484,735)	(1,597,031)	-	(3,081,766)	-
Cash flows from capital and related financing activities					
Proceeds from the issuance of long-term debt	-	7,015,622	-	7,015,622	-
Proceeds from the sale of capital assets	-	-	-	-	104,037
Contributed capital	113,539	392,995	-	506,534	-
Acquisition and construction of capital assets	(3,781,407)	(14,086,724)	(130,938)	(17,999,069)	(915,297)
Payments on capital lease	-	-	-	-	(68,909)
Principal paid on capital debt	(1,124,395)	(1,937,672)	(130,429)	(3,192,496)	(200,000)
Interest paid on capital debt	(756,696)	(1,375,841)	(21,629)	(2,154,166)	(44,275)
Net cash used in capital and related financing activities	(5,548,959)	(9,991,620)	(282,996)	(15,823,575)	(1,124,444)
Cash flows from investing activities					
Interest on investments	4,662	6,520	1,701	12,883	4,102
Net cash provided by investing activities	4,662	6,520	1,701	12,883	4,102
Net increase (decrease) in cash and cash equivalents	100,512	208,483	(142,153)	166,842	(103,522)
Cash and cash equivalents - beginning	6,087,276	6,537,363	2,016,893	14,641,532	5,516,866
Cash and cash equivalents - ending	$ 6,187,788	$ 6,745,846	$ 1,874,740	$ 14,808,374	$ 5,413,344
Cash and cash equivalents are classified as:					
Current assets	$ 6,104,588	$ 4,571,737	$ 1,024,455	$ 11,700,780	$ 5,413,344
Noncurrent restricted assets	83,200	2,174,109	850,285	3,107,594	-
Total cash and cash equivalents - ending	$ 6,187,788	$ 6,745,846	$ 1,874,740	$ 14,808,374	$ 5,413,344

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF CASH FLOWS (continued)
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-type Activities				Governmental Activities
	Electric	Waterworks	Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities					
Operating income (loss)	$ 4,858,948	$ 5,457,960	$ (71,452)	$ 10,245,456	$ 198,920
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,195,340	4,716,177	190,180	7,101,697	804,849
Changes in assets and liabilities					
Receivables	142,858	(65,039)	17,197	95,016	(4,774)
Deferred charges	-	-	-	-	-
Prepaid items	-	-	-	-	-
Inventories	67,606	74,131	-	141,737	2,521
Due from other governments	-	391,907	36,524	428,431	-
Deferred outflows	(431,201)	(607,593)	-	(1,038,794)	(55,884)
Accounts payable	(212,953)	1,491,307	(33,307)	1,245,047	(5,362)
Accrued liabilities	(3,766)	16,247	-	12,481	31,967
Due to other governments	-	(20,411)	-	(20,411)	-
Compensated absences	(23,926)	16,367	-	(7,559)	14,979
Customer deposits	315,089	-	-	315,089	-
Other post employment benefit obligations payable	9,008	20,075	-	29,083	2,059
Net pension liability	(527,767)	(743,662)	-	(1,271,429)	(68,399)
Deferred inflows	740,308	1,043,148	-	1,783,456	95,944
Total adjustments	2,270,596	6,332,654	210,594	8,813,844	817,900
Net cash provided by operating activities	$ 7,129,544	$ 11,790,614	$ 139,142	$ 19,059,300	$ 1,016,820
Schedule of non-cash capital and related financing activities					
Forgiveness of long-term debt	$ -	$ 188,664	$ -	$ 188,664	$ -

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Private Purpose Trust - Scholarship Fund	Internal School Funds	Total Fiduciary Funds
Assets			
Cash and cash equivalents	$ 238,911	$ 898,367	$ 1,137,278
Accounts receivable	-	425	425
Inventory	-	9,632	9,632
Total assets	238,911	908,424	1,147,335
Liabilities			
Accounts payable	-	1,405	1,405
Total liabilities	-	1,405	1,405
Net Position			
Held in trust for scholarships	238,911	-	238,911
Held in internal school funds	-	907,019	907,019
Total net position	$ 238,911	$ 907,019	$ 1,145,930

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2015

	Private Purpose Trust - Scholarship Fund	Internal School Funds	Total Fiduciary Funds
Additions			
Investment income	$ 1,232	$ -	$ 1,232
Contributions	-	1,452,948	1,452,948
Total additions	1,232	1,452,948	1,454,180
Deductions			
Scholarship awards	81,407	-	81,407
School related expenditures	-	1,394,002	1,394,002
Total deductions	81,407	1,394,002	1,475,409
Change in net position	(80,175)	58,946	(21,229)
Total net position - beginning	319,086	848,073	1,167,159
Total net position - ending	$ 238,911	$ 907,019	$ 1,145,930

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Oak Ridge, Tennessee (the "City"), conform to accounting principles generally accepted in the United States of America applicable to governmental units. The following is a summary of the more significant policies:

a. Reporting Entity

The City was incorporated June 16, 1959, under Chapters 30 through 36 of Title 6, Tennessee Code Annotated, which chapters became the Home Rule Charter of the City, as the result of an election held November 7, 1962. The City operates under a Modified City Manager-Council form of government and provides services as authorized by its charter.

The basic criteria for determining whether another governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes (1) the appointment of a voting majority of the organization's governing body, (2) the ability of the primary government to impose its will on the organization, or (3) if there is a financial benefit/burden relationship. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The operations of the Oak Ridge Schools (the "Schools") are included as a part of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the City. The accounting principles and policies utilized by the discretely presented component units are the same as those of the City unless stated otherwise in the following Notes to the Financial Statements.

Discretely Presented Component Units

Oak Ridge Land Bank. In August 2013, City Council amended the property maintenance regulations ordinance to create a Land Bank Corporation in accordance with *Tennessee Coded Annotated §13-30-101 ET SEQ*, The Oak Ridge Land Bank Corporation is a not-for profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Oak Ridge Land Bank Corporation's Board of Directors consists of seven directors appointed by City Council, one of which is a member of City Council. The Land Bank program was developed to support economic revitalization through returning vacant, abandoned and tax delinquent properties to productive use.

The Oak Ridge Land Bank Corporation publishes separate financial statements, which may be obtained at the following address:

Oak Ridge Land Bank Corporation
P.O. Box 1
Oak Ridge, TN 37831-0001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oak Ridge Convention and Visitors Bureau. The Convention and Visitors Bureau promotes tourism activities and operates a tourist information center within the City. The Bureau's seven Board members are appointed by City Council. Bureau operations are virtually entirely funded from City appropriations. Complete financial statements for the Oak Ridge Convention and Visitors Bureau may be obtained at the entity's administrative offices at the following address:

Oak Ridge Convention and Visitors Bureau
102 Robertsville Road, Suite C
Oak Ridge, TN 37830

Oak Ridge Public Schools Education Foundation, Inc. (Education Foundation). The Foundation is a not-for profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation's primary mission is to enhance, promote and support the City of Oak Ridge Schools. The Foundation receives donations and pledges from individuals, corporations and other donors. The City does not appoint or approve the Foundation's budget or Board of Directors. However, the Foundation's main purpose is to provide financial support to the schools.

The Foundation has been audited by a separate certified public accounting firm for the year ending December 31, 2014. The Foundation's results have been presented with a different year-end.

The Foundation publishes separate financial statements, which may be obtained from:

Ms. Lila Metcalf
Oak Ridge Public Schools Education Foundation, Inc.
MS-22, P.O. Box 117
Oak Ridge, TN 37831
(865) 241-3667

Related Organizations

Oak Ridge City Council is responsible for all board appointments of the Oak Ridge Housing Authority, Oak Ridge Utility District, Oak Ridge Industrial Development Board and the Oak Ridge Health and Education Facilities Board. However, the City has no further accountability for any of these organizations. The City cannot impose its will on these boards since it does not have the ability to modify or approve their budgets or overrule or modify decisions of the boards. The boards are fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, they are not included in the City's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Government-wide and Fund Financial Statements

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government and its component units. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary fund, although the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each a party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund

The General Fund is the principal fund of the City and is used to account for all activities of the City not included in other specified funds. The General Fund accounts for the normal recurring activities of the City (i.e., police, fire, recreation, public works, general government, etc.).

General Purpose School Fund

The General Purpose School Fund is a special revenue fund. This fund is used to account for the revenues and expenditures of the City's public school system, except for those required to be accounted for in a separate fund. Revenues are received from local taxes, state and federal revenues and charges for services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources segregated for the acquisition, construction or renovation of major capital facilities other than those financed by proprietary operations. The primary funding source is proceeds from general obligation debt issuances and transfers from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for the payment of principal and interest on long-term general obligation debt. It does not include debt issued for services provided by a proprietary fund. Local taxes and transfers from the General Fund primarily service this debt obligation.

The City reports the following major enterprise funds:

Electric Fund

The Electric Fund is used to account for the provision of electric service to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and billing and collection.

Waterworks Fund

The Waterworks Fund is used to account for the provision of water and sewer service to the residents of the City. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and billing and collection.

The City also reports the following fund types:

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Activities accounted for in internal service funds include: (1) medical benefits and retirement plan contributions for City employees, unemployment, worker's compensation and general liability claims and premiums, (2) providing for the purchase and leasing of equipment and vehicles to City and Schools departments along with accounting for fuel and maintenance of these vehicles.

Fiduciary Funds

The Scholarship Fund, a private purpose trust fund, is used to account for resources legally held in trust for use of scholarship awards. All resources of the fund, including investment earnings, may be used for scholarship awards.

The Oak Ridge Schools Internal School Funds, an agency fund, is used to account for the funds held at individual schools for which all earnings and resources of the fund are used to benefit the students.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Generally, the effect of interfund activity has been removed from the government-wide financial statements, with the exception of interfund services provided and used which are not eliminated in the process of consolidation. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers certain revenues available if collected within 60 days after year-end. Sales, gasoline and motor fuel, beer and liquor wholesale, room occupancy and mixed drink taxes are considered "measurable" at the point of sale and are recognized as revenue at that time. All other non-grant intergovernmental revenues, licenses and permits, charges for services, fines and forfeitures, and other revenues are measurable when received and are recorded as revenue at that time.

Grant revenues, which are unearned at year-end, are recorded as unearned revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

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 the proprietary fund's principal ongoing operation. The principal ongoing operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services provided. Operating revenues in the Waterworks Fund includes the portion of the tap fees intended to cover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the costs 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Budgets and Budgetary Accounting

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

1. By early-June, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Also, a six-year capital budget is developed and presented to City Council prior to preparation of the upcoming annual operating budget.

2. A public hearing is conducted at the Municipal Building to obtain taxpayer comments.

3. Prior to July 1, the budgets for all governmental funds are legally enacted through passage of an ordinance by City Council.

4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions.

6. The budgets for all governmental funds are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that in the General, Special Revenue, and Capital Projects Funds, encumbrances are treated as budgeted expenditures in the year the commitment to purchase is incurred. The adjustments necessary to convert the basis of budgeting to GAAP represent the net change in encumbrances outstanding at the beginning and ending of the fiscal year.

7. All appropriations which are not expended or encumbered lapse at year end.

8. During the year, supplementary appropriations were necessary for the General Purpose School Fund, School Federal Projects Fund, Other Education Fund, Central Cafeteria Fund and West End Fund. Refer to Note 22.

e. Cash and Cash Equivalents

Cash and cash equivalents include deposits in the State of Tennessee's Local Government Investment Pool (LGIP) as well as cash on hand and on deposit. The LGIP is a SEC 2a-7-like fund and the amount stated is based on the LGIP share price. Investments in the LGIP are reported at amortized cost.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with maturity of three months or less when purchased to be a cash equivalent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Investments

Investments are stated at the fair value based upon quoted market price.

g. Unbilled Accounts Receivable

In the Electric Fund and Waterworks Funds, both enterprise funds, an estimated amount has been recorded for electric, water and wastewater services rendered but not yet billed as of the close of the fiscal year. The receivable was computed by taking the cycle billings the City sent to customers in July and prorating the amount of days applicable to the current fiscal year. At June 30, 2015, unbilled revenue was estimated at $1,991,266 in the Electric Fund and $715,724 in the Waterworks Fund.

h. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

i. Unconditional Promises to Give

Unconditional promises to give of the Oak Ridge Education Foundation, a component unit, are recognized as contribution revenue in the period received. The Foundation uses the allowance method to determine a collectible amount based upon prior years' experience and management's estimates.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the pledges are received. Amortization of the discounts is included in contribution revenue.

j. Inventories and Prepaid Items

Inventories are valued, maintained and issued using the average cost method. The costs of inventories are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost greater than $5,000. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. General infrastructure assets acquired prior to July 1, 2002, consist of the road network and storm water system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method for assets used by all governmental activities. The composite method is primarily being used for other City assets. The estimated useful lives are as follows:

Infrastructure	40 - 50 years	2% - 2.5% composite method
Buildings	20 - 50 years	2% - 5% composite method
Improvements	15 - 40 years	2.5% - 6.667% composite method
Equipment	3 - 20 years	

Property under capital leases is stated at the lower of the present value of minimum lease payments or the fair market value at the inception of the lease. Once placed in use, such property is amortized using the straight-line method over the shorter of the economic useful life of the asset or the remaining term of the lease.

For proprietary fund assets, interest is capitalized on construction costs incurred with tax-exempt debt using the interest rate on borrowed funds. The amount of interest cost incurred on tax-exempt debt is reduced by the amount of interest earnings for the year. Interest is capitalized on construction costs incurred with taxable debt using the average interest rate on the borrowed funds. The capitalization period is from the date of the borrowing until the construction period is complete. Capitalized interest in the City's business type funds totaled $279,876 for fiscal year 2015.

l. Compensated Absences

Employees of the City are granted general (vacation) and emergency (sick) leave in varying amounts. In the event of termination, an employee is paid for accumulated general (vacation) leave; however, accumulated emergency (sick) leave is not paid. Upon retirement, the accumulated emergency (sick) leave is credited to time of employment for calculating years of service under Tennessee Consolidated Retirement System benefits.

For the government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements. In the fund financial statements, governmental fund types expense compensated absences as they are paid. The compensated liability is not reported in their respective fund financial statements because it is not expected to be liquidated with available financial resources.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan and the Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to or deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan and the Teacher Legacy Pension Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan and the Teacher Legacy Pension Plan of TCRS. Investments are reported at fair value.

n. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Debt issuance costs are recorded as an expense in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

o. Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year which are not due within one year are referred to as "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds are recorded as nonspendable fund balance in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources. All other interfund transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Net Position

The City's net position is classified as follows:

Net Investment in Capital Assets: This represents the City's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position: Restricted net position reflects the resources that are subject to restricted use and have been externally imposed by creditors, grantors or contributors, or by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Unrestricted net position includes resources that are available for transactions relating to the general operations of the City and may be used at the discretion of the City to meet current expenses for any purpose.

q. Fund Balance

Governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances of the City's governmental funds are classified into the following categories:

Nonspendable Fund Balance – This is comprised of amounts that cannot be spent due to their form or funds that legally or contractually are required to be maintained intact. Fund balances reported as nonspendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, advances to other funds and noncurrent notes receivables.

Restricted Fund Balance – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by external parties, constitutional provisions or enabling legislations. Examples include state statutes, creditors, bond covenants, donors or grantors.

When both restricted and unrestricted resources are available for use, it is the School's policy and City's practice to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

Committed Fund Balance – This is comprised of amounts that are set aside for specific purposes by the City's highest level of decision making authority (City Council or Board of Education for the Schools) through its highest level of formal action (Ordinance adoption by City Council or formal approval by Board of Education for the Schools). Formal action must be taken prior to the end of the fiscal year. Commitments may be changed or removed by the same authority taking the same formal action that imposed the constraint originally.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned Fund Balance – Fund balances reported as assigned are intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by City Council for the City. The Board of Education has a fund balance policy that allows assigned amounts to be re-assigned by the Board of Education or School management.

Unassigned Fund Balance – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed or assigned to a specific purpose within the general fund. In governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are in restricted, committed or assigned, it may be necessary to report a negative unassigned fund balance for those governmental funds.

When committed, assigned or unassigned fund balance amounts are available for use, it is the School's policy and City practice to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as it is needed.

State statutes require the Schools to maintain a minimum unrestricted fund balance of 3% of current year's expenditures. For the current fiscal year ending June 30, 2015, the Schools met the minimum fund balance as required by state law.

r. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as assigned fund balances.

s. Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources, in addition to assets. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) so will not be recognized as inflow of resources (revenue) until that time.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred outflows of resources consist of the following at June 30, 2015:

	Governmental Activities	Business-type Activities
Deferred employer contributions to pension	$ 2,215,392	$ 1,038,794
Deferred employer contributions to pension - teachers	3,122,452	-
Total deferred outflows of resources	$ 5,337,844	$ 1,038,794

Deferred inflows of resources consist of the following at June 30, 2015:

	Governmental Activities	Business-type Activities
Deferred property taxes in the General Fund	$ 20,461,432	$ -
Derivative instruments - interest rate swap (Note 15)	5,437,032	-
Advance payments in the Central Cafeteria Fund	18,992	-
Deferred pension investment earnings	3,803,499	1,783,456
Deferred pension investment earnings - teachers	8,798,551	
Advance payments in the Emergency Communications Fund	-	850,285
Total deferred inflows of resources	$ 38,519,506	$ 2,633,741

t. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

u. New GASB Standards

In February 2015, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application, and is intended to provide guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The City has not elected early implementation of this standard and has not determined the impact of this statement on its financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New GASB Standards (continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees. This Statement is effective for fiscal years beginning after June 15, 2017. The City has not elected early implementation of this standard and has not determined the impact of this statement on its financial statements.

v. Restatement

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 68*, Accounting and Financial Reporting for Pensions – an amendment to GASB Statement No. 27,* and GASB Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 60*, in the year ending June 30, 2015. These Statements improve accounting and financial reporting for pensions.

In prior years, the City was not required to recognize a liability for its defined benefit pension plan. However, with the implementation of GASB Statement No. 68, the City is required to recognize a net pension liability in the Statement of Net Position. Therefore, a restatement to decrease the City's net position totaling $18,861,866 has been recognized in the Statement of Activities for the governmental activities and the business-type activities of $15,573,624 and $3,288,242, respectively. In addition, a restatement to decrease the beginning net position of the Electric Fund and the Waterworks Fund of $1,364,942 and $1,923,300, respectively, has been recognized in the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position as business-type activities. A restatement to decrease the beginning net position of the City Equipment Replacement Fund of $176,897, has been recognized in the Proprietary Funds Statement of Revenues, Expenses and Changes in Net Position as governmental-type activities.

2. PROPERTY TAX

All property taxes are assessed on January 1 of each year. Property taxes receivable are recorded at this lien date. The City's 2014 property tax roll, which funded fiscal year 2015, was levied on July 1 on the assessed value as listed by the applicable County Assessor's Office and was delinquent on September 1. The revenue from that levy was recognized in the fiscal year beginning July 1, 2014, the year which it is intended to finance. The revenue from the City's 2015 levy will be recognized in the fiscal year beginning July 1, 2015, the year which it is intended to finance. The amount of deferred property taxes recorded in the General Fund at June 30, 2015, is $21,255,005. The City's 2015 property tax roll, which funds fiscal year 2016, was levied on September 1 and was delinquent on October 31.

2. PROPERTY TAX (continued)

Assessed values are reviewed and approved by the State of Tennessee at the following rates of assumed market value:

Public Utility Property	55%	(Telecommunications & Railroads 40%)
Industrial and Commercial Property		
Real	40%	
Personal	30%	
Residential Property	25%	

The City is on a 5 year reappraisal cycle. The last reappraisal was completed for the list as of January 1, 2010 (recognized in the fiscal year beginning July 1, 2010). The assessed value for the list as of January 1, 2014, was $824,764,059. The appraised value was $2,732,940,566 making the total assessed value approximately 30% of the total appraised value.

Taxes were levied at a rate of $2.39 per $100 of assessed value. Current tax collections of $19,030,868 for the fiscal year ended June 30, 2015, were approximately 95.9% of the tax levy.

3. DEPARTMENT OF ENERGY

The Department of Energy (DOE) has three major facilities in Oak Ridge that represent the largest activity at any one location within the nationwide DOE complex. Oak Ridge National Laboratory (ORNL), one of the nation's largest multipurpose research centers, develops safe, economic, and environmentally acceptable technologies for efficient production and use of energy. ORNL enhances area wide economic growth and development through its technology transfer program to private sector industries, as well as, sophisticated needs and uses for federal and private environmental/hazardous waste management, metals and ceramics technologies, and space-age tool and die industries. The former Oak Ridge K-25 Gaseous Diffusion Plant site, now known as East Tennessee Technology Park (ETTP), is a focal point for developing hazardous waste management impoundment and storage. Oak Ridge Y-12 plant is a highly sophisticated manufacturing and developmental engineering organization engaged primarily in programs vital to national defense. BWXT, Inc., UT-Battelle and URS/CH2M Hill Oak Ridge (UCOR), the contractors that operate the three major facilities, are the major employers in Oak Ridge. Consolidated Nuclear Security, LLC assumed responsibility as the major contractor at the Y-12 plant effective July 1, 2014. DOE plants account for 23% of total water sales and 18% of wastewater revenues. Since DOE purchases electricity directly from TVA, DOE does not purchase power from the City. The City receives financial assistance and in-lieu of tax payments from DOE. The City received $1,659,520 from DOE in tax payments in fiscal 2015. The annual payments are subject to congressional appropriation.

During fiscal 2008, the City entered into an agreement with DOE and DOE's ETTP site contractor to assume fire and emergency medical response duties for the ETTP site. Under the agreement with DOE, through its contractor, the City received over $10,000,000 in funding over the four-year period of the agreement. On October 1, 2007, DOE transferred 2.23 acres of land, the ETTP fire station and firefighting and ambulance vehicles and equipment to the City to operate this facility. The City added an additional 28 employees to man this station, which will also serve the west end of Oak Ridge. The West End Fund, a special revenue fund, was established by the City to account for the operations of the ETTP fire station. During fiscal 2012, the contact was extended through September 30, 2015. The City received $2,504,004 from DOE in fiscal 2015. During fiscal 2016, the contract was extended through September 30, 2019.

3. DEPARTMENT OF ENERGY (continued)

In 2008, the City entered into a 5-year agreement with DOE and DOE's ETTP site contractor, under which the City assumed responsibility for water and wastewater services to the ETTP site. The City acquired the ETTP water plant, as well as, water and wastewater lines, booster stations and other infrastructure from DOE in order for the City to provide these services to the ETTP site. The ETTP water plant is near the end of its useful life. Under terms of the contract, DOE through its contractor will provide funding to fully operate the water plant and provide $500,000 each year of the contract for the City to build new infrastructure from the City's main water plant to serve the ETTP site. On May 29, 2008, the City assumed water and wastewater operations to the ETTP site. These operations are accounted for in the City's Waterworks Fund, an enterprise fund. Under terms of the contract, the City will receive a base amount from each year, reduced by revenues the City receives from other City customers that are serviced by the ETTP water plant and the City's Rarity Ridge wastewater plant during that time frame. During fiscal 2013, the contract was extended to September 30, 2014. The City received $377,687 under this contact in fiscal 2015.

4. GENERAL INFORMATION ABOUT THE PENSION PLANS

City Employees

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Benefits Provided (continued)

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	222
Inactive employees entitled to but not yet receiving benefits	163
Active employees	352
Total	737

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Oak Ridge were $2,774,706 based on a rate of 14.98 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Oak Ridge’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Oak Ridge City School Employees – Non-Teaching Personnel

Plan Description

Non-teaching employees in the Oak Ridge City Schools are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	205
Inactive employees entitled to but not yet receiving benefits	190
Active employees	191
Total	586

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions were $604,358 based on a rate of 10.05 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Oak Ridge City School Employees – Teaching Personnel

Plan Description

Teachers in the Oak Ridge City Schools with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the City if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were $2,264,328 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

A. City Employees

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

Actuarial Assumptions

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

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

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

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

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2013	$ 91,076,818	$ 78,041,785	$ 13,035,033
Changes for the year:			
Service cost	1,425,049	-	1,425,049
Interest	6,762,256	-	6,762,256
Differences between expected and actual experience	575,376	-	575,376
Contributions - employer	-	2,734,100	(2,734,100)
Contributions - employees	-	146	(146)
Net investment income	-	12,763,309	(12,763,309)
Benefit payments, including refunds of employer contributions	(4,676,925)	(4,676,925)	-
Administrative expenses		(17,826)	17,826
Net changes	4,085,756	10,802,804	(6,717,048)
Balance at June 30, 2014	$ 95,162,574	$ 88,844,589	$ 6,317,985

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	$17,993,955	$ 6,317,985	$ (3,488,027)

Pension Expense

For the year ended June 30, 2015, the City recognized pension expense of $1,124,527.

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 479,480	$ -
Net difference between projected and actual earnings on pension plan investments	-	5,586,955
Contributions subsequent to the measurement date of June 30, 2014	2,774,706	-
Total	$ 3,254,186	$ 5,586,955

The amount shown above for "contributions subsequent to the measurement date of June 30, 2014," will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	$(1,300,843)
2017	(1,300,843)
2018	(1,300,843)
2019	(1,300,843)
2020	95,897

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Payable to the Pension Plan

At June 30, 2015, there was no payable outstanding for contributions to the pension plan.

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

B. Oak Ridge City School Employees – Non-Teaching Personnel

Pension Liabilities

Since the measurement date is June 30, 2014, which is prior to the School's October 1, 2014, participation in the Public Employee Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension Expense

Since the measurement date is June 30, 2014, the Schools did not recognize a pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the Schools reported deferred outflows of resources related to pensions from the following source:

	Deferred Outflows of Resources
Contributions subsequent to the measurement date of June 30, 2014	$ 604,358

The School's employer contributions of $604,358 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Payable to the Pension Plan

At June 30, 2015, the Schools reported a payable of $80,770 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

C. Oak Ridge City School Employees – Teaching Personnel

Pension Assets

At June 30, 2015, the Schools reported an asset of $104,527 for their proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate net pension asset was determined by an actuarial valuation as of that date. The School's proportion of the net pension asset was based on a projection of their long-term share of contributions to the pension plan relative to the actuarially determined projected contributions of all participating LEAs. At June 30, 2015, the School's proportion was 0.643262 percent, representing the first time presentation of this proportion.

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Pension Income

For the year ended June 30, 2015, the Schools recognized pension income of $120,675.

Deferred Outflow of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 253,766	$ -
Net difference between projected and actual earnings on pension plan investments	-	8,612,373
Changes in proportion of net pension liability (asset)	-	186,178
Contributions subsequent to the measurement date of June 30, 2014	2,264,328	-
Total	$2,518,094	$ 8,798,551

The School's employer contributions of $2,264,328, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	$(2,141,829)
2017	(2,141,829)
2018	(2,141,829)
2019	(2,141,829)
2020	11,266
Thereafter	11,265

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

Actuarial Assumptions

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

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

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

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

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

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

5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the School's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability (asset)	$17,629,687	$ (104,527)	$(14,786,534)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2015, the Schools reported a payable of $301,041 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

6. POSTEMPLOYMENT HEALTHCARE PLAN

A. City Employees Other Than Schools

Plan Description

The City participates in the state administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by TCA 8-27-207. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in that state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state website at http://www.tn.gov/finance.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claim liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The State does not provide a subsidy to local government participants.

Eligibility

The City will pay 50% of the medical insurance premium for eligible retired employees and their spouses for 7 years or until the employee/spouse becomes Medicare eligible, whichever is earlier. To be eligible, employees must have 30 years of service and must have been on the insurance plan for one full year prior to retirement or 20 years of service and age 55 and on the insurance plan one full year prior to retirement or 10 years of service and age 55 and on the insurance plan three full years prior to retirement. The City will pay 100% of a surviving spouse's medical premium for 6 months.

6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefits (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of governmental accounting standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The City's annual OPEB cost and net OPEB obligation for the current year was as follows:

Annual Required Contribution (ARC)	$ 295,466
Interest on net OPEB obligation	27,494
Adjustment to the ARC	(34,239)
Annual OPEB cost	288,721
Contributions Made	(191,695)
Increase in net OPEB obligation	97,026
Net OPEB obligation, beginning of year	687,343
Net OPEB obligation, end of year	$ 784,369

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

Three-Year Trend Information			
Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$288,721	66.4%	$784,369
June 30, 2014	303,096	74.3%	687,343
June 30, 2013	293,293	66.5%	609,583

Funded Status and Progress

The funded status of the plan as of June 30, 2015, is as follows:

Actuarial Valuation Date	July 1, 2014
Actuarial Accrued Liability (AAL)	$ 2,826,816
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	$ 2,826,816
Actuarial Value of Assets as a Percentage of AAL	0.00%
Covered Payroll (active plan members)	$ 9,275,000
UAAL as a Percentage of Covered Payroll	30.5%

6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between employer and plan members to that point. Actuarial calculations reflect a long-term perspective. In the July 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions include a 4.0% funding interest rate and an annual healthcare trend rate of 7.5% for 2015. The healthcare trend rate will decrease by 0.5% annually to an ultimate medical cost trend rate of 5% by 2020. Both rates include a 2.5% inflation assumption. The annual payroll growth rate is assumed to be 2.5%. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis with the remaining amortization period for the unfunded actuarial accrued liability as of June 30, 2015 of 22 years.

B. Oak Ridge Schools

Plan Description

The Oak Ridge Schools participate in the state-administered Teacher Group Insurance Plan (the Plan) for healthcare benefits. For accounting purposes, the Plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by TCA 8-27-302 for teachers.

Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee CAFR. The CAFR is available on the State's website at http://www.tn.gov/finance.

6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The State does provide a partial subsidy to the School's pre-age 65 teachers and a full subsidy based on years of service for post-age 65 teachers in the Medicare Supplement Plan.

Annual OPEB Cost and Net OPEB Obligation

The School's annual OPEB cost and net OPEB obligation as of June 30, 2015 are as follows:

Annual Required Contribution (ARC)	$ 642,000
Interest on net OPEB obligation	218,052
Adjustment to the ARC	212,436
Annual OPEB cost	1,072,488
Contributions made	(355,992)
Increase in OPEB obligation	716,496
Net OPEB obligation, beginning of year	5,451,305
Net OPEB obligation, end of year	$ 6,167,801

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

Three-Year Trend Information

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	$ 1,072,487	33.2%	$ 6,167,801
June 30, 2014	1,003,355	40.5%	5,451,306
June 30, 2013	911,339	42.9%	4,854,459

6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

Funded Status and Progress

The funded status of the plan as of June 30, 2015, is as follows:

Actuarial Valuation Date	July 1, 2013
Actuarial Accrued Liability (AAL)	$ 6,214,000
Actuarial Value of Plan Assets	-
Total Unfunded AAL	$ 6,214,000
Funded Ratio (Actuarial Value of Assets as a Percentage of the	0.0%
Annual Covered Payroll	$25,247,984
Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll	24.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of cost between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2013, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially for the Employee Group, and the Local Education plans. The rate decreases to 7% in fiscal year 2015, and then will reduce by decrements to an ultimate rate of 4.7% in fiscal year 2044. All rates include a 2.5% inflation assumption. Premium subsidies in the Medicare Supplement plan are projected to remain unchanged and, consequently, trend rates are not applicable.

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning July 1, 2007. Payroll is assumed to grow at a rate of 3%.

7. ON-BEHALF PAYMENTS

The State of Tennessee made the following on-behalf payments during the year ended June 30, 2015:

Medicare Supplement Plan

Since teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payments) for retired teachers to this Plan through the TCRS. The on-behalf payment for 2015 was $58,475 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

Teacher Group Insurance Plan

The State of Tennessee makes a contribution (on-behalf payment) for retired teachers who participate in the State-administered Teacher Group Insurance Plan through TCRS as described in Note 5. The on-behalf payment for 2015 was $111,810 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

8. TERMINATION BENEFITS

Retired employees from the City, excluding employees working in the school system, may continue their individual or family hospitalization insurance coverage through the City. The City will pay 50% of the premium costs, up to 7 years after retirement or until the retiree reaches age 65. To receive this benefit at retirement, the employee must be age 55 with 10 years of service and at least three full years of insurance coverage immediately prior to retirement or age 55 with 20 years of service and one full year of insurance coverage. The election to continue insurance coverage must be made at the time of retirement from the City. During fiscal 2015, the City contributed $118,969 toward retiree's insurance premium costs with 25 retirees receiving the benefit at fiscal year-end. At fiscal year-end, there were 369 active members in the plan. The City funds its contribution of the retiree's insurance premiums on a pay-as-you-go basis.

The Schools provide voluntary termination benefits for professional employees who agree to retire before age 65. Employees who retire at age 60, or after 30 years of creditable service in the TCRS with at least 10 years of service with the Schools, 85% of the retirees' individual health insurance premium will be paid by the Schools for five years or until the retiree reaches age 65. The Schools fund their contributions on a pay-as-you-go basis. During 2015, the Schools paid approximately $60,510 to 23 retirees, which has been recorded as an expenditure in the General Purpose School Fund.

The estimated liability and expense of school employee termination benefits reported in the government-wide financial statements is $306,210. Termination benefits are measured at the discounted present value of expected future benefit payments. A discount rate of 1.62% and a projected annual healthcare cost trend rate of 12.0% were used to estimate the effect of making these payments over a five-year period.

9. ACCOUNTS RECEIVABLE

Customers are billed for electric and waterworks services monthly on a cyclical basis. Unbilled revenue for utility services rendered but not yet billed as of the close of the fiscal year in the amount of $1,991,266 was recorded in the Electric Fund and $715,724 in Waterworks Fund at June 30, 2015.

Receivables at June 30, 2015 consist of the following:

Fund	Taxes	Customer Accounts	Other	Gross Receivables	Allowance for Uncollectibles	Net Receivables
General	$21,730,101	$ 663,036	$473,974	$22,867,111	$(1,088,834)	$21,778,277
General Purpose School	-	8,894	-	8,894	-	8,894
Electric	-	8,364,726	-	8,364,726	(1,485,211)	6,879,515
Waterworks	-	2,366,844	-	2,366,844	-	2,366,844
Nonmajor	-	11,148	-	11,148	-	11,148
City Equipment Replacement	-	-	4,774	4,774	-	4,774
Total	$21,730,101	$11,414,648	$478,748	$ 33,623,497	$(2,574,045)	$ 31,049,452

10. DEPOSITS AND INVESTMENTS

The unrestricted cash of the City's various funds, excluding the School funds, are pooled for investment purposes as described in Note 11.

Deposits

At year-end, the carrying amount of the City's deposits was $10,672,467. Deposit policies authorize the City to maintain their operating and excess funds in bank accounts and certificates of deposit with banks or credit unions that have a branch located within the Oak Ridge city limits. Banks or credit unions shall be fully insured by the Federal Depository Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). In addition, accounts with balances in excess of FDIC or NCUA insurance levels must participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

At June 30, 2015, all deposits were fully insured or held in financial institutions that participate in the Tennessee Bank Collateral Pool administered by the Treasurer's Office of the State of Tennessee. Banks may use one of three different security pledges (90%, 100% or 105%) depending on the specific bank holding the deposit. Financial institutions participating in the bank collateral pool determine the aggregate balance of their public funds and report that to the Treasurer's Office. Participating financial institutions pledge the collateral securities required to protect their public fund accounts to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency.

10. DEPOSITS AND INVESTMENTS (continued)

Investments

The City's investments at fiscal year-end were in the State of Tennessee Local Government Investment Pool (LGIP) and Certificates of Deposit. The responsibility for conducting the LGIP's investment program resides with the State Treasurer and investments are made in instruments authorized by Tennessee Code Annotated, Section 9-4-602. The LGIP is a SEC 2a-7-like fund and the carrying value of the City's investment held by the LGIP at fiscal year-end of $37,567,267 is based on the LGIP share price. The shares in the Local Government Investment Pool are constant dollar. Therefore, the fair value of the position in the Pool is the same as the value of the Pool shares.

The Oak Ridge Schools maintain investments in certificates of deposits. Banks or credit unions holding the certificates of deposit shall be fully insured by the Federal Depository Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). In addition, accounts with balances in excess of FDIC or NCUA insurance levels must participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

As of June 30, 2015, the City had the following investments and maturities:

		Investment Maturities	
	Fair Value	Less than 1 year	More than 1 year
State of Tennessee Local Government Investment Pool	$37,567,267	$37,567,267	$ -

Investment income (loss) in the Scholarship Fund for 2015 consisted of the following:

Interest and Dividends	$ 1,232

Investment Policies

The City and Oak Ridge Schools maintain similar investment policies with any variances between policies noted below. The City's investment policies are in accordance with state law which outlines authorized municipal government investments in Tennessee Code Annotated (TCA) Section 6-56-106. The investment policies exclude investment of bond proceeds held by trustees.

Interest Rate Risk: Investments are based upon prevailing market conditions at the time of the transaction with the intent to hold the instrument until maturity. If the yield of the portfolio can be improved upon by the sale of an investment prior to its maturity, with the reinvestment of the proceeds, then this provision is allowed. The City restricts investment length as outlined in TCA 6-56-106, which generally restricts maturity of not greater than four years from date of investment. The Schools further limits the weighted-average maturity of its investment portfolio in the governmental and proprietary funds to one year or less. No security at the time of purchase shall have a maturity exceeding one year. The Schools manage its interest rate risk by limiting the weighted-average maturity of its investment portfolio in the Scholarship Fund to ten years or less. No security, at the time of purchase in the Scholarship Fund, shall have maturity exceeding ten years.

10. DEPOSITS AND INVESTMENTS (continued)

Credit Risk: State statutes authorize the City and Schools to invest in obligations of the federal government, federal agency securities, state government, state local government investment pool (LGIP), municipal bonds issued in Tennessee, Certificates of Deposit and other time deposits and repurchase agreements. Nonconvertible debt securities issued by the Federal Home Loan Bank, Federal National Mortgage Association, Federal Farm Credit Bank and the Student Loan Marketing Association and municipal bonds must be rated in the highest category by at least two nationally recognized rating services.

Custodial Credit Risk: All safekeeping receipts for investment instruments are to be held in accounts in the City's name. The School's investment policy requires that investment securities be registered in the name of the Oak Ridge Schools.

Concentration of Credit Risk: The City, excluding the Schools, limits its investment concentration to 40% of the total portfolio in any one investment type, excluding US Treasury securities and the State Local Government Investment Pool (LGIP), which may be at 100%. The City also restricts investment purchases from any one financial institution to 60% or less of the City's total portfolio.

Concentration of Credit Risk: The City, excluding the Schools, limits its investment concentration to 40% of the total portfolio in any one investment type, excluding US Treasury securities and the State Local Government Investment Pool (LGIP), which may be at 100%. The City also restricts investment purchases from any one financial institution to 60% or less of the City's total portfolio.

Component Unit – Education Foundation

At June 30, 2015, the Education Foundation had the following deposits and investments.

Description	Fair Value
Bank Deposits:	
Bank Deposits and Certificates of Deposit	$ 171,664
Investments:	
Money Market Accounts	26,026
U.S. Treasury Bonds	2,342,525
Mutual Funds	3,089,825
Total Investments	5,458,376
Total	$ 5,630,040

Short-term investments held in money market accounts are reported as investments instead of cash equivalents because the Foundation holds those funds for restricted purposes.

10. DEPOSITS AND INVESTMENTS (continued)

A reconciliation of investments as shown on the statement of net position at June 30, 2015, is as follows:

Investments, at Fair Value - Current Assets	$ 4,930,122
Investments, at Fair Value - Other Assets	528,254
	$ 5,458,376

Investment income for 2015 consisted of the following:

Interest and Dividends	$ 132,638
Realized Gains on Investments	133,118
Unrealized Losses on Investments	(114,922)
Fees	(15,659)
Total	$ 135,175

The Foundation had the following unconditional promises to give at June 30, 2015 (see Note 1 for the Foundation's year-end):

Due Within One Year	$ 53,600
Due in One to Five Years	47,075
Gross Receivable	100,675
Less: Discounts to Net Present Value	(1,368)
Less: Allowance for Uncollectible	(10,068)
Total Unconditional Promises to Give	$ 89,239
Due Within One Year	$ 47,504
Due Within One to Five Years	41,735
Due Within One Year	$ 89,239

11. POOLED CASH AND INVESTMENTS

The City maintains a pooled cash and investment account that is available for use by all funds, except the School funds and those restricted by State statutes or other legal requirements. Each fund's positive equity in the pooled cash and investment account is presented as "Cash and Cash Equivalents" or "Investments" on the balance sheet as applicable. Negative equity balances have been reclassified and are reflected as due to/from other funds. Interest income and expense are allocated to the various funds based upon their average monthly equity balances.

12. RESTRICTED ASSETS

Restricted assists of $67,369 in the State Street Aid Fund, a special revenue fund, is for the City's share of expenditures related to State of Tennessee street resurfacing projects in Oak Ridge. The $7,196,838 in restricted assets in the Debt Service Fund is from that portion of local sales tax collections that resulted from a .50% increase in the sales tax approved by Oak Ridge voters at referendum. Restricted assets in the Emergency Communications District Fund of $850,285 are from unspent grant proceeds on deposit at the City for upgrades to the City's radio communications system. A corresponding liability amount of $850,285 is shown on the balance sheet of the Emergency Communications District Fund as a deferred inflow. The Waterworks Fund had $1,907,268 in remaining bond proceeds from the August 2013 debt issuance. The Waterworks Fund's restricted assets include $266,841 in contractor retainage deposits. A corresponding liability amount of $266,841 is included in contracts payable on the balance sheet of the Waterworks Fund. The Electric Fund's restricted assets is comprised of funds set aside to satisfy legal covenants regarding debt service on Electric Fund long-term debt issuances.

The governmental and proprietary funds restricted assets at June 30, 2015, are as indicated below:

	Governmental-type Activities		Business-type Activities			
	State Street Aid Fund	Debt Service Fund	Electric Fund	Waterworks Fund	Emergency Communication District Fund	Total
Capital Projects						
Grant Proceeds	$ -	$ -	$ -	$ -	$ 850,285	$ 850,285
Bond Proceeds	-	-	-	1,907,268	-	1,907,268
City Share of Capital Projects	67,369	-	-	-	-	67,369
Retainage	-	-	-	266,841	-	266,841
Debt Service	-	7,196,838	83,200	-	-	7,280,038
Total	$ 67,369	$7,196,838	$83,200	$2,174,109	$ 850,285	$10,371,801

13. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases and Reclassification	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 3,221,245	$ 262,577	$ (124,000)	$ 3,359,822
Construction in Progress	538,312	29,373	(538,312)	29,373
Total Capital Assets Not Being Depreciated	3,759,557	291,950	(662,312)	3,389,195
Capital Assets Being Depreciated:				
Infrastructure	52,462,596	550,651	-	53,013,247
Buildings	132,882,494	141,516	-	133,024,010
Improvements Other than Buildings	14,780,202	1,040,572	-	15,820,774
Machinery and Equipment	30,503,840	2,809,276	(883,550)	32,429,566
Total Capital Assets Being Depreciated	230,629,132	4,542,015	(883,550)	234,287,597
Less Accumulated Depreciation for:				
Infrastructure	(22,444,645)	(1,060,264)	-	(23,504,909)
Buildings	(52,043,814)	(3,106,267)	-	(55,150,081)
Improvements Other than Buildings	(7,687,855)	(650,324)	-	(8,338,179)
Machinery and Equipment	(19,745,129)	(1,827,771)	883,507	(20,689,393)
Total Accumulated Depreciation	(101,921,443)	(6,644,626)	883,507	(107,682,562)
Total Capital Assets Being Depreciated, Net	128,707,689	(2,102,611)	(43)	126,605,035
Governmental Activities Capital Assets, Net	$132,467,246	$ (1,810,661)	$ (662,355)	$129,994,230

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

General Government	$ 180,979
Public Safety	523,294
Public Works	1,517,651
Community Service	918,286
Education	3,504,416
Total Depreciation Expense	$ 6,644,626

13. CAPITAL ASSETS (continued)

Capital asset activity for the business-type activities for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases and Reclassifications	Ending Balances
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 880,193	$ -	$ -	$ 880,193
Construction in Progress	4,207,900	17,796,141	(17,724,041)	4,280,000
Total Capital Assets Not Being Depreciated	5,088,093	17,796,141	(17,724,041)	5,160,193
Capital Assets Being Depreciated				
Electric Plant in Service				
Transmission	11,345,993	110,410	-	11,456,403
Distribution	72,271,812	2,847,830	(159,896)	74,959,746
Water Plant in Service	70,331,524	2,752,243	(3,032,760)	70,051,007
Wastewater Plant in Service	89,820,194	12,170,618	(1,522,678)	100,468,134
Equipment	8,549,016	522,448	(14,961)	9,056,503
Total Capital Assets Being Depreciated	252,318,539	18,403,549	(4,730,295)	265,991,793
Less Accumulated Depreciation for:				
Electric Plant in Service				
Transmission	(4,447,954)	(340,656)	-	(4,788,610)
Distribution	(30,167,230)	(1,700,934)	373,754	(31,494,410)
Water Plant in Service	(29,999,662)	(2,199,380)	2,623,000	(29,576,042)
Wastewater Plant in Service	(33,802,581)	(2,308,653)	1,522,677	(34,588,557)
Equipment	(5,194,309)	(552,074)	14,160	(5,732,223)
Total Accumulated Depreciation	(103,611,736)	(7,101,697)	4,533,591	(106,179,842)
Total Capital Assets Being Depreciated, Net	148,706,803	11,301,852	(196,704)	159,811,951
Business-type Activities Capital Assets, Net	$153,794,896	$ 29,097,993	$(17,920,745)	$164,972,144

Depreciation was charged to business-type activities of the primary government as follows:

Electric	$ 2,195,340
Waterworks	4,716,177
Emergency Communications	190,180
Total Depreciation Expense	$ 7,101,697

14. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2015:

	Beginning Balances	Additions	Retirements/ Reductions	Ending Balances	Due Within One Year
Governmental Activities:					
General Fund:					
General Obligation Bonds	$ 33,065,000	$ -	$ (3,050,000)	$30,015,000	$ 3,135,000
Qualified Zone Academy Bonds	3,565,929	-	(509,419)	3,056,510	509,418
Notes Payable	53,658,053	-	(478,000)	53,180,053	492,000
Unamortized Debt Discount	(1,067)	-	557	(510)	(510)
Unamortized Debt Premium	1,380,259	-	(211,570)	1,168,689	179,950
Capital Lease Obligations	531,707	-	(410,394)	121,313	121,313
Compensated Absences	2,499,602	2,139,322	(2,181,551)	2,457,373	2,102,218
School Termination Benefits	440,480	-	(134,270)	306,210	50,785
OPEB Obligation	5,917,679	1,291,791	(509,411)	6,700,059	-
City Equipment Replacement Rental Fund:					
General Obligation Bonds	650,000	-	(200,000)	450,000	-
Unamortized Bond Discount	(3,900)	-	3,900	-	-
Unamortized Reoffering Premium	2,453	-	(499)	1,954	499
Capital Lease Obligations	-	964,291	(68,909)	895,382	68,477
Compensated Absences	42,029	59,959	(44,980)	57,008	40,549
OPEB Obligation	14,592	6,853	(4,794)	16,651	-
Total Long-term Liabilities - Governmental Activities:	$101,762,816	$4,462,216	$(7,799,340)	$98,425,692	$6,699,699

14. LONG-TERM LIABILITIES (continued)

The following is a summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2015:

	Beginning Balances	Additions	Retirements/ Reductions	Ending Balances	Due Within One Year
Business-type Activities:					
Electric Fund:					
Bonds	$16,955,000	$ -	$ (925,000)	$16,030,000	$ 960,000
Notes Payable	3,527,627	-	(163,111)	3,364,516	213,448
Unamortized Reoffering Premium	169,498	-	(36,286)	133,212	28,119
Compensated Absences	294,307	292,735	(316,661)	270,381	192,320
OPEB Obligation	63,843	29,983	(20,975)	72,851	-
Waterworks Fund:					
General Obligation Bonds	33,565,000	-	(1,065,000)	32,500,000	830,000
Notes Payable	14,785,995	352,825	(604,888)	14,533,932	631,551
Interfund Note Payable	1,428,572	-	(238,095)	1,190,477	238,095
State Revolving Fund Program Loan	3,547,607	6,662,797	(188,664)	10,021,740	444,116
Unamortized Bond Discount	(6,757)	-	3,685	(3,072)	(3,071)
Unamortized Reoffering Premium	613,658	-	(33,372)	580,286	33,372
Compensated Absences	763,288	443,628	(427,262)	779,654	554,562
OPEB Obligation	142,534	66,820	(46,745)	162,609	-
Emergency Communications Fund:					
Capital Lease Obligation	411,096	-	(130,428)	280,668	136,924
Total Long-term Liabilities - Business-type Activities	$76,261,268	$7,848,788	$(4,192,802)	$79,917,254	$4,259,436

Compensated absences and OPEB obligation are generally liquidated by the General Fund, General Purpose School Fund, City Equipment Replacement Rental Fund, Electric Fund and Waterworks Fund. The School termination benefits are liquidated by the General Purpose School Fund. The State of Tennessee makes on-behalf payments for the other postemployment benefits (OPEB) obligation for the school teachers as described in Note 7.

A. Long-Term Debt – Governmental Activities

General Obligation Bonds – General Fund

The debt amortized below includes $9,300,000 in taxable general obligation Build America Bonds (BABS) issued in November 2009 for various city capital projects, including completion of the Oak Ridge High School renovation. The federal government provides a 35% subsidy on the interest payment due on these bonds. The bonds mature in 2041 with interest rates ranging from 5.63% to 6.5%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. The City's June 2014 interest subsidy payments were reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2015. The treasury rebate amortized in the table below is based on a 7.3% subsidy reduction. Interest subsidies received totaled $187,309 during the year ended June 30, 2015.

14. LONG-TERM LIABILITIES (continued)

Debt service requirements to maturity for general obligation bonds for the fiscal year ended June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2016	$ 3,135,000	$ 1,454,557	$ (187,310)	$ 1,267,247	$ 4,402,247
2017	3,260,000	1,347,507	(187,310)	1,160,197	4,420,197
2018	3,420,000	1,194,007	(187,310)	1,006,697	4,426,697
2019	3,195,000	1,057,207	(187,310)	869,897	4,064,897
2020	3,305,000	933,568	(187,309)	746,259	4,051,259
2021-2025	4,950,000	3,124,940	(936,545)	2,188,395	7,138,395
2026-2030	2,250,000	2,410,625	(782,126)	1,628,499	3,878,499
2031-2035	-	2,068,750	(671,205)	1,397,545	1,397,545
2036-2040	5,000,000	1,915,000	(621,321)	1,293,679	6,293,679
2041	1,500,000	97,500	(31,634)	65,866	1,565,866
Total	$ 30,015,000	$ 15,603,661	$ (3,979,380)	$ 11,624,281	$ 41,639,281

The following is a summary of the City's general obligation bonded debt transactions funded by the General Fund for the year ended June 30, 2015:

	Governmental Activities			
	Balance 7/1/14	Additions / Transfers	Reductions	Balance 6/30/15
Series 2009, GO Refunding Bonds Issue: $17,215,000, Maturing 2022 Interest Rate: 3.00% - 5.00%	17,215,000	-	1,005,000	16,210,000
Series 2009B, Build America Bonds (BABS) Issue: $9,300,000, Maturing 2041 Interest Rate: 5.63% - 6.50% Interest Treasury Subsidy: 35% of Interest Payment	9,300,000	-	-	9,300,000
Series 2010, GO Refunding Bonds Issue: $5,240,000, Maturing 2021 Interest Rate: 3.00% - 4.00%	3,600,000	-	445,000	3,155,000
Series 2011, GO Refunding Bonds Issue: $7,420,000, Maturing 2015 Interest Rate: 2.00%	300,000	-	300,000	-
Series 2013, GO Refunding Bonds Issue: $3,345,000, Maturing 2016 Interest Rate: 2.00%	2,650,000	-	1,300,000	1,350,000
Total General Obligation Bonded Debt	$33,065,000	$ -	$3,050,000	$30,015,000

14. LONG-TERM LIABILITIES (continued)

In December 2015, the City issued $9,140,000 in General Obligation Refunding Bonds Series 2015A for a current refunding of $9,650,000 from General Obligation Series B-9-A Bonds. These bonds were issued at a premium of $622,657. The underwriters discount was $29,782 with an additional $82,874 in other issuance costs. The interest rate ranges from 2% to 5% with maturity in 2024. The refunding was done to reduce the total future debt service payments. The transaction resulted in an economic gain of $1,501,044 and a reduction of $1,794,291 in future debt service payments.

In December 2015, the City issued $9,445,000 in General Obligation Refunding Bonds Series 2015B for a current refunding of $3,990,000 from General Obligation Series B-9-A Bonds and $5,455,000 from General Obligation Series B-11-A Bonds. These bonds were issued at a premium of $147,148. The underwriters discount was $63,188 with an additional $87,475 in other issuance costs. The interest rate ranges from 2% to 3% with maturity in 2032. The refunding was done to reduce the total future debt service payments. The transaction resulted in an economic gain of $2,900,185 and a reduction of $4,777,580 in future debt service payments.

Qualified Zone Academy Bonds (QZAB) – General Fund

The City issued $7,049,360 in Qualified Zone Academy Bonds (QZAB) in fiscal 2005 and $1,032,500 in fiscal 2006. QZAB's are a federal program, administered through state department of educations, which provide interest free loans to finance eligible school renovations. The Tennessee Department of Education and the State Comptroller's Office are administrators of the loan. The Foundation funds the School's required private contribution. Immediately upon issuance, the debt proceeds were deposited with the State to be drawn by the Schools as expenditures occur. A $509,418 annual loan payment is scheduled each year through December 2020. The actual payment required by the City will be adjusted by the State each year, reflecting an adjustment for interest earned on the bond escrow account.

Projected amortization schedule for QZAB are as follows:

	Governmental Activities		
Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2016	$ 509,418	$ 2,445	$ 511,863
2017	509,418	2,445	511,863
2018	509,419	2,445	511,864
2019	509,418	2,445	511,863
2020	509,418	2,445	511,863
2021	509,419	2,445	511,864
Total	$ 3,056,510	$ 14,670	$ 3,071,180

14. LONG-TERM LIABILITIES (continued)

Notes Payable – General Fund

In fiscal 1995, the City executed a loan agreement with the Tennessee Municipal Bond Fund (TMBF) for $1,247,994 to fund a grant to the Roane State Foundation for the purpose of purchasing land for a permanent Roane State Community College campus in Oak Ridge and storm drainage improvements. Remaining principal payments occur from 2017 through 2023. The loan had a principal balance of $568,765 at June 30, 2015. Annual interest payments are amortized below using a .99% interest rate, which was the actual weekly rate at June 30, 2015.

In August 2001, City Council authorized the issuance of $1,000,000 in general obligation debt through the TMBF to finance the expansion, renovation and equipping of the Scarboro Center. The United States Department of Housing and Urban Development (HUD) has approved a $95,000 annual grant award that is to finance the annual principal and interest payments through the loans maturity in 2017. At June 30, 2015, the outstanding principal balance of the loan was $124,000. Annual interest payments are amortized below using a 1.38% interest rate, which was the actual weekly rate at June 30, 2015.

On February 25, 2005, the City entered into a $15,000,000 loan agreement with the Public Building Authority of Blount County to fund a portion of the costs for the ORHS project. At June 30, 2015, the outstanding principal balance of the loan was $13,650,000. The interest rate on the fixed rate loan is between 3.0% and 4.125%, with maturity in fiscal 2025.

On December 21, 2006, the City entered into a $5,325,000 loan agreement with the Public Building Authority of Blount County to fund a portion of the costs for renovation and new construction of the ORHS Project. At June 30, 2015, the outstanding principal balance of the loan was $5,325,000. This is a fixed interest rate issuance at 4.375% with principal payments occurring in 2037 and 2038.

On April 16 2008, the City executed a loan agreement with the TMBF for $11,000,000 of which $7,752,288 was used to fund costs for renovation and new construction of the ORHS project and other school capital projects. The remaining loan proceeds were used to fund electric and waterworks projects. At June 30, 2015, the outstanding principal balance of the loan was $7,637,288. Principal payments began in 2014 with maturity in 2027. Annual interest payments are amortized below using a 0.80% interest rate, which was the actual weekly rate at June 30, 2015.

Notes payable also includes $25,875,000 in outstanding debt with the TMBF to fund costs for renovation and construction of the ORHS project for which the City has entered into interest rate swap agreements. See Note 15.

Projected debt service requirements to maturity for notes payable are as outlined below. The interest rate varies on a weekly basis and is paid monthly for the TMBF loans. Annual interest payments on variable interest rate loans are amortized using the actual weekly rate at June 30, 2015. For budgeting purposes, the City uses a 4.5% to 5% interest rate for variable rate loans.

14. LONG-TERM LIABILITIES (continued)

Fiscal Year Ending June 30,	Governmental Activities Principal	Interest	Total Requirements
2015	$ 492,000	$ 1,801,404	$ 2,293,404
2016	552,722	1,786,168	2,338,890
2017	570,326	1,768,734	2,339,060
2018	625,251	1,749,284	2,374,535
2019	655,512	1,727,859	2,383,371
2020-2024	15,461,954	7,567,516	23,029,470
2025-2029	11,672,288	5,092,205	16,764,493
2030-2034	15,335,000	3,128,565	18,463,565
2035-2038	7,815,000	670,083	8,485,083
Total	$ 53,180,053	$ 25,291,818	$ 78,471,871

City Equipment Replacement Rental Fund

In November 2009, the City issued $20,000,000 in taxable general obligation Build America Bonds (BABS) for various City capital projects. The debt amortized below includes $700,000 of the $20,000,000 BABS obligation used to purchase computer hardware. The federal government provides a 35% subsidy on the interest payment due on these bonds. The bonds mature in 2019 with interest rates ranging from 2.875% to 4.63%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Since 2013, the City's interest subsidy payments have been reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2016. The treasury rebate amortized in the table below is based on a 7.3% subsidy reduction. Interest subsidies received totaled $8,476 during the year ended June 30, 2015.

Debt service requirements to maturity for Equipment Replacement Rental Fund general obligation debt for the fiscal year ended June 30, 2015 are as follows:

Fiscal Year Ending June 30,	Governmental Activities Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2016	$ -	$ 19,875	$ (6,448)	$ 13,427	$ 13,427
2017	150,000	19,875	(6,448)	13,427	163,427
2018	-	13,875	(4,502)	9,373	9,373
2019	300,000	13,875	(4,502)	9,373	309,373
Total	$ 450,000	$ 67,500	$ (21,900)	$ 45,600	$ 495,600

14. LONG-TERM LIABILITIES (continued)

Capital Leases Obligations

On July 10, 2012, the Schools entered into a $479,112 capitalized lease purchase agreement with California First National Bank for the purchase of technology equipment. Of the technology equipment included in the lease purchase agreement, only software of $25,000 was capitalized, as all other equipment cost less than $5,000, individually, and these were expensed in accordance with the School's capitalization policy as described in Note 1. Terms of the lease required an initial payment of $124,550 and three annual payments of $124,550 at 2.668% interest through July 10, 2015. The principal balance was $121,313 at June 30, 2015.

In fiscal 2014, the City entered into a $964,291 lease purchase for two fire pumper trucks which were delivered to the City in August 2014. Terms of the lease call for annual lease payments of $98,937 from November 2014 to November 2025. Interest is at 3.35%. The gross amount of assets recorded under the capital lease was $971,596 with $64,773 recorded in accumulated amortization at June 30, 2015. The City recorded $64,773 in depreciation expense on this capital lease in 2015.

Principal and interest requirements for governmental capital lease obligations for the fiscal year ended June 30, 2015 are as follows:

Year Ending June 30,	
2016	223,487
2017	98,937
2018	98,937
2019	98,937
2020	98,937
2021-2025	494,685
2026	98,937
Total Future Minimum Lease Payments	1,212,857
Less:	
Amount Representing Interest	(196,162)
Current Portion of Capital Leases	(189,790)
Long-term Capitalized Lease Obligation	$ 826,905

B. Long-term Debt – Business-type Activities

Bonds

Revenue Bonds

In March 2003, the City issued $12,425,000 in Electric Revenue Refunding Bonds, Series 2003 to refund portions of outstanding Electric Fund debt. This bond issuance was payable solely from and secured by the income and revenues from the operation of the electric power distribution system, subject only to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring said system. Principal payments will occur through 2016. Interest rates on the bonds range from 4% to 5%. The principal balance of the bonds is $960,000 at June 30, 2015.

14. LONG-TERM LIABILITIES (continued)

General Obligation Bonds

In February 2009, the City issued $27,285,000 in General Obligation Refunding Bonds Series 2009 which included a current refunding of $10,380,000 in outstanding Electric Fund variable interest rate revenue debt. The bonds are to be repaid from Electric Fund revenues and accordingly, have been recorded as a long-term liability of the Electric Fund. Principal payments will occur from 2017 through 2025. Interest rates on the bonds range from 2% to 4%. The reacquisition price was $192,508 less than the net carrying amount of the old debt. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the refunded debt. The principal balance of the bonds is $10,070,000 at June 30, 2015.

In November 2009, the City issued $20,000,000 in taxable general obligation BABS for various city capital projects. The City used $5,000,000 of the bond proceeds for Electric Fund capital projects. The annual debt service requirement on this portion of the BABS is to be repaid from Electric Fund revenues and accordingly, have been recorded as a long-term liability of the Electric Fund. The federal government provides a 35% subsidy on the interest payment due on these bonds. Principal payments will occur from 2028 to 2038 with interest rates ranging from 6% to 6.15%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Since 2013, the City's interest subsidy payments have been reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2016. The treasury rebate amortized in the table below is based on a 7.3% subsidy reduction. Interest subsidies received totaled $98,235 during the year ended June 30, 2015.

Debt service requirements to maturity for bonds funded by the Electric Fund for the fiscal year ended June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Business-type Activities Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2015	$ 960,000	$ 789,619	$ (98,235)	$ 691,384	1,651,384
2016	1,000,000	751,219	(98,235)	652,984	1,652,984
2017	1,045,000	701,219	(98,235)	602,984	1,647,984
2018	1,055,000	659,419	(98,235)	561,184	1,616,184
2019	1,135,000	617,219	(98,235)	518,984	1,653,984
2020-2024	5,835,000	2,270,051	(491,175)	1,778,876	7,613,876
2025-2029	1,350,000	1,432,875	(464,895)	967,980	2,317,980
2030-2034	2,250,000	838,875	(272,173)	566,702	2,816,702
2035-2038	1,400,000	173,737	(56,369)	117,368	1,517,368
Total	$16,030,000	$ 8,234,233	$ (1,775,787)	$ 6,458,446	$22,488,446

14. LONG-TERM LIABILITIES (continued)

Electric System Notes Payable

In June 2006, the City executed a $9,000,000 loan agreement through the TMBF for electric and waterworks improvements. The outstanding principal balance of the Electric Fund loan liability was $1,936,220 at June 30, 2015. Annual principal payments will occur through 2026. Annual interest payments are amortized below using a 0.81% interest rate, which was the actual weekly rate at June 30, 2015.

In April 2008, the City executed an $11,000,000 loan agreement through the TMBF for school, electric and waterworks improvements. The outstanding principal balance of the Electric Fund loan liability was $1,428,296 at June 30, 2015. Principal payments will occur from 2015 through 2027. Annual interest payments are amortized below using a 0.80% interest rate, which was the actual weekly rate at June 30, 2015.

The interest rate varies on a weekly basis for these two loans. Annual interest payments are amortized below using the actual weekly rate at June 30, 2015. Projected debt service requirements to maturity as of June 30, 2015 as follows:

	Business-type Activities		
Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2016	$ 213,448	$ 26,982	$ 240,430
2017	149,453	25,301	174,754
2018	155,124	24,086	179,210
2019	196,463	22,801	219,264
2020	167,801	21,230	189,031
2021-2025	1,581,426	80,517	1,661,943
2026-2027	900,801	9,303	910,104
Total	$ 3,364,516	$ 210,220	$ 3,574,736

General Obligation Bonds – Waterworks Fund:

On August 15, 2013, the City issued $23,205,000 in General Obligation Bonds, Series 2013 which refunded the outstanding Series 2003 General Obligation Bonds and the outstanding 1997, 1998 and 2002 State Revolving Fund (SRF) Loans. The Series 2013 Bonds refunded $19,881,973 in outstanding debt, including $15,112,030 in SRF wastewater loans and provided an approximate $3,000,000 in additional funding for sewer projects and $600,000 for water projects. The bonds revised the City's annual waterworks debt service payments into a more manageable structure. There has been considerable pressure on the wastewater rates since the Administrative Order issued by the United States Environmental Protection Agency (EPA) was received by the City in 2010. The annual debt service payments are to be funded through the applicable water and wastewater rates. Interest rates range from 2% to 4.375% with the bonds maturing in 2034. The principal balance of the bonds outstanding at June 30, 2015 was $17,990,000.

14. LONG-TERM LIABILITIES (continued)

In November 2009, the City issued $20,000,000 in taxable general BABS for various city capital projects. The City used $5,000,000 of the bond proceeds for Waterworks Fund capital projects. The annual debt service requirement on this portion of the BABS is to be repaid from Waterworks Fund revenues and accordingly, have been recorded as a long-term liability of the Waterworks Fund. The federal government provides a 35% subsidy on the interest payment due on these bonds. Principal payments will occur from 2023 to 2030 with interest rates ranging from 5% to 6%, before the 35% federal subsidy is applied. The City has no assurance that the United States Government will continue to make the direct subsidy payments or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Since 2013, the City's interest subsidy payments have been reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2016. The treasury rebate amortized in the table below is based on a 7.3% subsidy reduction. Interest subsidies received totaled $94,780 during the year ended June 30, 2015.

On September 29, 2011, the City issued $9,810,000 in General Obligation Bonds Series 2011B for capital improvements to the City's water and wastewater system. The annual debt service payments are to be funded through the applicable water and wastewater rates. Interest rates range from 2% to 3% with the bonds maturing in 2028. The principal balance of the bonds outstanding at June 30, 2014 was $9,510,000.

Debt service requirements to maturity for bonds funded by the Waterworks Fund for the fiscal year ended June 30, 2015, are as follows:

	Business-type Activities				
Fiscal Year Ending June 30,	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2016	$ 830,000	$ 1,233,925	$ (94,780)	$ 1,139,145	$ 1,969,145
2017	435,000	1,217,325	(94,780)	1,122,545	1,557,545
2018	445,000	1,208,625	(94,780)	1,113,845	1,558,845
2019	480,000	1,197,275	(94,780)	1,102,495	1,582,495
2020	890,000	1,185,125	(94,780)	1,090,345	1,980,345
2021-2025	8,305,000	5,352,038	(459,380)	4,892,658	13,197,658
2026-2030	13,335,000	3,474,477	(251,165)	3,223,312	16,558,312
2031-2034	7,780,000	838,742	-	838,742	8,618,742
Total	$ 32,500,000	$ 15,707,532	$ (1,184,445)	$ 14,523,087	$ 47,023,087

14. LONG-TERM LIABILITIES (continued)

Notes Payable – Waterworks Fund

The City executed loan agreements for $6,152,006 and $3,000,000 during fiscal 1995 and 2001, respectively, with the TMBF to fund water and wastewater system rehabilitation and expansion. The 2003 to 2016 maturities of the 1995 loan were paid from the proceeds of the General Obligation Refunding Bonds Series 2003. The remaining portion of the 1995 loan matures in 2023 and the 2001 loan matures in 2022. The outstanding principal balance on these loans at June 30, 2015 was $4,196,735. Annual interest payments are amortized below using a .99% and .85% interest rate on the 1995 and 2001 loan, respectively, which was the actual weekly rate at June 30, 2015.

In June 2006, the City executed a $9,000,000 loan agreement through the TMBF for electric and waterworks improvements. The outstanding principal balance of the Waterworks Fund portion of the loan was $3,867,783 at June 30, 2015. Annual principal payments will occur through 2026. Annual interest payments are amortized below using a 0.81% interest rate, which was the actual weekly rate at June 30, 2015.

In April 2008, the City executed an $11,000,000 loan agreement through the TMBF for school, electric and waterworks improvements. The outstanding principal balance of the Waterworks Fund portion of the loan was $1,794,416 at June 30, 2015. Principal payments will occur from 2017 through 2027. Annual interest payments are amortized below using a 0.80% interest rate, which was the actual weekly rate at June 30, 2015.

In December 2012, the City executed a $5,000,000 loan agreement through the TMBF waterworks improvements. The outstanding principal balance of the loan was $4,675,000 at June 30, 2015. This is a draw loan whereby funds are drawn as work is performed. All available funds have been drawn on this loan at year-end. The loan is for a 20-year term with principal payments beginning in 2014. Annual interest payments are amortized below using a 1.01% interest rate, which was the actual weekly rate at June 30, 2015.

During fiscal 2011, the General Fund loaned the Waterworks Fund $5,000,000 for bridge financing of waterworks capital improvements. Under Tennessee State Law, these type loans between City funds are required to be in the form of capital outlay notes. State law requires City Council to adopt a resolution authorizing the obligation and obtainment of approval from the Comptroller of the Treasury or Comptroller's designee in accordance with the requirements of Title 9, Chapter 21, Part 6, Tennessee Code Annotated. The interfund loan is dated November 1, 2010. On July 11, 2011, City Council retroactively authorized the issuance of $5,000,000 in capital outlay notes as of November 1, 2010, and on August 8, 2011 the City received notification of the retroactive approval of the capital outlay notes by the Comptroller's Office. The notes were originally issued for a three year term. Approval must be obtained from the Comptroller in increments of three year periods for a maximum total of nine years. In June 2013, City Council approved an extension of the loan with the expectation that the loan will mature in November 2019. The Comptroller has approved a three year extension of the loan through November 2016. A request to the Comptroller for an additional three year extension will be made at that time. The loan has a 1% interest rate. The capital outlay notes were recorded as an advance to other funds in the City's General Fund and as a liability for notes payable in the Waterworks Fund. The capital outlay notes had an outstanding balance of $1,190,477 at June 30, 2015.

14. LONG-TERM LIABILITIES (continued)

The TMBF loans and capital outlay notes are to be repaid from Waterworks Fund revenues and accordingly, have been recorded as a long-term liability of the Waterworks Fund. Terms of the TMBF loan agreements provide for annual principal and monthly interest installments, with the interest rate varying on a weekly basis. Annual interest payments are amortized below using the actual weekly rate at June 30, 2015, with projected debt service requirements to maturity as follows:

	Business-Type Activities		
Fiscal Year Ending June 30	Principal	Interest	Total Requirements
2015	$ 869,647	$ 142,675	$ 1,012,322
2016	1,297,621	134,318	1,431,939
2017	1,358,645	122,305	1,480,950
2018	1,388,581	109,760	1,498,342
2020	1,446,183	96,886	1,543,069
2021-2025	5,720,820	311,561	6,032,381
2026-2030	2,585,912	108,775	2,694,687
2031-2035	1,057,000	20,697	1,077,697
Total	$ 15,724,409	$ 1,046,977	$ 16,771,386

Tennessee State Revolving Fund Loan (SRF) – Waterworks Fund

In June 2013, the State approved the City's application for an $18,000,000 loan through the SRF to fund wastewater projects mandated to meet terms of an Administrative Order (AO) from the United States Environmental Protection Agency (EPA). The State approved issuance of a $14,000,000 SRF loan and a $4,000,000 SRF loan that contains a 10% principal forgiveness. These are draw loans whereby funding draws occur after expenditures for projects are made by the City. The outstanding principal balance of these loans was $7,889,308 and $1,884,906, respectively, at June 30, 2015. The interest rate, including fees, is 1.23%. Principal payments begin for a 20-year period when the capital projects are substantially complete.

Debt service payments will be funded by Waterworks Fund revenues from residential and commercial wastewater fees. The City pledged its State-shared tax revenues (state sales, gasoline, beer, TVA replacement, mixed drinks, alcoholic beverages and income tax) as collateral for the loans. It is not anticipated that revenues from these sources will be required to fund the debt service on these loans.

In June 2014, the State approved the City's application for a $3,000,000 loan through the SRF to complete the capital projects required to meet the EPA AO. The interest rate on this loan is 1.81%. The outstanding principal balance of this loan was $247,526 at June 30, 2015.

14. LONG-TERM LIABILITIES (continued)

A projected amortization schedule for outstanding SRF loans as of June 30, 2015 is as follows:

	Business-Type Activities		
Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2016	$ 444,116	$ 122,178	$ 566,294
2017	449,671	116,623	566,294
2018	455,296	110,999	566,295
2019	460,990	105,303	566,293
2020	466,757	99,537	566,294
2021-2025	2,422,854	408,616	2,831,470
2026-2030	2,578,294	253,175	2,831,469
2031-2035	2,743,762	87,705	2,831,467
Total	$ 10,021,740	$ 1,304,136	$ 11,325,876

Capital Leases Obligations – Business-type Activities

On December 19, 2006, the City entered into a capital lease agreement with Motorola to upgrade the City's 800 MHz radio system to allow for digital capabilities. Terms of the 10-year lease agreement call for annual principal and interest payments of $150,902 beginning on January 1, 2008. The interest rate on the lease is 4.98%.

The future principal and interest payments on these capital lease obligations as of June 30, 2015 are as follows:

Year Ending June 30,	
2016	150,902
2017	150,901
Total Future Minimum Lease Payments	301,803
Less:	
Amount Presenting Interest at 4.98%	(21,135)
Current Portion of Capital Lease	(136,924)
Long-term Capitalized Lease Obligation	$ 143,744

15. INTEREST RATE SWAPS

As of June 30, 2015, the City had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Maturity Date	Term
Series VI-D-3[1]	Pay-fixed Interest Rate Swap	Variable to Synthetic Fixed Rate	$10,000,000	6/1/2033	Pay 3.725% Receive 63.5% of five year LIBOR
Series VI-H-1[2]	Pay-fixed Interest Rate Swap	Variable to Synthetic Fixed Rate	$15,675,000	6/1/2036	Pay 3.536% Receive 63.0% of five year LIBOR

[1]Refunded to Series VII-E-1
[2]Refunded to Series VII-E-1 and Series VI-M-1

The fair value balance and notional amounts of derivative instruments outstanding at June 30, 2015, classified by type and the changes in fair value of such derivative instruments for the years then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2015		June 30, 2015 Notational
Type	Classification	Amount	Classification	Amount	Amount
Governmental Activities					
Investment Derivative:					
Pay-fixed Interest Rate Swap					
Series VI-D-3[1]	Investment Loss	$(361,958)	Debt	$(2,321,484)	$10,000,000
Investment Derivative:					
Pay-fixed Interest Rate Swap					
Series VI-H-1[2]	Investment Loss	(520,490)	Debt	(3,115,548)	$15,675,000
		$(882,448)		$(5,437,032)	

[1]Refunded to Series VII-E-1
[2]Refunded to Series VII-E-1 and Series VI-M-1

15. INTEREST RATE SWAPS (continued)

Swap - Local Government Improvement Bonds, Series VI-D-3 (Refunded by Series VII-E-1 bonds)

On December 1, 2004, the City entered into a $10,000,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-LOANs program to fund a portion of the costs for renovation and new construction of the ORHS Project. Principal payments are to occur on the loan from 2031 to 2033. Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-D-3.

The swap Series VI-D-3 did not meet that criteria to be classified as a hedging derivative instrument, and therefore is classified as an investment derivative. The City recorded a liability for the investment derivative totaling the negative fair value of $2,321,484 in the statement of net position. The City also recorded the current year change in fair value of $361,958 in the statement of activities as interest and fiscal charges.

Objective of the Interest Rate Swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its $10 million Series VI-D-3 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series VI-D-3 bonds have since been refunded with a portion of the proceeds of the Series VII-E-1 bonds and the interest rate swap is now associated with the Series VII-E-1 bonds.

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.725% and receives a variable payment computed as 63.50% of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of $10 million and the associated variable-rate bond has a $10 million principal amount. At no time will the notional amount on the interest rate swap agreement exceed the outstanding principal of the Series VII-E-1 Bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2033.

As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.725%
Variable Payment from Counterparty	% LIBOR	-1.130%
Net Interest Rate Swap Payments		2.595%
Variable Rate Bond Coupon Payments		0.640%
On-going Variable Rate Bond Payments		0.200%
Effective Synthetic Interest Rate on Bonds		3.435%

15. INTEREST RATE SWAPS (continued)

Fair Value: As of June 30, 2015 the swap had a negative fair value of ($2,321,484). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit Risk: As of June 30, 2015, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap' fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP"), now Raymond James Financial, Inc. was rated "A+" by Standard & Poor's as of June 30, 2015, with its Credit Support Provider, Deutsche Bank, rated A3/BBB+/A by Moddy's, Standard & Poor's and Fitch, respectively.

Basis Risk: As noted above, the swap exposes the City to basis risk should the rate on the Bonds increase to above 63.5% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63.5% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination Risk: The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt: As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

15. INTEREST RATE SWAPS (continued)

Fiscal Year Ending June 30,	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Interest Rate Swap	Total
2016	$ -	$ 63,988	$ 259,470	$ 323,458
2017	-	63,988	259,470	323,458
2018	-	63,988	259,470	323,458
2019	-	63,988	259,470	323,458
2020	-	63,988	259,470	323,458
2021-2025	-	319,938	1,297,350	1,617,288
2026-2030	-	319,938	1,297,350	1,617,288
2031-2033	10,000,000	149,091	604,565	10,753,656
Total	$10,000,000	$1,108,907	$4,496,615	$15,605,522

Swap - Local Government Improvement Bonds, Series VI-H-1 (Refunded to Series VII-E-1 bonds and Series VI-M-1 bonds)

On November 22, 2006, the City entered into a $15,675,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-LOANs program to fund a portion of the costs for renovation and new construction of the ORHS Project. Principal payments are to occur on the loan from 2025 to 2036. Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-H-1.

The swap Series VI-H-1 did not meet the criteria to be classified as a hedging derivative instrument, and therefore is classified as an investment derivative. The City recorded a liability for the investment derivative totaling the negative fair value of $3,115,548 in the statement of net position. The city also recorded the current year changes in fair value of $520,490 in the statement of activities as interest and fiscal charges.

Objective of the Interest Rate Swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its $15.675 million Series VI-H-1 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. $11,000,000 of the Series VI-H-1 bonds have since been refunded with a portion of the proceeds of the Series VII-E-1 bonds and the related portion of the interest rate swap is now associated with the Series VII-E-1 bonds. The remaining $4,675,000 of the Series VI-H-1 bonds have since been refunded with a portion of the Series VI-M-1 bonds and the related portion of the interest rate swap is now associated with the Series VI-M-1 bonds.

15. INTEREST RATE SWAPS (continued)

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.536% and receives a variable payment computed as 63% of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of $15.675 million and the associated variable-rate bond has a $15.675 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-E-1 Bonds and/or Series VI-M-1. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index™ (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2036.

As of June 30, 2015, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.536%
Variable Payment from Counterparty	% LIBOR	-1.121%
Net Interest Rate Swap Payments		2.415%
Variable Rate Bond Coupon Payments		0.640%
On-going Variable Rate Bond Payments		0.200%
Effective Synthetic Interest Rate on Bonds		3.255%

Fair Value: As of June 30, 2014, the swap had a negative fair value of $3,115,548. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows to their present value.

Credit Risk: As of June 30, 2015, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, entered into the interest rate swap agreement with DEPFA Bank of Dublin, Ireland, who was rated "A+" by Standard & Poor's, "AA-" by Fitch Ratings and "Aa3" by Moody's Investor Service at the time the interest rate swap agreement was entered into. If DEPFA's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian. As of June 30, 2015, DEPFA's credit rating had been downgraded and was rated "A-" by Standard and Poor's, "Ba1" by Moody's Investors Service and "BBB" by Fitch Ratings. The counterparty has posted all collateral requirements with a third-party custodian.

Basis Risk: As noted above, the swap exposes the City to basis risk should the rate on the bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

15. INTEREST RATE SWAPS (continued)

Termination Risk: The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt: As of June 30, 2015, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Fiscal Year Ending June 30,	Principal	Interest	Net Interest Rate Swap Payment	Total
2016	$ -	$ 100,300	$ 378,489	$ 478,789
2017	-	100,300	378,489	478,789
2018	-	100,300	378,489	478,789
2019	-	100,300	378,489	478,789
2020	-	100,300	378,489	478,789
2021-2025	-	501,502	1,892,443	2,393,945
2026-2030	7,950,000	404,081	1,524,820	9,878,901
2031-2035	5,250,000	217,238	819,757	6,286,995
2035-2036	2,475,000	15,837	59,761	2,550,598
Total	$15,675,000	$1,640,158	$6,189,226	$23,504,384

15. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Advances to and from accounts represent long-term loans between funds. During fiscal 2012, the General Fund advanced the Waterworks Fund $5,000,000 for bridge financing for Waterworks capital improvements. Under Tennessee State Law, these type loans between City funds are required to be in the form of capital outlay notes. Annual principal payments are anticipated to be due in seven remaining equal installments with interest at 1% per annum. Approval must be obtained from the Comptroller's office in 2016 for another three year loan extension through November 2019. The capital outlay notes were recorded as an advance to other funds in the City's General Fund and as liability for notes payable in the Waterworks Fund. The balance at June 30, 2015 is $1,190,477.

16. TRANSFERS

Transfers were primarily to support capital projects, debt service and operations of the funds. Interfund transfers for the current fiscal year were as follows:

	Transfer In					
Transfer Out	General Fund	General Purpose School Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	Total
General Fund	$ -	$ 14,629,302	$ 350,000	$3,545,000	$ 942,936	$ 19,467,238
General Purpose School Fund	-	-	-	-	52,376	52,376
Debt Service Fund	-	-	350,000	-	-	350,000
Electric Fund	1,484,735	-	-	-	-	1,484,735
Waterworks Fund	1,597,031	-	-	-	-	1,597,031
Nonmajor Funds	257,816	-	903,819	-	-	1,161,635
Total	$ 3,339,582	$ 14,629,302	$ 1,603,819	$ 3,545,000	$ 995,312	$ 24,113,015

17. COMMITMENTS

At June 30, 2015, the City had remaining contractual commitments for professional services, construction contracts and equipment purchases totaling $10,968,637 for the following projects:

Projects	Spent-To-Date	Commitment Remaining	Committed Fund
Jackson Square Project Phase I	660,286	544,660	Capital Projects
Blankenship Field Parking Lot	-	264,791	Capital Projects
Line Construction	2,465,598	633,830	Electric
Substation Batteries	-	169,221	Electric
Tree Pruning, Removal and Brush Control	1,376,705	145,150	Electric
Fiber Optic Cable Project	82,355	77,513	Electric
Water Tank Improvements	689,051	10,149	Waterworks
West End Waterworks Expansion	2,470,921	1,289,038	Waterworks
Engineering for Sewer Remediation	4,077,809	716,561	Waterworks
Administrative Order EPA	9,378,063	6,814,869	Waterworks
Equipment	-	203,494	Waterworks
Equipment	387,447	99,361	Equipment Replacement
Total	$ 21,588,235	$ 10,968,637	

17. COMMITMENTS (continued)

Electric projects will be funded through existing cash reserves and a 1.2% rate increase adopted in October 2013. Waterworks Fund projects will be funded through debt issuances during fiscal 2013 and 2014 and revenues generated through the respective rate structure. In December 2012, the City issued a $5,000,000 loan through the TMBF for water and wastewater projects. $21,000,000 in State Revolving Fund Loans have been approved for projects under the EPA Administrative Order. In August 2013, the City restructured debt and issued an additional approximate $3,585,000 for waterworks projects. Rate increases for both water and wastewater services were adopted by City Council with effective dates of January 2014 and January 2015. Capital projects included in the Capital Projects Fund will be funded by approximately $360,000 in grant proceeds, with the remaining from existing cash reserves. Equipment Replacement Rental Fund capital projects will be funded through existing cash reserves.

18. FUND BALANCE

At June 30, 2015, fund balance is classified as follows:

	Major Governmental Funds					
	General Fund	General Purpose School Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
Nonspendable:						
Inventory	$ 199,428	$ -	$ -	$ -	$ 69,420	$ 268,848
Prepaids	-	87,814	-	-	73,013	160,827
Advances to Other Funds	1,190,477	-	-	-	-	1,190,477
Restricted To:						
Education Programs	-	18,295	-	-	121,476	139,771
Debt Service	-	-	-	7,196,838	-	7,196,838
Drug Enforcement	-	-	-	-	261,346	261,346
Street Improvements	-	-	-	-	912,682	912,682
Committed To:						
Education Programs	-	13,901	-	-	-	13,901
Assigned To:						
Education	-	5,886,330	-	-	18,080	5,904,410
Debt Service	-	-	-	2,264,814	-	2,264,814
Capital Projects	-	-	2,515,731	-	-	2,515,731
Recreation	-	-	-	-	133,836	133,836
Fire and Emergency Services	-	-	-	-	304,751	304,751
Unassigned	8,026,420	-	-	-	-	8,026,420
Total	$ 9,416,325	$ 6,006,340	$ 2,515,731	$ 9,461,652	$ 1,894,604	$ 29,294,652

Nonspendable fund balances include $268,848 in inventory, comprised of $199,428 in the General Fund, $36,051 in the State Street Aid Fund and $33,369 in the Golf Course Fund and $160,827 in miscellaneous prepaids. The General Fund has an outstanding advance to the Waterworks Fund for capital improvements in the amount of $1,190,477.

18. FUND BALANCE (continued)

Restrictions and commitments in Education Programs of $139,771 and $13,901, respectively, were primarily for the Career Ladder Program, Extended School Fund and for the Central Cafeteria Fund. The $7,196,838 restricted fund balance in the Debt Service Fund is from that portion of local sales tax collections that resulted from a .50% increase in the sales tax approved by Oak Ridge voters at referendum. These sales tax proceeds are restricted to paying the debt issued for the renovation and construction at the ORHS until all the debt is extinguished. Restrictions in the Drug and State Street Aid Funds are due to state law restrictions on the revenues accounted for in those funds.

City Council assigned $11,123,542 for various endeavors, including education, debt service, capital projects, recreation, and fire and emergency services.

19. LITIGATION

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both an asset has been impaired or a liability has been incurred, and the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

20. RISK MANAGEMENT

The City Insurance Fund, an internal service fund, is used to account for risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and employee medical insurance plans. The City Insurance Fund does not account for risks related to the City School system assets or employees. Funding for the City Insurance Fund is provided by the General, Electric and Waterworks Funds through an allocation for insurance coverage based on each Fund’s pro rata share of services provided. The General Purpose School Fund, a Special Revenue Fund, is used to account for School system risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and employee medical insurance plans.

City employee group medical insurance is fully provided through an independent insurance carrier with the City and employees contributing to payment of the premiums. Dental and vision benefits provided to employees by the City are self-insured and funded from the revenues of the City Insurance Fund. School employee medical insurance is fully provided through an independent insurance carrier with the General Purpose School Fund and the employees contributing to payment of the premiums.

20. RISK MANAGEMENT (continued)

Insurance coverage for assets related to general liability, auto liability, auto physical damage, errors and omissions and workers compensation for city and school system employees is through public entity risk pools operated as a risk sharing programs by the Tennessee Municipal League (TML) for the City coverage and the Tennessee Risk Management Trust (TNRMT) for School coverage. These pools are sustained by member premiums and the City and Schools pay an annual premium for its coverage. Coverage through the Pool is for payment of damage claims and to defend the City in any damage suit that is included in the coverage, up to the policy's applicable limits, at the Pool's expense. This includes any other necessary costs relating to the defense. The City has the responsibility of following any reporting requirements, including timely reporting of any incidents that might result in a damage claim. The City is to do everything necessary to protect the rights of recovery of the Pool and enforcement of these rights by complying with all terms of the policy. The Pool has the right to apply premium rate changes as necessary.

Other risks of loss are covered by commercial insurance with the City being responsible for the per occurrence deductible. The annual per occurrence deductible for each insurance policy covered by the School Fund for fiscal 2014 is $500 except for boiler and machinery, which is $1,000. In fiscal 2015, the city paid $205,204 in net deductibles to the TML for workers compensation and property liability claims.

The per occurrence deductible for each insurance policy covered by the City Insurance Fund for fiscal 2015 is as outlined below:

Insurance Plan	Annual Per Occurrence Deductible
General Liability	$ 1,000
Auto Liability	1,000
Auto Physical Damage	5,000
Errors and Omissions	5,000
Buildings and Personal Property	10,000
Equipment Breakdown	10,000
Electronic Data Processing Equipment	2,500
Worker's Compensation	50,000

There have been no liabilities in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability amount for the City Insurance Funds for the fiscal years ended June 30, 2015, and June 30, 2014, were as follows:

	Beginning of Fiscal Year Liability	Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year End
2015	$ 40,077	$ 488,934	$(381,221)	$ 147,790
2014	$ 358,410	$ 163,048	$(481,381)	$ 40,077

21. ENVIRONMENTAL PROTECTION AGENCY ADMINISTRATIVE ORDER

On September 27, 2010, the City received an administrative order (AO) from the United States Environmental Protection Agency (EPA). The City was found to be in violation of Section 301 of the Clean Water Act (CWA), 33 U.S.C. Section 1311. Failure to comply with the AO would subject the City to certain penalties. The City was given a timetable and actions to be made to remedy the violations with various deadlines through September 2015. In August 2012, the City's Wastewater Collection System Remediation Plan Report was submitted to and approved by EPA which outlines the construction project schedule to meet the requirements of the AO. At that time, construction project costs were estimated at $23,090,800 with an estimated completion date of August 2015. In September 2015, the City received a "closure letter" from the EPA stating the AO has been fulfilled.

During fiscal 2014, City Council approved wastewater increases effective January 1, 2014, and January 1, 2015. Rate increases were necessary to fund the debt and increased level of ongoing maintenance costs required for the City to meet the requirements of the AO.

22. BUDGET AMENDMENTS

Governmental Fund	Original Budget	Additional Appropriations	Final Budget
General Purpose School Fund	$ 56,993,641	$ (6,850,857)	$50,142,784
School Federal Projects Fund	3,309,223	78,953	3,388,176
Other Education Fund	105,214	10,474	115,688
Extended School Program Fund	416,482	-	416,482
Central Cafeteria Fund	1,965,990	10,000	1,975,990
School Equipment Replacement Fund	49,007	-	49,007
Total Schools	$ 62,839,557	$ (6,751,430)	$56,088,127
West End Fund	$ 2,597,110	$ 132,412	$ 2,729,522

Copies of the complete financial statements of the City for the current Fiscal Year are available at http://www.comptroller.tn.gov/RA_MA_Financial/Default.aspx