

# OFFICIAL STATEMENT

## **NEW ISSUE** **BOOK-ENTRY-ONLY**

Rating: S&P: "AA+"  
(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 in calculating the alternative minimum tax. 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).*

# \$13,285,000

## **CITY OF OAK RIDGE, TENNESSEE** **General Obligation Bonds, Series 2018**

Dated: December 18, 2018

Due: June 1 (as indicated below)

The \$13,285,000 General Obligation Bonds, Series 2018 (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, 2019 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 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 and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

Bonds maturing June 1, 2027 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2026.

<u>Due</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIPs**</u>
2022	\$ 380,000	5.00%	2.11%	671783 TY4	2031	\$ 560,000	4.00%	2.98%	c 671783 UH9
2023	395,000	5.00	2.18	671783 TZ1	2032	580,000	3.25	3.36	671783 UJ5
2024	415,000	5.00	2.26	671783 UA4	2033	600,000	4.00	3.20	c 671783 UK2
2025	440,000	5.00	2.34	671783 UB2	2034	625,000	3.375	3.50	671783 UL0
2026	460,000	5.00	2.46	671783 UC0	2035	645,000	4.00	3.38	c 671783 UM8
2027	485,000	5.00	2.56	c 671783 UD8	2036	670,000	3.50	3.63	671783 UN6
2028	505,000	3.00	3.00	671783 UE6	2037	695,000	4.00	3.57	c 671783 UP1
2029	520,000	3.00	3.08	671783 UF3	2038	720,000	4.00	3.63	c 671783 UQ9
2030	540,000	4.00	2.87	c 671783 UG1	2039	750,000	4.00	3.67	c 671783 UR7
\$1,590,000 3.75% Term Bond Due June 1, 2041 @ 3.82%					671783 UT3				
\$1,710,000 3.75% Term Bond Due June 1, 2043 @ 3.88%					671783 UV8				

c = Yield to call on June 1, 2026.

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 approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Kenneth R. Krushenski, Esq., attorney to the City. It is expected that the Bonds will be available for delivery through the facilities of DTC, New York, New York, on or about December 18, 2018.

**Cumberland Securities Company, Inc.**  
*Financial Advisor*

November 27, 2018

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 S&P 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  
Derrick Hammond  
Charles J. Hope, Jr.  
Ellen Smith

### CITY OFFICIALS

Janice E. McGinnis <i>Finance Director</i>	Mark S. Watson <i>City Manager</i>	Beth Hickman <i>City Clerk</i>
	Kenneth R. Krushenski <i>City Attorney</i>	

### UNDERWRITER

Fidelity Capital Markets  
Boston, Massachusetts

### BOND REGISTRATION AND PAYING AGENT

Regions Bank  
Nashville, Tennessee

### BOND COUNSEL

Bass, Berry & Sims PLC  
Knoxville, Tennessee

### FINANCIAL ADVISOR

Cumberland Securities Company, Inc.  
Knoxville, Tennessee



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## 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”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds.....	\$13,285,000 General Obligation Bonds, Series 2018 (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 and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose .....	The Bonds are being issued for the purpose of financing in whole or in part, (i) the acquisition, construction, and/or equipping certain school facilities for use as a pre-kindergarten, (ii) the acquisition, construction, renovation and/or improvement of buildings and other improvements to be used for school purposes, public buildings, parks and a senior center, (iii) the acquisition of all property, real or personal, appurtenant thereto, or connected with such public works projects; (iv) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (v) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vi) payment of capitalized interest during construction of such projects and for up to six months thereafter; and (vii) payment of the costs related to the issuance and sale of the Bonds. See the section entitled “SECURITIES OFFERED - Authority and Purpose” contained herein.
Optional Redemption .....	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2026, 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 in calculating the alternative minimum tax. 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).
Rating.....	S&P: “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 Parties; Others”, herein.
Underwriter.....	Fidelity Capital Markets, Boston, Massachusetts.

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”) established in Tennessee, if any, annual financial statements and other pertinent credit information, including the Comprehensive Annual Financial Reports. For additional information, see the section entitled “MISCELLANEOUS - Continuing Disclosure” for additional information.

Other Information.....The information in the *Official Statement* is deemed “final” within the meaning of 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 BALANCES**  
**Summary of Changes In Fund Balances**  
(In Thousands)  
**For the Fiscal Year Ended June 30**

	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Beginning Fund Balance	\$9,217,049	\$10,060,140	\$9,473,710	\$9,416,325	\$10,347,792
Revenues	38,623,875	38,974,825	38,795,748	42,414,400	41,497,965
Expenditures	21,551,918	22,748,714	22,725,477	24,084,268	21,211,302
Other Financing Sources:					
Transfers In	3,393,631	3,012,318	3,339,582	3,379,250	3,451,074
Transfers Out	(19,622,497)	(19,824,859)	(19,467,238)	(20,777,915)	(22,710,691)
Excess of Revenue/Other Sources Over (Under)	843,091	(586,430)	(57,385)	931,467	1,027,046
<b>Ending Fund Balance</b>	<b>\$10,060,140</b>	<b>\$9,473,710</b>	<b>\$9,416,325</b>	<b>\$10,347,792</b>	<b>\$11,374,838</b>

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



**\$13,285,000**  
**CITY OF OAK RIDGE, TENNESSEE**  
**General Obligation Bonds, Series 2018**

**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”, “Municipality” or “Issuer”) of its \$13,285,000 General Obligation Bonds, Series 2018 (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 September 10, 2018 and on October 29, 2018.

The Bonds are being issued for the purpose of financing in whole or in part, (i) the acquisition, construction, and/or equipping certain school facilities for use as a pre-kindergarten, (ii) the acquisition, construction, renovation and/or improvement of buildings and other improvements to be used for school purposes, public buildings, parks and a senior center, (iii) the acquisition of all property, real or personal, appurtenant thereto, or connected with such public works projects; (iv) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (v) reimbursement to the Municipality for funds previously expended for any of the foregoing; (vi) payment of capitalized interest during construction of such projects and for up to six months thereafter; and (vii) payment of the costs related to the issuance and sale of the Bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from the date of issuance December 18, 2018. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2019. The Bonds are issuable in registered book-entry 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 are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably 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 Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

**OPTIONAL REDEMPTION**

Bonds maturing June 1, 2027, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2026 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 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 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, 2041, and June 1, 2043 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 with a maturity shall be selected in the same manner as described above for optional redemption.

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

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2041	June 1, 2040	\$780,000
	June 1, 2041*	\$810,000
June 1, 2043	June 1, 2042	\$840,000
	June 1, 2043*	\$870,000

\*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 or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

*(The remainder of this page left blank intentionally.)*

## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, 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 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 S&P rating of AA+. 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](http://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 for 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 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 deposited by the City with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the Oak Ridge 2018 Construction Fund (the “Construction Fund”), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the City. The City shall disburse funds in the Construction Fund 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, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Financial Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the City for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law.

## **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 of 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.

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.

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 these Bonds as it accrues is excluded from a bondholder's federal gross income under the Internal Revenue 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 these Bonds will be increased. If a bondholder owns one of these Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount

*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 Continuing 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 legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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## MISCELLANEOUS

### **RATING**

S&P Global Ratings (“S&P”) 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 S&P, 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 S&P and any explanation of the significance of such rating should be obtained from S&P.

### **COMPETITIVE PUBLIC SALE**

The Bonds were offered for sale at competitive public bidding on November 27, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated November 14, 2018.

The successful bidder for the Bonds was an account led by Fidelity Capital Markets, Boston, Massachusetts (the “Underwriters”) who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$13,651,918.80 (consisting of the par amount of the Bonds, plus a net reoffering premium of \$476,316.55 and less an underwriter’s discount of \$109,397.75) or 102.761903% 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 affiliated 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 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 months

after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (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 issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. 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](http://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 on time at [www.emma@msrb.org](mailto: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 for fiscal year ending June 30, 2012 under the CUSIP Numbers of the Local Government Public Improvement Bonds, Series B-9-A (City of Oak Ridge), dated February 25, 2005 (the "Series B-9-A Bonds"); and Local Government Public Improvement Bonds, Series B-11-A (City of Oak Ridge), dated December 21, 2006 (the "Series B-11-A Bonds") for which the City was an obligated person. The City did file the Annual Reports for fiscal year ending June 30, 2012 for the Series B-9-A Bonds and Series B-11-A Bonds on May 2, 2014, however, the Annual Reports were available under the City's base CUSIP which were filed on time on May 17, 2013. The City filed the Annual Reports for fiscal year ending June 30, 2013 through June 30, 2016 on time for both the City's base CUSIP and the Series B-9-A Bonds and Series B-11-A Bonds CUSIPS. Additionally, the Series B-9-A Bonds were redeemed by the City on December 21, 2015 and on January 4, 2016, and the Series B-11-A Bonds were redeemed by the City on June 1, 2016.

In the past five years, the Issuer has failed to file the required information and Annual Reports for the Electric Revenue Refunding Bonds, Series 2003 (the "Electric Bonds") due to an error on the part of the dissemination agent due to the above Electric Bonds having a separate base CUSIP (671785) from the rest of the Issuer's debt. Fiscal Years June 30, 2012 through June 30, 2016 were filed on October 23, 2017. However, all of the Issuer's required information and annual reports for fiscal Years June 30, 2012 through June 30, 2016 were filed on time to the Issuer's base CUSIP of 671783. Additionally, the Electric Bonds were redeemed by the City on June 1, 2016.

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.

The City does not deem any of the foregoing omissions to be material, and therefore, in the judgment of the City, 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-19;
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-20 and B-21;
3. Information about the Bonded Debt Service Requirements – General Obligation Fund as of the end of such fiscal year as shown on page B-22;
4. Information about Bonded Debt Service Requirements– Water and Sewer System as of the end of such fiscal year as shown on page B-23;
5. Information about Bonded Debt Service Requirements– Revenue Supported bonds Electric System as of the end of such fiscal year as shown on page B-24;
6. The fund balances, net assets and retained earnings for the fiscal year as shown on page B-26;
7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-27;
8. Summary of Revenues, Expenditures and Changes in Fund Balances - Electric Fund for the fiscal year as shown on page B-28;
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-35;
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-35; and
11. The ten largest taxpayers as shown on page B-36.

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 each of 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 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 L. Gooch  
Mayor

ATTEST:

/s/ Beth Hickman  
City Administrator / City Clerk



## **APPENDIX A**

### **FORM OF LEGAL 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 \$13,285,000 General Obligation Bonds, Series 2018 (the "Bonds") dated December 18, 2018. 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.

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. 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, 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.

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

**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 within 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.

Commercial air service is provided by McGhee Tyson Airport, a major commercial and freight air terminal at Alcoa, Tennessee about 25 miles away. 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. The City has proposed a new general aviation airport in the East Tennessee Technology Park in Oak Ridge (please see “RECENT DEVELOPMENTS” for more information).

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 three school systems located within the County. *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 2017 enrollment of about 4,383 students for 399 teachers. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. The fall 2016 enrollment was about 4,399 students with 334 teachers. In addition to the City system, a parochial school also exists within the County covering grades one through eight with an enrollment of approximately 200 students. The *Clinton City School System* operates three elementary schools. The fall 2016 enrollment was about 935 students with 65 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. 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 2017

enrollment of more than 28,321 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 2017 enrollment was about 5,626 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 school. 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 2015 enrollment was 502 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, headquartered in nearby Knoxville, has nine acute-care hospitals, inpatient and outpatient cancer care, behavioral and rehabilitation centers, home health, outpatient surgery and diagnostic centers, physician offices and more. More than 10,000 people are employed by Covenant Health and its member organizations, with nearly 1,500 affiliated physicians. Covenant Health is a comprehensive health system established in 1996.

*Methodist Medical Center of Oak Ridge*, a 301-bed acute care facility in Oak Ridge, is one of the first hospitals in East Tennessee to offer cutting-edge treatments that benefit people with life-threatening aneurysms; severely damaged knee, hip and shoulder joints; sudden heart failure; and nonhealing wounds. The hospital offers over 30 specialties, from open heart to neurosurgery and boasts one of the highest percentages of board certified physicians in the area. 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* is a 105-bed facility located in Harriman. There is a large medical staff of about 140 physicians and nurses. The facility provides a full array of inpatient and outpatient services, including a six-bed critical care unit with intensive/pulmonologist coverage, extensive imaging center including MRI, CT, nuclear imaging, and a Heart Care Center staffed by board certified physicians. The hospital also has a full service ER with 24-hour emergency medicine physician coverage. In 2008 it joined Covenant Health (based in Knoxville) as the sixth acute care facility in the health system.

*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. In 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 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 County 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 DOE in Oak Ridge 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.

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.

Oak Ridge National Lab. 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 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 (described below) 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 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.

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 five supercomputers - the "Summit", currently ranked the fastest supercomputer in the world as of June 2018, the new exascale computer "Frontier" that has yet to be completed, the "Titan", the "Kraken", and the now dismantled "Jaguar". "Summit", built by IBM, is the third computer at Oak Ridge to be ranked number one. The "Titan" was the world's fastest at its November 2012 debut, and the "Jaguar" while in operation held the title twice in November 2009 and June 2010. The machines 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 "Summit" supercomputer cost an estimated \$200 million contract to build and is used for a wide range of scientific applications including combustion science, climate change, energy storage and nuclear power. "Summit" also serves as an artificial intelligence and deep learning computer, capable of analyzing massive amounts of data and automating critical steps of the discovery process.

The “Summit” was operational in 2018 and is eight times faster than the “Titan”. “Summit” is able to make over 140 quadrillion calculations per second, measured as 140 petaflops. Due to all the energy and heat produced by the calculations, “Summit” produces more heat per square centimeter than tiles on the bottom of a spaceship re-entering Earth's atmosphere. Therefore, “Summit” is cooled by water pumped through plates that sit on top of the computer's chips. In all, “Summit” uses up to 15 megawatts, equivalent to the power 9,000 to 18,000 homes would consume, depending on the time of day. At peak, “Titan” uses about 9 megawatts.

The uncompleted “Frontier” exascale computer (which will be the world’s first) ORNL hopes to have built by 2021 will be 50 times faster than the “Summit”. This exascale computer will replace the “Titan”.

The National Oceanic and Atmospheric Administration (the “NOAA”) sponsors the “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” is capable of a peak performance of about 27-petaflops. 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 online 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”.

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 its service area, including the County, 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 has 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 plant. 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-25 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 equated 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. The National Nuclear Security Administration (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 \$6.5 billion. In 2018 the last approval from the DOE was given to build the final three buildings that will make up the UPF. The \$6.5 billion project will be the largest construction project the state has ever seen, and the project is expected to create more than 2,000 jobs during peak construction. The design phase began in 2006, construction began in 2009, and should be in 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. See "RECENT DEVELOPMENTS" for more information.

*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<sub>2</sub>) emissions, Bull Run burns a blend of low-sulfur coal. Construction of a scrubber to further reduce SO<sub>2</sub> began in 2005 and is scheduled for completion in 2009. To reduce nitrogen oxides (NO<sub>x</sub>), 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<sub>2</sub>) emissions, all nine units use a blend of low-sulfur coal. Scrubbers are being added to the units to further reduce SO<sub>2</sub>. 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.

*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 County, 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

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 Park. 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.

Listed below are the larger employers located in the County:

### **Major Employers in Anderson County<sup>1</sup>**

<b><u>Name</u></b>	<b><u>Product</u></b>	<b><u>Employment</u></b>
Y-12 National Security Complex	National Security	4,800
Oak Ridge National Lab <sup>2</sup>	National Security	4,559
UCOR	Environmental Management	1,645
SamLip (SL) Tennessee	Manufacturing	1,450
Methodist Medical Center	Health Care	1,175
UPF Uranium Processing Facility	National Security	1,100
Anderson County Schools	Education	1,050
Oak Ridge Associated Universities	Research & Development	1,046
Eagle Bend Manufacturing	Manufacturing	850
Aisin Automotive Casting	Automotive Parts	820
SiTel	Customer Service Centers	700
Oak Ridge Schools	Education	660
Anderson County	Government	515
Science Applications, Int'l. Corp.	IT Research & Engineering	443

<sup>1</sup> Contains employers located in both the counties the City of Oak Ridge lies in.

<sup>2</sup> ORNL is a joint venture of University of Tennessee and Battelle

*Source:* Knoxville News Sentinel, Anderson County Audit and the City of Oak Ridge – 2018.



## EMPLOYMENT INFORMATION

For the month of September 2018, the unemployment rate for Oak Ridge stood at 3.7% with 13,720 persons employed out of a labor force of 14,250. For the month of September 2018, the unemployment rate for Anderson County stood at 4.0% with 32,840 persons employed out of a labor force of 34,200.

The Knoxville MSA's unemployment for September 2018 was at 3.5% with 404,270 persons employed out of a labor force of 418,850. As of September 2018, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.5%, representing 519,000 persons employed out of a workforce of 537,890.

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
National	7.4%	6.2%	5.3%	4.9%	4.4%
Tennessee	7.8%	6.6%	5.6%	4.7%	3.7%
<b>Oak Ridge</b>	<b>7.6%</b>	<b>6.2%</b>	<b>5.3%</b>	<b>4.6%</b>	<b>3.6%</b>
Index vs. National	103	100	100	94	82
Index vs. State	97	94	95	98	97
<b>Anderson County</b>	<b>7.9%</b>	<b>6.8%</b>	<b>5.8%</b>	<b>4.9%</b>	<b>3.9%</b>
Index vs. National	107	110	109	100	89
Index vs. State	101	103	104	104	105
<b>Knoxville MSA</b>	<b>7.2%</b>	<b>6.1%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>3.5%</b>
Index vs. National	97	98	98	90	80
Index vs. State	92	92	93	94	95
<b>Knoxville-Sevierville- Harriman CSA</b>	<b>7.6%</b>	<b>6.4%</b>	<b>5.5%</b>	<b>4.6%</b>	<b>3.7%</b>
Index vs. National	103	103	104	94	84
Index vs. State	97	97	98	98	100

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

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## ECONOMIC DATA

### Per Capita Personal Income

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
National	\$44,282	\$44,493	\$46,494	\$48,451	\$49,246
Tennessee	\$38,778	\$38,814	\$40,128	\$42,128	\$43,326
<b>Anderson County</b>	<b>\$36,173</b>	<b>\$35,851</b>	<b>\$36,924</b>	<b>\$38,074</b>	<b>\$39,225</b>
Index vs. National	82%	81%	79%	79%	80%
Index vs. State	93%	92%	92%	90%	91%
<b>Knoxville MSA</b>	<b>\$37,991</b>	<b>\$37,756</b>	<b>\$39,115</b>	<b>\$40,921</b>	<b>\$42,102</b>
Index vs. National	86	85	84	84	85
Index vs. State	98	97	97	97	97
<b>Knoxville-Sevierville-Harriman CSA</b>	<b>\$36,337</b>	<b>\$36,273</b>	<b>\$37,533</b>	<b>\$39,260</b>	<b>\$40,417</b>
Index vs. National	82	82	81	81	82
Index vs. State	94	93	94	93	93

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

### Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>Anderson County</u>	<u>Clinton</u>	<u>Oak Ridge</u>
Median Value Owner Occupied Housing	\$184,700	\$146,000	\$132,300	\$150,000	\$149,900
% High School Graduates or Higher Persons 25 Years Old and Older	87.0%	86.0%	85.5%	86.1%	92.4%
% Persons with Income Below Poverty Level	12.7%	15.8%	14.4%	15.0%	15.9%
Median Household Income	\$55,322	\$46,574	\$44,241	\$41,078	\$48,197

Source: U.S. Census Bureau State & County QuickFacts - 2016.

## 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 recreational 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**

*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.

*General Aviation Airport.* The establishment of a new general aviation airport located in the East Tennessee Technology Park in Oak Ridge on the Roane County side is currently under review. The Metropolitan Knoxville Airport Authority (the "MKAA") will own and manage the new facility. MKAA also owns and maintains the regional commercial air service facility, McGhee Tyson Airport in Alcoa, which is about 25 miles from the City. The East Tennessee Technology Park is located at the former K-25 site located at the ORNL. The estimated cost for the project as of January 2018 is between \$40 - \$45 million.

*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 buildings at ORNL and the Y-12 nuclear weapons plant. 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.

*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.* 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.

*Samlip Tennessee.* An automotive parts supplier, Samlip Tennessee, will invest \$80.5 million and create 1,000 jobs to expand its Clinton facility in the Eagle Bend Industrial Park, which was operational in 2015. This 2015 expansion added 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.

*Uranium Processing Facility (the “UPF”).* The UPF project is being built through a series of seven sub-projects. Two have already been completed under budget and two are currently under construction. The salvage and accountability building, a process support facility and the UPF’s 240,000 square-foot main process building were the last of seven sub-projects to receive DOE approval. The main process building will house the facility’s primary stockpile maintenance function: recycling uranium from old nuclear warheads to maintain the current arsenal. The designs reached the 90 percent completion milestone in September 2017. The National Nuclear Security Administration (NNSA) said the Uranium Processing Facility will use a “safer, cleaner and more efficient” process to modernize uranium warheads. President Trump signed a \$1.3 trillion government spending bill in March of 2018 that allocated \$663 million for the facility’s construction.

The money allocated will help keep the construction on schedule for 2025 completion and under its \$6.5 billion budget cap.

*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**

<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S)</b>	<b>OUTSTANDING AS OF JUNE 30, 2018</b>
(4) \$7,500,000 General Obligation Loan, Series 1995	May 2023	Variable	(7) \$ 1,981,000
(2) \$3,000,000 Water & Sewer Revenue & Tax Loan, Series 2001	May 2022	Variable	(7) 853,000
\$7,049,360 Qualified Zone Academy Bonds, Series 2004	Nov 2020	Fixed	1,528,255
(9) \$11,000,000 General Obligation Loan, Series 2008	May 2027	Variable	(7) 10,625,000
(5) \$27,285,000 General Obligation Refunding Bonds, Series 2009	Jun 2025	Fixed	10,235,000
(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	19,600,000
(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	1,720,000
\$5,000,000 Interfund Capital Outlay Note, Series 2010	Nov 2015	Fixed	476,190
(2) \$9,810,000 General Obligation Bonds, Series 2011B	Jun 2028	Fixed	9,010,000
(11) \$23,205,000 General Obligation Bonds, Series 2013	June 2034	Fixed	16,780,000
(2) \$4,000,000 State Revolving Fund Wastewater Loan, Series 2013-324	Mar 2037	Fixed	3,390,270
(2) \$14,000,000 State Revolving Fund Wastewater Loan, Series 2013-325	Sep 2036	Fixed	11,662,677
(2) \$3,000,000 State Revolving Fund Wastewater Loan, Series 2014-337	Aug 2038	Fixed	2,475,452
\$9,140,000 General Obligation Refunding Bonds, Series 2015A	June 2024	Fixed	6,850,000
\$9,445,000 General Obligation Refunding Bonds, Series 2015B	June 2032	Fixed	9,290,000
(6) \$9,665,000 General Obligation Refunding Bonds, Series 2016	June 2033	Fixed	8,180,000
(2) \$2,000,000 State Revolving Fund Wastewater Loan, Series 2017-356	June 2038	Fixed	(13) 1,860,000
(2) \$19,125,000 General Obligation Refunding Bonds, Series 2017	June 2033	Fixed	(12) 19,125,000
(2) \$3,100,000 State Revolving Fund Wastewater Loan, Series 2017-396	June 2036	Fixed	(13) 2,334,000
\$3,000,000 EESI Loan, Series 2017	June 2031	Fixed	(13) 3,000,000
<b>TOTAL BONDED DEBT</b>			<b>\$ 166,850,845</b>
Plus: General Obligation Bonds, Series 2018	June 2043	Fixed	13,285,000
Less: Revenue-Supported Debt			<u>(81,216,211)</u>
<b>NET BONDED DEBT</b>			<b><u>\$ 98,919,634</u></b>

**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 \$1,646,909 of this outstanding debt.
- (5) The Electric system revenues support \$1,055,000 of this outstanding debt.
- (6) The Water and Wastewater system revenues support \$6,745,000 of this outstanding debt and the Electric system supports \$1,435,000 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.
- (9) The Water & Wastewater system revenues support \$1,634,416 of this outstanding debt. The Electric system revenues support \$1,358,296 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 \$16,780,000 of this outstanding debt.
- (12) The Water & Wastewater system revenues support \$980,000 of this outstanding debt. The Electric system revenues support \$7,520,000 of this outstanding debt.
- (13) The amount shown is the estimated principal balance of the loan once all loan proceeds have been drawn. At June 30, 2018, no loan proceeds had been received on the 2017-396 loan, the principal balance of the 2017-356 loan was \$985,297 and the principal balance on the EESI loan was \$2,508,196.

# 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					After Issuance
	2013	2014	2015	2016	2017	2018
<b>INDEBTEDNESS</b>						
TAX SUPPORTED						
General Obligation Bonds & Notes	\$91,112,400	\$87,393,982	\$83,601,563	\$78,563,345	\$74,689,379	\$83,914,634
Golf Course	\$4,035,000	\$3,600,000	\$3,155,000	\$2,695,000	\$2,220,000	\$1,720,000
TOTAL TAX SUPPORTED	\$95,147,400	\$90,993,982	\$86,756,563	\$81,258,345	\$76,909,379	\$85,634,634
REVENUE SUPPORTED						
Water & Sewer Revenue Bonds & Notes	51,964,714	67,732,392	68,824,408	66,957,532	64,298,092	64,847,914
Electric Revenue Bonds & Notes	21,710,400	20,482,626	19,394,516	18,178,296	17,023,296	16,368,296
TOTAL REVENUE SUPPORTED	\$73,675,114	\$88,215,019	\$88,218,923	\$85,135,828	\$81,321,388	\$81,216,211
TOTAL DEBT	\$168,822,514	\$179,209,000	\$174,975,486	\$166,394,173	\$158,230,767	\$166,850,845
Less: Revenue Supported Debt	(\$73,675,114)	(\$88,215,019)	(\$88,218,923)	(\$85,135,828)	(\$81,321,388)	(\$81,216,211)
Less: Debt Service Fund	(10,297,194)	(10,098,497)	(9,461,652)	(8,731,046)	(8,095,415)	(8,095,415)
NET DIRECT DEBT	\$84,850,206	\$80,895,485	\$77,294,911	\$72,527,299	\$68,813,964	\$77,539,219
OVERLAPPING DEBT (1)	26,955,139	26,062,789	11,247,336	9,827,662	10,224,162	10,224,162
NET DIRECT & OVERLAPPING DEBT	\$111,805,345	\$106,958,274	\$88,542,247	\$82,354,961	\$79,038,126	\$87,763,381
<b>PROPERTY TAX BASE (2)</b>						
Estimated Actual Value	\$ 2,673,378,952	\$ 2,712,967,800	\$ 2,739,211,457	\$ 2,625,119,789	\$ 2,634,914,582	\$ 2,768,687,961
Appraised Value	2,673,378,952	2,712,967,800	2,739,211,457	2,625,119,789	2,634,914,582	2,768,687,961
Assessed Value	799,797,029	814,281,004	824,764,059	796,947,949	800,091,142	802,284,012

(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.

\* 2018 Debt Service Fund and Overlapping Debt reflect prior year due to 2018 audit not being released as of this document.

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



	For the Fiscal Year Ended June 30					After Issuance	
	2013	2014	2015	2016	2017	2018	2018
<b>DEBT RATIOS</b>							
TOTAL DEBT to Estimated Actual Value	6.31%	6.61%	6.39%	6.34%	6.01%	6.03%	6.51%
TOTAL DEBT to Appraised Value	6.31%	6.61%	6.39%	6.34%	6.01%	6.03%	6.51%
TOTAL DEBT to Assessed Value	21.11%	22.01%	21.22%	20.88%	19.78%	20.80%	22.45%
NET DIRECT DEBT to Estimated Actual Value	3.17%	2.98%	2.82%	2.76%	2.61%	2.80%	3.28%
NET DIRECT DEBT to Appraised Value	3.17%	2.98%	2.82%	2.76%	2.61%	2.80%	3.28%
NET DIRECT DEBT to Assessed Value	10.61%	9.93%	9.37%	9.10%	8.60%	9.66%	11.32%
OVERLAPPING DEBT to Estimated Actual Value	1.01%	0.96%	0.41%	0.37%	0.39%	0.37%	0.37%
OVERLAPPING DEBT to Appraised value	1.01%	0.96%	0.41%	0.37%	0.39%	0.37%	0.37%
OVERLAPPING DEBT to Assessed Value	3.37%	3.20%	1.36%	1.23%	1.28%	1.27%	1.27%
NET DIRECT & OVERLAPPING DEBT to Estimated Actual Value	4.18%	3.94%	3.23%	3.14%	3.00%	3.17%	3.65%
NET DIRECT & OVERLAPPING DEBT to Appraised Value	4.18%	3.94%	3.23%	3.14%	3.00%	3.17%	3.65%
NET DIRECT & OVERLAPPING DEBT to Assessed Value	13.98%	13.14%	10.74%	10.33%	9.88%	10.94%	12.60%
<b>PER CAPITA RATIOS</b>							
POPULATION (1)	29,419	29,303	29,302	29,350	29,350	29,350	29,350
PER CAPITA PERSONAL INCOME (2)	\$35,840	\$36,972	\$38,637	\$38,637	\$38,637	\$40,361	\$40,361
Estimated Actual Value to POPULATION	90,873	92,583	93,482	89,442	89,776	94,333	94,333
Assessed Value to POPULATION	27,186	27,788	28,147	27,153	27,260	27,335	27,335
Total Debt to POPULATION	5,739	6,116	5,971	5,669	5,391	5,685	6,138
Net Direct Debt to POPULATION	2,884	2,761	2,638	2,471	2,345	2,642	3,095
Overlapping Debt to POPULATION	916	889	384	335	348	348	348
Net Direct & Overlapping Debt to POPULATION	3,800	3,650	3,022	2,806	2,693	2,990	3,443
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	16.01%	16.54%	15.46%	14.67%	13.95%	14.09%	15.21%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	8.05%	7.47%	6.83%	6.40%	6.07%	6.55%	7.67%
Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	2.56%	2.41%	0.99%	0.87%	0.90%	0.86%	0.86%
Net Direct & Overlapping Debt Per Capita as a % of PER CAPITA PERSONAL INCOME	10.60%	9.87%	7.82%	7.26%	6.97%	7.41%	8.53%

(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, 2018

F.Y. Ended 6/30	Existing Debt - General Obligation (1)					General Obligation Bonds, Series 2018					Total Bonded Debt Service Requirements(1)				% Principal Repaid
	Principal	Interest	Net Treasury Subsidy	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest (2)	Treasury Subsidy	TOTAL				
2019	\$ 5,792,911	\$ 3,604,497	\$ (192,638)	\$ 9,204,770	\$ -	\$ 238,634	\$ 238,634	\$ 5,792,911	\$ 3,843,131	\$ (192,638)	\$ 9,443,403	5.86%			
2020	5,902,602	3,382,545	(188,117)	\$ 9,097,029	-	527,044	527,044	5,902,602	3,909,588	(188,117)	9,624,073				
2021	6,115,624	3,134,284	(188,117)	\$ 9,061,791	-	527,044	527,044	6,115,624	3,661,328	(188,117)	9,588,834				
2022	5,634,655	2,873,208	(188,117)	\$ 8,319,746	380,000	527,044	907,044	6,014,655	3,400,252	(188,117)	9,226,790				
2023	5,274,908	2,705,162	(188,117)	\$ 7,791,952	395,000	508,044	903,044	5,669,908	3,213,205	(188,117)	8,694,996	29.82%			
2024	5,117,368	2,551,820	(188,117)	\$ 7,481,071	415,000	488,294	903,294	5,532,368	3,040,114	(188,117)	8,384,365				
2025	5,214,852	2,404,285	(188,117)	\$ 7,431,020	440,000	467,544	907,544	5,654,852	2,871,829	(188,117)	8,338,563				
2026	5,367,360	2,215,800	(178,036)	\$ 7,405,124	460,000	445,544	905,544	5,827,360	2,661,344	(178,036)	8,310,667				
2027	5,247,186	1,976,369	(165,858)	\$ 7,057,697	485,000	422,544	907,544	5,732,186	2,398,912	(165,858)	7,965,241				
2028	3,462,460	1,764,745	(154,371)	\$ 5,072,833	505,000	398,294	903,294	3,967,460	2,163,039	(154,371)	5,976,127	56.82%			
2029	2,915,046	1,622,708	(146,551)	\$ 4,391,203	520,000	383,144	903,144	3,435,046	2,005,852	(146,551)	5,294,347				
2030	2,992,662	1,497,746	(140,686)	\$ 4,349,722	540,000	367,544	907,544	3,532,662	1,865,290	(140,686)	5,257,266				
2031	2,852,000	1,369,585	(134,820)	\$ 4,086,765	560,000	345,944	905,944	3,412,000	1,715,529	(134,820)	4,992,708				
2032	5,030,000	1,251,200	(134,820)	\$ 6,146,380	580,000	323,544	903,544	5,610,000	1,574,744	(134,820)	7,049,923				
2033	5,040,000	1,014,000	(134,820)	\$ 5,919,180	600,000	304,694	904,694	5,640,000	1,318,694	(134,820)	6,823,873	78.69%			
2034	2,295,000	772,500	(134,820)	\$ 2,932,680	625,000	280,694	905,694	2,920,000	1,053,194	(134,820)	3,838,373				
2035	2,390,000	657,750	(134,820)	\$ 2,912,930	645,000	259,600	904,600	3,035,000	917,350	(134,820)	3,817,530				
2036	2,490,000	538,250	(134,820)	\$ 2,893,430	670,000	233,800	903,800	3,160,000	772,050	(134,820)	3,797,230				
2037	-	413,750	(134,820)	\$ 278,930	695,000	210,350	905,350	695,000	624,100	(134,820)	1,184,280				
2038	-	413,750	(134,820)	\$ 278,930	720,000	182,550	902,550	720,000	596,300	(134,820)	1,181,480	89.33%			
2039	2,500,000	413,750	(134,820)	\$ 2,778,930	750,000	153,750	903,750	3,250,000	567,500	(134,820)	3,682,680				
2040	2,500,000	260,000	(84,721)	\$ 2,675,279	780,000	123,750	903,750	3,280,000	383,750	(84,721)	3,579,029				
2041	1,500,000	97,500	(31,770)	\$ 1,565,730	810,000	94,500	904,500	2,310,000	192,000	(31,770)	2,470,230				
2042	-	-	-	\$ -	840,000	64,125	904,125	840,000	64,125	-	904,125	100.00%			
2043	-	-	-	\$ -	870,000	32,625	902,625	870,000	32,625	-	902,625				
	\$ 85,634,634	\$ 36,935,204	\$ (3,436,720)	\$ 119,133,118	\$ 13,285,000	\$ 7,910,640	\$ 21,195,640	\$ 98,919,634	\$ 44,845,844	\$ (3,436,720)	\$ 140,328,758				

**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 3.611%.

**CITY OF OAK RIDGE, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS - Water & Sewer**  
For Fiscal Year Ending June 30, 2018

F.Y. Ended	Total Bonded Debt Service Requirements				% Principal
6/30	Principal	Interest (2)	Net Treasury Subsidy	TOTAL	Repaid
2019	\$ 2,915,167	\$ 1,874,754	\$ (93,349)	\$ 4,696,572	4.50%
2020	3,578,119	1,840,315	(93,349)	5,325,086	
2021	3,772,572	1,745,832	(93,349)	5,425,055	
2022	3,878,332	1,639,337	(93,349)	5,424,320	
2023	3,590,134	1,524,689	(93,349)	5,021,475	27.35%
2024	4,255,577	1,429,790	(90,153)	5,595,214	
2025	4,226,248	1,311,719	(82,244)	5,455,723	
2026	4,262,150	1,189,992	(74,156)	5,377,986	
2027	4,517,702	1,066,227	(66,806)	5,517,123	
2028	4,349,660	922,877	(52,726)	5,219,811	60.67%
2029	4,011,276	779,735	(35,470)	4,755,542	
2030	4,163,138	632,974	(18,214)	4,777,898	
2031	3,480,250	479,662	-	3,959,912	
2032	3,602,614	375,398	-	3,978,012	
2033	3,705,236	259,464	-	3,964,699	89.92%
2034	3,078,118	139,550	-	3,217,668	
2035	1,291,266	42,433	-	1,333,699	
2036	1,309,683	24,016	-	1,333,699	
2037	605,908	8,486	-	614,394	
2038	254,764	2,601	-	257,365	100.00%
	<u>\$ 64,847,914</u>	<u>\$ 17,289,850</u>	<u>\$ (886,512)</u>	<u>\$ 81,251,253</u>	

**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 - Revenue Supported Bonds**  
**Electric System**  
**For Fiscal Year Ending June 30, 2018**

F.Y. Ended	<b>Total Bonded Debt Service Requirements (1)</b>				% Principal
			Net Treasury		
6/30	Principal	Interest (2)	Subsidy	TOTAL	Repaid
2019	\$ 1,255,000	\$ 751,605	\$ (98,659)	\$ 1,907,945	7.67%
2020	865,000	703,011	(98,659)	1,469,352	
2021	900,000	663,011	(98,659)	1,464,352	
2022	940,000	621,861	(98,659)	1,463,202	
2023	985,000	579,361	(98,659)	1,465,702	
2024	1,030,000	533,523	(98,659)	1,464,864	36.50%
2025	1,075,000	488,042	(98,659)	1,464,383	
2026	1,125,000	440,380	(98,659)	1,466,720	
2027	1,168,296	396,061	(98,659)	1,465,698	
2028	1,200,000	363,525	(98,659)	1,464,866	
2029	1,070,000	314,025	(89,861)	1,294,164	70.95%
2030	1,105,000	268,425	(81,063)	1,292,362	
2031	450,000	221,775	(72,265)	599,510	
2032	450,000	194,775	(63,467)	581,308	
2033	450,000	167,775	(54,670)	563,106	
2034	450,000	140,775	(45,872)	544,903	88.70%
2035	450,000	113,775	(37,074)	526,701	
2036	450,000	86,100	(28,056)	508,044	
2037	475,000	58,425	(19,038)	514,387	
2038	475,000	29,213	(9,519)	494,694	100.00%
	<u>\$ 16,368,296</u>	<u>\$ 7,135,441</u>	<u>\$ (1,487,477)</u>	<u>\$ 22,016,260</u>	

**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.

<b><u>For the Fiscal Year Ended June 30,</u></b>					
<b><u>Fund Type</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
<i>Governmental Funds:</i>					
General	\$10,060,140	\$ 9,473,710	\$ 9,416,325	\$10,347,792	\$11,374,838
School Fund	6,289,435	5,922,323	6,006,340	7,003,068	7,295,578
Capital Projects	1,547,444	1,697,888	2,515,731	2,314,981	2,632,498
Debt Service	10,297,194	10,098,497	9,461,652	8,731,046	8,095,418
Other Governmental	<u>3,258,912</u>	<u>3,553,843</u>	<u>1,894,604</u>	<u>2,612,641</u>	<u>3,457,119</u>
<b>Total</b>	<b><u>\$31,453,125</u></b>	<b><u>\$30,746,261</u></b>	<b><u>\$29,294,652</u></b>	<b><u>\$31,009,528</u></b>	<b><u>\$32,855,451</u></b>
<i>Proprietary Net Assets:</i>					
Electric Fund	\$31,810,398	\$34,162,638	\$ 35,646,138	\$ 38,237,635	\$ 40,772,255
Waterworks Fund	53,042,355	54,708,551	56,031,873	58,614,276	59,853,258
Nonmajor Fund	949,522	1,583,110	1,666,074	1,594,667	1,587,557
Internal Service Funds	<u>6,840,207</u>	<u>6,797,188</u>	<u>6,879,717</u>	<u>6,568,538</u>	<u>7,061,746</u>
<b>Total</b>	<b><u>\$92,642,482</u></b>	<b><u>\$97,251,487</u></b>	<b><u>\$100,223,802</u></b>	<b><u>\$105,015,116</u></b>	<b><u>\$109,274,816</u></b>

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

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**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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues:</b>					
Local taxes	\$ 21,915,100	\$ 23,176,750	\$ 22,995,915	\$ 22,720,922	\$ 23,354,010
Licenses and Permits	167,826	174,011	198,147	319,837	306,359
Intergovernmental Revenue	14,187,861	13,292,265	13,401,285	14,264,590	14,661,064
Charges For Services	1,370,919	1,342,178	1,328,652	2,588,360	1,232,188
Grants	-	-	-	1,443,382	954,471
Fines and Forfeits	419,490	353,138	321,828	339,088	364,740
Interest and Investment Earnings	52,964	30,839	26,256	36,228	67,118
Miscellaneous	509,715	605,644	523,665	701,993	558,015
<b>Total Revenues</b>	<u>\$ 38,623,875</u>	<u>\$ 38,974,825</u>	<u>\$ 38,795,748</u>	<u>\$ 42,414,400</u>	<u>\$ 41,497,965</u>
<b>Expenditures and Other Uses:</b>					
General Government	\$ 854,416	\$ 1,841,776	\$ 1,818,670	\$ 1,828,749	\$ 1,637,951
Administration	927,140	-	-	-	-
Public Safety	10,335,807	10,473,956	10,722,546	10,629,953	10,762,280
Public Works	4,552,683	4,640,079	4,694,930	4,609,955	1,981,597
Community Services	4,881,872	5,792,903	5,489,331	5,439,682	5,646,924
Grants	-	-	-	1,575,929	1,182,550
<b>Total Expenditures</b>	<u>\$ 21,551,918</u>	<u>\$ 22,748,714</u>	<u>\$ 22,725,477</u>	<u>\$ 24,084,268</u>	<u>\$ 21,211,302</u>
Excess of Revenues & Over (under) Expenditures	\$ 17,071,957	\$ 16,226,111	\$ 16,070,271	\$ 18,330,132	\$ 20,286,663
<b>Other Financing Sources (Uses):</b>					
Interfund Transfers - In	\$ 3,393,631	\$ 3,012,318	\$ 3,339,582	\$ 3,379,250	\$ 3,451,074
Interfund Transfers - Out	(19,622,497)	(19,824,859)	(19,467,238)	(20,777,915)	(22,710,691)
Interfund Transfers - Out Component Fund	-	-	-	-	-
Other Transfers	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (16,228,866)</u>	<u>\$ (16,812,541)</u>	<u>\$ (16,127,656)</u>	<u>\$ (17,398,665)</u>	<u>\$ (19,259,617)</u>
Excess of Revenue and Other Sources over (Under) Expenditures and Other Sources	\$ 843,091	\$ (586,430)	\$ (57,385)	\$ 931,467	\$ 1,027,046
Residual Equity Transfers	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Fund Balance July 1</b>	\$ 9,217,049	\$ 10,060,140	\$ 9,473,710	\$ 9,416,325	\$ 10,347,792
Prior Period Adjustment	-	-	-	-	-
<b>Fund Balance June 30</b>	<u><b>\$ 10,060,140</b></u>	<u><b>\$ 9,473,710</b></u>	<u><b>\$ 9,416,325</b></u>	<u><b>\$ 10,347,792</b></u>	<u><b>\$ 11,374,838</b></u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Operating Revenues:</b>					
Charges for Services	\$ 52,891,247	\$ 55,752,733	\$ 55,589,835	\$ 53,829,111	\$ 55,484,213
Other	<u>2,817,424</u>	<u>931,109</u>	<u>959,771</u>	<u>916,482</u>	<u>974,256</u>
<b>Total Operating Revenues</b>	<u>\$ 55,708,671</u>	<u>\$ 56,683,842</u>	<u>\$ 56,549,606</u>	<u>\$ 54,745,593</u>	<u>\$ 56,458,469</u>
<b>Operating Expenses:</b>					
Maintenance and Administrative	\$ 7,093,911	\$ 7,532,551	\$ 7,511,833	\$ 7,491,677	\$ 8,683,914
Purchased Power and Water	<u>41,620,223</u>	<u>42,445,405</u>	<u>41,983,485</u>	<u>40,366,676</u>	<u>41,650,984</u>
Depreciation	<u>2,057,575</u>	<u>2,175,288</u>	<u>2,195,340</u>	<u>2,246,651</u>	<u>2,307,433</u>
<b>Total Operating Expenses</b>	<u>\$ 50,771,709</u>	<u>\$ 52,153,244</u>	<u>\$ 51,690,658</u>	<u>\$ 50,105,004</u>	<u>\$ 52,642,331</u>
Operating Income (Loss)	\$ 4,936,962	\$ 4,530,598	\$ 4,858,948	\$ 4,640,589	\$ 3,816,138
<b>Non-Operating Revenues (Expenses):</b>					
Intergovernmental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Contributions	-	-	113,539	215,166	953,212
Interest Revenue	3,988	4,489	4,662	22,097	21,919
Interest Expense	<u>(680,717)</u>	<u>(719,445)</u>	<u>(643,972)</u>	<u>(662,211)</u>	<u>(598,538)</u>
<b>Total Non-Operating Revenues (Expenses)</b>	<u>\$ (676,729)</u>	<u>\$ (714,956)</u>	<u>\$ (525,771)</u>	<u>\$ (424,948)</u>	<u>\$ 376,593</u>
Net Income (Loss) Before Operating Transfers	\$ 4,260,233	\$ 3,815,642	\$ 4,333,177	\$ 4,215,641	\$ 4,192,731
<b>Operating Transfers In (Out):</b>					
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	<u>(1,438,864)</u>	<u>(1,463,402)</u>	<u>(1,484,735)</u>	<u>(1,624,144)</u>	<u>(1,658,111)</u>
<b>Total Operating Transfers In (Out)</b>	<u>\$ (1,438,864)</u>	<u>\$ (1,463,402)</u>	<u>\$ (1,484,735)</u>	<u>\$ (1,624,144)</u>	<u>\$ (1,658,111)</u>
Net Income	\$ 2,821,369	\$ 2,352,240	\$ 2,848,442	\$ 2,591,497	\$ 2,534,620
Retained Earnings - July 1	\$ 29,083,453	\$ 31,810,580	\$ 34,162,638	\$ 35,646,138	\$ 38,237,635
Prior Year Adjustments	<u>(94,424)</u>	<u>-</u>	<u>(1,364,942)</u>	<u>-</u>	<u>-</u>
<b>Retained Earnings - June 30</b>	<u><u>\$ 31,810,398</u></u>	<u><u>\$ 34,162,820</u></u>	<u><u>\$ 35,646,138</u></u>	<u><u>\$ 38,237,635</u></u>	<u><u>\$ 40,772,255</u></u>

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.

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## ***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 1 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 on-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 0.9459 in Anderson County and 0.9916 in Roane County. The following table shows pertinent data for tax year 2017<sup>1</sup>.

<b><u>Class</u></b>	<b><u>Estimated Assessed Valuation</u><sup>2</sup></b>	<b><u>Assessment Rate</u></b>	<b><u>Estimated Appraised Value</u><sup>2</sup></b>
Public Utilities	\$ 9,104,403	55%	\$ 20,857,738
Commercial and Industrial	343,702,760	40%	900,521,896
Personal Tangible Property	50,858,449	30%	176,411,768
Residential and Farm	<u>398,618,400</u>	25%	<u>1,670,896,559</u>
<b>Total</b>	<b><u>\$802,284,012</u></b>		<b><u>\$2,768,687,961</u></b>

<sup>1</sup> The tax year coincides with the calendar year, therefore, tax year 2017 is actually fiscal year 2017-2018.  
*Source:* 2017 Tax Aggregate Report and the City.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2018 (tax year 2017) is \$802,284,012 compared to \$800,091,142 the fiscal year ending June 30, 2017 (tax year 2016). The estimated actual value of all taxable property for tax year 2017 is \$2,768,687,961 compared to \$2,634,914,582 for tax year 2016.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the City for tax years 2013 through 2017 as well as the aggregate uncollected balances for each fiscal year ending June 30, 2017.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year <sup>1</sup></b>	<b>Assessed Valuation<sup>2</sup></b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>as of June 30, 2017</b>	
						<b>Amount</b>	<b>Pct</b>
2013	\$814,281,004	\$2.39	\$19,461,316	\$18,853,042	96.9%	\$ 21,346	0.1%
2014	824,764,059	2.39	19,711,861	19,128,736	97.0%	65,762	0.3%
2015	796,947,949	2.52	20,058,479	19,129,012	95.4%	262,711	1.3%
2016	800,091,142	2.52	20,107,592	19,527,803	97.1%	548,776	2.7%
2017	802,284,012	2.52	20,264,975	<b>IN PROCESS</b>			

<sup>1</sup> The tax year coincides with the calendar year, therefore, tax year 2017 is actually fiscal year 2017-2018.

<sup>2</sup> Includes both Counties the City is located in.

*Source:* The City

*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2017 (tax year 2016), the ten largest taxpayers in the City were as follows:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total</u>
1. UT Battelle	National Laboratory	\$44,192,345	5.54%
2. Oak Ridge Projects LLC	Real Estate	36,006,346	4.51%
3. Scientific Ecology Group (AKA GTS Duratek)	Environmental Services	14,479,426	1.81%
4. Richard Chinn (R & R Properties)	Entrepreneur	11,543,230	1.45%
5. Oak Ridge Tech Center Oak Ridge Corp Partners	Office Complex	11,334,257	1.42%
6. Methodist Medical Center	Health Services	10,915,121	1.37%
7. Wilkinson Realty	Apartment Complexes	6,939,387	0.87%
8. Kroger Company	Retailer	6,663,511	0.84%
9. CARE GSL Oak Ridge Prop CLLC	Assisted Living	6,533,320	0.82%
10. Industrial Development Board		<u>6,046,400</u>	<u>0.76%</u>
<b>TOTAL</b>		<b><u>\$154,653,343</u></b>	<b><u>19.39%</u></b>

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:

	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>	<b><u>FY 2016</u></b>	<b><u>FY 2017</u></b>
City	\$10,906,934	\$ 9,694,331	\$ 9,888,838	\$10,620,337	\$11,422,815
Schools	<u>4,986,448</u>	<u>4,854,777</u>	<u>4,304,972</u>	<u>4,568,039</u>	<u>4,711,403</u>
<b>TOTAL</b>	<b><u>\$15,893,382</u></b>	<b><u>\$14,549,108</u></b>	<b><u>\$14,193,810</u></b>	<b><u>\$15,188,376</u></b>	<b><u>\$16,134,218</u></b>
<b>**Sites of Collection</b>					
Roane/ Anderson	23%/77%	16%/84%	13%/87%	16%/84%	16%/84%

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\*\*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 administered 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, 2017



# **CITY OF OAK RIDGE, TENNESSEE**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017

Prepared by  
FINANCE DEPARTMENT

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**For the Year Ended June 30, 2017**

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# CITY OF OAK RIDGE



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

December 29, 2017

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, 2017, 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, 2017, 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, 2017 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 private 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 resources, and appoints heads of the various departments.

The City is a full service community, 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 developed 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 Fund 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 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 and growing economic environment. Recently, the development activities have escalated, particularly in the retail sector. Oak Ridge was not impacted as much as many areas in the country during the recent nationwide economic downturn due to the large federal government presence in Oak Ridge and the federal stimulus money awarded to those entities.

Since 2013, the City government has taken significant efforts to re-establish a new core to the central city. Through the use of modern redesign and tax increment financing, the City has incentivized the development of new construction of restaurants, grocery centers, and retail services. Initial cooperative ventures have led to the multi-phased, \$91 million Oak Ridge Main Street project. Started in June 2016, retail shops and the addition of junior major storefronts like TJ Maxx and Dick's Sporting Goods has led to a resurgence of new investment and partnerships.

The Main Street project has led to a Phase II partnership involving a new restaurant corridor and apartment/shopkeeper complex of 180 new apartment units. Also, in a partnership with the Department of Energy, the City has organized a land transfer in return for a newly remodeled American Museum of Science and Energy within the Main Street project. The land is now being planned for seven acres of adjacent grocery and retail facilities to add to the shopping mix. Additional unanticipated facilities will add a projected \$30-40 million in new construction for the land transfer site.

A 123,000-square-foot Kroger Marketplace opened at the end of June 2014 while eliminating 50 units of dilapidated housing. The site also contains room for an additional 12,000-square-foot strip center and several outparcels that are under development. Across the street another 12,000-square-foot strip center was constructed and is fully occupied with small retail establishments. In October 2016, a Hobby Lobby opened in the vacated Kroger site in Oak Ridge and has exceeded projections.

To recap the Oak Ridge Mall site which happened at the end of June 2016: The sale of the Mall site allowed for redevelopment of the underutilized 58-acre site located in the center of Oak Ridge. Full demolition of the former mall buildings occurred and new City infrastructure installed. Existing Belk and J.C. Penny stores have remodeled. In the summer of 2017 the newly constructed Dick's Sporting Goods, T.J. Maxx, Ulta, Rack Room Shoes, Rue 21, Maurices, Pet Smart and Electronic Express opened. Phase II of the project will begin in the spring of 2018. New adjacent retail establishments adjacent to the Main Street site include a Panda Express that opened in the summer of 2017 and a retail space. Currently under construction is a 90-room Marriott Townplace hotel and a Freddy's Custard shop.

New housing construction is on the rise. With the anticipated apartment and condominium units planned by the Main Street project, interest has arisen in other parts of the city. A strong regional developer has optioned large portions of the Rarity Ridge subdivision, now known as The Preserve at Clinch River. This area will address market driven, medium priced housing needs and size. Retail availability now has enhanced interest in several inactive subdivisions and further reviews by private sector developers are occurring. Crossroads at Wolf Creek is now substantially built out with 110 single family homes. Groves Park Commons is in due-diligence phase with a strong new developer. This subdivision will have 355 units.

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 multiyear multibillion dollar project for which project completion is anticipated in 2025. In September 2017, the overall UPF project achieved 90 percent design completion on the nuclear work, a major prerequisite for starting construction on the nuclear facilities. In November 2017, the \$27.5 million Construction Support Building (CSB) was completed. 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. A study conducted by the University of Tennessee Howard H. Baker Jr. Center for Public Policy concluded that there would be a \$5.7 billion increase in state gross domestic product (GDP) in the state during UPF construction, as well as significant increase in sales and use tax revenues.

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 (TVA) and Bechtel are also partners. DOE says it expects Nuclear Regulatory Commission licensing and achievement of commercial operations by mid-2020's. In January 2017, TVA announced that The Nuclear Regulatory Commission (NRC) has accepted and docketed the utility's early site permit application for the potential construction and operation of multiple SMR units at the Clinch River Site in Oak Ridge. This action means that the NRC staff may now begin its technical review of TVA's application.

**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 fire fighting 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 \$2,706,126 under this contract in fiscal 2017. The contract was renewed for an additional four years through September 30, 2019.

The City receives an annual Payment in Lieu-of Tax (PILOT) from DOE, which was \$1,689,097 in fiscal 2017. DOE's PILOT payment to the City is based on the number of acres on the federal reservation (32,671 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. Additional smaller grants for historical archive projects and police security are also provided to the City.

## **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.

The City entered into a series of debt issuances totaling \$37,360,327 to meet the requirements of the AO. Final major contractor payments on the wastewater construction projects under the AO occurred in October 2016. The City is required by EPA to continue ongoing improvements to the wastewater system. In June 2017, a \$2,000,000 State Revolving Fund Loan (SRF) was approved by the State for rehabilitation of approximately 30,000 linear feet of sewer line. This loan contains a 7% principal forgiveness. In August 2017, a \$3,100,000 SRF Loan was approved by the State for improvements to the Turtle Park Wastewater Pumping Station.

Upgrades and improvements are also planned to the water system. The existing water treatment plant was built during construction of the Manhattan Project facilities in the 1940's and currently resides within the federal complex in Oak Ridge, but is operated by the City of Oak Ridge. The water plant serves both the DOE facilities and the residents and businesses located within the City of Oak Ridge. DOE is a major water customer with approximately 50% of the City's annual water plant production being used by DOE facilities. The City recently had an engineering firm review options regarding whether to perform major renovations to the existing water treatment plant or to build a new water treatment plant. The construction of a new \$43 million water plant close to the raw water intake station is the recommended option due to the significant slope issues at the existing water plant site. Improvements also include the raw water intake system, including electrical system replacement. DOE would be a financial partner to the City in the construction of the new water treatment plant.

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 for both services effective January 1, 2014 and January 2015. The study anticipated annual rate increases for both water and wastewater services to occur through 2020. Wastewater rates were increased 6% effective January 2017 and an additional 6% in January 2018. Increases to water rates were delayed until the evaluation of options regarding the water treatment plant could be completed. A 6% water rate increase was adopted effective October 1, 2017 and an additional 4% was approved effective January 1, 2019.

City revenues from local sales and use tax collections were unusually high in fiscals 2010 through 2013 due to expenditures by federal contractors from stimulus grant awards. As federal funding to local contractors from stimulus awards diminished, the City experienced a decline in local sales and use tax collections that reached a low point during fiscal 2015 as federal missions transitioned. Sales and use tax collections exceeded expectations during fiscal's 2016 and 2017 as remittances from federal contractors reached a more normalized level and collections from the new retail business establishments in Oak Ridge were more fully realized. Overall, local sales and use tax



collections are budgeted to increase 3.1% in fiscal 2018 over 2017 levels due to recent retail developments and the increased spending by federal contractors related to the UPF project.

In 2011, the City embarked on a new program "Not in Our City" (NIOC) 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. Other initiatives of NOIC included partnering with the Neighborhood Watch program, implementation of a neighborhood cleanup container program, and establishment of a Administrative Hearing Officer to hear code violations. In calendar year 2017, the AHO issued \$140,000 in liens and fines. In 2016, the City was awarded a grant from the Tennessee Valley Authority for Extreme Energy Makeovers to homes in Oak Ridge. The program has been designated "Making Oak Ridge Energy Efficient", which has the acronym of the MORE program. The \$3 million grant will be used to retrofit at approximately 119 1,000-square-foot homes in Oak Ridge with updated appliances and other energy-saving measures. It is being leveraged with a \$500,000 HOME grant to perform electrical wiring improvements to applicable homes in the MORE program.

In December 2016, the City issued \$9,665,000 in General Obligation Refunding Bonds, Series 2016, to refund the outstanding 2006 \$5,374,000 and 2012 \$4,501,000 in variable interest rate loans facilitated through the Tennessee Municipal Bond Fund (TMBF) loan program. The bonds were sold at a premium of \$277,462, with issuance costs of \$155,405, resulting in a final True Interest Cost (TIC) of 2.4004058%.

In December 2017, the City issued \$19,125,000 in General Obligation Refunding Bonds, Series 2017. The bonds were sold at a premium of \$2,055,564, with issuance costs of \$297,620, resulting in a final True Interest Cost (TIC) of 2.2639056%. \$6,220,000 of the bond proceeds along with \$628,888 in City contributions were used for the advance refunding of \$6,970,000 in Electric Fund debt for the outstanding 2020 to 2025 maturities of the General Obligation Refunding Bonds 2009. The remaining proceeds will be used for energy efficiency improvements to public buildings, design and site costs for a new Preschool and a new Senior Center, the purchase of software, including utility billing and financial software, and the purchase of a Motorola P25 Mission-Critical Radio System and related equipment.

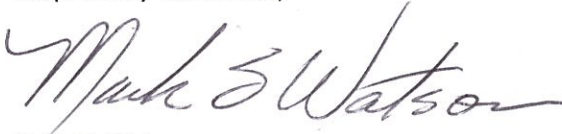
### **Awards and Acknowledgements**

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, 2016. This is the fifty-sixth 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.

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,

A handwritten signature in cursive script that reads "Mark S. Watson".

Mark S. Watson  
City Manager

A handwritten signature in cursive script that reads "Janice E. 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

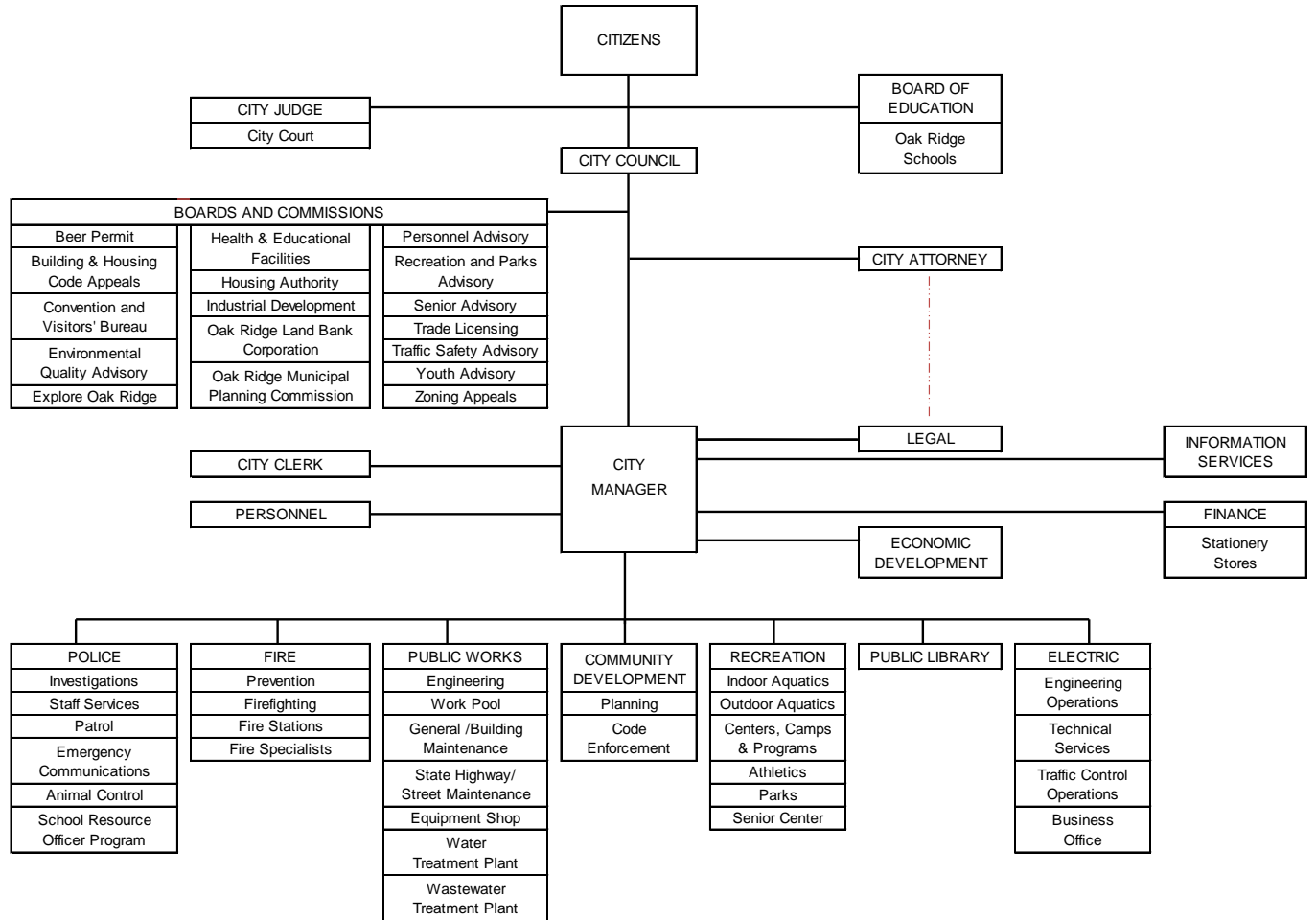
**June 30, 2016**

*Christopher P. Morill*

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**

Kelly Callison  
Jim Dodson  
Ellen Smith

Rick Chinn, Jr.  
Charles J. Hope, Jr.  
Hans Vogel

#### **City Manager**

Mark S. Watson

#### **Department Directors**

Kathryn Baldwin  
Jack L. Suggs  
Janice E. McGinnis  
R. Darryl Kerley  
Amy Fitzgerald  
Kathy McNeilly  
Jon Hetrick  
Bruce Applegate  
James T. Akagi  
Shira McWaters

Community Development Director  
Electrical Director  
Finance Director  
Fire Chief  
Information Services Director  
Library Director  
Parks & Recreation Director  
Director of Administrative Services  
Police Chief  
Public Works Director

#### **City Attorney**

Kenneth R. Krushenski

#### **City Judge**

Robert A. McNees III

#### **City Clerk**

Mary Beth Hickman

#### **Board of Education**

Keys Fillauer, Chairman  
Robert Eby, Vice-Chair  
Angi Agle  
Paige Marshall  
Laura McLean

#### **Superintendent of Schools**

Bruce Borchers, Ed.D



## 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, 2017, 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, or the Central Cafeteria Fund, which represent 40% of assets, (30%) of net position and 47% 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 83% 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, additions 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 they relate 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, 2017, 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.

### **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-14 and the required supplementary information on pages D-1 through D-9 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.

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 expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information section and the schedule of expenditures of federal awards and state financial assistance 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 as described above, and the report of the other auditors, the other supplementary information section and the schedule of expenditures of federal awards and state financial assistance 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 29, 2017, 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 29, 2017



**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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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, 2017. 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-viii 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 \$161,449,417 (*net position*). Of this amount, \$29,062,522 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net position increased by \$11,552,818 (7.71%) 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 increase is due to excess program revenues of \$129,482,786 and general revenues of \$45,849,917 over expenses of \$163,779,885. Pension information for City and School employees are located on pages C-29 through C-53 of this report. The City of Oak Ridge's changes in net position are detailed on page B-6 of this report.
- Total revenues increased \$10,101,133 compared with the prior fiscal year, comprised of a \$7,662,434 increase in revenues in governmental activities and a \$2,438,699 increase in business type activities. The comparative increase in governmental activities revenue includes a \$5,179,809 increase in other general revenues, primarily due to the change in the fair value of interest rate swaps from the prior fiscal year and a \$1,283,378 increase in revenues from operating grants and contributions. Changes in business-type activities revenue include a \$1,937,200 increase in charges for services revenue related to electric and wastewater rate increases.
- The City's property tax rate remained at the fiscal 2016 rate of \$2.52 per \$100 of assessed valuation. Electric rates increased 1.36% in October 2016 to pass-through a wholesale power increase by TVA and a 6% increase in wastewater rates in January 2017. Effective October 2016, the monthly charge for residential refuse services increased from \$10.50 to \$14.00.
- As of the close of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of \$32,855,451, an increase of \$1,845,923 in comparison with the prior year. The fund balance increases include \$1,027,046 in the General Fund and \$292,510 in the General Purpose School Fund.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,516,080, or 44.9% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$22,710,691 in the City's general fund.
- At June 30, 2017, the General Fund had a nonspendable fund balance of \$957,489. This includes a \$714,286 long-term note receivable from the City's Waterworks Fund, \$199,147 in inventory, and \$44,056 in prepaids.
- At the end of the current fiscal year, the General Purpose School Fund had an assigned fund balance of \$6,394,957. This equates to 12.2% of expenditures for fiscal 2017.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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- Overall, the City's total debt decreased by \$6,172,525 (3.71%) during the current fiscal year. Debt in governmental activities decreased \$5,626,957. Overall, debt in business-type activities decreased \$545,568. During fiscal 2017, the City refunded \$9,875,000 in electric and waterworks variable rate debt with \$9,665,000 in fixed rate bonds. Wastewater debt increased \$3,664,062 related to draws on previously authorized State Revolving Fund Loan (SRF) program loans. In June 2017, a new \$2,000,000 State Revolving Fund Loan (SRF) was approved by the State for rehabilitation of approximately 30,000 linear feet of sewer line. This loan contains a 7% principal forgiveness. At year-end there was \$2,000,000 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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**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 thirteen individual governmental funds during fiscal 2017. 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 nine 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.

There is one more nonmajor governmental fund than there was in fiscal 2016. Effective October 2016, the monthly charge for residential refuse services increased from \$10.50 to \$14.00. Due to this change, the percentage of revenue generated from the monthly residential fee exceed 51% of the costs for these services. The remaining refuse collection costs are paid through revenues generated in the General Fund. Beginning in fiscal 2017, the expenditures related to residential refuse collection are accounted for in the Solid Waste Fund, a special revenue fund, rather than the General Fund.

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 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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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, both of the 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-86 of this report.

**Other information.** The *required supplementary information* presented on pages D-1 through D-9 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.

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-27 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 \$161,449,417 at the close of the most recent fiscal year.

By far the largest portion of the City of Oak Ridge's net position (80.8%) 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 (1.2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$29,062,522 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Net Position**

	Governmental activities		Business-type activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Current and other assets	\$ 67,392,899	\$ 65,191,343	\$ 30,055,014	\$ 26,003,394	\$ 97,447,913	\$ 91,194,737
Capital assets	122,031,959	126,803,021	167,974,999	168,394,768	290,006,958	295,197,789
Total assets	189,424,858	191,994,364	198,030,013	194,398,162	387,454,871	386,392,526
Deferred outflows of resources	13,655,178	13,354,236	2,410,219	2,258,434	16,065,397	15,612,670
Long-term liabilities outstanding	103,329,783	101,714,932	85,563,030	84,054,939	188,892,813	185,769,871
Other liabilities	7,477,114	7,232,451	11,603,559	11,804,486	19,080,673	19,036,937
Total liabilities	110,806,897	108,947,383	97,166,589	95,859,425	207,973,486	204,806,808
Deferred inflows of resources	33,036,792	44,951,196	1,060,573	2,350,593	34,097,365	47,301,789
Net position:						
Net investment in capital assets	42,071,020	41,215,126	88,352,038	88,464,334	130,423,058	129,679,460
Restricted	1,963,837	1,983,697	-	-	1,963,837	1,983,697
Unrestricted	15,201,490	8,251,198	13,861,032	9,982,244	29,062,522	18,233,442
Total net position	\$ 59,236,347	\$ 51,450,021	\$102,213,070	\$ 98,446,578	\$161,449,417	\$149,896,599

**Governmental activities.** Governmental activities increased the City of Oak Ridge's net position by \$7,786,326. Total revenues increased \$7,662,434 from the prior fiscal year. Revenues from charges for services increased \$489,780 and operating grants and contributions increased \$1,283,378. Capital grants and contributions decreased \$115,716. Property tax collections increased \$175,474. Other taxes increased \$649,709, primarily in sales tax collections. Miscellaneous revenues and investment earnings increased \$5,179,809 in comparison to the prior year, primarily due to a change in the fair value of interest rate swaps. Governmental activities expenses increased \$3,567,717 from the prior fiscal year. Expenses for education increased \$3,228,174.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

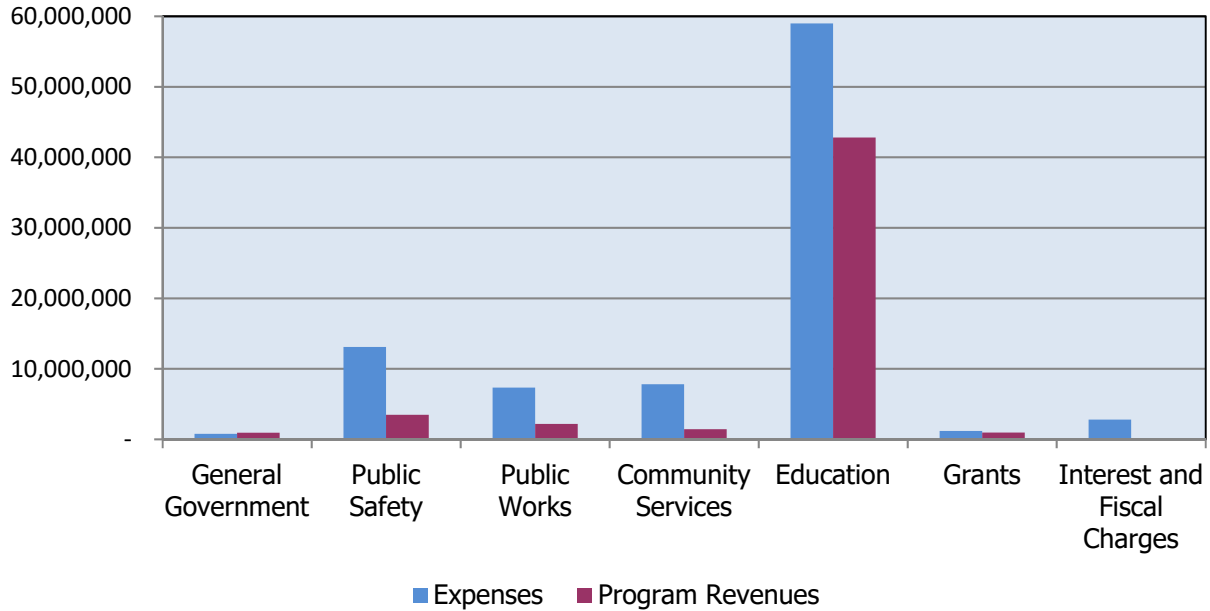
**Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenues:						
Program revenues:						
Charges for service	\$ 5,730,394	\$ 5,240,614	\$ 76,588,303	\$ 74,651,103	\$ 82,318,697	\$ 79,891,717
Operating grants and contributions	45,747,010	44,463,632	-	9,097	45,747,010	44,472,729
Capital grants and contributions	333,436	449,152	1,083,643	833,049	1,417,079	1,282,201
General revenues:						
Property taxes	20,191,464	20,015,990	-	-	20,191,464	20,015,990
Other taxes	20,200,562	19,550,853	-	-	20,200,562	19,550,853
Other	4,100,376	(1,079,433)	1,357,515	1,097,513	5,457,891	18,080
Total Revenues	96,303,242	88,640,808	79,029,461	76,590,762	175,332,703	165,231,570
Expenses:						
General government	765,491	1,663,225	-	-	765,491	1,663,225
Public safety	13,099,182	12,624,115	-	-	13,099,182	12,624,115
Public works	7,322,431	6,577,988	-	-	7,322,431	6,577,988
Community services	7,812,036	7,205,991	-	-	7,812,036	7,205,991
Education	58,985,398	55,757,224	-	-	58,985,398	55,757,224
Grants	1,182,550	1,575,929	-	-	1,182,550	1,575,929
Interest and fiscal charges	2,800,902	2,995,801	-	-	2,800,902	2,995,801
Electric	-	-	53,240,869	50,767,215	53,240,869	50,767,215
Waterworks	-	-	17,941,238	16,722,035	17,941,238	16,722,035
Emergency communication district	-	-	629,788	619,769	629,788	619,769
Total expenses	91,967,990	88,400,273	71,811,895	68,109,019	163,779,885	156,509,292
Increase (decrease) in net position before transfer	4,335,252	240,535	7,217,566	8,481,743	11,552,818	8,722,278
Transfers	3,451,074	3,379,250	(3,451,074)	(3,379,250)	-	-
Increase (decrease) in net position	7,786,326	3,619,785	3,766,492	5,102,493	11,552,818	8,722,278
Net position, beginning of period, as previously reported	51,450,021	49,289,700	98,446,578	93,344,085	149,896,599	142,633,785
Prior period adjustment	-	(1,459,464)	-	-	-	(1,459,464)
Net position, beginning of period, as restated	51,450,021	47,830,236	98,446,578	93,344,085	149,896,599	141,174,321
Net position, end of period	\$ 59,236,347	\$ 51,450,021	\$ 102,213,070	\$ 98,446,578	\$ 161,449,417	\$ 149,896,599

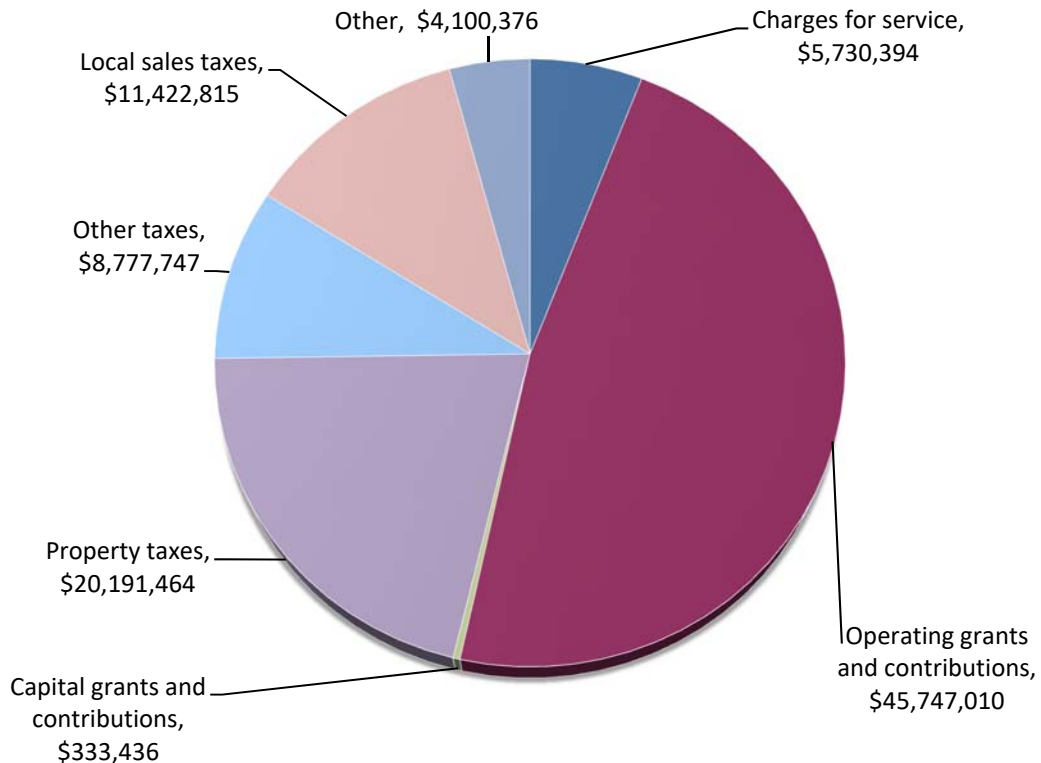
**CITY OF OAK RIDGE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

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**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**

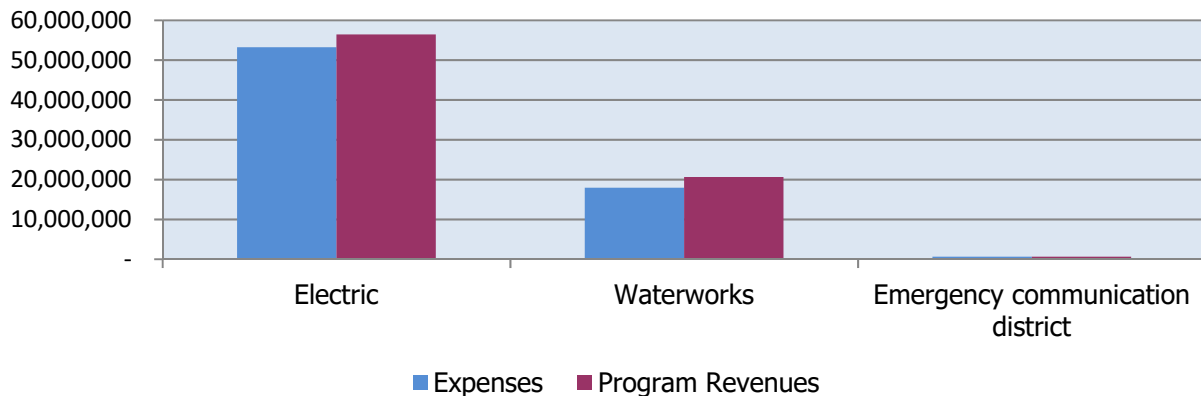


**CITY OF OAK RIDGE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

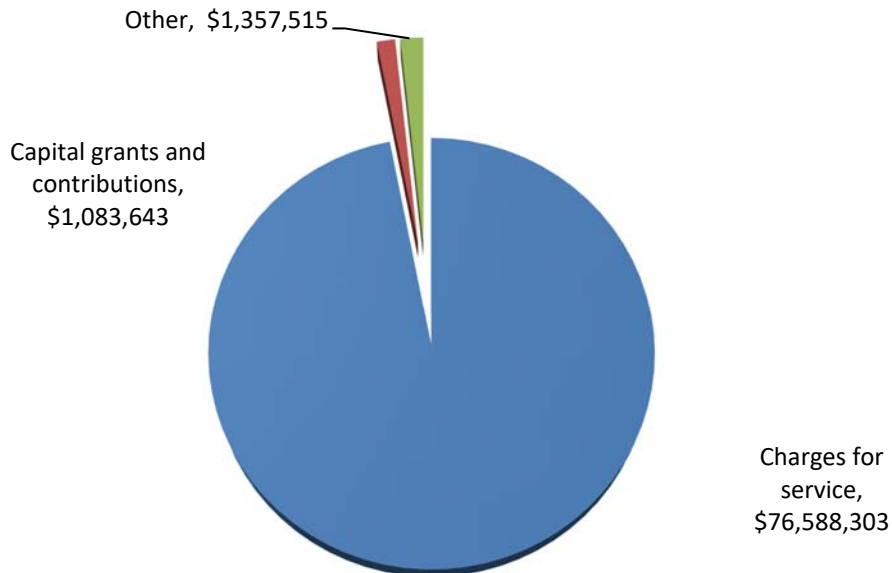
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**Business-type activities.** Business-type activities increased the City of Oak Ridge's net position by \$3,766,492. Total revenues increased \$2,438,699 in a comparison to the prior year. Charges for services increased \$1,937,200, primarily due to electric and wastewater rate increases during fiscal 2017. There were no operating grants and contributions during fiscal 2017. Capital grants and contributions increased \$250,594 due to higher grant proceeds from a TVA grant. Total expenses increased \$3,702,876 from the prior fiscal year, with increases of \$2,473,654 in Electric, \$1,219,203 in Waterworks and \$10,019 in Emergency Communication expenses.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source – Business-type Activities**





**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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The net position of the electric fund increased by \$2,534,620 from the prior fiscal year. 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 adjustments (FCA). These FCA's 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 2016, Electric rates increased approximately 1.36% to pass-through an increase in wholesale power costs to the City by TVA.

The net position of the waterworks fund increased by \$1,238,982 from fiscal 2016. A series of water and wastewater rate increases have occurred since 2012 to fund debt related to capital needs for the water and wastewater infrastructure. A wastewater rate increase of 6% was effective January 1, 2016.

**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 \$32,855,451, an increase of \$1,845,923 in comparison to the prior year. Of this amount, \$1,248,935 is nonspendable and is comprised of a \$714,286 long-term interfund note receivable and inventory and prepaid items. \$7,700,828 is restricted with externally enforceable limitations on use, \$1,907,927 is committed, \$12,481,681 is assigned as designated usage and \$9,516,080 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 \$9,516,080, while total fund balance was \$11,374,838. 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 44.9% of total general fund expenditures. However, unassigned fund balance only represents 21.7% 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 increased by \$1,027,046 during the current fiscal year. The general fund had a budgeted fund balance decrease of \$344,779 which when combined to actual resulted in an increase of \$1,371,825 above budgeted expectations. An additional \$446,770 in unspent budgeted funds was encumbered in fiscal 2017 for projects in fiscal 2018.

\$800,275 of the expenditure variance is related to timing differences in budgeted and actual grant expenditures. The City was awarded a \$500,000 HOME grant that was budgeted for fiscal 2017, however, no expenditures occurred before the end of fiscal 2017. Similar timing variances occurred in other grants between the budget and actual expenditures. Many grant awards cross multiple City fiscal years. Correspondingly, grant revenues were also below budget.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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Non-grant revenues were \$677,909 above budget, primarily due to higher than budgeted sales and property tax collections. Property tax related collections were \$406,558 above budget. Fiscal 2016 was a reappraisal tax year and when the fiscal 2017 budget was prepared there were numerous large tax appeals still pending. Actual sales tax collections were \$349,841 above budget. Sales tax collections were conservatively budgeted in fiscal 2017 due to the recent volatility that had been occurring related to remittances by federal contractors. Business tax collections continue to be below expectations, with actual collections being \$158,547 below budget.

Non-grant related expenditures were \$761,090 below budget. \$312,805 of this variance amount is associated to funding for technical assistance related to the purchase of new financial and utility software and the development of a new stormwater program. Both of these programs proceed slower than anticipated and the unspent budgeted funding was encumbered at fiscal year-end for this projects in fiscal 2018. Also, encumbered was \$133,965 in unspent budgeted funding, primarily due to staff vacancies and utility savings, to fund one-time projects in fiscal 2018. Overall, the City has been experiencing cost savings from the retirement of long-term higher paid employees.

There were budgetary amendments to increase the legal expenditure appropriation of the various School Funds during fiscal 2017 of \$798,680. The increase in the budget for the School Funds was primarily related to the use of federal grant carryover amounts and unanticipated increases in grant funding.

The debt service fund has a total fund balance of \$8,095,418, of which \$5,755,801 is restricted to debt service on Oak Ridge High School debt issuances and \$2,339,617 is assigned for the payment of debt service. The net decrease in fund balance of the debt service fund during the current year was \$635,628 due to the planned use of restricted reserves to fund debt service.

The capital projects fund has a total fund balance of \$2,632,498. The net increase in fund balance during the year was \$317,517 which resulted from the timing of completion of planned capital expenditures until fiscal 2018.

***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 \$2,192,664 for the electric fund, \$10,650,943 for the waterworks fund, and \$1,017,425 for the emergency communications district fund. Unrestricted net position decreased \$195,602 in the electric fund and increased \$4,056,200 in the waterworks fund primarily due to higher cash levels resulting from rate increases to fund future debt and capital projects. The unrestricted net position of the emergency communications district fund increased by \$18,190.

#### **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, 2017, amounts to \$290,006,958 (net of accumulated depreciation), which is a \$5,190,831 decrease 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, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017**

**City of Oak Ridge's Capital Assets**

	Governmental activities		Business-type activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Land	\$ 3,151,115	\$ 3,324,100	\$ 900,643	\$ 880,193	\$ 4,051,758	\$ 4,204,293
Construction in progress	48,752	238,835	2,953,388	1,838,304	3,002,140	2,077,139
Buildings	72,646,794	75,166,746	-	-	72,646,794	75,166,746
Improvements	7,341,791	7,421,496	-	-	7,341,791	7,421,496
Infrastructure	27,734,533	28,766,350	-	-	27,734,533	28,766,350
Equipment	11,108,974	11,885,494	4,200,531	4,647,817	15,309,505	16,533,311
Electric Plant	-	-	50,033,772	49,492,507	50,033,772	49,492,507
Waterworks Plant	-	-	109,886,665	111,535,947	109,886,665	111,535,947
Total	<u>\$122,031,959</u>	<u>\$126,803,021</u>	<u>\$167,974,999</u>	<u>\$ 168,394,768</u>	<u>\$290,006,958</u>	<u>\$295,197,789</u>

Fiscal 2017, capital asset activities totals decreased \$4,771,062 in governmental activities and \$419,769 in business-type activities due to depreciation exceeding new capital investment during the fiscal year.

Major capital asset events during the current fiscal year included the following:

- Community services and development activities added \$832,881; \$51,015 for the purchase of blighted properties for demolition and revitalization for efforts in the City's "Not In Our City" program; \$555,140 for design and construction of the 8<sup>th</sup> Lane at the Marina (\$335,000 funded by the State and private donations), \$146,592 for equipment including an outdoor pool filter system, \$48,752 for initial design costs related to a new Senior Center and Peace Bell Structure in Bissell Park, and \$31,382 for miscellaneous recreation facility improvements.
- Public safety added \$853,689; \$24,651 toward a shed to house fitness equipment for the fire stations (funded by a federal grant), \$24,490 for a boat, and \$146,548 for vehicles and computer equipment. A MRAP Armored Motor Vehicle valued at \$658,000 was donated to the Police department from another governmental agency.
- General government added \$24,791 for a vehicle.
- Public works activities added \$99,828 in capital assets, which included \$46,773 for building lighting improvements (partially funded by a TN Clean Energy Grant), \$35,656 in pedestrian improvements (funded in part by a TDOT grant), and \$17,399 for vehicles/equipment.
- Educational activities increased \$630,394, and included \$443,407 in building improvements and \$186,987 for vehicles/equipment.
- Business-type activities added \$5,987,432 in completed capital assets. \$2,431,895 in electrical capital assets were added, primarily for routine replacement of overhead and underground distribution systems. \$3,417,458 in waterworks capital assets were added, which included \$1,716,313 in water improvements and \$1,701,145 in wastewater improvements. \$117,629 in electric and waterworks equipment and \$20,450 for an easement was spent during the fiscal year.

Additional information on the City of Oak Ridge's capital assets can be found in Note 13 on pages C-63 and C-64 of this report.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

**Long-term debt.** At the end of the current fiscal year, the City of Oak Ridge had total long-term debt outstanding of \$160,298,186. Of this amount, \$79,960,939 comprises debt backed solely by the full faith and credit of the City. \$80,337,247 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.

**Outstanding Debt**

	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
General obligation and Revenue bonds	\$ 42,444,785	\$ 46,938,528	\$55,140,859	\$47,392,007	\$ 97,585,644	\$ 94,330,535
Qualified Zone Academy Bonds (QZAB)	2,037,673	2,547,091	-	-	2,037,673	2,547,091
Long-term notes and loans	33,911,705	34,076,053	25,196,388	33,347,065	59,108,093	67,423,118
Capital leases	1,566,776	2,026,224	-	143,743	1,566,776	2,169,967
Total	<u>\$ 79,960,939</u>	<u>\$ 85,587,896</u>	<u>\$80,337,247</u>	<u>\$80,882,815</u>	<u>\$160,298,186</u>	<u>\$166,470,711</u>

The City of Oak Ridge's total debt decreased by \$6,172,525 (3.71%) during the current fiscal year.

In December 2016, the City issued \$9,665,000 in General Obligation Refunding Bonds, Series 2016, to refund the outstanding 2006 \$5,374,000 and 2012 \$4,501,000 in variable interest rate loans facilitated through the Tennessee Municipal Bond Fund (TMBF) loan program. The bonds were sold at a premium of \$277,462, with issuance costs of \$155,405, resulting in a final True Interest Cost (TIC) of 2.4004058%. The goal of the refunding was to reduce the City's variable interest rate exposure.

In June 2017, a \$2,000,000 State Revolving Fund Loan (SRF) was approved by the State for rehabilitation of approximately 30,000 linear feet of sewer line. This loan contains a 7% principal forgiveness. In August 2017, a \$3,100,000 SRF Loan was approved by the State for improvements to the Turtle Park Wastewater Pumping Station.

In December 2017, the City issued \$19,125,000 in General Obligation Refunding Bonds, Series 2017. The bonds were sold at a premium of \$2,055,564, with issuance costs of \$297,620, resulting in a final True Interest Cost (TIC) of 2.2639056%. \$6,220,000 of the bond proceeds along with \$628,888 in City contributions were used for the advance refunding of \$6,970,000 in Electric Fund debt for the outstanding 2020 to 2025 maturities of the General Obligation Refunding Bonds 2009. The remaining proceeds will be used for energy efficiency improvements to public buildings, design and site costs for a new Preschool and a new Senior Center, the purchase of software, including utility billing and financial software, and the purchase of a Motorola P25 Mission-Critical Radio System and related equipment.

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 9 year period. The balance at June 30, 2017 was \$714,286.

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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Additional information on the City of Oak Ridge's long-term debt can be found in Note 14 on pages C-65 through C-81 of this report.

The City of Oak Ridge currently maintains 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.

**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 funded 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. Property tax revenues were below budget for fiscal 2016. The property tax collections for fiscal 2017 were conservatively budgeted and collections exceeded budgeted expectations. For fiscal 2018, property tax assessments are expected to continue to grow based on ongoing and planned economic development in Oak Ridge. In fiscal 2018, property tax collections were budgeted at a 1.1% increase over projected fiscal 2017 levels. The fiscal 2018 property tax rate remained at the fiscal 2017 level of \$2.52 per \$100 of assessed valuation.
- Since 2013, the City has experienced a resurgence in retail growth within the City. The redevelopment of the 58 acre Oak Ridge mall site into the Main Street development began in September 2016. In the summer of 2017 the newly constructed Dick's Sporting Goods, T.J. Maxx, Ulta, Rack Room Shoes, Rue 21, Maurices, Pet Smart and Electronic Express opened. Phase II of the project will begin in the spring of 2018. New adjacent retail establishments adjacent to the Main Street site include a Panda Express that opened in the summer of 2017 and a retail space. Currently under construction is a 90-room Marriott Townplace hotel and a Freddy's Custard shop.
- The Main Street project has led to a Phase II partnership involving a new restaurant corridor and apartment/shopkeeper complex of 180 new apartment units. Also, in a partnership with the Department of Energy, the City has organized a land transfer in return for a newly remodeled American Museum of Science and Energy within the Main Street project. The land is now being planned for seven acres of adjacent grocery and retail facilities to add to the shopping mix. Additional unanticipated facilities will add a projected \$30-40 million in new construction for the land transfer site.
- The above development has and will continue to bring in new retail businesses and sales tax dollars to Oak Ridge. Local sales and use tax collections accounted for in the General Fund were up \$802,478 in fiscal 2017 compared to the prior fiscal year. Fiscal 2018 sales and use tax collections are budgeted to be up 7.1% from budgeted fiscal 2017 levels.
- Additionally, from a longer view perspective, the \$6.5 billion Uranium Processing Facility (UPF) at the Y-12 Complex in Oak Ridge is nearing the construction phase. The project is expected to be completed in 2025. The project is anticipated to bring additional sales tax dollars from both the materials and additional jobs required during the construction period.

**CITY OF OAK RIDGE, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2017**

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- 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 now change annually, rather than biennially, as they have done in the past. A modest increase was budgeted for these in fiscal 2018. It is anticipated that larger increases may be required in future fiscal years.
- 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. A 6% wastewater rate increase was adopted effective January 1, 2017 and January 1, 2018. A 6% water rate increase has been adopted effective October 2017 and an additional 4% increase effective January 1, 2019. 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.
- \$416,789 in fund balance is budgeted to be drawn in fiscal 2018, primarily to maintain the property tax rate at the fiscal 2017 \$2.52 tax rate. 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. Property tax rate increase are anticipated in future fiscal years related to the construction of a new Preschool and a new Senior Center.

All of these factors were considered in preparing the City of Oak Ridge's budget for the 2018 fiscal year.

During the fiscal 2017, the unassigned fund balance in the general fund increased by \$677,741 to \$9,516,080. This increase was primarily from increased property and sales tax collections 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 nine year period through November 2019. The interfund loan balance at June 30, 2017, is \$714,286.

### **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, 2017**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Oak Ridge Land Bank	Convention and Visitors Bureau	Education Foundation
<b>Assets</b>						
Cash and cash equivalents	\$ 32,112,869	\$ 16,505,152	\$ 48,618,021	\$ 35,463	\$ 173,361	\$ 107,615
Investments	-	-	-	-	-	4,782,600
Receivables, net	22,751,040	8,826,609	31,577,649	9,244	91,250	-
Unconditional promises to give, net	-	-	-	-	-	12,160
Due from other governments	5,324,747	121,658	5,446,405	-	-	-
Property inventory	-	-	-	639,808	-	-
Inventory, at cost	523,072	2,760,146	3,283,218	-	-	-
Prepaid items	184,653	9,375	194,028	-	-	-
Restricted assets:						
Cash and cash equivalents	5,755,539	2,546,360	8,301,899	45,000	-	-
Long-term interfund note receivable (payable)	714,286	(714,286)	-	-	-	-
Net pension asset	26,693	-	26,693	-	-	-
Capital assets nondepreciable	3,199,867	3,854,031	7,053,898	-	-	-
Capital assets depreciable, net	118,832,092	164,120,968	282,953,060	-	-	-
Total assets	189,424,858	198,030,013	387,454,871	729,515	264,611	4,902,375
<b>Deferred outflows of resources</b>						
Deferred pension outflows	13,558,300	2,410,219	15,968,519	-	-	-
Deferred outflows on bond refunding	96,878	-	96,878	-	-	-
Total deferred outflows of resources	13,655,178	2,410,219	16,065,397	-	-	-

**CITY OF OAK RIDGE, TENNESSEE**  
**STATEMENT OF NET POSITION (continued)**  
**June 30, 2017**

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Oak Ridge Land Bank	Convention and Visitors Bureau	Education Foundation
<b>Liabilities</b>						
Accounts payable	\$ 2,284,882	\$ 8,180,336	\$ 10,465,218	\$ -	\$ -	\$ -
Accrued liabilities	4,359,955	234,827	4,594,782	-	-	350
Deposits payable	607,210	3,019,827	3,627,037	-	-	-
Accrued interest payable	225,067	168,569	393,636	-	-	-
Long-term liabilities:						
Due within one year	7,870,093	4,475,065	12,345,158	7,202	-	-
Due in more than one year	82,983,730	76,365,369	159,349,099	14,403	-	-
Net pension liability	12,475,960	4,722,596	17,198,556	-	-	-
Total liabilities	110,806,897	97,166,589	207,973,486	21,605	-	350
<b>Deferred inflows of resources</b>						
Deferred property taxes	20,562,301	-	20,562,301	-	-	-
Derivative instruments - interest rate swaps	5,867,350	-	5,867,350	-	-	-
Deferred pension inflows	6,586,920	214,953	6,801,873	-	-	-
Advance payments	20,221	845,620	865,841	-	15,323	-
Total deferred inflows of resources	33,036,792	1,060,573	34,097,365	-	15,323	-
<b>Net position</b>						
Net investment in capital assets	42,071,020	88,352,038	130,423,058	-	-	-
Restricted for:						
Drug enforcement	331,665	-	331,665	-	-	-
Street improvements	1,138,442	-	1,138,442	-	-	-
Public transportation	37,710	-	37,710	-	-	-
Pension	26,693	-	26,693	-	-	-
Education	429,327	-	429,327	-	-	2,158,429
Other	-	-	-	45,000	-	-
Unrestricted	15,201,490	13,861,032	29,062,522	662,910	249,288	2,743,596
Total net position	\$ 59,236,347	\$ 102,213,070	\$ 161,449,417	\$ 707,910	\$ 249,288	\$ 4,902,025

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, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units			
					Governmental Activities	Business-type Activities	Total	Oak Ridge Land Bank	Convention and Visitors Bureau	Education Foundation	
Primary government:											
Governmental activities:											
General government	\$ 765,491	\$ 946,213	\$ -	\$ -	\$ 180,722	\$ -	\$ 180,722	\$ -	\$ -	\$ -	
Public safety	13,099,182	396,115	3,065,588	16,000	(9,621,479)	-	(9,621,479)	-	-	-	
Public works	7,322,431	1,892,043	-	291,436	(5,138,952)	-	(5,138,952)	-	-	-	
Community services	7,812,036	1,383,479	59,740	-	(6,368,817)	-	(6,368,817)	-	-	-	
Education	58,985,398	1,112,544	41,693,211	-	(16,179,643)	-	(16,179,643)	-	-	-	
Grants	1,182,550	-	928,471	26,000	(228,079)	-	(228,079)	-	-	-	
Interest and fiscal charges	2,800,902	-	-	-	(2,800,902)	-	(2,800,902)	-	-	-	
Total governmental activities	91,967,990	5,730,394	45,747,010	333,436	(40,157,150)	-	(40,157,150)	-	-	-	
Business-type activities:											
Electric	53,240,869	55,484,213	-	953,212	-	3,196,556	3,196,556	-	-	-	
Waterworks	17,941,238	20,494,805	-	125,766	-	2,679,333	2,679,333	-	-	-	
Emergency communication district	629,788	609,285	-	4,665	-	(15,838)	(15,838)	-	-	-	
Total business-type activities	71,811,895	76,588,303	-	1,083,643	-	5,860,051	5,860,051	-	-	-	
Total primary government	\$ 163,779,885	\$ 82,318,697	\$ 45,747,010	\$ 1,417,079	(40,157,150)	5,860,051	(34,297,099)	-	-	-	
Component units:											
Oak Ridge Land Bank	28,684	9,000	233,200	-	-	-	-	213,516	-	-	
Convention and Visitors Bureau	342,320	60,022	350,000	-	-	-	-	-	67,702	-	
Education Foundation	600,809	-	-	100,230	-	-	-	-	-	(500,579)	
Total component units	\$ 971,813	\$ 69,022	\$ 583,200	\$ 100,230	-	-	-	213,516	67,702	(500,579)	
General revenues:											
Property taxes					20,191,464	-	20,191,464	-	-	-	
In-lieu of tax payments					2,130,365	-	2,130,365	-	-	-	
Sales taxes					11,422,815	-	11,422,815	-	-	-	
Unrestricted state shared taxes					4,465,675	-	4,465,675	-	-	-	
Business taxes					731,453	-	731,453	-	-	-	
Occupancy taxes					580,370	-	580,370	-	-	-	
Wholesale beer and liquor taxes					869,884	-	869,884	-	-	-	
Investment earnings					182,940	85,299	268,239	274	299	206,942	
Investment earnings - change in fair value of interest rate swaps					1,967,643	-	1,967,643	-	-	-	
Miscellaneous					1,949,793	1,272,216	3,222,009	-	2,247	-	
Transfers					3,451,074	(3,451,074)	-	-	-	-	
Total general revenues and transfers					47,943,476	(2,093,559)	45,849,917	274	2,546	206,942	
Change in net position					7,786,326	3,766,492	11,552,818	213,790	70,248	(293,637)	
Net position - beginning					51,450,021	98,446,578	149,896,599	494,120	179,040	5,195,662	
Net position - ending					\$ 59,236,347	\$ 102,213,070	\$ 161,449,417	\$ 707,910	\$ 249,288	\$ 4,902,025	

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, 2017**

	General	General Purpose School	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 8,294,678	\$ 8,899,439	\$ 2,682,270	\$ 2,039,547	\$ 3,927,049	\$ 25,842,983
Receivables, net	22,381,435	17,087	-	-	352,518	22,751,040
Due from other funds	-	378,742	-	-	-	378,742
Due from other governments	2,880,895	1,428,094	26,039	302,368	687,351	5,324,747
Inventories, at cost	199,147	-	-	-	193,840	392,987
Prepaid items	44,056	96,315	-	-	7,202	147,573
Long-term interfund note receivable	714,286	-	-	-	-	714,286
Total unrestricted assets	34,514,497	10,819,677	2,708,309	2,341,915	5,167,960	55,552,358
Restricted assets:						
Cash and cash equivalents	-	-	-	5,753,503	2,036	5,755,539
Total assets	<u>\$ 34,514,497</u>	<u>\$ 10,819,677</u>	<u>\$ 2,708,309</u>	<u>\$ 8,095,418</u>	<u>\$ 5,169,996</u>	<u>\$ 61,307,897</u>
<b>Liabilities, deferred inflows of resources and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 520,656	\$ 402,730	\$ 75,811	\$ -	\$ 1,171,652	\$ 2,170,849
Accrued liabilities	497,452	3,118,869	-	-	144,762	3,761,083
Deposits	607,210	-	-	-	-	607,210
Due to other funds	-	-	-	-	378,742	378,742
Total liabilities	1,625,318	3,521,599	75,811	-	1,695,156	6,917,884
<b>Deferred inflows of resources:</b>						
Deferred property tax	21,514,341	-	-	-	-	21,514,341
Advance payments	-	2,500	-	-	17,721	20,221
Total deferred inflows of resources	21,514,341	2,500	-	-	17,721	21,534,562
<b>Fund balances:</b>						
Nonspendable	957,489	96,315	-	-	195,131	1,248,935
Restricted	37,710	-	-	5,755,801	1,907,317	7,700,828
Committed	-	804,306	1,000,000	-	103,621	1,907,927
Assigned	863,559	6,394,957	1,632,498	2,339,617	1,251,050	12,481,681
Unassigned	9,516,080	-	-	-	-	9,516,080
Total fund balances	11,374,838	7,295,578	2,632,498	8,095,418	3,457,119	32,855,451
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,514,497</u>	<u>\$ 10,819,677</u>	<u>\$ 2,708,309</u>	<u>\$ 8,095,418</u>	<u>\$ 5,169,996</u>	<u>\$ 61,307,897</u>

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, 2017**

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

Total fund balances - governmental funds	\$	32,855,451
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		119,435,088
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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.		7,061,746
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Property tax revenues and in-lieu of 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.		952,040
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:

General obligation debt	(40,660,000)	
Qualified zone academy bonds (QZAB)	(2,037,673)	
Capital lease obligation	(810,677)	
Notes payable	(33,911,705)	
Discounts and premiums (net)	(1,483,830)	
Compensated absences	(2,389,180)	
Termination benefits	(570,623)	
OPEB obligation	(7,855,845)	
Accrued interest	(208,212)	
Net pension asset	26,693	
Net pension liability	(12,273,916)	(102,174,968)

Deferred outflows of resources 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:

Bond refunding	96,878	
Deferred pension outflows	13,455,186	13,552,064

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	(5,867,350)	
Deferred pension inflows	(6,577,724)	(12,445,074)

Net position of governmental activities	\$	59,236,347
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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, 2017**

	General	General Purpose School	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 23,354,010	\$ -	\$ -	\$ 2,054,974	\$ -	\$ 25,408,984
Licenses and permits	306,359	-	-	-	-	306,359
Intergovernmental	14,661,064	36,481,868	291,436	-	8,790,454	60,224,822
Charges for services	1,232,188	236,047	-	-	3,560,154	5,028,389
Fines and forfeitures	364,740	-	-	-	30,906	395,646
Grants	954,471	-	-	-	-	954,471
Investment earnings	67,118	-	13,711	58,896	15,119	154,844
Miscellaneous	558,015	455,476	105,111	402,785	145,838	1,667,225
Total revenues	41,497,965	37,173,391	410,258	2,516,655	12,542,471	94,140,740
<b>Expenditures</b>						
Current:						
General government	1,637,951	-	-	-	-	1,637,951
Public safety	10,762,280	-	-	-	2,564,221	13,326,501
Public works	1,981,597	-	-	-	4,047,199	6,028,796
Community services	5,646,924	-	-	-	1,069,037	6,715,961
Grants	1,182,550	-	-	-	-	1,182,550
Education	-	52,409,970	-	-	5,989,138	58,399,108
Capital outlay	-	-	1,002,741	-	-	1,002,741
Debt service:						
Principal	-	-	-	4,677,133	-	4,677,133
Interest	-	-	-	2,775,150	-	2,775,150
Total expenditures	21,211,302	52,409,970	1,002,741	7,452,283	13,669,595	95,745,891
Excess (deficiency) of revenues over expenditures	20,286,663	(15,236,579)	(592,483)	(4,935,628)	(1,127,124)	(1,605,151)
<b>Other financing sources (uses)</b>						
Transfers in	3,451,074	15,597,862	910,000	4,300,000	2,075,501	26,334,437
Transfers out	(22,710,691)	(68,773)	-	-	(103,899)	(22,883,363)
Net other financing sources (uses)	(19,259,617)	15,529,089	910,000	4,300,000	1,971,602	3,451,074
Net change in fund balances	1,027,046	292,510	317,517	(635,628)	844,478	1,845,923
Fund balances - beginning	10,347,792	7,003,068	2,314,981	8,731,046	2,612,641	31,009,528
Fund balances - ending	\$ 11,374,838	\$ 7,295,578	\$ 2,632,498	\$ 8,095,418	\$ 3,457,119	\$ 32,855,451

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, 2017**

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

Net change in fund balances - total governmental funds	\$ 1,845,923
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 (\$6,179,053) exceeded capital outlays from the capital projects fund (\$1,002,741) and other governmental funds (\$472,899) in the current period.	(4,703,413)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.	304,009
Tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(115,805)
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.	4,797,338
Change in fair value of ineffective derivative - interest rate swap	1,967,643
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.	3,183,488
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.	13,935
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	493,208
Change in net position of governmental activities	<u>\$ 7,786,326</u>

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, 2017**

	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance With Final Positive (Negative)
<b>Revenues</b>						
Taxes	\$ 23,034,979	\$ 23,034,979	\$ 23,354,010	\$ -	\$ 23,354,010	\$ 319,031
Licenses and permits	310,000	310,000	306,359	-	306,359	(3,641)
Intergovernmental	14,379,600	14,379,600	14,661,064	-	14,661,064	281,464
Charges for services	1,238,982	1,238,982	1,232,188	-	1,232,188	(6,794)
Fines and forfeitures	339,500	339,500	364,740	-	364,740	25,240
Grants	1,730,770	1,730,770	954,471	-	954,471	(776,299)
Investment earnings	27,524	27,524	67,118	-	67,118	39,594
Miscellaneous	535,000	535,000	558,015	-	558,015	23,015
Total revenues	41,596,355	41,596,355	41,497,965	-	41,497,965	(98,390)
<b>Expenditures</b>						
Current:						
General government	2,022,236	2,022,236	1,637,951	220,330	1,858,281	163,955
Public safety	10,917,892	10,917,892	10,762,280	-	10,762,280	155,612
Public works	2,216,207	2,216,207	1,981,597	226,440	2,208,037	8,170
Community services	5,633,507	5,633,507	5,646,924	-	5,646,924	(13,417)
Grants	1,982,825	1,982,825	1,182,550	-	1,182,550	800,275
Total expenditures	22,772,667	22,772,667	21,211,302	446,770	21,658,072	1,114,595
Excess (deficiency) of revenues over (under) expenditures	18,823,688	18,823,688	20,286,663	(446,770)	19,839,893	1,016,205
<b>Other financing sources (uses)</b>						
Transfers in	3,465,950	3,465,950	3,451,074	-	3,451,074	(14,876)
Transfers out	(22,634,417)	(22,634,417)	(22,710,691)	-	(22,710,691)	(76,274)
Net other financing uses	(19,168,467)	(19,168,467)	(19,259,617)	-	(19,259,617)	(91,150)
Net change in fund balances	(344,779)	(344,779)	1,027,046	(446,770)	580,276	925,055
Fund balance - beginning	10,347,792	10,347,792	10,347,792	-	10,347,792	-
Fund balance - ending	\$ 10,003,013	\$ 10,003,013	\$ 11,374,838	\$ (446,770)	\$ 10,928,068	\$ 925,055

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, 2017**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual on Budgetary Basis</b>	<b>Variance With Final Positive (Negative)</b>
<b>Revenues</b>				
Intergovernmental	\$ 36,129,943	\$ 36,021,545	\$ 36,481,868	\$ 460,323
Charges for services	290,000	290,000	236,047	(53,953)
Other	286,569	484,859	455,476	(29,383)
Total revenues	36,706,512	36,796,404	37,173,391	376,987
<b>Expenditures</b>				
Current:				
Education	53,640,695	54,229,266	52,409,970	1,819,296
Total expenditures	53,640,695	54,229,266	52,409,970	1,819,296
(Deficiency) excess of revenues (under) over expenditures	(16,934,183)	(17,432,862)	(15,236,579)	2,196,283
<b>Other financing sources (uses)</b>				
Transfers in	15,493,963	15,493,963	15,597,862	103,899
Transfers out	-	-	(68,773)	(68,773)
Net other financing source	15,493,963	15,493,963	15,529,089	35,126
Net change in fund balances	(1,440,220)	(1,938,899)	292,510	2,231,409
Fund balance - beginning	7,003,068	7,003,068	7,003,068	-
Fund balance - ending	\$ 5,562,848	\$ 5,064,169	\$ 7,295,578	\$ 2,231,409

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, 2017**

	Business-type Activities				Governmental Activities
			Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
	Electric	Waterworks			
<b>Assets and deferred outflows of resources</b>					
Current assets:					
Cash and cash equivalents	\$ 6,340,432	\$ 9,148,677	\$ 1,016,043	\$ 16,505,152	\$ 6,269,886
Receivables, net	6,596,220	2,230,389	-	8,826,609	-
Due from other governments	121,658	-	-	121,658	-
Prepaid items	-	-	9,375	9,375	37,080
Inventories, at cost	1,578,257	1,181,889	-	2,760,146	130,085
Restricted assets:					
Cash and cash equivalents	27,655	1,673,085	845,620	2,546,360	-
Total current assets	14,664,222	14,234,040	1,871,038	30,769,300	6,437,051
Noncurrent assets:					
Capital assets, net	55,748,456	111,656,411	570,132	167,974,999	2,596,871
Total noncurrent assets	55,748,456	111,656,411	570,132	167,974,999	2,596,871
Total assets	70,412,678	125,890,451	2,441,170	198,744,299	9,033,922
Deferred outflows of resources:					
Deferred pension outflows	1,031,143	1,379,076	-	2,410,219	103,114
Total deferred outflows of resources	1,031,143	1,379,076	-	2,410,219	103,114
<b>Liabilities and deferred inflows of resources</b>					
Current liabilities:					
Accounts payable	7,907,139	265,204	7,993	8,180,336	114,033
Accrued liabilities	105,567	129,260	-	234,827	598,872
Deposits	2,949,827	70,000	-	3,019,827	-
Current portion of noncurrent liabilities	1,427,035	3,286,125	-	4,713,160	115,017
Accrued interest payable	53,855	114,714	-	168,569	16,855
Total current liabilities	12,443,423	3,865,303	7,993	16,316,719	844,777
Noncurrent liabilities:					
Compensated absences	76,804	173,864	-	250,668	15,327
Notes payable	1,358,296	21,656,280	-	23,014,576	-
Interfund note payable	-	476,191	-	476,191	-
Bonds payable	14,590,499	38,218,299	-	52,808,798	300,457
Capital lease payable	-	-	-	-	682,883
Other post employment benefits obligation	90,155	201,172	-	291,327	20,606
Net pension liability	2,020,427	2,702,169	-	4,722,596	202,044
Total noncurrent liabilities	18,136,181	63,427,975	-	81,564,156	1,221,317
Total liabilities	30,579,604	67,293,278	7,993	97,880,875	2,066,094
Deferred inflows of resources:					
Grants received in advance	-	-	845,620	845,620	-
Deferred pension inflows	91,962	122,991	-	214,953	9,196
Total deferred inflows of resources	91,962	122,991	845,620	1,060,573	9,196
<b>Net position</b>					
Net investment in capital assets	38,579,591	49,202,315	570,132	88,352,038	1,539,817
Unrestricted	2,192,664	10,650,943	1,017,425	13,861,032	5,521,929
Total net position	\$ 40,772,255	\$ 59,853,258	\$ 1,587,557	\$ 102,213,070	\$ 7,061,746

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, 2017**

	Business-type Activities				Governmental Activities
	Nonmajor Enterprise Fund -			Total Enterprise Funds	Internal Service Funds
	Electric	Waterworks	Emergency Communications		
Operating revenues:					
Charges for services	\$ 55,484,213	\$ 20,494,805	\$ 609,285	\$ 76,588,303	\$ 6,759,470
Miscellaneous	974,256	297,960	-	1,272,216	-
Employer's contributions	-	-	-	-	4,008,027
Employees' contributions	-	-	-	-	972,746
Total operating revenues	56,458,469	20,792,765	609,285	77,860,519	11,740,243
Operating expenses:					
Maintenance and administrative	8,683,914	11,082,411	432,696	20,199,021	967,412
Purchased power and water	41,650,984	1,200	-	41,652,184	-
Depreciation	2,307,433	5,276,251	193,512	7,777,196	570,258
Materials	-	-	-	-	388,936
Medical/liability claims	-	-	-	-	569,981
Insurance premiums	-	-	-	-	5,176,558
Other benefits	-	-	-	-	3,589,652
Total operating expenses	52,642,331	16,359,862	626,208	69,628,401	11,262,797
Operating income (loss)	3,816,138	4,432,903	(16,923)	8,232,118	477,446
Nonoperating revenues (expenses):					
Gain on disposal of capital assets	-	-	-	-	27,353
Revenue from other governments	-	-	4,665	4,665	-
Investment earnings	21,919	54,652	8,728	85,299	28,096
Interest expense	(598,538)	(1,581,376)	(3,580)	(2,183,494)	(39,687)
Net nonoperating (expenses) revenues	(576,619)	(1,526,724)	9,813	(2,093,530)	15,762
Income (loss) before capital contributions and transfers	3,239,519	2,906,179	(7,110)	6,138,588	493,208
Transfers out	(1,658,111)	(1,792,963)	-	(3,451,074)	-
Capital contributions	953,212	125,766	-	1,078,978	-
Change in net position	2,534,620	1,238,982	(7,110)	3,766,492	493,208
Net position - beginning	38,237,635	58,614,276	1,594,667	98,446,578	6,568,538
Net position - ending	\$ 40,772,255	\$ 59,853,258	\$ 1,587,557	\$ 102,213,070	\$ 7,061,746

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, 2017**

	Business-type Activities				Governmental Activities
			Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
	Electric	Waterworks			
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ 56,474,415	\$ 20,954,243	\$ 609,285	\$ 78,037,943	\$ 11,740,243
Payments to employees for salaries and benefits	(3,162,894)	(3,271,551)	-	(6,434,445)	(468,914)
Payments to suppliers and service providers	(46,435,164)	(8,356,615)	(463,211)	(55,254,990)	(10,102,485)
Net cash provided by operating activities	6,876,357	9,326,077	146,074	16,348,508	1,168,844
<b>Cash flows from noncapital financing activities</b>					
Transfers to other funds	(1,658,111)	(1,792,963)	-	(3,451,074)	-
Net cash used in noncapital financing activities	(1,658,111)	(1,792,963)	-	(3,451,074)	-
<b>Cash flows from capital and related financing activities</b>					
Proceeds from the issuance of long-term debt	1,803,903	11,762,649	-	13,566,552	-
Proceeds from the sale of capital assets	-	-	-	-	27,353
Contributed capital	953,212	15,487	-	968,699	-
Acquisition and construction of capital assets	(3,754,831)	(3,379,627)	(24,469)	(7,158,927)	(198,600)
Payments on capital lease	-	-	-	-	(70,808)
Principal paid on capital debt	(2,961,199)	(10,896,899)	(143,743)	(14,001,841)	(150,499)
Interest paid on capital debt	(724,583)	(1,644,419)	(7,159)	(2,376,161)	(41,529)
Net cash used in capital and related financing activities	(4,683,498)	(4,142,809)	(175,371)	(9,001,678)	(434,083)
<b>Cash flows from investing activities</b>					
Interest on investments	21,919	54,652	8,728	85,299	28,096
Net cash provided by investing activities	21,919	54,652	8,728	85,299	28,096
Net increase (decrease) in cash and cash equivalents	556,667	3,444,957	(20,569)	3,981,055	762,857
Cash and cash equivalents - beginning	5,811,420	7,376,805	1,882,232	15,070,457	5,507,029
Cash and cash equivalents - ending	\$ 6,368,087	\$ 10,821,762	\$ 1,861,663	\$ 19,051,512	\$ 6,269,886
Cash and cash equivalents are classified as:					
Current assets	\$ 6,340,432	\$ 9,148,677	\$ 1,016,043	\$ 16,505,152	\$ 6,269,886
Restricted assets	27,655	1,673,085	845,620	2,546,360	-
Total cash and cash equivalents - ending	\$ 6,368,087	\$ 10,821,762	\$ 1,861,663	\$ 19,051,512	\$ 6,269,886

**CITY OF OAK RIDGE, TENNESSEE**  
**STATEMENT OF CASH FLOWS (continued)**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	Business-type Activities				Governmental Activities
	Electric	Waterworks	Nonmajor Enterprise Fund - Emergency Communications	Total Enterprise Funds	Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>					
Operating income (loss)	\$ 3,816,138	\$ 4,432,903	\$ (16,923)	\$ 8,232,118	\$ 477,446
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	2,307,433	5,276,251	193,512	7,777,196	570,258
Changes in assets and liabilities					
Receivables	(83,551)	161,478	-	77,927	-
Prepaid items	-	-	(9,375)	(9,375)	(37,080)
Inventories	175,791	(11,587)	-	164,204	4,208
Due from other governments	(65,226)	-	-	(65,226)	-
Deferred outflows	(78,774)	(73,011)	-	(151,785)	(24)
Accounts payable	394,227	(697,315)	(21,140)	(324,228)	25,399
Accrued liabilities	10,984	6,987	-	17,971	138,908
Compensated absences	9,289	(52,083)	-	(42,794)	3,889
Customer deposits	99,497	-	-	99,497	-
Other post employment benefit obligations payable	8,521	18,989	-	27,510	1,947
Net pension liability	809,381	1,021,467	-	1,830,848	59,682
Deferred inflows	(527,353)	(758,002)	-	(1,285,355)	(75,789)
Total adjustments	3,060,219	4,893,174	162,997	8,116,390	691,398
Net cash provided by operating activities	\$ 6,876,357	\$ 9,326,077	\$ 146,074	\$ 16,348,508	\$ 1,168,844
 Schedule of non-cash capital and related financing activities:					
Forgiveness of long-term debt	\$ -	\$ 110,279	\$ -	\$ 110,279	\$ -

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, 2017**

	<b>Private Purpose Trust - Scholarship Fund</b>	<b>Internal School Funds</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 255,515	\$ 926,714
Inventory	-	1,170
Total assets	<u>255,515</u>	<u>927,884</u>
<b>Liabilities</b>		
Accounts payable	-	2,672
Liability for student activities	-	925,212
Total liabilities	<u>-</u>	<u>927,884</u>
<b>Net Position</b>		
Held in trust for scholarships	255,515	-
Total net position	<u><u>\$ 255,515</u></u>	<u><u>\$ -</u></u>

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, 2017**

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	<b>Private Purpose Trust - Scholarship Fund</b>
<b>Additions</b>	
Investment income	\$ 1,433
Contributions	10,500
Total additions	<u>11,933</u>
<b>Deductions</b>	
Scholarship awards	<u>2,200</u>
Total deductions	<u>2,200</u>
Change in net position	9,733
Total net position - beginning	<u>245,782</u>
Total net position - ending	<u><u>\$ 255,515</u></u>

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

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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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 (TCA), 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 TCA §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 by 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

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Reporting Entity (continued)

Oak Ridge Convention and Visitors Bureau. The Convention and Visitors Bureau (the "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. The Oak Ridge Public Schools Education Foundation, Inc. (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 ended December 31, 2016. 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.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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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 funds, 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 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.



**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Government-wide and Fund Financial Statements (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 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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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, and Central Cafeteria 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.

f. Investments

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

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2017, unbilled revenue was estimated at \$1,563,951 in the Electric Fund and \$530,995 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 the contribution is unconditional. 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. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

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 acquisition 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 the assets' lives are not capitalized.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Capital Assets (continued)

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 \$198,500 for fiscal year 2017.

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. Pensions

For purposes of measuring the net pension asset, 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, the Teacher Retirement Plan, and the Teacher Legacy Pension Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to or deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS. 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, the Teacher Retirement Plan, and the Teacher Legacy Pension Plan of the 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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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 the 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.

**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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Fund Balance (continued)

**Unassigned Fund Balance** – 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 the City's 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 General Purpose School Fund to maintain a minimum unrestricted fund balance of 3% of current year's expenditures. For the current fiscal year ended June 30, 2017, the General Purpose School Fund 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 governmental funds. Encumbrances outstanding at year-end are reported as assigned fund balances. City Council adopted a resolution to encumber all remaining unspent budgeted funds at the end of fiscal year 2017 for Information Services, Finance, Central Service Center, Municipal Building and Stormwater activities in the General Fund. Accordingly, unspent budgeted funds at the end of fiscal year 2017 of \$446,770 were encumbered.

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.

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.



**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. New GASB Standards

The City adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68 and No. 73*, in the year ended June 30, 2017. The objective of this Statement is to address certain issues with respect to the presentation of payroll-related measures in required supplementary information, the selection of assumptions and treatment of deviations, and the classification of payments made by employers to satisfy employee contribution obligations.

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.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 is effective for fiscal years beginning after December 15, 2018. The City has not elected early implementation of this standard and has not determined the impact of this statement on its financial statements.

In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017* which addresses practice issues that have been identified during implementation of certain GASB Statements. 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.

In May 2017, the GASB issued GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt and prepaid insurance on debt that is extinguished. 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.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset. This Statement is effective for fiscal years beginning after December 15, 2019. The City has not elected early implementation of this standard and has not determined the impact of this statement on its financial statements.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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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 2016 property tax roll, which funded fiscal year 2017, was levied on July 1, 2016, on the assessed value as listed by the applicable County Assessor's Office and was delinquent on September 1, 2016. The revenue from that levy was recognized in the fiscal year beginning July 1, 2016, the year which it is intended to finance. The revenue from the City's 2017 levy will be recognized in the fiscal year beginning July 1, 2017, the year which it is intended to finance. The amount of deferred property taxes recorded in the General Fund at June 30, 2017, is \$21,514,341. The City's 2017 property tax roll, which funds fiscal year 2018, was levied on July 1, 2017, and was delinquent on September 1, 2017.

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

Public Utility Property	55%
Telecommunications and 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 2016 fiscal year. The assessed value for the 2017 fiscal year list was \$797,920,324. The appraised value was \$2,626,338,724 making the total assessed value approximately 30% of the total appraised value.

Taxes were levied at a rate of \$2.52 per \$100 of assessed value for the 2016 and 2017 property tax year. Current tax collections of \$19,527,803 for the fiscal year ended June 30, 2017, were approximately 96.6% 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. UT-Battelle, URS/CH2M Oak Ridge LLC (UCOR), and Consolidated Nuclear Security LLC, the contractors that operate the three major facilities, are the major employers in Oak Ridge. DOE plants account for 20% of total water sales and 17% 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 \$1,689,097 from DOE in tax payments in fiscal 2017. The annual payments are subject to congressional appropriation.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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3. DEPARTMENT OF ENERGY (continued)

During fiscal 2008, the City entered into an agreement with DOE and DOE's ETPP site contractor to assume fire and emergency medical response duties for the ETPP site. On October 1, 2007, DOE transferred 2.23 acres of land, the ETPP fire station and firefighting and ambulance vehicles and equipment to the City to operate this facility. The City added additional employees to man this station, which serves the west end of Oak Ridge. The West End Fund, a special revenue fund, accounts for the operations of the ETPP fire station. During fiscal 2016, the contract was extended through September 30, 2019. The City received \$2,706,126 from DOE in fiscal 2017.

4. GENERAL INFORMATION ABOUT THE PENSION PLANS

**City Employees – Public Employee Retirement Plan of TCRS**

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 TCA, 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 publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits Provided

TCA, 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.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

**City Employees – Public Employee Retirement Plan of TCRS (continued)**

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	247
Inactive employees entitled to but not yet receiving benefits	163
Active employees	<u>359</u>
Total	<u><u>769</u></u>

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, 2017, the employer contributions for the City were \$2,747,292 based on a rate of 14.98 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 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.

**City School Employees – Public Employee Retirement Plan of TCRS**

Plan Description

Employees of the 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 TCA, 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 publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits Provided

TCA, 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.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

**City School Employees – Public Employee Retirement Plan of TCRS (continued)**

Benefits Provided (continued)

Member and beneficiary annuitants are entitled to automatic 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 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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	211
Inactive employees entitled to but not yet receiving benefits	212
Active employees	<u>177</u>
Total	<u><u>600</u></u>

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 Schools make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, the employer contributions for the Schools were \$597,465 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 Schools' 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.

**City School Employees – Teacher Retirement Plan of TCRS**

Plan Description

Teachers of 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 TCA, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in 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](http://www.treasury.tn.gov/tcrs).

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

**City School Employees – Teacher Retirement Plan of TCRS (continued)**

Benefits Provided

TCA Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 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. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested 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 COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the 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. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The LEAs makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Oak Ridge City Schools for the year ended June 30, 2017, to the Teacher Retirement Plan were \$68,033 which is 4 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.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

**City School Employees – Teacher Legacy Pension Plan of TCRS**

Plan Description

Teachers of 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 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 TCA, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in 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](http://www.treasury.tn.gov/tcrs).

Benefits Provided

TCA, Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan 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. A reduced early benefit is available at age 55 and vested. Members are vested 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 COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the 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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

**City School Employees – Teacher Legacy Pension Plan of TCRS (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 sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Oak Ridge City Schools for the year ended June 30, 2017, to the Teacher Legacy Pension Plan were \$2,273,112 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.

**City School Employees – Oak Ridge Board of Education Hybrid with Cost Controls**

Plan Description

Employees of the Oak Ridge Board of Education Hybrid with Cost Controls 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 TCA, 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](http://www.treasury.tn.gov/tcrs).

Benefits Provided

TCA, 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 65 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.



**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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4. GENERAL INFORMATION ABOUT THE PENSION PLANS (continued)

**City School Employees – Oak Ridge Board of Education Hybrid with Cost Controls (continued)**

Benefits Provided (continued)

Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the 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. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by benefit terms:

Inactive employees entitled to but not yet receiving benefits	1
Active employees	20
Total	<u>21</u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Employees contribute 5 percent of salary. Oak Ridge Board of Education Hybrid with Cost Controls makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions are required to be paid. The TCRS may intercept Oak Ridge Board of Education Hybrid with Cost Controls' state shared taxes if required employer contributions are not remitted. Employer contributions by Oak Ridge Board of Education Hybrid with Cost Controls for the year ended June 30, 2017 to the Public Employee Retirement Plan were \$37,649, based on a rate of 4 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

For the year ended June 30, 2017, the City recognized a net pension asset, a net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense as follows:

<b>Pension Plan</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>	<b>Deferred Outflows of Resources Related to Pensions</b>	<b>Deferred Inflows of Resources Related to Pensions</b>	<b>Pension Expense</b>
Public Employee Retirement Plan of TCRS	\$ -	\$12,395,258	\$6,326,026	\$ 564,183	\$2,335,062
Public Employee Retirement Plan of TCRS (Schools)	-	337,559	1,508,058	703,672	17,580
Teacher Retirement Plan of TCRS	22,342	-	75,051	2,576	18,804
Teacher Legacy Pension Plan of TCRS	-	4,465,739	8,006,839	5,530,649	615,494
Board of Education Hybrid with Cost Controls	4,351	-	52,545	793	(5,456)
<b>Total</b>	<b>\$26,693</b>	<b>\$17,198,556</b>	<b>15,968,519</b>	<b>\$6,801,873</b>	<b>\$2,981,484</b>

**City Employees – Public Employee Retirement Plan of TCRS**

The City's net pension liability (asset) was measured as of June 30, 2016, 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 in the June 30, 2016 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 of 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, 2016 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.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
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5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

**City Employees – Public Employee Retirement Plan of TCRS (continued)**

Actuarial Assumptions (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 international 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%
		<u>100%</u>

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City Employees – Public Employee Retirement Plan of TCRS (continued)**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
<b>Balance at June 30, 2015</b>	\$ 97,756,846	\$89,302,081	\$ 8,454,765
<b>Changes for the year:</b>			
Service cost	1,428,012	-	1,428,012
Interest	7,240,779	-	7,240,779
Differences between expected and actual experience	327,266	-	327,266
Contributions – employer	-	2,747,292	(2,747,292)
Contributions – employees	-	834	(834)
Net investment income	-	2,334,612	(2,334,612)
Benefit payments, including refunds of employee contributions	(5,282,289)	(5,282,289)	-
Administrative expenses	-	(27,174)	27,174
<b>Net changes</b>	<u>3,713,768</u>	<u>(226,725)</u>	<u>3,940,493</u>
<b>Balance at June 30, 2016</b>	<u>\$101,470,614</u>	<u>\$89,075,356</u>	<u>\$12,395,258</u>

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%)
City's net pension liability (asset)	\$24,617,357	\$12,395,258	\$2,116,123

Pension Expense

For the year ended June 30, 2017, the City recognized pension expense of \$2,335,062.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City Employees – Public Employee Retirement Plan of TCRS (continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 560,410	\$564,183
Net difference between projected and actual earnings on pension plan investments	2,946,566	-
Contributions subsequent to the measurement date of June 30, 2016	<u>2,819,050</u>	<u>-</u>
Total	<u>\$6,326,026</u>	<u>\$564,183</u>

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

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:**

2018	\$ 241,537
2019	241,537
2020	1,638,276
2021	766,898
2022	54,545

Payable to the Pension Plan

At June 30, 2017, there was no payable outstanding for contributions to the pension plan required for the year ended June 30, 2017.

**City School Employees – Public Employee Retirement Plan of TCRS**

The School's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City School Employees – Public Employee Retirement Plan of TCRS (continued)**

Actuarial Assumptions

The total pension liability in the June 30, 2016, 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 of 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, 2016, 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 international 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%
		<u>100%</u>

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

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City School Employees – Public Employee Retirement Plan of TCRS (continued)**

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 Schools 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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
<b>Balance at June 30, 2015</b>	\$27,116,330	\$27,348,823	\$ (232,493)
<b>Changes for the year:</b>			
Service cost	558,772	-	558,772
Interest	2,019,852	-	2,019,852
Differences between expected and actual experience	(399,170)	-	(399,170)
Contributions – employer	-	604,601	(604,601)
Contributions – employees	-	300,796	(300,796)
Net investment income	-	717,506	(717,506)
Benefit payments, including refunds of employee contributions	(1,487,476)	(1,487,476)	-
Administrative expenses	-	(13,501)	13,501
<b>Net changes</b>	<u>691,978</u>	<u>121,926</u>	<u>570,052</u>
<b>Balance at June 30, 2016</b>	<u>\$27,808,308</u>	<u>\$27,470,749</u>	<u>\$ 337,559</u>

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City School Employees – Public Employee Retirement Plan of TCRS (continued)**

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

The following presents the net pension liability (asset) of the Schools 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Schools' net pension liability (asset)	\$3,526,252	\$337,559	\$(2,352,973)

Pension Expense

For the year ended June 30, 2017, the Schools recognized pension expense of \$17,580.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$703,672
Net difference between projected and actual earnings on pension plan investments	910,593	-
Contributions subsequent to the measurement date of June 30, 2016	<u>597,465</u>	<u>-</u>
Total	<u>\$1,508,058</u>	<u>\$703,672</u>

The amount shown above for "contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.



**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City School Employees – Public Employee Retirement Plan of TCRS (continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

<b>Year Ended June 30:</b>	
2018	\$ (244,922)
2019	(209,639)
2020	399,215
2021	262,267

Payable to the Pension Plan

At June 30, 2017, the Schools reported a payable of \$75,452 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**City School Employees – Teacher Retirement Plan of TCRS**

Pension Assets

At June 30, 2017, the Schools reported an asset of \$22,342 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Schools' proportion of the net pension asset was based on the Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the School's proportion was 0.214610 percent. The proportion measured as of June 30, 2015, was 0.257217 percent.

Pension Expense

For the year ended June 30, 2017, the Schools recognized pension expense of \$18,804.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City School Employees – Teacher Retirement Plan of TCRS (continued)**

Deferred Outflow of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,165	\$2,576
Net difference between projected and actual earnings on pension plan investments	3,658	-
Changes in proportion of the net pension asset	1,195	-
Contributions subsequent to the measurement date of June 30, 2016	<u>68,033</u>	<u>-</u>
Total	<u>\$75,051</u>	<u>\$2,576</u>

The Schools' employer contributions of \$68,033, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2018. 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:**

2018	\$1,004
2019	1,004
2020	1,004
2021	829
2022	46
Thereafter	555

Actuarial Assumptions

The total pension liability in the June 30, 2016 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 of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City School Employees – Teacher Retirement Plan of TCRS (continued)**

Actuarial Assumptions (continued)

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015 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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international 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%
		<u>100%</u>

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City School Employees – Teacher Retirement Plan of TCRS (continued)**

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 Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Schools' 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Schools' proportionate share of the net pension liability (asset)	\$10,550	\$(22,342)	\$(46,576)

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, 2017, the Schools reported a payable of \$18,496 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City School Employees – Teacher Legacy Pension Plan of TCRS**

Pension Liabilities

At June 30, 2017, the Schools reported a liability of \$4,465,739 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Schools' proportion of the net pension liability was based on the Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Schools' proportion was 0.714582 percent. The proportion measured as of June 30, 2015 was 0.662651 percent.

Pension Expense

For the year ended June 30, 2017, the Schools recognized pension expense of \$615,494.

Deferred Outflow of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 187,934	\$5,406,530
Net difference between projected and actual earnings on pension plan investments	4,986,058	-
Changes in proportion of net pension liability (asset)	559,735	124,119
Contributions subsequent to the measurement date of June 30, 2016	<u>2,273,112</u>	<u>-</u>
Total	<u>\$8,006,839</u>	<u>\$5,530,649</u>

The Schools' employer contributions of \$2,273,112, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2018. 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:**

2018	\$(746,403)
2019	(746,403)
2020	1,645,406
2021	324,018
2022	(273,540)

**CITY OF OAK RIDGE, TENNESSEE  
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For the Year Ended June 30, 2017**

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

**City School Employees – Teacher Legacy Pension Plan of TCRS (continued)**

Actuarial Assumptions

The total pension liability in the June 30, 2016 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 of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 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 international 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%
		<u>100%</u>

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City School Employees – Teacher Legacy Pension Plan of TCRS (continued)**

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 Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Schools' 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:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Schools' proportionate share of the net pension liability (asset)	\$24,522,139	\$4,465,739	\$(12,148,079)

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, 2017, the Schools reported a payable of \$463,098 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2017.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City School Employees – Oak Ridge Board of Education Hybrid with Cost Controls**

Oak Ridge Board of Education Hybrid with Cost Controls' net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value as of that date.

Actuarial Assumptions

The total pension liability in the June 30, 2016 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 of 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, 2016 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.



**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
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5. NET PENSION LIABILITY (ASSET), PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (continued)

**City School Employees – Oak Ridge Board of Education Hybrid with Cost Controls (continued)**

Actuarial Assumptions (continued)

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 international 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%
		<u>100%</u>

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 Oak Ridge Board of Education Hybrid with Cost Controls 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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

**City School Employees – Oak Ridge Board of Education Hybrid with Cost Controls (continued)**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
<b>Balance at June 30, 2015</b>	\$ -	\$ 1,178	\$ (1,178)
<b>Changes for the year:</b>			
Service cost	8,266	-	8,266
Interest	620	-	620
Differences between expected and actual experience	15,701	-	15,701
Contributions – employer	-	12,691	(12,691)
Contributions – employees	-	15,864	(15,864)
Net investment income	-	370	(370)
Administrative expenses	-	(1,165)	1,165
<b>Net changes</b>	<u>24,587</u>	<u>27,760</u>	<u>(3,173)</u>
<b>Balance at June 30, 2016</b>	<u>\$24,587</u>	<u>\$28,938</u>	<u>\$ (4,351)</u>

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

The following presents the net pension liability (asset) of Oak Ridge Board of Education Hybrid with Cost Controls 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%)
Oak Ridge Board of Education Hybrid with Cost Controls' net pension liability (asset)	\$1,156	\$(4,351)	\$(8,677)

Negative Pension Expense

For the year ended June 30, 2017, Oak Ridge Board of Education Hybrid with Cost Controls recognized negative pension expense of \$5,456.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

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

**City School Employees – Oak Ridge Board of Education Hybrid with Cost Controls (continued)**

Deferred Outflow of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, Oak Ridge Board of Education Hybrid with Cost Controls reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$14,274	\$793
Net difference between projected and actual earnings on pension plan investments	622	-
Contributions subsequent to the measurement date of June 30, 2016	<u>37,649</u>	<u>-</u>
Total	<u>\$52,545</u>	<u>\$793</u>

The amount shown above for "contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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:	
2018	\$1,472
2019	1,472
2020	1,472
2021	1,463
2022	1,314
Thereafter	6,910

Payable to the Pension Plan

At June 30, 2017, Oak Ridge Board of Education Hybrid with Cost Controls reported a payable of \$10,312 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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6. POSTEMPLOYMENT HEALTHCARE PLAN

**City Employees**

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.

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

**City Employees (continued)**

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost and net OPEB obligation for the current year was as follows:

Annual Required Contribution (ARC)	\$ 310,640
Interest on net OPEB obligation	35,159
Adjustment to the ARC	<u>(46,798)</u>
Annual OPEB cost	299,001
Contributions made	<u>(206,237)</u>
Increase in net OPEB obligation	92,764
Net OPEB obligation, beginning of year	<u>878,977</u>
Net OPEB obligation, end of year	<u>\$ 971,741</u>

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, 2017	\$299,001	69.0%	\$971,741
June 30, 2016	298,300	68.3%	878,977
June 30, 2015	288,721	66.4%	784,369

Funded Status and Progress

The funded status of the plan as of June 30, 2017, is as follows:

Actuarial valuation date	<u>July 1, 2016</u>
Actuarial accrued liability (AAL)	\$ 2,821,436
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,821,436</u>
Actuarial value of assets as a percentage of AAL	0.0%
Covered payroll (active plan members)	\$ 18,475,120
UAAL as a percentage of covered payroll	15.3%

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

**City Employees (continued)**

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, 2016 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 8.0%. The healthcare trend rate will decrease by 0.5% annually to an ultimate medical cost trend rate of 5.0% by 2022. 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, 2017, of 20 years.

**School Employees**

Plan Description

The 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 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 a 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>.

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 Schools' pre-age 65 teachers and a full subsidy based on years of service for post-age 65 teachers in the Medicare Supplement Plan.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

**School Employees (continued)**

Annual OPEB Cost and Net OPEB Obligation

The Schools' net OPEB obligation as of June 30, 2017 is as follows:

Annual required contribution (ARC)	\$ 733,000
Interest on net OPEB obligation	261,396
Adjustment to the ARC	<u>(262,445)</u>
Annual OPEB cost	731,951
Contributions made	<u>(506,461)</u>
Increase in OPEB obligation	225,490
Net OPEB obligation, beginning of year	<u>6,970,548</u>
Net OPEB obligation, end of year	<u><u>\$7,196,038</u></u>

The Schools' 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, 2017	\$ 731,951	69.1%	\$7,196,038
June 30, 2016	1,172,514	31.5%	6,970,548
June 30, 2015	1,072,487	33.2%	6,167,801

Funded Status and Progress

The funded status of the plan as of June 30, 2017, is as follows:

Actuarial valuation date	<u>July 1, 2015</u>
Actuarial accrued liability (AAL)	\$ 6,860,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 6,860,000</u>
Actuarial value of assets as a percentage of AAL	0.00%
Annual covered payroll	\$29,928,997
UAAL as a percentage of covered payroll	22.92%

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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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6. POSTEMPLOYMENT HEALTHCARE PLAN (continued)

**School Employees (continued)**

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, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially for the Employee Group and the Local Education plans. The rate decreased to 7.0 percent in fiscal year 2017, and then will reduce by decrements to an ultimate rate of 4.7 percent in fiscal year 2044. All rates include a 2.5 percent 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 percent.

7. ON-BEHALF PAYMENTS

Medicare Supplement Plan

Since teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payment) for retired teachers to this Plan through the TCRS. The on-behalf payment for 2017 was \$62,663 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 2017 was \$106,416 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 2017, the City contributed \$125,235 toward retiree's insurance premium costs with 21 retirees receiving the benefit at fiscal year-end. At fiscal year-end, there were 382 active members in the plan. The City funds its contribution of the retiree's insurance premiums on a pay-as-you-go basis.



**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**8. TERMINATION BENEFITS (continued)**

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, the Schools pay 85% of the retirees' individual health insurance premiums for five years or until the retiree reaches age 65. The Schools fund their contributions on a pay-as-you-go basis. During 2017, the Schools paid approximately \$58,922 to 21 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 \$570,623. Termination benefits are measured at the discounted present value of expected future benefit payments. The Schools used a discount rate of 1.81 percent and a projected annual healthcare cost trend rate of 12.0 percent 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 \$1,563,951 was recorded in the Electric Fund and \$530,995 in Waterworks Fund at June 30, 2017.

Receivables at June 30, 2017, consist of the following:

Fund	Taxes	Customer Accounts	Interest & Penalties	Gross Receivables	Allowance for Uncollectibles	Net Receivables
General	\$22,184,774	\$616,997	\$489,002	\$23,290,773	\$ (909,338)	\$22,381,435
General Purpose						
School	-	17,087	-	17,087	-	17,087
Electric	-	8,041,912	-	8,041,912	(1,445,692)	6,596,220
Waterworks	-	2,230,389	-	2,230,389	-	2,230,389
Nonmajor	-	352,518	-	352,518	-	352,518
Total	<u>\$22,184,774</u>	<u>\$11,258,903</u>	<u>\$489,002</u>	<u>\$33,932,679</u>	<u>\$(2,355,030)</u>	<u>\$31,577,649</u>

**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, excluding investments in the LGIP, was \$14,038,785. 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 Depositary 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

10. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

At June 30, 2017, 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.

The Schools' policy authorizes the investment of excess operating funds in various bank accounts, savings accounts or certificates of deposits with a local bank or credit union located within the City limits. Banks or credit unions shall be fully insured by the Federal Depositary Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). In addition, local banks shall participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

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 TCA, 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 \$42,881,135 is based on the LGIP share price and is classified as cash and cash equivalents. The shares in the LGIP are constant dollar. Therefore, the fair value of the position in the LGIP is the same as the value of the LGIP shares.

As of June 30, 2017, the City had the following investments and maturities:

	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>Less than 1 year</u>	<u>More than 1 year</u>
State of Tennessee Local Government Investment Pool	\$42,881,135	\$42,881,135	\$ -

Investment income in the Scholarship Fund for the year ended June 30, 2017, consisted of the following:

Interest and Dividends	<u>\$ 1,433</u>
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**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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10. DEPOSITS AND INVESTMENTS (continued)

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 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 manage its interest rate risk by limiting the weighted-average maturity of its investment portfolio 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.

*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. All safekeeping receipts for investment instruments are held in accounts in the Schools' name and all securities are registered in the Schools' name.

*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. The Schools may choose to maintain between 0% to 100%, or any portion thereon, of its investment portfolio in any one investment type.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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10. DEPOSITS AND INVESTMENTS (continued)

Component Unit – Education Foundation

At December 31, 2016, the Education Foundation had the following deposits and investments.

Bank Deposits:	
Bank Deposits and Certificates of Deposit	\$ 107,615
Investments at Fair Value:	
Money Market Accounts	72,566
U.S. Treasury Bonds	1,598,902
Mutual Funds	3,111,132
Total Investments	<u>4,782,600</u>
Total	<u>\$4,890,215</u>

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.

Investment gains (losses) for 2017 consisted of the following:

Interest and dividends	\$146,242
Realized losses on investments	(6,660)
Unrealized gains on investments	67,360
Net	<u>\$206,942</u>

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 assets of \$2,036 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 \$5,753,503 in restricted assets in the Debt Service Fund is from the 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 \$845,620 are from unspent grant proceeds on deposit at the City for upgrades to the City's radio communications system. A corresponding balance of \$845,620 is shown on the balance sheet of the Emergency Communications District Fund as a deferred inflow. The Waterworks Fund has \$1,670,306 in remaining bond proceeds from the December 2016 debt issuance. The Electric Fund and Waterworks Fund have deposits of \$1,391 and \$2,779, respectively, in a bond escrow account. The Electric Fund's restricted assets include \$26,264 in contractor retainage deposits. A corresponding liability amount of \$26,264 is included in contracts payable on the balance sheet of the Electric Fund.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**12. RESTRICTED ASSETS (continued)**

The governmental and proprietary funds restricted assets at June 30, 2017, are as indicated below:

	Governmental-type Activities		Business-type Activities			Total
	State Street Aid Fund	Debt Service Fund	Electric Fund	Waterworks Fund	Emergency Communication District Fund	
Capital Projects						
Grant Proceeds	\$ -	\$ -	\$ -	\$ -	\$845,620	\$ 845,620
Bond Proceeds	-	-	-	1,670,306	-	1,670,306
Bond Escrow			1,391	2,779		4,170
City Share of						
Capital Projects	2,036	-	-	-	-	2,036
Retainage	-	-	26,264	-	-	26,264
Debt Service	-	5,753,503	-	-	-	5,753,503
Total	<u>\$2,036</u>	<u>\$5,753,503</u>	<u>\$27,655</u>	<u>\$1,673,085</u>	<u>\$845,620</u>	<u>\$8,301,899</u>

**13. CAPITAL ASSETS**

Capital asset activity for the governmental activities for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases and Reclassification	Ending Balances
Capital Assets Not Being Depreciated:				
Land	\$ 3,324,100	\$ 51,015	\$(224,000)	\$ 3,151,115
Construction in Progress	238,835	48,752	(238,835)	48,752
Total Capital Assets Not Being Depreciated	3,562,935	99,767	(462,835)	3,199,867
Capital Assets Being Depreciated:				
Infrastructure	53,338,019	35,656	-	53,373,675
Buildings	133,395,912	468,058	-	133,863,970
Improvements Other than Buildings	16,441,011	633,295	(565)	17,073,741
Machinery and Equipment	33,823,826	1,204,807	(887,012)	34,141,621
Total Capital Assets Being Depreciated	236,998,768	2,341,816	(887,577)	238,453,007
Less Accumulated Depreciation:				
Infrastructure	(24,571,669)	(1,067,473)	-	(25,639,142)
Buildings	(58,229,166)	(2,988,010)	-	(61,217,176)
Improvements Other than Buildings	(9,019,515)	(713,000)	565	(9,731,950)
Machinery and Equipment	(21,938,332)	(1,981,327)	887,012	(23,032,647)
Total Accumulated Depreciation	(113,758,682)	(6,749,810)	887,577	(119,620,915)
Total Capital Assets Being Depreciated, Net	123,240,086	(4,407,994)	-	118,832,092
Governmental Activities Capital Assets, Net	<u>\$126,803,021</u>	<u>\$(4,308,227)</u>	<u>\$(462,835)</u>	<u>\$ 122,031,959</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**13. CAPITAL ASSETS (continued)**

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

General government	\$ 161,964
Public safety	479,908
Public works	1,513,137
Community service	961,186
Education	3,633,615
Total depreciation expense	<u>\$6,749,810</u>

Capital asset activity for the business-type activities for the year ended June 30, 2017, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases and Reclassification</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated:				
Land	\$ 880,193	\$ 20,450	\$ -	\$ 900,643
Construction in Progress	<u>1,838,304</u>	<u>7,248,140</u>	<u>(6,133,056)</u>	<u>2,953,388</u>
Total Capital Assets Not Being Depreciated	2,718,497	7,268,590	(6,133,056)	3,854,031
Capital Assets Being Depreciated:				
Electric Plant in Service				
Transmission	11,517,713	-	-	11,517,713
Distribution	75,741,600	2,431,895	(256,500)	77,916,995
Water Plant in Service	71,702,538	1,716,313	(211,518)	73,207,333
Wastewater Plant in Service	108,758,999	1,701,145	-	110,460,144
Equipment	<u>10,754,277</u>	<u>117,629</u>	<u>(116,213)</u>	<u>10,755,693</u>
Total Capital Assets Being Depreciated	278,475,127	5,966,982	(584,231)	283,857,878
Less Accumulated Depreciation:				
Electric Plant in Service				
Transmission	(5,127,971)	(336,230)	-	(5,464,201)
Distribution	(32,638,835)	(1,818,552)	520,652	(33,936,735)
Water Plant in Service	(31,850,698)	(2,363,285)	214,777	(33,999,206)
Wastewater Plant in Service	(37,074,892)	(2,706,714)	-	(39,781,606)
Equipment	<u>(6,106,460)</u>	<u>(552,415)</u>	<u>103,713</u>	<u>(6,555,162)</u>
Total Accumulated Depreciation	<u>(112,798,856)</u>	<u>(7,777,196)</u>	<u>839,142</u>	<u>(119,736,910)</u>
Total Capital Assets Being Depreciated, Net	<u>165,676,271</u>	<u>(1,810,214)</u>	<u>254,911</u>	<u>164,120,968</u>
Business-type Activities Capital Assets, Net	<u>\$ 168,394,768</u>	<u>\$ 5,458,376</u>	<u>\$(5,878,145)</u>	<u>\$ 167,974,999</u>

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

Electric	\$ 2,307,433
Waterworks	5,276,251
Emergency Communications	193,512
Total depreciation expense	<u>\$ 7,777,196</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2017:

	Beginning Balances	Additions	Retirements/ Reductions	Ending Balances	Due Within One Year
<b>General Fund:</b>					
General Obligation Bonds	\$44,770,000	\$ -	\$(4,110,000)	\$40,660,000	\$4,320,000
Qualified Zone Academy Bonds	2,547,091	-	(509,418)	2,037,673	509,418
Notes Payable	34,076,053	-	(164,348)	33,911,705	70,326
Unamortized Debt Premium	1,717,073	-	(233,244)	1,483,829	233,244
Capital Lease Obligations	1,199,318	-	(388,641)	810,677	398,923
Compensated Absences	2,345,204	1,661,917	(1,617,941)	2,389,180	2,129,715
School Termination Benefits	308,923	320,622	(58,922)	570,623	93,450
OPEB Obligation	7,567,049	967,720	(678,924)	7,855,845	-
<b>City Equipment Replacement</b>					
<b>Rental Fund:</b>					
General Obligation Bonds	450,000	-	(150,000)	300,000	-
Unamortized Reoffering Premium	1,455	-	(499)	956	499
Capital Lease Obligations	826,906	-	(70,807)	756,099	73,215
Compensated Absences	52,741	36,092	(32,203)	56,630	41,303
OPEB Obligation	18,659	7,274	(5,327)	20,606	-
<b>Total Long-Term Liabilities – Governmental Activities</b>	<b>\$95,880,472</b>	<b>\$2,993,625</b>	<b>\$(8,020,274)</b>	<b>\$90,853,823</b>	<b>\$7,870,093</b>

The following is a summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2017:

	Beginning Balances	Additions	Retirements/ Reductions	Ending Balances	Due Within One Year
<b>Electric Fund:</b>					
Bonds	\$15,070,000	\$ 1,750,000	\$ (1,155,000)	\$15,665,000	\$1,205,000
Notes Payable	3,151,067	-	(1,792,771)	1,358,296	-
Unamortized Reoffering Premium	105,094	53,903	(13,428)	145,569	15,070
Compensated Absences	274,480	275,727	(266,438)	283,769	206,965
OPEB Obligation	81,634	31,827	(23,306)	90,155	-
<b>Waterworks Fund:</b>					
General Obligation Bonds	31,670,000	7,915,000	(985,000)	38,600,000	1,065,000
Notes Payable	13,902,380	-	(9,147,381)	4,754,999	620,674
Interfund Note Payable	952,381	-	(238,095)	714,286	238,095
State Revolving Fund Loan	15,341,237	3,664,062	(636,492)	18,368,807	846,852
Unamortized Reoffering Premium	546,913	223,559	(40,182)	730,290	46,991
Compensated Absences	694,460	378,219	(430,302)	642,377	468,513
OPEB Obligation	182,183	70,928	(51,939)	201,172	-
<b>Emergency Communications Fund:</b>					
Capital Lease Obligation	143,743	-	(143,743)	-	-
<b>Total Long-Term Liabilities – Business-type Activities</b>	<b>\$82,115,572</b>	<b>\$14,363,225</b>	<b>\$(14,924,077)</b>	<b>\$81,554,720</b>	<b>\$4,713,160</b>

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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14. LONG-TERM LIABILITIES (continued)

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.

**Long-Term Debt – Governmental Activities**

General Obligation Bonds – Debt Service Fund

In February 2009, the City issued \$27,285,000 in General Obligation Refunding Bonds Series 2009 which \$17,215,000 included a current refunding of outstanding general obligation debt. The bonds mature in 2022 with interest rates ranging from 3.0% to 5.0%. The principal balance of the bonds is \$12,100,000 at June 30, 2017.

In November 2009, the City issued \$20,000,000 in taxable general obligation Build America Bonds (BABS) for various city and school capital projects, including \$9,300,000 for the 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 interest subsidy payments have been reduced since June 2014. The subsidy reduction is expected to continue into fiscal 2018. The treasury rebate amortized in the table below is based on a 6.6% subsidy reduction. Interest subsidies received totaled \$188,117 during the year ended June 30, 2017. The principal balance of the bonds is \$9,300,000 at June 30, 2017.

In April 2010, the City issued \$5,240,000 in General Obligation Refunding Bonds Series 2010 for a current refunding of outstanding general obligation debt. The bonds mature in 2021 with interest rates ranging from 3.0% to 4.0%. The principal balance of the bonds is \$2,220,000 at June 30, 2017.

In December 2015, the City issued \$9,140,000 in General Obligation Refunding Bonds Series 2015A for a current refunding of General Obligation Series B-9-A Bonds. The interest rate ranges from 2% to 5% with maturity in 2024. The principal balance of the bonds is \$7,700,000 at June 30, 2017.

In December 2015, the City issued \$9,445,000 in General Obligation Refunding Bonds Series 2015B for a refunding of General Obligation Series B-9-A Bonds and General Obligation Series B-11-A Bonds. The interest rate ranges from 2% to 3% with maturity in 2032. The principal balance of the bonds outstanding at June 30, 2017, was \$9,340,000.

In December 2017, the City issued \$19,125,000 in General Obligation Refunding Bonds Series 2017. \$5,390,000 of the proceeds are to be used for energy efficiency improvements to public buildings. This portion of the bonds were issued at a premium of \$476,462. The underwriters discount was \$43,120 with an additional \$42,057 in other issuance costs. The interest rate ranges from 2.25% to 5% with maturity in 2033. \$930,000 of the proceeds are to be used for the acquisition, design and construction of a new preschool facility and a new senior center. This portion of the bonds were issued at a premium of \$82,896. The underwriters discount was \$7,440 with an additional \$6,642 in other issuance costs. The interest rate ranges from 2.25% to 5% with maturity in 2033.



**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Governmental Activities (continued)**

General Obligation Bonds – Debt Service Fund (continued)

Debt service requirements to maturity for general obligation bonds as of June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2018	\$4,320,000	\$1,663,532	\$ (188,723)	\$1,474,809	\$5,794,809
2019	4,245,000	1,482,731	(188,723)	1,294,008	5,539,008
2020	4,305,000	1,307,594	(188,723)	1,118,871	5,423,871
2021	4,515,000	1,103,319	(188,723)	914,596	5,429,596
2022	4,075,000	888,237	(188,723)	699,514	4,774,514
2023-2027	10,500,000	3,312,286	(911,171)	2,401,115	12,901,115
2028-2032	2,200,000	2,295,750	(713,542)	1,582,208	3,782,208
2033-2037	-	2,068,750	(676,275)	1,392,475	1,392,475
2038-2041	6,500,000	1,185,000	(387,378)	797,622	7,297,622
Total	<u>\$40,660,000</u>	<u>\$15,307,199</u>	<u>\$(3,631,981)</u>	<u>\$11,675,218</u>	<u>\$52,335,218</u>

The following is a summary of the City's general obligation bonded debt transactions funded by the Debt Service Fund for the year ended June 30, 2017:

Qualified Zone Academy Bonds (QZAB) – Debt Service 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 departments of education, 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:

Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2018	\$ 509,418	\$2,445	\$ 511,863
2019	509,418	2,445	511,863
2020	509,418	2,445	511,863
2021	509,419	2,445	511,864
Total	<u>\$2,037,673</u>	<u>\$9,780</u>	<u>\$2,047,453</u>

**CITY OF OAK RIDGE, TENNESSEE**  
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14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Governmental Activities (continued)**

Notes Payable – Debt Service 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. Principal payments occur through 2023. The loan has a principal balance of \$404,417 at June 30, 2017. Annual interest payments are amortized below using a 1.84% interest rate, which was the actual weekly rate at June 30, 2017.

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. At June 30, 2017, the outstanding principal balance of the loan is \$7,632,288. Principal payments began in 2014 with maturity in 2027. Annual interest payments are amortized below using a 1.78% interest rate, which was the actual weekly rate at June 30, 2017.

Notes payable also includes \$25,875,000 in outstanding debt with the TMBF 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, 2017.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2018	\$ 70,326	\$ 1,168,648	\$ 1,238,974
2019	75,251	1,167,349	1,242,600
2020	155,512	1,165,847	1,321,359
2021	121,145	1,163,081	1,284,226
2022	562,183	1,160,227	1,722,410
2023-2027	10,057,288	5,476,494	15,533,782
2028-2032	11,180,000	3,855,751	15,035,751
2033-2036	11,690,000	1,036,971	12,726,971
Total	<u>\$33,911,705</u>	<u>\$16,194,368</u>	<u>\$50,106,073</u>

City Equipment Replacement 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 2014, the City's interest subsidy payments have been reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2018. The treasury rebate amortized in the table below is based on a 6.6% subsidy reduction. Interest subsidies received totaled \$6,477 during the year ended June 30, 2017.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Governmental Activities (continued)**

City Equipment Replacement Fund (continued)

Debt service requirements to maturity for Equipment Replacement Rental Fund general obligation debt as of June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2018	\$ -	\$13,875	\$(4,536)	\$9,339	\$ 9,339
2019	300,000	13,875	(4,536)	9,339	309,339
Total	<u>\$300,000</u>	<u>\$27,750</u>	<u>\$(9,072)</u>	<u>\$18,678</u>	<u>\$318,678</u>

Capital Leases Obligations

On August 24, 2015, the Schools entered into a \$1,511,253 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, all \$1,511,253 was capitalized. Terms of the lease require an initial payment of \$313,000 and three annual payments of \$425,000 at 3.217% interest through August 10, 2018. The principal balance is \$810,677 at June 30, 2017.

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 is \$971,596 with \$194,319 recorded in accumulated amortization at June 30, 2017. The City recorded \$64,773 in depreciation expense on this capital lease in 2017. The principal balance is \$756,099 at June 30, 2017.

Principal and interest requirements for governmental capital lease obligations for the fiscal year ended June 30, 2017 are as follows:

Year Ending June 30,	
2018	\$ 548,937
2019	548,937
2020	98,938
2021	98,938
2022	98,937
2023-2026	<u>395,749</u>
Total Future Minimum Lease Payments	1,790,436
Less:	
Amount Representing Interest	223,660
Current Portion of Capital Leases	<u>472,138</u>
Long-Term Capitalized Lease Obligation	<u>\$1,094,638</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities**

General Obligation Bonds – Electric Fund

In February 2009, the City issued \$27,285,000 in General Obligation Refunding Bonds Series 2009 which \$10,070,000 included a current refunding of 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 occur from 2017 through 2025. Interest rates on the bonds range from 2% to 4%. The principal balance of the bonds is \$9,070,000 at June 30, 2017.

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 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 2014, the City's interest subsidy payments have been reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2018. The treasury rebate amortized in the table below is based on a 6.6% subsidy reduction. Interest subsidies received totaled \$98,659 during the year ended June 30, 2017. The principal balance of the bonds relating to the Electric Fund is \$5,000,000 at June 30, 2017.

In December 2016, the City issued \$9,665,000 in General Obligation Refunding Bonds Series 2016. The City used \$1,750,000 of the proceeds for the Electric Fund for a current refunding of \$1,792,771 from TMBF 2006 Variable loans. These bonds were issued at a premium of \$53,903. The underwriters discount was \$11,843 with an additional \$16,295 in other issuance costs. The interest rate ranges from 2.5% to 3% with maturity in 2026. The goal of the refunding is to reduce the City's variable interest rate exposure. The principal balance of the bonds relating to the Electric Fund is \$1,595,000 at June 30, 2017.

In December 2017, the City issued \$19,125,000 in General Obligation Refunding Bonds Series 2017. The City used \$6,220,000 of the proceeds for the Electric Fund with \$628,888 in City contributions for an advance refunding of \$6,970,000 for the outstanding 2020 to 2025 maturities of the General Obligation Refunding Bonds Series 2009. From the advance refunding, \$7,431,400 was deposited with an escrow agent to be applied to interest payments through June 2019 and principal payment in June 2019 for the remaining outstanding principal balance. These bonds were issued at a premium of \$680,344. The underwriters discount was \$49,760 with an additional \$48,071 in other issuance costs. The interest rate ranges from 2.25% to 5% with maturity in 2030. The goal of the refunding is to extend the term of the debt through 2030 to provide additional funding capacity for planned capital projects. The transaction resulted in an economic gain of \$348,660 and a reduction of \$87,349 in future debt service payments.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities (continued)**

General Obligation Bonds – Electric Fund (continued)

The City also used \$3,595,000 of the proceeds from the General Obligation Refunding Bonds Series 2017 for the Electric Fund to finance the purchase, installation, implementation, training, conversion, project management and maintenance services of Financial Management, Utility Billing and Enterprise Management Software. This portion of the bonds were issued at a premium of \$454,562. The underwriters discount was \$28,760 with an additional \$25,546 in other issuance costs. The interest rate ranges from 2.25% to 5% with maturity in 2028.

Debt service requirements to maturity for bonds funded by the Electric Fund for the fiscal year ended June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2018	\$ 1,205,000	\$ 744,919	\$ (98,977)	\$ 645,942	\$1,850,942
2019	1,220,000	698,319	(98,977)	599,342	1,819,342
2020	1,305,000	651,169	(98,977)	552,192	1,857,192
2021	1,325,000	589,319	(98,977)	490,342	1,815,342
2022	1,390,000	526,569	(98,977)	427,592	1,817,592
2023-2027	4,220,000	1,861,063	(494,885)	1,366,178	5,586,178
2028-2032	2,250,000	1,243,875	(406,623)	837,252	3,087,252
2033-2037	2,275,000	566,850	(185,304)	381,546	2,656,546
2038	475,000	29,212	(9,550)	19,662	494,662
Total	<u>\$15,665,000</u>	<u>\$6,911,295</u>	<u>\$(1,591,247)</u>	<u>\$5,320,048</u>	<u>\$20,985,048</u>

Notes Payable – Electric Fund

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 \$1,358,296 at June 30, 2017. Principal payments occur from 2015 through 2027. Annual interest payments are amortized below using a 1.78% interest rate, which was the actual weekly rate at June 30, 2017.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities (continued)**

Notes Payable – Electric Fund (continued)

The interest rate varies on a weekly basis for this loan. Annual interest payments are amortized below using the actual weekly rate at June 30, 2017. Projected debt service requirements to maturity as of June 30, 2017 is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Requirements
2018	\$ -	\$ 24,227	\$ 24,227
2019	35,000	24,176	59,176
2020	-	23,603	23,603
2021	40,000	23,545	63,545
2022	-	22,890	22,890
2023-2027	1,283,296	79,837	1,363,133
Total	<u>\$1,358,296</u>	<u>\$198,278</u>	<u>\$1,556,574</u>

Annual principal and interest payments on notes payable and general obligation bonds for the Electric Fund of \$1,922,354 in 2017 were 31% of the net revenue available for debt service of \$6,123,571.

General Obligation Bonds – Waterworks Fund

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 to be repaid from Waterworks Fund revenues. 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 2014, the City's interest subsidy payments have been reduced due to the federal sequestration. The subsidy reduction is expected to continue into fiscal 2018. The treasury rebate amortized in the table below is based on a 6.6% subsidy reduction. Interest subsidies received totaled \$95,189 during the year ended June 30, 2017. The principal balance of the bonds relating to the Waterworks Fund is \$5,000,000 at June 30, 2017.

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, 2017, is \$9,210,000.

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities (continued)**

General Obligation Bonds – Waterworks Fund (continued)

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 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 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, 2017 is \$17,025,000.

In December 2016, the City issued \$9,665,000 in General Obligation Refunding Bonds Series 2016. The City used \$7,915,000 of the proceeds for the Waterworks Fund for a current refunding of \$8,082,229 from TMBF 2006 and TMBF 2012 Variable loans. These bonds were issued at a premium of \$223,559. The underwriters discount was \$53,566 with an additional \$73,700 in other issuance costs. The interest rate ranges from 2.5% to 3% with maturity in 2033. The goal of the refunding is to reduce the City's variable interest rate exposure. The principal balance of the bonds relating to the Waterworks Fund is \$7,365,000 at June 30, 2017.

Debt service requirements to maturity for bonds funded by the Waterworks Fund for the fiscal year ended June 30, 2017, are as follows:

Fiscal Year Ending June 30,	Principal	Coupon Interest	BABS Treasury Rebate	Net Interest	Total Requirements
2018	\$ 1,065,000	\$ 1,414,613	\$ (95,496)	\$ 1,319,117	\$ 2,384,117
2019	1,120,000	1,384,662	(95,496)	1,289,166	2,409,166
2020	1,540,000	1,353,313	(95,496)	1,257,817	2,797,817
2021	1,915,000	1,309,362	(95,496)	1,213,866	3,128,866
2022	2,020,000	1,254,163	(95,496)	1,158,667	3,178,667
2023-2027	13,220,000	5,166,627	(416,063)	4,750,564	17,970,564
2028-2032	13,465,000	2,535,337	(108,855)	2,426,482	15,891,482
2033-2034	4,255,000	259,968	-	259,968	4,514,968
Total	<u>\$38,600,000</u>	<u>\$14,678,045</u>	<u>\$(1,002,398)</u>	<u>\$13,675,647</u>	<u>\$52,275,647</u>

Notes Payable – Waterworks Fund

The City executed a loan agreement for \$6,152,006 during fiscal 1995 with the TMBF to fund water and wastewater system rehabilitation and expansion. The 2003 to 2016 maturities of the loan were paid from the proceeds of the General Obligation Refunding Bonds Series 2003. The remaining portion of the loan matures in 2023. The outstanding principal balance at June 30, 2017, is \$1,993,583. Annual interest payments are amortized below using a 1.84% interest rate which was the actual weekly rate at June 30, 2017.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities (continued)**

Notes Payable – Waterworks Fund (continued)

The City executed a loan agreement for \$3,000,000 during fiscal 2001 with the TMBF to fund water and wastewater system rehabilitation and expansion. The loan matures in 2022. The outstanding principal balance at June 30, 2017, is \$1,042,000. Annual interest payments are amortized below using a 1.85% interest rate, which was the actual weekly rate at June 30, 2017.

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 \$1,719,416 at June 30, 2017. Principal payments occur through 2027. Annual interest payments are amortized below using a 1.78% interest rate, which was the actual weekly rate at June 30, 2017.

During fiscal 2011, the General Fund loaned the Waterworks Fund \$5,000,000 for bridge financing of waterworks capital improvements. Under Tennessee State Law, loans between City funds are required to be in the form of capital outlay notes in accordance with the requirements of TCA, Title 9, Chapter 21, Part 6. 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 two three-year extensions of the loan through November 2019. 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 \$714,286 at June 30, 2017.

The interest rate on the TMBF loans vary on a weekly basis. Annual interest payments are amortized below using the actual weekly rate at June 30, 2017. Projected debt service requirements to maturity as of June 30, 2017, for the TMBF loans and capital outlay notes are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2018	\$ 858,769	\$ 91,543	\$ 950,312
2019	867,044	77,775	944,819
2020	902,984	63,800	966,784
2021	702,655	50,352	753,007
2022	683,417	37,483	720,900
2023-2027	1,454,416	83,164	1,537,580
Total	<u>\$5,469,285</u>	<u>\$404,117</u>	<u>\$5,873,402</u>



**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities (continued)**

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 is \$12,229,228 and \$3,550,061, respectively, at June 30, 2017. The interest rate, including fees, is 1.23%. Principal payments occur through 2037. 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 \$2,589,518 at June 30, 2017. Principal payments occur through 2037.

In June 2017, the State approved the City's application for a \$2,000,000 loan through the SRF to perform lining and replacement of sewer lines, manhole rehabilitation and replacement of manhole frames and covers. The loan contains a 7% principal forgiveness. The interest rate on this loan is 1.97%. No funds were drawn from this loan at June 30, 2017. Principal payments will begin once the project is substantially complete.

In August 2017, the State approved the City's application for a \$3,100,000 loan through the SRF to perform improvements on the Turtle Park Wastewater Pumping Station. The interest rate on this loan is 1.77%. Principal payments will begin once the project is substantially complete.

Debt service requirements to maturity for outstanding SRF loans for the fiscal year ended June 30, 2017, are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2018	\$ 846,852	\$ 235,896	\$ 1,082,748
2019	857,304	224,760	1,082,064
2020	867,924	213,456	1,081,380
2021	878,652	202,032	1,080,684
2022	889,524	190,440	1,079,964
2023-2027	4,615,536	773,412	5,388,948
2028-2032	4,908,780	461,124	5,369,904
2033-2037	4,504,235	131,516	4,635,751
<b>Total</b>	<b>\$18,368,807</b>	<b>\$2,432,636</b>	<b>\$20,801,443</b>

**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

14. LONG-TERM LIABILITIES (continued)

**Long-Term Debt – Business-type Activities (continued)**

Tennessee State Revolving Fund Loan (SRF) – Waterworks Fund (continued)

Annual principal and interest payments on notes payable and general obligation bonds for the Waterworks Fund of \$4,736,387 in 2017 were 49% of the net revenue available for debt service of \$9,709,154.

General Obligation Bonds – Emergency Communication District Fund

In December 2017, the City issued \$19,125,000 in General Obligation Refunding Bonds Series 2017. \$2,990,000 of the proceeds are to be used for replacement and upgrade of the City's radio system to be used primarily by the City's police and fire departments. This portion of the bonds were issued at a premium of \$361,300. The underwriters discount was \$23,920 with an additional \$22,304 in other issuance costs. The interest rate ranges from 2.25% to 5% with maturity in 2028.

**Long-Term Debt – Component Units**

Oak Ridge Land Bank

The Oak Ridge Land Bank has an unused \$45,000 line of credit with a financial institution. Interest on any unpaid principal balance is 2.65%. The line of credit expires on March 7, 2018, and is secured by \$45,000 in certificates of deposit.

The Oak Ridge Land Bank received \$21,605 in assistance through the Blight Elimination Program from the Tennessee Housing Development Agency (THDA). This program provides for assistance with the removal of blighted properties. The funding is provided through a loan amount for 3 years with the balance forgiven ratably over the 3 years. The Oak Ridge Land Bank has \$21,605 in outstanding loans to the THDA as of June 30, 2017.

15. INTEREST RATE SWAPS

As of June 30, 2017, the City had the following derivative instruments outstanding:

<u>Instrument</u>	<u>Type</u>	<u>Objective</u>	<u>Original Notional Amount</u>	<u>Maturity Date</u>	<u>Term</u>
Series VI-D-3 – Refunded to Series VII-E-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 – Refunded to Series VII-E-1 and Series VI-M-1	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

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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15. INTEREST RATE SWAPS (continued)

The fair value balance and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type and the changes in fair value of such derivative instruments for the year then ended are as follows:

Type	Changes in Fair Value		Fair Value		Notional Amount
	Classification	Amount	Classification	Amount	
Investment Derivative: Series VI-D-3 – Refunded to Series VII-E-1	Investment Earnings	\$802,980	Debt	\$(2,495,832)	\$10,000,000
Series VI-H-1 – Refunded to Series VII-E-1 and Series VI-M-1	Investment Earnings	1,164,663	Debt	(3,371,518)	\$15,675,000
		<u>\$1,967,643</u>		<u>\$(5,867,350)</u>	

Swap - Local Government Improvement Bonds, 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 Oak Ridge High School 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 the criteria to be classified as a hedging derivative instrument, and therefore is classified as an investment derivative. Changes in fair value are recorded in the statement of activities as investment earnings.

*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 \$10,000,000 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 \$10,000,000 and the associated variable-rate bond has a \$10,000,000 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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15. INTEREST RATE SWAPS (continued)

Swap - Local Government Improvement Bonds, Series VII-E-1 Bonds (continued)

As of June 30, 2017, rates were as follows:

	Terms	Rates
Fixed Payment to Counterparty	Fixed	3.725 %
Variable Payment to Counterparty	% LIBOR	(1.243)%
Net Interest Rate Swap Payments		2.482 %
Variable Rate Bond Coupon Payments		1.418 %
On-going Variable Rate Bond Payments		0.200 %
Effective Synthetic Interest Rate on Bonds		<u>4.100 %</u>

*Fair Value:* As of June 30, 2017 the swap had a negative fair value of \$2,495,832. 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, 2017, 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 become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Raymond James Financial Products (RJFB) was rated "BBB" by Standard & Poor's as of June 30, 2017, with its Credit Support Provider, Deutsche Bank, rated "Baa/A-/A-" by Moody'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, 2017, 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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15. INTEREST RATE SWAPS (continued)

Swap - Local Government Improvement Bonds, Series VII-E-1 Bonds (continued)

Fiscal Year Ending June 30,	Variable Rate Bonds		Net	Total
	Principal	Interest	Interest Rate Swap	
2018	\$ -	\$ 141,792	\$ 248,167	\$ 389,959
2019	-	141,792	248,167	389,959
2020	-	141,792	248,167	389,959
2021	-	141,792	248,167	389,959
2022	-	141,792	248,167	389,959
2023-2027	-	708,959	1,240,835	1,949,794
2028-2032	5,500,000	691,944	1,211,055	7,402,999
2033	4,500,000	63,806	111,675	4,675,481
Total	<u>\$10,000,000</u>	<u>\$2,173,669</u>	<u>\$3,804,400</u>	<u>\$15,978,069</u>

Swap - Local Government Improvement Bonds, 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 Authority as part of the TN-LOANs program to fund a portion of the costs for renovation and new construction of the Oak Ridge High School Project. Principal payments are to occur on the loan from 2025 to 2036. Under its loan agreement, 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. Changes in fair value are recorded in the statement of activities as investment earnings.

*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 \$15,675,000 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.

*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 LIBOR. The swap has a notional amount of \$15,675,000 and the associated variable-rate bond has a \$15,675,000 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 and/or the Series VI-M-1 bonds. The bonds' variable rates have historically approximated the SIFMA. The bonds and the related swap agreement mature on June 1, 2036.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
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15. INTEREST RATE SWAPS (continued)

Swap - Local Government Improvement Bonds, Series VII-E-1 Bonds and Series VI-M-1 Bonds (continued)

As of June 30, 2017, rates were as follows:

	Terms	Rates
Fixed Payment to Counterparty	Fixed	3.536 %
Variable Payment to Counterparty	% LIBOR	(1.234)%
Net Interest Rate Swap Payments		2.302 %
Variable-Rate Bond Coupon Payments		1.418 %
On-going Variable-Rate Bond Payments		0.200 %
Effective Synthetic Interest Rate on Bonds		3.920 %

*Fair Value:* As of June 30, 2017, the swap had a negative fair value of \$3,371,518. 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, 2017, 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 become 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, 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, 2017, DEPFA's credit rating had been downgraded and was rated "Ba1/A" by Moody's and Standard and Poor's, respectively. 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.

*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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

15. INTEREST RATE SWAPS (continued)

Swap - Local Government Improvement Bonds, Series VII-E-1 Bonds and Series VI-M-1 Bonds (continued)

*Swap Payments and Associated Debt:* As of June 30, 2017, 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.

Fiscal Year Ending June 30,	Variable Rate Bonds		Net	Total
	Principal	Interest	Interest Rate Swap	
2018	\$ -	\$ 222,259	\$ 360,911	\$ 583,170
2019	-	222,259	360,911	583,170
2020	-	222,259	360,911	583,170
2021	-	222,259	360,911	583,170
2022	-	222,259	360,911	583,170
2023-2027	2,975,000	1,090,733	1,771,167	5,836,900
2028-2032	5,575,000	682,018	1,107,483	7,364,501
2033-2036	7,125,000	305,916	496,756	7,927,672
Total	<u>\$15,675,000</u>	<u>\$3,189,962</u>	<u>\$5,179,961</u>	<u>\$24,044,923</u>

16. FAIR VALUE

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets in one of the following categories:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Observable market based inputs
- Level 3: Unobservable inputs not corroborated by market data

The City has the following recurring fair value measurements as of June 30, 2017:

- Investments are measured at fair value based on quoted market prices in active markets (Level 1).
- Interest rate swaps are measured at fair value based on the present value of discounted future cash flows (Level 2).

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**17. COMMITMENTS**

At June 30, 2017, the City has remaining contractual commitments for professional services, construction contracts and equipment purchases totaling \$5,168,087 for the following projects:

Projects	Spent-to- Date	Commitment Remaining	Committed Fund
Pedestrian Safety Improvements	\$ 47,269	\$ 48,731	Capital Projects
S Illinois Multimodal Access Project	-	298,800	Capital Projects
Peace Bell Pavilion	13,450	58,550	Capital Projects
Office Remodel at 205 Bager Ave	8,280	13,220	Capital Projects
Main Street Oak Ridge	-	1,000,000	Capital Projects
Tree Pruning, Removal and Brush Control	2,446,314	508,726	Electric
Line Construction	5,046,176	1,712,368	Electric
Two 1 ¼ Ton Trucks	-	176,548	Electric
Pole Mounted Transformers	220,525	112,854	Electric
Electrical Engineering Services	95,227	161,643	Electric
Water Treatment Plant Evaluation	84,901	13,349	Waterworks
Water System Maps Conversion	118,652	6,348	Waterworks
Water System Improvements	30,112	119,888	Waterworks
Wastewater Treatment Plant	320,840	259,340	Waterworks
Turtle Park	286,625	286,875	Waterworks
Raw Water Booster Pumps	-	53,630	Waterworks
Integrated Software Suite	393,023	93,785	Equipment Replacement
Fuel Station Pumps and Computers	-	39,731	Equipment Replacement
Police Interceptor Utility	-	60,653	Equipment Replacement
Compensation Analysis and Review	5,000	22,717	Insurance
Relocate Fuel Tanks at Station 4	-	36,300	West End
Strategic Government Relations Counsel and Legislative Monitoring Services	16,850	13,750	General
CompStat Software Suite	-	61,530	General
Utility Business Office Lobby Renovation	5,749	8,751	General
Total	<u>\$9,138,993</u>	<u>\$5,168,087</u>	

Capital Project Fund remaining contractual commitments will be funded by existing cash reserves. Electric, Waterworks, and Equipment Replacement Rental Fund capital projects will be funded through a combination of existing cash reserves and revenues generated through their respective rate structures. The exception is a portion of the remaining contractual commitment for Turtle Park for engineering services. The funding for \$246,900 of this project will be provided from authorized loans through the State Revolving Loan Fund Program.



**CITY OF OAK RIDGE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2017**

**18. 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 Out	Transfer In					Total
	General Fund	General Purpose School Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Funds	
General Fund	\$ -	\$15,493,963	\$910,000	\$4,300,000	\$2,006,728	\$22,710,691
General Purpose School Fund	-	-	-	-	68,773	68,773
Electric Fund	1,658,111	-	-	-	-	1,658,111
Waterworks Fund	1,792,963	-	-	-	-	1,792,963
Nonmajor Funds	-	103,899	-	-	-	103,899
Total	\$3,451,074	\$15,597,862	\$910,000	\$4,300,000	\$2,075,501	\$26,334,437

**19. FUND BALANCE**

Nonspendable fund balances include \$392,987 in inventory, comprised of \$199,147 in the General Fund, \$167,552 in the State Street Aid Fund and \$26,288 in the Golf Course Fund and \$141,662 in miscellaneous prepaids. The General Fund has an outstanding advance to the Waterworks Fund for capital improvements in the amount of \$714,286.

Restrictions and commitments in Education Programs of \$437,210 and \$907,927, respectively, were primarily for the Career Ladder Program, Extended School Fund and for the Central Cafeteria Fund. The \$5,755,801 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. The Capital Projects Fund includes \$1,000,000 in funds committed to a public infrastructure improvement project in support of the development of Main Street Oak Ridge.

City Council assigned \$12,034,911 for various endeavors, including education, debt service, capital projects, recreation, and fire and emergency services. Assigned fund balances includes \$446,770 in encumbrances for general government and public work expenditures.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

**19. FUND BALANCE (continued)**

At June 30, 2017, fund balance is classified as follows:

	General Fund	General Purpose School Fund	Capital Projects Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Inventory	\$ 199,147	\$ -	\$ -	\$ -	\$ 193,840	\$ 392,987
Prepays	44,056	96,315	-	-	1,291	141,662
Advances to Other Funds	714,286	-	-	-	-	714,286
Restricted to:						
Education Programs	-	-	-	-	437,210	437,210
Debt Service	-	-	-	5,755,801	-	5,755,801
Drug Enforcement	-	-	-	-	331,665	331,665
Street Improvements	-	-	-	-	1,138,442	1,138,442
Public Transportation	37,710	-	-	-	-	37,710
Committed to:						
Capital Projects	-	-	1,000,000	-	-	1,000,000
Education Programs	-	804,306	-	-	103,621	907,927
Assigned to:						
2018 Budgeted Fund						
Balance Draw	416,789	-	-	-	-	416,789
Education Programs	-	6,394,957	-	-	-	6,394,957
Debt Service	-	-	-	2,339,617	-	2,339,617
Capital Projects	-	-	1,632,498	-	-	1,632,498
General Government	220,330	-	-	-	-	220,330
Public Works	226,440	-	-	-	-	226,440
Recreation	-	-	-	-	104,035	104,035
Fire and Emergency Services	-	-	-	-	742,203	742,203
Solid Waste	-	-	-	-	404,812	404,812
Unassigned	9,516,080	-	-	-	-	9,516,080
Total	<u>\$11,374,838</u>	<u>\$7,295,578</u>	<u>\$2,632,498</u>	<u>\$8,095,418</u>	<u>\$3,457,119</u>	<u>\$32,855,451</u>

**20. 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. A lawsuit was filed in August 2017 against the City for damages from medical claims from a motorcycle accident with a City vehicle. The lawsuit is currently in the discovery phase. We cannot reasonably estimate, at this time, the possible loss or range of loss, if any, that may arise from this lawsuit. Settlement of all remaining 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.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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**21. RISK MANAGEMENT**

The 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 Insurance Fund does not account for risks related to the City School system assets or employees. Funding for the 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 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.

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. In fiscal 2017, the city paid \$213,224 in net deductibles to the TML for workers compensation and property liability claims.

The per occurrence deductible for each insurance policy covered by the Insurance Fund for fiscal 2017 is as outlined below:

<u>Insurance Plan</u>	<u>Annual Per Occurrence Deductible</u>
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

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2017**

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21. RISK MANAGEMENT (continued)

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 Insurance Fund for the fiscal year ended June 30, 2017 were as follows:

Beginning Balance	Claims and Changes in Estimate	Claims Payments	Ending Balance
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
\$78,131	\$569,981	\$(357,197)	\$290,915

22. BUDGET AMENDMENTS

Governmental Fund	Original Budget	Additional Appropriations	Final Budget
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
General Purpose School Fund	\$53,640,695	\$588,571	\$54,229,266
School Federal Projects Fund	3,554,170	184,409	3,738,579
Other Education Fund	142,937	700	143,637
Extended School Program Fund	425,237	-	425,237
Central Cafeteria Fund	1,993,601	25,000	2,018,601
Total	<u>\$59,756,640</u>	<u>\$798,680</u>	<u>\$60,555,320</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

**Schedule of Changes in Oak Ridge's Net Pension Liability and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of TCRS**

Last Fiscal Year Ended June 30

	2014	2015	2016
<b>Total pension liability</b>			
Service cost	\$ 1,425,049	\$ 1,387,540	\$ 1,428,012
Interest	6,762,256	7,053,731	7,240,779
Differences between actual and expected experience	575,376	(846,275)	327,266
Benefit payments, including refunds of employee contributions	(4,676,925)	(5,000,724)	(5,282,289)
Net change in total pension liability	4,085,756	2,594,272	3,713,768
Total pension liability - beginning	91,076,818	95,162,574	97,756,846
Total pension liability - ending (a)	95,162,574	97,756,846	101,470,614
<b>Plan fiduciary net position</b>			
Contributions - employer	2,734,100	2,774,706	2,747,292
Contributions - employee	146	-	834
Net investment income	12,763,309	2,701,770	2,334,612
Benefit payments, including refunds of employee contributions	(4,676,925)	(5,000,724)	(5,282,289)
Administrative expenses	(17,826)	(18,260)	(27,174)
Net change in plan fiduciary net position	10,802,804	457,492	(226,725)
Plan fiduciary net position - beginning	78,041,785	88,844,589	89,302,081
Plan fiduciary net position - ending (b)	88,844,589	89,302,081	89,075,356
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 6,317,985</u>	<u>\$ 8,454,765</u>	<u>\$ 12,395,258</u>
Plan fiduciary net position as a percentage of total pension liability	93.36%	91.35%	87.78%
Covered-employee payroll	\$ 18,386,685	\$ 18,522,739	\$ 18,339,732
Net pension liability as a percentage of covered payroll	34.36%	45.65%	67.59%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**CITY OF OAK RIDGE, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

**Schedule of Oak Ridge Contributions**  
**Based on Participation in the Public Employee Pension Plan of TCRS**  
Last Fiscal Year Ended June 30

	2014	2015	2016	2017
Actuarially determined contribution	\$ 2,734,100	\$ 2,774,706	\$ 2,747,292	\$ 2,819,050
Contributions in relation to the actuarially determined contribution	2,734,100	2,774,706	2,747,292	2,819,050
Contribution deficiency	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,386,685	\$ 18,522,735	\$ 18,339,732	\$ 18,818,760
Contributions as a percentage of covered-employee payroll	14.87%	14.98%	14.98%	14.98%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**Notes to Schedule**

*Valuation date:* Actuarially determined contribution rates for 2017 were calculated based on the June 30, 2015 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

**CITY OF OAK RIDGE, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

**Schedule of Changes in Oak Ridge School's Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of TCRS**

Last Fiscal Year Ended June 30

	2014	2015	2016
<b>Total pension liability</b>			
Service cost	\$ 593,620	\$ 576,571	\$ 558,772
Interest	1,920,483	1,992,432	2,019,852
Differences between actual and expected experience	(141,131)	(738,027)	(399,170)
Benefit payments, including refunds of employee contributions	(1,385,505)	(1,407,675)	(1,487,476)
Net change in total pension liability	987,467	423,301	691,978
Total pension liability - beginning	25,705,562	26,693,029	27,116,330
Total pension liability - ending (a)	26,693,029	27,116,330	27,808,308
<b>Plan fiduciary net position</b>			
Contributions - employer	601,852	603,825	604,601
Contributions - employee	310,746	300,414	300,796
Net investment income	3,876,773	824,811	717,506
Benefit payments, including refunds of employee contributions	(1,385,505)	(1,407,675)	(1,487,476)
Administrative expenses	(7,996)	(9,355)	(13,501)
Net change in plan fiduciary net position	3,395,870	312,020	121,926
Plan fiduciary net position - beginning	23,640,933	27,036,803	27,348,823
Plan fiduciary net position - ending (b)	27,036,803	27,348,823	27,470,749
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ (343,774)</u>	<u>\$ (232,493)</u>	<u>\$ 337,559</u>
Plan fiduciary net position as a percentage of total pension liability	101.29%	100.86%	98.79%
Covered-employee payroll	\$ 5,912,101	\$ 6,008,215	\$ 6,015,939
Net pension liability as a percentage of covered payroll	-5.81%	-3.87%	5.61%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**CITY OF OAK RIDGE, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

**Schedule of Oak Ridge Schools Contributions  
Based on Participation in the Public Employee Pension Plan of TCRS  
Last Fiscal Year Ended June 30**

	2014	2015	2016	2017
Actuarially determined contribution	\$ 601,852	\$ 603,825	\$ 604,601	\$ 597,465
Contributions in relation to the actuarially determined contribution	601,852	603,825	604,601	597,465
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,912,101	\$ 6,008,215	\$ 6,015,939	\$ 5,944,925
Contributions as a percentage of covered-employee payroll	10.18%	10.05%	10.05%	10.05%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**Notes to Schedule**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent



**CITY OF OAK RIDGE, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

**Schedule of Oak Ridge Schools Proportionate Share of the Net Pension Asset**  
**Based on Participation in the Teacher Retirement Plan of TCRS**

Last Fiscal Year Ended June 30\*

	2016	2017
Schools' proportion of the net pension liability (asset)	0.262638%	0.214610%
Schools' proportionate share of the net pension liability (asset)	\$ (10,566)	\$ (22,342)
Schools' covered payroll	545,692	944,289
Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

\*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**Schedule of Oak Ridge Schools Contributions**  
**Based on Participation in the Teacher Retirement Plan of TCRS**

Last Fiscal Year Ended June 30

	2015	2016	2017
Contractually required contribution	\$ 546	\$ 23,637	\$ 68,033
Contributions in relation to the contractually required contribution	21,828	37,772	68,033
Contribution deficiency (excess)	<u>\$ (21,282)</u>	<u>\$ (14,135)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 545,692	\$ 944,289	\$ 1,700,825
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**CITY OF OAK RIDGE, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

**Schedule of Oak Ridge Schools Proportionate Share of the Net Pension Liability (Asset)  
Based on Participation in the Teacher Legacy Pension Plan of TCRS**

Last Fiscal Year Ended June 30\*

	2015	2016	2017
Schools' proportion of the net pension liability (asset)	0.643262%	0.662651%	0.714582%
Schools' proportionate share of the net pension liability (asset)	\$ (104,527)	\$ 271,444	\$ 4,465,739
Schools' covered payroll	25,247,996	24,806,330	25,794,986
Schools' proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.41%	1.09%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

\*The amounts presented were determined as of June 30 of the prior fiscal year.

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**Schedule of Oak Ridge Schools Contributions  
Based on Participation in the Teacher Legacy Pension Plan of TCRS**

Last Fiscal Year Ended June 30

	2014	2015	2016	2017
Contractually required contribution	\$ 2,242,022	\$ 2,242,495	\$ 2,331,878	\$ 2,273,112
Contributions in relation to the contractually required contribution	2,242,022	2,242,495	2,331,878	2,273,112
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 25,247,996	\$ 24,806,330	\$ 25,794,986	\$ 25,145,044
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%	9.04%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**CITY OF OAK RIDGE, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

**Schedule of Changes in Oak Ridge Board of Education Hybrid with Cost Controls' Net Pension Liability (Asset)**  
**and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS**

Last Fiscal Year Ended June 30

	2015	2016
<b>Total pension liability</b>		
Service cost	\$ 948	\$ 8,266
Interest	71	620
Differences between actual & expected experience	(1,019)	15,701
Net change in total pension liability	-	24,587
Total pension liability - beginning	-	-
Total pension liability - ending (a)	-	24,587
<b>Plan fiduciary net position</b>		
Contributions - employer	\$ 541	\$ 12,691
Contributions - employee	677	15,864
Net investment income	-	370
Administrative expenses	(40)	(1,165)
Net change in plan fiduciary net position	1,178	27,760
Plan fiduciary net position - beginning	-	1,178
Plan fiduciary net position - ending (b)	1,178	28,938
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (1,178)</u>	<u>\$ (4,351)</u>
Plan fiduciary net position as a percentage of total pension liability	0.00%	117.70%
Covered-employee payroll	\$ 13,535	\$ 303,747
Net pension liability (asset) as a percentage of covered payroll	-8.70%	-1.43%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**CITY OF OAK RIDGE, TENNESSEE  
REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2017**

**Schedule of Oak Ridge Board of Education Hybrid with Cost Controls' Contributions  
Based on Participation in the Public Employee Pension Plan of TCRS**

Last Fiscal Year Ended June 30

	2015	2016	2017
Actuarially determined contribution	\$ 271	\$ 6,616	\$ 37,649
Contributions in relation to the actuarially determined contribution	541	12,691	37,649
Contribution deficiency (excess)	<u>\$ (270)</u>	<u>\$ (6,075)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,535	\$ 303,747	\$ 941,225
Contributions as a percentage of covered-employee payroll	4.00%	4.18%	4.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

**Notes to Schedule**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2015 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment rate of return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5 percent

**CITY OF OAK RIDGE, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2017**

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**City Employee's Postemployment Benefits**

**Schedule of Funding Progress**

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2012	\$ -	\$ 3,022	\$ 3,022	0.0%	\$ 18,851	16.0%
7/1/2014	-	2,827	2,827	0.0%	18,472	15.3%
7/1/2016	-	2,821	2,821	0.0%	18,475	15.3%

**School Employee's Postemployment Benefits**

**Schedule of Funding Progress**

(dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
7/1/2011	\$ -	\$ 7,109	\$ 7,109	0.0%	\$ 25,942	27.4%
7/1/2013	-	6,214	6,214	0.0%	25,248	24.6%
7/1/2015	-	6,860	6,860	0.0%	29,929	22.9%

# **CITY OF OAK RIDGE, TENNESSEE NONMAJOR GOVERNMENTAL FUNDS**

## **Special Revenue Funds**

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The Special Revenue Funds are used to account for the proceeds of specific revenues that are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

**State Street Aid Fund:** This fund accounts for maintenance of all non-State streets in the City. Revenues are provided from a portion of the State of Tennessee gasoline and motor fuels tax.

**Drug Enforcement Program Fund:** This fund is used to account for investigations of violations of controlled substance laws and is funded primarily from the receipt of fines and forfeitures related to drug enforcement cases.

**Solid Waste Fund:** This fund is used to account for the collection and disposal of residential refuse and recyclables and is funded by a monthly fee charged to residential customers.

**Golf Course Fund:** This fund is used to account for operation of a municipal golf course, the Tennessee Centennial Golf Course. The fund's operations are financed from the proceeds from the operations of the golf course and transfers from the General Fund.

**West End Fund:** This fund is used to account for the City's fire and ambulance services located at the East Tennessee Technology Park (ETTP) site, which is currently being funded under a contract between the City and the US Department of Energy (DOE) and DOE's ETTP site contractor.

**School Federal Projects Fund:** This fund is used to account for the proceeds of federal award grant programs requiring separate accounting because of legal or regulatory provisions or administrative action.

**Other Education Special Revenue Fund:** This fund is used to account for the activities assisting at risk children and their families. The fund accounts for the Family Resource Center and the Safe Schools Act activities which are funded by federal awards.

**Extended School Program Fund:** This fund is used to account for the fees collected for the schools' extended child care program.

**Central Cafeteria Fund:** This fund is used to account for the activities related to food services. The revenue also supports preparing and serving regular and incidental meals, lunches, or snacks in connection with school activities and food delivery. Revenue is collected in the form of meal charges, fees for special events and programs, and state and federal reimbursements under the national school lunch and breakfast programs.

**CITY OF OAK RIDGE, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

	State Street Aid	Drug Enforcement Program	Solid Waste	Golf Course	West End	School Federal Projects	Other Education Special Revenue	Extended School Program	Central Cafeteria	Total Nonmajor Governmental Funds
<b>Assets</b>										
Cash and cash equivalents	\$ 1,398,067	\$ 332,174	\$ 537,891	\$ 248,153	\$ 827,285	\$ -	\$ 7,874	\$ 108,752	\$ 466,853	\$ 3,927,049
Accounts receivable	-	-	138,974	25,146	-	-	-	261	188,137	352,518
Due from other governments	141,121	-	-	-	-	494,840	5,797	-	45,593	687,351
Inventories, at cost	167,552	-	-	26,288	-	-	-	-	-	193,840
Prepaid items	-	1,291	-	-	-	5,911	-	-	-	7,202
Restricted assets:										
Cash and cash equivalents	2,036	-	-	-	-	-	-	-	-	2,036
Total assets	\$ 1,708,776	\$ 333,465	\$ 676,865	\$ 299,587	\$ 827,285	\$ 500,751	\$ 13,671	\$ 109,013	\$ 700,583	\$ 5,169,996
<b>Liabilities</b>										
Accounts payable	\$ 402,782	\$ 509	\$ 272,053	\$ 169,264	\$ 28,603	\$ 41,829	\$ -	\$ -	\$ 256,612	\$ 1,171,652
Accrued liabilities	-	-	-	-	56,479	80,180	2,711	5,392	-	144,762
Due to other funds	-	-	-	-	-	378,742	-	-	-	378,742
Total liabilities	402,782	509	272,053	169,264	85,082	500,751	2,711	5,392	256,612	1,695,156
<b>Deferred inflows of resources</b>	-	-	-	-	-	-	-	-	17,721	17,721
<b>Fund balances</b>										
Nonspendable	167,552	1,291	-	26,288	-	-	-	-	-	195,131
Restricted	1,138,442	331,665	-	-	-	-	10,960	-	426,250	1,907,317
Committed	-	-	-	-	-	-	-	103,621	-	103,621
Assigned	-	-	404,812	104,035	742,203	-	-	-	-	1,251,050
Total fund balances	1,305,994	332,956	404,812	130,323	742,203	-	10,960	103,621	426,250	3,457,119
Total liabilities, deferred inflows of resources and fund balances	\$ 1,708,776	\$ 333,465	\$ 676,865	\$ 299,587	\$ 827,285	\$ 500,751	\$ 13,671	\$ 109,013	\$ 700,583	\$ 5,169,996

**CITY OF OAK RIDGE, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	State Street Aid	Drug Enforcement Program	Solid Waste	Golf Course	West End	School Federal Projects	Other Education Special Revenue	Extended School Program	Central Cafeteria	Total Nonmajor Governmental Funds
<b>Revenues</b>										
Intergovernmental	\$ 811,808	\$ 61,177	\$ -	\$ -	\$ 2,706,126	\$ 3,542,025	\$ 54,463	\$ -	1,614,855	\$ 8,790,454
Charges for services	-	-	1,892,043	791,614	-	-	-	419,497	457,000	3,560,154
Fines and forfeitures	-	30,906	-	-	-	-	-	-	-	30,906
Investment earnings	6,229	1,634	2,542	1,291	3,423	-	-	-	-	15,119
Miscellaneous	-	5,050	-	-	-	-	18,956	-	121,832	145,838
Total revenues	818,037	98,767	1,894,585	792,905	2,709,549	3,542,025	73,419	419,497	2,193,687	12,542,471
<b>Expenditures</b>										
Current:										
Public safety	-	110,944	-	-	2,453,277	-	-	-	-	2,564,221
Public works	1,370,698	-	2,676,501	-	-	-	-	-	-	4,047,199
Community services	-	-	-	1,069,037	-	-	-	-	-	1,069,037
Education	-	-	-	-	-	3,448,126	138,780	364,130	2,038,102	5,989,138
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,370,698	110,944	2,676,501	1,069,037	2,453,277	3,448,126	138,780	364,130	2,038,102	13,669,595
(Deficiency) excess of revenues (under) over expenditures	(552,661)	(12,177)	(781,916)	(276,132)	256,272	93,899	(65,361)	55,367	155,585	(1,127,124)
<b>Other financing sources</b>										
Transfers in	700,000	-	1,186,728	120,000	-	-	68,773	-	-	2,075,501
Transfers out	-	-	-	-	-	(93,899)	-	(10,000)	-	(103,899)
Total other financing sources	700,000	-	1,186,728	120,000	-	(93,899)	68,773	(10,000)	-	1,971,602
Net change in fund balances	147,339	(12,177)	404,812	(156,132)	256,272	-	3,412	45,367	155,585	844,478
Fund balance - beginning	1,158,655	345,133	-	286,455	485,931	-	7,548	58,254	270,665	2,612,641
Fund balance - ending	\$ 1,305,994	\$ 332,956	\$ 404,812	\$ 130,323	\$ 742,203	\$ -	\$ 10,960	\$ 103,621	\$ 426,250	\$ 3,457,119



**CITY OF OAK RIDGE, TENNESSEE**  
**STATE STREET AID FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 811,808	\$ 770,000	\$ 41,808
Interest	6,229	1,000	5,229
Total revenues	818,037	771,000	47,037
<b>Expenditures</b>			
Current:			
Public works	1,370,698	1,821,000	450,302
Total expenditures	1,370,698	1,821,000	450,302
(Deficiency) excess of revenues (under) over expenditures	(552,661)	(1,050,000)	497,339
<b>Other financing sources</b>			
Transfers in	700,000	700,000	-
Total other financing sources	700,000	700,000	-
Net change in fund balances	147,339	(350,000)	497,339
Fund balance - beginning	1,158,655	1,158,655	-
Fund balance - ending	\$ 1,305,994	\$ 808,655	\$ 497,339

**CITY OF OAK RIDGE, TENNESSEE**  
**DRUG ENFORCEMENT PROGRAM FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

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	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 61,177	\$ 40,000	\$ 21,177
Fines and forfeitures	30,906	45,000	(14,094)
Interest	1,634	250	1,384
Other	5,050	1,000	4,050
Total revenues	<u>98,767</u>	<u>86,250</u>	<u>12,517</u>
<b>Expenditures</b>			
Current:			
Public safety	110,944	255,200	144,256
Total expenditures	<u>110,944</u>	<u>255,200</u>	<u>144,256</u>
(Deficiency) excess of revenues (under) over expenditures	(12,177)	(168,950)	156,773
Fund balance - beginning	345,133	345,133	-
Fund balance - ending	<u><u>\$ 332,956</u></u>	<u><u>\$ 176,183</u></u>	<u><u>\$ 156,773</u></u>

**CITY OF OAK RIDGE, TENNESSEE**  
**SOLID WASTE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 1,892,043	\$ 1,884,500	\$ 7,543
Interest	2,542	-	2,542
Total revenues	1,894,585	1,884,500	10,085
<b>Expenditures</b>			
Current:			
Public works	2,676,501	2,831,954	155,453
Total expenditures	2,676,501	2,831,954	155,453
(Deficiency) excess of revenues (under) over expenditures	(781,916)	(947,454)	165,538
<b>Other financing sources</b>			
Transfers in	1,186,728	1,230,454	(43,726)
Total other financing sources	1,186,728	1,230,454	(43,726)
Net change in fund balances	404,812	283,000	121,812
Fund balance - beginning	-	-	-
Fund balance - ending	\$ 404,812	\$ 283,000	\$ 121,812

**CITY OF OAK RIDGE, TENNESSEE**  
**GOLF COURSE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 791,614	\$ 1,099,865	\$ (308,251)
Interest	1,291	500	791
Total revenues	<u>792,905</u>	<u>1,100,365</u>	<u>(307,460)</u>
<b>Expenditures</b>			
Current:			
Community services	1,069,037	1,197,494	128,457
Total expenditures	<u>1,069,037</u>	<u>1,197,494</u>	<u>128,457</u>
Deficiency of revenues under expenditures	(276,132)	(97,129)	(179,003)
<b>Other financing sources</b>			
Transfers in	120,000	-	120,000
Total other financing sources	<u>120,000</u>	<u>-</u>	<u>120,000</u>
Net change in fund balances	(156,132)	(97,129)	(59,003)
Fund balance - beginning	286,455	286,455	-
Fund balance - ending	<u>\$ 130,323</u>	<u>\$ 189,326</u>	<u>\$ (59,003)</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**WEST END FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

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	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 2,706,126	\$ 2,722,803	\$ (16,677)
Interest	3,423	350	3,073
Total revenues	<u>2,709,549</u>	<u>2,723,153</u>	<u>(13,604)</u>
<b>Expenditures</b>			
Current:			
Public safety	2,453,277	2,822,492	369,215
Total expenditures	<u>2,453,277</u>	<u>2,822,492</u>	<u>369,215</u>
Excess (deficiency) of revenues over (under) expenditures	256,272	(99,339)	355,611
Fund balance - beginning	485,931	485,931	-
Fund balance - ending	<u>\$ 742,203</u>	<u>\$ 386,592</u>	<u>\$ 355,611</u>

**CITY OF OAK RIDGE, TENNESSEE  
SCHOOL FEDERAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
For the Year Ended June 30, 2017**

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	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 3,542,025	\$ 3,738,579	\$ (196,554)
Total revenues	3,542,025	3,738,579	(196,554)
<b>Expenditures</b>			
Current:			
Education	3,448,126	3,633,625	185,499
Total expenditures	3,448,126	3,633,625	185,499
Excess (deficiency) of revenues over (under) expenditures	93,899	104,954	(11,055)
<b>Other financing sources</b>			
Transfers out	(93,899)	(104,954)	11,055
Total other financing sources	(93,899)	(104,954)	11,055
Net change in fund balances	-	-	-
Fund balance - beginning	-	-	-
Fund balance - ending	\$ -	\$ -	\$ -

**CITY OF OAK RIDGE, TENNESSEE**  
**OTHER EDUCATION SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

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	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 54,463	\$ 54,830	\$ (367)
Miscellaneous	18,956	21,789	(2,833)
Total revenues	73,419	76,619	(3,200)
<b>Expenditures</b>			
Current:			
Education	138,780	143,637	4,857
Total expenditures	138,780	143,637	4,857
(Deficiency) excess of revenues (under) over expenditures	(65,361)	(67,018)	1,657
<b>Other financing sources</b>			
Transfers in	68,773	67,018	1,755
Total other financing sources	68,773	67,018	1,755
Net change in fund balances	3,412	-	3,412
Fund balance - beginning	7,548	7,548	-
Fund balance - ending	\$ 10,960	\$ 7,548	\$ 3,412

**CITY OF OAK RIDGE, TENNESSEE  
EXTENDED SCHOOL PROGRAM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
For the Year Ended June 30, 2017**

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	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 419,497	\$ 425,237	\$ (5,740)
Total revenues	419,497	425,237	(5,740)
<b>Expenditures</b>			
Current:			
Education	364,130	425,237	61,107
Total expenditures	364,130	425,237	61,107
Excess of revenues over expenditures	55,367	-	55,367
<b>Other financing sources</b>			
Transfers in	(10,000)	-	(10,000)
Total other financing sources	(10,000)	-	(10,000)
Net change in fund balances	45,367	-	45,367
Fund balance - beginning	58,254	58,254	-
Fund balance - ending	\$ 103,621	\$ 58,254	\$ 45,367



**CITY OF OAK RIDGE, TENNESSEE**  
**CENTRAL CAFETERIA FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

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	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Charges for services	\$ 457,000	\$ 534,368	\$ (77,368)
Intergovernmental	1,614,855	1,293,813	321,042
Miscellaneous	121,832	120,420	1,412
Total revenues	<u>2,193,687</u>	<u>1,948,601</u>	<u>245,086</u>
<b>Expenditures</b>			
Current:			
Education	2,038,102	2,018,601	(19,501)
Total expenditures	<u>2,038,102</u>	<u>2,018,601</u>	<u>(19,501)</u>
Excess (deficiency) of revenues over (under) expenditures	155,585	(70,000)	225,585
Fund balance - beginning	270,665	270,665	-
Fund balance - ending	<u><u>\$ 426,250</u></u>	<u><u>\$ 200,665</u></u>	<u><u>\$ 225,585</u></u>

**CITY OF OAK RIDGE, TENNESSEE**  
**EMERGENCY COMMUNICATIONS DISTRICT FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
TECB - distribution of 911 surcharges (base amount)	\$ 525,054	\$ 525,054	\$ -
TECB - distribution of excess revenue	84,231	-	84,231
Total revenues	609,285	525,054	84,231
<b>Expenses</b>			
Address/mapping expenses	39,314	40,000	686
Contracted dispatcher services	206,342	200,000	(6,342)
Date processing services	902	2,250	1,348
Maintenance contract	90,249	91,000	751
Geographic information system	894	30,000	29,106
NCIC/TBI/ties expense	-	600	600
Other communications	12,106	4,000	(8,106)
Maintenance/repair - communication equipment	17,521	30,000	12,479
Date processing supplies	-	500	500
Small equipment purchases	49,046	50,000	954
General telephone 911 support lines	144	800	656
Utilities - cell phones and pagers	3,285	3,000	(285)
Dues and subscriptions	3,568	500	(3,068)
Licenses and fees	4,478	5,000	522
Insurance - surety bonds	890	770	(120)
Training	3,957	3,000	(957)
Depreciation	193,512	78,213	(115,299)
Total expenses	626,208	539,633	(86,575)
Operating (loss)	(16,923)	(14,579)	(2,344)
<b>Nonoperating revenues (expenses)</b>			
Interest income	8,728	1,700	4,665
DOJ grant	4,665	-	7,028
Interest expense	(3,580)	(3,579)	(1)
Net nonoperating revenues (expenses)	9,813	(1,879)	11,692
Change in net position	(7,110)	(16,458)	9,348
Net position - beginning	1,594,667	1,594,667	-
Net position - ending	\$ 1,587,557	\$ 1,578,209	\$ 9,348

## **CITY OF OAK RIDGE, TENNESSEE**

### **Internal Service Funds**

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Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

**City Insurance Fund:** This fund is used to account for contributions from operating funds and the related payments and accruals for dental, property and liability claims, other than those related to the schools. This fund receives the employee and the City's contribution for the payment of the employee's medical premiums. School property and liability claims and the School's contribution toward employee medical benefits are accounted for in the General Purpose School Fund, a special revenue fund.

**City Equipment Replacement Rental Fund:** This fund is used to account for the assets used in providing a pool of equipment for use by all City departments. Rents charged to the various departments are used to fund replacement of the equipment.

**CITY OF OAK RIDGE, TENNESSEE**  
**COMBINING STATEMENTS OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2017**

	<b>Insurance</b>	<b>City Equipment Replacement</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,239,816	\$ 4,030,070	\$ 6,269,886
Prepaid items	-	37,080	37,080
Inventories, at cost	-	130,085	130,085
Total current assets	2,239,816	4,197,235	6,437,051
Noncurrent assets:			
Capital assets, net	-	2,596,871	2,596,871
Total assets	2,239,816	6,794,106	9,033,922
Deferred outflows of resources			
Deferred pension outflows	-	103,114	103,114
Total deferred outflows of resources	-	103,114	103,114
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	85,487	28,546	114,033
Accrued liabilities	586,159	12,713	598,872
Current portion of noncurrent liabilities	-	115,017	115,017
Accrued interest payable	-	16,855	16,855
Total current liabilities	671,646	173,131	844,777
Noncurrent liabilities:			
Compensated absences	-	15,327	15,327
Bonds payable	-	300,457	300,457
Capital lease payable	-	682,883	682,883
Other post employment benefit obligations payable	-	20,606	20,606
Net pension liability	-	202,044	202,044
Total noncurrent liabilities	-	1,221,317	1,221,317
Total liabilities	671,646	1,394,448	2,066,094
Deferred inflows of resources			
Deferred pension inflows	-	9,196	9,196
Total deferred inflows of resources	-	9,196	9,196
<b>Net position</b>			
Net investment in capital assets	-	1,539,817	1,539,817
Unrestricted	1,568,170	3,953,759	5,521,929
Total net position	\$ 1,568,170	\$ 5,493,576	\$ 7,061,746

**CITY OF OAK RIDGE, TENNESSEE**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2017**

	<b>Insurance</b>	<b>City Equipment Replacement</b>	<b>Total</b>
Operating revenues:			
Charges for services	\$ 4,440,401	\$ 2,319,069	\$ 6,759,470
Employer's contributions	4,008,027	-	4,008,027
Employees' contributions	972,746	-	972,746
Total operating revenues	9,421,174	2,319,069	11,740,243
Operating expenses:			
Maintenance and administrative	-	967,412	967,412
Depreciation	-	570,258	570,258
Materials	-	388,936	388,936
Medical/liability claims	569,981	-	569,981
Insurance premiums	5,176,558	-	5,176,558
Other benefits	3,589,652	-	3,589,652
Total operating expenses	9,336,191	1,926,606	11,262,797
Operating income	84,983	392,463	477,446
Nonoperating revenues (expenses):			
Gain on disposal of capital assets	-	27,353	27,353
Investment earnings	9,425	18,671	28,096
Interest expense	-	(39,687)	(39,687)
Net nonoperating revenue	9,425	6,337	15,762
Change in net position	94,408	398,800	493,208
Net position - beginning	1,473,762	5,094,776	6,568,538
Net position - ending	\$ 1,568,170	\$ 5,493,576	\$ 7,061,746

**CITY OF OAK RIDGE, TENNESSEE**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2017**

	Insurance	City Equipment Replacement	Total
<b>Cash flows from operating activities</b>			
Receipts from interfund charges	\$ 9,421,174	\$ 2,319,069	\$ 11,740,243
Payments to employees for salaries and benefits	-	(468,914)	(468,914)
Payments to suppliers and providers	(9,133,922)	(968,563)	(10,102,485)
Net cash provided by operating activities	287,252	881,592	1,168,844
<b>Cash flows from capital and related financing activities</b>			
Proceeds from the sale of capital assets	-	27,353	27,353
Acquisition and construction of capital assets	-	(198,600)	(198,600)
Payments on capital lease	-	(70,808)	(70,808)
Principal paid on capital debt	-	(150,499)	(150,499)
Interest paid on capital debt	-	(41,529)	(41,529)
Net cash used in capital and related financing activities	-	(434,083)	(434,083)
<b>Cash flows from investing activities</b>			
Interest on investments	9,425	18,671	28,096
Net cash provided by investing activities	9,425	18,671	28,096
Net increase in cash and cash equivalents	296,677	466,180	762,857
Cash and cash equivalents - beginning	1,943,139	3,563,890	5,507,029
Cash and cash equivalents - ending	<u>\$ 2,239,816</u>	<u>\$ 4,030,070</u>	<u>\$ 6,269,886</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 84,983	\$ 392,463	\$ 477,446
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	570,258	570,258
Change in assets and liabilities			
Prepaid items	-	(37,080)	(37,080)
Inventories, at cost	-	4,208	4,208
Deferred outflows	-	(24)	(24)
Accounts payable	66,421	(41,022)	25,399
Accrued liabilities	135,848	3,060	138,908
Compensated absences	-	3,889	3,889
Other post employment benefit obligations payable	-	1,947	1,947
Net pension liability	-	59,682	59,682
Deferred inflows and deferred outflows	-	(75,789)	(75,789)
Total adjustments	202,269	489,129	691,398
Net cash provided by operating activities	<u>\$ 287,252</u>	<u>\$ 881,592</u>	<u>\$ 1,168,844</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**INTERNAL SCHOOL FUNDS**  
**For the Year Ended June 30, 2017**

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	<u>Internal School Funds</u>
Assets and liabilities - beginning	\$ 970,180
Additions	1,399,688
Deductions	<u>(1,441,984)</u>
Total assets and liabilities - ending	<u><u>\$ 927,884</u></u>

**CITY OF OAK RIDGE, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES**  
**For the Year Ended June 30, 2017**

	<b>Actual on Budgetary Basis</b>	<b>Budget</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Taxes</b>			
General property taxes:			
Real property	\$ 18,470,871	\$ 18,150,000	\$ 320,871
Personal property	1,351,713	1,317,000	34,713
Public utilities	280,114	307,000	(26,886)
Interest and penalties	258,016	190,000	68,016
Total general property taxes	20,360,714	19,964,000	396,714
Other property taxes:			
Other than assessed (in-lieu)	387,823	377,979	9,844
Total other property taxes	387,823	377,979	9,844
Other taxes:			
Beer wholesale	577,345	575,000	2,345
Liquor wholesale	292,539	265,000	27,539
Room occupancy taxes	580,370	560,000	20,370
Business taxes	731,453	890,000	(158,547)
City sales taxes	423,766	403,000	20,766
Total other taxes	2,605,473	2,693,000	(87,527)
Total taxes	23,354,010	23,034,979	319,031
Licenses and permits:			
Alcohol sale permits	15,135	20,000	(4,865)
Building permits	194,199	210,000	(15,801)
Electrical permits	39,560	35,000	4,560
Plumbing permits	26,863	22,000	4,863
Animal registration permits	8,434	10,500	(2,066)
Other licenses and permits	22,168	12,500	9,668
Total licenses and permits	306,359	310,000	(3,641)



**CITY OF OAK RIDGE, TENNESSEE  
GENERAL FUND  
SCHEDULE OF REVENUES (continued)  
For the Year Ended June 30, 2017**

	<b>Actual on Budgetary Basis</b>	<b>Budget</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Intergovernmental:</b>			
State shared:			
Sales tax	\$ 2,433,004	\$ 2,462,000	\$ (28,996)
Income tax	517,305	500,000	17,305
Excise tax	33,750	20,000	13,750
Beer barrelage	14,162	14,500	(338)
Mixed drink tax	139,963	110,000	29,963
TVA replacement tax	334,212	347,000	(12,788)
TVA impact	181,471	185,000	(3,529)
Fuel tax inspection fees	59,241	60,000	(759)
Tennessee Wildlife Resources Agency	499	-	499
County shared:			
Sales tax - Roane County	2,097,643	2,000,000	97,643
Sales tax - Anderson County	6,846,432	6,615,000	231,432
U.S. Department of Energy:			
Federal grant	314,285	313,000	1,285
In-lieu of taxes	1,689,097	1,753,100	(64,003)
Total intergovernmental	14,661,064	14,379,600	281,464
<b>Charges for services:</b>			
General government	16,178	18,000	(1,822)
Public safety:			
Records processing	10,020	15,500	(5,480)
Animal shelter fees	11,844	21,500	(9,656)
Total general services	38,042	55,000	(16,958)
Use of property services:			
Miscellaneous recreation usage fees	5,419	3,000	2,419
Outdoor pool	102,100	95,000	7,100
Indoor pool	52,233	40,000	12,233
Rental of lands and buildings	1,034,394	1,045,982	(11,588)
Total use of property services	1,194,146	1,183,982	10,164
Total charges for services	1,232,188	1,238,982	(6,794)

**CITY OF OAK RIDGE, TENNESSEE  
GENERAL FUND  
SCHEDULE OF REVENUES (continued)  
For the Year Ended June 30, 2017**

	<b>Actual on Budgetary Basis</b>	<b>Budget</b>	<b>Variance with Final Budget Positive (Negative)</b>
Fines and forfeitures:			
City court fines	\$ 60,293	\$ 50,000	\$ 10,293
City court costs	113,035	90,000	23,035
City litigation tax	19,575	17,000	2,575
Bail forfeitures	126,446	140,000	(13,554)
Miscellaneous court revenues	15,468	12,000	3,468
Library fines and lost books	29,923	30,500	(577)
Total fines and forfeitures	364,740	339,500	25,240
Grants:			
DOE grants	367,573	380,000	(12,427)
DOJ grants	7,365	6,500	865
HUD grants - CDBG	149,951	220,000	(70,049)
Other HUD grants	634	-	634
FEMA grants	11,798	176,000	(164,202)
TDEC grants	164,799	171,270	(6,471)
TEMA grants	32,000	16,000	16,000
TDOT grants	169,482	208,000	(38,518)
TN Department of Agriculture grants	626	3,000	(2,374)
THDA grants	50,243	550,000	(499,757)
Total grants	954,471	1,730,770	(776,299)
Investment earnings	67,118	27,524	39,594
Miscellaneous revenue:			
CATV franchise	489,786	460,000	29,786
Right-of-way	60,000	60,000	-
Miscellaneous	8,229	15,000	(6,771)
Total miscellaneous revenue	558,015	535,000	23,015
Total revenues	\$ 41,497,965	\$ 41,596,355	\$ (98,390)

**CITY OF OAK RIDGE, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY FUNCTION**  
**For the Year Ended June 30, 2017**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
General government:					
Legislative:					
City council	\$ 90,272	\$ -	\$ 90,272	\$ 117,516	\$ 27,244
Total legislative	90,272	-	90,272	117,516	27,244
Executive:					
City clerk	104,316	-	104,316	112,798	8,482
City manager	222,252	-	222,252	271,156	48,904
Total executive	326,568	-	326,568	383,954	57,386
Judicial:					
Legal	247,654	-	247,654	252,930	5,276
City court	177,040	-	177,040	210,515	33,475
Total judicial	424,694	-	424,694	463,445	38,751
Administration:					
Information services	291,304	145,345	436,649	436,653	4
Personnel	233,199	-	233,199	254,526	21,327
Stationery stores	76,838	-	76,838	94,011	17,173
Finance	133,830	74,985	208,815	208,818	3
Business office	61,246	-	61,246	63,313	2,067
Total administration	796,417	220,330	1,016,747	1,057,321	40,574
Total general government	1,637,951	220,330	1,858,281	2,022,236	163,955
Public safety:					
Police:					
Supervision	318,242	-	318,242	315,946	(2,296)
Investigations	912,539	-	912,539	958,073	45,534
Staff services	516,982	-	516,982	504,836	(12,146)
Patrol	3,811,409	-	3,811,409	3,996,581	185,172
Emergency communications	359,267	-	359,267	327,207	(32,060)
Animal control	377,181	-	377,181	333,507	(43,674)
School resource officer program	132,294	-	132,294	173,617	41,323
Total police	6,427,914	-	6,427,914	6,609,767	181,853
Fire:					
Supervision	218,878	-	218,878	218,353	(525)
Fire prevention	131,591	-	131,591	120,282	(11,309)
Fire fighting	3,809,986	-	3,809,986	3,795,731	(14,255)
Fire stations	155,456	-	155,456	129,882	(25,574)
Fire specialists	18,455	-	18,455	43,877	25,422
Total fire	4,334,366	-	4,334,366	4,308,125	(26,241)
Total public safety	10,762,280	-	10,762,280	10,917,892	155,612

**CITY OF OAK RIDGE, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY FUNCTION (continued)**  
**For the Year Ended June 30, 2017**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
Public works:					
Supervision	\$ 22,869	\$ -	\$ 22,869	\$ 22,784	\$ (85)
Engineering	132,966	-	132,966	130,688	(2,278)
State highway maintenance	99,218	-	99,218	91,947	(7,271)
General maintenance	336,788	-	336,788	325,778	(11,010)
Central service center	78,399	49,795	128,194	128,196	2
Municipal building	151,329	9,185	160,514	160,517	3
Stormwater	57,537	167,460	224,997	225,000	3
Traffic control and lights	1,102,491	-	1,102,491	1,131,297	28,806
Total public works	1,981,597	226,440	2,208,037	2,216,207	8,170
Community services:					
Community development:					
Supervision	153,960	-	153,960	156,468	2,508
Planning	93,649	-	93,649	111,542	17,893
Economic development	45,360	-	45,360	59,280	13,920
Marketing and tourism	374,252	-	374,252	391,748	17,496
Code enforcement	365,194	-	365,194	393,960	28,766
Housing initiatives	107,375	-	107,375	137,000	29,625
Total community development	1,139,790	-	1,139,790	1,249,998	110,208
Recreation:					
Supervision	199,648	-	199,648	212,813	13,165
Special events	211,233	-	211,233	65,000	(146,233)
Indoor aquatics	210,384	-	210,384	187,351	(23,033)
Outdoor aquatics	270,409	-	270,409	255,492	(14,917)
Centers, camps and programs	719,905	-	719,905	776,052	56,147
Athletics	135,744	-	135,744	133,384	(2,360)
Parks	914,145	-	914,145	868,599	(45,546)
Scarboro center	199,869	-	199,869	196,262	(3,607)
Senior center	250,400	-	250,400	287,743	37,343
Total recreation	3,111,737	-	3,111,737	2,982,696	(129,041)
Public library	1,395,397	-	1,395,397	1,400,813	5,416
Total community services	5,646,924	-	5,646,924	5,633,507	(13,417)

**CITY OF OAK RIDGE, TENNESSEE**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES BY FUNCTION (continued)**  
**For the Year Ended June 30, 2017**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
Grants:					
City social services grants	\$ 185,051	\$ -	\$ 185,051	\$ 185,055	\$ 4
General government grants	164,799	-	164,799	171,270	6,471
Police grants	293,622	-	293,622	326,500	32,878
Fire grants	43,798	-	43,798	192,000	148,202
Public works grants	499	-	499	-	(499)
Library grants	95,757	-	95,757	100,000	4,243
Community services grants	1,261	-	1,261	503,000	501,739
Community development block grants	149,951	-	149,951	220,000	70,049
Social services grants	54,010	-	54,010	50,000	(4,010)
Street and public transportation grants	193,802	-	193,802	235,000	41,198
Total grants	1,182,550	-	1,182,550	1,982,825	800,275
Total expenditures	\$ 21,211,302	\$ 446,770	\$ 21,658,072	\$ 22,772,667	\$ 1,114,595

**CITY OF OAK RIDGE, TENNESSEE**  
**CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Intergovernmental	\$ 291,436	\$ 932,345	\$ (640,909)
Donations	105,111	590,365	(485,254)
Interest	13,711	2,000	11,711
Total revenues	410,258	1,524,710	(1,114,452)
<b>Expenditures</b>			
Current:			
Capital outlay	1,002,741	5,727,708	4,724,967
Total expenditures	1,002,741	5,727,708	4,724,967
(Deficiency) excess of revenues (under) over expenditures	(592,483)	(4,202,998)	3,610,515
<b>Other financing source</b>			
Transfers in	910,000	910,000	-
Total other financing sources	910,000	910,000	-
Net change in fund balances	317,517	(3,292,998)	3,610,515
Fund balance - beginning	2,314,981	2,314,981	-
Fund balance - ending	\$ 2,632,498	\$ (978,017)	\$ 3,610,515

**CITY OF OAK RIDGE, TENNESSEE**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**For the Year Ended June 30, 2017**

	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 2,054,974	\$ 1,910,000	\$ 144,974
Interest	58,896	12,000	46,896
Other	402,785	511,863	(109,078)
Total revenues	2,516,655	2,433,863	82,792
<b>Expenditures</b>			
Current debt service:			
Principal retirement	4,677,133	4,685,140	8,007
Interest and fiscal charges	2,775,150	3,324,509	549,359
Total expenditures	7,452,283	8,009,649	557,366
(Deficiency) excess of revenues (under) over expenditures	(4,935,628)	(5,575,786)	640,158
<b>Other financing sources</b>			
Transfers in	4,300,000	4,300,000	-
Total other financing sources	4,300,000	4,300,000	-
Net change in fund balances	(635,628)	(1,275,786)	640,158
Fund balance - beginning	8,731,046	8,731,046	-
Fund balance - ending	\$ 8,095,418	\$ 7,455,260	\$ 640,158

**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF WATER TREATMENT PLANT**  
**OPERATIONAL EXPENSES AND CAPITAL EXPENDITURES**  
**For the Year Ended June 30, 2017**

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**Operational expenses:**

Salaries and benefits	\$ 880,003
Utilities	921,913
Depreciation	1,079,152
Chemicals and supplies	345,499
Maintenance and other	719,322
Insurance and taxes	89,536
Total operational expenses	<u>\$ 4,035,425</u>

**Capital expenditures**

\$ 406,738



**CITY OF OAK RIDGE, TENNESSEE**  
**GENERAL OBLIGATION BONDS PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - GOVERNMENTAL ACTIVITIES**  
**June 30, 2017**

Fiscal Year	2009B Build America Bonds				General Obligation Bonds Refunding Series 2009		General Obligation Bonds Refunding Series 2010		General Obligation Bonds Refunding Series 2015A		General Obligation Bonds Refunding Series 2015B		Total		
	Principal (2)	Coupon Interest	Treasury Rebate (1)	Net Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Net Interest	Total Requirements
2018	\$ -	\$ 591,188	\$ (193,259)	\$ 397,929	\$ 2,920,000	\$ 540,050	\$ 500,000	\$ 76,644	\$ 850,000	\$ 268,000	\$ 50,000	\$ 201,525	\$ 4,320,000	\$ 1,484,148	\$ 5,804,148
2019	300,000	591,188	(193,259)	397,929	2,640,000	423,250	555,000	56,643	1,000,000	225,500	50,000	200,025	4,545,000	1,303,347	5,848,347
2020	-	577,313	(188,723)	388,590	2,735,000	317,650	570,000	38,606	950,000	175,500	50,000	198,525	4,305,000	1,118,871	5,423,871
2021	-	577,313	(188,723)	388,590	2,870,000	180,900	595,000	20,081	1,000,000	128,000	50,000	197,025	4,515,000	914,596	5,429,596
2022	-	577,312	(188,723)	388,589	935,000	37,400	-	-	2,200,000	78,000	940,000	195,525	4,075,000	699,514	4,774,514
2023	-	577,312	(188,723)	388,589	-	-	-	-	800,000	34,000	2,330,000	176,725	3,130,000	599,314	3,729,314
2024	-	577,312	(188,723)	388,589	-	-	-	-	900,000	18,000	2,350,000	130,125	3,250,000	536,714	3,786,714
2025	550,000	577,312	(188,723)	388,589	-	-	-	-	-	-	1,975,000	83,125	2,525,000	471,714	2,996,714
2026	650,000	546,375	(178,610)	367,765	-	-	-	-	-	-	170,000	43,625	820,000	411,390	1,231,390
2027	600,000	509,000	(166,392)	342,608	-	-	-	-	-	-	175,000	39,375	775,000	381,983	1,156,983
2028	400,000	473,750	(154,869)	318,881	-	-	-	-	-	-	200,000	35,000	600,000	353,881	953,881
2029	300,000	449,750	(147,024)	302,726	-	-	-	-	-	-	200,000	30,000	500,000	332,726	832,726
2030	300,000	431,750	(141,139)	290,611	-	-	-	-	-	-	200,000	24,000	500,000	314,611	814,611
2031	-	413,750	(135,255)	278,495	-	-	-	-	-	-	400,000	18,000	400,000	296,495	696,495
2032	-	413,750	(135,255)	278,495	-	-	-	-	-	-	200,000	6,000	200,000	284,495	484,495
2033	-	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	-	278,495	278,495
2034	-	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	-	278,495	278,495
2035	-	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	-	278,495	278,495
2036	-	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	-	278,495	278,495
2037	-	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	-	278,495	278,495
2038	-	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	-	278,495	278,495
2039	2,500,000	413,750	(135,255)	278,495	-	-	-	-	-	-	-	-	2,500,000	278,495	2,778,495
2040	2,500,000	260,000	(84,995)	175,005	-	-	-	-	-	-	-	-	2,500,000	175,005	2,675,005
2041	1,500,000	97,500	(31,873)	65,627	-	-	-	-	-	-	-	-	1,500,000	65,627	1,565,627
Total	\$ 9,600,000	\$ 11,138,125	\$ (3,641,053)	\$ 7,497,072	\$ 12,100,000	\$ 1,499,250	\$ 2,220,000	\$ 191,974	\$ 7,700,000	\$ 927,000	\$ 9,340,000	\$ 1,578,600	\$ 40,960,000	\$ 11,693,896	\$ 52,653,896

- (1) The federal government provides a 35% subsidy on the interest payment due on these bonds.  
The City has no assurance that the United States government will continue to make or will not reduce the direct subsidy payments.  
A portion of the subsidies has been reduced due to the federal sequestration.  
The treasury rebates shown incorporates a sequestration reduction rate of 6.6%.
- (2) The 2009B Build America Bonds includes \$300,000 principal balance reported in the Equipment Replacement Rental Fund (internal service fund).

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTE PRINCIPAL AND INTEREST REQUIREMENTS**  
**BY FISCAL YEAR - GOVERNMENTAL ACTIVITIES**  
**June 30, 2016**

Fiscal Year	Public Building Authority of Clarksville, TN TMBF Series 1994 (1)		Public Building Authority of Clarksville, TN TMBF Series 2008 (1)		Public Building Authority Sevier County, TN Series VII-E-1 (2)		Public Building Authority Sevier County, TN Series VI-M-1 (2)		Tennessee School Bond Authority QZAB Series 2004 (3)		Tennessee School Bond Authority QZAB Series 2005 (3)		Total		Total Requirements
	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Fees	Principal	Fees	Principal	Fees/Interest	
2018	\$ 70,326	\$ 7,323	\$ -	\$ 136,135	\$ -	\$ 835,585	\$ -	\$ 189,605	\$ 440,585	\$ 2,115	\$ 68,833	\$ 330	\$ 579,744	\$ 1,171,093	\$ 1,750,837
2019	75,251	6,024	-	136,135	-	835,585	-	189,605	440,585	2,115	68,833	330	584,669	1,169,794	1,754,463
2020	80,512	4,633	75,000	136,024	-	835,585	-	189,605	440,585	2,115	68,833	330	664,930	1,168,292	1,833,222
2021	86,145	3,146	35,000	134,745	-	835,585	-	189,605	440,585	2,115	68,834	330	630,564	1,165,526	1,796,090
2022	92,183	1,554	470,000	133,483	-	835,585	-	189,605	-	-	-	-	562,183	1,160,227	1,722,410
2023	-	-	1,100,000	124,177	-	835,585	-	189,605	-	-	-	-	1,100,000	1,149,367	2,249,367
2024	-	-	775,000	105,033	-	835,585	-	189,605	-	-	-	-	775,000	1,130,223	1,905,223
2025	-	-	1,555,000	90,066	-	835,585	-	189,605	-	-	-	-	1,555,000	1,115,256	2,670,256
2026	-	-	1,905,000	61,817	-	835,585	1,465,000	189,606	-	-	-	-	3,370,000	1,087,008	4,457,008
2027	-	-	1,717,288	28,113	-	835,585	1,540,000	130,942	-	-	-	-	3,257,288	994,640	4,251,928
2028	-	-	-	-	-	835,585	1,615,000	69,275	-	-	-	-	1,615,000	904,860	2,519,860
2029	-	-	-	-	1,570,000	835,585	115,000	4,605	-	-	-	-	1,685,000	840,190	2,525,190
2030	-	-	-	-	1,745,000	773,529	-	-	-	-	-	-	1,745,000	773,529	2,518,529
2031	-	-	-	-	1,820,000	704,555	-	-	-	-	-	-	1,820,000	704,555	2,524,555
2032	-	-	-	-	4,315,000	632,617	-	-	-	-	-	-	4,315,000	632,617	4,947,617
2033	-	-	-	-	4,515,000	462,062	-	-	-	-	-	-	4,515,000	462,062	4,977,062
2034	-	-	-	-	2,295,000	283,601	-	-	-	-	-	-	2,295,000	283,601	2,578,601
2035	-	-	-	-	2,390,000	192,888	-	-	-	-	-	-	2,390,000	192,888	2,582,888
2036	-	-	-	-	2,490,000	98,420	-	-	-	-	-	-	2,490,000	98,420	2,588,420
Total	\$ 404,417	\$ 22,680	\$ 7,632,288	\$ 1,085,728	\$ 21,140,000	\$ 13,174,692	\$ 4,735,000	\$ 1,911,268	\$ 1,762,340	\$ 8,460	\$ 275,333	\$ 1,320	\$ 35,949,378	\$ 16,204,148	\$ 52,153,526

- (1) The interest rate varies on a weekly basis on loans through the Public Building Authority of Clarksville, TN (TMBF). The amortization schedules are based on the interest rate in effect on June 30, 2017.  
TMBF Series 1994: 1.84% TMBF Series 2008: 1.78%.
- (2) The loans through the Public Building Authority of Sevier County are under interest rate swap agreements. Refer to Note 15.
- (3) Qualified Zone Academy Bonds (QZAB) is a federal program that provides interest free loans to finance eligible school renovations. The QZAB programs are administered through the state department of education.

**CITY OF OAK RIDGE, TENNESSEE**  
**BOND PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - ELECTRIC FUND**  
**June 30, 2017**

Fiscal Year	2009B Build America Bonds				General Obligation Bonds Refunding Series 2009		General Obligation Bonds Refunding Series 2016		Total		
	Principal	Coupon Interest	Treasury Rebate (1)	Net Interest	Principal	Interest	Principal	Interest	Principal	Net Interest	Total Requirements
2018	\$ -	\$ 302,775	\$ (98,977)	\$ 203,798	\$ 1,045,000	\$ 398,444	\$ 160,000	\$ 43,700	\$ 1,205,000	\$ 645,942	\$ 1,850,942
2019	-	302,775	(98,977)	203,798	1,055,000	356,644	165,000	38,900	1,220,000	599,342	1,819,342
2020	-	302,775	(98,977)	203,798	1,135,000	314,444	170,000	33,950	1,305,000	552,192	1,857,192
2021	-	302,775	(98,977)	203,798	1,150,000	257,694	175,000	28,850	1,325,000	490,342	1,815,342
2022	-	302,775	(98,977)	203,798	1,210,000	200,194	180,000	23,600	1,390,000	427,592	1,817,592
2023	-	302,775	(98,977)	203,798	1,300,000	151,794	180,000	19,100	1,480,000	374,692	1,854,692
2024	-	302,775	(98,977)	203,798	1,065,000	96,544	185,000	14,600	1,250,000	314,942	1,564,942
2025	-	302,775	(98,977)	203,798	1,110,000	49,950	190,000	9,975	1,300,000	263,723	1,563,723
2026	-	302,775	(98,977)	203,798	-	-	190,000	5,225	190,000	209,023	399,023
2027	-	302,775	(98,977)	203,798	-	-	-	-	-	203,798	203,798
2028	450,000	302,775	(98,977)	203,798	-	-	-	-	450,000	203,798	653,798
2029	450,000	275,775	(90,151)	185,624	-	-	-	-	450,000	185,624	635,624
2030	450,000	248,775	(81,325)	167,450	-	-	-	-	450,000	167,450	617,450
2031	450,000	221,775	(72,498)	149,277	-	-	-	-	450,000	149,277	599,277
2032	450,000	194,775	(63,672)	131,103	-	-	-	-	450,000	131,103	581,103
2033	450,000	167,775	(54,846)	112,929	-	-	-	-	450,000	112,929	562,929
2034	450,000	140,775	(46,019)	94,756	-	-	-	-	450,000	94,756	544,756
2035	450,000	113,775	(37,193)	76,582	-	-	-	-	450,000	76,582	526,582
2036	450,000	86,100	(28,147)	57,953	-	-	-	-	450,000	57,953	507,953
2037	475,000	58,425	(19,099)	39,326	-	-	-	-	475,000	39,326	514,326
2038	475,000	29,212	(9,550)	19,662	-	-	-	-	475,000	19,662	494,662
Total	<u>\$ 5,000,000</u>	<u>\$ 4,867,687</u>	<u>\$ (1,591,247)</u>	<u>\$ 3,276,440</u>	<u>\$ 9,070,000</u>	<u>\$ 1,825,708</u>	<u>\$ 1,595,000</u>	<u>\$ 217,900</u>	<u>\$ 15,665,000</u>	<u>\$ 5,320,048</u>	<u>\$ 20,985,048</u>

- (1) The federal government provides a 35% subsidy on the interest payment due on these bonds.  
The City has no assurance that the United States government will continue to make or will not reduce the direct subsidy payments.  
A portion of the subsidies has been reduced due to the federal sequestration.  
The treasury rebates shown incorporates a sequestration reduction rate of 6.6%.

**CITY OF OAK RIDGE, TENNESSEE**  
**BOND PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - WATERWORKS FUND**  
**June 30, 2017**

Fiscal Year	2009B Build America Bonds				General Obligation Bonds Refunding Series 2011B		General Obligation Bonds Refunding Series 2013		General Obligation Bonds Refunding Series 2016		Total		Total Requirements
	Principal	Coupon Interest	Treasury Rebate (1)	Net Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Net Interest	
2018	\$ -	\$ 292,125	\$ (95,496)	\$ 196,629	\$ 200,000	\$ 247,550	\$ 245,000	\$ 668,950	\$ 620,000	\$ 205,988	\$ 1,065,000	\$ 1,319,117	\$ 2,384,117
2019	-	292,125	(95,496)	196,629	225,000	243,550	255,000	661,600	640,000	187,387	1,120,000	1,289,166	2,409,166
2020	-	292,125	(95,496)	196,629	225,000	239,050	665,000	653,950	650,000	168,188	1,540,000	1,257,817	2,797,817
2021	-	292,125	(95,496)	196,629	225,000	234,550	1,025,000	634,000	665,000	148,687	1,915,000	1,213,866	3,128,866
2022	-	292,125	(95,496)	196,629	275,000	230,050	1,055,000	603,250	690,000	128,738	2,020,000	1,158,667	3,178,667
2023	200,000	292,125	(95,496)	196,629	975,000	223,863	375,000	561,050	685,000	111,487	2,235,000	1,093,029	3,328,029
2024	450,000	282,125	(92,227)	189,898	1,325,000	199,488	285,000	546,050	685,000	94,363	2,745,000	1,029,799	3,774,799
2025	450,000	257,375	(84,136)	173,239	1,375,000	166,362	290,000	537,500	560,000	77,237	2,675,000	954,338	3,629,338
2026	400,000	232,063	(75,861)	156,202	1,500,000	128,550	305,000	528,800	465,000	63,238	2,670,000	876,790	3,546,790
2027	750,000	209,063	(68,343)	140,720	1,650,000	86,550	215,000	518,888	280,000	50,450	2,895,000	796,608	3,691,608
2028	900,000	165,000	(53,938)	111,062	1,235,000	37,050	825,000	510,288	95,000	42,750	3,055,000	701,150	3,756,150
2029	900,000	111,000	(36,285)	74,715	-	-	1,815,000	481,413	110,000	39,900	2,825,000	596,028	3,421,028
2030	950,000	56,999	(18,632)	38,367	-	-	1,890,000	408,813	120,000	36,600	2,960,000	483,780	3,443,780
2031	-	-	-	-	-	-	1,910,000	333,212	350,000	33,000	2,260,000	366,212	2,626,212
2032	-	-	-	-	-	-	1,990,000	256,812	375,000	22,500	2,365,000	279,312	2,644,312
2033	-	-	-	-	-	-	2,075,000	169,750	375,000	11,250	2,450,000	181,000	2,631,000
2034	-	-	-	-	-	-	1,805,000	78,968	-	-	1,805,000	78,968	1,883,968
Total	<u>\$ 5,000,000</u>	<u>\$ 3,066,375</u>	<u>\$ (1,002,398)</u>	<u>\$ 2,063,977</u>	<u>\$ 9,210,000</u>	<u>\$ 2,036,613</u>	<u>\$ 17,025,000</u>	<u>\$ 8,153,294</u>	<u>\$ 7,365,000</u>	<u>\$ 1,421,763</u>	<u>\$ 38,600,000</u>	<u>\$ 13,675,647</u>	<u>\$ 52,275,647</u>

- (1) The federal government provides a 35% subsidy on the interest payment due on these bonds.  
The City has no assurance that the United States government will continue to make or will not reduce the direct subsidy payments.  
A portion of the subsidies has been reduced due to the federal sequestration.  
The treasury rebates shown incorporates a sequestration reduction rate of 6.6%.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTE PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - ELECTRIC FUND**  
**June 30, 2017**

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Fiscal Year	Public Building Authority of Clarksville, TN TMBF Series 2008 (1)		Total Requirements
	Principal	Interest/Fees	
2018	\$ -	\$ 24,227	\$ 24,227
2019	35,000	24,176	59,176
2020	-	23,603	23,603
2021	40,000	23,545	63,545
2022	-	22,890	22,890
2023	-	22,890	22,890
2024	290,000	22,465	312,465
2025	305,000	17,270	322,270
2026	355,000	11,756	366,756
2027	333,296	5,456	338,752
Total	<u>\$ 1,358,296</u>	<u>\$ 198,278</u>	<u>\$ 1,556,574</u>

- (1) The interest rate varies on a weekly basis on loans through the Public Building Authority of Clarksville, TN (TMBF). The amortization schedules are based on the interest rate in effect on June 30, 2017. The interest rate for the 2008 loan is 1.78%.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTE PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - WATERWORKS FUND**  
**June 30, 2017**

Fiscal Year	Public Building Authority of Clarksville, TN TMBF Series 1994 (1)		Public Building Authority of Clarksville, TN TMBF Series 2001 (1)		Public Building Authority of Clarksville, TN TMBF Series 2008 (1)		Capital Outlay Notes Interfund Loan From General Fund (2)	
	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Interest
2018	\$ 346,674	\$ 36,098	\$ 189,000	\$ 18,949	\$ 85,000	\$ 30,544	\$ 238,095	\$ 5,952
2019	370,949	29,693	198,000	15,446	60,000	29,065	238,095	3,571
2020	396,888	22,840	208,000	11,776	60,000	27,994	238,096	1,190
2021	424,655	15,507	218,000	7,921	60,000	26,924	-	-
2022	454,417	7,661	229,000	3,880	-	25,942	-	-
2023	-	-	-	-	160,000	25,707	-	-
2024	-	-	-	-	295,000	22,656	-	-
2025	-	-	-	-	315,000	17,364	-	-
2026	-	-	-	-	335,000	11,717	-	-
2027	-	-	-	-	349,416	5,720	-	-
2028	-	-	-	-	-	-	-	-
2029	-	-	-	-	-	-	-	-
2030	-	-	-	-	-	-	-	-
2031	-	-	-	-	-	-	-	-
2032	-	-	-	-	-	-	-	-
2033	-	-	-	-	-	-	-	-
2034	-	-	-	-	-	-	-	-
2035	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-
Total	<u>\$ 1,993,583</u>	<u>\$ 111,799</u>	<u>\$ 1,042,000</u>	<u>\$ 57,972</u>	<u>\$ 1,719,416</u>	<u>\$ 223,633</u>	<u>\$ 714,286</u>	<u>\$ 10,713</u>

(1) The interest rate varies on a weekly basis on loans through the Public Building Authority of Clarksville, TN (TMBF).

The amortization schedules are based on the interest rate in effect on June 30, 2017.

TMBF Series 1994: 1.84% TMBF Series 2001: 1.85% TMBF Series 2008: 1.78%.

(2) In accordance with Tennessee State Law, an interfund loan between the Waterworks Fund and General Fund was issued in the form of capital outlay notes. Interest on the loan was set at 1%.

**CITY OF OAK RIDGE, TENNESSEE**  
**NOTE PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - WATERWORKS FUND (continued)**  
**June 30, 2017**

Fiscal Year	2013-324 State Revolving Fund Loan Interest/Fee at 1.23%		2013-325 State Revolving Fund Loan Interest/Fee at 1.23%		2014-337 State Revolving Fund Loan Interest/Fee at 1.81%		Total		Total Requirements
	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Interest/Fees	Principal	Fees/ Interest	
2018	\$ 161,040	\$ 42,768	\$ 570,876	\$ 147,204	\$ 114,936	\$ 45,924	\$ 1,705,621	\$ 327,439	\$ 2,033,060
2019	162,900	40,776	577,464	140,160	116,940	43,824	1,724,348	302,535	2,026,883
2020	164,796	38,748	584,148	133,008	118,980	41,700	1,770,908	277,256	2,048,164
2021	166,692	36,720	590,904	125,784	121,056	39,528	1,581,307	252,384	1,833,691
2022	168,624	34,656	597,732	118,476	123,168	37,308	1,572,941	227,923	1,800,864
2023	170,568	32,580	604,644	111,084	125,316	35,064	1,060,528	204,435	1,264,963
2024	172,548	30,456	611,628	103,620	127,500	32,784	1,206,676	189,516	1,396,192
2025	174,540	28,332	618,696	96,060	129,732	30,444	1,237,968	172,200	1,410,168
2026	176,556	26,172	625,848	88,404	131,988	28,080	1,269,392	154,373	1,423,765
2027	178,596	23,988	633,084	80,664	134,292	25,680	1,295,388	136,052	1,431,440
2028	180,660	21,780	640,416	72,828	136,632	23,232	957,708	117,840	1,075,548
2029	182,748	19,548	647,808	64,920	139,020	20,724	969,576	105,192	1,074,768
2030	184,860	17,292	655,296	56,904	141,444	18,192	981,600	92,388	1,073,988
2031	186,996	15,000	662,880	48,792	143,904	15,624	993,780	79,416	1,073,196
2032	189,168	12,684	670,536	40,608	146,412	12,996	1,006,116	66,288	1,072,404
2033	191,352	10,344	678,288	32,316	148,968	10,320	1,018,608	52,980	1,071,588
2034	193,560	7,980	686,136	23,928	151,572	7,596	1,031,268	39,504	1,070,772
2035	195,804	5,580	694,068	15,444	154,212	4,836	1,044,084	25,860	1,069,944
2036	198,060	3,168	702,084	6,864	156,900	2,016	1,057,044	12,048	1,069,092
2037	149,993	769	176,692	312	26,546	43	353,231	1,124	354,355
Total	<u>\$ 3,550,061</u>	<u>\$ 449,341</u>	<u>\$ 12,229,228</u>	<u>\$ 1,507,380</u>	<u>\$ 2,589,518</u>	<u>\$ 475,915</u>	<u>\$ 23,838,092</u>	<u>\$ 2,836,753</u>	<u>\$ 26,674,845</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**CAPITAL LEASE AMORTIZATION - PRINCIPAL AND INTEREST**  
**REQUIREMENTS BY FISCAL YEAR - GOVERNMENTAL ACTIVITIES**  
**June 30, 2016**

Fiscal Year	Schools - Technology Equipment Lease		City Equipment Replacement Rental Fund - Fire Truck Lease		Total		Total Requirements
	Principal	Interest	Principal	Interest	Principal	Interest	
2018	\$ 398,923	\$ 51,077	\$ 73,215	\$ 25,722	\$ 472,138	\$ 76,799	\$ 548,937
2019	411,754	38,246	75,706	23,231	487,460	61,477	548,937
2020	-	-	78,282	20,656	78,282	20,656	98,938
2021	-	-	80,945	17,993	80,945	17,993	98,938
2022	-	-	83,698	15,239	83,698	15,239	98,937
2023	-	-	86,546	12,391	86,546	12,391	98,937
2024	-	-	89,490	9,447	89,490	9,447	98,937
2025	-	-	92,534	6,403	92,534	6,403	98,937
2026	-	-	95,683	3,255	95,683	3,255	98,938
Total	\$ 810,677	\$ 89,323	\$ 756,099	\$ 134,337	\$ 1,566,776	\$ 223,660	\$ 1,790,436



# CITY OF OAK RIDGE, TENNESSEE

## Statistical Section

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This part of the City of Oak Ridge's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

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### **Page Numbers**

#### **Financial Trends**

*These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.*

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#### **Revenue Capacity**

*These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and local sales tax.*

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*These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.*

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# CITY OF OAK RIDGE, TENNESSEE

## Statistical Section (continued)

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### Demographic and Economic Information

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.*

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### Operating Information

*These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.*

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Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF OAK RIDGE, TENNESSEE**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
***(accrual basis of accounting)***

Table 1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$ 48,509,856	\$ 45,110,444	\$ 36,306,869	\$ 38,500,904	\$ 39,810,637	\$ 39,509,172	\$ 37,380,405	\$ 41,105,838	\$ 41,215,126	\$ 42,071,020
Restricted	-	-	-	-	-	-	1,715,972	1,308,009	1,983,697	1,963,837
Unrestricted	17,395,007	18,213,217	25,468,174	26,701,583	20,769,587	24,233,680	23,231,573	6,875,853	8,251,198	15,201,490
Total Governmental Activities Net Position	<u>\$ 65,904,863</u>	<u>\$ 63,323,661</u>	<u>\$ 61,775,043</u>	<u>\$ 65,202,487</u>	<u>\$ 60,580,224</u>	<u>\$ 63,742,852</u>	<u>\$ 62,327,950</u>	<u>\$ 49,289,700</u>	<u>\$ 51,450,021</u>	<u>\$ 59,236,347</u>
Business-type Activities										
Net Investment in Capital Assets	\$ 71,964,232	\$ 75,244,455	\$ 74,961,657	\$ 75,189,718	\$ 73,448,261	\$ 79,088,293	\$ 78,797,599	\$ 86,340,385	\$ 88,464,334	\$ 88,352,038
Restricted	138,433	417,473	-	-	-	-	-	-	-	-
Unrestricted	(2,737,805)	(2,748,855)	266,207	3,992,597	6,703,403	6,713,982	11,656,700	7,003,700	9,982,244	13,861,032
Total Business-type Activities Net Position	<u>\$ 69,364,860</u>	<u>\$ 72,913,073</u>	<u>\$ 75,227,864</u>	<u>\$ 79,182,315</u>	<u>\$ 80,151,664</u>	<u>\$ 85,802,275</u>	<u>\$ 90,454,299</u>	<u>\$ 93,344,085</u>	<u>\$ 98,446,578</u>	<u>\$ 102,213,070</u>
Primary Government										
Net Investment in Capital Assets	\$ 120,474,088	\$ 120,354,899	\$ 111,268,526	\$ 113,690,622	\$ 113,258,898	\$ 118,597,465	\$ 116,178,004	\$ 127,446,223	\$ 129,679,460	\$ 130,423,058
Restricted	138,433	417,473	-	-	-	-	1,715,972	1,308,009	1,983,697	1,963,837
Unrestricted	14,657,202	15,464,362	25,734,381	30,694,180	27,472,990	30,947,662	34,888,273	13,879,553	18,233,442	29,062,522
Total Primary Government Net Position	<u>\$ 135,269,723</u>	<u>\$ 136,236,734</u>	<u>\$ 137,002,907</u>	<u>\$ 144,384,802</u>	<u>\$ 140,731,888</u>	<u>\$ 149,545,127</u>	<u>\$ 152,782,249</u>	<u>\$ 142,633,785</u>	<u>\$ 149,896,599</u>	<u>\$ 161,449,417</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
***(accrual basis of accounting)***

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
General Government	\$ 1,418,117	\$ 3,338,015	\$ 2,299,795	\$ 2,473,719	\$ 1,634,750	\$ 1,876,699	\$ 1,722,852	\$ 1,319,757	\$ 1,663,225	\$ 765,491
Public Safety	11,951,624	12,293,756	12,170,498	12,417,297	12,798,262	13,228,802	13,952,499	13,311,097	12,624,115	13,099,182
Public Works	4,551,008	4,380,741	4,470,805	4,848,131	7,221,150	7,060,805	6,837,541	7,255,705	6,577,988	7,322,431
Community Services	11,026,261	11,592,367	10,716,684	10,911,603	8,541,374	8,088,462	8,505,463	8,525,602	7,205,991	7,812,036
Education	42,637,039	51,313,351	55,550,747	55,542,535	57,585,524	56,876,776	57,401,831	53,833,767	55,757,224	58,985,398
Grants	-	-	-	-	-	-	-	-	1,575,929	1,182,550
Interest and Fiscal Charges	4,244,444	4,840,057	4,965,671	4,418,981	8,536,676	3,747,845	3,278,321	3,192,241	2,995,801	2,800,902
Total Governmental Activities Expenses	75,828,493	87,758,287	90,174,200	90,612,266	96,317,736	90,879,389	91,698,507	87,438,169	88,400,273	91,967,990
Business-type Activities:										
Electric	44,072,861	49,952,558	46,365,601	51,171,287	51,952,938	51,452,426	52,872,689	52,334,630	50,767,215	53,240,869
Waterworks	16,615,370	17,222,147	16,845,380	17,770,763	18,621,033	19,069,463	17,063,502	16,501,948	16,722,035	17,941,238
Emergency Communication District	553,265	568,519	456,154	505,551	478,965	416,911	533,174	571,904	619,769	629,788
Total Business-type Activities Expenses	61,241,496	67,743,224	63,667,135	69,447,601	71,052,936	70,938,800	70,469,365	69,408,482	68,109,019	71,811,895
Total Primary Government Expenses	<u>\$ 137,069,989</u>	<u>\$ 155,501,511</u>	<u>\$ 153,841,335</u>	<u>\$ 160,059,867</u>	<u>\$ 167,370,672</u>	<u>\$ 161,818,189</u>	<u>\$ 162,167,872</u>	<u>\$ 156,846,651</u>	<u>\$ 156,509,292</u>	<u>\$ 163,779,885</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services										
General Government	\$ 1,069,158	\$ 1,058,252	\$ 931,544	\$ 940,076	\$ 935,280	\$ 937,120	\$ 938,000	\$ 936,763	\$ 949,213	\$ 946,213
Public Safety	406,046	433,075	1,404,083	1,046,023	895,676	940,256	1,293,905	465,442	404,417	396,115
Public Works	-	-	-	-	-	-	-	-	-	1,892,043
Community Services	2,481,141	2,417,965	2,508,040	2,580,572	2,572,394	2,358,126	2,375,420	2,333,738	2,787,607	1,383,479
Education	2,065,529	1,810,598	1,715,903	1,544,327	1,427,525	1,197,033	1,111,116	1,074,418	1,099,377	1,112,544
Operating Grants and Contributions	38,302,402	39,948,251	40,677,481	41,364,846	41,485,129	42,282,178	42,463,661	41,779,426	44,463,632	45,747,010
Capital Grant and Contributions	465,589	244,318	154,393	3,452,280	118,686	-	-	846,244	449,152	333,436
Total Governmental Activities Program Revenues	44,789,865	45,912,459	47,391,444	50,928,124	47,434,690	47,714,713	48,182,102	47,436,031	50,153,398	51,810,840
Business-type Activities:										
Charges for Services										
Electric	44,844,650	51,764,998	47,916,470	53,998,664	52,650,987	52,891,247	55,752,733	55,589,835	53,829,111	55,484,213
Waterworks	16,734,346	19,819,808	19,218,854	18,625,204	18,551,034	20,500,542	19,650,454	20,622,223	20,286,822	20,494,805
Emergency Communication District	518,063	493,639	521,059	522,412	505,107	503,651	472,394	482,070	535,170	609,285
Operating Grants and Contributions	-	-	-	55,000	24,456	33,931	692,522	171,097	9,097	-
Capital Grant and Contributions	5,062,972	1,067,960	185,089	1,915,670	695,756	2,510,060	138,929	695,198	833,049	1,083,643
Total Business-type Activities Program Revenues	67,160,031	73,146,405	67,841,472	75,116,950	72,427,340	76,439,431	76,707,032	77,560,423	75,493,249	77,671,946
Total Primary Government Program Revenues	<u>\$ 111,949,896</u>	<u>\$ 119,058,864</u>	<u>\$ 115,232,916</u>	<u>\$ 126,045,074</u>	<u>\$ 119,862,030</u>	<u>\$ 124,154,144</u>	<u>\$ 124,889,134</u>	<u>\$ 124,996,454</u>	<u>\$ 125,646,647</u>	<u>\$ 129,482,786</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**CHANGES IN NET POSITION (continued)**  
**LAST TEN FISCAL YEARS**  
***(accrual basis of accounting)***

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (31,038,628)	\$ (41,845,828)	\$ (42,782,756)	\$ (39,684,142)	\$ (48,883,046)	\$ (43,164,676)	\$ (43,516,405)	\$ (40,002,138)	\$ (38,246,875)	\$ (40,157,150)
Business-type Activities	5,918,535	5,403,181	4,174,337	5,669,349	1,374,404	5,500,631	6,237,667	8,151,941	7,384,230	5,860,051
Total Primary Governmental Net Expense	<u>\$ (25,120,093)</u>	<u>\$ (36,442,647)</u>	<u>\$ (38,608,419)</u>	<u>\$ (34,014,793)</u>	<u>\$ (47,508,642)</u>	<u>\$ (37,664,045)</u>	<u>\$ (37,278,738)</u>	<u>\$ (31,850,197)</u>	<u>\$ (30,862,645)</u>	<u>\$ (34,297,099)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes	\$ 17,770,961	\$ 19,169,307	\$ 18,999,090	\$ 18,975,327	\$ 20,228,638	\$ 19,185,345	\$ 19,730,132	\$ 19,848,500	\$ 20,015,990	\$ 20,191,464
In-lieu of Tax Payments	3,988,922	1,657,594	1,914,745	2,154,611	2,182,332	2,278,350	2,279,959	2,256,958	2,212,473	2,130,365
Sales Taxes	10,799,248	10,110,993	11,526,911	11,811,555	10,949,982	10,906,934	9,694,331	9,888,838	10,620,337	11,422,815
Unrestricted State Shared Taxes	4,010,334	3,653,748	3,571,878	3,664,292	3,934,144	4,033,802	4,211,529	4,489,726	4,653,453	4,465,675
Business Taxes	849,823	791,480	802,606	957,007	1,118,107	764,685	1,128,925	906,967	621,987	731,453
Occupancy Taxes	542,126	558,612	489,976	531,416	482,365	532,309	508,147	542,257	576,664	580,370
Wholesale Beer and Liquor Taxes	839,642	852,203	825,329	837,667	844,879	854,076	848,140	805,582	865,939	869,884
(Loss) Gain on Sale of Capital Assets	43,940	(623,323)	4,149	1,704	-	-	-	-	-	-
Investment Earnings	975,309	428,472	108,194	69,411	91,463	81,431	49,097	44,170	78,872	182,940
Investment Earnings - Change in Fair Value of Interest Rate Swap	-	-	-	-	-	3,169,165	(438,257)	(882,448)	(2,397,961)	1,967,643
Miscellaneous	2,010,017	1,434,418	1,474,112	1,423,314	1,572,966	1,609,940	1,077,182	1,555,196	1,239,656	1,949,793
Transfers	288,910	2,831,471	2,796,515	2,685,282	2,855,907	2,911,267	3,012,318	3,081,766	3,379,250	3,451,074
Total Governmental Activities	<u>42,119,232</u>	<u>40,864,975</u>	<u>42,513,505</u>	<u>43,111,586</u>	<u>44,260,783</u>	<u>46,327,304</u>	<u>42,101,503</u>	<u>42,537,512</u>	<u>41,866,660</u>	<u>47,943,476</u>
Business-type Activities:										
Investment Earnings	57,500	41,179	54,083	55,470	56,362	16,499	10,927	12,883	44,238	85,299
Miscellaneous	837,554	935,324	882,886	914,914	2,394,490	3,307,647	1,415,748	1,094,970	1,053,275	1,272,216
Transfers	<u>(288,910)</u>	<u>(2,831,471)</u>	<u>(2,796,515)</u>	<u>(2,685,282)</u>	<u>(2,855,907)</u>	<u>(2,911,267)</u>	<u>(3,012,318)</u>	<u>(3,081,766)</u>	<u>(3,379,250)</u>	<u>(3,451,074)</u>
Total Business-type Activities:	<u>606,144</u>	<u>(1,854,968)</u>	<u>(1,859,546)</u>	<u>(1,714,898)</u>	<u>(405,055)</u>	<u>412,879</u>	<u>(1,585,643)</u>	<u>(1,973,913)</u>	<u>(2,281,737)</u>	<u>(2,093,559)</u>
Total Primary Government	<u>\$ 42,725,376</u>	<u>\$ 39,010,007</u>	<u>\$ 40,653,959</u>	<u>\$ 41,396,688</u>	<u>\$ 43,855,728</u>	<u>\$ 46,740,183</u>	<u>\$ 40,515,860</u>	<u>\$ 40,563,599</u>	<u>\$ 39,584,923</u>	<u>\$ 45,849,917</u>
<b>Change in Net Position</b>										
Governmental Activities	\$ 11,080,604	\$ (980,853)	\$ (269,251)	\$ 3,427,444	\$ (4,622,263)	\$ 3,162,628	\$ (1,414,902)	\$ 2,535,374	\$ 3,619,785	\$ 7,786,326
Business-type Activities	<u>6,524,679</u>	<u>3,548,213</u>	<u>2,314,791</u>	<u>3,954,451</u>	<u>969,349</u>	<u>5,913,510</u>	<u>4,652,024</u>	<u>6,178,028</u>	<u>5,102,493</u>	<u>3,766,492</u>
Total Primary Government	<u>\$ 17,605,283</u>	<u>\$ 2,567,360</u>	<u>\$ 2,045,540</u>	<u>\$ 7,381,895</u>	<u>\$ (3,652,914)</u>	<u>\$ 9,076,138</u>	<u>\$ 3,237,122</u>	<u>\$ 8,713,402</u>	<u>\$ 8,722,278</u>	<u>\$ 11,552,818</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

Table 3

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>FUND BALANCE PRIOR TO IMPLEMENTATION OF GASB 54:</b>										
General Fund										
Reserved	\$ 548,835	\$ 343,657	\$ 135,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	6,939,442	7,192,118	9,033,940	-	-	-	-	-	-	-
Total General Fund	<u>\$ 7,488,277</u>	<u>\$ 7,535,775</u>	<u>\$ 9,169,606</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds										
Reserved	\$ 1,462,252	\$ 2,317,399	\$ 1,157,059	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in										
Special Revenue Funds	5,568,643	5,138,235	6,363,296	-	-	-	-	-	-	-
Capital Projects Funds	398,073	859,020	2,388,176	-	-	-	-	-	-	-
Debt Services Funds	7,082,125	6,113,799	12,313,862	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 14,511,093</u>	<u>\$ 14,428,453</u>	<u>\$ 22,222,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE UNDER GASB 54:</b>										
General Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ 5,127,143	\$ 3,451,953	\$ 1,852,008	\$ 1,589,485	\$ 1,389,905	\$ 1,164,674	\$ 957,489
Restricted	-	-	-	-	-	-	-	-	-	37,710
Assigned	-	-	-	1,495,303	722,871	1,732,495	478,023	-	344,779	863,559
Unassigned	-	-	-	2,846,302	5,042,225	6,475,637	7,406,202	8,026,420	8,838,339	9,516,080
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,468,748</u>	<u>\$ 9,217,049</u>	<u>\$ 10,060,140</u>	<u>\$ 9,473,710</u>	<u>\$ 9,416,325</u>	<u>\$ 10,347,792</u>	<u>\$ 11,374,838</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 214,907	\$ 131,987	\$ 138,746	\$ 302,333	\$ 230,247	\$ 162,559	\$ 291,446
Restricted	-	-	-	10,917,510	10,639,781	10,022,584	9,617,768	8,510,637	8,153,049	7,663,118
Committed	-	-	-	310,114	74,825	219,106	218,611	13,901	822,125	1,907,927
Assigned	-	-	-	11,764,159	12,741,528	11,012,549	11,133,839	11,123,542	11,524,003	11,618,122
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,206,690</u>	<u>\$ 23,588,121</u>	<u>\$ 21,392,985</u>	<u>\$ 21,272,551</u>	<u>\$ 19,878,327</u>	<u>\$ 20,661,736</u>	<u>\$ 21,480,613</u>

**CITY OF OAK RIDGE, TENNESSEE**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

Table 4

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Taxes	\$ 25,085,558	\$ 23,557,540	\$ 23,870,515	\$ 24,642,294	\$ 25,493,765	\$ 23,719,470	\$ 24,512,115	\$ 24,857,650	\$ 24,595,494	\$ 25,408,984
Licenses and Permits	271,002	269,593	243,947	207,479	173,179	167,826	174,011	198,147	319,837	306,359
Intergovernmental	52,017,449	52,800,138	54,566,054	55,865,796	55,811,807	56,985,039	56,300,293	56,494,962	58,040,888	60,224,822
Charges for Services	5,263,455	5,103,858	4,929,556	4,918,875	4,864,632	4,454,758	4,284,300	4,181,882	4,547,433	5,028,389
Fines and Forfeitures	397,230	427,921	1,410,770	1,032,384	864,838	919,078	1,260,130	430,332	373,344	395,646
Grants	-	-	-	-	-	-	-	-	1,568,973	954,471
Investment Earnings	915,773	403,054	100,348	61,417	84,769	74,640	45,094	40,068	68,324	154,844
Miscellaneous	2,026,641	1,390,671	1,366,852	1,334,952	1,465,537	1,557,362	1,439,370	1,312,819	1,485,006	1,667,225
Total Revenues	85,977,108	83,952,775	86,488,042	88,063,197	88,758,527	87,878,173	88,015,313	87,515,860	90,999,299	94,140,740
<b>Expenditures</b>										
General Government	1,428,396	1,769,576	1,779,551	1,859,657	1,676,059	1,781,556	1,841,776	1,818,670	1,828,749	1,637,951
Public Safety	11,717,322	12,389,138	12,889,356	12,784,971	13,175,763	13,471,207	13,908,008	13,422,844	13,149,846	13,326,501
Public Works	3,330,686	3,109,202	3,119,170	3,505,753	5,827,027	5,988,107	5,480,613	6,620,988	5,975,980	6,028,796
Community Services	10,326,239	10,881,008	9,921,715	10,095,406	7,724,713	7,942,668	7,944,264	7,946,495	6,505,808	6,715,961
Grants	-	-	-	-	-	-	-	-	1,575,929	1,182,550
Education	50,627,491	49,912,738	52,243,216	52,643,880	54,153,457	54,200,956	50,132,796	53,822,408	57,519,116	58,399,108
Capital Outlay	17,180,904	4,302,395	2,094,333	1,491,798	2,740,542	1,529,216	435,297	1,333,671	1,148,628	1,002,741
Debt Service										
Principal	2,804,954	3,128,567	3,180,146	3,455,366	3,671,419	3,973,611	5,842,203	3,931,056	4,361,945	4,677,133
Interest	4,210,966	4,604,579	3,992,258	3,968,903	3,668,566	3,733,276	6,177,784	3,153,103	2,981,510	2,775,150
Issuance costs and other charges	86,766	305,589	187,802	101,047	-	-	50,701	-	263,320	-
Total Expenditures	101,713,724	90,402,792	89,407,547	89,906,781	92,637,546	92,620,597	91,813,442	92,049,235	95,310,831	95,745,891
Deficiency of Revenues										
Under Expenditures	(15,736,616)	(6,450,017)	(2,919,505)	(1,843,584)	(3,879,019)	(4,742,424)	(3,798,129)	(4,533,375)	(4,311,532)	(1,605,151)
<b>Other Financing Sources (Uses)</b>										
Bond Premium	-	1,523,179	175,761	151,047	-	-	-	-	-	-
Refunding Bonds Issued	-	38,355,000	10,543,267	7,420,000	-	-	3,423,947	-	19,354,805	-
Payments to Refund Bonds Escrow	-	(39,572,590)	(10,058,002)	(7,470,000)	-	-	(3,345,000)	-	(19,091,485)	-
Loan Issuance	4,945,988	2,806,300	8,889,735	-	-	-	-	-	-	-
Capital Lease Issuance	732,479	471,515	-	340,694	1,152,844	479,112	-	-	1,511,253	-
Transfers In	24,326,902	27,619,160	28,419,392	22,131,363	23,474,300	23,316,128	22,837,177	24,113,015	25,093,401	26,334,437
Transfers Out	(24,037,992)	(24,787,689)	(25,622,877)	(19,446,081)	(20,618,393)	(20,404,861)	(19,824,859)	(21,031,249)	(20,841,566)	(22,883,363)
Total Other Financing Sources (Uses)	5,967,377	6,414,875	12,347,276	3,127,023	4,008,751	3,390,379	3,091,265	3,081,766	6,026,408	3,451,074
Net Changes in Fund Balances	\$ (9,769,239)	\$ (35,142)	\$ 9,427,771	\$ 1,283,439	\$ 129,732	\$ (1,352,045)	\$ (706,864)	\$ (1,451,609)	\$ 1,714,876	\$ 1,845,923
Debt Service as a Percentage of Noncapital Expenditures	8.4%	9.3%	8.4%	8.5%	8.2%	8.5%	13.2%	7.8%	8.1%	7.9%

**CITY OF OAK RIDGE, TENNESSEE**  
**TAX REVENUE BY SOURCE, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
*(modified accrual basis of accounting)*

Table 5

Fiscal Year	Property	Interest & Penalty	In lieu	Local Sales	Gross Receipts	Wholesale Beer/Liquor	Room Occupancy	Total
2008	\$ 17,673,704	\$ 97,257	\$ 1,542,713	\$ 10,799,248	\$ 849,823	\$ 839,642	\$ 542,126	\$ 32,344,513
2009	18,624,249	149,402	1,762,309	10,110,993	791,480	852,203	558,612	32,849,248
2010	18,444,385	183,257	2,014,996	11,526,911	802,607	825,330	489,976	34,287,462
2011	18,938,769	138,825	2,260,531	11,811,555	957,007	837,667	531,416	35,475,770
2012	19,754,269	439,851	2,294,661	10,949,982	1,118,107	844,879	482,365	35,884,114
2013	18,899,497	255,931	2,278,350	10,906,934	764,685	854,076	532,309	34,491,782
2014	19,438,590	291,542	2,279,959	9,694,331	1,128,925	848,140	456,094	34,137,581
2015	19,551,499	233,062	2,256,958	9,888,838	906,967	805,582	594,310	34,237,216
2016	19,532,772	208,946	2,212,473	10,620,337	621,987	865,939	576,664	34,639,118
2017	19,978,698	258,016	2,076,920	11,422,815	731,453	869,884	576,385	35,914,171
Change 2008-2017	13.04%	165.29%	34.63%	5.77%	-13.93%	3.60%	6.32%	11.04%



**CITY OF OAK RIDGE, TENNESSEE**  
**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Table 6

Fiscal Year	Tax Year	Real Residential Property	Real Commercial Property	Personal Property	Public Utilities	Total Taxable Assessed Value (1)	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2008	2007	\$ 347,866,446	\$ 268,469,250	\$ 44,405,787	\$ 9,269,913	\$ 670,011,396	2.65	\$ 2,227,512,586	30%
2009	2008	354,598,524	280,266,333	44,651,529	9,427,296	688,943,682	2.77	2,285,038,897	30%
2010	2009	360,138,810	275,325,317	40,958,797	8,596,571	685,019,495	2.77	2,281,027,985	30%
2011	2010	434,209,725 (2)	315,218,943 (2)	47,347,150 (2)	10,508,868 (2)	807,284,686 (2)	2.39 (2)	2,701,817,124 (2)	30% (2)
2012	2011	430,908,859	314,409,168	46,116,027	9,960,967	801,395,021	2.39	2,681,489,295	30%
2013	2012	428,632,500	315,333,474	45,651,129	10,420,634	800,037,737	2.39	2,673,980,722	30%
2014	2013	427,179,425	324,116,058	52,491,746	10,554,576	814,341,805	2.39	2,713,170,470	30%
2015	2014	424,911,152	328,608,194	49,108,550	11,380,859	814,008,755	2.39	2,705,552,731	30%
2016	2015	395,402,497 (2)	336,947,650 (2)	52,003,615 (2)	12,436,717 (2)	796,790,479 (2)	2.52 (2)	2,619,936,709 (2)	30% (2)
2017	2016	396,696,450	337,204,821	52,894,112	11,124,941	797,920,324	2.52	2,626,338,725	30%

(1) Assessment ratios are Residential Property, Real at 25% with all bank accounts and \$7,500 of all other items in the hands of a taxpayer exempt; Commercial and Industrial - Real at 40% and Personal at 30% except that the Personal Property of eligible Banks is 40%; Public Utilities (excluding Railroads and Telecommunications) - All Property both Real and Personal at 55%; Railroads and Telecommunications - Real and Personal at 40%.

(2) All properties were reappraised in tax year 2010 (fiscal year 2011) and tax year 2015 (fiscal year 2016).

**CITY OF OAK RIDGE, TENNESSEE**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**(PER \$100 OF ASSESSED VALUE)**  
**LAST TEN FISCAL YEARS**

Table 7

Fiscal Year Ended June 30,	Overlapping Rate					
	City Direct Rate		Anderson County		Roane County	
2008	\$	2.65	\$	2.68	\$	2.27
2009		2.77		2.68		2.27
2010		2.77		2.68		2.36
2011		2.39	(1)	2.26	(1)	1.9051
2012		2.39		2.35		1.97
2013		2.39		2.35		1.97
2014		2.39		2.35		1.97
2015		2.39		2.347		1.97
2016		2.52	(1)	2.5945	(1)	2.35
2017		2.52		2.5945		2.35

Notes: The City of Oak Ridge is located in two Tennessee counties: Anderson and Roane.

Overlapping rates are those of county governments that apply to property owners within the City of Oak Ridge. Approximately 16% of the taxable real parcels (2,330 of 14,671) are located in the Roane County portion of the City.

The City's basic property tax rate may be increased only by a majority vote of the Oak Ridge City Council.

The City's base tax rate is the total direct rate.

- (1) Each governmental unit operates under different property tax assessment rolls which were certified at the time of their most recent reappraisal programs (Oak Ridge, Anderson County and Roane County - tax years 2010 (fiscal year 2011) and 2015 (fiscal year 2016)).

**CITY OF OAK RIDGE, TENNESSEE  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT TAX YEAR 2016 AND NINE YEARS AGO  
(For Fiscal Year 2017 and 2008)**

Table 8

Taxpayer	Type of Business	Tax Year 2016			Tax Year 2007		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
UT-Battelle	Management Contractor (ORNL)	\$ 44,192,345	1	5.54%	\$ 39,076,646	1	5.83%
Oak Ridge Projects LLC	Real Estate Developer	36,006,346	2	4.51%	21,011,720	2	3.14%
Scientific Ecology Group (AKA GTS Duratek)	Environmental Services	14,479,426	3	1.81%	5,336,656	9	0.80%
R&R Properties/Richard Chinn	Entrepreneur	11,543,230	4	1.45%	10,709,820	4	1.60%
Oak Ridge Tech Center Oak Ridge Corp Partners	Office Complex	11,334,257	5	1.42%	13,034,833	3	1.95%
Methodist Medical Center of Oak Ridge	Health Services	10,915,121	6	1.37%	9,397,560	5	1.40%
Wilkinson Realty	Apartment Complexes	6,939,387	7	0.87%	6,434,419	8	0.96%
Kroger Company	Grocery Retailer	6,663,511	8	0.84%	-	-	-
CARE GSL Oak Ridge PropC LLC	Assisted Living	6,533,320	9	0.82%	-	-	-
Industrial Development Board		6,046,400	10	0.76%	-	-	-
BellSouth	Communications	-	-	-	6,571,709	7	0.98%
Boeing Tennessee Inc.	Manufacturing and Engineering	-	-	-	8,630,216	6	1.29%
International Environmental Resources (AKA Manufacturing Sciences)	Environmental Services	-	-	-	3,681,102	10	0.55%
<b>TOTAL</b>		<b>\$ 154,653,343</b>		<b>19.39%</b>	<b>\$ 123,884,681</b>		<b>18.50%</b>

Note: Does not include in-lieu of tax payments.

**CITY OF OAK RIDGE, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Table 9

Fiscal Year Ended June 30,	Tax Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	
			Amount	Percentage of Levy		Amount	Percentage of Levy	Amount (1)	Percentage of Levy
2008	2007	\$ 17,755,302	\$ 17,303,022	97.5%	\$ 419,310	\$ 17,722,332	99.8%	\$ 32,970	0.2%
2009	2008	19,083,740	18,519,409	97.0%	534,725	19,054,134	99.8%	29,606	0.2%
2010	2009	18,975,040	18,120,891	95.5%	836,355	18,957,246	99.9%	17,794	0.1%
2011	2010	19,294,104	18,322,654	95.0%	956,118	19,278,772	99.9%	15,332	0.1%
2012	2011	19,153,341	18,695,063	97.6%	441,458	19,136,521	99.9%	16,820	0.1%
2013	2012	19,120,902	18,350,887	96.0%	740,328	19,091,215	99.8%	29,687	0.2%
2014	2013	19,462,769	18,853,042	96.9%	557,881	19,410,923	99.7%	51,846	0.3%
2015	2014	19,734,855	19,128,736	96.9%	509,847	19,638,583	99.5%	96,272	0.5%
2016	2015	20,079,120	19,129,012	95.3%	656,478	19,785,490	98.5%	293,630	1.5%
2017	2016	20,107,592	19,527,803	97.1%	-	19,527,803	97.1%	579,789	2.9%

- (1) On September 20, 2004, City Council authorized the Anderson County Delinquent Tax Attorney to collect City of Oak Ridge delinquent real property taxes in consolidation with the collection of Anderson County delinquent taxes. As real property becomes eligible for a delinquent property tax sale under Tennessee State law, the City is turning those delinquencies over to the Anderson County Delinquent Tax Attorney for collection.

**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLES**  
**June 30, 2017**

Table 10

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Property Tax Receivable Balance June 30, 2016</u>	<u>Anticipated Current Year Levy</u>	<u>Abatements &amp; Adjustments</u>	<u>Collections</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivable Balance June 30, 2017</u>
2008	2007	\$ 35,259	\$ -	\$ -	\$ 2,289	\$ (32,970)	\$ -
2009	2008	29,606	-	-	-	(29,606)	-
2010	2009	18,288	-	-	494	(17,794)	-
2011	2010	15,850	-	(60)	458	(15,332)	-
2012	2011	23,225	-	-	6,405	(16,820)	-
2013	2012	47,429	-	1,253	18,995	(29,687)	-
2014	2013	104,523	-	869	53,546	(30,500)	21,346
2015	2014	229,499	-	1,477	134,704	(30,510)	65,762
2016	2015	950,108	-	(170,018)	486,460	(30,919)	262,711
2017	2016	20,107,592	-	-	19,527,803	(31,013)	548,776
2018	2017	-	20,264,975	-	25,214	(50,000)	20,189,761
	Totals	<u>\$ 21,561,379</u>	<u>\$ 20,264,975</u>	<u>\$ (166,479)</u>	<u>\$ 20,256,368</u>	<u>\$ (315,151)</u>	<u>\$ 21,088,356</u>

**CITY OF OAK RIDGE, TENNESSEE  
LOCAL TAXABLE SALES BY CATEGORY  
LAST TEN CALENDAR YEARS**

Table 11

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Building Materials	\$ 35,481,658	\$ 34,138,282	\$ 30,745,142	\$ 31,099,957	\$ 31,773,463	\$ 33,639,309	\$ 33,009,792	\$ 33,311,179	\$ 34,928,704	\$ 36,290,402
General Merchandise	124,791,075	118,728,929	110,798,271	108,715,888	108,552,978	102,079,781	95,533,463	94,528,388	93,263,286	96,334,051
Food Stores	51,694,210	54,720,524	52,434,001	52,396,812	53,690,571	54,855,425	55,253,965	63,894,527	71,995,165	77,907,221
Autos, Boats, Aircrafts	79,474,112	60,212,915	41,885,747	38,755,289	45,134,866	43,364,628	51,886,198	69,482,017	76,301,765	90,371,753
Apparel	2,819,117	2,495,202	968,129	369,009	331,097	277,747	341,387	268,027	134,807	166,105
Furniture and Home Décor	8,339,378	7,136,115	6,939,017	6,692,774	6,677,903	6,827,787	6,465,171	5,833,141	6,143,786	7,033,286
Eating and Drinking Places	63,019,291	63,915,240	62,371,582	61,244,467	63,528,925	64,408,275	66,958,642	67,729,445	70,477,161	74,295,769
Miscellaneous Retail	<u>56,124,638</u>	<u>52,747,534</u>	<u>50,724,180</u>	<u>54,468,249</u>	<u>52,466,973</u>	<u>51,935,742</u>	<u>49,093,236</u>	<u>50,044,092</u>	<u>50,044,079</u>	<u>48,692,539</u>
Total	<u>\$ 421,743,479</u>	<u>\$ 394,094,741</u>	<u>\$ 356,866,069</u>	<u>\$ 353,742,445</u>	<u>\$ 362,156,776</u>	<u>\$ 357,388,694</u>	<u>\$ 358,541,854</u>	<u>\$ 385,090,816</u>	<u>\$ 403,288,753</u>	<u>\$ 431,091,126</u>
Oak Ridge/Anderson County Local Sales Tax Rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Oak Ridge/Roane County Local Sales Tax Rate	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%

Source: Tennessee Department of Revenue, Research Division

**CITY OF OAK RIDGE, TENNESSEE  
DIRECT AND OVERLAPPING SALES TAX RATES  
LAST TEN FISCAL YEARS**

Table 12

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<u>Fiscal Year</u>	<u>Oak Ridge/ Anderson County</u>	<u>Anderson County</u>	<u>Oak Ridge/ Roane County</u>	<u>Roane County</u>
2008	2.75%	2.75%	2.75%	2.50%
2009	2.75%	2.75%	2.75%	2.50%
2010	2.75%	2.75%	2.75%	2.50%
2011	2.75%	2.75%	2.75%	2.50%
2012	2.75%	2.75%	2.75%	2.50%
2013	2.75%	2.75%	2.75%	2.50%
2014	2.75%	2.75%	2.75%	2.50%
2015	2.75%	2.75%	2.75%	2.50%
2016	2.75%	2.75%	2.75%	2.50%
2017	2.75%	2.75%	2.75%	2.50%

Notes: The maximum local sales tax rate allowed by Tennessee State law is 2.75%.

**CITY OF OAK RIDGE, TENNESSEE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**

Table 13

Fiscal Year	Governmental-type Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	QZAB	Notes Payable	Capital Leases	Electric Revenue Bonds	General Obligation Bonds	Notes Payable	Capital Leases			
2008	\$ 24,870,000	\$ 6,622,439	\$ 70,769,753	\$ 544,157	\$ 18,165,000	\$ 3,410,000	\$ 31,450,975	\$ 1,073,538	\$ 156,905,862	17.17%	5,729
2009	39,190,000	6,113,020	55,084,053	713,129	6,885,000	13,100,000	32,780,315	976,098	154,841,615	16.70%	5,654
2010	46,390,000	5,603,602	54,979,053	420,076	5,955,000	22,710,000	32,017,179	873,806	168,948,716	18.31%	5,760
2011	43,330,000	5,094,184	54,760,053	119,869	4,990,000	22,310,000	36,779,054	766,420	168,149,580	18.23%	5,733
2012	40,235,000	4,584,765	54,488,053	851,825	3,990,000	31,700,000	33,932,728	653,686	170,436,057	17.96%	5,811
2013	36,920,000	4,075,347	54,162,053	930,736	2,980,000	31,165,000	34,844,047	535,338	165,612,521	17.57%	5,647
2014	35,092,745	3,565,929	53,658,053	531,707	1,885,000	49,411,399	23,289,801	411,096	167,845,730	18.17%	5,723
2015	31,635,133	3,056,510	53,180,053	1,016,695	960,000	48,280,426	29,110,665	280,668	167,520,150	17.98%	5,712
2016	46,938,528	2,547,091	34,076,053	2,026,224	-	47,392,007	33,347,065	143,743	166,470,711	18.10%	5,676
2017	42,444,785	2,037,673	33,911,705	1,566,776	-	55,140,859	25,196,388	-	160,298,186	(2)	5,465

Notes: Under Tennessee State law, the City's outstanding general obligation debt is not limited.

(1) See Table 17 for personal income and population data.

(2) Data Not Available.



**CITY OF OAK RIDGE, TENNESSEE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**

Table 14

Fiscal Year	Governmental-type Activities		Business-type Activities		Net General Obligation Bonds	Actual Taxable Value of Property	Population	Percentage of Actual Taxable Value of Property	Debt Per Capita
	General Bonds	Obligation Bonds	General Bonds	Obligation Bonds					
2008	\$	24,870,000	\$	3,410,000	\$ 28,280,000	\$ 2,227,512,586	27,387	1.3%	1,033
2009		39,190,000		13,100,000	52,290,000	2,285,038,897	27,387	2.3%	1,909
2010		46,390,000		22,710,000	69,100,000	2,281,027,985	29,330	3.0%	2,356
2011		43,330,000		22,310,000	65,640,000	2,701,817,124	29,330	2.4%	2,238
2012		40,235,000		31,700,000	71,935,000	2,681,489,295	29,330	2.7%	2,453
2013		36,920,000		31,165,000	68,085,000	2,673,980,722	29,330	2.5%	2,321
2014		35,092,745		49,411,399	84,504,144	2,713,170,470	29,330	3.1%	2,881
2015		31,635,133		48,280,426	79,915,559	2,705,552,731	29,330	3.0%	2,725
2016		46,938,528		47,392,007	94,330,535	2,619,936,709	29,330	3.6%	3,216
2017		42,444,785		55,140,859	97,585,644	2,626,338,725	29,330	3.7%	3,327

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF OAK RIDGE, TENNESSEE**  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**June 30, 2017**

Table 15

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage of Debt Applicable To the City</u>	<u>City's Share of Debt</u>
Debt Repaid with Property Taxes:			
Direct Debt:			
City of Oak Ridge -			
General Obligation Bonds	\$ 42,444,785	100%	\$ 42,444,785
Notes Payable	33,911,705	100%	33,911,705
Qualified Zone Academy Bonds (QZAB)	2,037,673	100%	2,037,673
Capital Lease	1,566,777	100%	1,566,777
Total Direct Debt	79,960,940		79,960,940
Overlapping Debt:			
Anderson County, Tennessee	18,238,325	39.34% *	7,174,957
Roane County, Tennessee	25,580,581	11.92% *	3,049,205
Total Overlapping Debt	43,818,906		10,224,162
Total Direct and Overlapping Debt	\$ 123,779,846		\$ 90,185,102

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Oak Ridge. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

\* Applicable percentage is determined by ratio of assessed valuation of real property subject to taxation in overlapping unit to valuation of real property subject to taxation in reporting unit.

**CITY OF OAK RIDGE, TENNESSEE  
PLEDGED - REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

Table 16

Electric Revenue Debt							
Fiscal Year	Operating Revenues	Operating Expenses (1)	Net Available Revenue	Principal	Interest	Total	Coverage Ratio
2008	\$ 45,573,802	\$ 41,103,159	\$ 4,470,643	\$ 984,750	\$ 854,487	\$ 1,839,237	2.43
2009	52,565,380	46,957,765	5,607,615	1,009,087	862,630	1,871,717	3.00
2010	48,691,801	43,330,957	5,360,844	1,043,424	883,244	1,926,668	2.78
2011	54,822,625	48,037,377	6,785,248	1,083,095	927,875	2,010,970	3.37
2012	54,954,964	48,781,668	6,173,296	1,122,765	891,920	2,014,685	3.06
2013	55,708,671	48,714,134	6,994,537	1,137,769	850,604	1,988,373	3.52
2014	56,683,842	49,977,956	6,705,886	1,130,310	802,839	1,933,149	3.47
2015	56,549,606	49,495,318	7,054,288	1,124,395	756,696	1,881,091	3.75
2016	54,745,593	47,858,353	6,887,240	1,173,448	718,366	1,891,814	3.64
2017	56,458,469	50,334,898	6,123,571	1,197,771	724,583	1,922,354	3.19

Waterworks Revenue Debt							
Fiscal Year	Operating Revenues	Operating Expenses (1)	Net Available Revenue	Principal	Interest	Total	Coverage Ratio
2008	\$ 14,631,506	\$ 12,311,926	\$ 2,319,580	\$ 1,373,195	\$ 1,258,007	\$ 2,631,202	0.88
2009	17,623,161	12,393,252	5,229,909	1,424,187	1,024,740	2,448,927	2.14
2010	17,246,951	11,958,264	5,288,687	1,476,696	944,845	2,421,541	2.18
2011	16,664,365	12,682,614	3,981,751	1,517,889	993,162	2,511,051	1.59
2012	16,653,517	12,704,883	3,948,634	1,585,275	1,182,886	2,768,161	1.43
2013	19,120,259	13,315,440	5,804,819	1,750,948	1,251,386	3,002,334	1.93
2014	20,135,093	11,417,546	8,717,547	1,832,322	1,250,989	3,083,311	2.83
2015	20,757,422	10,583,285	10,174,137	1,937,672	1,375,841	3,313,513	3.07
2016	20,423,615	10,280,700	10,142,915	1,699,647	1,403,998	3,103,645	3.27
2017	20,792,765	11,083,611	9,709,154	3,091,968	1,644,419	4,736,387	2.05

(1) Operating expenses do not include interest, depreciation or in-lieu of taxes paid to other City funds.

**CITY OF OAK RIDGE, TENNESSEE  
DEMOGRAPHIC STATISTICS**

Table 17

**1980, 1990 AND 2000 CENSUS INFORMATION AND LAST TEN FISCAL YEARS**

Fiscal Year	(1) Population	Personal Income	(2) Per Capita Income	(2) Median Age	(2) Unemployment Rate	School Enrollment (4)
1980	27,662	\$ 255,707,528	\$ 9,244 (1)	35.0 (1)	5.4% (1)	5,274
1990	27,310	482,321,910	17,661 (1)	39.6 (1)	4.9% (1)	4,432
2000	27,387	679,005,891	24,793 (1)	43.4 (1)	3.2% (1)	4,491
2008	27,387	913,822,029	33,367	(3)	5.7%	4,362
2009	27,387	927,077,337	33,851	(3)	9.9%	4,411
2010	29,330	922,897,780	31,466	43.5 (1)	8.7%	4,472
2011	29,330	922,311,180	31,446	(3)	9.4%	4,532
2012	29,330	948,737,510	32,347	(3)	8.6%	4,468
2013	29,330	942,431,560	32,132	43.2	7.4%	4,687
2014	29,330	923,631,030	31,491	43.1	7.0%	4,689
2015	29,330	931,931,420	31,774	43.2	5.7%	4,637
2016	29,330	919,700,810	31,357	43.2	4.7%	4,660
2017	29,330	(3)	(3)	(3)	4.8%	4,592

(1) Source: U. S. Census Bureau. Statistic is for the City of Oak Ridge

(2) Source: East Tennessee Development District/Bureau of Economic Analysis and Tennessee Department of Labor and Workforce Development. Statistic is for Anderson County. Information is maintained on a county basis and is unavailable for the City of Oak Ridge as a separate entity in a non-census year. The City comprises approximately 38% of Anderson County.

(3) Data Not Available.

(4) Source: Oak Ridge Schools

**CITY OF OAK RIDGE, TENNESSEE  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

Table 18

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Consolidated Nuclear Services (CNS) (Y-12 National Security Complex)	4,700	1	13.79%	4,500	1	12.29%
UT-Battelle (ORNL)	4,500	2	13.20%	4,200	2	11.47%
UCOR	1,600	3	4.69%	N/A	N/A	N/A
Methodist Medical Center	1,075	4	3.15%	1,350	3	3.69%
Oak Ridge Associated Universities	787	5	2.31%	600	8	1.64%
Science Applications Int'l Corp. (SAIC)	546	6	1.60%	800	6	2.18%
Sitel (Client Logic)	500	7	1.47%	575	9	1.57%
Energy Solutions (AKA Duratek, Scientific Ecology Group, Inc.)	473	8	1.39%	N/A	N/A	N/A
City of Oak Ridge	462	9	1.36%	454	10	1.24%
Oak Ridge Schools	433	10	1.27%	697	7	1.90%
Bechtel Jacobs Co. LLC	N/A	N/A	N/A	1,337	4	3.65%
Wackenhut-Oak Ridge Team	N/A	N/A	N/A	902	5	2.46%
	<u>15,076</u>		<u>44.23%</u>	<u>15,415</u>		<u>42.09%</u>

Source: Oak Ridge Chamber of Commerce, Tennessee Department of Labor and Workforce Development and Oak Ridge Schools

Notes: The City of Oak Ridge resides in two counties, Anderson and Roane. For the Percentage of Total City Employment, Anderson County's Civilian Workforce was used.

**CITY OF OAK RIDGE, TENNESSEE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Table 19

	Full-time Equivalent Employees at June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Clerk	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
City Manager	4.00	3.50	3.50	3.50	4.00	2.00	2.00	2.00	3.00	3.00
City Court	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
Legal	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Administrative Services										
Computer Services	9.00	9.00	9.00	9.00	9.00	10.00	10.00	10.00	10.00	10.00
Personnel	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Stationery Stores	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Finance	8.00	8.00	10.00	10.00	10.00	11.00	11.00	11.00	11.00	12.00
Business Office	15.00	15.00	13.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00
Police										
Supervision	3.00	2.50	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Investigations	11.00	11.00	11.00	11.00	11.00	12.00	13.00	13.00	13.00	12.00
Staff Services	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	6.00
Patrol	44.00	44.00	45.00	45.00	45.75	44.75	43.75	44.00	44.00	44.00
Emergency Communications	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.75	10.00	10.00
Animal Control	3.00	3.00	3.00	3.00	3.50	3.50	4.00	4.00	4.00	4.00
School Resource Officer Program	3.35	3.35	3.35	3.35	2.35	2.35	3.35	3.35	3.35	3.35
Special Programs Fund	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.00	0.00	0.00
Fire										
Supervision	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Prevention	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Fighting	71.00	71.00	71.00	71.00	71.00	71.00	71.00	71.00	71.00	71.00
Public works										
Supervision	4.00	4.00	3.50	3.50	5.00	5.00	5.00	5.00	5.00	5.00
Engineering	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Equipment Shop	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Work pool	43.50	40.00	40.00	40.00	40.00	43.00	43.00	46.00	46.00	46.00
Water plant	11.00	11.00	11.00	11.00	11.00	11.00	12.00	12.00	13.50	13.50
Wastewater Treatment Plant	20.00	19.00	19.00	19.00	19.00	21.25	22.00	22.00	22.50	22.50
West End Waterworks	0.00	7.00	8.00	8.00	8.00	8.00	7.00	7.00	0.00	0.00

(Continued)

**CITY OF OAK RIDGE, TENNESSEE**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (continued)**  
**LAST TEN FISCAL YEARS**

Table 19

	Full-time Equivalent Employees at June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community Development										
Supervision	3.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	3.00
Planning	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Code Enforcement	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Grant Fund	1.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00
Recreation and Parks										
Supervision	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Indoor Aquatics	4.18	4.18	4.18	4.18	4.18	4.18	4.18	4.18	4.18	4.18
Outdoor Aquatics	6.27	6.27	6.27	6.27	6.27	6.27	6.27	6.27	6.27	6.27
Centers, Camp & Programs	11.02	11.02	11.02	11.02	11.02	11.02	11.02	11.02	11.02	11.37
Athletics	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Parks	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Scarboro Center	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39
Senior Center	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Library	17.00	17.00	17.75	17.75	17.75	17.75	17.75	16.75	16.75	16.50
Electric	34.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00
Economic Development	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Subtotal	390.81	393.31	397.06	397.06	396.56	400.81	403.06	405.81	402.06	403.16
Education										
Teachers	414.90	390.00	398.70	420.50	420.90	418.60	411.48	409.48	405.88	399.63
Non-Teachers	282.39	296.70	306.10	271.47	260.53	243.83	237.60	242.10	246.68	260.76
Subtotal	697.29	686.70	704.80	691.97	681.43	662.43	649.08	651.58	652.56	660.39
Total	1,088.10	1,080.01	1,101.86	1,089.03	1,077.99	1,063.24	1,052.14	1,057.39	1,054.62	1,063.55

Note: A full-time employee is scheduled to work 2,080 hours per year (including general and emergency leave) except for firefighters who are scheduled to work 2,912 hours per year and City School certified staff.

**CITY OF OAK RIDGE, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Table 20

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Government</b>										
Ordinances Adopted	31	20	17	22	19	20	16	13	22	16
Resolutions Adopted	107	113	108	120	114	103	124	139	113	111
Number of Court Cases-City Violations	3,566	4,198	4,861	4,412	3,905	4,776	3,672	3,343	3,757	3,852
<b>Administrative Services</b>										
Applications Received and Processed	804	1,527	774	1,122	1,029	634	981	725	569	3,903
Purchase Orders Issued for Departments	4,619	4,720	4,778	4,979	4,947	4,648	4,052	4,189	3,897	4,466
Purchase Orders Issued for Stock Purchases	1,138	706	836	853	803	754	834	746	824	833
Business Licenses Issued*	1,339	1,295	N/A	1,071	1,164	1,132	1,490	917	1,078	1,072
New Business Licenses Issued	N/A	N/A	N/A	224	174	163	148	146	136	155
* Anomalies in Business License issued counts occurred in 2014 and 2015 due to a statewide change in filing dates.										
<b>Police</b>										
Serious Crimes	475	481	437	438	488	1,379	1,289	1,283	1,285	2,321
Burglaries	378	426	417	319	266	200	156	162	196	145
Total Arrests	2,780	3,571	3,228	3,075	2,157	2,044	2,142	2,098	2,047	2,334
Total Calls for Services	35,159	38,660	30,999	31,157	26,505	33,215	27,060	24,449	24,543	33,809
Animal Apprehensions	1,805	2,341	2,077	2,592	1,440	939	1,208	1,176	1,333	1,214
Registered Animals	2,000	2,515	1,592	1,466	2,132	2,314	2,211	2,324	2,621	2,352
<b>Fire</b>										
Number of Calls	4,095	4,489	4,457	4,528	4,549	4,825	5,015	5,067	5,103	5,220
Public Fire Education	11,000	11,000	11,000	5,000	8,860	9,874	11,612	9,261	10,116	1,541
Violations Reported by Department Inspection	1,642	520	941	1,405	1,183	1,828	2,091	1,997	1,840	2,317
Average Response Time (Mins.)	4.5	4.1	4.1	5.38	5.20	6.11	6.15	6.12	5.25	6.14
Average Control Time (Mins.)	4.5	4.0	10.4	6.45	15.58	5.15	5.00	6.42	5.92	5.19
<b>Community Development</b>										
Site Plans Reviewed										
Non-Residential	9	15	13	11	14	11	16	18	20	15
Residential	39	45	0	22	13	13	11	10	11	17
Building Permits	552	488	497	440	413	301	201	155	354	411
Plumbing Permits	474	440	390	376	306	296	209	158	311	356
Electrical Permits	507	434	520	492	369	373	225	169	379	378
Nuisance Abatement	733	726	1,076	1,285	1,110	920	314	448	347	699
Abandoned Vehicles	127	289	219	234	196	139	55	130	205	169
Housing Inspections	64	149	101	109	111	37	20	54	218	197
<b>Park and Recreation</b>										
City-Wide Special Events	7	7	7	7	7	7	7	7	7	7
Cold Facts Program Participants	2,387	2,401	2,409	2,429	2,433	2,246	2,251	2,263	2,264	2,466
Pool Attendance	78,689	70,759	66,182	82,861	79,535	67,535	64,074	72,069	57,859	24,033
Summer Camp Enrollment	997	1,000	1,050	1,093	1,005	1,126	1,125	1,086	1,108	975
Athletic Activities										
Youth Participants	166	189	223	196	202	270	229	293	311	260
Adult Participants	1,707	1,898	1,774	1,562	1,724	1,581	1,356	705	1,010	1,000
Youth Teams	16	19	21	20	20	24	23	32	33	27
Adult Teams	124	142	125	118	127	117	97	74	63	57



**CITY OF OAK RIDGE, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM (continued)**  
**LAST TEN FISCAL YEARS**

Table 20

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Library</b>										
Total Volume	113,890	115,159	117,310	122,250	124,714	121,729	115,523	114,242	110,993	128,368
Total Non-Print Material	57,673	59,258	60,683	60,386	54,420	53,322	54,234	51,082	52,956	18,633
Total Circulation	180,293	181,826	174,906	174,292	160,978	160,876	152,007	130,036	136,249	134,741
Registered Patrons	20,209	22,301	22,520	24,111	22,624	22,943	22,569	20,553	20,585	21,444
Reference Questions and Reader Service	31,170	30,914	33,011	34,539	34,263	34,032	35,825	36,174	33,248	31,709
Story Time Attendance	5,335	4,699	4,797	4,022	5,461	4,217	4,328	4,783	5,518	5,240
<b>Public Works</b>										
Street Sign Maintenance and Installation	286	388	296	300	291	381	1	2	38	33
Traffic Control and School Flashing Signals Inventory	390	390	390	390	390	452	452	400	472	472
Hours for Maintenance and Installation	2,040	2,080	2214	2062	2555	3582	3328	2576	3562	3803
Public Street Lights										
Inventory	5,426	5,426	5784	5784	5802	5918	5084	5900	5123	5206
Hours for Maintenance and Installation	1,133	1,627	1479	1400	2821	1867	1994	2186	2036	1574
Mowing of ROW (Acres)	15	15	15	15	21	21	21	21	21	21
<b>Electric</b>										
Purchased Power										
Kilowatts-Hours Purchased	557,257,006	545,153,900	550,862,526	558,180,714	554,707,916	552,739,792	558,514,614	548,111,450	532,916,830	531,729,335
Amount	\$ 34,364,532	\$ 40,786,288	\$ 36,808,216	\$ 41,266,396	\$ 41,686,544	\$ 41,620,222	\$ 42,445,405	\$ 41,983,485	\$ 40,366,676	\$ 41,650,984
Electric Sales										
Kilowatts-Hours Sold	528,247,375	522,075,626	520,702,657	532,192,597	528,200,469	531,085,115	538,220,807	522,811,016	512,945,282	511,897,549
Amount	\$ 44,844,650	\$ 51,764,998	\$ 47,916,469	\$ 53,998,663	\$ 52,650,987	\$ 52,891,248	\$ 55,752,732	\$ 55,589,835	\$ 53,829,112	\$ 55,484,214
Cost Per Kilowatt-Hour Purchases	\$0.0617	\$0.0748	\$0.0668	\$0.0739	\$0.0752	\$0.0753	\$0.0760	\$0.0766	\$0.0757	\$0.0783
Percentage of Losses and Unaccounted for KH Purchases	5.21%	4.23%	5.48%	4.66%	4.78%	3.92%	3.63%	4.62%	3.75%	3.73%
<b>Water</b>										
Gallons Treated (Thousands)	3,732,957	3,921,905	3,687,716	3,438,372	3,209,465	2,721,411	2,984,107	2,857,856	2,681,235	2,837,115
Gallons Purchased (Thousands)	23,282	16,025	16,313	18,014	18,000	19,407	21,049	9,437	-	-
Gallons Pumped (Thousands)	3,673,932	3,937,930	3,704,029	3,456,386	3,227,465	2,740,818	3,005,156	2,867,293	2,681,235	2,837,115
Gallons Sold (Thousands)	3,249,385	3,346,471	3,166,137	2,987,370	2,744,528	2,551,268	2,623,089	2,480,589	2,341,905	2,379,862
Line Losses and Gallons Unaccounted for (Thousands)	424,547	591,459	537,892	469,016	482,937	189,550	382,067	386,704	339,330	457,253
Percentage of Losses and Unaccounted for Gallons to Total Provided (Thousands)	11.6%	15.0%	14.5%	13.6%	15.0%	6.9%	12.7%	13.5%	12.7%	16.1%
Average Daily Consumption (Thousands of Gallons)	8,902	9,168	8,674	8,185	7,519	6,990	7,187	6,796	6,416	6,520
<b>Wastewater</b>										
Clinch River Industrial Park Plant										
Gallons Treated (Thousands)	1,021	1,448	1,890	57	-	-	-	-	-	-
Rarity Ridge										
Gallons Treated (Thousands)	2,433	37,841	37,662	33,138	37,820	47,160	25,028	36,321	42,983	52,536
West End Plant										
Gallons Treated (Thousands)	1,579,946	1,589,821	1,997,308	1,790,493	1,819,991	1,627,351	1,579,620	1,556,882	1,626,381	1,650,491
<b>Schools</b>										
Enrollment	4,362	4,411	4,472	4,532	4,468	4,687	4,671	4,637	4,660	4,592
Average Daily Membership	4,407	4,452	4,472	4,532	4,456	4,438	4,464	4,389	4,403	4,383
Average Daily Attendance	4,185	4,220	4,214	4,288	4,240	4,274	4,212	4,173	4,189	4,193
Average Test Scores (ACT)	23.6	24.7	23.0	23.4	23.2	23.0	23.3	23.1	23.1	22.9

**CITY OF OAK RIDGE, TENNESSEE**  
**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Table 21

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Marked Vehicles	23	25	30	35	32	32	44	44	44	42
Unmarked Vehicles	8	8	8	11	11	11	14	14	15	14
Animal Control	2	2	2	3	3	3	3	3	3	4
Other Vehicles	8	8	8	6	6	6	10	10	10	11
<b>Fire</b>										
Stations	4	4	4	4	4	4	4	4	4	4
Fire Trucks (Pumpers and Ladder)	9	9	9	9	9	10	10	10	10	10
Rescue Vehicles - Radio Equipped	3	3	3	3	3	3	4	4	4	4
SUVs - Radio Equipped	6	6	8	8	8	8	8	8	8	8
Fire Specialists' Vehicles	5	5	4	4	4	4	2	2	2	2
HazMat Truck	-	-	-	-	-	1	1	1	1	1
Ambulances	-	-	-	-	-	2	2	2	2	2
<b>Park and Recreation</b>										
Parks	14	14	15	15	15	15	15	15	15	15
Parks/Greenbelt (Total Acres)	2,237	2,237	2,300	2,300	2,300	2,500	2,600	2,600	2,600	2,600
Swimming Pools	2	2	2	2	2	2	2	2	2	2
Tennis Courts	22	22	22	22	22	22	23	23	23	23
Baseball Parks	5	5	5	5	5	5	5	5	5	5
Softball Parks	6	6	6	6	6	6	6	6	6	6
Gymnasium	2	2	2	2	2	2	2	2	2	2
Golf Course	1	1	1	1	1	1	1	1	1	1
Soccer Fields	9	9	9	9	9	9	9	9	9	9
Community Centers	3	3	3	3	3	3	3	3	3	3
Disc Golf Courses	2	2	2	2	2	2	2	2	2	2
<b>Library</b>	1	1	1	1	1	1	1	1	1	1
<b>Public Works</b>										
Miles of Roads and Streets	227.72	227.87	229.59	229.59	229.59	229.59	229.59	229.59	229.59	229.59
Miles of Sidewalks	110.76	110.92	111.23	119.68	119.68	119.68	119.68	119.68	119.68	119.68
<b>Electric</b>										
Miles of Electric Lines	286.00	286.00	286.00	286.00	286.00	286.00	286.00	286.00	286.00	286.00
Number of Regular Street Lights	5,463	5,463	5,784	5,802	5,802	5,918	5,084	5,084	5,084	5,206
Number of Private Outdoor Lights	1,574	1,385	1,385	1,393	1,393	1,393	1,355	1,355	1,355	1,349
<b>Water</b>										
Miles of Water Main	240.86	241.35	243.12	244.00	244.00	245.69	249.05	251.46	251.46	251.46
Number of Fire Hydrants	2,683	2,845	2,845	2,845	2,845	2,845	2,541	2,558	2,541	2,562
Treatment Plants	1	2	2	2	2	2	2	2	2	2
<b>Wastewater</b>										
Miles of Sewer Main	259.78	260.07	260.59	261.27	261.27	262.23	262.10	262.53	272.17	272.17
Treatment Plants	3	3	3	2	2	2	2	2	2	2
Treatment Capacity (Thousand of Gallons)	30,010	30,010	30,010	30,010	30,010	30,010	30,010	30,010	30,010	30,010
<b>Schools</b>										
Elementary Schools	4	4	4	4	4	4	4	4	4	4
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	1	1	1	1	1	1	1	1	1	1

Note: No capital asset indicators are available for general government function.

**CITY OF OAK RIDGE, TENNESSEE**  
**REVENUES FOR ELECTRIC AND WATERWORKS FUNDS**  
**LAST TEN FISCAL YEARS**

Table 22

Fiscal Year	Electric Revenue	Waterworks (1)		Total
		Water Revenue	Wastewater Revenue	
2008	\$ 45,608,826	\$ 7,714,345	\$ 6,774,328	\$ 60,097,499
2009	52,597,386	8,405,879	7,632,541	68,635,806
2010	48,737,266	8,146,360	7,501,780	64,385,406
2011	54,868,484	7,778,140	7,274,937	69,921,561
2012	55,021,285	7,720,479	7,322,581	70,064,345
2013	55,712,659	8,421,005	9,137,319	73,270,983
2014	56,683,842	8,744,456	9,542,067	74,970,365
2015	56,549,606	9,634,753	10,744,983	76,929,342
2016	54,745,593	9,521,382	10,902,233	75,169,208
2017	56,458,469	9,328,129	11,464,636	77,251,234

Note: Revenues exclude one-time grant proceeds and capital contributions by developers.

(1) Waterworks revenue does not include payments from US Department of Energy contracts for operation of utilities on the west end of Oak Ridge, including the federal East Tennessee Technology Park.

**CITY OF OAK RIDGE, TENNESSEE  
ELECTRIC, WATER AND WASTEWATER RATES  
LAST TEN FISCAL YEARS**

Table 23

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Electric (1)</b>											
<u>Residential</u>											
	Base Charge	\$ 7.70	\$ 7.70	\$ 7.70	\$ 9.70	\$ 9.70	\$ 9.70	\$ 9.83	\$ 9.83	\$ 9.83	\$ 9.83
	All kWh	0.08800	0.09300	0.09250	0.09589	0.09760	0.09748	0.10284	0.09916	0.09820	0.10170
<u>Commercial</u>											
GSA1	Base Charge	\$ 17.93	\$ 17.93	\$ 17.93	\$ 17.93	\$ 17.93	\$ 17.93	\$ 18.14	\$ 18.14	\$ 18.14	\$ 18.14
	All kWh	0.09686	0.10211	0.10250	0.10805	0.10989	0.10977	0.11535	0.11186	0.11108	0.11466
GSA2	Base Charge	\$ 58.00	\$ 58.00	\$ 58.00	\$ 80.00	\$ 80.00	\$ 80.00	\$ 80.95	\$ 80.95	\$ 80.95	\$ 80.95
	1st 15,000 kWh	0.10069	0.10594	0.10633	0.10967	0.11151	0.11139	0.11699	0.11350	0.11272	0.11630
	Additional kWh	0.05463	0.05873	0.05624	0.06139	0.06212	0.06201	0.06600	0.06161	0.05962	0.06220
	kW, 51-1,000	13.31	13.65	14.58	14.58	14.93	14.93	15.42	15.73	16.13	16.43
GSA3	Base Charge	\$ 158.19	\$ 158.19	\$ 158.19	\$ 200.00	\$ 200.00	\$ 200.00	\$ 202.38	\$ 202.38	\$ 202.38	\$ 202.38
	All kWh	0.05623	0.06033	0.05784	0.06277	0.06350	0.06339	0.06739	0.06300	0.06101	0.06359
	kW, 0 - 1,000	12.69	13.05	14.03	14.03	14.40	14.40	14.89	15.22	15.63	15.95
	kW, 1,001 - 5,000	15.17	15.59	16.75	16.75	17.18	17.18	17.76	18.15	18.64	19.02
<u>Outdoor Light</u>											
	All kWh	\$ 0.05943	\$ 0.06368	\$ 0.06110	\$ 0.06429	\$ 0.06524	\$ 0.06512	\$ 0.06926	\$ 0.06472	\$ 0.06267	\$ 0.06534
<u>Water</u>											
	Minimum Bill (0-2,000 gallons)	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 13.50	\$ 13.50	\$ 14.85	\$ 16.04	\$ 16.04	\$ 16.04
	Next 8,000 gallons per 1,000 gallons	4.55	4.55	4.55	4.55	5.25	5.60	6.16	6.65	6.65	6.65
	Next 40,000 gallons per 1,000 gallons	4.05	4.05	4.05	4.05	4.55	5.10	5.61	6.06	6.06	6.06
	Next 150,000 gallons per 1,000 gallons	3.20	3.20	3.20	3.20	3.75	5.10	4.57	4.94	4.94	4.94
	Next 800,000 gallons per 1,000 gallons	3.20	3.20	3.20	3.20	3.75	5.10	4.57	4.94	4.94	4.94
	Next 1,000,000 gallons per 1,000 gallons	3.20	3.20	3.20	3.20	3.75	5.10	4.57	4.94	4.94	4.94
<u>Wastewater</u>											
	Minimum Bill (0-2,000 gallons)	\$ 13.50	\$ 13.50	\$ 13.50	\$ 13.50	\$ 18.50	\$ 18.50	\$ 21.28	\$ 23.41	\$ 23.41	\$ 24.81
	Next 8,000 gallons per 1,000 gallons	5.15	5.15	5.15	5.15	6.45	7.75	8.91	9.80	9.80	10.39
	Next 40,000 gallons per 1,000 gallons	6.45	6.45	6.45	6.45	7.75	7.75	8.91	9.80	9.80	10.39
	Next 50,000 gallons per 1,000 gallons	6.45	6.45	6.45	6.45	7.75	7.75	8.91	9.80	9.80	10.39
	Next 4,999,900 gallons per 1,000 gallons	6.45	6.45	6.45	6.45	7.75	7.75	8.91	9.80	9.80	10.39
	All over 5,000,000 gallons per 1,000 gallons	6.45	6.45	6.45	6.45	7.75	7.75	8.91	9.80	9.80	10.39

Notes: Bills on all above rates are subject to certain adjustments. The above rates are net, the gross rates being 5 percent higher.

(1) Electric rates may change on a quarterly basis due to a pass-through fuel cost adjustment (FCA) on the energy charges from the Tennessee Valley Authority.

**CITY OF OAK RIDGE, TENNESSEE**  
**ELECTRIC, WATER AND WASTEWATER SOLD BY TYPE OF CUSTOMERS**  
**LAST TEN FISCAL YEARS**

Table 24

Fiscal Year	Electric				Water		Wastewater	
	Residential	Small Lighting and Power	Large Lighting and Power	Street and Outdoor Lighting	Residential	Commercial	Residential	Commercial
2008	13,556	1,787	342	60	11,313	1,561	11,032	1,176
2009	13,608	1,840	354	61	11,260	1,634	10,990	1,197
2010	13,673	1,869	367	61	11,285	1,634	11,017	1,201
2011	14,004	1,793	377	61	11,285	1,661	11,022	1,209
2012	13,901	1,814	363	61	11,244	1,677	10,978	1,219
2013	13,908	1,826	376	62	11,250	1,658	10,982	1,207
2014	13,961	1,803	393	62	11,216	1,668	10,948	1,199
2015	13,974	1,800	383	62	11,289	1,716	11,022	1,223
2016	14,023	1,836	388	62	11,294	1,725	11,027	1,229
2017	13,920	1,819	394	62	11,298	1,709	11,025	1,205

**CITY OF OAK RIDGE, TENNESSEE  
TEN LARGEST ELECTRIC CUSTOMERS  
CURRENT YEAR AND NINE YEARS AGO**

Table 25

Customer	2017					2008				
	Annual Demand	Annual Kwh Usage	Annual Sales Dollars	Rank	Percentage Of Total Sales	Annual Demand	Annual Kwh Usage	Annual Sales Dollars	Rank	Percentage Of Total Sales
City of Oak Ridge	53,647	19,551,990	\$ 2,595,864	1	4.68%	116,622	63,246,622	\$ 4,728,808	1	10.51%
Methodist Medical Center	52,689	26,368,298	2,587,994	2	4.66%	97,292	50,301,572	3,826,623	2	8.50%
US Department of Energy	53,627	26,942,837	2,307,408	3	4.16%	37,344	17,645,102	1,389,437	6	3.09%
Energy Solutions (AKA Scientific Ecology, GTS Duratek, Manufacturing Sciences)	88,020	27,610,733	2,154,220	4	3.88%	(1)	22,015,662	1,377,724	7	3.06%
Oak Ridge Board Of Education	40,460	14,541,150	1,611,726	5	2.90%	84,768	33,013,032	2,750,638	3	6.11%
Oak Ridge Project LLC	30,370	15,158,000	1,453,554	6	2.62%	61,720	29,324,000	2,227,877	4	4.95%
Centrus Energy Corp (AKA USEC Inc.)	22,909	14,292,390	1,341,089	7	2.42%	54,710	19,794,600	1,802,642	5	4.01%
BWXT Y-12	20,407	8,570,636	882,208	8	1.59%	-	-	-	-	-
Oak Ridge Tech Ctr	16,816	6,533,931	692,055	9	1.25%	-	-	-	-	-
Rogers Group Inc.	23,464	4,030,406	654,381	10	1.18%	-	-	-	-	-
COORS Tek	-	-	-	-	-	29,958	16,486,600	1,189,137	8	2.64%
Advanced Measurement	-	-	-	-	-	26,184	14,951,200	1,108,435	9	2.46%
R&R Properties	-	-	-	-	-	31,152	13,262,440	1,083,452	10	2.41%
Total			<u>\$ 16,280,499</u>		<u>29.34%</u>			<u>\$ 21,484,773</u>		<u>47.74%</u>

**Note:**

(1) This customer is on the ESP program offered through the Tennessee Valley Authority.



# AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association

? Click to access definition  
+ Click to add a comment

Water Audit Report for: **City of Oak Ridge, Tennessee (0000522)**  
Reporting Year: **2017** **7/2016 - 6/2017**

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

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

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

## WATER SUPPLIED

Volume from own sources: + ? 8 2,837.115 MG/Yr  
Water imported: + ? n/a 0.000 MG/Yr  
Water exported: + ? 7 1,354.237 MG/Yr

## Master Meter and Supply Error Adjustments

Pcnt: Value:  
2 0.09% MG/Yr  
+ ? 2 0.09% MG/Yr  
+ ? 2 1.00% MG/Yr

Enter negative % or value for under-registration  
Enter positive % or value for over-registration

**WATER SUPPLIED: 1,493.735 MG/Yr**

## AUTHORIZED CONSUMPTION

Billed metered: + ? 8 987.431 MG/Yr  
Billed unmetered: + ? 9 0.100 MG/Yr  
Unbilled metered: + ? n/a 0.000 MG/Yr  
Unbilled unmetered: + ? 18.672 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

**AUTHORIZED CONSUMPTION: 1,006.203 MG/Yr**

Click here: ?  
for help using option  
buttons below

Pcnt: Value:  
1.25% MG/Yr

Use buttons to select  
percentage of water supplied  
OR  
value

Pcnt: Value:  
0.25% MG/Yr

3.00% MG/Yr  
6.610 MG/Yr

## WATER LOSSES (Water Supplied - Authorized Consumption)

### Apparent Losses

Unauthorized consumption: + ? 3.734 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? 9 30.539 MG/Yr  
Systematic data handling errors: + ? 7 6.610 MG/Yr

**Apparent Losses: 40.883 MG/Yr**

## Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? 446.649 MG/Yr

**WATER LOSSES: 487.532 MG/Yr**

## NON-REVENUE WATER

**NON-REVENUE WATER: 506.204 MG/Yr**

= Water Losses + Unbilled Metered + Unbilled Unmetered

## SYSTEM DATA

Length of mains: + ? 5 265.0 miles  
Number of active AND inactive service connections: + ? 7 13,439  
Service connection density: ? 51 conn./mile main

Are customer meters typically located at the curbside or property line? Yes

Average length of customer service line: + ?

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 5 80.0 psi

(length of service line, beyond the property boundary,  
that is the responsibility of the utility)

## COST DATA

Total annual cost of operating water system: + ? 7 \$5,521,236 \$/Year  
Customer retail unit cost (applied to Apparent Losses): + ? 8 \$7.77 \$/1000 gallons (US)  
Variable production cost (applied to Real Losses): + ? 7 \$780.38 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

## WATER AUDIT DATA VALIDITY SCORE:

\*\*\* YOUR SCORE IS: 76 out of 100 \*\*\*

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

## PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources

2: Water exported

3: Unauthorized consumption



## AWWA Free Water Audit Software: System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.

Water Audit Report for: **City of Oak Ridge, Tennessee (0000522)**Reporting Year: **2017** **7/2016 - 6/2017****\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 76 out of 100 \*\*\***

### System Attributes:

Apparent Losses:	<b>40.883</b>	MG/Yr
+ Real Losses:	<b>446.649</b>	MG/Yr
= <b>Water Losses:</b>	<b>487.532</b>	MG/Yr

**? Unavoidable Annual Real Losses (UARL):** **100.73** MG/YrAnnual cost of Apparent Losses: **\$317,664**Annual cost of Real Losses: **\$348,556** Valued at **Variable Production Cost**

Return to Reporting Worksheet to change this assumption

### Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied: **33.9%**Non-revenue water as percent by cost of operating system: **12.3%** Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day: **8.33** gallons/connection/dayReal Losses per service connection per day: **91.06** gallons/connection/dayReal Losses per length of main per day\*: **N/A**Real Losses per service connection per day per psi pressure: **1.14** gallons/connection/day/psiFrom Above, Real Losses = Current Annual Real Losses (CARL): **446.65** million gallons/year**? Infrastructure Leakage Index (ILI) [CARL/UARL]:** **4.43**

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline



**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2017**

<b>Federal Grantor/ Pass-Through Grantor</b>	<b>Program Title</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
Federal Awards				
<i>Direct Federal Awards</i>				
U.S. Department of Energy	Police Patrolling Services	81.502	DE-SC0004894	\$ <b>148,346</b> (A)
U.S. Department of Energy	Police Response Enhancement	81.214	DE-SC0015351	<b>437,758</b> (B)
U.S. Department of Energy	Center for Oak Ridge Oral History	81.049	DE-SC0000033	<b>95,756</b>
U.S. Department of Housing and Urban Development	Community Development Block Grant (HUD)	14.218	B-14-MC-47-0010 B-15-MC-47-0010	<b>149,951</b>
U.S. Department of Housing and Urban Development	Economic Development Initiative	14.251	B-09-SP-TN-0160	<b>635</b>
U.S. Department of Justice	Law Enforcement Technology	16.580	2008-CK-WX-0546	<b>4,665</b>
U.S. Department of Justice	Bullet Proof Vest Program	16.607	N/A	<b>7,365</b>
U.S. Department of Homeland Security / FEMA	Assistance to Firefighters Grant	97.044	EMW-2014-FO-03677	<b>11,798</b>
	Total direct federal awards			\$ <b>856,274</b>
<i>Pass-Through Programs</i>				
U.S. Department of Housing and Urban Development Through TN Housing Development Agency	Homeless Emergency Solution Grants	14.231	ESG-15-30	\$ <b>9,529</b>
	Homeless Emergency Solution Grants		ESG-16-45	<b>40,713</b>
	Total program 14.231			<b>50,242</b>
U. S. Department of Energy Through TN Department of Military and TN Emergency Management Agency	Emergency Management Planning, Fire Department	81.214	34101-32016 34101-21017	<b>16,000</b>
	Total program 81.214			<b>16,000</b>
				<b>32,000</b> (B)
U. S. Department of Energy Through TN Department of Environment & Conservation	Tennessee Oversight Interlocal Agreement	81.502	32701-02793	<b>164,799</b> (A)
U. S. Department of Transportation Through TN Department of Transportation	Pedestrian Safety Improvement	20.205	01LPLM-F0-029 01LPLM-F1-030 01LPLM-F3-031	<b>28,161</b>
National Highway Traffic Safety Administration Through TN Department of Transportation	Governor's Highway Safety	20.600	Z16GHS267	<b>3,188</b>
	Governor's Highway Safety	20.600	Z17THS054	<b>11,253</b>
	Total program 20.600			<b>14,441</b>

**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (continued)**  
**For the Year Ended June 30, 2017**

<b>Federal Grantor/ Pass-Through Grantor</b>	<b>Program Title</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
Federal Awards (continued)				
<i>Pass-Through Programs (continued)</i>				
Environmental Protection Agency, Office of Water Through TN Department of Environment and Conservation	Capitalization Grants for Clean Water State Revolving Funds	66.458	CS470001XX	<u><b>73,815</b></u>
	Total indirect federal awards			<u><b>\$ 363,458</b></u>
	Total federal awards			<u><b>\$ 1,219,732</b></u>
State Financial Assistance				
Tennessee Department of Agriculture	Farmers Market Grant	N/A	32506-08117	<u><b>\$ 626</b></u>
Tennessee Department of Environment & Conservation	Clean Tennessee Energy Grant Program	N/A	32701-02514	<u><b>12,862</b></u>
State of Tennessee	Oak Ridge Marina 8th Lane	N/A	Legislative Appropriation	<u><b>250,000</b></u>
Tennessee Department of Transportation	Operating Assistance Project	N/A	Z-17-UROP09-00	<u><b>155,042</b></u>
Tennessee Department of Transportation	Multimodal Access Project - Connectivity Improvements	N/A	01LPLM-S0-036	<u><b>412</b></u>
Tennessee Wildlife Resources Agency	Riparian Tree Planting Grant	N/A	49061	<u><b>499</b></u>
	Total state financial assistance			<u><b>\$ 419,441</b></u>
	Total federal awards and state financial assistance			<u><b>\$ 1,639,173</b></u>

(A) Total for CFDA No. 81.502 is \$313,145.

(B) Total for CFDA No. 81.214 is \$469,758.

**1. LOANS OUTSTANDING**

At June 30, 2017, there were outstanding balances of \$18,368,807 on loans obtained through the State Revolving Loan Fund. The loans are 47% federally funded. Principal payments during the current fiscal year were \$596,920.

**2. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of the City of Oak Ridge under programs of the federal and state governments for the year ended June 30, 2017. The schedule is presented using the modified accrual basis of accounting. The City did not elect to use the 10% de minimis indirect cost rate. The schedule excludes the Oak Ridge City Schools federal and state grant activity which is presented in a separate report.



## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of the City Council  
City of Oak Ridge, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2017. Our report includes a reference to other auditors who audited 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, the Oak Ridge Public Schools Education Foundation, Inc., the Scholarship Fund and the Internal School Funds, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Members of the City Council  
City of Oak Ridge, Tennessee

### **Internal Control over Financial Reporting (continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
December 29, 2017



## Report of Independent Auditors on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Members of the City Council  
City of Oak Ridge, Tennessee

### Report on Compliance for Each Major Federal Program

We have audited compliance of the City of Oak Ridge, Tennessee (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the General Purpose School Fund, the School Federal Projects Fund and the Central Cafeteria Fund, which received \$5,341,838 in federal awards which is not included in the City's schedule of expenditures of federal awards and state financial assistance during the year ended June 30, 2017. Our audit, described below, did not include the operations of these funds because those funds engaged other auditors to perform an audit of compliance.

### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Members of the City Council  
City of Oak Ridge, Tennessee

### **Opinion on the Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

### **Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Coulter & Justus, P.C.*

Knoxville, Tennessee  
December 29, 2017

**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

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**Section I -- Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	None reported
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements:	None reported

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	None reported
Significant deficiency(s) identified not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 of the Uniform Guidance?	None reported

Identification of major programs:	CFDA	Name of Program
	81.214	Police Response Enhancement Emergency Management Planning, Fire Department
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	Yes	

**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2017**

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**Section II -- Financial Statement Findings**

None reported.

**Section III -- Federal Award Findings and Questioned Costs**

None reported.



**CITY OF OAK RIDGE, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**For the Year Ended June 30, 2017**

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**Section IV -- Summary Schedule of Prior Year Audit Findings**

Not applicable as there were no prior year findings reported.

**Section V – Corrective Action Plan**

Not applicable as there were no current year findings reported.