

OAK RIDGE SCHOOLS
(A Department of the City of Oak Ridge, Tennessee)
OAK RIDGE, TENNESSEE

Comprehensive Annual
Financial Report

Year Ended June 30, 2018

and

Independent Auditor's Report

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Comprehensive Annual Financial Report

June 30, 2018

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INTRODUCTORY SECTION



Oak Ridge Schools

OFFICE OF
Finance Director

Telephone (865) 425-9003

January 14, 2019

Board of Education
Oak Ridge Schools
Oak Ridge, Tennessee

Comprehensive Annual Financial Report: (CAFR)

The Comprehensive Annual Financial Report (“CAFR”) of Oak Ridge Schools (the “Schools”) for the year ended June 30, 2018, is submitted herewith. This report was prepared by the Schools’ Business Services Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with Oak Ridge Schools. Oak Ridge Schools believe the data, as it is presented and has been submitted to the independent auditing firm, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial activity of all various funds; and that it contains all disclosures necessary to enable the reader to gain a complete understanding of the Schools’ financial activities. This report includes all funds of the Schools and discusses in greater detail its financial position in the narrative to follow, the introduction, and the additional analysis sections of the analysis that cover the Schools’ financial operating procedures, in addition to the financial highlights.

The CAFR for the year ended June 30, 2018, is presented in accordance with the reporting model adopted by the Governmental Accounting Standards Board (“GASB”) Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments issued in June 1999. The presentation of the CAFR includes: The Oak Ridge Schools’ department-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. An additional section in the CAFR is the introductory section which includes this transmittal letter, the Schools’ organizational chart and a list of principal officials and how corresponding departments are organized to be financially efficient for the betterment of educating our students.

All combined and individual fund statements and schedules as required by law, for all major funds are included, along with required schedules as required by the Tennessee Comptroller of the Treasury. The statistics provided within were selected from all financial and demographic information, generally presented on a multiyear basis. The Schools are required to undergo an annual single audit in conformity with provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and under the direction of the Office of the Comptroller of the Treasury of the State of Tennessee.

Information related to this single audit, including the audit findings and recommendations, and independent auditor’s reports on internal control and compliance with applicable laws and regulations, is included in the Internal Control and Compliance Section.

The remainder of this transmittal highlights the governance structure, the mission, the accomplishments and initiatives, the economic conditions and outlook, and the financial activities of the Schools.

Governance

The governance of the Schools is overseen by a five-member board of education. (“Board”) that is elected by the citizens. Each member is elected to a four-year term with the elections being staggered so that not all positions are voted on during the same year.

Board meetings are scheduled the fourth Monday of the month and are held in the Schools' Administration Building. Regular work sessions may be scheduled when necessary and held at the Schools' administration building conference room. Special meetings are scheduled as needed and announced in compliance with public notice requirements, never allowing a meeting to be circumvented, but rather simply moved to account for at least one meeting per month on average. The Board has final control over local school matters limited only by the City Charter, state legislature, by the courts, and by the will of the people as expressed in School Board elections. Board decisions are based on majority vote of a quorum of the Board.

The purpose of the board is to provide a program of education for the community. As such, the board represents the community in:

- Establishing a sound philosophy for all educational programs and activities;
- Adopting policies for the operation of school programs;
- Providing leadership for educational progress through the establishment of annual objectives; *
- Ensuring that there are adequate methods of evaluating existing programs, and;
- Adopting sound financial plans consistent with school needs and community resources.

The board formulates policy for carrying out the above roles and employs professional educators to administer the program.

The Board has responsibilities and control over all activities related to the public school education within the City's boundaries. Even though there is considerable association between such other entities as the Anderson and Roane counties Boards of Education, this report is restricted, only, to the actual activities of Oak Ridge Schools.

Vision

Every student receives the highest-quality education and graduates prepared for college, career and life successes.

Mission

Provide an adaptive and challenging learning environment and instruction that prepares each student for excellence in education and the workplace, while cultivating integrity, responsibility and a sustained passion for continued learning.

History and Outlook

Oak Ridge Schools started on October 4, 1943, when 637 students enrolled in three schools: the High School, Robertsville and Elm Grove. From that date, Oak Ridge Schools have provided quality education and continued the tradition begun during the Manhattan Project.

One reason Alden Blankenship gave for accepting the challenge to be Oak Ridge Schools first Superintendent of Schools was, "In such a situation it might be possible to make schools real community centers. The program could surely be planned to meet the actual needs of the children. There would be no sacred customs or traditions barring ones way. In spite of the existing shortage of teachers, a system of merit would be established with no political strings attached. Recruiting personnel from all parts of the nation to fit into community of as cosmopolitan a makeup as this promised to be quite an adventure in itself."

That was the beginning. One man saw the possibility and created the vision that was quickly implemented, that was quickly accepted by the administrative staff, parents and teachers alike. It required work, but it provided enormous rewards immediately and ongoing. Nothing like it had ever been attempted before.

Oak Ridge City Historian, Bill Wilcox, has said of those early years, "the bar was set very high those first four formative years in terms of academic standards and expectations." We find the same situation existing today in Oak Ridge Schools. The "bar" of achievement has been raised by new standards being imposed and a changing demographic in our student population. Our schools must respond, as did Blankenship.

Only by having the best staff and teachers, the most engaged parents, the communities and neighborhoods pulling strongly together behind their schools, can Oak Ridge Schools hope to meet the new challenges of higher state standards, changing demographics and the requirement to ensure that all students achieve to their highest potential.

The Oak Ridge Schools started with a most unusual requirement, they had to be top-notch, and absolutely nothing less was acceptable. General Groves demanded it and Blankenship saw to it. Groves was smart enough to give Blankenship his appointment and encouraged him to reach for the sky and he did.

The same is true today for Oak Ridge Schools. Historically, Oak Ridge Schools began with the standards so high that only the very best teachers and administrators could guide the educational process sufficiently to achieve the standards. The children who were placed in the schools by the scientist, engineers, craftsmen, and others who brought their families to Oak Ridge to help win WWII, were obviously given the best education possible at the time.

In the 2018 fiscal year, Oak Ridge City Schools were comprised of a preschool serving 219 students (ages 3-4), four elementary schools serving 1,629 students, two middle schools serving 1,397 students, and one high school serving 1,370 students. With a licensed staff of 399, our 663 employees work hard each day for our students. Eighty percent of our teachers hold a master's level degree and above.

Highlights of the Oak Ridge Schools Fiscal Year 2018 Finances

Revenues

The major sources of revenues for Oak Ridge Schools are Anderson and Roane counties, the State of Tennessee, the City of Oak Ridge, and the Federal Government..

County Revenues

County revenues come from two primary sources, property and sales tax, and are allocated to school systems based on their proportion of student attendance. The fiscal year ("FY") 2018 budget contained a projected increase in County funds of \$375,546 over the FY 2017 budgeted amount. County funds represented approximately 27.91% of the Oak Ridge Schools FY 2018 adopted budget.

State Revenues

Representing approximately 40.36% of total budget revenues for the Oak Ridge Schools' budget, state funds must be used for programming guidelines of the Education Improvement Act and the BEP 2.0. The Basic Education Program funding ("BEP") is a proportional funding formula based on a number of factors which include: number of certified staff, average daily attendance, and insurance and retirement costs among others. Overall, state funds are projected to increase by \$1,105,328. It should be noted that FY 1998 was the last year our system received BEP phased-in funding increases. Beginning in FY 1999 and in future years, all increases or decreases will be dictated primarily by student enrollment and fluctuations in State funds for teacher salaries and health insurance, etc. BEP 2.0 funding initiatives began in FY 2008 with specific spending requirements.

City Revenues

Funds from the City of Oak Ridge were budgeted with a \$ - 0 - increase for FY 2018 Budget. Overall City funding represents approximately 28.24% of total school revenues.

Staff Development

Oak Ridge Schools believe the key to excellence of our school system will continue to be a highly qualified and dedicated staff with the encouragement and support to pursue innovated learning strategies. The goal of Oak Ridge Schools Professional Development is to improve student achievement and system wide cohesion by building the knowledge and skills of our staff through collaborative effort. Budgeted funds are provided, grants are solicited, and other additional funding opportunities are sought, at both building level and system level for staff development.

Special Education-At-Risk

Special education programs serve the gifted, medically fragile and disabled students. To adequately meet the expectations from the "No Child Left Behind" and the "Every Student Succeeds Act" for special education students, special education staff is needed to address the increased number of students entering Oak Ridge Schools who have met

the federal and state criteria to receive special education services. The additional staff positions have, and will have, a direct impact on the educational instruction for our special needs students and students who are non-English speakers being served in the Oak Ridge School system.

Technology Initiatives

The Oak Ridge Schools District operates with an annual Technology Plan. This plan calls for the replacement of computers, improved internet access, instructional and administration software, and staff training based on thorough research and trend data supporting the use of technology. The technology department will continue to make technology available, capable, and reliable to students, teachers, administrators, and support staff throughout the system.

Other Information

Internal Controls

An internal controls structure that has been designed, managed and maintained by the Schools is in place to ensure the district's assets are protected from loss, theft and misuse and to ensure that accurate accounting data is compiled in the preparation of the financial statement in conformity with U.S. Generally Accepted Accounting Principles ("GAAP"). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The Business Services organization chart is attached. In complying with GAAP, Oak Ridge Schools implements all applicable GASB accounting pronouncements.

Independent Audit

State law and the City Charter require an annual audit of the accounts and financial records of the Schools by independent certified public accountants selected by the Board of Education. Brown Jake & McDaniel, P.C. has issued an unqualified opinion on the financial statements of Oak Ridge Schools for the year ended in June 30, 2018. The independent auditors' report has been included in this report at the front of the financial section.

Management's Discussion and Analysis ("MD&A")

Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the MD&A. This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The Schools' MD&A can be found immediately following the Independent Auditor's Report.

Acknowledgements

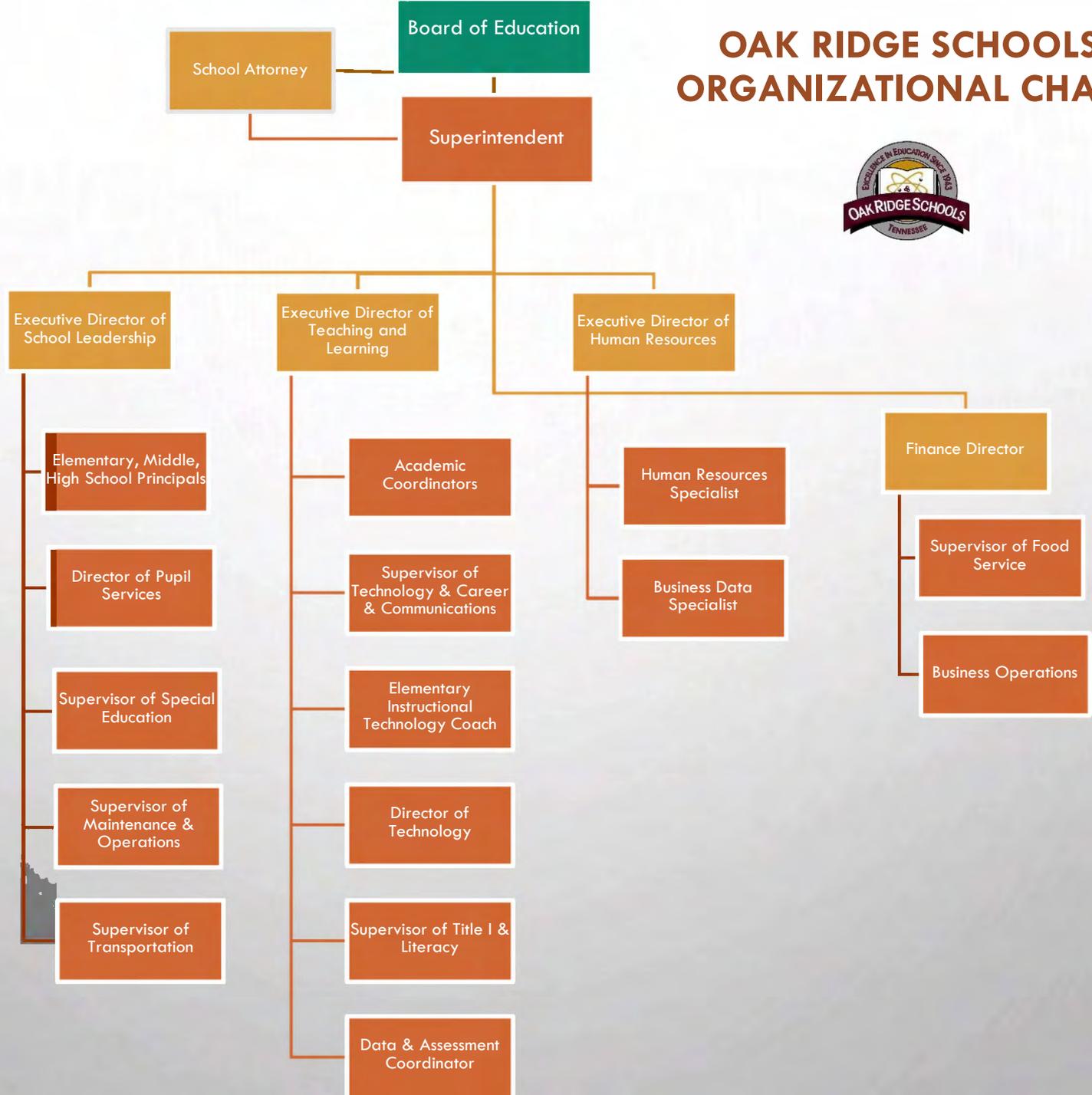
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Business Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation.

We also wish to thank members of the Board of Education for their continued consideration and support, and for planning and conducting the financial operations of the Schools in a responsible and progressive manner.

Respectfully submitted,

Pat Smith
Finance Director

OAK RIDGE SCHOOLS ORGANIZATIONAL CHART



OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

List of Principal Officials

June 30, 2018

Board of Education

Title	Name
Chairman	Keys Fillauer
Vice Chairman	Laura McLean
Board Member	Angi Agle
Board Member	Paige Marshall
Board Member	Benjamin J. Stephens, beginning March 26, 2018
Board Member	Robert Eby, through March 31, 2018

Title	Name
Superintendent of Schools	Bruce Borchers, Ed. D
Executive Director of Teaching and Learning	Tracey Beckendorf-Edou, Ed. D
Executive Director of School Leadership	Bruce Lay
Executive Director of Human Resources	Christine Lee, Ed. D
School Attorney	Larry Giordano
Director of Pupil Services	Larrissa Henderson, Ed. D
Director of Technology	Doug Cofer
Finance Director	Pat Smith
Supervisor of Career Readiness and Communications	Holly Cross
Supervisor of Data Services	Jeff Edmonds
Supervisor of Food Services	Jennifer Taylor
Supervisor of Instructional Computing	Richard Graves
Supervisor of Maintenance and Operations	Allen Thacker
Supervisor of Special Education	Myles Hebrard, Ed. D
Supervisor of Title I and Literacy	Kelly Williams, Ed. D
Supervisor of Transportation and Safety	Clifford Bunch

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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 TERRY L. MOATS, CPA, CGFM, CGMA
 JAMES E. BOOHER, CPA, CGMA

MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Education
 Oak Ridge Schools
 Oak Ridge, Tennessee

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the General Purpose School Fund and School Federal Projects Fund of the Oak Ridge Schools (the "Schools"), Oak Ridge, Tennessee, a special revenue fund of the City of Oak Ridge, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Schools' 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 Oak Ridge Public Schools Education Foundation, Inc. (the "Foundation"), a discretely presented component unit, which represents \$5,115,128, \$5,114,557 and \$770,537, respectively, of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Foundation, is based solely on the report of 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.

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 entity'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 entity'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 aggregate discretely presented component units, each major fund, the aggregate remaining fund information and the respective budgetary comparison statements of the General Purpose School Fund and the School Federal Projects Fund of the Oak Ridge Schools, Oak Ridge, Tennessee, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 16 to the financial statements, Oak Ridge City Schools has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

We draw attention to Note 16 to the financial statements, which describes a restatement to decrease the beginning net position by \$172,385 as shown on the Statement of Revenues, Expenses, and Changes in Net Position. This restatement was necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Schools are intended to present the financial position, and the changes in financial position of only that portion of the governmental activities, discretely presented component units, each major fund, the aggregate remaining fund information of the City of Oak Ridge, Tennessee that is attributable to the transactions of the Schools. They do not purport to, and do not, present fairly the financial position of the City of Oak Ridge, Tennessee as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 10 through 19 and the required supplementary information on pages 86 through 94 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Schools' basic financial statements. The introductory section, the other supplementary

information, and the 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 and state awards and the schedule of noncash federal awards are presented for the purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal and state awards, the schedule of noncash federal awards, and the other supplementary information 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. In our opinion, based on our audit and the report of other auditors, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal and state awards, the schedule of noncash federal awards, and the other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the statistical section 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 21, 2018, on our consideration of the Schools' 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 solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. In accordance with the Uniform Guidance, we have also issued our report dated December 21, 2018 on our consideration of the Schools' internal control over major programs and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control over financial reporting and compliance.

Brown Jake + McDaniel, PC
Knoxville, Tennessee
December 21, 2018

**OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

As management of Oak Ridge Schools (the "Schools"), we offer readers of the Schools' financial statements this narrative overview and analysis of the financial activities of the Schools for the fiscal year ended June 30, 2018.

Management's Discussion and Analysis ("MD&A") focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with our Letter of Transmittal (beginning page 1) and the Schools' accompanying financial statements (beginning page 20).

INDEPENDENT AUDIT

The unqualified opinion of our independent external auditors, Brown, Jake and McDaniel, P.C., is included in this report on pages 7 through 9.

FINANCIAL HIGHLIGHTS

Highlights of the financial statements for the year ended June 30, 2018, for Oak Ridge Schools are as follows:

- **Net Position.** Total governmental assets and deferred outflows of resources at year-end were \$86.9 million and were less than liabilities and deferred inflows of resources by \$(12.0) million. Of the total net position, the Schools had a deficit balance of \$(6.8) million in unrestricted net position. Net position increased from fiscal year ("FY") 2017 to FY 2018 by \$5,831,094 including a prior period adjustment of \$38,004, and a cumulative change in accounting principle adjustment of (\$172,385).
- **Fund Balances.** At year end, the Schools' governmental funds reported combined ending fund balances of \$11.3 million, of which \$7.9 million is available for spending at the Schools' discretion (unrestricted fund balance).
- **General Purpose School Fund - Fund Balance.** During the current year, unrestricted fund balance for the General Purpose School Fund increased by \$3,232,550 to \$10.5 million or 16.2 % of current year expenditures.
- **Governmental-type Revenues and Expenses.** Governmental-type revenues were \$69.0 million for FY 2018 and \$67.4 million for FY 2017. Governmental-type expenses for FY 2018 were \$63.0 million which includes depreciation expense of \$3.7 million.
- **Capital Assets.** Capital assets increased by \$1.1 million during FY 2018, which was due mainly to building improvements and numerous equipment purchases.

SUMMARY OF ORGANIZATION

Oak Ridge Schools were established by the City of Oak Ridge, Tennessee (the City) under the provisions of the City's Charter, Article VI, Section 1-18. The City of Oak Ridge is located in Anderson and Roane Counties. The Schools began operations on June 16, 1959.

**OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Prior to this date, the Schools were operated by the U.S. Atomic Energy Commission, from 1943 through June 15, 1959. The Schools are governed by a Board of Education (the "Board") composed of five citizens who live within the City. Board members serve for a term of four years and are elected by citizens via a city-wide vote. The Board hires a School Superintendent who manages the Schools.

The Schools operate seven schools which consist of four elementary, two middle, and one high school. All of the Schools are accredited by the Southern Association of Colleges and Schools (SACS). In addition, the Schools operate a system-wide preschool program and an elementary extended child care program.

The Schools receive annual funding from the City of Oak Ridge and a pro-rata share of property taxes and local option sales taxes from Anderson and Roane counties based upon weighted average daily attendance. The Oak Ridge City Council annually approves the Schools' appropriations for its five governmental funds.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the Schools' financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Schools' budget and other management tools were used for this analysis.

The Schools' basic financial statements comprise five main components: (1) departmental-wide financial statements, (2) fund financial statements, (3) notes to the financial statements, (4) required supplementary information, and (5) supplementary section.

Departmental-Wide Financial Statements. The Schools operate under the City Charter and are considered a department of the City; therefore, these financial statements are "blended" within the City's financial statements. The departmental-wide financial statements are designed to provide readers with a broad overview of the Schools' finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the assets, liabilities and deferred outflows /inflows of the Schools, with the difference 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 Schools is improving or deteriorating.

The statement of activities presents information showing how the net position of the Schools changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows; thus, some revenues and expenses are reported in this statement for items that will only result in cash flows in future fiscal periods (e.g., long-term liabilities).

The departmental-wide financial statements include not only the Board of Education itself (known as the primary department), but also a legally separate component unit, the Oak Ridge Public Schools Education Foundation, Inc. (the "Foundation"), which provides financial support to the

**OAK RIDGE SCHOOLS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Schools. Financial information for the Foundation is reported separately from the financial information for the primary department.

The departmental-wide financial statements can be found on pages 20 through 22 of this report.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Schools, like other local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Schools 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 departmental-wide financial statements. However, unlike the departmental-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 the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the departmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the departmental-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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Schools maintain five individual governmental funds. 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 Purpose Schools Fund and School Federal Projects Fund, each of which are considered to be major funds. The Schools' three non-major funds are the Other Education Special Revenue Fund, the Extended School Program Fund, and Central Cafeteria Fund.

The basic governmental fund financial statements, and reconciliations to the government-wide financial statements can be found on pages 23 through 26 of this report.

Budget to Actual Comparison - Major Funds. The Schools adopt an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for the General Purpose School Fund and the School Federal Projects Fund (major funds) to demonstrate compliance with this budget. Budget to actual comparison for the major funds can be found on pages 27 through 28 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the departmental-wide financial statement because the Schools cannot use these funds to finance its operations.

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The Schools use a private purpose trust fund to account for the college scholarships which are awarded to graduating seniors on an annual basis. The Schools also have included the Oak Ridge Schools Internal School Funds as an agency fund. The basic fiduciary fund financial statements can be found on pages 29 and 30 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the departmental-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 85 of this report.

Required Supplementary Information (RSI): This information provides various schedules related to the Tennessee Consolidated Retirement System ("TCRS") plans for the Schools' personnel. Also included is a schedule related to the TGOP OPEB Plan for retirees which can be found on page 94 of this report.

Supplementary Section: This information provides comparative financial statements for individual funds, schedules of expenditures of federal and state awards and noncash federal awards. The supplementary information can be found on pages 95 through 120 of this report.

DEPARTMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At June 30, 2018 and 2017, the Schools' governmental-type assets and deferred outflows of resources were less than liabilities and deferred inflows by (\$12.0) million and (\$17.8) million, respectively.

**Table 1
Net Position**

	2018	2017	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 15,780,819	\$ 11,764,953	\$ 4,015,866	34.13%
Capital Assets	64,527,465	63,391,626	1,135,839	1.79%
Total Assets	<u>\$ 80,308,284</u>	<u>\$ 75,156,579</u>	<u>\$ 5,151,705</u>	<u>6.85%</u>
Deferred Outflows of Resources	<u>\$ 6,593,877</u>	<u>\$ 9,642,493</u>	<u>\$ (3,048,616)</u>	<u>-31.62%</u>
Liabilities				
Current Liabilities	\$ 9,323,683	\$ 9,044,338	\$ 279,345	3.09%
Noncurrent Liabilities	79,040,212	81,439,018	(2,398,806)	-2.95%
Total Liabilities	<u>\$ 88,363,895</u>	<u>\$ 90,483,356</u>	<u>\$ (2,119,461)</u>	<u>-2.34%</u>
Deferred Inflows of Resources	<u>\$ 10,516,717</u>	<u>\$ 12,125,261</u>	<u>\$ (1,608,544)</u>	<u>-13.27%</u>
Net Position				
Net Investment in Capital Assets	\$ (8,467,072)	\$ (10,064,996)	\$ 1,597,924	-15.88%
Restricted	3,246,287	429,327	2,816,960	656.13%
Unrestricted	(6,757,666)	(8,173,876)	1,416,210	-17.33%
Total Net Position	<u>\$ (11,978,451)</u>	<u>\$ (17,809,545)</u>	<u>\$ 5,831,094</u>	<u>-32.74%</u>

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By far the largest portion of the Schools' net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Schools use these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the Schools' 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 the City, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position may be used to meet the Schools' obligations to students, employees, and creditors as well as help fund next year's budget.

The Schools' governmental change in net position increased by \$5,965,475 and \$5,427,427, during FY 2018 and FY 2017, respectively.

**Table 2
Statement of Revenues, Expenses and Change in Net Position**

	2018	2017	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues:				
Charges for Services	\$ 872,272	\$ 618,036	\$ 254,236	41.14%
Operating Grants and Contributions	28,144,226	26,810,619	1,333,607	4.97%
General Revenues:				
Property Taxes	10,393,227	10,520,679	(127,452)	-1.21%
Other Local Taxes	5,213,636	4,712,059	501,577	10.64%
Investment Income	94,856	40,311	54,545	135.31%
Investment (Loss) - Change in Fair Value of Derivative Interest Rate Swaps	995,446	1,967,643	(972,197)	-49.41%
Gain (Loss) on Sale and Disposal of Capital Assets	-	(1)	1	-100.00%
Pension Income	9,458	36,486	(27,028)	-74.08%
Contributions	104,310	205,350	(101,040)	-49.20%
Miscellaneous	443,984	494,966	(50,982)	-10.30%
Transfers from the City's General Fund	22,710,708	22,003,854	706,854	3.21%
Total Revenues	68,982,123	67,410,002	1,572,121	2.33%
Program Expenses				
Instructional	34,790,175	34,240,037	550,138	1.61%
Support Services	21,134,627	21,335,813	(201,186)	-0.94%
Non-Instructional	4,308,199	3,919,086	389,113	9.93%
Interest on Long-Term Debt	2,783,647	2,487,639	296,008	11.90%
Total Expenses	63,016,648	61,982,575	1,034,073	1.67%
Change in Net Position	5,965,475	5,427,427	538,048	9.91%
Beginning Net Position, as Previously Stated	(17,809,545)	(16,858,622)	(950,923)	5.64%
Prior Period Adjustment	38,004	-	38,004	>100.00%
Cumulative Effect of Change in Accounting Principle	(172,385)	(6,378,350)	6,205,965	-97.30%
Beginning Net Position, as Restated	(17,943,926)	(23,236,972)	5,293,046	-22.78%
Ending Net Position	\$ (11,978,451)	\$ (17,809,545)	\$ 5,831,094	-32.74%

The change in net position in FY 2018 was comparable to the prior year.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Revenues. The Tennessee Education Improvement Act ("EIA") of 1992 established the Tennessee Basic Education Program ("BEP") as the funding formula for kindergarten through grade twelve education in Tennessee. The components of the formula are grouped into two categories for determining the state and local share of formula funding in each school system: classroom and non-classroom. The EIA requires the state to pay 75% of the statewide cost of the classroom components and 50% of the statewide cost of the non-classroom components.

The split within the BEP formula between funding for classroom and non-classroom components has remained fairly constant at the statewide and at the system level, with classroom components making up about 70% of the total. The split between classroom and non-classroom categories in actual local spending varies from that in the BEP formula for several reasons. For example, the BEP formula does not include the cost of local salary supplements. As a result, the actual percent of funds spent in the classroom category may be greater than the percentage of the BEP formula that falls into the classroom category. The Schools' BEP revenues during FY 2018 and FY 2017 were \$21,413,738 and \$20,286,000, respectively, representing a 5.6% increase.

Local taxes which consist of Anderson County and Roane County property taxes and local option sales taxes were \$15,606,862 in FY 2018 and \$15,232,738 in FY 2017, for a 2.5% increase.

Expenses. Annual cash payments from the City's General Fund were \$15,493,963 for FY 2018 and \$15,551,678 for FY 2017, resulting in a 3.3% increase.

Annual payments from the City's Debt Service Fund were \$6,652,469 during FY 2018 and \$6,452,176 during FY 2017 for principal and interest payments related to City issued school debt for a 3.1% increase.

Instructional expenses represent the largest category for FY 2018 and FY 2017 with expenses of \$34,790,175 and \$34,240,037, respectively, which is 55% and 49% of total expenses in FY 2018 and FY 2017, respectively.

FINANCIAL ANALYSIS OF THE SCHOOLS' FUNDS

As noted earlier, the Schools use fund accounting to ensure and demonstrate compliance with finance and related legal requirements.

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

**OAK RIDGE SCHOOLS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

As of June 30, 2018, the Schools' governmental funds reported a combined fund balance of \$11,297,361, an increase of \$3,460,952 from the previous year. The unassigned fund balance of \$9,641,809 is 85% of the combined fund balances. The unassigned fund balance is available for spending at the Schools' discretion. Pursuant to GASB Statement No. 54, the remainder of the fund balance is classified as nonspendable - \$112,824, restricted for a specific purpose per enabling legislation (Career Ladder/Extended Contract) - \$3,004, restricted bond proceeds - \$2,575,267 and committed for a specific purpose per action by the Board of Education - \$770,491.

**Table 3
Balance Sheets - Governmental Funds**

	<u>2018</u>	<u>2017</u>
Total Assets	\$ 15,928,770	\$ 12,143,695
Total Liabilities and Deferred Inflows of Resources	\$ 4,631,409	\$ 4,307,286
Fund Balances:		
Nonspendable	156,019	96,315
Restricted	3,203,092	429,327
Committed	871,708	907,927
Unassigned	7,066,542	6,402,840
Total Fund Balances	11,297,361	7,836,409
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,928,770	\$ 12,143,695

**Table 4
Statements of Revenues, Expenditures and Changes
in Fund Balance - Governmental Funds**

	<u>2018</u>	<u>2017</u>
Revenues		
Local Taxes	\$ 15,606,862	\$ 15,232,737
Charges for Services	1,142,086	1,112,544
Other Local Sources	355,932	428,331
State of Tennessee - BEP	21,413,738	20,286,000
State of Tennessee - Other	1,089,604	936,791
Federal Government	5,255,766	5,237,683
Other Local Sources	152,686	167,933
Total Revenues	45,016,674	43,402,019
Expenditures		
Instructional	33,013,509	32,479,204
Support Services	21,353,498	21,375,087
Non-Instructional	4,366,070	3,903,789
Capital Outlays	4,907,084	273,743
Debt Service	7,077,469	6,877,176
Total Expenses	70,717,630	64,908,999
Total Other Financing Sources (Uses) - Net	29,123,904	22,003,854
Net Changes in Fund Balances	3,422,948	496,874
Beginning Net Position, as previously stated	7,836,409	7,339,535
Prior Period Adjustment (See Note 21)	38,004	-
Beginning Net Position, as restated	7,874,413	7,339,535
Ending Net Position	\$ 11,297,361	\$ 7,836,409

**OAK RIDGE SCHOOLS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

General Purpose School Fund. The General Purpose School Fund is the main operating fund of the Schools. At June 30, 2018, unrestricted fund balance was \$7,837,033 while total fund balance was \$10,528,127. As a measure of the fund's liquidity, it may be useful to compare both unrestricted fund balance and total fund balance to total expenditures. Unrestricted fund balance represents 12.1% of total general purpose school fund expenditures. The total fund balance represents 16.2% of total general purpose school fund expenditures.

The fund balance of the Schools' General Purpose School Fund increased by \$3,232,549 during the current fiscal year. A few highlights of the General Purpose School Funds are as follows:

- Revenues and other net financing sources were \$68,034,396 for FY 2018 and \$59,212,371 for FY 2017, with a net increase of \$8,822,025.
- Expenditures were \$64,801,847 for FY 2018 and \$58,919,861 for FY 2017, with an increase of \$5,881,986.
- Instructional expenditures represent 55.0% of the total expenditures for FY 2018 and 52.0% for FY 2017.

School Federal Projects Fund. The School Federal Projects Fund, which accounts for a majority of the Schools' federal grants, reported expenditures of \$3,472,745 for 2018 and \$3,448,126 for 2017, with a net increase of \$28,219.

MAJOR FUNDS BUDGETARY HIGHLIGHTS

The General Purpose School Fund's fund balance increased \$3,232,550 which was due to the Schools borrowing of funds in FY 2018 but not expending the entire portion.

The General Purpose School Fund's budgetary comparison statements are on pages 95 through 99.

The School Federal Projects Fund had (\$110) thousand less than budgeted in revenues and expenditures in 2018.

The School Federal Project Fund's budgetary comparison statements are on pages 100 through 102.

CAPITAL ASSETS

The Schools' investment in capital assets for its governmental activities as of June 30, 2018, was \$126.5 million with accumulated depreciation of \$62.0 million resulting in a net book value of \$64.5 million. The majority of net capital assets are land, buildings, and related improvements, which were \$59.6 million or 91% of total net capital assets.

The majority of capital asset activity is due to capital projects at various schools.

Additional information on the Schools' capital assets can be found in Note 4 to the financial statements.

**OAK RIDGE SCHOOLS
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

Total long-term debt at June 30, 2018, and 2017, was \$75.6 million and \$73.5 million, respectively. Total long-term debt increased from FY 2017 to FY 2018 by \$2.1 million.

Total other long-term liabilities at June 30, 2018, and 2017, were \$8.1 million and \$12.4 million, respectively. Total other long-term liabilities decreased from FY 2017 to FY 2018 by \$4.3 million.

Additional information on the Schools' long-term debt and other long-term liabilities can be found in Notes 5, 6, 7, 8, 16 and 18 to the financial statements.

ENROLLMENT

The Schools' enrollment has remained constant since FY 2003. Current enrollment is 4,510 for FY 2018 compared to 4,442 for FY 2017. Due to projected new residential developments, management is closely monitoring various factors affecting future enrollment.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the preparation of the FY 2019 budget, the following major assumptions were used.

- The FY 2018 budgeted expenditures for the General Purpose School Fund were \$54.9 million.
- Compensation and benefits budgeted in FY 2018 for employees increased by \$2,045,385 over the prior year.
- For FY 2018, the Schools have projected a 3.0% increase in health insurance premiums and a TCRS pension employer contribution rate of 10.46% for certified (teachers) staff, and 10.06% for non-certified (support) staff. Dental, vision and life premiums are projected to increase by 0%.

FINAL COMMENTS

The Oak Ridge School System continues to provide a quality public education. In prior years, the Schools have been recognized by "Newsweek" and several other national publications. Oak Ridge Schools continue to provide a great education for all students and is currently ranked by Niche as the number one school in the State of Tennessee.

In 2018, the entire Oak Ridge School District (all four elementary schools, two middle schools, and the high school) became STEM Certified by AdvancED. It is the first entire district to be certified in the State of Tennessee and the second entire district in the world. Our focus on STEM demonstrates our continued commitment to ensure every Oak Ridge student is prepared for college, career, and life success.

**OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

CONTACTING THE SCHOOLS

This financial report is designed to provide our citizens, parents, students, creditors, and regulatory agencies with an overview of the Schools' finances. If you have any questions about this report or need additional information, you may contact the Schools as follows:

Ms. Pat Smith
Finance Director
Oak Ridge Schools
P.O. Box 6588 Oak Ridge, Tennessee 37831-6588
865-425-9004
www.ortn.edu

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Net Position

June 30, 2018

	Departmental - Governmental Activities	Component Unit - Foundation
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
Current assets:		
Cash and cash equivalents	\$ 9,620,323	\$ 154,898
Investments, at fair value	-	4,183,990
Accounts receivable	636,673	-
Grants receivable	881,159	-
Due from other governments	1,424,007	-
Other accounts receivable	8,271	-
Inventory	43,195	-
Prepaid items	121,538	-
Total current assets	12,735,166	4,338,888
Restricted assets:		
Cash and cash equivalents	2,575,267	-
	2,575,267	-
Capital assets:		
Land and construction in progress	156,355	-
Building and equipment - net of accumulated depreciation	64,371,110	-
Total capital assets	64,527,465	-
Other assets:		
Net pension asset	470,386	-
Unconditional promises to give, net	-	119,358
Investments - endowment, at fair value	-	656,882
Total other assets	470,386	776,240
Total non-current assets	64,997,851	776,240
Total assets	80,308,284	5,115,128
Deferred outflows of resources:		
Pension contributions subsequent to the measurement date - pension	3,031,195	-
Contributions subsequent to the measurement date - OPEB	365,315	-
Changes in proportionate and differences between contributions and proportionate share of contributions - pension	440,591	-
Change in assumptions - pension	2,430,942	-
Differences between expected and actual experience - pension	292,356	-
Differences between projected and actual earnings on pension plan investments	33,478	-
Total deferred outflows of resources	6,593,877	-
Total assets and deferred outflows of resources	\$ 86,902,161	\$ 5,115,128

(Continued)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Net Position
(Continued)

June 30, 2018

<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>	<u>Departmental - Governmental Activities</u>	<u>Component Unit - Foundation</u>
Current liabilities (payable from current assets):		
Accounts payable	\$ 388,107	\$ -
Accrued interest payable - long-term debt	198,930	-
Accrued salaries and benefits	3,401,072	571
Current portion of other long-term liabilities	486,404	-
Current portion of long-term debt	4,645,318	-
Retainage payable	<u>203,852</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>9,323,683</u>	<u>571</u>
Non-current liabilities:		
Net OPEB liability	7,697,256	-
Long-term debt	70,924,486	-
Other long-term liabilities	<u>418,470</u>	<u>-</u>
Total non-current liabilities	<u>79,040,212</u>	<u>-</u>
Total liabilities	<u>88,363,895</u>	<u>571</u>
Deferred inflows of resources:		
Advance payments - school food service	20,041	-
Derivative instrument - interest rate swaps	4,871,904	-
Differences between expected and actual experience - pension	5,181,193	-
Changes in proportionate and differences between contributions and proportionate share of contributions - pension	126,570	-
Changes in assumptions - pension	<u>317,009</u>	<u>-</u>
Total deferred inflows of resources	<u>10,516,717</u>	<u>-</u>
Net position:		
Net investment in capital assets	(8,467,072)	-
Restricted	3,716,673	1,901,397
Unrestricted	<u>(7,228,052)</u>	<u>3,213,160</u>
Total net position	<u>(11,978,451)</u>	<u>5,114,557</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 86,902,161</u>	<u>\$ 5,115,128</u>

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Activities

Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Departmental Governmental Activities	Component Unit - Foundation
Governmental Activities						
Instructional	\$ 34,790,175	\$ 269,261	\$ 23,754,403	\$ -	\$ (10,766,511)	\$ -
Support services	21,134,627	-	813,856	-	(20,320,771)	-
Non-instructional	4,308,199	603,011	3,575,967	-	(129,221)	-
Interest on long-term debt	2,783,647	-	-	-	(2,783,647)	-
Total governmental activities	<u>\$ 63,016,648</u>	<u>\$ 872,272</u>	<u>\$ 28,144,226</u>	<u>\$ -</u>	<u>(34,000,150)</u>	<u>-</u>
Component Unit						
Foundation	<u>\$ 50,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,844</u>	<u>-</u>	<u>206,432</u>
General revenues:						
					10,393,227	-
					5,213,462	-
					174	-
					94,856	513,693
					995,446	-
					-	-
					9,458	-
					104,310	-
					443,984	-
					-	(507,593)
					22,710,708	-
					<u>39,965,625</u>	<u>6,100</u>
					<u>5,965,475</u>	<u>212,532</u>
					(17,809,545)	4,902,025
					38,004	-
					(172,385)	-
					(17,943,926)	4,902,025
					<u>(11,978,451)</u>	<u>5,114,557</u>

The accompanying notes are an integral part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Balance Sheet - Governmental Funds

June 30, 2018
(With Comparative Totals for June 30, 2017)

	Major Funds			Total (Memorandum Only)	
	General Purpose School Fund	School Federal Projects Fund	Other Nonmajor Funds	2018	2017
	ASSETS				
Cash and cash equivalents	\$ 8,837,548	\$ -	\$ 782,775	\$ 9,620,323	\$ 9,482,918
Accounts receivable	620,428	-	16,245	636,673	205,485
Grants receivable	95,034	753,015	33,110	881,159	638,897
Investments	-	-	-	-	-
Inventory	-	-	43,195	43,195	-
Due from other funds	626,608	-	-	626,608	378,742
Due from governmental units	1,424,007	-	-	1,424,007	1,335,427
Prepaid items	112,824	8,714	-	121,538	102,226
Restricted assets:					
Cash and cash equivalents	2,575,267	-	-	2,575,267	-
Total assets	\$ 14,291,716	\$ 761,729	\$ 875,325	\$ 15,928,770	\$ 12,143,695
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 274,416	\$ 35,399	\$ 78,292	\$ 388,107	\$ 701,171
Accrued salaries and benefits	3,285,255	107,993	7,824	3,401,072	3,207,152
Retainage payable	203,852	-	-	203,852	-
Due to other funds	-	618,337	-	618,337	378,742
Total liabilities	3,763,523	761,729	86,116	4,611,368	4,287,065
Deferred inflows of resources	65	-	19,976	20,041	20,221
Fund balances:					
Nonspendable - prepaid expenditures	112,824	-	-	112,824	96,315
Nonspendable - inventories	-	-	43,195	43,195	-
Restricted - career ladder/extended contract	3,004	-	-	3,004	(7,883)
Restricted - support services/ non-instructional	-	-	624,821	624,821	437,210
Restricted - bond proceeds	2,575,267	-	-	2,575,267	-
Unrestricted:					
Committed	770,491	-	101,217	871,708	907,927
Unassigned	7,066,542	-	-	7,066,542	6,402,840
Total fund balances*	10,528,128	-	769,233	11,297,361	7,836,409
Total liabilities, deferred inflows of resources and fund balances	\$ 14,291,716	\$ 761,729	\$ 875,325	\$ 15,928,770	\$ 12,143,695

*Includes unspent bond proceeds of \$2,575,267.

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2018

Total fund balances--governmental funds		\$ 11,297,361
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$126,498,053 and the accumulated depreciation is (\$61,970,588).		64,527,465
The net pension asset is not an available resource and, therefore, is not reported in the funds:		470,386
Deferred outflows and inflows of resources are reported on the Statement of Net Position for future inflow or outflow of resources that are not reported on the governmental funds balance sheet		
Deferred outflows of resources:		
Pension contributions subsequent to the measurement date - pension	\$ 3,031,195	
Contributions subsequent to the measurement date - OPEB	365,315	
Changes in proportionate and differences between contributions and proportionate share of contributions - pension	440,591	
Change in assumptions - pension	2,430,942	
Differences between expected and actual experience - pension	292,356	
Differences between projected and actual earnings on pension plan investments	33,478	
Deferred inflows of resources:		
Derivative instrument - interest rate swaps	(4,871,904)	
Differences between expected and actual experience - pension	(5,181,193)	
Changes in proportionate and differences between contributions and proportionate share of contributions - pension	(126,570)	
Changes in assumptions - pension	<u>(317,009)</u>	(3,902,799)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. These liabilities consist of:		
General obligation bonds	(36,251,337)	
Qualified zone academy bonds	(1,528,255)	
Notes payable	(33,507,288)	
Bond discounts and premiums, net	(1,362,974)	
Accrued interest payable - bonds and notes	(198,930)	
Capitalized outlay obligations	(2,508,196)	
Capitalized lease obligations	(411,754)	
Other post employment benefit obligations (OPEB)	(7,697,256)	
Compensated absences	(399,806)	
Termination benefits	<u>(505,068)</u>	<u>(84,370,864)</u>
Total net position--governmental activities		\$ <u>(11,978,451)</u>

The accompanying notes are an integral part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Major Funds			Total (Memorandum Only)	
	General Purpose School Fund	School Federal Projects Fund	Other Nonmajor Funds	2018	2017
Revenues:					
Property taxes	\$ 10,393,227	\$ -	\$ -	\$ 10,393,227	\$ 10,520,679
Local option sales	5,213,418	-	-	5,213,418	4,711,403
Mixed drink taxes	174	-	-	174	140
Mineral severance taxes	43	-	-	43	515
Charges for services	275,126	-	866,960	1,142,086	1,112,544
Other local sources	343,032	-	12,900	355,932	428,331
State of Tennessee - BEP	21,413,738	-	-	21,413,738	20,286,000
State of Tennessee - other	1,036,519	-	51,085	1,089,604	936,791
Federal government	144,900	3,612,868	1,497,998	5,255,766	5,237,683
Other	5,418	-	147,268	152,686	167,933
Total revenues	38,827,595	3,612,868	2,576,211	45,016,674	43,402,019
Expenditures:					
Current:					
Instructional:					
Regular instruction	25,250,936	812,510	-	26,063,446	26,270,060
Alternative school	645,966	-	-	645,966	542,011
Special education	4,123,369	783,214	-	4,906,583	4,603,805
Technology and career	1,281,767	115,747	-	1,397,514	1,063,328
Total instructional	31,302,038	1,711,471	-	33,013,509	32,479,204
Support services:					
Health services	559,614	5,004	-	564,618	541,213
Other student support	1,488,010	54,665	98,820	1,641,495	1,676,483
Instructional staff	2,584,960	314,307	-	2,899,267	2,800,019
Special education	782,613	241,434	-	1,024,047	992,828
Technology and career	92,392	3,066	-	95,458	91,666
Technology	2,335,763	-	-	2,335,763	2,314,371
Board of Education	1,124,551	-	-	1,124,551	1,105,888
Office of superintendent	326,859	-	-	326,859	317,926
Office of principal	3,135,206	-	-	3,135,206	3,069,219
Fiscal services	715,740	-	-	715,740	742,864
Human resources/personnel	330,925	-	-	330,925	332,994
Operation of plant	4,384,552	-	-	4,384,552	4,748,507
Maintenance of plant	1,583,163	-	-	1,583,163	1,418,749
Transportation	1,141,374	50,480	-	1,191,854	1,220,360
Total support services	20,585,722	668,956	98,820	21,353,498	21,375,087
Non-instructional:					
Food service	-	-	1,939,281	1,939,281	2,038,102
Community service / early childhood education	-	1,092,318	404,938	1,497,256	1,415,921
Pre-K program - grant	452,995	-	-	452,995	449,766
Pre-K program - local	476,538	-	-	476,538	-
Total non-instructional	929,533	1,092,318	2,344,219	4,366,070	3,903,789
Capital outlays	4,907,084	-	-	4,907,084	273,743
Debt service:					
Principal on capitalized leases	398,923	-	-	398,923	388,641
Interest on capitalized leases	26,077	-	-	26,077	36,359
Principal on bonds and notes payable	4,068,496	-	-	4,068,496	3,895,559
Interest on bonds and notes payable	2,583,973	-	-	2,583,973	2,556,617
Total debt service	7,077,469	-	-	7,077,469	6,877,176
Total expenditures	64,801,846	3,472,745	2,443,039	70,717,630	64,908,999
Revenues over (under) expenditures	(25,974,251)	140,123	133,172	(25,700,956)	(21,506,980)
Other financing sources (uses):					
Transfers in - from city	22,710,708	-	-	22,710,708	22,003,854
Transfers in - other funds	152,105	-	69,208	221,313	172,672
Transfers out - other funds	(69,208)	(140,123)	(11,982)	(221,313)	(172,672)
Bond proceeds	6,413,196	-	-	6,413,196	-
Total other financing sources (uses)	29,206,801	(140,123)	57,226	29,123,904	22,003,854
Net change in fund balances	3,232,550	-	190,398	3,422,948	496,874
Net position, beginning, as previously stated	7,295,578	-	540,831	7,836,409	7,339,535
Prior period adjustment (see note 21)	-	-	38,004	38,004	-
Net position, beginning, as restated	7,295,578	-	578,835	7,874,413	7,339,535
Fund balance, ending*	\$ 10,528,128	\$ -	\$ 769,233	\$ 11,297,361	\$ 7,836,409

*Includes unspent bond proceeds of \$2,575,267.

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Total net change in fund balances--governmental funds		\$ 3,422,948
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which depreciation expense (\$3,665,770) is less than capital outlays \$4,801,609		1,135,839
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repaid		4,467,419
Bond proceeds		(6,413,196)
Amortization of bond discounts and premiums, net		(167,405)
Change in accrued interest payable on long-term debt that is not due and payable in the current period and therefore is not reported with the funds		(6,193)
Investment income (loss) - change in fair value of ineffective derivative interest rate swap		995,445
Deferred inflows/outflows		
Pension income is not reported in the fund statements.		9,458
OPEB income is not reported in the fund statements.		249,838
Pension expense is not reported in the fund statements.		2,753,529
Employer contributions - pension		-
Employer contributions - OPEB		(530,365)
Governmental funds report compensated absences and termination benefits that mature or are used shortly after year end as an expenditure. However, the long-term portion is not reported in the governmental funds.		
OPEB Obligations	\$ -	
Compensated absences	(17,396)	
Termination benefits	65,555	48,159
Rounding		(1)
Changes in net position of governmental activities		<u>\$ 5,965,475</u>

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Major Governmental Funds

For Fiscal Year Ended June 30, 2018

	General Purpose School Fund				School Federal Projects Fund			
	Original Budget	Final Budget	2018 Actual	Variance with Final Budget	Original Budget	Final Budget	2018 Actual	Variance with Final Budget
Revenues:								
Property taxes	\$ 10,608,147	\$ 10,608,147	\$ 10,393,227	\$ (214,920)	\$ -	\$ -	\$ -	\$ -
Local option sales taxes	4,704,134	4,704,134	5,213,418	509,284	-	-	-	-
Mixed drink taxes	-	-	174	174	-	-	-	-
Local mineral severance taxes	500	500	43	(457)	-	-	-	-
Charges for services	230,000	230,000	275,126	45,126	-	-	-	-
Other local sources	106,497	50,113	343,032	292,919	-	-	-	-
State of Tennessee - BEP	21,085,000	21,085,000	21,413,738	328,738	-	-	-	-
State of Tennessee - other	1,053,635	708,295	1,038,519	330,224	-	-	-	-
Federal government	74,449	74,449	144,900	70,451	3,322,698	3,722,467	3,612,868	(109,599)
Other	115,695	100,000	5,418	(94,582)	-	-	-	-
Total revenues	37,978,057	37,560,638	38,827,595	1,266,957	3,322,698	3,722,467	3,612,868	(109,599)
Expenditures:								
Instructional:								
Regular instruction	25,781,678	25,350,814	25,250,936	(99,878)	447,634	866,744	812,510	(54,234)
Alternative school	631,061	649,646	645,966	(3,680)	-	-	-	-
Special education	4,152,247	4,172,611	4,123,369	(49,242)	748,977	793,410	783,214	(10,196)
Technology and career	1,092,185	1,291,121	1,281,767	(9,354)	129,362	120,354	115,747	(4,607)
Other	457,231	67,309	-	(67,309)	-	-	-	-
Total instructional	32,114,402	31,531,501	31,302,038	(229,463)	1,325,973	1,780,508	1,711,471	(69,037)
Support services:								
Health services	585,589	568,819	559,614	(9,205)	-	5,075	5,004	(71)
Other student support	1,359,558	1,511,421	1,488,010	(23,411)	215,362	74,602	54,665	(19,937)
Instructional staff	2,610,233	2,654,145	2,584,960	(69,185)	267,387	316,647	314,307	(2,340)
Special education	799,331	790,521	782,613	(7,908)	215,867	250,327	241,434	(8,893)
Technology and career	91,069	92,619	92,392	(227)	-	3,089	3,066	(23)
Technology	2,355,880	2,379,993	2,335,763	(44,230)	-	-	-	-
Board of education	1,115,265	1,213,265	1,124,551	(88,714)	-	-	-	-
Office of superintendent	340,081	341,682	326,859	(14,823)	-	-	-	-
Office of principal	3,213,509	3,152,120	3,135,206	(16,914)	-	-	-	-
Fiscal services	809,024	748,925	715,740	(33,185)	200,000	-	-	-
Human resources/personnel	342,750	344,727	330,925	(13,802)	-	-	-	-
Operation of plant	4,812,374	4,543,598	4,384,552	(159,046)	-	-	-	-
Maintenance of plant	1,601,535	1,596,679	1,583,163	(13,516)	-	-	-	-
Transportation	1,400,271	1,236,425	1,141,374	(95,051)	-	50,574	50,480	(94)
Total support services	21,436,469	21,174,939	20,585,722	(589,217)	898,616	700,314	668,956	(31,358)

(Continued)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Major Governmental Funds (Continued)

For Fiscal Year Ended June 30, 2018

	General Purpose School Fund				School Federal Projects Fund			
	Original Budget	Final Budget	2018 Actual	Variance with Final Budget	Original Budget	Final Budget	2018 Actual	Variance with Final Budget
Expenditures (continued):								
Non-instructional:								
Community service/Early childhood education	\$ -	\$ -	\$ -	\$ -	\$ 270,000	\$ 1,103,137	\$ 1,092,318	\$ (10,819)
Other	-	-	-	-	-	1,078	-	(1,078)
Pre-k program - grant	653,725	452,995	452,995	-	-	-	-	-
Pre-k program - local	-	488,575	476,538	(12,037)	-	-	-	-
Total non-instructional	653,725	941,570	929,533	(12,037)	270,000	1,104,215	1,092,318	(11,897)
Capital outlay	167,500	306,667	4,907,084	4,600,417	746,842	-	-	-
Debt service:								
Principal on capitalized leases	398,923	398,923	398,923	-	-	-	-	-
Interest on capitalized leases	26,077	26,077	26,077	-	-	-	-	-
Principal on bonds and notes payable	-	-	4,068,496	4,068,496	-	-	-	-
Interest on bonds and notes payable	-	-	2,583,973	2,583,973	-	-	-	-
Total debt service	425,000	425,000	7,077,469	6,652,469	-	-	-	-
Total expenditures	54,797,096	54,379,677	64,801,846	10,422,169	3,241,431	3,585,037	3,472,745	(112,292)
Revenues over (under) expenditures	(16,819,039)	(16,819,039)	(25,974,251)	(9,155,212)	81,267	137,430	140,123	2,693
Other financing sources (uses):								
Transfers in - from city	15,493,963	15,493,963	22,710,708	7,216,745	-	-	-	-
Transfers in - other funds	-	-	152,105	152,105	-	-	-	-
Transfers out - other funds	-	-	(69,208)	(69,208)	(81,267)	(137,430)	(140,123)	(2,693)
Bond proceeds	-	-	6,413,196	-	-	-	-	-
Total other financing sources - net	15,493,963	15,493,963	29,206,801	7,299,642	(81,267)	(137,430)	(140,123)	(2,693)
Net change in fund balances	\$ (1,325,076)	\$ (1,325,076)	3,232,550	\$ (1,855,570)	\$ -	\$ -	-	\$ -
Fund balance, beginning			7,295,578					
Fund balance, ending*			\$ 10,528,128				\$ -	

*Includes unspent bond proceeds of \$2,575,267.

The accompanying notes are an integral part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

<u>ASSETS</u>	<u>Private Purpose Trust - Scholarship Fund</u>	<u>Oak Ridge Schools Internal School Funds</u>	<u>Total Funds</u>
Cash and cash equivalents	\$ 103,186	\$ 946,831	\$ 1,050,017
Inventory	-	3,147	3,147
Prepaid expenses	<u>8,271</u>	<u>-</u>	<u>8,271</u>
Total assets	<u>\$ 111,457</u>	<u>\$ 949,978</u>	<u>\$ 1,061,435</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities (payable from current assets):			
Due to other funds	<u>\$ 8,271</u>	<u>\$ -</u>	<u>\$ 8,271</u>
Total liabilities	<u>8,271</u>	<u>-</u>	<u>8,271</u>
Net position:			
Held in trust for scholarships	103,186	-	103,186
Held in internal school funds	<u>-</u>	<u>949,978</u>	<u>949,978</u>
Total net position	<u>103,186</u>	<u>949,978</u>	<u>1,053,164</u>
Total liabilities and net position	<u>\$ 111,457</u>	<u>\$ 949,978</u>	<u>\$ 1,061,435</u>

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust - Scholarship Fund	Oak Ridge Schools Internal School Funds	Total Funds
<u>ADDITIONS</u>			
Investment income	\$ 887	\$ -	\$ 887
Contributions	6,000	1,390,519	1,396,519
Total additions	<u>6,887</u>	<u>1,390,519</u>	<u>1,397,406</u>
<u>DEDUCTIONS</u>			
Scholarship awards	159,216	-	159,216
School related expenditures	-	1,363,396	1,363,396
Other	-	2,357	2,357
Total deductions	<u>159,216</u>	<u>1,365,753</u>	<u>1,524,969</u>
Change in net position	(152,329)	24,766	(127,563)
Net position, beginning of year	<u>255,515</u>	<u>925,212</u>	<u>1,180,727</u>
Net position, end of year	<u>\$ 103,186</u>	<u>\$ 949,978</u>	<u>\$ 1,053,164</u>

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies

(a) Financial Reporting Entity

The Oak Ridge Board of Education (the "Schools") was established by the City of Oak Ridge, Tennessee (the "City") under the provisions of the City's Charter, Article VI, Sections 1-18.

Oak Ridge Schools operate eight schools which consist of one preschool, four elementary, two middle and one high school. All of the schools, with the exception of the preschool, are accredited by the Southern Association of Colleges and Schools ("SACS"). The School System is responsible for the public education of children in grades K through 12 who reside within the boundaries of the City of Oak Ridge. Students who live outside the city limits may attend, subject to space availability and the payment of tuition.

The Schools are a department of the City of Oak Ridge and are not a separate legal entity. Therefore, the Schools' financial statements are also included in the City's Comprehensive Annual Financial Report ("CAFR"). The Schools' departmental-wide financial statements will be blended within the City's CAFR in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14. In accordance with the City's Charter, the City Council approves and issues long-term debt, such as bonds and notes payable to provide the financing for the acquisition and construction of the Schools' facilities.

The financial statements present only the Oak Ridge Schools and are not intended to present fairly the financial position of the City of Oak Ridge, Tennessee, or the results of its operations and cash flows of its proprietary fund in conformity with generally accepted accounting principles.

Discretely Presented Major Component Units

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 Schools do not appoint or approve the Foundation's budget or Board of Directors. However, since the Foundation's main purpose is to provide financial support to the Schools, this meets the definition of a component unit in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, paragraph five.

The Foundation has been reported in the Schools' departmental-wide financial statements as a major component unit. The Foundation has been audited by a separate certified public accounting firm for the year ended December 31, 2017. The Schools have included the Foundation's results with a different year-end in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, paragraph 59. The Foundation published separate financial statements and may be obtained from:

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

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation

The Schools follows Governmental Accounting Standards Board standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of activities and changes in net position. These standards require the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. The classifications are defined as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component of net position consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Schools basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Schools as a whole.

The statement of net position presents the financial condition of the governmental activities of the Schools at year-end. The statement of activities presents a comparison between direct expenses and program or function of the Schools' governmental activities.

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the Schools. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Schools.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

2. **Fund Financial Statements:**

During the year, the Schools segregate transactions related to certain school functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Schools at this detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The following are the Schools' funds:

Major Funds:

The General Purpose School Fund is the main operating fund of the Schools. It is used to account for all financial resources except those required to be accounted for in another fund. Revenues are received from local taxes, state and federal revenues and charges for services.

The School Federal Projects 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.

Non-Major Funds:

The Other Education Special Revenue 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.

The Extended School Program Fund is used to account for the fees collected for the Schools' extended child care program.

The Central Cafeteria 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.

The Schools' fiduciary funds are the following private purpose trust and agency funds:

The Scholarship 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.

Oak Ridge Schools Internal School Funds ("ORISF") 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.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(c) Fund Accounting

The Schools use funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

Special Revenue Funds account for revenue derived from specific sources that are restricted by legal and regulatory provisions to finance specific activities. The Special Revenue Funds are the General Purpose School Fund, the School Federal Projects Fund, the Other Education Special Revenue Fund, the Extended School Program Fund and the Central Cafeteria Fund.

Proprietary Funds are used to account for activities that are similar to activities that may be performed by a commercial enterprise.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Fiduciary Funds account for assets held by the Schools in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

(d) Measurement Focus

1. **Government-Wide Financial Statements:**

The government-wide financial statements are prepared 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 when incurred, regardless of the timing of the related cash flows. All assets and liabilities associated with the operation of the Schools are included on the statement of net position.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(d) Measurement Focus (Continued)

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between government-wide statements and the statements for governmental funds.

(e) Component Unit

The Oak Ridge Public Schools Education Foundation, Inc. follows the Schools' proprietary fund type measurement focus and basis of accounting, the accrual basis of accounting.

(f) Fund Balance

Governmental funds, in the fund financial statements, report reservations of fund balances for amounts that are not available for appropriation and/or legally restricted by outside third-parties for specific purposes. In accordance with GASB 54, the governmental funds report fund balances in classifications that comprise a hierarchy based primarily on the extent to which the Schools are bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories of fund balance are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Fund balances reported as non-spendable represent amounts for inventory, prepaid expenditures, encumbrances, advances to other funds and noncurrent notes receivables.
- Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation (such as through state statutes).
- Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action, either ordinance or resolution, of the Board of Education (the "Board") level of decision-making authority, are reported as committed fund balance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. Amounts classified as committed are not subject to legal enforceability like restricted resources; however, they cannot be used for any other purposes unless the Board removes or changes the commitment by taking the same action it employed to impose the commitment.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(f) Fund Balance (Continued)

- Assigned – This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted or committed. In addition, General Purpose School Fund balances that the School intends to use for specific purposes as approved by the Board or management are also classified as assigned. The Board has a fund balance policy that allows assigned amounts to be re-assigned by the Board, or management.
- Unassigned – This classification consists of all fund balances in the General Purpose School Fund that are not reported as nonspendable, restricted, committed or assigned.

The Schools' policy is to expend any available restricted, committed or assigned resources, in that order, prior to expending unassigned resources.

(g) Minimum Fund Balance

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, 2018, the Schools met the minimum fund balance as required by state law.

(h) Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. **Revenues - Exchange and Nonexchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Schools, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Schools receive value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Schools must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Schools on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: charges for services, interest income, grants and intergovernmental revenue.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(h) Basis of Accounting (Continued)

2. **Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

(i) 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. Encumbered appropriations for funds do not lapse at the end of the fiscal year. Encumbrances outstanding at year-end are reported as nonspendable fund balances since they do not constitute expenditures or liabilities. There were no outstanding encumbrances at June 30, 2018.

(j) Budgets and Basis of Budgeting

The Oak Ridge Schools' budget process is initiated each year by the various programs, principals and staff of each school as well as the preparation of the budgets by each special department within the two major governmental funds of the school system. These budgets include staff requirements, materials and supply needs, capital and replacement equipment needs, and special requests associated with the operation of the school system. School unit budgets are submitted to the Executive Director of School Leadership for review and compilation. Other departments submit their budgets directly to the Finance Director for review and compilation. On or about February 1, all budgets are submitted to the Superintendent of Schools on the required forms and in a predetermined format. The budget review process by the Superintendent, Executive Directors, Finance Director, and department directors is completed during the month of February.

Revenue projections in all areas are made during the month of April by the Finance Director. Community involvement by a citizens' committee is also provided for during this period. On or about May 1, a comprehensive budget proposal is prepared and submitted to the Board of Education as the Superintendent's proposed budget for the subsequent fiscal year. During May, the Board of Education conducts numerous special Board meetings for budget review sessions as well as formal public hearings. During this same period, the Board hears formal recommendations from the Oak Ridge Education Association and the principal's group. Following these deliberations by the Board of Education and adjustments as required by the Board's action, the budget is approved by the Board for submission to City Council in late May. Beginning in late May, the City of Oak Ridge conducts formal budget reviews and public hearings, with a first and second reading of the appropriation ordinance. On or before June 30, the appropriation ordinance is approved by City Council establishing the property tax rate for the coming fiscal year and the level of appropriation for the Oak Ridge Schools.

Once the budget has been approved, the Board of Education may modify the budget between departments or major category level; however, any increase in total appropriations must be approved by the Board of Education and City Council. Management can modify the budget amounts within a department.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(j) Budgets and Basis of Budgeting (Continued)

Formal budgetary integration is employed as a management control device for the General Purpose School Fund, School Federal Projects Fund, Other Education Special Revenue Fund, and Extended School Program Fund; however, the School Federal Projects budget is amended at the time the grant or program has been approved by the grantor. The budgets are legally adopted on a basis consistent with GAAP, except 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 end of the fiscal year.

Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted or as amended by the Board of Education and City Council. Budgetary appropriations which are not expended lapse at year-end.

(k) Cash and Cash Equivalents

For purposes of these financial statements, the Schools consider all highly liquid investments (including restricted assets) having original maturity dates of three months or less when purchased to be cash equivalents.

(l) Investments

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

(m) Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

(n) Pledges Receivable

Pledges receivable of the component unit (the Foundation), are recognized as contribution revenue in the period that is, in substance, unconditional. The Foundation uses the allowance method to determine an uncollectible amount based upon prior years' experience and management's estimates.

Unconditional pledges that are expected to be collected within one year are recorded at net realizable value. Unconditional receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those 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.

(o) Inventory

Inventories are presented at the lower of cost (weighted average method) or market.

(p) Commodities

The Oak Ridge Schools receive commodities for school cafeterias from the U.S. Department of Agriculture. The value of the commodities received is reported as revenue, and the value of such commodities used is reported as cost of food in the accompanying financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(q) Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation.

(r) Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair market values as of the date received. The Schools maintain a capitalization threshold of five thousand dollars. The Schools do not possess any infrastructure. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are charged to operations.

All reported capital assets except for land and land improvements are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Computer hardware and software	5 - 10 years
Food service equipment and fixtures	15 years
Buses	15 years
Vehicles	5 - 8 years
Furniture and fixtures	20 years
Athletic facilities	10 - 20 years

(s) Compensated Absences

It is the policy of the Schools to permit employees to accumulate, in varying amounts, earned but unused vacation and sick pay benefits. There is no liability recorded for unpaid accumulated sick leave since the Schools do not have a policy to pay any such amounts upon separation from employment. However, upon retirement, the accumulated sick leave is credited to time of employment for calculating years of service under TCRS benefits.

In the departmental-wide financial statements, unpaid compensated absences are reported as Other Long-Term Liabilities. In the fund financial statements, compensated absences are expensed as they are paid. The compensated absences liability is not reported in their respective fund financial statements because it is not expected to be liquidated with expendable available financial resources.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(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.

(u) Pension Plans

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

Oak Ridge City Schools Teacher Legacy Pension Plan of TCRS. For purposes of measuring the net pension asset/liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's 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 Teacher Legacy Pension Plan. Investments are reported at fair value.

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

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

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(v) Postemployment Benefits

The Schools follows the provisions of Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans."

(w) Termination Benefits

The Schools provide voluntary termination benefits for professional employees who agree to retire before age 65. Payments are recorded as an expenditure in the General Purpose School Fund. The estimated liability and related expense are reported in the departmental-wide financial statements.

(x) Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Short-term amounts owed between funds are classified as "Due to/from other funds." Interfund loans are classified as "Interfund notes receivable/payable."

(y) Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended June 30, 2018.

(z) Deferred Outflows/Inflows of Resources

In accordance with GASB Statement No. 63 and GASB Statement No. 65, 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) and so will not be recognized as an inflow of resources (revenue) until that time.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(z) Deferred Outflows/Inflows of Resources (Continued)

Deferred outflows/inflows of resources consist of the following at June 30, 2018:

	Governmental Activities
<u>Deferred Outflows of Resources:</u>	
Pension contributions subsequent to the measurement date – pension	\$ 3,031,195
Pension contributions subsequent to the measurement date – OPEB	365,315
Changes in proportionate and differences between contributions and proportionate share of contributions – pension	440,591
Change in assumptions – pension	2,430,942
Differences between expected and actual experience – pension	292,356
Differences between projected and actual earnings on pension plan investments	33,478
	\$ 6,593,877
<u>Deferred Inflows of Resources:</u>	
Advance payments for School Food Service	\$ 20,041
Derivative Instrument – Interest Rate Swaps (Notes 6 and 7)	4,871,904
Differences between expected and actual experience – pension	5,181,193
Changes in proportionate and differences between contributions and proportionate share of contributions – pension	126,570
Changes in assumptions – pension	317,009
	\$ 10,516,717

(aa) Recently Issued and Adopted Accounting Pronouncements

GASB has issued the following recent pronouncements:

Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other than Pension" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

Statement No. 81, "Irrevocable Split-Interest Agreements" – The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2016.

Statement No. 85, "Omnibus" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

Statement No. 86, "Certain Debt Extinguishment Issues" – The provisions of this Statement are effective for financial reporting periods beginning after June 15, 2017.

Only Statement No. 75 has had an effect on the Schools financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(ab) Long-Term Debt

The departmental-wide financial statements report long-term debt associated with the capital assets that have been reported. Various debt issues were executed by the City of Oak Ridge, and the City services the debt through its Debt Service Fund, not the Board of Education special revenue funds. To reflect this activity in the Schools' separately-issued statements, entries are made for the principal and interest payments as transfers between the Debt Service Fund of the City and the General Purpose School Fund of the Schools.

In the departmental-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 or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

(ac) Fair Value of Financial Instruments

We use a framework for measuring fair value and disclosing fair values. We define fair value at the price which would be received to sell an asset in an orderly transaction between market participants at the measurement date. We use this framework for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

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

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

1. Summary of Significant Accounting Policies (Continued)

(ac) Fair Value of Financial Instruments (Continued)

Investments are measured at fair value based on quoted market prices in the active markets (all are Level 1 inputs).

The fair value of current assets and current liabilities approximate to the carrying value due to the short maturity of these instruments. The fair value of unconditional promises to give is estimated by discounting the future cash flows using the current rates offered for deposits of similar remaining maturities.

The fair values of long-term debt and other long-term liabilities approximate the carrying amounts and are estimated based on current rates offered to us.

(ad) Comparative Data

Comparative totals for the prior year have been presented in the accompanying combined financial statements in order to provide an understanding of changes in the Schools' financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

Total columns on the combined financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain comparative data have been reclassified to present such amounts in a manner consistent with the current year's presentation.

2. Deposits and Investments

The Schools follow GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, that requires disclosures about custodial credit risk, interest rate risk, credit risk and concentration of credit risk.

At June 30, 2018, the Schools had the following deposits and investments:

<u>Description</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits:		
Bank Deposits and Money Market Accounts	N/A	<u>\$ 13,245,607</u>

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

2. Deposits and Investments (Continued)

A summary of the deposits and investments by fund at June 30, 2018 is as follows:

Bank Deposits:	
Cash and Cash Equivalents –	
General Purpose School Fund	\$ 11,412,815
Central Cafeteria Fund	670,709
Extended School Program Fund	106,301
Other Education Special Revenue Fund	5,765
Oak Ridge Schools Internal School Funds	946,831
Scholarship Fund	<u>103,186</u>
 Total Cash and Cash Equivalents	 <u><u>\$ 13,245,607</u></u>

A reconciliation of cash and cash equivalents as shown on the statement of net position and the balance sheet – governmental funds at June 30, 2018 is as follows:

Total Bank Deposits	\$ 13,245,607
Less: Fiduciary Fund – Scholarship Fund	(103,186)
Less: Fiduciary Fund – Oak Ridge Schools Internal School Funds	<u>(946,831)</u>
 Cash and Cash Equivalents – Statement of Net Position and Balance Sheet	 <u><u>\$ 12,195,590</u></u>

Deposits

State statutes authorize the Schools to deposit funds in banks, credit unions and the state and local government investment pool (“SLGIP”) and repurchase agreements.

Deposit Policies

The Schools’ deposit policy is governed by the laws of the State of Tennessee. Deposits in financial institutions are required by state statutes to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance.

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 Depository 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.

Deposits – Custodial Credit Risk

At June 30, 2018, the carrying amount of the Schools’ deposits (cash and cash equivalents) were \$12,195,590 and were held in financial institutions that were fully insured or participate in the bank collateral pool administered by the Treasurer of the State of Tennessee.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

2. Deposits and Investments (Continued)

Deposits – Custodial Credit Risk (Continued)

Banks may use one of three different security pledges (90, 100 or 105%) depending on the specific bank holding the deposit. Participating banks determine the aggregate balance of their public fund accounts for the Schools. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged 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. Since the bank collateral pool covered all the Schools' deposits at June 30, 2018, they are considered to be insured, fully collateralized and classified as Category 1, under GASB Statement No. 40, for purposes of custodial credit risk disclosure.

Investment Income

Investment income in the Scholarship Fund for the year ended June 30, 2018 consisted of the following:

Interest	<u>\$ 887</u>
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Investment Policies

State statutes authorize the Schools to invest in obligations of the federal government, federal agency securities, state government, state local government investment pool ("SLGIP"), municipal bonds issued in Tennessee, certificates of deposit, and other time deposits and repurchase agreements.

Custodial Credit Risk: The Schools' investment policy requires that investment securities be registered in the name of 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.

Credit Risk: The Schools' investment policy limits investments in federal agency securities and municipal bonds, to the highest ratings by two of the nationally recognized ratings organizations, Standard and Poor's, Moody's Investor Services, FITCH or A.M. BEST.

Interest Rate Risk: Investments are made 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 also allowed.

In accordance with its investment policy, the Schools manage its interest rate risk by limiting the weighted-average maturity of its investment portfolio in the governmental funds and proprietary fund 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 a maturity exceeding ten years.

Concentration of Credit Risk: The Schools may choose to maintain between 0% to 100%, or any portion thereon, of its investment portfolio in U.S. Treasury Bills, Notes and Bonds, federal agencies, SLGIP, certificates of deposit or repurchase agreements in accordance with state statutes. As of June 30, 2018, the Schools did not maintain any investments; deposits were held in bank or money market accounts.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

2. Deposits and Investments (Continued)

Investment Policies (Continued)

The Schools' investment policy does not require diversification among authorized investment broker-dealers. However, the policy requires the use of an investment broker-dealer who is registered with the Securities Investor Protection Corporation ("SIPC") and who maintains an office within the city limits.

Component Unit – Foundation

At December 31, 2017 (latest information available), the Foundation had the following deposits and investments:

Bank Deposits:	
Bank Deposits and Certificates of Deposit	<u>\$ 154,898</u>
Investments, at Fair Value:	
Money Market Accounts	42,967
U.S. Treasury Bonds	1,211,871
Mutual Funds	<u>3,586,034</u>
Total Investments, at Fair Value	<u>4,840,872</u>
Total	<u>\$ 4,995,770</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.

A reconciliation of investments as shown on the statement of net position at December 31, 2017 (latest information available) is as follows:

Investments, at Fair Value – Current Assets	\$ 4,183,990
Investments, at Fair Value – Other Assets	<u>656,882</u>
	<u>\$ 4,840,872</u>

Investment gains (losses) for 2018 consisted of the following:

Interest and Dividends	\$ 165,638
Realized Gains (Losses) on Investments	96,157
Unrealized Gains (Losses) on Investments	<u>271,625</u>
	<u>\$ 533,420</u>

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

3. Unconditional Promises to Give

The Foundation had the following pledges receivable at December 31, 2017 (latest information available):

Due Within One Year	\$ 62,400
Due in One to Five Years	<u>73,282</u>
Gross Receivable	135,682
Less: Discounts to Net Present Value	(2,756)
Less: Allowance for Uncollectible Promises to Give	<u>(13,568)</u>
	<u>\$ 119,358</u>
Due Within One Year	\$ 54,893
Due Within One to Five Years	<u>64,465</u>
	<u>\$ 119,358</u>

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land and land improvements	\$ 156,355	\$ -	\$ -	\$ 156,355
Construction in progress	-	1,547,218	-	1,547,218
	<u>156,355</u>	<u>1,547,218</u>	<u>-</u>	<u>1,703,573</u>
Total capital assets, not being depreciated				
Capital assets being depreciated:				
Buildings and improvements	103,632,248	3,058,839	-	106,691,087
Vehicles	1,010,457	110,395	17,700	1,103,152
Buses	1,407,718	-	274,993	1,132,725
Machinery and equipment	12,248,922	43,880	-	12,292,802
Furniture and fixtures	1,579,909	-	-	1,579,909
Computer software and telecom	1,953,528	41,277	-	1,994,805
	<u>121,832,782</u>	<u>3,254,391</u>	<u>292,693</u>	<u>124,794,480</u>
Total capital assets, being depreciated				
Less accumulated depreciation:				
Buildings and improvements	47,432,981	2,433,253	-	49,866,234
Vehicles	835,947	55,897	17,700	874,144
Buses	1,247,911	52,260	274,993	1,025,178
Machinery and equipment	6,476,914	909,768	-	7,386,682
Furniture and fixtures	789,399	78,996	-	868,395
Computer software and telecom	1,814,359	135,596	-	1,949,955
	<u>58,597,511</u>	<u>3,665,770</u>	<u>292,693</u>	<u>61,970,588</u>
Total accumulated depreciation				
Capital assets, being depreciated, net	<u>63,235,271</u>	<u>(411,379)</u>	<u>-</u>	<u>62,823,892</u>
Governmental activities capital assets, net	<u>\$ 63,391,626</u>	<u>\$ 1,135,839</u>	<u>\$ -</u>	<u>\$ 64,527,465</u>

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

4. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional	\$ 3,343,021
Support services	243,753
Non-instructional	78,996
	Total depreciation expense
	\$ 3,665,770

5. Long-Term Debt

Overview

Long-term liabilities at June 30, 2018 consisted of the following:

General Obligation Bonds	\$ 36,251,337
Qualified Zone Academy Bonds ("QZAB")	1,528,255
Local Government Public Improvement Bonds	33,507,288
Capital Outlay Notes	2,508,196
Capital Lease Obligations	411,754
	74,206,830
Less: Unamortized Discounts	-
Add: Unamortized Premiums	1,362,974
	75,569,804
Less: Current Portion	(4,645,318)
	\$ 70,924,486

Interest expense recorded in the departmental-wide statement of activities consisted of the following:

Interest Paid	\$ 2,610,050
Amortization of Bond Premiums	167,404
Accrued Interest Payable – Net Change	6,193
	Total
	\$ 2,783,647

Activity

Long-term debt activity for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Retirements/ Reductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	\$ 35,905,414	\$ 3,905,000	\$ (3,559,077)	\$ 36,251,337	\$ 3,674,902
QZAB	2,037,674	-	(509,419)	1,528,255	509,418
Local Government Public Improvement Bonds	33,507,288	-	-	33,507,288	-
Capital Outlay Notes	-	2,508,196	-	2,508,196	49,244
Capitalized Lease Obligations	810,677	-	(398,923)	411,754	411,754
Total	72,261,053	6,413,196	(4,467,419)	74,206,830	4,645,318
Unamortized Premiums	1,195,569	369,917	(202,512)	1,362,974	-
Total	\$ 73,456,622	6,783,113	\$ (4,669,931)	\$ 75,569,804	\$ 4,645,318

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

5. Long-Term Debt (Continued)

General Obligation Bonds

General Obligation Bonds ("GO") consisted of the following at June 30, 2018:

Series 2009 GO Refunding Bond, issuance of \$15,676,720, maturing in 2022 with interest rates of 3.00% to 5.00%	\$ 8,359,703
Series 2009B GO Refunding Bond, issuance of \$1,468,284, maturing in 2041 with interest rates of 5.60% to 6.50%	7,846,634
Series 2015A GO Refunding Bond, issuance of \$9,140,000, maturing in 2024 with interest rates of 2.00% to 5.00%	6,850,000
Series 2015B GO Refunding Bond, issuance of \$9,445,000, maturing in 2032 with interest rates of 2.00% to 3.00%	9,290,000
Series 2017 General Obligation Refunding Bond, issuance of \$3,905,000, maturing in 2033 with interest rates of 2.25% to 5.00%	<u>3,905,000</u>
	<u>\$ 36,251,337</u>

In February 2009, the Schools, through the City of Oak Ridge, issued \$15,676,720 in General Obligation Refunding Bonds, Series 2009, for a current refunding of \$16,910,647 of outstanding notes payable. The refunding was done to reduce total future debt service payments and to replace variable interest rate debt with fixed interest rate debt.

In November 2009, the Schools, through the City of Oak Ridge, issued \$7,528,350 in General Obligation Bonds, Series 2009B, Build America Bonds ("BABS"). The bond proceeds were used to finish the Oak Ridge High School renovations and other capital projects. During 2011, an additional amount of \$318,284 was allocated to the Schools for capital projects. The BABS are federally taxable Build America Bonds with a direct interest subsidy from the U.S. Government. Interest payments are made semi-annually at gross interest rates ranging from 5.63% to 6.25%. The loan principal payments begin June 1, 2025 and continue through June 1, 2041.

The Schools receive a direct subsidy of 28.4% from the United States Government that reduces its interest costs. The Schools have 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. Interest subsidies related to the BABS during the year ended June 30, 2018 totaled \$107,576. The Schools received a portion of this subsidy based on the ratio of their debt to the total debt.

In December 2015, the Schools, through the City of Oak Ridge, issued \$9,140,000 in General Obligation Refunding Bonds, Series 2015A, to refund outstanding general obligation debt.

In December 2015, the Schools, through the City of Oak Ridge, issued \$9,445,000 in General Obligation Refunding Bonds, Series 2015B, to refund outstanding general obligation debt.

In December 2017, the Schools, through the City of Oak Ridge, issued \$3,905,000 General Obligation Refunding Bonds, Series 2015B, to refund outstanding general obligation debt at the City and borrow additional funds for capital projects at the City and Schools.

Qualified Zone Academy Bonds

Qualified Zone Academy Bonds ("QZAB") consisted of the following at June 30, 2018:

Series 2004 QZAB issue of \$7,049,360 maturing in 2021 (Interest Free)	\$ 1,321,755
Series 2005 QZAB issue of \$1,032,500 maturing in 2021 (Interest Free)	<u>206,500</u>
	<u>\$ 1,528,255</u>

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

5. Long-Term Debt (Continued)

Qualified Zone Academy Bonds (Continued)

The Schools, through the City of Oak Ridge, issued \$7,049,360 in QZAB in fiscal year 2005 and \$1,032,500 in fiscal year 2006. QZAB's are a federal program, administered through state departments of education, which provides 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 will fund the Schools' 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 2021. 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.

Notes Payable

Notes payable consisted of the following at June 30, 2018:

2008 note payable of \$7,752,287 loan agreement TMBF, maturing in 2027 with a variable interest rate of 1.78% (as of June 30, 2018)	\$ 7,632,288
2009 note payable of \$21,140,000 loan agreement Series 2009 Bonds VII-E-1, maturing in 2036 with a variable interest rate of 3.95% (as of June 30, 2018)	21,140,000
2009 note payable of \$4,735,000 loan agreement Series 2009 Bonds VI-M-1, maturing in 2029 with a variable interest rate of 4.00% (as of June 30, 2018)	<u>4,735,000</u>
	<u>\$ 33,507,288</u>

During the year ended June 30, 2008, the Schools, through the City of Oak Ridge, entered into a \$4,945,987 loan agreement with the Tennessee Municipal Bond Fund ("TMBF") program to fund a portion of the Oak Ridge High School ("ORHS") project. Scheduled principal payments continue through 2027. The interest rate is variable and was approximately 1.51% for the year ended June 30, 2018. During the year ended June 30, 2009, the Schools borrowed an additional \$2,806,300 for the ORHS project.

During 2009, the Schools, through the City of Oak Ridge, issued Series VI-M-1 bonds for \$4,735,000. The bonds were used in a current refunding of the 2006 Series VI-H-1 bonds (see Note 6 and Note 7). Principal payments begin in 2026 with maturity in 2029. Annual interest payments are amortized using a variable interest rate, which was approximately 3.95% for the year ended June 30, 2018.

During the year ended June 30, 2009, the Schools, through the City of Oak Ridge, issued Series VII-E-1 bonds for \$21,140,000. The bonds were used to refinance a \$10,000,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-Loans program originally issued on December 1, 2004. The bonds were also used to refinance an \$11,000,000 portion of the \$15,675,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-Loans program originally issued on November 22, 2006. Principal payments begin in 2029 with maturity in 2036. The bonds retain the interest rate swap agreements that were associated with the loan agreements that were refinanced (see Note 6 and Note 7). Annual interest payments are amortized using a variable interest rate, which was approximately 4.00% for the year ended June 30, 2018.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

5. Long-Term Debt (Continued)

Capitalized Outlay Note

In October 2017, the Schools, through the City of Oak Ridge, issued \$3,000,000 Energy Efficient Schools Capital Outlay Note to make energy efficient improvements to the various school buildings. Interest rate is 1%. Only \$2,508,196 was drawn on the note as of June 30, 2018.

Capitalized Lease Obligations

Capitalized Lease Obligations consisted of the following at June 30, 2018:

\$1,511,253 issuance, maturing in 2018, with an interest rate of 3.22% \$ 411,754

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 initial payment of \$313,000 and three annual payments of \$425,000 at 3.217% interest through August 10, 2018.

Debt Service Requirements – All Long-Term Debt

The annual debt service requirements of all long-term debt as of June 30, 2018 is as follows:

	Principal	Interest	Totals
2019	\$ 4,645,318	\$ 2,477,076	\$ 7,122,394
2020	4,496,524	2,322,470	6,818,994
2021	4,643,857	2,134,505	6,778,362
2022	4,904,317	1,934,826	6,839,143
2023	4,694,745	1,814,597	6,509,342
2024-2028	20,227,430	7,503,559	27,730,989
2029-2033	16,919,639	4,996,933	21,916,572
2034-2038	7,175,000	1,967,385	9,142,385
2038-2041	6,500,000	519,128	7,019,128
	<u>\$ 74,206,830</u>	<u>\$ 25,670,479</u>	<u>\$ 99,877,309</u>

6. Interest Rate Swap

\$15,675,000 Swap

On November 22, 2006, the Schools, through the City of Oak Ridge, entered into a \$15,675,000 loan agreement with the Public Building Authority of Sevier County as part of the TN-LOANS program to fund a portion of the costs for renovation and new construction of the Oak Ridge High School Project. Principal payments are to occur on the loan from 2025 to 2036. Under its loan agreement, the Public building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-H-1. The \$15,675,000 interest rate swap is classified as an investment derivative due to the hedge becoming ineffective during the year ended June 30, 2010 and continues to be ineffective for the year ended June 30, 2018 (See Note 7).

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; 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; the related portion of the interest rate swap is now associated with the Series VI-M-1 bonds.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

6. Interest Rate Swap (Continued)

\$15,675,000 Swap (Continued)

Terms – Under the swap, the Authority pays the counterparty a fixed payment of 3.536% and receives a variable payment computed as 63% of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$15,675,000 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 Series VI-M-1. The bonds' variable rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2036.

As of June 30, 2018, rates were as follows:

	Terms	Rates
Fixed Payment to Counterparty	Fixed	3.536 %
Variable Payment from Counterparty	% of LIBOR	(1.821)
Net Interest Rate Swap Payments		1.715
Variable-Rate Bond Coupon Payments		2.265
On-going Variable-Rate Bond Payments		0.200
Effective Synthetic Interest Rate on Bonds		4.180 %

Fair Value – As of June 30, 2018, the swap had a negative fair value of (\$2,778,234). 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, 2018, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative'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 and 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, 2018, Depfa's credit rating had been downgraded and was rated by Moody's and Standard and Poor's at "A2/A-". 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.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

6. Interest Rate Swap (Continued)

\$15,675,000 Swap (Continued)

Termination Risk – The derivative 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, 2018, 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 Interest Rate Swap Payment	Total
	Principal	Interest		
2019	\$ 0	\$ 354,956	\$ 268,863	\$ 623,819
2020	0	354,956	268,863	623,819
2021	0	354,956	268,863	623,819
2022	0	354,956	268,863	623,819
2023	0	354,956	268,863	623,819
2024-2028	4,575,000	1,674,577	1,268,418	7,517,995
2029-2033	3,975,000	962,967	729,405	5,667,372
2034-2036	7,125,000	327,216	247,853	7,700,069
	<u>\$ 15,675,000</u>	<u>\$ 4,739,540</u>	<u>\$ 3,589,991</u>	<u>\$ 24,004,531</u>

\$10,000,000 Swap

On December 1, 2004, the Schools, through the city of Oak Ridge, 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 \$10,000,000 interest rate swap is classified as an investment derivative due to the hedge becoming ineffective during the year ended June 30, 2011 and continues to be ineffective for the year ended June 30, 2018 (See Note 7).

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 2009 Series VII-E-1 bonds and the interest rate swap is now associated with the Series VII-E-1 bonds.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

6. Interest Rate Swap (Continued)

\$10,000,000 Swap (Continued)

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.

As of June 30, 2018, rates were as follows:

	Terms	Rates
Fixed Payment to Counterparty	Fixed	3.725 %
Variable Payment from Counterparty	% of LIBOR	(1.835)
Net Interest Rate Swap Payments		1.890
Variable-Rate Bond Coupon Payments		2.264
On-going Variable-Rate Bond Payments		0.200
Effective Synthetic Interest Rate on Bonds		4.354 %

Fair Value – As of June 30, 2018, the swap had a negative fair value of (\$2,093,671). 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, 2018, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, Raymond James Financial Products ("RJFP" formerly Morgan Keegan Financial Products) was rated "Baa1/BBB+" by Moody's and Standard and Poor's as of June 30, 2018, with its Credit Support Provider, Deutsche Bank, rated "A3/BBB+/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.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

6. Interest Rate Swap (Continued)

\$10,000,000 Swap (Continued)

Swap Payments and Associated Debt – As of June 30, 2018, 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 Interest Rate Swap Payment	Total
	Principal	Interest		
2019	\$ 0	\$ 226,447	\$ 188,979	\$ 415,426
2020	0	226,447	188,979	415,426
2021	0	226,447	188,979	415,426
2022	0	226,447	188,979	415,426
2023	0	226,447	188,979	415,426
2024-2028	0	1,132,236	944,893	2,077,129
2029-2033	10,000,000	980,517	818,276	11,798,793
	<u>\$ 10,000,000</u>	<u>\$ 3,244,988</u>	<u>\$ 2,708,064</u>	<u>\$ 15,953,052</u>

7. Derivative Instruments

At June 30, 2018, the Schools had the following derivative instruments outstanding:

Instrument/Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
<u>Interest Rate Swap:</u>					
\$15,675,000 Swap	Variable to Synthetic Fixed Rate Swap	\$15,675,000	11/22/2006	06/01/2036	Pay 3.536% and received 63% of five year LIBOR
\$10,000,000 Swap	Variable to Synthetic Fixed Rate Swap	\$10,000,000	12/01/2004	06/01/2033	Pay 3.725% and received 63.5% of five year LIBOR

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, classified by type and changes in fair value for the year ended June 30, 2018, are reported in the current year's financial statements as follows:

Governmental Activities						
Type	Classification	Change in Fair Value		Fair Value at 6/30/2018		6/30/2018 Notional Amount
		Amount		Classification	Amount	
<u>Investment Derivative:</u>						
<u>Pay-fixed Interest Rate Swap:</u>						
\$15,675,000	Investment Gain	\$ 593,284		Debt	\$ (2,778,234)	\$15,675,000
\$10,000,000	Investment Gain	402,161		Debt	(2,093,671)	\$10,000,000
		<u>\$ 995,445</u>			<u>\$ (4,871,905)</u>	

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

7. Derivative Instruments (Continued)

Interest rate swaps are classified as a hedging derivative instrument if the instrument meets certain effectiveness criteria established by GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The interest rate swap agreements described above did not meet criteria to be an effective hedge; therefore, these swaps are classified as investment derivatives.

8. Other Long-Term Liabilities

Changes in other long-term liabilities for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
OPEB Obligations	\$ 7,196,037	\$ 807,118	\$ (305,899)	\$ 7,697,256	\$ -
Compensated Absences	382,410	17,396	-	399,806	399,806
Termination Benefits	570,623	7,528	(73,083)	505,068	86,598
Total	<u>\$ 8,149,070</u>	<u>\$ 832,042</u>	<u>\$ (378,982)</u>	<u>\$ 8,602,130</u>	<u>\$ 486,404</u>

The Schools use the General Purpose School Fund to liquidate the liability for compensated absences and termination benefits payable for governmental activities. The State of Tennessee makes on-behalf payments for the other postemployment benefit (OPEB) obligation as described in Note 17. Compensated absences are considered a current liability due to prior years' experience of paying these amounts within one year. Other postemployment benefit obligations and termination benefits are described in Note 16 and Note 18, respectively.

9. Fund Balances

The amounts reported on the balance sheets of the governmental funds as non-spendable, restricted and committed as of June 30, 2018 consists of the following:

Governmental Funds	Fund Balances		
	Non-Spendable	Restricted	Committed
General Purpose School Fund	\$ 112,824	\$ 3,004	\$ 770,491
School Federal Projects	-	-	-
Other Education Special Revenue Fund	-	6,676	-
Extended School Program Fund	-	-	101,217
Central Cafeteria Fund	43,195	618,145	-
Total	<u>\$ 156,019</u>	<u>\$ 627,825</u>	<u>\$ 871,708</u>

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

10. Net Position

Net position represents the difference between assets, liabilities and deferred inflows of resources. Net position at June 30, 2018 is as follows:

	Governmental Activities	
	Primary Government	Component Unit – Foundation
Net Investment in Capital Assets:		
Net Capital Assets	\$ 64,527,465	\$ -
Less: Related Debt – Net of Discounts, Premiums and Unspent Debt Proceeds	(72,994,537)	-
	(8,467,072)	-
Restricted:		
Career Ladder – State of Tennessee	3,004	-
Cafeteria	661,340	-
Grants and Other	6,676	1,901,397
Unspent Bond Proceeds	2,575,267	-
Pension	470,386	-
	3,716,673	1,901,397
Unrestricted (Deficit)	(7,228,052)	3,213,160
Total	\$ (11,978,451)	\$ 5,114,557

Restricted net position for career ladder is a bonus program to incentivize school staff to attain additional education beyond their degree.

11. Local Taxes

In accordance with various state laws, the Schools receive a pro-rata share of property taxes, local option sales taxes, mineral severance taxes and mixed drink taxes from Anderson and Roane counties. These local taxes are divided between Oak Ridge Schools and the respective county schools based upon the annual weighted-average daily attendance.

The counties assess the property values, set the tax rate, bill and collect the taxes. County property taxes are based upon assessments on January 1, levied on October 1 and becoming delinquent the following March 1. Penalties and interest on delinquent property taxes are recognized when collected.

The local option sales tax, mineral severance tax and mixed drink tax are collected by the Tennessee Department of Revenue and remitted to the counties and then remitted to the Schools.

The Schools recognized the following local tax revenues in the General Purpose School Fund during the year ended June 30, 2018:

	Amount	% of Revenues
Property Taxes	\$ 10,393,227	15.30%
Local Option Sales and Mineral Severance Taxes	5,213,461	7.67%
Mixed Drink Taxes	174	0.00%
Total	\$ 15,606,862	22.97%

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

12. Interfund Receivables, Payables and Transfers

Transfers between the individual funds and the City of Oak Ridge during the year ended June 30, 2018 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
<u>Governmental Activities:</u>		
General Purpose School Fund	City's General Fund	\$ 15,493,963
General Purpose School Fund	Schools Federal Projects Fund	140,123
Other Education Special Revenue Fund	General Purpose School Fund	69,208
General Purpose School Fund	Extended School Program	11,982

The City provides an annual operating transfer from its General Fund to the Schools' General Purpose School Fund. The transfer of \$15,493,963 during the year ended June 30, 2018 was 26.18% of total revenues and other sources. The transfer of \$136,523 from the Schools Federal Projects Fund is for indirect costs. The transfer of \$69,208 to the Other Education Special Revenue Fund is considered the Schools' local match for the Family Resource Program grant. The transfer of \$11,000 from the Extended School Program is for indirect costs.

In order to account for certain capital outlays, debt issuance and debt service payments for school related projects made by the City during the current year, the following transfers were recorded:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
<u>Governmental Activities:</u>			
General Purpose School Fund	City Debt Service Fund	\$ 6,652,469	Debt Service
General Purpose School Fund	City Capital Projects Fund	564,276	Capital Projects

During 2018, the Foundation made a \$402,939 payment to the City to fund school related debt. A detailed listing of interfund receivables and payables at June 30, 2018 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
<u>Governmental Activities:</u>		
School Federal Projects Fund	General Purpose School Fund	\$ 618,336
Scholarship Fund	General Purpose School Fund	8,272
Governmental Activities Total		<u>\$ 626,608</u>

In the fund financial statements, interfund receivables and payables from short-term borrowings between the funds is primarily due to federal grant activity and are classified as "due to/from other funds." The governmental activities amounts are eliminated in the departmental-wide statement of net position.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

13. Budget Amendments

The Schools amended the budgeted expenditures for the year ended June 30, 2018 as follows:

<u>Governmental Fund</u>	<u>Original Budget</u>	<u>Changes in Appropriations</u>	<u>Final Budget</u>
General Purpose School Fund	\$ 54,797,096	\$ (417,419)	\$ 54,379,677
School Federal Projects Fund	3,322,698	399,769	3,722,467
Other Education Special Revenue Fund	143,411	9,225	152,636
Extended School Program Fund	441,442	-	441,442
Central Cafeteria Fund	2,063,472	-	2,063,472

The additional appropriations were approved by the Board of Education and City Council as required.

14. Risk Management

Oak Ridge Schools is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Schools' loss exposure for general liability and worker's compensation is limited by state law.

The Schools maintain general liability, auto liability, auto physical damage, errors and omissions, and worker's compensation insurance through the Tennessee Risk Management Trust ("TNRMT"), a public entity risk pool operated as a risk-sharing program by the Tennessee School Board Association ("TSBA"). This pool is sustained by member premiums and, because the pool has excess aggregate and individual claim loss reinsurance coverage, management considers any related credit risk to be insignificant.

The Schools continue to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

15. Public Employee Retirement System

Oak Ridge City Schools Teacher Hybrid Retirement Plan of TCRS

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Oak Ridge Schools 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 the state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of 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.state.tn.us/tcrs/.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Hybrid Retirement Plan of TCRS (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with 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. 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 service related retirement benefits 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. 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. LEAs make 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 state shared taxes of the sponsoring governmental entity of the LEA if required employer contributions are not remitted. Employer contributions by Oak Ridge Schools for the year ended June 30, 2018 to the Teacher Retirement Plan were \$81,209 which is 4.00 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by the members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pension

Pension liabilities (assets). At June 30, 2018, Oak Ridge Schools reported a liability (asset) of (\$70,154) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Oak Ridge Schools' proportion of the net pension liability (asset) was based on Oak Ridge Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Oak Ridge Schools' proportion was 0.265898 percent. The proportion measured as of June 30, 2016 was 0.214610 percent.

Pension Expense. For the year ended June 30, 2018, Oak Ridge Schools recognized pension expense of \$31,450.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Hybrid Retirement Plan of TCRS (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pension (Continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Oak Ridge 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	\$ 2,459	\$ 5,276
Net difference between projected and actual earnings on pension plan investments	-	3,775
Change in assumptions	6,163	-
Changes in proportion of Net Pension Liability (Asset)	1,096	5,678
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>81,209</u>	<u>N/A</u>
Total	<u>\$ 90,927</u>	<u>\$ 14,729</u>

Oak Ridge Schools' employer contributions of \$81,209, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Total</u>
Year Ended June 30:	
2019	\$ (705)
2020	(705)
2021	(921)
2022	(1,892)
2023	(112)
Thereafter	(676)

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

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Hybrid Retirement Plan of TCRS (Continued)

Actuarial assumptions. The total pension liability as of June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

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, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Hybrid 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 as 7.25 percent based on a blending of the factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 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 net pension liability (asset) to changes in the discount rate. The following presents Oak Ridge City Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Oak Ridge City 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Oak Ridge Schools' proportionate share of the net pension liability (asset)	\$ 13,996	\$ (70,154)	\$ (131,878)

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, 2018, Oak Ridge Schools reported a payable of \$5,945 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Oak Ridge City Schools Teacher Legacy Pension Plan of TCRS

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Oak Ridge Schools 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 Tennessee Code Annotated 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.state.tn.us/tcrs/.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Legacy Pension Plan of TCRS (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. 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 retirement 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 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. 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.

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 Local Education Agencies (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 Oak Ridge Schools for the year ended June 30, 2018 to the Teacher Legacy Pension Plan were \$2,318,331 which is 9.08 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.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). At June 30, 2018, the Oak Ridge Schools reported a liability (asset) of (\$232,072) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Oak Ridge Schools' proportion of the net pension liability was based on Oak Ridge Schools' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, Oak Ridge Schools' proportion was 0.709296 percent. The proportion measured as of June 30, 2016 was 0.714582 percent.

Pension expense. For the year ended June 30, 2018, Oak Ridge Schools recognized a pension expense of \$103,805.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Legacy Pension Plan of TCRS (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Oak Ridge 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	\$ 139,908	\$ 4,791,147
Changes in assumptions	1,965,495	-
Net difference between projected and actual earnings on pension plan investments	35,228	-
Changes in proportion of Net Pension Liability (Asset)	439,495	120,892
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>2,318,331</u>	<u>N/A</u>
Total	<u>\$ 4,898,457</u>	<u>\$ 4,912,039</u>

Oak Ridge Schools' employer contributions of \$2,318,331, 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, 2019. 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:	
2019	\$ (1,559,455)
2020	814,661
2021	(496,953)
2022	(1,090,166)
2023	-
Thereafter	-

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

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Legacy Pension Plan of TCRS (Continued)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge City Schools Teacher Legacy Pension Plan of TCRS (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25 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 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 Oak Ridge Schools' proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Oak Ridge 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Oak Ridge Schools' proportionate share of the net pension liability (asset)	\$ 20,823,259	\$ (232,072)	\$ (17,635,686)

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, 2018, Oak Ridge Schools reported a payable of \$192,678 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Oak Ridge Schools Non-Teacher Hybrid With Cost Controls

General Information about the Pension Plan

Plan description. Employees of 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 Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plan of the TCRS. The TCRS issues a publicity available financial report that can be obtained at www.treasury.state.tn.us/tcrs/.

Benefits provided. Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 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.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Hybrid With Cost Controls (Continued)

General Information about the Pension Plan (Continued)

Benefits provided (continued)

Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 60 and vested or pursuant to the rule of 80 in which the member's age and service credit total 80. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. 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. 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>44</u>
	<u>48</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, 2018 to the Public Employee Retirement Plan were \$61,156 based on a rate of 4.00 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.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Hybrid With Cost Controls (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities (assets). Oak Ridge Board of Education Hybrid With Cost Controls' net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

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, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on blending of the three factors described above.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Hybrid With Cost Controls (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.25 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 all 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.

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 6/30/16	\$ 24,587	\$ 28,938	\$ (4,351)
Changes for the year:			
Service cost	33,725	-	33,725
Interest	4,373	-	4,373
Differences between expected and actual experience	20,560	-	20,560
Changes in assumptions	2,798	-	2,798
Contributions - employer	-	37,547	(37,547)
Contributions - employees	-	46,935	(46,935)
Net investment income	-	7,928	(7,928)
Administrative expense	-	(3,234)	3,234
Other changes	-	1,470	(1,470)
Net changes	<u>61,456</u>	<u>90,646</u>	<u>(29,190)</u>
Balance at 6/30/17	<u>\$ 86,043</u>	<u>\$ 119,584</u>	<u>\$ (33,541)</u>

Sensitivity of the net pension liability (asset) in 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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Hybrid With Cost Controls (Continued)

Changes in Net Pension Liability (Asset) (Continued)

Sensitivity of the net pension liability (asset) in changes in the discount rate (continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Oak Ridge Schools Hybrid with cost controls net pension liability (asset)	\$ (12,792)	\$ (33,541)	\$ (49,635)

Pension Expense (Negative Pension Expense) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense (negative pension expense). For the year ended June 30, 2018, Oak Ridge Board of Education Hybrid With Cost Controls recognized pension expense (negative pension expense) of (\$9,458).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, 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.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,694	\$ 680
Net difference between projected and actual earnings on pension plan investments	-	1,661
Change in assumptions	2,565	-
Contributions subsequent to the measurement date of June 30, 2017	61,156	N/A
Total	\$ 95,415	\$ 2,341

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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	\$ 2,887
2019	2,887
2020	2,878
2021	2,729
2022	3,260
Thereafter	17,277

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

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Hybrid With Cost Controls (Continued)

Payable to the Pension Plan

At June 30, 2018, Oak Ridge Board of Education Hybrid With Cost Controls reported a payable of \$516 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

Oak Ridge Schools Non-Teacher Legacy Plan

Plan description. Employees of Oak Ridge Schools are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of 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.state.tn.us/tcrs/.

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	219
Inactive employees entitled to but not yet receiving benefits	209
Active employees	<u>160</u>
	<u>588</u>

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Legacy Plan (Continued)

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. Oak Ridge Schools makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the employer contributions for Oak Ridge Schools were \$565,948 based on a rate of 10.05 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Oak Ridge 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.

Net Pension Liability (Asset)

Oak Ridge Schools' net pension liability (asset) was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.75 to 3.45 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.25 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Legacy Plan (Continued)

Net Pension Liability (Asset) (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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.25 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 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.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Legacy Plan (Continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/16	<u>\$ 27,808,308</u>	<u>\$ 27,470,749</u>	<u>\$ 337,559</u>
Changes for the year:			
Service cost	553,182	-	553,182
Interest	2,070,010	-	2,070,010
Differences between expected and actual experience	177,442	-	177,442
Changes in Assumptions	685,078	-	685,078
Contributions - employer	-	597,818	(597,818)
Contributions - employees	-	297,422	(297,422)
Net investment income	-	3,076,562	(3,076,562)
Benefit payments, including refunds of employee contributions	(1,522,704)	(1,522,704)	-
Administrative expense	-	(13,912)	13,912
Net changes	<u>1,963,008</u>	<u>2,435,186</u>	<u>(472,178)</u>
Balance at 6/30/17	<u><u>\$ 29,771,316</u></u>	<u><u>\$ 29,905,935</u></u>	<u><u>\$ (134,619)</u></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 Schools calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Oak Ridge Schools net pension liability (asset)	\$ 3,339,298	\$ (134,619)	\$ (3,052,070)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2018, Oak Ridge Schools recognized pension expense of \$137,591.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

15. Public Employee Retirement System (Continued)

Oak Ridge Schools Non-Teacher Legacy Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2018, Oak Ridge 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	\$ 118,295	\$ 384,090
Net difference between projected and actual earnings on pension plan investments	3,686	-
Changes in Assumptions	456,719	-
Contributions subsequent to the measurement date of June 30, 2017	<u>565,948</u>	<u>N/A</u>
Total	<u>\$ 1,144,648</u>	<u>\$ 384,090</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2017," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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:

2019	\$ (130,194)
2020	478,660
2021	54,203
2022	(208,063)
2023	-
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2018, Oak Ridge Schools reported a payable of \$1,110 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

16. Other Postemployment Benefits (OPEB)

Oak Ridge Schools Teacher Group Plan

Plan Description. Employees of Oak Ridge Schools, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits provided. Oak Ridge Schools offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disable participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Schools pay 85% of the retirees' individual health insurance premium for five years or until the retirees reach age 65. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees' premiums, based on years of service. Therefore, retirees with 30 or more years of services will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium. No subsidy is provided for enrollees of the health savings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms. At July 1, 2017, the following employees of Oak Ridge Schools were covered by the benefit terms of the TGOP:

Inactive employees currently receiving benefit payments	43
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>555</u>
	<u>598</u>

An insurance committee, created in accordance with TCA 8-27-301, establishes the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, Oak Ridge Schools paid \$365,315 to the TGOP for OPEB benefits as they came due.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

16. Other Postemployment Benefits (OPEB) (Continued)

Oak Ridge Schools Teacher Group Plan (Continued)

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25 percent
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4.00 percent
Healthcare cost trend rates	7.5 percent for 2018, decreasing annually to an ultimate rate of 3.71 percent for 2050 and later years.
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this Valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate. The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

16. Other Postemployment Benefits (OPEB) (Continued)

Oak Ridge Schools Teacher Group Plan (Continued)

Changes in Collective Total OPEB Liability

	Total OPEB Liability
Balances at June 30, 2016	\$ 10,643,068
Changes for the year:	
Service cost	623,425
Interest	322,788
Changes of benefit terms	-
Differences between expected and actual experience	-
Change in assumptions	(490,174)
Benefit payments	(424,234)
Net changes	31,805
Balances at June 30, 2017	\$ 10,674,873
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 2,977,617
Employer's proportionate share of the collective total OPEB liability	\$ 7,697,256
Employer's proportion of the collective total OPEB liability	72.11%

Oak Ridge Schools has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the TGOP. Oak Ridge Schools proportionate share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 0.03% from the prior measurement date. Oak Ridge Schools recognized \$249,838 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Oak Ridge Schools retirees.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

16. Other Postemployment Benefits (OPEB) (Continued)

Oak Ridge Schools Teacher Group Plan (Continued)

Changes in Collective Total OPEB Liability (Continued)

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	<u>1% Decrease (2.56%)</u>	<u>Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
Proportionate share of collective total OPEB liability	\$ 8,253,840	\$ 7,697,256	\$ 7,166,404

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.50% decreasing to 2.71%) or 1-percentage-point higher (8.50% decreasing to 4.71%) than the current healthcare cost trend rate:

	<u>1% Decrease (6.50% decreasing to 2.71%)</u>	<u>Healthcare Cost Trend Rates (7.50% decreasing to 3.71%)</u>	<u>1% Increase (8.50% decreasing to 4.71%)</u>
Proportionate share of collective total OPEB liability	\$ 6,843,113	\$ 7,697,256	\$ 8,698,334

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

16. Other Postemployment Benefits (OPEB) (Continued)

Oak Ridge Schools Teacher Group Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense. For the fiscal year ended June 30, 2018, Oak Ridge Schools recognized OPEB expense of \$895,680.

Deferred outflows of resources and deferred inflows of resources. For the fiscal year ended June 30, 2018, Oak Ridge Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	317,009
Changes in proportion and differences between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due	-	-
Employer payments subsequent to the measurement date of June 30, 2017	<u>365,315</u>	<u>N/A</u>
Total	<u>\$ 365,315</u>	<u>\$ 317,009</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be included as a reduction to total OPEB liability in the following measurement period.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

16. Other Postemployment Benefits (OPEB) (Continued)

Oak Ridge Schools Teacher Group Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30:	
2019	\$ (36,436)
2020	(36,436)
2021	(36,436)
2022	(36,436)
2023	(36,436)
Thereafter	(134,829)

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

Cumulative Effect of Change in Accounting Principle

Effective July 1, 2017, Oak Ridge Schools adopted GASB Statement No. 75, "Financial Reporting for Postemployment Benefit Plans Other than Pensions." The standards change the accounting and reporting for OPEB in governmental financial statements. The effect of the adoption of this standard has caused the Oak Ridge Schools to restate its beginning net position by reporting a cumulative effect of change in accounting principle effective July 1, 2017. The new standard required Oak Ridge Schools to report in its financial statements total OPEB liability along with certain other potential financial statement elements (deferred outflows and deferred inflows of resources). The following table describes the components of the resulting cumulative effect of change in accounting principle:

Remove net OPEB obligation under GASB No. 45 at July 1, 2017	\$ 7,196,037
Record net OPEB liability under GASB No. 75 at July 1, 2017	(7,674,322)
Record net deferred outflows - benefit payments subsequent to the measurement date at July 1, 2017	<u>305,900</u>
Cumulative effect of change in accounting principle	<u>\$ (172,385)</u>

17. On-Behalf Payments

The State of Tennessee made the following on-behalf payments during the year ended June 30, 2018:

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 16. The on-behalf payment for 2018 was \$119,897 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

18. Termination Benefits

The Schools provide voluntary termination benefits for professional employees who agree to retire before age 65. For employees who retire at age 60 or after 30 years of creditable service in 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 retirees reach age 65. The Schools fund their contributions on a pay-as-you-go basis. During 2018, the Schools paid approximately \$73,082 to 53 retirees, which has been recorded as an expenditure in the General Purpose School Fund.

The estimated liability and expense of the termination benefits reported in the Schools' departmental-wide financial statements is \$505,068. Termination benefits are measured at the discounted present value of expected future benefit payments. The Schools used a discount rate of 1.62% and a projected annual healthcare cost trend rate of 10.0% to estimate the effect of making these payments over a five year period.

19. Economic Concentration

A significant number of taxpayers in the City of Oak Ridge are employed by the U.S. Department of Energy (DOE) or their contractors. DOE and related federal government contractors' operations are contingent upon annual U.S. congressional appropriations; therefore, a reduction in DOE related operations could have a significant effect upon the future operations of the Oak Ridge Schools.

The Schools receive annual funding from the State of Tennessee, City of Oak Ridge and Anderson and Roane Counties. The amount of revenue and other financing sources earned in the year ended June 30, 2018 in the General Purpose School Fund financial statements are as follows:

<u>Source</u>	<u>Amount</u>	<u>% of Revenues</u>
State of Tennessee	\$ 22,452,257	36.49%
City of Oak Ridge	22,710,708	36.90%
Anderson and Roane Counties	15,606,862	25.36%
Federal Government	144,900	0.24%
Total	<u>\$ 60,914,727</u>	<u>98.99%</u>

Any reduction in funding from these sources could have a significant effect upon the future operations of the Schools.

20. Excess of Expenditures Over Appropriations

As required by the Tennessee Comptroller of the Treasury, Division of Local Governmental Audit, the Schools have prepared GASB Statement No. 34 departmental-wide financial statements for the fiscal year ended June 30, 2018. As a result during 2018, the General Purpose School Fund expenditures exceeded appropriations by \$10,420,189.

21. Prior Period Adjustment

An adjustment to the beginning net position on the departmental-wide financial statements totaling \$38,004 has been recognized to record entries for inventory previously unreported for the year ended June 30, 2017.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Basic Financial Statements
(Continued)

22. Contingencies

From time to time, we may be and have been named in a lawsuit. At June 30, 2018, we do not believe that any claims have merit and intend to vigorously defend our position.

23. Subsequent Events

We have evaluated events subsequent to the year ended June 30, 2018. As of December 21, 2018, the date the financial statements were available to be issued, no other events subsequent to the Statement of Net Position date are considered necessary to be included in the financial statements for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Legacy Employee Pension Plan of TCRS

Last Measurement Period Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability				
Service cost	\$ 593,620	\$ 576,571	\$ 558,772	\$ 553,182
Interest	1,920,483	1,992,432	2,019,852	2,070,010
Changes in benefit terms	-	-	-	-
Differences between actual and expected experience	(141,131)	(738,027)	(399,170)	177,442
Change of assumptions	-	-	-	685,078
Benefit payments, including refunds of employee contributions	(1,385,505)	(1,407,675)	(1,487,476)	(1,522,704)
Net change in total pension liability	<u>987,467</u>	<u>423,301</u>	<u>691,978</u>	<u>1,963,008</u>
Total pension liability - beginning	<u>25,705,562</u>	<u>26,693,029</u>	<u>27,116,330</u>	<u>27,808,308</u>
Total pension liability - ending (a)	<u>\$ 26,693,029</u>	<u>\$ 27,116,330</u>	<u>\$ 27,808,308</u>	<u>\$ 29,771,316</u>
Plan fiduciary net position				
Contributions - employer	\$ 601,852	\$ 603,825	\$ 604,601	\$ 597,818
Contributions - employee	310,746	300,414	300,796	297,422
Net investment income	3,876,773	824,811	717,506	3,076,562
Benefit payments, including refunds of employee contributions	(1,385,505)	(1,407,675)	(1,487,476)	(1,522,704)
Administrative expense	(7,996)	(9,355)	(13,501)	(13,912)
Net change in plan fiduciary net position	<u>3,395,870</u>	<u>312,020</u>	<u>121,926</u>	<u>2,435,186</u>
Plan fiduciary net position - beginning	<u>23,640,933</u>	<u>27,036,803</u>	<u>27,348,823</u>	<u>27,470,749</u>
Plan fiduciary net position - ending (b)	<u>\$ 27,036,803</u>	<u>\$ 27,348,823</u>	<u>\$ 27,470,749</u>	<u>\$ 29,905,935</u>
Net pension liability (asset) - ending (a)-(b)	<u>\$ (343,774)</u>	<u>\$ (232,493)</u>	<u>\$ 337,559</u>	<u>\$ (134,619)</u>
Plan fiduciary net position as a percentage of total pension liability	101.29%	100.86%	98.79%	100.45%
Covered payroll	\$ 5,912,101	\$ 6,008,215	\$ 6,015,939	\$ 5,948,434
Net pension liability (asset) as a percentage of covered payroll	(5.81)%	(3.87)%	5.61%	(2.26)%

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 fiscal years until 10 years of information is available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Oak Ridge School System's Contributions Based on
Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 601,852	\$ 603,825	\$ 604,601	\$ 597,818	\$ 565,948
Contributions in relation to the actuarially determined contribution	<u>601,852</u>	<u>603,825</u>	<u>604,601</u>	<u>597,818</u>	<u>565,948</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 5,912,101	\$ 6,008,215	\$ 6,015,939	\$ 5,948,434	\$ 5,631,323
Contributions as a percentage of covered payroll	10.18%	10.05%	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 fiscal years until 10 years of information is available.

Notes to Schedule

Changes of assumptions: In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

Valuation date: Actuarially determined contribution rates for 2017 were calculated based on the July 1, 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

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Oak Ridge School System's
Proportionate Share of the Net Pension Asset
Teacher Legacy Pension Plan of TCRS

Last Measurement Period Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Oak Ridge School System's proportion of the net pension liability (asset)	0.643262%	0.662651%	0.714582%	70.929600%
Oak Ridge School System's proportionate share of the net pension liability (asset)	\$ (104,527)	\$ 271,444	\$ 4,465,739	\$ (232,072)
Oak Ridge School System's covered payroll	25,247,996	24,806,330	25,794,986	25,166,846
Oak Ridge School System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.41%	(1.09%)	17.31%	-0.92%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%

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 fiscal years until 10 years of information is available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Oak Ridge School System's Contributions
Teacher Legacy Pension Plan of TCRS

Last Fiscal Year Ending June 30

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,242,022	\$ 2,242,495	\$ 2,331,864	\$ 2,266,622	\$ 2,318,331
Contributions in relation to the actuarially determined contribution	<u>2,242,022</u>	<u>2,242,495</u>	<u>2,331,864</u>	<u>2,266,622</u>	<u>2,318,331</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Oak Ridge School System's covered payroll	\$25,247,996	\$24,806,330	\$25,794,986	\$ 25,166,846	\$ 25,532,280
Contributions as a percentage of Oak Ridge School System's covered payroll	8.88%	9.04%	9.04%	9.01%	9.08%

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 fiscal years until 10 years of information is available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Oak Ridge School System's
Proportionate Share of the Net Pension Asset
Teacher Hybrid Pension Plan of TCRS

Last Fiscal Year Ending June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Oak Ridge School System's proportion of the net pension liability (asset)	0.262638%	0.214610%	0.265898%
Oak Ridge School System's proportionate share of the net pension liability (asset)	\$ (10,566)	\$ (22,342)	\$ (70,154)
Oak Ridge School System's covered payroll	545,692	944,289	1,651,613
Oak Ridge School System's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1.94%	-2.37%	-4.25%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%

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 fiscal years until 10 years of information is available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Oak Ridge School System's Contributions
Teacher Hybrid Pension Plan of TCRS

Last Fiscal Year Ending June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contributions	\$ 546	\$ 23,637	\$ 69,808	\$ 81,209
Contributions in relation to the actuarially determined contribution	<u>21,828</u>	<u>37,772</u>	<u>69,808</u>	<u>81,209</u>
Contribution deficiency (excess)	<u>\$ (21,282)</u>	<u>\$ (14,135)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 545,692	\$ 944,289	\$ 1,651,613	\$ 2,030,225
Contributions as a percentage of covered payroll	4.00%	4.00%	4.23%	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 fiscal years until 10 years of information is available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Hybrid Employee Pension Plan of TCRS

Last Measurement Date Ending June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total pension liability			
Service cost	\$ 948	\$ 8,266	\$ 33,725
Interest	71	620	4,373
Changes in benefit terms	-	-	-
Differences between actual and expected experience	(1,019)	15,701	20,560
Change of assumptions	-	-	2,798
Benefit payments, including refunds of employee contributions	-	-	-
Net change in total pension liability	<u>-</u>	<u>24,587</u>	<u>61,456</u>
Total pension liability - beginning	<u>-</u>	<u>-</u>	<u>24,587</u>
Total pension liability - ending (a)	<u>\$ -</u>	<u>\$ 24,587</u>	<u>\$ 86,043</u>
Plan fiduciary net position			
Contributions - employer	\$ 541	\$ 12,691	\$ 37,547
Contributions - employee	677	15,864	46,935
Net investment income	-	370	7,928
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	(40)	(1,165)	(3,234)
Other expense	-	-	1,470
Net change in plan fiduciary net position	<u>1,178</u>	<u>27,760</u>	<u>90,646</u>
Plan fiduciary net position - beginning	<u>-</u>	<u>1,178</u>	<u>28,938</u>
Plan fiduciary net position - ending (b)	<u>\$ 1,178</u>	<u>\$ 28,938</u>	<u>\$ 119,584</u>
Net pension liability (asset) - ending (a)-(b)	<u>\$ (1,178)</u>	<u>\$ (4,351)</u>	<u>\$ (33,541)</u>
Plan fiduciary net position as a percentage of total pension liability	0.00%	117.70%	138.98%
Covered payroll	\$ 13,535	\$ 303,747	\$ 938,688
Net pension liability (asset) as a percentage of covered payroll	(8.70)%	(1.43)%	(3.57)%

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 fiscal years until 10 years of information is available.

Notes to Schedule - Hybrid Plan

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 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

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Oak Ridge School System's Contributions Based on
Participation in the Hybrid Employee Pension Plan of TCRS

Last Fiscal Year Ending June 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 271	\$ 6,616	\$ 23,561	\$ 61,156
Contributions in relation to the actuarially determined contribution	<u>541</u>	<u>12,691</u>	<u>37,547</u>	<u>61,156</u>
Contribution deficiency (excess)	<u>\$ (270)</u>	<u>\$ (6,075)</u>	<u>\$ (13,986)</u>	<u>\$ -</u>
Covered payroll	\$ 13,535	\$ 303,747	\$ 938,688	\$ 1,528,900
Contributions as a percentage of covered payroll	4.00%	4.18%	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 fiscal years until 10 years of information is available.

Notes to Schedule - Hybrid Plan

Changes of assumptions: In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment and salary growth.

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	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10 year smoothed within 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

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Changes in Total OPEB Liability and Related Ratios
Based on Participation in the TGOP OPEB Plan

Last Measurement Date Ending June 30

	<u>2017</u>
Collective Total OPEB Liability	
Service cost	\$ 623,425
Interest on the total OPEB liability	322,788
Changes of benefit terms	-
Differences between expected and actual experience of the total OPEB liability	-
Change in assumptions and other inputs	(490,174)
Benefit payments	(424,234)
Net change in total OPEB liability	<u>31,805</u>
Total OPEB liability - beginning	10,643,068
Total OPEB liability - ending	<u>\$ 10,674,873</u>
Proportion Determination	N/A
Employer's actuarial accrued liability	7,697,256
State's actuarial accrued liability	10,674,873
Collective actuarial accrued liability	2,977,617
Employer's portion	0.721063
State's portion	0.278937
Employer's share of the total OPEB liability - beginning	7,674,323
Employer's share of the total OPEB liability - ending	7,697,256
Estimated covered payroll	N/A
Employer's total OPEB liability as a percentage of covered payroll	N/A

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 fiscal years until 10 years of information is available.

Notes to Schedule - TGOP Plan

Valuation date: June 30, 2017

Measurement date: June 30, 2017

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry age normal
Inflation	2.25%
Discount rate	3.56%
Salary increases	Salary increase rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation
Retirement age	Retirement rates used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Mortality	Mortality tables used in the July 1, 2017 actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). They are based on the results of a statewide experience study (undertaken on behalf of TCRS)
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.50% for 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend rate of 3.53% with 0.18% added to approximate the effect of the excise tax
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"
Expenses	Administrative expenses are included in the per capita health costs

Other Information:

Notes See the Actuarial Valuation Report as of July 1, 2017

Changes in assumptions and other inputs include the change in the discount rate from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability

There were no benefit changes during the measurement period

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

General Purpose School Fund
Comparative Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 8,837,548	\$ 8,899,439
Accounts receivable	620,428	17,087
Grants receivable	95,034	92,667
Due from other funds	626,608	378,742
Due from other governments	1,424,007	1,335,427
Prepaid items	112,824	96,315
	<u>11,716,449</u>	<u>10,819,677</u>
Restricted assets:		
Cash and cash equivalents	<u>2,575,267</u>	<u>-</u>
	<u>2,575,267</u>	<u>-</u>
	<u>\$ 14,291,716</u>	<u>\$ 10,819,677</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>		
Accounts payable	\$ 274,416	\$ 402,730
Accrued salaries and benefits	3,285,255	3,118,869
Retainage payable	203,852	-
	<u>3,763,523</u>	<u>3,521,599</u>
Deferred inflows of resources	<u>65</u>	<u>2,500</u>
Fund balances:		
Non-spendable - prepaid expenditures	112,824	96,315
Restricted - career ladder / extended contract	3,004	(7,883)
Restricted - bond proceeds	2,575,267	
Unrestricted:		
Committed	770,491	804,306
Unassigned	7,066,542	6,402,840
	<u>10,528,128</u>	<u>7,295,578</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 14,291,716</u>	<u>\$ 10,819,677</u>

*Includes unspent bond proceeds of \$2,575,267.

The accompanying notes are an integral part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

General Purpose School Fund
Comparative Statements of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30, 2018 and 2017

	2018 Actual	2017 Actual
Revenues:		
Property taxes	\$ 10,393,227	\$ 10,520,679
Local option sales taxes	5,213,418	4,711,403
Mixed drink taxes	174	140
Local mineral severance taxes	43	515
Charges for services	275,126	236,047
Other local sources	343,032	409,375
State of Tennessee - BEP	21,413,738	20,286,000
State of Tennessee - other	1,038,519	882,328
Federal government	144,900	80,803
Other	5,418	46,101
	<u>38,827,595</u>	<u>37,173,391</u>
Expenditures:		
Instruction:		
Regular instruction	25,250,936	25,375,105
Alternative school	645,966	542,011
Special education	4,123,369	3,877,995
Technology and career	1,281,767	955,550
	<u>31,302,038</u>	<u>30,750,661</u>
Support services:		
Health services	559,614	541,213
Other student support	1,488,010	1,429,973
Instructional staff	2,584,960	2,549,611
Special education	782,613	766,918
Technology and career	92,392	87,871
Technology	2,335,763	2,314,371
Board of education	1,124,551	1,105,888
Office of superintendent	326,859	317,926
Office of principal	3,135,206	3,069,219
Fiscal services	715,740	742,864
Human resources/personnel	330,925	332,994
Operation of plant	4,384,552	4,748,507
Maintenance of plant	1,583,163	1,418,749
Transportation	1,141,374	1,142,411
	<u>20,585,722</u>	<u>20,568,515</u>

(Continued)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

General Purpose School Fund
Comparative Statements of Revenues, Expenditures and Changes
in Fund Balance
(Continued)

Years Ended June 30, 2018 and 2017

	2018 Actual	2017 Actual
Expenditures (continued):		
Non-instructional:		
Pre-k program - grant	\$ 452,995	\$ 449,766
Pre-k program - local	476,538	-
Total non-instructional	<u>929,533</u>	<u>449,766</u>
Capital outlays	<u>4,907,084</u>	<u>273,743</u>
Debt service:		
Principal on capitalized leases	398,923	388,641
Interest on capitalized leases	26,077	36,359
Principal on bonds and notes payable	4,068,496	3,895,559
Interest on bonds and notes payable	<u>2,583,973</u>	<u>2,556,617</u>
Total debt service	<u>7,077,469</u>	<u>6,877,176</u>
Total expenditures	<u>64,801,846</u>	<u>58,919,861</u>
Revenues over (under) expenditures	<u>(25,974,251)</u>	<u>(21,746,470)</u>
Other financing sources (uses):		
Transfers in - from city	22,710,708	22,003,854
Transfers in - other funds	152,105	103,899
Transfers out - other funds	(69,208)	(68,773)
Bond proceeds	<u>6,413,196</u>	<u>-</u>
Total other financing sources (uses) - net	<u>29,206,801</u>	<u>22,038,980</u>
Net change in fund balances	3,232,550	292,510
Fund balance, beginning	<u>7,295,578</u>	<u>7,003,068</u>
Fund balance, ending*	<u>\$ 10,528,128</u>	<u>\$ 7,295,578</u>

*Includes unspent bond proceeds of \$2,575,267.

The accompanying notes are an integral
part of these financial statements.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

General Purpose School Fund
Comparative Schedules of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual

Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Property taxes	\$ 10,608,147	\$ 10,608,147	\$ 10,393,227	\$ (214,920)	\$ 10,163,922	\$ 10,305,068	\$ 10,520,679	\$ 215,611
Local option sales taxes	4,704,134	4,704,134	5,213,418	509,284	4,631,668	4,631,668	4,711,403	79,735
Mixed drink taxes	-	-	174	174	-	-	140	140
Local mineral severance taxes	500	500	43	(457)	500	500	515	15
Charges for services	230,000	230,000	275,126	45,126	290,000	290,000	236,047	(53,953)
Other local sources	106,497	50,113	343,032	292,919	170,687	368,977	409,375	40,398
State of Tennessee - BEP	21,085,000	21,085,000	21,413,738	328,738	20,213,000	20,213,000	20,286,000	73,000
State of Tennessee - other	1,053,635	708,295	1,038,519	330,224	1,046,404	796,860	882,328	85,468
Federal government	74,449	74,449	144,900	70,451	74,449	74,449	80,803	6,354
Other	115,695	100,000	5,418	(94,582)	115,882	115,882	46,101	(69,781)
Total revenues	37,978,057	37,560,638	38,827,595	1,266,957	36,706,512	36,796,404	37,173,391	376,987
Expenditures:								
Instruction:								
Regular instruction	25,781,678	25,350,814	25,250,936	(99,878)	25,549,270	26,147,379	25,375,105	(772,274)
Alternative school	631,061	649,646	645,966	(3,680)	614,295	614,295	542,011	(72,284)
Special education	4,152,247	4,172,611	4,123,369	(49,242)	3,961,763	3,961,763	3,877,995	(83,768)
Technology and career	1,092,185	1,291,121	1,281,767	(9,354)	931,487	982,174	955,550	(26,624)
Other	457,231	67,309	-	(67,309)	475,000	216,360	-	(216,360)
Total instruction	32,114,402	31,531,501	31,302,038	(229,463)	31,531,815	31,921,971	30,750,661	(1,171,310)
Support services:								
Health services	585,589	568,819	559,614	(9,205)	523,856	523,856	541,213	17,357
Other student support	1,359,558	1,511,421	1,488,010	(23,411)	1,320,556	1,518,693	1,429,973	(88,720)
Instructional staff	2,610,233	2,654,145	2,584,960	(69,185)	2,649,171	2,654,421	2,549,611	(104,810)
Special education	799,331	790,521	782,613	(7,908)	782,882	782,882	766,918	(15,964)
Technology and career	91,069	92,619	92,392	(227)	87,069	87,069	87,871	802
Technology Services	2,355,880	2,379,993	2,335,763	(44,230)	2,232,206	2,300,243	2,314,371	14,128
Board of education	1,115,265	1,213,265	1,124,551	(88,714)	1,054,476	1,077,506	1,105,888	28,382
Office of superintendent	340,081	341,682	326,859	(14,823)	335,511	335,511	317,926	(17,585)
Office of principal	3,213,509	3,152,120	3,135,206	(16,914)	3,154,161	3,154,161	3,069,219	(84,942)
Fiscal services	809,024	748,925	715,740	(33,185)	798,358	802,138	742,864	(59,274)
Human resources/personnel	342,750	344,727	330,925	(13,802)	339,845	358,845	332,994	(25,851)
Operation of plant	4,812,374	4,543,598	4,384,552	(159,046)	4,776,708	4,769,898	4,748,507	(21,391)
Maintenance of plant	1,601,535	1,596,679	1,583,163	(13,516)	1,519,460	1,519,460	1,418,749	(100,711)
Transportation	1,400,271	1,236,425	1,141,374	(95,051)	1,373,328	1,259,321	1,142,411	(116,910)
Total support services	21,436,469	21,174,939	20,585,722	(589,217)	20,947,587	21,144,004	20,568,515	(575,489)

(Continued)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

General Purpose School Fund
Comparative Schedules of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
(Continued)

Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (continued):								
Non-instructional:								
Pre-k program - grant	\$ 653,725	\$ 452,995	\$ 452,995	\$ -	\$ 450,080	\$ 450,079	\$ 449,766	\$ (313)
Pre-k program - local	-	488,575	476,538	(12,037)	-	-	-	-
Total non-instructional	653,725	941,570	929,533	(12,037)	450,080	450,079	449,766	(313)
Capital outlays	167,500	306,667	4,907,084	4,600,417	226,500	228,500	273,743	45,243
Debt service:								
Principal on capitalized leases	398,923	398,923	398,923	-	388,641	388,641	388,641	-
Interest on capitalized leases	26,077	26,077	26,077	-	36,359	36,359	36,359	-
Principal on bonds and notes payable	-	-	4,068,496	4,068,496	-	-	3,895,559	3,895,559
Interest on bonds and notes payable	-	-	2,583,973	2,583,973	-	-	2,556,617	2,556,617
Total debt service	425,000	425,000	7,077,469	6,652,469	425,000	425,000	6,877,176	6,452,176
Total expenditures	54,797,096	54,379,677	64,801,846	10,422,169	53,580,982	54,169,554	58,919,861	4,750,307
Revenues over (under) expenditures	(16,819,039)	(16,819,039)	(25,974,251)	(9,155,212)	(16,874,470)	(17,373,150)	(21,746,470)	(4,373,320)
Other financing sources (uses):								
Transfers in - from city	15,493,963	15,493,963	22,710,708	7,216,745	15,493,963	15,493,963	22,003,854	6,509,891
Transfer in - other funds	-	-	152,105	152,105	-	-	103,899	103,899
Transfers out - other funds	-	-	(69,208)	(69,208)	-	-	(68,773)	(68,773)
Bond and proceeds	-	-	6,413,196	-	-	-	-	-
Total other financing sources (uses) - net	15,493,963	15,493,963	29,206,801	7,299,642	15,493,963	15,493,963	22,038,980	6,545,017
Net change in fund balances	\$ (1,325,076)	\$ (1,325,076)	3,232,550	\$ (1,855,570)	\$ (1,380,507)	\$ (1,879,187)	292,510	\$ 2,171,697
Fund balance, beginning			7,295,578				7,003,068	
Fund balance, ending*			\$ 10,528,128				\$ 7,295,578	

*Includes unspent bond proceeds of \$2,575,267.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

School Federal Projects Fund
Comparative Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Grants receivable	\$ 753,015	\$ 494,840
Prepaid items	<u>8,714</u>	<u>5,911</u>
Total assets	<u>\$ 761,729</u>	<u>\$ 500,751</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Accounts payable	\$ 35,399	\$ 41,829
Accrued salaries and benefits	107,993	80,180
Due to other funds	<u>618,337</u>	<u>378,742</u>
Total liabilities	<u>761,729</u>	<u>500,751</u>
Fund balance	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 761,729</u>	<u>\$ 500,751</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

School Federal Projects Fund
Comparative Statements of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30, 2018 and 2017

	2018 Actual	2017 Actual
Revenues:		
Federal government	\$ 3,612,868	\$ 3,542,025
Total revenues	<u>3,612,868</u>	<u>3,542,025</u>
Expenditures:		
Instructional:		
Regular instruction	812,510	894,955
Special education	783,214	725,810
Technology and career	<u>115,747</u>	<u>107,778</u>
Total instructional	<u>1,711,471</u>	<u>1,728,543</u>
Support services:		
Health services	5,004	-
Other student support	54,665	149,425
Instructional staff	314,307	250,408
Special education	241,434	225,910
Technology and career	3,066	3,795
Transportation	<u>50,480</u>	<u>77,949</u>
Total support services	<u>668,956</u>	<u>707,487</u>
Non-instructional:		
Community service / early childhood education	1,092,318	1,012,096
Other	<u>-</u>	<u>-</u>
Total non-instructional	<u>1,092,318</u>	<u>1,012,096</u>
Total expenditures	<u>3,472,745</u>	<u>3,448,126</u>
Other financing sources (uses):		
Transfer to other funds	<u>(140,123)</u>	<u>(93,899)</u>
Total other financing sources (uses)	<u>(140,123)</u>	<u>(93,899)</u>
Net change in fund balances	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

School Federal Projects Fund
Comparative Schedules of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Federal government	\$ 3,322,698	\$ 3,722,467	\$ 3,612,868	\$ (109,599)	\$ 3,554,170	\$ 3,738,579	\$ 3,542,025	\$ (196,554)
Total revenues	<u>3,322,698</u>	<u>3,722,467</u>	<u>3,612,868</u>	<u>(109,599)</u>	<u>3,554,170</u>	<u>3,738,579</u>	<u>3,542,025</u>	<u>(196,554)</u>
Expenditures:								
Instructional:								
Regular instruction	447,634	866,744	812,510	(54,234)	749,564	905,402	894,955	(10,447)
Special education	748,977	793,410	783,214	(10,196)	747,596	734,173	725,810	(8,363)
Technology and career	129,362	120,354	115,747	(4,607)	129,362	108,872	107,778	(1,094)
Total instructional	<u>1,325,973</u>	<u>1,780,508</u>	<u>1,711,471</u>	<u>(69,037)</u>	<u>1,626,522</u>	<u>1,748,447</u>	<u>1,728,543</u>	<u>(19,904)</u>
Support services:								
Health services	-	5,075	5,004	(71)	-	-	-	-
Other student support	215,362	74,602	54,665	(19,937)	160,896	201,792	149,425	(52,367)
Instructional staff	267,387	316,647	314,307	(2,340)	211,064	264,343	250,408	(13,935)
Special education	215,867	250,327	241,434	(8,893)	215,867	249,615	225,910	(23,705)
Technology and career	-	3,089	3,066	(23)	-	3,795	3,795	-
Fiscal services	200,000	-	-	-	200,000	-	-	-
Transportation	-	50,574	50,480	(94)	-	82,000	77,949	(4,051)
Total support services	<u>898,616</u>	<u>700,314</u>	<u>668,956</u>	<u>(31,358)</u>	<u>787,827</u>	<u>801,545</u>	<u>707,487</u>	<u>(94,058)</u>
Non-instructional:								
Community service / early childhood education	270,000	1,103,137	1,092,318	(10,819)	310,000	1,083,633	1,012,096	(71,537)
Other	-	1,078	-	(1,078)	-	-	-	-
Total non-instructional	<u>270,000</u>	<u>1,104,215</u>	<u>1,092,318</u>	<u>(11,897)</u>	<u>310,000</u>	<u>1,083,633</u>	<u>1,012,096</u>	<u>(71,537)</u>
Capital outlay	<u>746,842</u>	-	-	-	<u>746,842</u>	-	-	-
Total expenditures	<u>3,241,431</u>	<u>3,585,037</u>	<u>3,472,745</u>	<u>(112,292)</u>	<u>3,471,191</u>	<u>3,633,625</u>	<u>3,448,126</u>	<u>(185,499)</u>
Other financing sources (uses):								
Transfer to other funds	(81,267)	(137,430)	(140,123)	(2,693)	(82,979)	(104,954)	(93,899)	11,055
Total other financing sources (uses)	<u>(81,267)</u>	<u>(137,430)</u>	<u>(140,123)</u>	<u>(2,693)</u>	<u>(82,979)</u>	<u>(104,954)</u>	<u>(93,899)</u>	<u>11,055</u>
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balance, beginning								
Fund balance, ending			\$ -				\$ -	

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Nonmajor Governmental Funds
Combining Balance Sheet

June 30, 2018

	Special Revenue Funds			
	Other Education Special Revenue Funds	Extended School Program Fund	Cafeteria	Total Special Revenue Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 5,765	\$ 106,301	\$ 670,709	\$ 782,775
Inventories	-	-	43,195	43,195
Accounts receivable	-	-	16,245	16,245
Grants receivable	3,736	-	29,374	33,110
Total assets	<u>\$ 9,501</u>	<u>\$ 106,301</u>	<u>\$ 759,523</u>	<u>\$ 875,325</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>				
Accounts payable	\$ -	\$ 85	\$ 78,207	\$ 78,292
Accrued salaries and benefits	2,825	4,999	-	7,824
Total liabilities	<u>2,825</u>	<u>5,084</u>	<u>78,207</u>	<u>86,116</u>
Deferred inflows of resources	-	-	19,976	19,976
Fund balances:				
Nonspendable:				
Inventories	-	-	43,195	43,195
Restricted:				
Restricted for support service	6,676	-	-	6,676
Restricted for non-instructional	-	-	618,145	618,145
Unrestricted:				
Committed	-	101,217	-	101,217
Total fund balances	<u>6,676</u>	<u>101,217</u>	<u>661,340</u>	<u>769,233</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,501</u>	<u>\$ 106,301</u>	<u>\$ 759,523</u>	<u>\$ 875,325</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances

Year Ended June 30, 2018

	Special Revenue Funds			Total
	Other Education Special Revenue Funds	Extended School Program Fund	Central Cafeteria Fund	
Revenues:				
Charges for service	\$ -	\$ 365,179	\$ 501,781	\$ 866,960
Other local sources	12,900	-	-	12,900
State grants	51,085	-	-	51,085
Federal government	-	-	1,497,998	1,497,998
Other	-	10,680	136,588	147,268
Total revenues	<u>63,985</u>	<u>375,859</u>	<u>2,136,367</u>	<u>2,576,211</u>
Expenditures:				
Support services:				
Other student support	98,820	-	-	98,820
Non-instructional:				
Food service	-	-	1,939,281	1,939,281
Community service	<u>38,657</u>	<u>366,281</u>	<u>-</u>	<u>404,938</u>
Total expenditures	<u>137,477</u>	<u>366,281</u>	<u>1,939,281</u>	<u>2,443,039</u>
Revenues over (under) expenditures	<u>(73,492)</u>	<u>9,578</u>	<u>197,086</u>	<u>133,172</u>
Other financing sources (uses):				
Operating transfers - other funds	<u>69,208</u>	<u>(11,982)</u>	<u>-</u>	<u>57,226</u>
Total other financing sources (uses)	<u>69,208</u>	<u>(11,982)</u>	<u>-</u>	<u>57,226</u>
Net change in fund balances	<u>(4,284)</u>	<u>(2,404)</u>	<u>197,086</u>	<u>190,398</u>
Net position, beginning, as previously stated	10,960	103,621	426,250	540,831
Prior period adjustment (see note 21)	<u>-</u>	<u>-</u>	<u>38,004</u>	<u>38,004</u>
Net position, beginning, as restated	<u>10,960</u>	<u>103,621</u>	<u>464,254</u>	<u>578,835</u>
Fund balance, ending	<u>\$ 6,676</u>	<u>\$ 101,217</u>	<u>\$ 661,340</u>	<u>\$ 769,233</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Other Education Special Revenue Funds
Comparative Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 5,765	\$ 7,874
Grants receivable	<u>3,736</u>	<u>5,797</u>
Total assets	<u>\$ 9,501</u>	<u>\$ 13,671</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accrued salaries and benefits	\$ 2,825	\$ 2,711
Due to other funds	<u>-</u>	<u>-</u>
Total liabilities	<u>2,825</u>	<u>2,711</u>
Fund balances:		
Restricted:		
Restricted for support services	<u>6,676</u>	<u>10,960</u>
Total liabilities and fund balances	<u>\$ 9,501</u>	<u>\$ 13,671</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Other Education Special Revenue Funds
Comparative Statements of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30, 2018 and 2017

	<u>2018</u> Actual	<u>2017</u> Actual
Revenues:		
Other local sources	\$ 12,900	\$ 18,956
State grants	<u>51,085</u>	<u>54,463</u>
Total revenues	<u>63,985</u>	<u>73,419</u>
Expenditures:		
Current:		
Non-instructional:		
Other student services	98,820	99,085
Community service	<u>38,657</u>	<u>39,695</u>
Total expenditures	<u>137,477</u>	<u>138,780</u>
Revenues over (under) expenditures	(73,492)	(65,361)
Other financing sources:		
Operating transfers - other funds	<u>69,208</u>	<u>68,773</u>
Net change in fund balance	(4,284)	3,412
Fund balance, beginning	<u>10,960</u>	<u>7,548</u>
Fund balance, ending	<u>\$ 6,676</u>	<u>\$ 10,960</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Other Education Special Revenue Funds
Comparative Schedules of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Other local sources	\$ 24,994	\$ 31,830	\$ 12,900	\$ (18,930)	\$ 24,994	\$ 21,789	\$ 18,956	\$ (2,833)
State grants	58,314	51,478	51,085	(393)	58,936	54,830	54,463	(367)
Total revenues	<u>83,308</u>	<u>83,308</u>	<u>63,985</u>	<u>(19,323)</u>	<u>83,930</u>	<u>76,619</u>	<u>73,419</u>	<u>(3,200)</u>
Expenditures:								
Current:								
Non-instructional:								
Other student services	-	98,940	98,820	(120)	-	97,330	99,085	1,755
Community service	143,411	53,696	38,657	(15,039)	142,937	46,307	39,695	(6,612)
Total expenditures	<u>143,411</u>	<u>152,636</u>	<u>137,477</u>	<u>(15,159)</u>	<u>142,937</u>	<u>143,637</u>	<u>138,780</u>	<u>(4,857)</u>
Revenues over (under) expenditures	(60,103)	(69,328)	(73,492)	(4,164)	(59,007)	(67,018)	(65,361)	1,657
Other financing sources:								
Operating transfers - other funds	60,103	69,328	69,208	(120)	59,007	67,018	68,773	1,755
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(4,284)</u>	<u>\$ (4,284)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,412</u>	<u>\$ 3,412</u>
Fund balance, beginning			<u>10,960</u>				<u>7,548</u>	
Fund balance, ending			<u>\$ 6,676</u>				<u>\$ 10,960</u>	

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Extended School Program Fund
Comparative Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 106,301	\$ 108,752
Accounts receivable	<u>-</u>	<u>261</u>
Total assets	<u>\$ 106,301</u>	<u>\$ 109,013</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ 85	\$ -
Accrued salaries and benefits	<u>4,999</u>	<u>5,392</u>
Total liabilities	<u>5,084</u>	<u>5,392</u>
Fund balances:		
Committed	<u>101,217</u>	<u>103,621</u>
Total liabilities and fund balances	<u>\$ 106,301</u>	<u>\$ 109,013</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Extended School Program Fund
Comparative Statements of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30, 2018 and 2017

	<u>2018</u> Actual	<u>2017</u> Actual
Revenues:		
Charges for services	\$ 365,179	\$ 419,497
Other income	10,680	-
Total revenues	<u>375,859</u>	<u>419,497</u>
Expenditures:		
Current:		
Non-instructional:		
Community service	<u>366,281</u>	<u>364,130</u>
Total expenditures	<u>366,281</u>	<u>364,130</u>
Revenues over expenditures	9,578	55,367
Other financing sources (uses):		
Operating transfers - other funds	<u>(11,982)</u>	<u>(10,000)</u>
Net change in fund balance	(2,404)	45,367
Fund balance, beginning	<u>103,621</u>	<u>58,254</u>
Fund balance, ending	<u>\$ 101,217</u>	<u>\$ 103,621</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Extended School Program Fund
Comparative Schedules of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Charges for services	\$ 441,442	\$ 441,442	\$ 365,179	\$ (76,263)	\$ 425,237	\$ 425,237	\$ 419,497	\$ (5,740)
Other income	-	-	10,680	10,680	-	-	-	-
Total revenues	<u>441,442</u>	<u>441,442</u>	<u>375,859</u>	<u>(65,583)</u>	<u>425,237</u>	<u>425,237</u>	<u>419,497</u>	<u>(5,740)</u>
Expenditures:								
Current:								
Non-instructional:								
Community service	<u>441,442</u>	<u>441,442</u>	<u>366,281</u>	<u>(75,161)</u>	<u>425,237</u>	<u>425,237</u>	<u>364,130</u>	<u>(61,107)</u>
Total expenditures	<u>441,442</u>	<u>441,442</u>	<u>366,281</u>	<u>(75,161)</u>	<u>425,237</u>	<u>425,237</u>	<u>364,130</u>	<u>(61,107)</u>
Revenues over expenditures	-	-	9,578	9,578	-	-	55,367	55,367
Other financing sources (uses):								
Operating transfers - other funds	-	-	(11,982)	(11,982)	-	-	(10,000)	(10,000)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(2,404)</u>	<u>\$ (2,404)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>45,367</u>	<u>\$ 45,367</u>
Fund balance, beginning			<u>103,621</u>				<u>58,254</u>	
Fund balance, ending			<u>\$ 101,217</u>				<u>\$ 103,621</u>	

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Central Cafeteria Fund
Comparative Balance Sheets

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 670,709	\$ 466,853
Inventories	43,195	-
Accounts receivable	16,245	188,137
Grants receivable	<u>29,374</u>	<u>45,593</u>
Total assets	<u>\$ 759,523</u>	<u>\$ 700,583</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>		
Accounts payable	<u>\$ 78,207</u>	<u>\$ 256,612</u>
Total liabilities	<u>78,207</u>	<u>256,612</u>
Deferred inflows of resources	<u>19,976</u>	<u>17,721</u>
Fund balance:		
Nonspendable:		
Inventories	43,195	-
Restricted for non-instructional - food service	<u>618,145</u>	<u>426,250</u>
Total fund balance	<u>661,340</u>	<u>426,250</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 759,523</u>	<u>\$ 700,583</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Central Cafeteria Fund
Comparative Statements of Revenues, Expenditures and Changes
in Fund Balance

Years Ended June 30, 2018 and 2017

	<u>2018</u> Actual	<u>2017</u> Actual
Revenues:		
Charges for services	\$ 501,781	\$ 457,000
Federal government	1,497,998	1,614,855
Other	<u>136,588</u>	<u>121,832</u>
Total revenues	<u>2,136,367</u>	<u>2,193,687</u>
Expenditures:		
Current:		
Non-instructional:		
Food service	<u>1,939,281</u>	<u>2,038,102</u>
Total expenditures	<u>1,939,281</u>	<u>2,038,102</u>
Net change in fund balance	<u>197,086</u>	<u>155,585</u>
Net position, beginning, as previously stated	426,250	270,665
Prior period adjustment (see note 21)	<u>38,004</u>	<u>-</u>
Net position, beginning, as restated	<u>464,254</u>	<u>270,665</u>
Fund balance, ending	<u>\$ 661,340</u>	<u>\$ 426,250</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Central Cafeteria Fund
Comparative Schedules of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual

Years Ended June 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:								
Charges for services	\$ 519,083	\$ 519,083	\$ 501,781	\$ (17,302)	\$ 534,368	\$ 534,368	\$ 457,000	\$ (77,368)
Federal government	1,370,599	1,370,599	1,497,998	127,399	1,268,813	1,293,813	1,614,855	321,042
Other	123,790	123,790	136,588	12,798	120,420	120,420	121,832	1,412
Total revenues	<u>2,013,472</u>	<u>2,013,472</u>	<u>2,136,367</u>	<u>122,895</u>	<u>1,923,601</u>	<u>1,948,601</u>	<u>2,193,687</u>	<u>245,086</u>
Expenditures:								
Current:								
Non-instructional:								
Food service	<u>2,063,472</u>	<u>2,063,472</u>	<u>1,939,281</u>	<u>(124,191)</u>	<u>1,993,601</u>	<u>2,018,601</u>	<u>2,038,102</u>	<u>19,501</u>
Total expenditures	<u>2,063,472</u>	<u>2,063,472</u>	<u>1,939,281</u>	<u>(124,191)</u>	<u>1,993,601</u>	<u>2,018,601</u>	<u>2,038,102</u>	<u>19,501</u>
Net change in fund balance	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>197,086</u>	<u>\$ 247,086</u>	<u>\$ (70,000)</u>	<u>\$ (70,000)</u>	<u>155,585</u>	<u>\$ 225,585</u>
Net position, beginning, as previously stated			426,250				270,665	
Prior period adjustment (see note 21)			<u>38,004</u>				-	
Net position, beginning, as restated			<u>464,254</u>				<u>270,665</u>	
Fund balance, ending			<u>\$ 661,340</u>				<u>\$ 426,250</u>	

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Comparative Statements of Fiduciary Net Position - Fiduciary Fund
Private Purpose Trust and Agency Fund

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,050,017	\$ 1,182,229
Inventory	3,147	1,170
Prepaid expenses	<u>8,271</u>	<u>-</u>
Total assets	<u>\$ 1,061,435</u>	<u>\$ 1,183,399</u>
<u>LIABILITIES AND NET POSITION</u>		
Accounts payable	\$ -	\$ 2,672
Due to other funds	<u>8,271</u>	<u>-</u>
Total liabilities	<u>8,271</u>	<u>2,672</u>
Net position:		
Held in trust for scholarships	103,186	255,515
Held in trust for internal school funds	<u>949,978</u>	<u>925,212</u>
Total net position	<u>1,053,164</u>	<u>1,180,727</u>
Total liabilities and net position	<u>\$ 1,061,435</u>	<u>\$ 1,183,399</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Comparative Statements of Changes in Fiduciary Net Position - Fiduciary Fund
Private Purpose Trust and Agency Fund

Years Ended June 30, 2018 and 2017

	<u>2018</u> <u>Actual</u>	<u>2017</u> <u>Actual</u>
Additions:		
Investment income	\$ 887	\$ 1,433
Contributions	<u>1,396,519</u>	<u>1,410,188</u>
Total additions	<u>1,397,406</u>	<u>1,411,621</u>
Deductions:		
Scholarship awards	159,216	2,200
School related expenditures	1,363,396	1,439,226
Other	<u>2,357</u>	<u>3,349</u>
Total deductions	<u>1,524,969</u>	<u>1,444,775</u>
Change in net position	(127,563)	(33,154)
Net position, beginning	<u>1,180,727</u>	<u>1,213,881</u>
Net position, ending	<u>\$ 1,053,164</u>	<u>\$ 1,180,727</u>

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Expenditures of Federal and State Awards

June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through To Subrecipients	Expenditures
Federal Awards:					
Direct Funding:					
U.S. Department of Education	Federal Impact Aid-Section 8003	84.041	S0416-2018-4752	N/A	\$ 43,859
U.S. Department of Energy	Clinch River Environmental Studies Organization (CRESO)	81.104	DE-FG05-93OR22105	N/A	66,429
Total Direct Funding				-	110,288
Pass-through Funding:					
U.S. Department of Health and Human Services (HHS) through Anderson County, TN	Headstart Startup	93.600	PA20	N/A	9,098
U.S. Department of Health and Human Services (HHS) through Anderson County, TN	Headstart Duration Startup	93.600	PA22	N/A	789,037
U.S. Department of Health and Human Services (HHS) through Anderson County, TN	Headstart Duration Startup	93.600	PA22	N/A	55,837
Total Program 93.600				-	853,972
U.S. Department of Education through TN Department of Education	Carl Perkins ACT	84.048A	Project #18--012000 Award #V048A180042	N/A	68,213
U.S. Department of Education through TN Department of Education	Carl Perkins Reserve	84.048A	Project #18--012000 Award #V048A160042	N/A	57,370
Total Program 84.048A				-	125,583
U.S. Department of Education through TN Department of Education	IDEA Discretionary	84.027A	Award #H027A170052	N/A	9,362
U.S. Department of Education through TN Department of Education	IDEA Discretionary	84.027A	Award #H027A170052	N/A	62,766
U.S. Department of Education through TN Department of Education	Pathways Consortium	84.027A	Project #18--012000 Award #H027A170052	N/A	9,615
U.S. Department of Education through TN Department of Education	IDEA-B	84.027A	Project #18--012000 Award #H027A170052	N/A	1,011,008
Total Program 84.027A				-	1,092,751

(Continued)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Expenditures of Federal and State Awards
(Continued)

June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through To Subrecipients	Expenditures
Federal Awards (Continued):					
Pass-through Funding (Continued):					
U.S. Department of Agriculture through TN Department of Education	Nat'l School Lunch Program	10.555	N/A	N/A	\$ 904,755
U.S. Department of Agriculture through TN Department of Education	Nat'l School Lunch Program / After School Snacks	10.555	N/A	N/A	16,678
U.S. Department of Agriculture through TN Department of Education	USDA Commodity Rebate	10.555	N/A	N/A	5,134
Total Program 10.555				-	926,567
U.S. Department of Education through TN Department of Education	State Idea-B High Excess Cost	84.027	N/A	N/A	101,041
U.S. Department of Education through TN Department of Education	Title I - A	84.010A	Project #18-572-012000 Award #SO10A180042	N/A	969,417
U.S. Department of Education through TN Department of Education	Title II - A	84.367A	Project #18--012000 Award #S367A180040	N/A	143,125
U.S. Department of Education through TN Department of Education	Title III - A	84.365A	Project #18--01200 Award #S365A180042	N/A	12,468
U.S. Department of Education through TN Department of Education	Title IV - B	84.287	Project #18--012000 Award #S287C180043	N/A	185,415
U.S. Department of Education through TN Department of Education	Title IV - A	84.424A	Project #18--012000 Award #S2424A180044	N/A	24,375
U.S. Department of Education through TN Department of Education	Read to Be Ready Summer	93.575	Project #18--012000 Award #V048A180042	N/A	112,195
U.S. Department of Education through TN Department of Education	Idea-B/Preschool	84.173A	Project #18--012000 Award #H173A180095	N/A	27,139
U.S. Department of Agriculture through TN Department of Education	Child Nutrition State Match	10.560	N/A	N/A	16,267

(Continued)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Schedule of Expenditures of Federal and State Awards
(Continued)

June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through To Subrecipients	Expenditures
Federal Awards (Continued):					
Pass-through Funding (Continued):					
U.S. Department of Agriculture through TN Department of Education	Nat'l School Breakfast Program	10.553	N/A	N/A	\$ 351,852
U.S. Department of Agriculture through TN Department of Human Services	Child & Adult Care Food Program	10.558	03-47-59931-00-5	N/A	163,065
U.S. Department of Education through TN Department of Education	USDA Summer Food Program	10.559	N/A	N/A	39,665
Total Pass-through Funding				-	2,146,024
Total Federal Awards				\$ -	\$ 5,255,185
State Awards:					
Tennessee Department of Education	Early Childhood Education Pre-K Expansion	N/A	18--012000 PreK/State 46515	N/A	\$ 452,995
Tennessee Department of Education	Read to Be Ready Coaching Network	N/A	N/A	N/A	9,888
Tennessee Department of Education	Coordinated School Health	N/A	Project #18--012000 46590 (S37A090043)	N/A	75,000
Tennessee Department of Education	Safe Schools Act - FY2018	N/A	S397A090043	N/A	21,473
Tennessee Department of Education	Family Resource Center - FY 2018	N/A	Project #18-012000	N/A	29,612
Tennessee Department of Education	ConnecTenn	N/A	N/A	N/A	11,565
Tennessee Department of Education	Teacher Leader Network	N/A	Tracking #33105-03517	N/A	4,777
Tennessee Department of Education	CTE Equipment	N/A	Project #18-012000	N/A	176,234
Tennessee Department of Education	Work-Based Learning Grant	N/A	N/A	N/A	25,000
Total State Awards				\$ -	\$ 806,544
Total Federal and State Awards				\$ -	\$ 6,061,729

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Notes to Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2018

Note A – Basis of Presentation

The accompanying schedule of federal and state awards (the Schedule) includes federal and state award activity of Oak Ridge Schools under programs of the federal and state governments for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Oak Ridge Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows of Oak Ridge Schools.

Note B – Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Oak Ridge Schools has elected to use 19.92 percent indirect cost rate for Food Service programs and 6.41 percent indirect cost rate for all other Restricted Programs, as allowed under the Uniform Guidance.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE
Schedule of Noncash Federal Awards
June 30, 2018

Federal Grantor/Pass-through Grantor/State Grantor	Program/ Cluster Name	CFDA Number	Contract Number	Passed Through To Subrecipients	Expenditures
Federal Awards:					
Noncash:					
U.S. Department of Agriculture through TN Department of Education	N/A	10.555	N/A	<u>N/A</u>	<u>\$ 135,280</u>

See independent auditor's report.

STATISTICAL SECTION (UNAUDITED)

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Net Position by Component
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	(Restated) 2012	2011
Governmental activities:								
Net investment in capital assets	\$ (8,467,072)	\$ (10,064,996)	\$ (4,884,355)	\$ (4,988,392)	\$ (4,467,543)	\$ (3,631,784)	\$ (2,366,437)	\$ (966,589)
Restricted	3,716,673	429,327	280,344	133,981	143,972	89,870	27,016	71,666
Unrestricted	<u>(7,228,052)</u>	<u>(8,173,876)</u>	<u>(12,254,611)</u>	<u>(11,186,045)</u>	<u>(4,398,509)</u>	<u>(3,009,777)</u>	<u>(5,854,000)</u>	<u>(719,887)</u>
	<u>\$ (11,978,451)</u>	<u>\$ (17,809,545)</u>	<u>\$ (16,858,622)</u>	<u>\$ (16,040,456)</u>	<u>\$ (8,722,080)</u>	<u>\$ (6,551,691)</u>	<u>\$ (8,193,421)</u>	<u>\$ (1,614,810)</u>

Note: Fiscal year 2008 was the first year the Schools adopted GASB Statement No. 34. The governmental activities of the Schools is the primary department of the organization.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Change in Net Position
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	2018	2017	2016	(Restated) 2015	2014	2013	(Restated) 2012	2011
Expenses:								
Governmental activities:								
Instructional	\$34,790,175	\$34,240,037	\$30,156,746	\$29,193,306	\$33,499,296	\$34,942,916	\$36,147,513	\$34,495,875
Support services	21,134,627	21,335,813	22,725,143	21,344,213	19,081,808	18,067,089	18,167,296	17,610,147
Non-instructional	4,308,199	3,919,086	3,728,687	3,915,339	5,363,080	4,028,545	3,910,058	3,920,163
Pension expense	-	-	(342,633)	(120,675)	-	-	-	-
Interest on long-term debt	2,783,647	2,487,639	2,238,570	2,737,256	2,778,855	2,868,515	2,763,493	2,697,482
Total governmental activities expenses	63,016,648	61,982,575	58,506,513	57,069,439	60,723,039	59,907,065	60,988,360	58,723,667
Program revenues:								
Governmental activities:								
Charges for services:								
Instructional	269,261	5,348	289,396	303,813	296,773	327,892	354,642	400,746
Support services	-	-	18,435	16,663	21,396	17,200	19,349	15,354
Non-instructional	603,011	612,688	809,981	770,605	814,343	869,140	1,046,683	1,116,039
Operating grants and contributions:								
Instructional*	23,754,403	23,234,346	3,588,921	3,533,592	4,040,198	3,903,431	5,083,714	3,294,489
Support services	813,856	707,487	-	-	-	-	-	675,182
Non-instructional	3,575,967	2,868,786	1,959,932	1,807,495	1,814,991	1,744,783	1,689,867	2,361,629
Total governmental activities program revenues	29,016,498	27,428,655	6,666,665	6,432,168	6,987,701	6,862,446	8,194,255	7,863,439
Net expenses:	(34,000,150)	(34,553,920)	(51,839,848)	(50,637,271)	(53,735,338)	(53,044,619)	(52,794,105)	(50,860,228)
General revenues and other changes in net position:								
General revenues:								
Property taxes	10,393,227	10,520,679	10,085,357	9,066,034	9,191,611	8,893,890	8,806,098	8,774,875
Local options sales and mineral severance taxes	5,213,462	4,711,919	4,568,039	4,304,972	4,854,957	4,988,486	4,026,712	4,027,249
Mixed drink taxes	174	140	87	273	5,649	-	-	-
Other local sources	-	-	1,310,914	467,368	331,846	313,863	356,505	308,108
State of Tennessee - BEP	-	-	19,491,000	19,043,000	18,855,000	18,886,515	18,525,000	16,714,405
Federal government - unrestricted*	-	-	51,639	33,355	47,176	73,083	66,544	1,936,754
Investment income (loss)	94,856	40,311	18,601	461	13,664	22,042	24,744	20,766
Investment income (loss) - change in fair market value of swaps	995,446	1,967,643	(2,397,961)	(882,448)	(438,257)	3,169,166	(4,830,874)	(414,647)
Gain (loss) on sale and disposal of capital assets	-	(1)	(146)	5,926	28,074	17,917	1,262	(18,896)
Pension income	9,458	36,486	-	-	-	-	-	-
Contributions	104,310	205,350	-	-	-	-	-	-
Miscellaneous	443,984	494,966	-	-	-	-	-	-
Payments from component unit	-	-	63,271	80,044	66,756	111,329	-	-
Transfers from the City's general fund	15,493,963	15,493,963	14,955,915	14,629,302	14,112,832	13,862,832	14,629,302	14,686,834
Transfers from the equipment rental and replacement fund	-	-	(876,826)	286,194	222,314	15,254	524,703	-
Transfers from the City's capital projects fund	564,276	57,715	335,410	-	-	-	-	-
Transfers from the City's debt service fund	6,652,469	6,452,176	4,875,846	4,845,347	4,273,327	4,331,972	4,141,985	4,002,020
Total governmental activities	39,965,625	39,981,347	52,481,146	51,879,828	51,564,949	54,686,349	46,271,981	50,037,468
Change in governmental activities net position	\$ 5,965,475	\$ 5,427,427	\$ 641,298	\$ 1,242,557	\$ (2,170,389)	\$ 1,641,730	\$ (6,522,124)	\$ (822,760)

Note: Fiscal year 2008 was the first year the Schools adopted GASB Statement No. 34.

* Beginning in fiscal year 2017, Basic Education Program funds are reported in Operating grants and contributions. Basic Education Program funds were previously reported as Instructional revenues and are no longer a separate line item under General revenues.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	General Purpose School Fund				All Other Government Funds			
	Non-Spendable	Restricted	Unrestricted (A)	Total	Non-Spendable	Restricted	Unrestricted (A)	Total
2009	\$ 364,453	\$ 191,434	\$ 2,109,483	\$ 2,665,370	\$ -	\$ -	\$ 67,138	\$ 67,138
2010	62,829	171,115	3,599,158	3,833,102	-	7,269	34,768	42,037
2011	53,580	67,261	5,509,326	5,630,167	-	4,405	54,109	58,514
2012	83,659	73,782	5,680,670	5,838,111	4,508	67,821	70,568	142,897
2013	58,739	30,692	5,978,950	6,068,381	4,566	175,778	40,710	221,054
2014	71,362	52,669	5,534,857	5,658,888	1,777	246,290	15,368	263,435
2015	87,814	18,295	5,900,231	6,006,340	-	121,476	18,080	139,556
2016	73,867	(1,724)	6,930,925	7,003,068	-	278,213	58,254	336,467
2017	96,315	(7,883)	7,207,146	7,295,578	-	437,210	103,621	540,831
2018	112,824	2,578,271	7,837,033	10,528,128 *	43,195	624,821	101,217	769,233

Note: (A) Unrestricted fund balance includes committed, assigned, and unassigned amounts.

* Includes unspent bond proceeds of \$2,575,267.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues:										
Local taxes	\$ 15,606,862	\$ 15,232,737	\$ 14,653,483	\$ 13,371,279	\$ 14,052,217	\$ 13,882,376	\$ 12,832,810	\$ 12,802,124	\$ 12,649,926	\$ 11,824,143
Charges for services	1,142,086	1,112,544	1,099,377	1,074,418	1,111,116	1,197,033	1,401,325	1,514,327	1,650,818	1,810,598
Other local sources	355,932	428,331	108,410	182,835	179,589	196,074	160,263	178,545	221,755	252,442
State of Tennessee - BEP	21,413,738	20,286,000	19,491,000	19,043,000	20,229,863	20,055,845	19,809,329	17,698,595	18,307,746	19,216,214
State of Tennessee - Other	1,089,604	936,791	831,777	895,440	-	-	-	-	-	-
State of TN - On-behalf payments	-	-	-	170,285	172,409	178,429	165,609	178,079	194,338	182,699
Federal government	5,255,766	5,237,683	4,922,293	4,477,066	4,439,807	4,453,497	5,455,401	7,098,920	6,204,151	3,787,503
Capital lease proceeds	-	-	1,511,253	-	-	-	-	-	-	-
Other	152,686	167,933	1,075,597	202,356	171,518	204,185	176,383	176,006	176,311	25,576
Total revenues	45,016,674	43,402,019	43,693,190	39,416,679	40,356,519	40,167,439	40,001,120	39,646,596	39,405,045	37,099,175
Expenditures:										
Instructional	33,013,509	32,479,204	33,538,970	30,936,574	30,396,647	31,319,400	32,468,000	30,539,940	30,983,850	29,442,234
Support services	21,353,498	21,375,087	19,461,674	18,418,123	18,439,716	17,927,629	17,919,146	17,463,999	16,837,686	17,465,168
Non-instructional	4,366,070	3,903,789	3,781,123	3,900,739	3,875,556	3,872,652	3,826,312	3,771,273	3,884,878	4,303,762
Capital outlays	4,907,084	273,743	299,801	141,403	1,698,895	655,676	851,912	655,294	1,239,855	170,247
Debt service - principal	4,467,419	4,284,200	21,948,400	2,416,180	1,790,488	1,758,264	1,681,448	1,468,216	1,386,865	302,533
Debt service - interest	2,610,050	2,592,976	2,719,800	2,854,736	2,913,179	2,999,307	2,886,106	2,846,676	2,899,923	10,339
Other	-	-	-	-	-	-	-	117,204	134,075	13,875
Total expenditures	70,717,630	64,908,999	81,749,768	58,667,755	59,114,481	58,532,928	59,632,924	56,862,602	57,367,132	51,708,158
Excess (deficiency) of revenues over expenditures	(25,700,956)	(21,506,980)	(38,056,578)	(19,251,076)	(18,757,962)	(18,365,489)	(19,631,804)	(17,216,006)	(17,962,087)	(14,608,983)
Other financing sources (uses):										
Transfers in - from City	22,710,708	22,003,854	39,186,566	19,474,649	18,386,159	18,194,804	18,771,287	18,688,854	17,954,718	13,508,020
Current refunding of bonds	-	-	-	-	(307,573)	-	-	(1,656,721)	(4,675,000)	-
Refunding bonds issued	-	-	-	-	306,653	-	-	1,645,631	-	-
Premium of refunding bonds issued	-	-	-	-	8,179	-	-	33,500	-	-
General obligation bonds issued	-	-	-	-	(2,568)	-	-	318,284	5,825,000	-
Transfers in - other funds	221,313	172,672	63,651	-	-	-	-	-	-	-
Transfers out - other funds	(221,313)	(172,672)	-	-	-	-	-	-	-	-
Bond proceeds	6,413,196	-	-	-	-	-	-	-	-	-
Capitalized lease proceeds	-	-	-	-	-	479,112	1,152,844	-	-	471,515
Total other financing sources (uses)	29,123,904	22,003,854	39,250,217	19,474,649	18,390,850	18,673,916	19,924,131	19,029,548	19,104,718	13,979,535
Net change in fund balances	3,422,948	496,874	1,193,639	223,573	(367,112)	308,427	292,327	1,813,542	1,142,631	(629,448)
Net position, beginning, as previously stated	7,836,409	7,339,535	6,145,896	5,922,323	6,289,435	5,981,008	5,688,681	3,875,139	2,732,508	3,361,956
Prior period adjustment (see note 21)	38,004	-								
Net position, beginning, as restated	7,874,413	7,339,535	6,145,896	5,922,323	6,289,435	5,981,008	5,688,681	3,875,139	2,732,508	3,361,956
Fund balance, ending	\$ 11,297,361	\$ 7,836,409	\$ 7,339,535	\$ 6,145,896	\$ 5,922,323	\$ 6,289,435	\$ 5,981,008	\$ 5,688,681	\$ 3,875,139	\$ 2,732,508

Note: Includes General Purpose School Fund, School Federal Projects Fund, Other Education Special Revenue Fund, Extended School Program Fund, and Cafeteria Fund (Governmental Funds).

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Local Tax Revenues by Source of All Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Fiscal Year	Property Taxes	Local Option Sales Tax	Mineral Severance Tax	Mixed Drink Tax	Total
2009	\$ 8,102,237	\$ 3,710,474	\$ 11,432	\$ -	\$ 11,824,143
2010	8,680,992	3,935,389	33,545	-	12,649,926
2011	8,774,875	4,005,204	22,045	-	12,802,124
2012	8,806,098	3,984,776	41,936	-	12,832,810
2013	8,893,890	4,986,448	2,038	-	13,882,376
2014	9,191,611	4,854,777	180	5,649	14,052,217
2015	9,066,034	4,340,972	-	273	13,407,279
2016	10,085,357	4,568,039	-	87	14,653,483
2017	10,520,679	4,711,403	515	140	15,232,737
2018	10,393,227	5,213,462	43	174	15,606,906

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Appraised and Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Tax Year	Real Property (1a)		Personal Property (1b)		Public Utility Property (1c)		Total		(3) Total Direct Tax Rate In/Out	Ratio of Total Assessed to Total Appraised Value
		Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value		
Anderson County											
2018	2017	\$ 5,985,637,163	\$ 1,450,496,710	\$565,365,950	\$ 162,095,605	\$ 91,064,651	\$ 39,749,720	\$ 6,642,067,764	\$ 1,652,342,035	2.52/2.59	24.88%
2017	2016	5,611,802,105	1,432,503,075	523,447,208	157,429,322	105,715,397	46,144,771	6,240,964,710	1,636,077,168	2.52/2.59	26.22%
2016	2015	5,473,537,110	1,401,404,970	473,719,875	142,511,140	105,564,935	46,079,094	6,052,821,920	1,589,995,204	2.35/2.53	26.27%
2015	2014	5,163,144,200	1,468,538,695	451,860,084	135,558,025	79,575,664	43,766,615	5,694,579,948	1,647,863,335	2.35/2.53	28.94%
2014	2013	5,357,302,815	1,446,471,760	468,171,156	135,558,295	74,311,389	40,871,190	5,899,785,360	1,622,901,245	2.35/2.53	27.51%
2013	2012	5,542,958,171	1,449,714,920	430,114,371	129,034,404	41,628,886	22,895,887	6,014,701,428	1,601,645,211	2.38/2.53	26.63%
2012	2011	5,103,304,200	1,447,259,535	405,505,830	121,651,846	61,665,568	33,916,062	5,570,475,598	1,602,827,443	2.38/2.53	28.77%
2011	2010	5,072,033,400	1,438,571,130	420,909,761	126,273,011	40,289,379	22,159,158	5,533,232,540	1,587,003,299	2.27/2.37	28.68%
2010	(2) 2009	4,203,971,000	1,198,159,565	413,123,786	103,947,656	60,168,982	33,092,940	4,677,263,768	1,335,200,161	2.68/2.82	28.55%
2009	2008	4,134,408,100	1,177,967,050	389,765,798	100,456,659	65,417,775	35,979,776	4,589,591,673	1,314,403,485	2.68/2.82	28.64%
Roane County											
2018	2017	\$ 4,569,702,257	\$ 1,158,529,680	\$187,945,813	\$ 56,030,910	\$ 94,150,564	\$ 41,096,721	\$ 4,851,798,634	\$ 1,255,657,311	2.52/2.35	25.88%
2017	2016	4,609,054,400	1,157,943,685	196,316,395	60,878,733	166,869,205	72,838,408	4,972,240,000	1,291,660,826	2.35/2.52	25.98%
2016	2015	4,505,746,911	1,157,867,504	174,165,177	52,249,553	97,149,897	42,405,930	4,777,061,985	1,252,522,987	1.97/2.18	26.22%
2015	2014	4,438,600,400	1,206,929,570	176,732,327	53,019,698	76,611,695	42,136,432	4,691,944,421	1,302,085,700	1.97/2.18	27.75%
2014	2013	4,438,610,300	1,206,934,925	176,714,484	53,014,418	69,235,187	38,079,353	4,684,559,971	1,298,028,696	1.97/2.18	27.71%
2013	2012	4,379,144,400	1,186,869,930	243,147,371	72,944,304	71,935,962	39,564,779	4,694,227,733	1,299,379,013	1.97/2.18	27.68%
2012	2011	4,417,064,900	1,195,580,630	204,154,677	61,246,843	64,821,498	35,651,824	4,686,041,075	1,292,479,297	1.97/2.18	27.58%
2011	2010	4,444,845,200	1,207,094,090	208,032,952	62,410,327	61,164,818	33,640,650	4,714,042,970	1,303,145,067	1.91/2.64	27.64%
2010	(2) 2009	3,441,527,800	935,961,790	247,225,906	60,890,771	46,453,829	25,549,606	3,735,207,535	1,022,402,167	2.27/2.63	27.37%
2009	2008	4,025,748,248	934,960,065	182,602,110	48,081,095	77,433,967	28,961,171	4,285,784,325	1,012,002,331	2.27/2.63	23.61%

Notes: (1) Assessment Rates are set by Tennessee State Law as follows:
(a) Real Property: Residential and Farm at 25 percent of value
(b) Personal Property at 30 percent of value
(c) Railroads at 40 percent of value and other Public Utilities at 55 percent of value

(2) In fiscal years 2005 and 2010, county-wide reappraisals of real property were conducted by the State of Tennessee, Division of Property Assessment. Also, the county-side reappraisals of real property were completed during tax years 2005 and 2010.

(3) "In" means inside the City of Oak Ridge. "Out" means outside the City of Oak Ridge's corporate limits or county-wide (County tax).

Sources: 2015 Tax Aggregate Report of Tennessee provided by the Tennessee Comptroller of the Treasury, Division of Property Assessments.
Anderson County, Tennessee, Finance Department
Roane County, Tennessee, Finance Department

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Oak Ridge	Anderson County	Roane County
2018	\$2.52	\$2.59	\$2.35
2017	2.52	2.59	2.35
2016	2.52	2.59	2.35
2015	2.39	2.53	1.97
2014	2.39	2.35	1.97
2013	2.39	2.35	1.97
2012	2.39	2.35	1.97
2011	2.39	2.26	1.91
2010	2.77	2.68	2.36
2009	2.77	2.68	2.27

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 parcels (2,323 of 14,683) 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 - 2010 (fiscal year 2011) and 2015 (fiscal year 2016)).

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Principal Property Taxpayers
Current Tax Year and Nine Years Ago

Taxpayer	Type of Business	Tax Year 2018			Tax Year 2009		
		Taxable Assessed Value	Rank	Percentage of Total Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Assessed Value
UT-Battelle	Management Contractor (ORNL)	\$ 43,991,816	1	5.48%	\$ 37,433,664	2	5.59%
Oak Ridge Projects LLC	Real Estate Developer	35,973,254	2	4.48%	38,194,743	1	5.70%
Scientific Ecology Group (AKA GTS Duratek)	Environmental Services	13,519,924	3	1.68%	5,746,694	8	0.86%
R&R Properties/Richard Chinn	Entrepreneur	12,084,870	4	1.51%	9,411,280	4	1.40%
Methodist Medical Center of Oak Ridge	Health Services	11,216,041	5	1.40%	9,388,280	5	1.40%
Oak Ridge Tech Center (Oak Ridge Corp Partners)	Office Complex	11,097,619	6	1.38%	13,037,315	3	1.95%
Oak Ridge Properties LLC (Wilkinson Realty)	Apartment Complexes	6,933,520	7	0.86%	6,027,259	7	0.90%
CARE GSL Oak Ridge PropC LLC	Assisted Living	6,561,206	8	0.82%	-	-	-
Kroger Company	Grocery Retailer	6,448,691	9	0.80%	-	-	-
NPP - Oak Ridge, LLC	Apartment Complex	6,053,839	10	0.75%	-	-	-
Bellsouth	Communications	-	-	-	6,513,284	6	0.97%
Walmart	Retail	-	-	-	3,941,678	9	0.59%
International Environmental Resources (AKA Manufacturing Sciences)	Environmental Services	-	-	-	3,768,584	10	0.56%
		<u>\$ 153,880,780</u>		<u>19.16%</u>	<u>\$ 133,462,781</u>		<u>19.92%</u>

Source: City Finance Department

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

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Tax Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (1)	Total Collections to Date		Uncollected Taxes to Date	
			Amount Collected	Percentage of Levy		Amount Collected	Percentage of Levy	Amount	Percentage of Levy
<u>Anderson County</u>									
2018	2017	\$44,517,403	\$ 42,113,903	94.60%	\$ -	\$ 42,113,903	94.60%	\$ 2,403,500	5.40%
2017	2016	44,203,194	41,919,681	94.83%	1,742,848	43,662,529	98.78%	540,665	1.22%
2016	2015	42,877,374	40,768,406	95.08%	1,534,003	42,302,409	98.66%	574,965	1.34%
2015	2014	40,044,882	37,953,500	94.78%	1,731,971	39,685,471	99.10%	359,411	0.90%
2014	2013	40,226,997	37,697,807	93.71%	2,329,759	40,027,566	99.50%	199,431	0.50%
2013	2012	39,767,690	37,296,389	93.79%	2,405,353	39,701,742	99.83%	65,948	0.17%
2012	2011	39,418,410	36,853,130	93.49%	2,544,731	39,397,861	99.95%	20,549	0.05%
2011	2010	36,336,767	35,100,300	96.60%	1,223,781	36,324,081	99.97%	12,686	0.03%
2010	2009	35,939,486	34,723,573	96.62%	1,197,645	35,921,218	99.95%	18,268	0.05%
2009	2008	35,271,646	34,150,225	96.82%	1,096,470	35,246,695	99.93%	24,951	0.07%
<u>City of Oak Ridge</u>									
2018	2017	\$20,228,796	\$ 19,596,550	96.87%	\$ -	\$ 19,596,550	96.87%	\$ 632,246	3.13%
2017	2016	20,107,592	19,527,803	97.12%	315,671	19,843,474	98.69%	264,118	1.31%
2016	2015	20,079,120	19,129,012	95.27%	656,478	19,785,490	98.54%	293,630	1.46%
2015	2014	19,734,855	19,128,736	96.93%	509,847	19,638,583	99.51%	96,272	0.49%
2014	2013	19,462,769	18,853,042	96.87%	557,881	19,410,923	99.73%	51,846	0.27%
2013	2012	19,120,902	18,350,887	95.97%	740,328	19,091,215	99.84%	29,687	0.16%
2012	2011	19,153,341	18,695,063	97.61%	441,458	19,136,521	99.91%	16,820	0.09%
2011	2010	19,294,104	18,322,654	94.97%	956,118	19,278,772	99.92%	15,332	0.08%
2010	2009	18,975,040	18,120,891	95.50%	836,355	18,957,246	99.91%	17,794	0.09%
2009	2008	19,083,740	18,519,409	97.04%	534,725	19,054,134	99.84%	29,606	0.16%

- Notes: (1) Collections in subsequent years include amounts collected by the Trustee's Office after June 30 of each year and amounts collected by the Clerk and Master in Chancery Court.
(2) Source is the Anderson County, Tennessee Finance Department.
(3) 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.
(4) Roane County information is not available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Direct and Overlapping Local Option Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year	Direct Rate	Overlapping Rates	
	City of Oak Ridge	Anderson County	Roane County
2009	2.75	2.75	2.50
2010	2.75	2.75	2.50
2011	2.75	2.75	2.50
2012	2.75	2.75	2.50
2013	2.75	2.75	2.50
2014	2.75	2.75	2.50
2015	2.75	2.75	2.50
2016	2.75	2.75	2.50
2017	2.75	2.75	2.50
2018	2.75	2.75	2.50

Sources: City of Oak Ridge Finance Department and Tennessee Department of Revenue

Note: The sales tax rates may be changed by a vote of the Oak Ridge City Council, Anderson County Commission, Roane County Commission or by voter referendum

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Ratios of Outstanding Debt by Type
Last Eight Fiscal Years

Fiscal Year	General Obligation Bonds (1)	QZAB Bonds (1)	Notes Payable	Capitalized Outlay Obligations	Capitalized Lease Obligations	Total Outstanding Debt	Debt Per Capita
2018	\$ 36,251,337	\$ 1,528,255	\$ 33,507,288	\$ 2,508,196	\$ 411,754	\$ 74,206,830	\$ 2,530
2017	35,905,414	2,037,674	33,507,288	-	810,677	72,261,053	2,463
2016	32,913,206	2,547,093	33,507,287	-	1,199,318	70,166,904	2,392
2015	16,353,940	3,056,510	52,487,288	-	121,313	72,019,051	2,455
2014	17,455,229	3,565,929	52,882,287	-	531,707	74,435,152	2,538
2013	17,968,219	4,075,347	53,252,287	-	930,736	76,226,589	2,599
2012	17,968,189	4,075,347	53,252,287	-	851,825	76,147,648	2,596
2011	19,117,977	5,094,184	53,702,287	-	119,869	78,034,317	2,661

- Notes: (1) Does not include unamortized bond discounts and premiums.
(2) FY 2008 is the first year the Schools adopted GASB Statement No. 34.
(3) Per Capita after FY 2009 is based upon the 2010 census population of 29,330.
(4) Personal Income information not available.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Ratios of General Bonded Debt Outstanding
Last Eight Fiscal Years

Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Appraised Value of Property	Debt Per Capita
2018	\$36,251,337	0.55%	\$ 1,236
2017	35,905,414	0.58%	1,224
2016	32,913,206	0.54%	1,122
2015	16,353,940	0.29%	558
2014	17,455,229	0.30%	595
2013	17,968,219	0.30%	613
2012	17,968,189	0.32%	613
2011	19,117,977	0.35%	652

- Notes: (1) FY 2008 is the first year the Schools adopted GASB Statement No. 34.
(2) Per Capita after FY 2009 is based upon the 2010 census population of 29,330
(3) See the Schedule of Appraised and Assessed Value of Taxable Property.
(4) Property Values are for Anderson County Only.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Demographic Statistics
1980, 1990 and 2000 Census Year 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
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	928,910,430	31,671	42.3	4.8%	4,592
2018	29,330	(3)	(3)	(3)	4.5%	4,631

(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

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Principal Employers
Current Year and Nine Years Ago

Employer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Consolidated Nuclear Services (CNS) (Y-12 National Security Complex)	4,750	1	13.59% 12.88%	4,600	1	12.84%
UT-Battelle (ORNL)	4,500	2	4.58%	4,200	2	11.73%
UCOR	1,600	3	3.08%	N/A	N/A	N/A
Methodist Medical Center	1,075	4	2.25%	1,350	3	3.77%
Oak Ridge Associated Universities	787	5	1.66%	850	7	2.37%
Leidos	580	6	1.56%	N/A	N/A	N/A
Science Applications Int'l Corp. (SAIC)	546	7	1.43%	1,100	5	3.07%
Sitel (Client Logic)	500	8	1.35%	500	9	1.40%
Energy Solutions (AKA Duratek, Scientific Ecology Group, Inc.)	473	9	1.33%	N/A	N/A	N/A
City of Oak Ridge	462	10	N/A	457	10	1.28%
Oak Ridge Schools	N/A	N/A	N/A	687	8	1.92%
Bechtel Jacobs Co. LLC	N/A	N/A	N/A	1,337	4	3.73%
Wackenhut-Oak Ridge Team	N/A	N/A	N/A	902	6	2.51%
	<u>15,273</u>		<u>43.71%</u>	<u>15,983</u>		<u>44.62%</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.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Full-Time Equivalent School Employees
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Teachers</u>	<u>Non-Teachers</u>	<u>Total</u>
2009	390.00	296.70	686.70
2010	398.70	306.10	704.80
2011	420.50	271.47	691.97
2012	420.90	260.53	681.43
2013	418.60	243.83	662.43
2014	411.48	237.60	649.08
2015	409.48	242.10	651.58
2016	405.88	246.68	652.56
2017	399.63	260.76	660.39
2018	398.68	264.26	662.94

Source: All numbers taken from appendices of Board of Education approved budgets.

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Enrollment, Membership, and Attendance Data
Last Ten Fiscal Years

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Enrollment (A)	4,411	4,472	4,532	4,468	4,687	4,671	4,637	4,660	4,592	4,631
Average Daily Membership (A)	4,452	4,472	4,532	4,456	4,438	4,464	4,389	4,403	4,383	4,400
Average Daily Attendance (A)	4,220	4,214	4,288	4,240	4,247	4,212	4,173	4,189	4,193	4,182
Teacher/Pupil Ratio (B)	12.0	13.0	13.0	14.0	14.0	11.0	12.5	11.5	11.5	11.8
Number Graduating (B)	325	346	353	347	331	317	293	315	310	279
Avg. Test Scores (ACT) (B)	24.7	23.0	23.4	23.2	23.0	23.3	23.1	23.1	22.9	23.3
Number of Graduated Going to College (B)	302	294	318	295	284	281	278	231	273	247
Number of Free and Reduced Students (C)	1,633	1,735	1,929	2,171	2,208	1,996	2,308	2,573	2,341	22,543
Number of Student Meals Served (Lunch) (C)	418,796	489,546	449,930	383,005	372,676	358,029	673,108	352,915	381,713	361,977

Sources of Information:

- (A) Technology Department
- (B) Director of Pupil Services
- (C) Food Service Director

See independent auditor's report.

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Capital Assets Statistics by Function
Last Eight Fiscal Years

Function	2011	2012	2013	2014	2015	2016	2017	2018
Elementary Schools	4	4	4	4	4	4	4	4
Middle Schools	2	2	2	5	5	2	2	2
High Schools	1	1	1	4	1	1	1	1
Football Fields	3	3	3	3	3	3	3	3
Soccer Fields	1	1	1	1	1	1	1	1
Track Fields	3	3	3	3	3	3	3	3
Buses	35	35	32	30	29	29	27	20

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT 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*

Board of Education
 Oak Ridge Schools
 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Oak Ridge Schools (the Schools), Oak Ridge, Tennessee, a special revenue fund of the City of Oak Ridge, Tennessee, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Schools' basic financial statements, and have issued our report thereon dated December 21, 2018. Our report includes a reference to other auditors who audited the financial statements of the Oak Ridge Public Schools Education Foundation, Inc. (the Foundation), a discretely presented component unit, as described in our report on the Schools' 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 Schools' 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 Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 entity'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.

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 Schools' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
December 21, 2018

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education
Oak Ridge Schools
Oak Ridge, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Oak Ridge Schools (the Schools), Oak Ridge, Tennessee's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Schools' major federal programs for the year ended June 30, 2018. The Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Schools' major federal programs 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Schools' 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 each major federal program. However, our audit does not provide a legal determination of the Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, the Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

□ □ □

Report on Internal Control Over Compliance

Management of the Schools 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 Schools' 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 each 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 Schools' 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 a material weakness 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.

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.

Brown Lake & McDaniel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
December 21, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

ACCOMPANYING SCHEDULE OF FINDINGS AND QUESTIONED COSTS

I. SUMMARY OF AUDITOR'S RESULTS

A. An unqualified opinion was issued on the basic financial statements of Oak Ridge Schools for the year ended June 30, 2018.

B. Internal control over financial reporting:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified
that are not considered to be
material weakness(es)? ___ yes X none reported

C. Our audit disclosed no instances of noncompliance considered by us to be material to the financial statements.

D. Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies)) identified
that are not considered to be
material weakness(es)? ___ yes X none reported

E. An unqualified opinion was issued for compliance for Oak Ridge Schools' major programs.

F. The audit disclosed no audit findings requiring reporting under Section .510(a).

G. We identified the following major federal assistance programs:

10.555 and 10.553 – US Department of Agriculture – School Nutrition Cluster

H. The threshold for distinguishing between Type A and Type B programs was \$750,000.

I. The auditee was determined to be a low risk auditee.

II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL

None

III. SUMMARY OF FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

OAK RIDGE SCHOOLS
OAK RIDGE, TENNESSEE

Summary Schedule of Prior Audit Findings

There were no prior year findings.