

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2013



OAK RIDGE SCHOOLS

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INTRODUCTORY SECTION



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Oak Ridge Schools
Board of Education

January 20, 2014

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, 2013 is submitted herewith. This report was prepared by the Schools' Business and Support Services Department. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the 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, 2013, 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, and 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 auditors' 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 third 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' staff development training center, the Teacher Center. 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 a majority vote of a quorum of the Board.

In general, the Board adopts policies, sets direction for curriculum, employs the superintendent and oversees the operations of the Schools, including the Business and Support Services Department. The Board is also responsible for setting salaries, acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions, and adopting and amending the annual budget as recommended by the Schools' Business Office staff.

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 the Oak Ridge Schools.

Vision

The vision of Oak Ridge Schools is to be an exemplary school district characterized by successfully preparing students for the future. To fulfill this vision, education must extend beyond the walls of the school by engaging all staff, students, and the community in mutual collaboration. Such a climate emphasizes respect and cooperation with creative academic and extracurricular programs.

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 make-up as this promised to be quite an adventure in itself."

That was the beginning. One man saw the possibility and created a 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 scientists, 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.

Today, Oak Ridge City Schools are comprised of a preschool serving 216 students (ages 3-4), four elementary schools serving 1,752 students, two middle schools serving 1,368 students, and one high school serving 1,351 students. With a support staff of 237 and a licensed staff of 411, our 648 employees work hard each day for our students. Seventy-nine percent of our teachers hold a masters level degree and above.

Highlights of the Oak Ridge Schools FY 2013 Finances

Revenues

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

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 FY 2013 budget contained a projected increase in County funds of \$272,447 over the FY 2012 budgeted amount. County funds represented approximately 26.27% of the Oak Ridge Schools FY 2013 adopted budget.

State Revenues

Representing approximately 39.86% 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, the projected state funds decrease by \$93,442. It should be noted that FY 1998 was the last year our system received BEP phase-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. For FY 2013, the BEP funding was budgeted to increase by \$297,000.

City Revenues

Funds from the City of Oak Ridge were budgeted with no increase for the FY 2013 Budget. Overall, City funding represents approximately 28.89% of total school revenues.

Staff Development

The Oak Ridge Schools believe that 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 innovative 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" for special education students, special education staff is needed to address the increased number of students entering the 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

Controls

An internal control 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 financial statements 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 and Support 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. Pugh & Company, P.C. has issued an unqualified opinion on the financial statements of Oak Ridge Schools for the year ending in June 30, 2013. The independent auditors' report has been included in this report at the front of the financial section.

Management's Discussion and Analysis (MD&A)

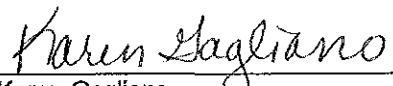
Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of MD&A. This Letter of Transmittal is designed to complement MD&A and should be read in conjunction with it. The Schools' MD&A can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

Acknowledgments

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 and Support Services Department. We would like to express our appreciation to all members of the department who assisted and contributed to its preparation.

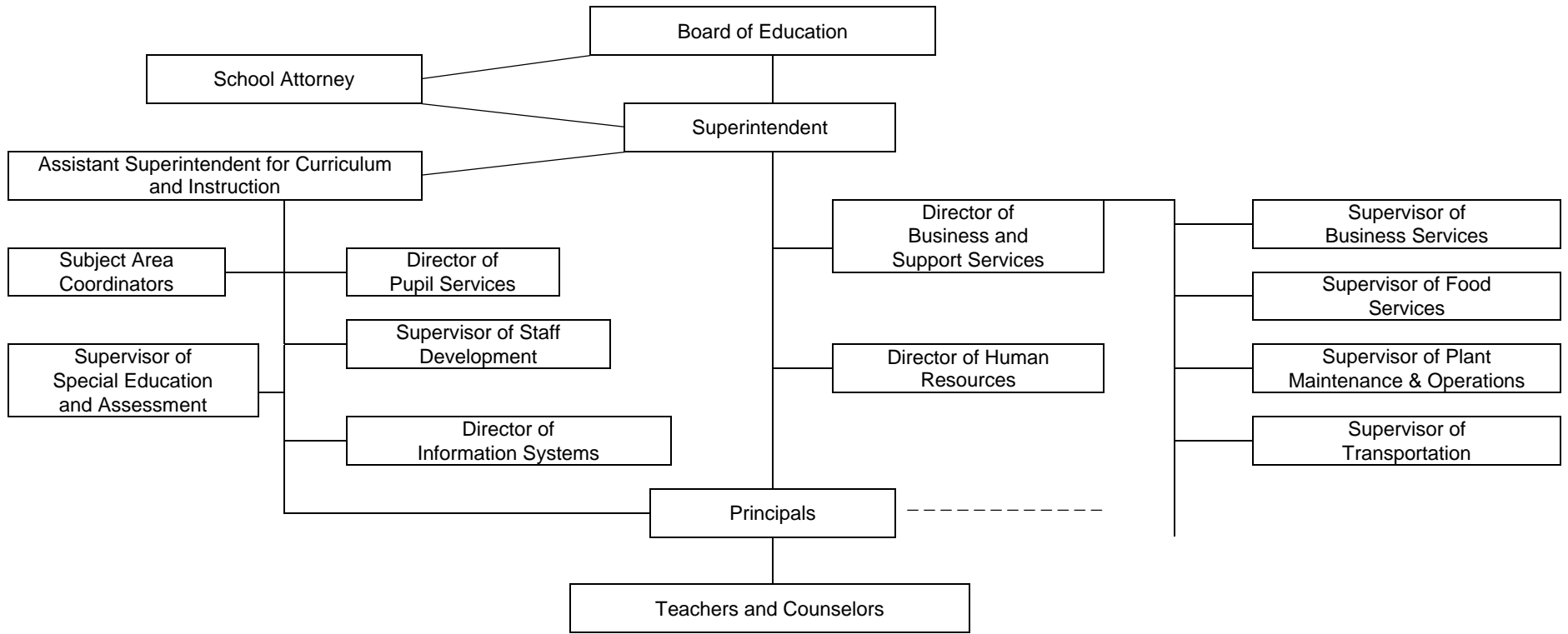
We also wish to thank the members of the Board of Education for their continued consideration and support, and for planning and conducting the financial operations of the Schools in a responsible and progressive manner.

Respectfully submitted,

Signature: 
Karen Gagliano
Director of Business and Support Services

**OAK RIDGE SCHOOLS
ORGANIZATIONAL CHART**

June 30, 2013



OAK RIDGE SCHOOLS
ROSTER OF SCHOOL OFFICIALS
June 30, 2013

Board of Education

Keys Fillauer, Chairperson
Robert Eby, Vice Chairperson
Jennifer Richter, Parliamentarian
Angi Agle, Treasurer
Dan DiGregorio

<hr/> Title	<hr/> Name
Superintendent of Schools	Robert Smallridge Ed.D.
Assistant Superintendent of Schools	Chris Marczak, Ed.D.
Director of Business and Support Services	Karen Gagliano
Director of Human Resources	Christine Lee, Ed.D.
Director of Pupil Services	Larrissa Henderson, Ed.D.
Director of Information Systems	Doug Cofer
Supervisor of Business Services	Logan Martin
Supervisor of Operations and Maintenance	Allen Thacker
Supervisor of Staff Development	Donna Farmer
Supervisor of Special Education and Assessment	Hal Jernigan

FINANCIAL SECTION

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OAK RIDGE, TENNESSEE 37830
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Oak Ridge Schools
Oak Ridge, Tennessee

Report on the Financial Statements

We have audited the accompanying departmental-wide financial statements of the governmental activities, each major fund, aggregate remaining fund information, and the budgetary comparison statements of the General Purpose School Fund and School Federal Projects Fund of the Oak Ridge Board of Education (the Schools), a department of the City of Oak Ridge, Tennessee, as of and for the year ended June 30, 2013, 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. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar 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 departmental-wide basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information, of the Oak Ridge Board of Education as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Purpose School Fund and School Federal Projects Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 1, the departmental-wide financial statements of the Schools are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, discretely presented component unit, each major fund, 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, 2013, and the changes in its financial position and its cash flows, where applicable, 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 3 through 10 and the Schedules of Employer Pension and Other Postemployment Benefit Funding Progress on pages 56 and 57 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 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 department-wide financial statements that collectively comprise the Schools' basic financial statements. The introductory, supplementary, and statistical sections and the Schedule of Expenditures of Federal Awards and State Financial Assistance and Schedule of Noncash Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The information included in the supplementary section as listed in the table of contents and the Schedule of Expenditures of Federal Awards and State Financial Assistance, and the Schedule of Noncash Federal Awards is the responsibility of management and was derived from, and relates 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 supplementary information and the Schedule of Expenditures of Federal Awards and State Financial Assistance, and the Schedule of Noncash Federal Awards are fairly stated in all material respects in relation to the 2013 basic financial statements as a whole.

The information included in the introductory and statistical sections as listed in the table of contents has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Pugh & Company, P.C.

Certified Public Accountants
Oak Ridge, Tennessee
January 20, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's analysis of the Schools' financial condition and results of operations for the year ending June 30, 2013. This information should be read in conjunction with the accompanying financial statements.

INDEPENDENT AUDIT

The unqualified opinion of our independent external auditors, Pugh & Company, P.C., is included in this report on pages 1 through 2.

FINANCIAL HIGHLIGHTS

Management believes the Schools' financial position is strong. The following are key financial statement highlights:

- Total governmental assets at year-end were \$84.9 million and were less than liabilities by \$6.6 million. Of the total net position, the Schools' had a deficit balance of \$(3.0) million in unrestricted net position. Net position increased from 2012 to 2013 by \$1.6 million. The main reason for the increase is the \$3.2 million increase in the fair market value of the two interest rate swaps.
- At year-end, the Schools' governmental funds reported combined ending fund balances of \$6,289,435, of which \$5,800,554 is available for spending at the Schools' discretion.
- During the current year, unrestricted fund balance for the General Purpose School Fund increased by \$298,280, to \$5,978,950, or 11.2% of current year expenditures.
- Governmental-type revenues were \$61,548,795 for 2013 and \$54,466,236 for 2012.
- Governmental-type expenses for 2013 were \$59,907,065 which includes depreciation of \$3,458,394.
- Capital assets decreased by \$2,680,525 during 2013, which was due mainly to the completion of capital projects and depreciation expense related to the high school.

SUMMARY OF ORGANIZATION

Oak Ridge Schools (the 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 County. The Schools began operations on June 16, 1959. 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 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 of Education 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 of its five governmental funds.

The Schools' year-end 2013 and 2012 enrollment was 4,687 and 4,468 students, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) 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 finance 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 Schools are considered a department of the City. 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 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 11 through 13 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS (Continued)

Governmental Funds (Continued): 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.

The basic governmental fund financial statements can be found on pages 14 through 18 of this report.

Proprietary Funds: The Schools maintain one proprietary fund type. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Schools' various functions. The Schools use one internal service fund to account for transportation and vehicle usage services provided to various departments within the General Purpose School Fund. The internal service fund has been included within governmental activities in the department-wide financial statements. The basic proprietary fund financial statements can be found on pages 21 through 23 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.

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 basic fiduciary fund financial statements can be found on pages 24 through 25 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 26 through 55 of this report.

Required Supplementary Information (RSI): This information provides a schedule of funding progress of the Tennessee Consolidated Retirement System (TCRS) plan for the Schools' non-teaching personnel. Teachers are considered state employees for TCRS retirement purposes. A schedule of funding progress of other postemployment benefits for the state teacher insurance group plan for retirees can be found on pages 56 through 57 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 58 through 86 of this report.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

DEPARTMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. At year-end 2013 and 2012, the Schools’ governmental-type assets were less than liabilities and deferred inflows by \$6.6 million and \$8.2 million, respectively.

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>(Restated) 2012</u>
Assets		
Cash and Cash Equivalents	\$ 9,251,726	\$ 10,473,804
Receivables	1,824,137	1,826,380
Prepaid Items and Other	63,304	90,194
Capital Assets - Net	<u>73,798,935</u>	<u>76,479,460</u>
Total Assets	<u>\$ 84,938,102</u>	<u>\$ 88,869,838</u>
Liabilities		
Current Liabilities	\$ 6,463,540	\$ 7,908,191
Noncurrent Liabilities	<u>80,909,926</u>	<u>81,869,575</u>
Total Liabilities	<u>87,373,466</u>	<u>89,777,766</u>
Deferred Inflows of Resources	<u>4,116,327</u>	<u>7,285,493</u>
Net Position		
Net Investment in Capital Assets	(3,631,784)	(2,366,437)
Restricted	89,870	27,016
Unrestricted	<u>(3,009,777)</u>	<u>(5,854,000)</u>
Total Net Position	<u>(6,551,691)</u>	<u>(8,193,421)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 84,938,102</u>	<u>\$ 88,869,838</u>

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 net position increased (decreased) by \$1,641,730 and \$(6,522,124) during 2013 and 2012, respectively. The following discussion and analysis on governmental activities focuses on these changes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEPARTMENTAL-WIDE FINANCIAL ANALYSIS (Continued)

Governmental activities: The key factors in the increase (decrease) of the Schools' net position for the fiscal years ended June 30, 2013 and 2012, are as follows:

	Governmental Activities	
	2013	(Restated) 2012
Revenues		
Program Revenues:		
Charges for Services	\$ 1,214,232	\$ 1,420,674
Operating Grants and Contributions	5,648,214	6,773,581
General Revenues:		
Property Taxes	8,893,890	8,806,098
Local Option Sales Taxes	4,986,448	3,984,776
Local Mineral Severance Taxes	2,038	41,936
Other Local Sources	313,863	356,505
State of Tennessee - BEP	18,886,515	18,525,000
Federal Government – Unrestricted	73,083	66,544
Investment Income	22,042	24,744
Investment (Loss) – Change in Fair Value of Derivative Interest Rate Swaps	3,169,166	(4,830,874)
Gain (Loss) on Sale and Disposal of Capital Assets	17,917	1,262
Payments from Component Unit	111,329	0
Transfers from City's General Fund	13,862,832	14,629,302
Transfers from the City's Capital Asset Fund	15,254	524,703
Transfers from City's Debt Service Fund	4,331,972	4,141,985
Total Revenues	61,548,795	54,466,236
Expenses		
Instructional	34,942,916	36,147,513
Support Services	18,067,089	18,167,296
Non-Instructional	4,028,545	3,910,058
Interest on Long-Term Debt	2,868,515	2,763,493
Total Expenses	59,907,065	60,988,360
Change in Net Position	1,641,730	(6,522,124)
Net Position, Beginning of Year	(8,193,421)	(1,671,297)
Net Position, End of Year	\$ (6,551,691)	\$ (8,193,421)

One significant factor contributing toward the FY 2013 \$1,641,730 increase in net position was the change from loss to gain in the fair market value of the two interest rate swaps. The main reason for the FY 2012 \$(6,522,124) decrease in net position was due to the \$(4,830,874) decrease in the fair value of two ineffective interest rate swaps.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEPARTMENTAL-WIDE FINANCIAL ANALYSIS (Continued)

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 2013 and 2012 were \$18,886,515 and \$18,525,000, respectively, representing a 2% increase.

Local taxes which consist of Anderson and Roane county property taxes and local option sales taxes were \$13,882,376 in 2013 and \$12,832,810 in 2012, for an 8% increase.

Annual cash payments from the City's General Fund were \$13,862,832 for 2013 and \$14,629,302 for 2012, resulting in a (5%) decrease.

Annual payments from the City's Debt Service Fund were \$4,331,972 during 2013 and \$4,141,985 during 2012 for principal and interest payments related to City issued school debt for a 4.6% increase.

Instructional expenses represent the largest category for 2013 and 2012 with expenses of \$34,942,916 and \$36,147,513, which is 58% and 59% of total expenses in 2013 and 2012.

FINANCIAL ANALYSIS OF THE SCHOOLS' FUNDS

As mentioned 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. As the Schools completed the year, its governmental funds reported a combined fund balance of \$6,289,435, an increase of \$308,427 from the previous year.

The General Purpose School Fund is the main operating fund of the Schools. At the end of 2013, unrestricted fund balance was \$5,978,950 while total fund balance was \$6,068,381. 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 11.2% of total expenditures, while total fund balance represents 11.4% of that same amount.

A few highlights of the General Purpose School Fund are as follows:

- Revenues and other net financing sources were \$53,471,501 for 2013 vs. \$53,427,232 for 2012, a net increase of \$44,269.
- Expenditures were \$53,194,249 for 2013 vs. \$53,187,058 for 2012, an increase of \$7,191. Instructional expenditures represent 55.9% of the total for 2013 and 56.2% for 2012. Revenues and expenditures were held consistent to the prior year.

There was a net decrease of \$21,955 in budgetary amendments to the General Purpose School Fund during 2013. The budget was amended to transfer grant contingency funds to establish grant budgets for the School Federal Projects Fund and Other Education Special Revenue Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE SCHOOLS' FUNDS (Continued)

The General Purpose School Fund's fund balance increased \$230,270, which was a positive variance from budget of \$1,583,270. Current year expenditures in instructional and support services were \$1.2 million less than budgeted.

The General Purpose School Fund's budgetary comparison statements are on pages 61-62.

The School Federal Projects Fund, which accounts for a majority of the Schools' federal grants, reported expenditures of \$3,102,788 for 2013 vs. \$4,139,602 for 2012, a net decrease of \$1,036,814 or 25%. The decrease is due mainly to a decrease in funding for regular instruction. .

The School Federal Projects Fund had \$292,892 less than budgeted in revenues and expenditures in 2013. The Schools received less in various grants during 2013, which was due in part to ARRA grants that were received in prior year for which the Schools no longer receive funding.

The School Federal Project Fund's budgetary comparison statements are on page 65.

Proprietary Funds: The Schools' proprietary fund statements provide underlying detailed information found in the government-wide financial statements to support the information.

Unrestricted net position of the internal service fund at year-end 2013 was \$906,466 vs. \$883,844 at year-end 2012, which will be used as a budgeting and planning tool for future vehicle and bus purchases.

CAPITAL ASSETS

The Schools' investment in capital assets for its governmental activities as of June 30, 2013, was \$118,634,234 with accumulated depreciation of \$44,835,299, resulting in a net book value of \$73,798,935. The majority of net capital assets is land, buildings, and related improvements, which was \$65,120,046 or 88% 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.

LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES

During 2013, the Schools entered into a capital lease for technology equipment for \$479,112. Additional information on the Schools' long-term debt and 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 4,687 for FY 2013 vs. 4,468 for FY 2012. Management is closely monitoring various factors affecting enrollment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During the preparation of the FY 2014 budget, the following major assumptions were used.

- The FY 2014 budgeted expenditures for the General Purpose School Fund are \$49,628,715.
- Compensation and benefits budgeted in FY 2014 for employees increased by \$467,145.
- For FY 2014, the Schools have projected a 5.6% increase in health insurance premiums and a TCRS pension employer contribution rate of 8.88% for certified (teachers) staff, and 10.18% for non-certified (support) staff. Vision premiums are projected to increase by 9%.

FINAL COMMENTS

The Oak Ridge School System continues to provide a quality public education even during times of decreasing revenues. The System has received a gold medal from "Expansion Magazine" for ten consecutive years. 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 ranks in the top 10 statewide in academic achievement.

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. Karen Gagliano
Director of Business and Support Services
Oak Ridge Schools
P.O. Box 6588
Oak Ridge, Tennessee 37831-6588
865-425-9003
www.ortn.edu

BASIC FINANCIAL STATEMENTS

OAK RIDGE SCHOOLS
STATEMENT OF NET POSITION

June 30, 2013

	Departmental - Governmental Activities	Component Unit - Foundation	Total Reporting Unit
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 9,251,726	\$ 155,385	\$ 9,407,111
Investments, at Fair Value	0	5,472,638	5,472,638
Accounts Receivable	9,963	0	9,963
Unconditional Promises to Give, net	0	43,260	43,260
Grants Receivable	630,805	0	630,805
Due from Other Governments	1,183,369	0	1,183,369
Prepaid Items	63,304	0	63,304
Total Current Assets	<u>11,139,167</u>	<u>5,671,283</u>	<u>16,810,450</u>
Capital Assets:			
Land & Construction in Progress	255,681	0	255,681
Buildings and Equipment - Net of Accumulated Depreciation	<u>73,543,254</u>	<u>0</u>	<u>73,543,254</u>
Total Capital Assets	<u>73,798,935</u>	<u>0</u>	<u>73,798,935</u>
OTHER ASSETS			
Unconditional Promises to Give, net	0	149,578	149,578
Investments - Endowment, at Fair Value	<u>0</u>	<u>320,994</u>	<u>320,994</u>
Total Other Assets	<u>0</u>	<u>470,572</u>	<u>470,572</u>
Total Non-Current Assets	<u>73,798,935</u>	<u>470,572</u>	<u>74,269,507</u>
TOTAL ASSETS	<u>\$ 84,938,102</u>	<u>\$ 6,141,855</u>	<u>\$ 91,079,957</u>

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

OAK RIDGE SCHOOLS
STATEMENT OF NET POSITION (Continued)

June 30, 2013

LIABILITIES AND NET POSITION

	Departmental - Governmental Activities	Component Unit - Foundation	Total Reporting Unit
CURRENT LIABILITIES:			
Accounts Payable	\$ 345,312	\$ 0	\$ 345,312
Accrued Interest Payable - Long-Term Debt	241,489	0	241,489
Accrued Salaries and Benefits	3,579,172	513	3,579,685
Due to Primary Government	0	0	0
Unearned Revenues	18,778	0	18,778
Current Portion of Other Long-Term Liabilities	490,451	0	490,451
Current Portion of Long-Term Debt	1,788,338	0	1,788,338
Total Current Liabilities	6,463,540	513	6,464,053
NON-CURRENT LIABILITIES:			
Long-Term Debt	75,642,381	0	75,642,381
Other Long-Term Liabilities	5,267,545	0	5,267,545
Total Non-Current Liabilities	80,909,926	0	80,909,926
Total Liabilities	87,373,466	513	87,373,979
DEFERRED INFLOWS OF RESOURCES			
Derivative Instrument - Interest Rate Swaps	4,116,327	0	4,116,327
NET POSITION			
Net Investment in Capital Assets	(3,631,784)	0	(3,631,784)
Restricted	89,870	3,693,576	3,783,446
Unrestricted	(3,009,777)	2,447,766	(562,011)
Total Net Position	(6,551,691)	6,141,342	(410,349)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 84,938,102	\$ 6,141,855	\$ 91,079,957

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

OAK RIDGE SCHOOLS
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

Function/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services - Net	Operating Grants and Contributions	Capital Grants and Contributions	Departmental - Governmental Activities	Component Unit - Foundation	Total Reporting Unit
Governmental Activities:							
Instructional	\$ 34,942,916	\$ 327,892	\$ 3,903,431	\$ 0	\$ (30,711,593)	\$ 0	\$ (30,711,593)
Support Services	18,067,089	17,200	0	0	(18,049,889)	0	(18,049,889)
Non-Instructional	4,028,545	869,140	1,744,783	0	(1,414,622)	0	(1,414,622)
Interest on Long-Term Debt	2,868,515	0	0	0	(2,868,515)	0	(2,868,515)
Total	<u>\$ 59,907,065</u>	<u>\$ 1,214,232</u>	<u>\$ 5,648,214</u>	<u>\$ 0</u>	<u>(53,044,619)</u>	<u>0</u>	<u>(53,044,619)</u>
Component Unit							
Foundation	<u>\$ 154,595</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 303,943</u>	<u>0</u>	<u>149,348</u>	<u>149,348</u>
General Revenues:							
Property Taxes					8,893,890	0	8,893,890
Local Option Sales Taxes					4,986,448	0	4,986,448
Local Mineral Severance Taxes					2,038	0	2,038
Other Local Sources					313,863	0	313,863
State of Tennessee - BEP					18,886,515	0	18,886,515
Federal Government - Unrestricted					73,083	0	73,083
Investment Income					22,042	382,791	404,833
Investment Income (Loss) - Change in Fair Value of							
Derivative Interest Rate Swaps					3,169,166	0	3,169,166
Gain (Loss) on Sale and Disposal of Capital Assets					17,917	0	17,917
Payments from Component Unit					111,329	0	111,329
Payments to Primary Government - City					0	(402,611)	(402,611)
Transfers from the City's General Fund					13,862,832	0	13,862,832
Transfers from the City's Capital Projects Fund					15,254	0	15,254
Transfers from the City's Debt Service Fund					4,331,972	0	4,331,972
Total General Revenues					<u>54,686,349</u>	<u>(19,820)</u>	<u>54,666,529</u>
CHANGES IN NET POSITION					<u>1,641,730</u>	<u>129,528</u>	<u>1,771,258</u>
NET POSITION, BEGINNING OF YEAR AS PREVIOUSLY REPORTED					<u>(8,140,447)</u>	<u>6,011,814</u>	<u>(2,128,633)</u>
PRIOR PERIOD ADJUSTMENT - See Note 22					<u>(52,974)</u>	<u>0</u>	<u>(52,974)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED					<u>(8,193,421)</u>	<u>6,011,814</u>	<u>(2,181,607)</u>
NET POSITION, END OF YEAR					<u>\$ (6,551,691)</u>	<u>\$ 6,141,342</u>	<u>\$ (410,349)</u>

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

OAK RIDGE SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2013

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Other Non Major Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 8,048,225	\$ 0	\$ 299,788	\$ 8,348,013
Accounts Receivable	4,998	0	2,207	7,205
Grants Receivable	118,873	493,824	18,108	630,805
Due from Other Funds	459,167	0	0	459,167
Due from Other Governments	1,183,369	0	0	1,183,369
Prepaid Items	58,739	0	4,566	63,305
TOTAL ASSETS	\$ 9,873,371	\$ 493,824	\$ 324,669	\$ 10,691,864
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 302,907	\$ 2,014	\$ 40,391	\$ 345,312
Accrued Salaries and Benefits	3,502,083	69,585	7,504	3,579,172
Unearned Revenues	0	0	18,778	18,778
Due to Other Funds	0	422,225	36,942	459,167
Total Liabilities	3,804,990	493,824	103,615	4,402,429
FUND BALANCES				
Non-Spendable - Prepaid Expenditures	58,739	0	4,566	63,305
Restricted - Career Ladder/Extended Contract	30,692	0	0	30,692
Restricted - Support Services/Non-Instruction	0	0	175,778	175,778
Unrestricted:				
Committed	178,396	0	40,710	219,106
Unassigned	5,800,554	0	0	5,800,554
Total Fund Balances	6,068,381	0	221,054	6,289,435
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,873,371	\$ 493,824	\$ 324,669	\$ 10,691,864

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

OAK RIDGE SCHOOLS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2013

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

Ending Fund Balance - Governmental Funds	\$	6,289,435
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Net Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Capital Assets	\$	116,084,526	
Less: Accumulated Depreciation		<u>(42,820,547)</u>	
Net Capital Assets			73,263,979

Internal service funds are used by management to charge costs of insurance and equipment replacement costs to individual funds. The assets and liabilities of these internal service funds are included in governmental activities in the statement of net assets.

1,441,428

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(17,968,189)	
Qualified Zone Academy Bonds (QZAB)	(4,075,347)	
Notes Payable	(53,252,287)	
Bond Discounts and Premiums - Net	(1,204,160)	
Derivative Instrument - Interest Rate Swaps	(4,116,327)	
Accrued Interest Payable - Bonds and Notes	(241,491)	
Capitalized Lease Obligations	(930,736)	
Other Post Employment Benefit Obligations (OPEB)	(4,854,459)	
Compensated Absences	(417,157)	
Termination Benefits	<u>(486,380)</u>	<u>(87,546,533)</u>

Ending Net Position - Governmental Activities	\$	<u><u>(6,551,691)</u></u>
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OAK RIDGE SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Other Non Major Governmental Funds	
REVENUES				
Property Taxes	\$ 8,893,890	\$ 0	\$ 0	\$ 8,893,890
Local Option Sales Taxes	4,986,448	0	0	4,986,448
Local Mineral Severance Taxes	2,038	0	0	2,038
Charges for Services	342,572	0	854,461	1,197,033
Other Local Sources	186,083	0	9,991	196,074
State of Tennessee - BEP	18,886,515	0	0	18,886,515
State of Tennessee - Other	1,118,318	0	51,012	1,169,330
State of TN On-Behalf Payments	178,429	0	0	178,429
Federal Government	117,007	3,102,788	1,233,702	4,453,497
Other	86,285	0	117,900	204,185
Total Revenues	34,797,585	3,102,788	2,267,066	40,167,439
EXPENDITURES				
Current:				
Instructional:				
Regular Instruction	24,061,005	738,137	0	24,799,142
Alternative School	374,075	0	0	374,075
Special Education	4,301,492	768,911	0	5,070,403
Technology and Career	988,454	87,326	0	1,075,780
Total Instructional	29,725,026	1,594,374	0	31,319,400
Support Services:				
Health Services	392,289	0	0	392,289
Other Student Support	1,331,300	114,010	0	1,445,310
Instructional Staff	2,052,714	226,750	0	2,279,464
Special Education	673,243	178,058	0	851,301
Technology and Career	73,616	5,416	0	79,032
Board of Education	877,383	0	0	877,383
Office of Superintendent	244,307	0	0	244,307
Office of Principal	2,837,001	0	0	2,837,001
Fiscal Services	661,198	0	0	661,198
Human Resources/Personnel	249,926	0	0	249,926
Operation of Plant	4,528,596	0	0	4,528,596
Maintenance of Plant	1,341,206	0	0	1,341,206
Transportation	1,238,083	0	0	1,238,083
Information Technology	902,533	0	0	902,533
Total Support Services	17,403,395	524,234	0	17,927,629

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

OAK RIDGE SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS (Continued)
For the Fiscal Year Ended June 30, 2013

	Major Funds		Other Non Major Governmental Funds	Total Governmental Funds
	General Purpose School	School Federal Projects		
EXPENDITURES (Continued)				
Current:				
Non-Instructional:				
Food Service	0	0	1,727,032	1,727,032
Community Service/Early Childhood Education	178,263	916,245	508,859	1,603,367
Preschool Program	450,079	0	0	450,079
Equipment Rental and Other	24,239	67,935	0	92,174
Total Non-Instructional	<u>652,581</u>	<u>984,180</u>	<u>2,235,891</u>	<u>3,872,652</u>
Capital Outlays	<u>655,676</u>	<u>0</u>	<u>0</u>	<u>655,676</u>
Debt Service:				
Principal on Capitalized Leases	400,231	0	0	400,231
Interest on Capitalized Leases	25,368	0	0	25,368
Principal on Bonds & Notes Payable	1,358,033	0	0	1,358,033
Interest on Bonds & Notes Payable	2,973,939	0	0	2,973,939
Total Debt Service	<u>4,757,571</u>	<u>0</u>	<u>0</u>	<u>4,757,571</u>
Total Expenditures	<u>53,194,249</u>	<u>3,102,788</u>	<u>2,235,891</u>	<u>58,532,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,396,664)</u>	<u>0</u>	<u>31,175</u>	<u>(18,365,489)</u>
Other Financing Sources (Uses)				
Transfers In-From City	18,194,804	0	0	18,194,804
Operating Transfers In (Out) to Other Funds	(46,982)	0	46,982	0
Capital Lease Proceeds	479,112	0	0	479,112
Total Other Financing Sources (Uses) - Net	<u>18,626,934</u>	<u>0</u>	<u>46,982</u>	<u>18,673,916</u>
NET CHANGE IN FUND BALANCES	230,270	0	78,157	308,427
FUND BALANCES, BEGINNING OF YEAR	<u>5,838,111</u>	<u>0</u>	<u>142,897</u>	<u>5,981,008</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,068,381</u>	<u>\$ 0</u>	<u>\$ 221,054</u>	<u>\$ 6,289,435</u>

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

OAK RIDGE SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2013

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

Net Change in Fund Balances - Total Governmental Funds \$ 308,427

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Assets Purchased	\$ 753,630	
Depreciation Expense	<u>(3,332,902)</u>	

Net Capital Assets - Increase (Decrease) (2,579,272)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the issuance of debt increases long-term liabilities in the statement of net assets and the principal payment of these liabilities decreases them.

Debt Issued	(479,112)	
Principal Repaid	<u>1,758,264</u>	1,279,152

Amortization of Bond Discounts and Premiums - Net 136,026

Change in accrued interest payable on long-term debt that is not due and payable in the current period and therefore is not reported in the funds. (5,234)

The net loss of the equipment rental and replacement fund of the internal service fund that is reported within governmental activities. (78,631)

Investment Income - Change in Fair Value of Ineffective Derivative Interest Rate Swap 3,169,166

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 - (Increase)	(519,574)	
Compensated Absences - Decrease	33,975	
Termination Benefits - (Increase)	<u>(102,305)</u>	<u>(587,904)</u>

Change in Net Assets - Governmental Activities \$ 1,641,730

OAK RIDGE SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES BUDGET AND ACTUAL

MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	General Purpose School Fund				School Federal Projects Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Property Taxes	\$ 8,943,777	\$ 8,938,145	\$ 8,893,890	\$ (44,255)	\$ 0	\$ 0	\$ 0	\$ 0
Local Option Sales Taxes	4,319,693	5,091,795	4,986,448	(105,347)	0	0	0	0
Local Mineral Severance Taxes	39,000	39,000	2,038	(36,962)	0	0	0	0
Charges for Services	368,000	368,000	342,572	(25,428)	0	0	0	0
Other Local Sources	97,500	208,829	186,083	(22,746)	0	0	0	0
State of Tennessee - BEP	18,822,000	18,822,000	18,886,515	64,515	0	0	0	0
State of Tennessee - Other	1,367,622	1,234,338	1,118,318	(116,020)	0	0	0	0
State of TN - On-Behalf Pmts	0	0	178,429	178,429	0	0	0	0
Federal Government	146,074	146,074	117,007	(29,067)	3,379,725	3,395,680	3,102,788	(292,892)
Other	80,000	80,000	86,285	6,285	0	0	0	0
Total Revenues	34,183,666	34,928,181	34,797,585	(130,596)	3,379,725	3,395,680	3,102,788	(292,892)
EXPENDITURES								
Current:								
Instructional:								
Regular Instruction	24,348,035	24,487,729	24,061,005	426,724	1,697,429	820,564	738,137	82,427
Alternative School	437,652	437,652	374,075	63,577	0	0	0	0
Special Education	4,277,189	4,277,189	4,301,492	(24,303)	977,860	768,911	768,911	0
Technology and Career	998,141	998,141	988,454	9,687	61,327	87,290	87,326	(36)
Contingency	287,805	83,204	0	83,204	0	0	0	0
Total Instructional	30,348,822	30,283,915	29,725,026	558,889	2,736,616	1,676,765	1,594,374	82,391
Support Services:								
Health Services	384,925	384,925	392,289	(7,364)	0	0	0	0
Other Student Support	1,251,476	1,333,219	1,331,300	1,919	24,500	180,954	114,010	66,944
Instructional Staff	2,246,890	2,199,182	2,052,714	146,468	322,819	373,664	226,750	146,914
Special Education	681,308	681,308	673,243	8,065	0	178,058	178,058	0
Technology and Career	88,195	88,195	73,616	14,579	7,840	6,075	5,416	659
Board of Education	925,104	925,104	877,383	47,721	0	0	0	0
Office of Superintendent	281,943	281,943	244,307	37,636	0	0	0	0
Office of Principal	2,836,668	2,842,433	2,837,001	5,432	0	0	0	0
Fiscal Services	687,651	687,651	661,198	26,453	200,000	51	0	51
Human Resources/Personnel	264,584	264,584	249,926	14,658	0	0	0	0
Operation of Plant	4,682,698	4,682,698	4,528,596	154,102	0	0	0	0
Maintenance of Plant	1,339,991	1,339,991	1,341,206	(1,215)	0	0	0	0
Transportation	1,424,272	1,424,272	1,238,083	186,189	0	0	0	0
Information Technology	899,811	899,811	902,533	(2,722)	0	0	0	0
Total Support Services	17,995,516	18,035,316	17,403,395	631,921	555,159	738,802	524,234	214,568

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

OAK RIDGE SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES, BUDGET AND ACTUAL

MAJOR GOVERNMENTAL FUNDS (Continued)
For the Fiscal Year Ended June 30, 2013

	General Purpose School Fund				School Federal Projects Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES (Continued)								
Current:								
Non-Instructional:								
Community Service/Early Childhood Education	\$ 180,485	\$ 179,724	\$ 178,263	\$ 1,461	\$ 80,000	\$ 905,312	\$ 916,245	\$ (10,933)
Preschool Program	446,166	450,079	450,079	0	0	0	0	0
Non-instructional	0	0	0	0	0	0	0	0
Equipment Rental and Other	83,801	83,801	24,239	59,562	7,950	74,801	67,935	6,866
Total Non-Instructional	710,452	713,604	652,581	61,023	87,950	980,113	984,180	(4,067)
Capital Outlays	1,163,625	1,163,625	655,676	507,949	0	0	0	0
Debt Service:								
Principal on Capitalized Leases	400,698	400,698	400,231	467	0	0	0	0
Interest on Capitalized Leases	26,000	26,000	25,368	632	0	0	0	0
Principal on Bonds & Notes Payable	0	0	1,358,033	(1,358,033)	0	0	0	0
Interest on Bonds & Notes Payable	0	0	2,973,939	(2,973,939)	0	0	0	0
Total Debt Service	426,698	426,698	4,757,571	(4,330,873)	0	0	0	0
Total Expenditures	50,645,113	50,623,158	53,194,249	(2,571,091)	3,379,725	3,395,680	3,102,788	292,892
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,461,447)	(15,694,977)	(18,396,664)	(2,701,687)	0	0	0	0
OTHER FINANCING SOURCES (USES)								
Transfers In-From City	14,629,302	13,862,832	18,194,804	4,331,972	0	0	0	0
Operating Transfers In (Out) To Other Funds	0	0	(46,982)	(46,982)	0	0	0	0
Capitalized Lease Proceeds	479,145	479,145	479,112	(33)	0	0	0	0
Total Other Financing Sources (Uses) - Net	15,108,447	14,341,977	18,626,934	4,284,957	0	0	0	0
NET CHANGE IN FUND BALANCES	(1,353,000)	(1,353,000)	230,270	1,583,270	0	0	0	0
FUND BALANCES, BEGINNING OF YEAR	1,588,637	1,588,637	5,838,111	4,249,474	0	0	0	0
FUND BALANCES, END OF YEAR	\$ 235,637	\$ 235,637	\$ 6,068,381	\$ 5,832,744	\$ 0	\$ 0	\$ 0	\$ 0

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

OAK RIDGE SCHOOLS
BALANCE SHEET - PROPRIETARY FUND

June 30, 2013

ASSETS

	Equipment Rental and Replacement Fund
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 903,714
Accounts Receivable	<u>2,753</u>
Total Current Assets	<u>906,467</u>
CAPITAL ASSETS	
Buses, Vehicles and Equipment	2,549,709
Less: Accumulated Depreciation	<u>(2,014,748)</u>
Capital Assets - Net	<u>534,961</u>
TOTAL ASSETS	<u>\$ 1,441,428</u>

LIABILITIES AND NET POSITION

LIABILITIES	
Accounts Payable	\$ <u>0</u>
NET POSITION	
Net Investment in Capital Assets	534,961
Unrestricted	<u>906,467</u>
Total Net Position	<u>1,441,428</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 1,441,428</u>

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

OAK RIDGE SCHOOLS

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION - PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2013

	Equipment Rental and Replacement Fund
Operating Revenues	
Rental Income	\$ <u>24,239</u>
Operating Expenses	
Depreciation	<u>125,492</u>
Operating Loss	<u>(101,253)</u>
Non-Operating Revenues (Expenses)	
Gain (Loss) on Disposal of Capital Assets	<u>22,622</u>
CHANGE IN NET POSITION	(78,631)
NET POSITION, BEGINNING OF YEAR	<u>1,520,059</u>
NET POSITION, END OF YEAR	\$ <u><u>1,441,428</u></u>

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

OAK RIDGE SCHOOLS

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For the Fiscal Year Ended June 30, 2013

	Equipment Rental and Replacement Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts for Interfund Services	\$ 21,486
Payments to Suppliers	<u>0</u>
Net Cash Provided by Operating Activities	<u>21,486</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(24,238)
Proceeds from Sale of Capital Assets	<u>22,622</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(1,616)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,870
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>883,844</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 903,714</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (101,253)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	125,492
Change in Accounts Receivable	<u>(2,753)</u>
Net Cash Provided by Operating Activities	<u>\$ 21,486</u>

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

OAK RIDGE SCHOOLS

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUND

June 30, 2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents

Private Purpose
Trust - Scholarship
Fund

\$ 318,787

NET POSITION

NET POSITION

Held in Trust for Scholarships

\$ 318,787

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

OAK RIDGE SCHOOLS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust - Scholarship Fund
ADDITIONS	
Investment Income	\$ 3,111
Contributions	<u>1,350</u>
Total Additions	<u>4,461</u>
DEDUCTIONS	
Scholarship Awards	<u>8,540</u>
CHANGE IN NET POSITION	(4,079)
NET POSITION, BEGINNING OF YEAR	<u>322,866</u>
NET POSITION, END OF YEAR	<u><u>\$ 318,787</u></u>

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

OAK RIDGE SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 Schools are considered a department of the City of Oak Ridge. 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.

The Schools' departmental financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. In addition, this method of presentation is in compliance with the State Comptroller of the Treasury – Division of Local Government memorandum dated December 17, 2007, which reverses the Comptroller's previous memorandum from 2003 which previously required only fund financial statements for municipal boards of education.

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, and the results of its operations and cash flows of its proprietary fund in conformity with generally accepted accounting principles.

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 financial statements of Oak Ridge Schools do not include those of a separately administrated organization that is not controlled by or dependent on the Schools. Control or dependence is determined on the basis of selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service.

The following organizations are excluded from the accompanying financial statements in that they do not meet the prescribed criteria:

Oak Ridge Education Association - This organization's scope of public service is the Schools, and it receives office space from the Schools; however, the Association determines its own management and conducts its fiscal affairs without significant relationships with the Schools.

Oak Ridge Schools Federal Credit Union - The employees of Oak Ridge Schools are the primary members of this organization. The Schools provide office space and process payroll deductions for the Credit Union; however, the Credit Union fully controls its own operations, administration and finances without significant relationships with the Schools.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tennessee Consolidated Retirement System (TCRS) - The Schools participate in the TCRS, a multiple-employer public employee retirement system, a defined benefit plan, as an individual entity and are liable for all costs associated with the operation and administration of the Plan. Control over the operation and administration of the Plan, including investment decisions, is vested with the State of Tennessee along with custody of the Plan assets.

Oak Ridge Schools Internal School Funds - The Internal School Accounting Act, Tennessee Code Annotated, Section 49-2-110 provides for student activity funds that are for extra-curricular activities. The Comptroller's Office, State of Tennessee, has a policy of excluding student activity funds from Board of Education financial statements since these funds are for the exclusive use of students. The Schools publish separate internal school fund financial statements and may be obtained from:

Ms. Karen Gagliano,
Director of Business and Support Services
Oak Ridge Schools
P.O. Box 6588
Oak Ridge, TN 37831-6588
(865) 425-9003

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 statement 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, 2012. 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 publishes separate financial statements and may be obtained from:

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

Basis of Presentation - Departmental-wide Statements: The statement of net position and the statement of activities display information about the Schools including the financial activities of the overall department. Eliminations have been made to minimize the double counting of internal activities. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the Schools' funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The fiduciary funds are excluded from the departmental-wide financial statements. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The Schools financial statements are prepared following U.S. generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB). *The departmental-wide financial statements* are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by grantors have been met.

Governmental fund financial statements are used to account for the Schools' general government activities. This fund type uses the flow of current financial resources measurement focus and employs the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they are "measurable and available." "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Schools consider all revenues available if they are collected within 60 days after the fiscal year-end. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting, except for debt and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenue Recognition: Nonexchange transactions in which the Schools receive value without directly giving equal value in return include: county property taxes, sales taxes, various state revenues, grants, and donations. Revenues from property taxes are recognized as revenues when collected from the Anderson and Roane County Trustees within 60 days after year-end. Sales taxes collected and held by the state at year-end on behalf of the Schools are also recognized as revenues. 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 the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 60 days of fiscal year-end. Revenues from exchange transactions include tuition, charges for services, interest and rental income.

In accordance with GASB, investment income consists of interest and dividend income and unrealized gains (losses) in marketable securities.

Fund Accounting: The accounts of the Schools are organized, operated and presented on the basis of funds. Funds are independent fiscal and accounting entities with self-balancing sets of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Schools report the following governmental funds:

Major Special Revenue 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 Special Revenue 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.

Proprietary Fund Types

Proprietary Fund types are used to account for activities that are similar to activities that may be performed by a commercial enterprise. This fund type uses the flow of economic resources as the measurement focus and employs the accrual basis of accounting.

The Schools use the economic resource method as its policy for its proprietary and fiduciary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Internal Service Fund

The *Equipment Rental and Replacement Fund* is used to account for the financing of transportation services (buses) and vehicles provided by the transportation department to other departments of the Schools on a cost-reimbursement basis.

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. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary Funds

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. Fiduciary funds include the following private purpose trust fund:

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Component Units

The Foundation follows the Schools' proprietary fund type measurement focus and basis of accounting, the accrual basis of accounting.

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 Assistant Superintendent of Schools for review and compilation. Support services departments submit their budgets directly to the Director of Business and Support Services for review and compilation. On or about January 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, the Assistant Superintendent, and department directors is completed during the month of January.

Revenue projections in all areas are made during the month of January by the Director of Business and Support Services. Community involvement by a citizen's committee is also provided for during this period. On or about February 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 February, 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 early March. Beginning in early April, 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 April 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.

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 generally accepted accounting principles (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.

Cash and Cash Equivalents - For purposes of the statement of cash flows for proprietary funds, the Schools and its component unit considers all highly-liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

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

Interfund Receivables and Payables - Transactions between the Schools and its component units are reported as "due to / from Component Units / Primary Government".

Transactions between funds that are outstanding at year-end are presented as interfund receivables and payables. These interfund transactions are expected to be liquidated within the next 12 months. These interfund receivables and payables have been eliminated in the departmental-wide financial statements. However, interfund receivables and payables have not been eliminated in the accompanying fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Capital Assets - Capital assets include buildings, improvements, vehicles and machinery and equipment purchased through the governmental funds and by the City through the issuance of debt and are reported in the departmental-wide financial statements. The Schools define capital assets as an asset with an initial individual cost, or a cumulative project cost, of more than \$5,000 and an estimated useful life in excess of one year.

The Schools have recorded certain capital assets such as buses, vehicles and machinery and equipment purchased by the proprietary fund - internal service fund. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend asset lives are not capitalized.

Depreciation has been provided using the straight-line method over the following estimated useful lives as follows:

Assets	Years
Land and Improvements	N/A
Buildings and Improvements	20-50
Buses	15
Vehicles	5-8
Machinery and Equipment	3-20
Computer Hardware & Software	5-10
Furniture and Fixtures	20
Food Service Equipment & Fixtures	15
Athletic Facilities	10-20

Deferred Revenues - Deferred revenues represent amounts that have been collected or billed in advance of revenue recognition.

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. Vacation from the Schools' governmental funds is not reported in their respective fund financial statements because it is not expected to be liquidated with expendable available financial resources. No expenditure is reported for these amounts. The compensated absences liability and the related change in liability are reported in the departmental-wide financial statements.

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 is reported in the departmental-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances outstanding at year-end are reported as non-spendable fund balances since they do not constitute expenditures or liabilities. There were no outstanding encumbrances at June 30, 2013.

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows/inflows of resources. 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.

Net Position and Fund Balances - Net position in departmental-wide and proprietary fund financial statements are classified in the following three components: net investment in capital assets; restricted for capital activity and debt service; and unrestricted net position. Net investment in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction, and improvement of those assets; debt or deferred inflow of resources attributable to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted for capital activity and debt service consists of net positions for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the above categories.

Fund balances on the governmental funds consist of the following:

Non-spendable Fund Balance - Fund balances reported as non-spendable in the accompanying financial statements represent amounts for inventory, prepaid expenditures, encumbrances, advances to other funds and noncurrent notes receivables.

Restricted Fund Balance - Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, debt covenants, donors or grantors.

When both restricted and unrestricted resources are available for use, it is the Schools' policy to use restricted resources first, then unrestricted resources as they are needed.

Committed Fund Balance - Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which for the Schools is the Board of Education.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assigned Fund Balance - Fund balances reported as assigned are intended for certain purposes as approved by the Board of Education, or management. The Board of Education has a fund balance policy that allows assigned amounts to be re-assigned by the Board of Education, or management.

Unassigned Fund Balance - In accordance with GAAP, the General Purpose School Fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the General Purpose School Fund.

When committed, assigned or unassigned fund balance amounts are available for use, it is the Schools' policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as they are needed for expenditures.

Net Position Flow Assumption - Sometimes the Schools will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the Schools' policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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 ending June 30, 2013, the Schools met the minimum fund balance as required by state law.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenditures/expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities. Actual results may differ from those estimates.

New GASB Standards

GASB Statement No. 62 – During the fiscal year ended June 30, 2013, the Schools implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain FASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

GASB Statement No. 63 – During the fiscal year ended June 30, 2013, the Schools implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which establishes guidance for reporting the statements of net position and activities.

GASB Statement No. 65 – During the fiscal year ended June 30, 2013, the Schools implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Restatement of Comparative Data and Reclassifications - Individual fund comparative financial statements have been presented in the supplementary section to provide an understanding of the changes in the financial position and operations of the Schools. Comparative totals have not been included in the departmental-wide and the basic financial statements where their inclusion would not provide enhanced understanding of the Schools' financial position and operations or would cause the statements to be unduly complex and difficult to understand. The 2012 financial statements have been restated to record a prior period adjustment related to implementing GASB Statement No. 65 (see Note 22). In addition, certain reclassifications have been made to make prior year data comparable to the current year.

NOTE 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, 2013, the Schools had the following deposits and investments:

Description	Maturity Date	Fair Value
Deposits:		
Bank Deposits and Money Market Accounts	N/A	\$ <u>9,570,514</u>

A summary of the deposits and investments by fund at year-end 2013:

	Amount
Bank Deposits:	
Cash and Cash Equivalents:	
General Purpose School Fund	\$ 8,048,225
Central Cafeteria Fund	251,279
Extended School Program Fund	45,350
Other Education Special Revenue Fund	3,159
Equipment Rental and Replacement Fund	903,714
Scholarship Fund	<u>318,787</u>
 Total	 \$ <u>9,570,514</u>

Deposits

State statutes authorize the Schools to deposit funds in banks, credit unions and the state and local government investment pool (SLGIP)(2a7-Like pool) and repurchase agreements.

Deposit Policies

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 year-end, the carrying amount of the Schools' deposits (cash and cash equivalents) were \$9,570,514 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. 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 School's deposits at June 30, 2013, 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.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investment Income

Investment income in the Scholarship Fund for 2013 consisted of the following:

Interest	\$ <u>3,111</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 School's name and all securities are registered in the School's 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, 2013, the Schools did not maintain any investments; deposits were held in bank or money market accounts.

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 June 30, 2013, the Foundation had the following deposits and investments:

<u>Description</u>	<u>Fair Value</u>
Deposits:	
Bank Deposits and Certificates of Deposit	\$ <u>180,853</u>
Investments, at Fair Value:	
U.S. Treasury Bonds	3,138,239
Mutual Funds	<u>2,629,925</u>
	<u>5,768,164</u>
Total	\$ <u>5,949,017</u>

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Component Unit - Foundation (Continued)

Investment income (loss) for 2013 consisted of the following:

Interest and Dividends	\$	78,815
Realized Gains on Investments		62,367
Unrealized Gains on Investments		<u>241,609</u>
Total	\$	<u><u>382,791</u></u>

At June 30, 2013, a significant portion of the Foundation's investments were invested in direct obligations of the U.S. Government.

NOTE 3 - PLEDGES RECEIVABLE

The Foundation had the following pledge receivables at year-end:

Due Within One Year	\$	48,675
Due in One to Five Years		<u>168,300</u>
Gross Receivable		216,975
Less: Discounts to Net Present Value		(3,989)
Less: Allowance for Uncollectible Promises to Give		<u>(20,148)</u>
Total – Net	\$	<u><u>192,838</u></u>
Due Within One Year	\$	43,260
Due Within One to Five Years		<u>149,578</u>
Total	\$	<u><u>192,838</u></u>

NOTE 4 - CAPITAL ASSETS

Governmental Activities

Capital asset activity for the governmental activities for 2013 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases and Reclassification	Ending Balance
Capital Assets not Being Depreciated:				
Land & Land Improvements	\$ 156,355	\$ 0	\$ 0	\$ 156,355
Construction In Progress	972,616	87,389	(960,679)	99,326
Total Capital Assets not Being Depreciated	1,128,971	87,389	(960,679)	255,681
Capital Assets Being Depreciated:				
Buildings & Improvements	101,269,056	378,672	960,679	102,608,407
Vehicles	880,032	24,239	(62,574)	841,697
Buses	1,872,904	0	(115,316)	1,757,588
Machinery & Equipment	9,624,278	140,990	(109,748)	9,655,520
Furniture & Fixtures	1,555,709	24,200	0	1,579,909
Computer Software & Telecom	1,808,349	127,083	0	1,935,432
Total Capital Assets Being Depreciated	117,010,328	695,184	673,041	118,378,553
Less Accumulated Depreciation:				
Depreciation For:				
Buildings & Improvements	(35,167,430)	(2,477,287)	0	(37,644,717)
Vehicles	(720,888)	(44,757)	62,574	(703,071)
Buses	(1,362,036)	(81,492)	115,316	(1,328,212)
Machinery & Equipment	(3,000,262)	(612,365)	105,044	(3,507,583)
Furniture & Fixtures	(394,523)	(78,895)	0	(473,418)
Computer Software & Telecom	(1,014,700)	(163,598)	0	(1,178,298)
Total Accumulated Depreciation	(41,659,839)	(3,458,394)	282,934	(44,835,299)
Total Capital Assets Being Depreciated – Net	75,350,489	(2,763,210)	955,975	73,543,254
Governmental Activities Capital Assets – Net	\$ 76,479,460	\$ (2,675,821)	\$ (4,704)	\$ 73,798,935

NOTE 4 - CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Depreciation expense was charged to the following functions and programs:

Governmental Activities:	
Instructional	\$ 3,084,236
Support Services	303,344
Non-Instructional	<u>70,814</u>
Total	<u>\$ 3,458,394</u>

During 2013, the Schools had a realized gain (loss) from the sale and disposal of the following:

Description	Sales Proceeds	Less: Net Book Value	Gain (Loss)
Vehicles	\$ 14,328	\$ 0	\$ 14,328
Machinery & Equipment	0	4,704	(4,704)
Buses	<u>8,293</u>	<u>0</u>	<u>8,293</u>
Total	<u>\$ 22,621</u>	<u>\$ 4,704</u>	<u>\$ 17,917</u>

Construction in progress at June 30, 2013 consists of:

Project	Actual To Date	Remaining Contractual Commitments
Security Camera System	\$ 72,135	\$ 0
Other	<u>27,190</u>	<u>0</u>
Total	<u>\$ 99,325</u>	<u>\$ 0</u>

There were no significant remaining commitment costs related to these projects at June 30, 2013.

NOTE 5 - BONDS, NOTES AND CAPITALIZED LEASE OBLIGATIONS

Overview

Bonds, notes and capitalized lease obligation at June 30, 2013, consisted of the following:

General Obligation Bonds	\$ 17,968,189
Qualified Zone Academy Bonds (QZAB)	4,075,347
Notes Payable	53,252,287
Capitalized Lease Obligations	<u>930,736</u>
	76,226,559
Less: Unamortized Discounts	(31,674)
Add: Unamortized Premiums	<u>1,235,834</u>
	77,430,719
Less: Current Portion	<u>(1,788,338)</u>
Total Long-Term Bonds, Notes and Capitalized Leases	<u>\$ 75,642,381</u>

NOTE 5 - BONDS, NOTES AND CAPITALIZED LEASE OBLIGATIONS (Continued)

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

Interest Paid	\$ 2,999,307
Amortization of Bond Discounts	1,272
Amortization of Bond Premiums	(137,298)
Accrued Interest Payable – Net Change	<u>5,234</u>
Total	<u>\$ 2,868,515</u>

Activity

Long-term debt activity during 2013 was as follows:

	Balance July 1, 2012	Additions	Retirements/ Reductions	Balance June 30, 2013	Due Within One Year
General Obligation Bonds	\$ 18,566,834	\$ 0	\$ (598,645)	\$ 17,968,189	\$ 509,972
Qualified Zone Academy Bonds (QZAB)	4,584,765	0	(509,418)	4,075,347	509,418
Notes Payable	53,502,287	0	(250,000)	53,252,287	370,000
Capitalized Lease Obligations	<u>851,825</u>	<u>479,112</u>	<u>(400,201)</u>	<u>930,736</u>	<u>398,948</u>
	77,505,711	479,112	(1,758,264)	76,226,559	1,788,338
Unamortized Discounts	(32,946)	1,272	0	(31,674)	0
Unamortized Premiums	<u>1,373,132</u>	<u>0</u>	<u>(137,298)</u>	<u>1,235,834</u>	<u>0</u>
Total	<u>\$ 78,845,897</u>	<u>\$ 480,384</u>	<u>\$ (1,895,562)</u>	<u>\$ 77,430,719</u>	<u>\$ 1,788,338</u>

General Obligation Bonds

Series 2003 GO Refunding Bond issue of \$7,485,709 maturing in 2016 with interest rates of 2.0% to 4.0%.	\$ 307,523
Series 2009 GO Refunding Bond issue of \$15,676,720 maturing in 2022 with interest rates of 3.0% to 5.0%.	15,676,720
Series 2009B GO Refunding Bond (BABS) issue of \$1,468,284 maturing in 2041 with interest rates of 5.6% to 6.5%.	1,468,284
Series 2011 GO Refunding Bond issue of \$1,645,631 maturing in 2015 with an interest rate of 3.82%.	<u>515,662</u>
Total	<u>\$ 17,968,189</u>

In March of 2003, the Schools, through the City of Oak Ridge, issued \$7,485,709 in General Obligation Refunding Bonds Series 2003 to refund outstanding general obligation debt.

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.

NOTE 5 - BONDS, NOTES AND CAPITALIZED LEASE OBLIGATIONS (Continued)

General Obligation Bonds (Continued)

In November 2009, the Schools, through the City of Oak Ridge, issued \$1,150,000 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 a gross interest rate of 6.25%, or at a net rate of 4.06% after subsidies. The loan principal payments begin June 1, 2025 and continue through June 1, 2041.

The Schools receive a direct subsidy of 35% 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, at a gross interest rate of 6.25% or that the United States Congress will not attempt to reduce the amount of the direct subsidy payments. Interest subsidies received by the Schools during the year ended June 30, 2013 totaled \$114,244.

In June 2011, the Schools, through the City of Oak Ridge, issued \$1,645,631 in General Obligation Refunding Bonds Series 2011 for a current refunding of \$1,656,721 of outstanding general obligation bonds.

Qualified Zone Academy Bonds (QZAB)

Qualified Zone Academy Bonds (QZAB) consisted of the following at June 30, 2013:

Series 2004 QZAB issue of \$7,049,360 maturing in 2021 (Interest Free).	\$ 3,524,680
Series 2005 QZAB issue of \$1,032,500 maturing in 2021 (Interest Free).	<u>550,667</u>
Total	<u>\$ 4,075,347</u>

The Schools, through the City of Oak Ridge, issued \$7,049,360 in Qualified Zone Academy Bonds (QZAB) in fiscal year 2005 and \$1,032,500 in fiscal year 2006. QZAB's are a federal program, administered through state department of educations, which provide interest free loans to finance eligible school renovations. The Tennessee Department of Education and the State Comptroller's Office are administrators of the loan. The Foundation 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, 2013:

The 2005 note payable of \$15,000,000 loan agreement Series 2005 Public Improvement Bonds B-9-A maturing in 2025 with interest rates of 3.0% to 4.125%.	\$ 14,300,000
The 2006 note payable of \$5,325,000 loan agreement Series 2006 Bonds B-11-A maturing in 2038 with an interest rate of 4.375%.	5,325,000
The 2008 note payable of \$7,752,287 loan agreement TMBF maturing in 2027 with an interest rate of 0.73%.	7,752,287
The 2009 note payable of \$21,140,000 loan agreement Series 2009 Bonds VII-E-1 maturing in 2036 with an interest rate of 4.77%.	21,140,000
The 2009 note payable of \$4,735,000 loan agreement Series 2009 Bonds VI-M-1 maturing in 2029 with an interest rate of 4.69%.	<u>4,735,000</u>
Total	<u>\$ 53,252,287</u>

NOTE 5 - BONDS, NOTES AND CAPITALIZED LEASE OBLIGATIONS (Continued)

Notes Payable (Continued)

On February 25, 2005, the Schools, through the City of Oak Ridge, entered into a \$15,000,000 loan agreement with the Public Building Authority of Blount County to fund a portion of the costs for the ORHS project and issued Series 2005 Public Improvement Bonds B-9-A. The interest rate on the fixed rate loan is between 3.0% and 4.125%, with maturity in fiscal 2025.

On December 21, 2006, the Schools, through the City of Oak Ridge, entered into a \$5,325,000 loan agreement with the Public Building Authority of Blount County to fund a portion of the costs for renovation and new construction of the ORHS project and issued Series 2006 Bonds B-II-A. Immediately upon issuance, the net loan proceeds were deposited with Regions Bank, trustee, with funds to be drawn as expenditures occur. This is a fixed interest rate issuance at 4.375% with principal payments occurring in 2037 and 2038.

During FY 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 ORHS project. Scheduled principal payments start in 2014 and continue through 2027. The interest rate is variable and was approximately 0.73% at June 30, 2013. During FY 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 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 Notes 6 and 7. Annual interest payments are amortized using a 4.77% interest rate, which is the actual weekly rate at June 30, 2013.

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. Principal payments begin in 2026 with maturity in 2029. Annual interest payments are amortized using a 4.69% interest rate.

Capitalized Lease Obligations

Capitalized Lease Obligations consisted of the following at June 30, 2013:

Capital Lease of \$1,152,844 maturing on August 10, 2014 with an interest rate of 2.97%	\$ 576,174
Capital Lease of \$479,112 maturing on July 10, 2015 with an interest rate of 2.67%	<u>354,562</u>
Total	<u>\$ 930,736</u>

On August 9, 2011, the Schools entered into a \$1,152,844 capitalized lease purchase agreement with California First National Bank for the purchase of approximately 390 computers. Since each individual computer cost less than \$5,000, these were expensed in accordance with the Schools' capitalization policy as described in Note 1. Terms of the lease require initial payment of \$301,019 and three annual payments of \$301,019 at 2.97% interest through August 10, 2014.

On July 10, 2012, the Schools entered into a \$479,112 capitalized lease purchase agreement with California First National Bank for the purchase of technology equipment. Of the technology equipment included in the lease purchase agreement, only software of \$25,000 was capitalized, as all other equipment cost less than \$5,000, individually, and these were expensed in accordance with the Schools' capitalization policy as described in Note 1. Terms of the lease require initial payment of \$124,550 and three annual payments of \$124,550 at 2.668% interest through July 10, 2015.

NOTE 5 - BONDS, NOTES AND CAPITALIZED LEASE OBLIGATIONS (Continued)

Debt Service

The annual debt service requirements of all outstanding bonds, notes and capitalized lease obligations as of June 30, 2013, are as follows:

Years Ending June 30,	Principal	Net Interest	Total
2014	\$ 1,788,338	\$ 2,721,598	\$ 4,509,936
2015	2,416,661	2,684,217	5,100,878
2016	2,369,224	2,625,400	4,994,624
2017	3,495,559	2,542,731	6,038,290
2018	3,668,497	2,399,610	6,068,107
2019-2023	18,867,957	9,998,608	28,866,565
2024-2028	15,824,098	6,572,361	22,396,459
2029-2033	14,080,000	4,680,364	18,760,364
2034-2038	12,500,000	1,852,509	14,352,509
2039-2041	1,216,225	93,807	1,310,032
Total	<u>\$ 76,226,559</u>	<u>\$ 36,171,205</u>	<u>\$ 112,397,764</u>

NOTE 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 ORHS Project. Principal payments are to occur on the loan from 2025 to 2036. Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-H-1. The \$15,675,000 interest rate swap is classified as an investment derivative due to the hedge becoming ineffective during FY 2010 and continues to be ineffective for the year ended June 30, 2013, 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 million Series VI-H-1 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. \$11,000,000 of the Series VI-H-1 bonds have since been refunded with a portion of the proceeds of the Series VII-E-1 bonds and the related portion of the interest rate swap is now associated with the Series VII-E-1 bonds. The remaining \$4,675,000 of the Series VI-H-1 bonds have since been refunded with a portion of the Series VI-M-1 bonds and the related portion of the interest rate swap is now associated with the Series VI-M-1 bonds.

NOTE 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 million and the associated variable-rate bond has a \$15.675 million principal amount. At no time will the notional amount on interest rate swap agreement exceed the outstanding principal of the Series VII-E-1 Bonds and/or Series VI-M-1. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association Index (the "SIFMA"). The bonds and the related swap agreement mature on June 1, 2036. As of June 30, 2013, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.536 %
Variable Payment from Counterparty	% LIBOR	<u>(1.002)</u>
Net Interest Rate Swap Payments		2.534
Variable-Rate Bond Coupon Payments		0.633
On-going Variable-Rate Bond Payments		<u>0.200</u>
Effective Synthetic Interest Rate on Bonds		<u><u>3.367 %</u></u>

Fair Value: As of June 30, 2013, the swap had a negative fair value of \$(2,327,852). 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, 2013, 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 in 2006 with DEPFA Bank of Dublin, Ireland, 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, 2013, DEPFA's credit rating had been downgraded and was rated "BBB" by Standard and Poor's (Stable Outlook), "Baa3" by Moody's Investors Service (Stable Outlook) and "BBB+" by Fitch Ratings (Negative Outlook). The counterparty has posted all collateral requirements with a third-party custodian.

Basis Risk: As noted above, the swap exposes the City to basis risk should the rate on the Bonds increase to above 63% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination Risk: The 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.

NOTE 6 - INTEREST RATE SWAP (Continued)

\$15,675,000 Swap (Continued)

Swap Payments and Associated Debt. As of June 30, 2013, 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 Years Ending June 30,	Principal	Interest	Net Interest Rate Swap Payment	Total
2014	\$ 0	\$ 99,223	\$ 397,252	\$ 496,475
2015	0	99,223	397,252	496,475
2016	0	99,223	397,252	496,475
2017	0	99,223	397,252	496,475
2018	0	99,223	397,252	496,475
2019-2023	0	496,114	1,986,258	2,482,372
2024-2028	4,575,000	468,104	1,874,115	6,917,219
2029-2033	3,975,000	269,183	1,077,711	5,321,894
2034-2036	7,125,000	91,469	366,206	7,582,675
	<u>\$ 15,675,000</u>	<u>\$ 1,820,985</u>	<u>\$ 7,290,550</u>	<u>\$ 24,786,535</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 ORHS Project. Principal payments are to occur on the loan from 2031 to 2033. Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series VI-D-3. The \$10,000,000 interest rate swap is classified as an investment derivative due to the hedge becoming ineffective during FY 2011 and continues to be ineffective for the year ended June 30, 2013, 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 million Series VI-D-3 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate. The Series VI-D-3 bonds have since been refunded with a portion of the proceeds of the 2009 Series VII-E-1 bonds and the interest rate swap is now associated with the Series VII-E-1 bonds.

Terms: Under the swap, the Authority pays the counterparty a fixed payment of 3.725% and receives a variable payment computed as 63.50% of the five-year London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$10 million and the associated variable-rate bond has a \$10 million principal amount. At no time will the notional amount on 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, 2013, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed Payment to Counterparty	Fixed	3.725 %
Variable Payment from Counterparty	% LIBOR	<u>(1.010)</u>
Net Interest Rate Swap Payments		2.715
Variable-Rate Bond Coupon Payments		0.633
On-going Variable-Rate Bond Payments		<u>0.200</u>
Effective Synthetic Interest Rate on Bonds		<u>3.548 %</u>

NOTE 6 - INTEREST RATE SWAP (Continued)

\$10,000,000 Swap (Continued)

Fair Value: As of June 30, 2013, the swap had a negative fair value of (\$1,788,475). 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, 2013, 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. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2013, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody's, Standard & Poor's and Fitch, respectively.

Basis Risk: As noted above, the swap exposes the City to basis risk should the rate on the Bonds increase to above 63.5% of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the Bonds to be below 63.5% of LIBOR, then the synthetic rate on the bonds will decrease.

Termination Risk: The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the Authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt: As of June 30, 2013, 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 Years Ending June 30,	Principal	Interest	Net Interest Rate Swap Payment	Total
2014	\$ 0	\$ 63,300	\$ 271,535	\$ 334,835
2015	0	63,300	271,535	334,835
2016	0	63,300	271,535	334,835
2017	0	63,300	271,535	334,835
2018	0	63,300	271,535	334,835
2019-2023	0	316,500	1,357,675	1,674,175
2024-2028	0	316,500	1,357,675	1,674,175
2029-2033	10,000,000	274,089	1,175,747	11,449,836
	<u>\$ 10,000,000</u>	<u>\$ 1,223,589</u>	<u>\$ 5,248,772</u>	<u>\$ 16,472,361</u>

NOTE 7 - DERIVATIVE INSTRUMENTS

At June 30, 2013, the Schools had the following derivative instruments outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$ 15,675,000 Swap	Interest Rate Swap	Variable to Synthetic Fixed Rate Swap	\$ 15,675,000	11/22/2006	6/1/2036	Pay 3.536% and receive 63% of five year LIBOR.
\$ 10,000,000 Swap	Interest Rate Swap	Variable to Synthetic Fixed Rate Swap	\$ 10,000,000	12/1/2004	6/1/2033	Pay 3.725% and receive 63.5% of five year LIBOR.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2013, classified by type and changes in fair value for FY 2013 are reported in the current year's financial statements as follows:

Type	Change in Fair Value		Fair Value at 6/30/2013		6/30/2013
	Classification	Amount	Classification	Amount	Notional Amount
Governmental Activities					
Investment Derivative:					
Pay-fixed Interest Rate Swap:	Investment				
\$ 15,675,000	Revenue (Loss)	\$ 1,881,838	Debt	\$ (2,327,852)	\$ 15,675,000
\$ 10,000,000	Investment				
	Revenue (Loss)	1,287,328	Debt	(1,788,475)	\$ 10,000,000
		<u>\$ 3,169,166</u>		<u>\$ (4,116,327)</u>	

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.

NOTE 8 - OTHER NON-CURRENT LIABILITIES

Other non-current liabilities activity during 2013 was as follows:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
OPEB Obligations	\$ 4,334,885	\$ 911,339	\$ (391,765)	\$ 4,854,459	\$ 0
Compensated Absences	451,132	496,839	(530,814)	417,157	417,157
Termination Benefits	<u>384,075</u>	<u>164,645</u>	<u>(62,340)</u>	<u>486,380</u>	<u>73,294</u>
Total	<u>\$ 5,170,092</u>	<u>\$ 1,572,823</u>	<u>\$ (984,919)</u>	<u>\$ 5,757,996</u>	<u>\$ 490,451</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 Notes 16 and 18.

NOTE 9 - NET POSITION

Net position represents the difference between assets and liabilities. Net position at year-end was as follows:

	Governmental Activities	
	Primary Government	Component Unit Foundation
Net Investment in Capital Assets:		
Net Capital Assets	\$ 73,798,935	\$ 0
Less: Related Debt – Net of Discounts and Premiums	<u>(77,430,719)</u>	<u>0</u>
	<u>(3,631,784)</u>	<u>0</u>
Restricted:		
Career Ladder – State of Tennessee	32,211	0
Grants and Other	<u>57,659</u>	<u>3,693,576</u>
	<u>89,870</u>	<u>3,693,576</u>
Unrestricted (Deficit)	<u>(3,009,777)</u>	<u>2,447,766</u>
Total	<u>\$ (6,551,691)</u>	<u>\$ 6,141,342</u>

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

NOTE 10 - FUND BALANCES – NON-SPENDABLE, RESTRICTED AND COMMITTED

The amounts reported on the balance sheets of the governmental funds as non-spendable, restricted and committed as of June 30, 2013 consisted of the following:

Governmental Funds	Fund Balances		
	Non-Spendable	Restricted	Committed
General Purpose School Fund:			
Prepaid Items	\$ 58,739	\$ 0	\$ 0
Restricted – Career Ladder/Extended Contract	0	30,692	0
Committed	0	0	178,396
	<u>58,739</u>	<u>30,692</u>	<u>178,396</u>
Other Education Special Revenue Fund	0	1,834	0
Extended School Program Fund	0	0	40,710
Central Cafeteria Fund	4,566	173,944	0
	<u>4,566</u>	<u>175,778</u>	<u>40,710</u>
Total	\$ <u>63,305</u>	\$ <u>206,470</u>	\$ <u>219,106</u>

NOTE 11 - LOCAL TAXES

In accordance with various state laws, the Schools receive a pro-rata share of property taxes, local option sales taxes, and mineral severance 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 become delinquent the following March 1. Penalties and interest on delinquent property taxes are recognized when collected.

The local option sales tax and mineral severance tax is 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 2013:

Type	Amount	% of Revenues
Property Taxes	\$ 8,893,890	25.76%
Local Option Sales Taxes	4,986,448	14.44%
Mineral Severance Taxes	2,038	0.01%
Total	\$ <u>13,882,376</u>	<u>40.20%</u>

NOTE 12 - INTERFUND RECEIVABLES, PAYABLES & TRANSFERS

Transfers between the individual funds and the City of Oak Ridge during FY 2013 were as follows:

Transfers In	Transfers Out	Amount
Governmental Activities:		
General Purpose School Fund	City's General Fund	\$ 13,862,832
Other Education Special Revenue Fund	General Purpose School Fund	46,982

The City provides an annual operating transfer from its General Fund to the Schools' General Purpose School Fund. The transfer of \$13,862,382 during FY 2013 was 25.78% of total revenues and other sources. The transfer of \$46,982 to the Other Education Special Revenue Fund is considered the Schools' local match for the Family Resource Program grant.

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:

Transfers In	Transfers Out	Amount	Purpose
Governmental Activities			
General Purpose School Fund	City Debt Service Fund	\$ 4,331,972	Debt Service
General Purpose School Fund	City Capital Projects Fund	15,254	Capital Improvements

During 2013, the Foundation made a \$402,611 payment to the City to fund school related debt.

A detailed listing of interfund receivables and payables at June 30, 2013 is as follows:

Due From	Due To	Amount
Governmental Activities:		
School Federal Projects Fund	General Purpose School Fund	\$ 422,225
Central Cafeteria Fund	General Purpose School Fund	36,942
		<u>\$ 459,167</u>

These interfund receivables and payables are due to short-term borrowings between the funds due to federal grant activity.

NOTE 13 - BUDGET AMENDMENTS

The Schools amended the FY 2013 budgeted expenditures as follows:

Governmental Fund	Original Budget	Changes in Appropriations	Final Budget
General Purpose School	\$ 50,645,113	\$ (21,955)	\$ 50,623,158
School Federal Projects	3,379,725	15,955	3,395,680
Other Education Special Revenue Fund	101,313	6,000	107,313

The General Purpose School Fund's budget was amended to transfer grant contingency funds to establish grant budgets for the School Federal Projects Fund and Other Education Special Revenue Fund. The additional appropriations were approved by the Board of Education.

NOTE 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 omissions; injuries to employees; and natural disasters. The School's 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.

NOTE 15 - RETIREMENT PLAN

I. Non-Teaching Personnel

Plan Description - Employees of the Oak Ridge Schools are covered by the Tennessee Consolidated Retirement System (TCRS), an agent multiple-employer Political Subdivision Pension Plan (PSPP) that acts as a common investment and administrative agent for political subdivisions in the State.

The TCRS is a defined benefit retirement plan covering general employees of the State as well as employees of political subdivisions that have elected coverage. Membership in the system is mandatory for all State full-time employees and employees of participating political subdivisions. The TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with thirty years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in performance of duty. Members joining the system after July 1, 1979, become vested after five years of service and members joining the system prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in State statute found in Title 8, Chapter 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Schools participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to the Schools unless approved by the Board of Education.

The Comprehensive Annual Financial Report (CAFR) of the TCRS for the year ended June 30, 2013, may be obtained at the following address:

Tennessee Treasury Department
Tennessee Consolidated Retirement System
10th Floor, Andrew Jackson Building
Nashville, TN 37243-0230
(615) 741-7063
www.tn.gov/treasury/tcrs/ps

NOTE 15 - RETIREMENT PLAN (Continued)

I. Non-Teaching Personnel (Continued)

Funding Policy - Oak Ridge Schools has a contributory plan whereby the employee contributes 5% of earnable compensation and the employer is responsible for the remaining contribution. Oak Ridge Schools is required to contribute at an actuarially determined rate which was 10.18% of annual covered payroll for the year ending June 30, 2013. The contribution requirements of plan members are set by State statute. Contribution requirements for the Schools are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost - For the year ending June 30, 2013, Oak Ridge Schools' annual pension cost of \$624,635 to TCRS was equal to Oak Ridge Schools' required and actual contributions.

The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually.

The actuarial value of assets was determined by using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Oak Ridge Schools' unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 1 year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 624,635	100%	\$ 0
6/30/2012	662,054	100%	0
6/30/2011	655,080	100%	0

Funded Status and Funding Progress - As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.74% funded. The actuarial accrued liability for benefits was \$23.25 million, and the actuarial value of assets was \$22.96 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.29 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.24 million, and the ratio of the UAAL to the covered payroll was 4.70%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amount in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/2011	\$ 22,960	\$ 23,254	\$ 294	98.74%	\$ 6,243	4.70%
07/01/2009	19,549	19,961	412	97.94	6,215	6.62
07/01/2007	19,103	19,617	514	97.38	6,177	8.32

NOTE 15 - RETIREMENT PLAN (Continued)

II. Teaching Personnel

Plan Description - The Oak Ridge Schools contribute to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in State statute found in Title 8, Chapters 34-37 of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than .50% and the maximum annual COLA is capped at 3.0%.

The TCRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to:

Tennessee Treasury Department
Tennessee Consolidated Retirement System
10th Floor, Andrew Jackson Building
Nashville, TN 37243-0230
(615) 741-7063
www.tn.gov/treasury/tcrs/schools

Funding Policy - Most teachers are required by State statute to contribute 5.0% of salary to the plan. The Oak Ridge Schools are required to contribute at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2013 was 8.88% of annual covered payroll. The employer contribution requirements of the Schools are established and may be amended by the TCRS Board of Trustees. The Schools' employer's contributions to TCRS for the years ending June 30, 2013, 2012 and 2011 were \$2,261,737, \$2,347,755 and \$2,262,292, respectively, equal to the required contributions for each year.

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

Annual OPEB Cost and Net OPEB Obligation - The Schools' annual OPEB cost and net OPEB obligation for the current year and prior year was as follows:

	<u>Teacher Group Insurance Plan</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Annual Required Contribution (ARC)	\$ 922,000	\$ 914,000
Interest on net OPEB Obligation	173,395	149,815
Adjustment to the ARC	<u>(184,056)</u>	<u>(159,025)</u>
Annual OPEB Cost	911,339	904,790
Contributions Made	<u>(391,765)</u>	<u>(315,256)</u>
Increase in OPEB Obligation	519,574	589,534
Net OPEB Obligation, Beginning of Year	<u>4,334,885</u>	<u>3,745,351</u>
Net OPEB Obligation, End of Year	<u>\$ 4,854,459</u>	<u>\$ 4,334,885</u>

<u>Three-Year Trend Information</u>			
<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 894,613	39.5	\$ 3,745,351
6/30/2012	904,790	34.8	4,334,885
6/30/2013	911,339	42.9	4,854,459

Funded Status and Progress

Actuarial Valuation Date	<u>7/1/2011</u>
Actuarial Accrued Liability (AAL)	\$ <u>7,109,000</u>
Total Unfunded AAL	\$ <u><u>7,109,000</u></u>
Funded Ratio (Actuarial Value of Assets as a Percentage of the AAL)	0%
Annual Covered Payroll	\$ 25,942,044
Ratio of the Unfunded Actuarial Liability to Annual Covered Payroll	27.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. During FY 2012, the State of Tennessee has changed to bi-annual actuarial valuations subsequent to July 1, 2011 with the next valuation scheduled for July 1, 2013.

NOTE 16 - POSTEMPLOYMENT HEALTHCARE PLAN (Continued)

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

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% initially. The rate decreased to 8.75% in 2013 and then will be reduced by decrements to an ultimate rate of 5% by 2021. The annual healthcare premium trend rate for the Medicare Supplement plan was 6.50% initially. The rate decreased to 6.25% in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5% by fiscal year 2018. Both rates include a 2.5% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007.

NOTE 17 - ON-BEHALF PAYMENTS

The following on-behalf payments have been recorded:

Medicare Supplement Plan - Since Teachers are considered state employees per state statutes, the State of Tennessee makes a contribution (on-behalf payment) for retired teachers to this Plan through the TCRS. The on-behalf payment for 2013 was \$69,220 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

Teacher Group Insurance Plan - The State of Tennessee makes a contribution (on-behalf payment) for retired teachers who participate in the State-administered Teacher Group Insurance Plan through TCRS as described in Note 15. The on-behalf payment for 2013 was \$109,209 and has been recorded as a revenue and expenditure in the General Purpose School Fund.

NOTE 18 - TERMINATION BENEFITS

The Schools provide voluntary termination benefits for professional employees who agree to retire before age 65. Employees who retire at age 60 or after 30 years of creditable service in TCRS with at least 10 years of service with the Schools, 85% of the retirees' individual health insurance premiums will be paid by the Schools for five years or until the retirees reach age 65. The Schools fund their contributions on a pay-as-you-go basis. During 2013, the Schools paid approximately \$62,340 to 24 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 \$486,380. Termination benefits are measured at the discounted present value of expected future benefit payments. The Schools used a discount rate of 1.38% and a projected annual healthcare cost trend rate of 12.0% to estimate the effect of making these payments over a five year period.

NOTE 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 FY 2013 in the General Purpose School Fund financial statements are as follows:

Source	Amount	Percentage of Revenues
State of Tennessee	\$ 19,758,817	37.00 %
City of Oak Ridge	14,629,302	27.40
Anderson and Roane Counties	12,832,810	24.03
Federal Government	<u>134,092</u>	<u>0.25</u>
Total	<u>\$ 47,355,021</u>	<u>88.69 %</u>

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

NOTE 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 ending June 30, 2013. As a result during 2013, the general purpose school fund expenditures exceeded appropriations by \$2,571,091. This was due to the recording of debt principal and interest payments made by the City for \$4,331,972 of school related long-term debt. The other education special revenue fund expenditures exceeded appropriations by \$1,698.

NOTE 21 - SUBSEQUENT EVENTS

Effective July 1, 2013, Bruce Borchers, Ed.D. was hired as the superintendent of Schools.

NOTE 22 - PRIOR PERIOD ADJUSTMENT

Adoption of New Accounting Standard

During 2013 the Schools adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which reclassifies as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. Per the new standard, debt issuance costs are recorded as an expense in the period incurred. Therefore, net unamortized debt issuance costs prior to fiscal year 2013 have been recorded as a prior period adjustment by decreasing net position by \$52,974 as of July 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

OAK RIDGE SCHOOLS
SCHEDULE OF EMPLOYER PENSION FUNDING PROGRESS
Last Five Valuation Dates

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
7/1/2003	\$ 15,549	\$ 16,227	\$ 678	95.82	\$ 5,305	\$ 12.78
7/1/2005	16,912	17,514	602	96.56	5,699	10.56
7/1/2007	19,103	19,617	514	97.38	6,177	8.32
7/1/2009	19,549	19,961	412	97.94	6,215	6.62
7/1/2011	22,960	23,254	294	98.74	6,243	4.70

Note: The July 1, 2007 and later, actuarial valuations were prepared using the entry age cost method. The July 1, 2005 and earlier actuarial valuations were prepared using the frozen entry age actuarial cost method. This change was due to the requirements of GASB Statement No. 50.

OAK RIDGE SCHOOLS
SCHEDULE OF EMPLOYER OPEB FUNDING PROGRESS
Last Four Valuation Dates

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage Covered Payroll
7/1/2007	\$ 0	\$ 2,506	\$ 2,506	0.0%	\$ 24,528	10.2%
7/1/2009	0	6,716	6,716	0.0	24,847	27.0
7/1/2010	0	6,815	6,815	0.0	24,998	27.3
7/1/2011	0	7,109	7,109	0.0	25,942	27.4

Note: The July 1, 2007 actuarial valuation is the first valuation for the Teacher Group Insurance Plan as required by GASB Statement No. 45 and was prepared using the projected unit credit actuarial cost method. Additional valuations will be added in future years. Prior to July 1, 2009 the actuarial valuations were prepared bi-annually by the State of Tennessee. The State of Tennessee reverted back to bi-annual actuarial valuations subsequent to July 1, 2011.

SUPPLEMENTARY SECTION

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for specific revenues which are legally restricted to finance specific functions or activities and cannot be diverted to other uses.

Major Funds

The **General Purpose School Fund** is used to account for the general operating activities of Oak Ridge School system including instruction, special education, pupil personnel services, instructional staff support, maintenance and operations of facilities and general and administrative functions. These activities are funded principally by local property and sales taxes, state funding and operating transfers appropriated by the City of Oak Ridge, Tennessee.

The **School Federal Projects Fund** is used to account for the majority of federal grant award programs.

Non-major Funds

The **Other Education Special Revenue Fund** is used to account for the Family Resource Center activities to assist at risk children and their families to become fully functioning and independent members of their community. The fund receives revenue through federal awards and support from the general fund.

The **Extended School Program Fund** is used to account for the fees collected for the Oak Ridge Schools extended child care program, which is the sole revenue source for this program.

The **Central Cafeteria Fund** is used to account for the activities related to the National School Lunch and Breakfast Programs.

OAK RIDGE SCHOOLS
COMPARATIVE BALANCE SHEETS
GENERAL PURPOSE SCHOOL FUND (MAJOR)

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	\$ 8,048,225	\$ 9,409,748
Accounts Receivable	4,998	9,622
Grants Receivable	118,873	134,470
Due from Other Funds	459,167	0
Due from Other Governments	1,183,369	1,095,731
Prepaid Items	<u>58,739</u>	<u>83,659</u>
TOTAL ASSETS	\$ <u>9,873,371</u>	\$ <u>10,733,230</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 302,907	\$ 1,166,011
Accrued Salaries and Benefits	3,502,083	3,402,159
Due to Primary Government	<u>0</u>	<u>326,949</u>
Total Liabilities	<u>3,804,990</u>	<u>4,895,119</u>
FUND BALANCES		
Non-Spendable - Prepaid Expenditures	58,739	83,659
Restricted - Career Ladder/Extended Contract	30,692	73,782
Unrestricted:		
Committed	178,396	4,257
Unassigned	<u>5,800,554</u>	<u>5,676,413</u>
Total Fund Balances	<u>6,068,381</u>	<u>5,838,111</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>9,873,371</u>	\$ <u>10,733,230</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

GENERAL PURPOSE SCHOOL FUND (MAJOR)
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Property Taxes	\$ 8,893,890	\$ 8,806,098
Local Option Sales Taxes	4,986,448	3,984,776
Local Mineral Severance Taxes	2,038	41,936
Charges for Services	342,572	368,632
Other Local Sources	186,083	148,781
State of Tennessee - BEP	18,886,515	18,525,000
State of Tennessee - Other	1,118,318	1,233,817
State of TN - On-Behalf Payments	178,429	165,609
Federal Government	117,007	134,092
Other	<u>86,285</u>	<u>94,360</u>
Total Revenues	<u>34,797,585</u>	<u>33,503,101</u>
EXPENDITURES		
Current:		
Instructional:		
Regular Instruction	24,061,005	24,364,598
Alternative School	374,075	359,201
Special Education	4,301,492	4,200,929
Technology and Career	988,454	965,490
Other	<u>0</u>	<u>5,804</u>
Total Instructional	<u>29,725,026</u>	<u>29,896,022</u>
Support Services:		
Health Services	392,289	355,101
Other Student Support	1,331,300	1,236,433
Instructional Staff	2,052,714	2,211,587
Special Education	673,243	671,774
Technology and Career	73,616	175,153
Board of Education	877,383	811,238
Office of the Superintendent	244,307	258,898
Office of the Principal	2,837,001	2,747,759
Fiscal Service	661,198	616,872
Human Resources/Personnel	249,926	231,016
Operation of Plant	4,528,596	4,350,338
Maintenance of Plant	1,341,206	1,386,889
Transportation	1,238,083	1,214,632
Information Technology	<u>902,533</u>	<u>954,423</u>
Total Support Services	<u>17,403,395</u>	<u>17,222,113</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

GENERAL PURPOSE SCHOOL FUND (MAJOR) (Continued)
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
EXPENDITURES (Continued)		
Current:		
Non-Instructional:		
Community Service/Early Childhood Education	\$ 178,263	\$ 177,090
Preschool Program	450,079	446,167
Equipment Rental and Other	<u>24,239</u>	<u>26,200</u>
Total Non-Instructional	<u>652,581</u>	<u>649,457</u>
Capital Outlays	<u>655,676</u>	<u>851,912</u>
Debt Service:		
Principal on Capitalized Leases	400,231	420,888
Interest on Capitalized Leases	25,368	4,664
Principal on Bonds & Notes Payable	1,358,033	1,260,560
Interest on Bonds & Notes Payable	<u>2,973,939</u>	<u>2,881,442</u>
Total Debt Service	<u>4,757,571</u>	<u>4,567,554</u>
Total Expenditures	<u>53,194,249</u>	<u>53,187,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(18,396,664)</u>	<u>(19,683,957)</u>
Other Financing Sources (Uses)		
Transfers In-From City	18,194,804	18,771,287
Operating Transfers In (Out) to Other Funds	(46,982)	(32,230)
Capital Lease Proceeds	<u>479,112</u>	<u>1,152,844</u>
Total Other Financing Sources (Uses) - Net	<u>18,626,934</u>	<u>19,891,901</u>
NET CHANGE IN FUND BALANCES	230,270	207,944
FUND BALANCES, BEGINNING OF YEAR	<u>5,838,111</u>	<u>5,630,167</u>
FUND BALANCES, END OF YEAR	<u>\$ 6,068,381</u>	<u>\$ 5,838,111</u>

OAK RIDGE SCHOOLS
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES BUDGET AND ACTUAL

GENERAL PURPOSE SCHOOL FUND (MAJOR)
For the Fiscal Years Ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Property Taxes	\$ 8,943,777	\$ 8,938,145	\$ 8,893,890	\$ (44,255)	\$ 8,905,755	\$ 8,905,755	\$ 8,806,098	\$ (99,657)
Local Option Sales Taxes	4,319,693	5,091,795	4,986,448	(105,347)	4,092,268	4,092,268	3,984,776	(107,492)
Local Mineral Severance Taxes	39,000	39,000	2,038	(36,962)	32,000	32,000	41,936	9,936
Charges for Services	368,000	368,000	342,572	(25,428)	393,000	393,000	368,632	(24,368)
Other Local Sources	97,500	208,829	186,083	(22,746)	78,011	78,011	148,781	70,770
State of Tennessee	18,822,000	18,822,000	18,886,515	64,515	18,518,000	18,525,000	18,525,000	0
State of Tennessee - Other	1,367,622	1,234,338	1,118,318	(116,020)	1,765,064	1,758,064	1,233,817	(524,247)
State of TN - On-Behalf Pmts	0	0	178,429	178,429	0	0	165,609	165,609
Federal Government	146,074	146,074	117,007	(29,067)	140,158	140,158	134,092	(6,066)
Other	80,000	80,000	86,285	6,285	199,383	205,493	94,360	(111,133)
Total Revenues	34,183,666	34,928,181	34,797,585	(130,596)	34,123,639	34,129,749	33,503,101	(626,648)
EXPENDITURES								
Current:								
Instructional:								
Regular Instruction	24,348,035	24,487,729	24,061,005	426,724	23,976,711	24,736,857	24,364,598	372,259
Alternative School	437,652	437,652	374,075	63,577	356,889	356,889	359,201	(2,312)
Special Education	4,277,189	4,277,189	4,301,492	(24,303)	4,299,858	4,214,181	4,200,929	13,252
Technology and Career	998,141	998,141	988,454	9,687	968,938	968,938	965,490	3,448
Contingency	287,805	83,204	0	83,204	291,883	594,937	5,804	589,133
Total Instructional	30,348,822	30,283,915	29,725,026	558,889	29,894,279	30,871,802	29,896,022	975,780
Support Services:								
Health Services	384,925	384,925	392,289	(7,364)	355,017	355,699	355,101	598
Other Student Support	1,251,476	1,333,219	1,331,300	1,919	1,260,537	1,246,537	1,236,433	10,104
Instructional Staff	2,246,890	2,199,182	2,052,714	146,468	2,177,213	2,184,975	2,211,587	(26,612)
Special Education	681,308	681,308	673,243	8,065	571,132	671,018	671,774	(756)
Technology and Career	88,195	88,195	73,616	14,579	167,091	167,091	175,153	(8,062)
Board of Education	925,104	925,104	877,383	47,721	909,672	909,672	811,238	98,434
Office of Superintendent	281,943	281,943	244,307	37,636	265,742	267,855	258,898	8,957
Office of Principal	2,836,668	2,842,433	2,837,001	5,432	2,763,946	2,763,946	2,747,759	16,187
Fiscal Services	687,651	687,651	661,198	26,453	675,775	679,617	616,872	62,745
Human Resources/Personnel	264,584	264,584	249,926	14,658	246,706	248,494	231,016	17,478
Operation of Plant	4,682,698	4,682,698	4,528,596	154,102	4,601,641	4,602,951	4,350,338	252,613
Maintenance of Plant	1,339,991	1,339,991	1,341,206	(1,215)	1,439,395	1,448,003	1,386,889	61,114
Transportation	1,424,272	1,424,272	1,238,083	186,189	1,392,069	1,400,272	1,214,632	185,640
Information Technology	899,811	899,811	902,533	(2,722)	918,801	940,771	954,423	(13,652)
Total Support Services	17,995,516	18,035,316	17,403,395	631,921	17,744,737	17,886,901	17,222,113	664,788

OAK RIDGE SCHOOLS
COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND (MAJOR) (Continued)
For the Fiscal Years Ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Current:								
Non-Instructional:								
Community Service/Early Childhood Education	\$ 180,485	\$ 179,724	\$ 178,263	\$ 1,461	\$ 540,000	\$ 180,484	\$ 177,090	\$ 3,394
Preschool Program	446,166	450,079	450,079	0	446,079	446,167	446,167	0
Equipment Rental and Other	83,801	83,801	24,239	59,562	71,624	71,622	26,200	45,422
Total Non-Instructional	<u>710,452</u>	<u>713,604</u>	<u>652,581</u>	<u>61,023</u>	<u>1,057,703</u>	<u>698,273</u>	<u>649,457</u>	<u>48,816</u>
Capital Outlays	<u>1,163,625</u>	<u>1,163,625</u>	<u>655,676</u>	<u>507,949</u>	<u>603,000</u>	<u>769,127</u>	<u>851,912</u>	<u>(82,785)</u>
Debt Service:								
Principal on Capitalized Leases	400,698	400,698	400,231	467	388,000	400,698	420,888	(20,190)
Interest on Capitalized Leases	26,000	26,000	25,368	632	26,000	26,000	4,664	21,336
Principal on Bonds & Notes Payable	0	0	1,358,033	(1,358,033)	0	0	1,260,560	(1,260,560)
Interest on Bonds & Notes Payable	0	0	2,973,939	(2,973,939)	0	0	2,881,442	(2,881,442)
Total Debt Service	<u>426,698</u>	<u>426,698</u>	<u>4,757,571</u>	<u>(4,330,873)</u>	<u>414,000</u>	<u>426,698</u>	<u>4,567,554</u>	<u>(4,140,856)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(16,461,447)</u>	<u>(15,694,977)</u>	<u>(18,396,664)</u>	<u>(2,701,687)</u>	<u>(15,590,080)</u>	<u>(16,523,052)</u>	<u>(19,683,957)</u>	<u>(3,160,905)</u>
Other Financing Sources (Uses)								
Transfers In-From City	14,629,302	13,862,832	18,194,804	4,331,972	14,629,302	14,629,302	18,771,287	4,141,985
Operating Transfers In (Out) To Other Funds	0	0	(46,982)	(46,982)	0	0	(32,230)	(32,230)
Capitalized Lease Proceeds	479,145	479,145	479,112	(33)	386,000	1,152,844	1,152,844	0
Total Other Financing Sources (Uses) - Net	<u>15,108,447</u>	<u>14,341,977</u>	<u>18,626,934</u>	<u>4,284,957</u>	<u>15,015,302</u>	<u>15,782,146</u>	<u>19,891,901</u>	<u>4,109,755</u>
NET CHANGE IN FUND BALANCES	<u>(1,353,000)</u>	<u>(1,353,000)</u>	<u>230,270</u>	<u>1,583,270</u>	<u>(574,778)</u>	<u>(740,906)</u>	<u>207,944</u>	<u>948,850</u>
FUND BALANCES, BEGINNING OF YEAR	<u>1,588,637</u>	<u>1,588,637</u>	<u>5,838,111</u>	<u>4,249,474</u>	<u>2,163,415</u>	<u>1,854,044</u>	<u>5,630,167</u>	<u>3,776,123</u>
FUND BALANCES, END OF YEAR	<u>\$ 235,637</u>	<u>\$ 235,637</u>	<u>\$ 6,068,381</u>	<u>\$ 5,832,744</u>	<u>\$ 1,588,637</u>	<u>\$ 1,113,138</u>	<u>\$ 5,838,111</u>	<u>\$ 4,724,973</u>

OAK RIDGE SCHOOLS

COMPARATIVE BALANCE SHEETS

SCHOOL FEDERAL PROJECTS FUND (MAJOR)
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Grants Receivable	\$ 493,824	\$ 568,105
Other Assets	<u>0</u>	<u>2,027</u>
TOTAL ASSETS	\$ <u>493,824</u>	\$ <u>570,132</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 2,014	\$ 462,296
Accrued Salaries and Benefits	69,585	107,836
Due to Other Funds	<u>422,225</u>	<u>0</u>
Total Liabilities	<u>493,824</u>	<u>570,132</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>493,824</u>	\$ <u>570,132</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 SCHOOL FEDERAL PROJECTS FUND (MAJOR)
 For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Federal Government	\$ 3,102,788	\$ 4,139,602
EXPENDITURES		
Current:		
Instructional:		
Regular Instruction	738,137	1,587,491
Alternative Schools	0	62,896
Special Education	768,911	863,663
Technology and Career	<u>87,326</u>	<u>57,928</u>
Total Instructional	<u>1,594,374</u>	<u>2,571,978</u>
Support Services:		
Health Services	0	2,197
Other Student Support	114,010	136,073
Instructional Staff	226,750	367,394
Special Education	178,058	184,676
Technology and Career	5,416	6,650
Transportation	<u>0</u>	<u>43</u>
Total Support Services	<u>524,234</u>	<u>697,033</u>
Non-Instructional:		
Community Service - Early Childhood Education	916,245	791,946
Other	<u>67,935</u>	<u>78,645</u>
Total Non-Instructional	<u>984,180</u>	<u>870,591</u>
Total Expenditures	<u>3,102,788</u>	<u>4,139,602</u>
NET CHANGE IN FUND BALANCE	0	0
FUND BALANCE, BEGINNING OF YEAR	<u>0</u>	<u>0</u>
FUND BALANCE, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>

OAK RIDGE SCHOOLS

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND (MAJOR)
For the Fiscal Years Ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Federal Government	\$ 3,379,725	\$ 3,395,680	\$ 3,102,788	\$ (292,892)	\$ 4,376,672	\$ 4,378,669	\$ 4,139,602	\$ (239,067)
EXPENDITURES								
Current:								
Instructional:								
Regular Instruction	1,697,429	820,564	738,137	82,427	2,608,605	1,719,597	1,587,491	132,106
Alternative Schools	0	0	0	0	0	63,236	62,896	340
Special Education	977,860	768,911	768,911	0	979,828	870,611	863,663	6,948
Technology and Career	61,327	87,290	87,326	(36)	158,252	57,935	57,928	7
Total Instructional	2,736,616	1,676,765	1,594,374	82,391	3,746,685	2,711,379	2,571,978	139,401
Support Services:								
Health Services	0	0	0	0	0	2,197	2,197	0
Other Student Support	24,500	180,954	114,010	66,944	18,765	152,884	136,073	16,811
Instructional Staff	322,819	373,664	226,750	146,914	382,634	417,259	367,394	49,865
Special Education	0	178,058	178,058	0	(2,137)	184,676	184,676	0
Technology and Career	7,840	6,075	5,416	659	5,470	7,196	6,650	546
Fiscal Services	200,000	51	0	51	109,259	0	0	0
Transportation	0	0	0	0	0	43	43	0
Total Support Services	555,159	738,802	524,234	214,568	513,991	764,255	697,033	67,222
Non-Instructional:								
Community Service - Early Childhood Education	80,000	905,312	916,245	(10,933)	101,347	822,966	791,946	31,020
Other	7,950	74,801	67,935	6,866	14,649	80,069	78,645	1,424
Total Non-Instructional	87,950	980,113	984,180	(4,067)	115,996	903,035	870,591	32,444
Total Expenditures	3,379,725	3,395,680	3,102,788	292,892	4,376,672	4,378,669	4,139,602	239,067
NET CHANGE IN FUND BALANCE	0	0	0	0	0	0	0	0
FUND BALANCE, BEGINNING OF YEAR	0	0	0	0	0	0	0	0
FUND BALANCE, END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

OAK RIDGE SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds			Total
	Other Education Special Revenue Fund	Extended School Program Fund	Central Cafeteria Fund	
ASSETS				
Cash and Cash Equivalents	\$ 3,159	\$ 45,350	\$ 251,279	\$ 299,788
Accounts Receivable	0	0	2,207	2,207
Grants Receivable	1,226	0	16,882	18,108
Prepaid Items	0	0	4,566	4,566
TOTAL ASSETS	\$ 4,385	\$ 45,350	\$ 274,934	\$ 324,669
 LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts Payable	\$ 0	\$ 226	\$ 40,165	\$ 40,391
Accrued Salaries and Benefits	2,551	4,414	539	7,504
Due to Other Funds	0	0	36,942	36,942
Unearned Revenue	0	0	18,778	18,778
Total Liabilities	2,551	4,640	96,424	103,615
 FUND BALANCES				
Non-Spendable - Prepaid Expenditures	0	0	4,566	4,566
Restricted:				
Restricted for Support Services/Non-Instruction	1,834	0	173,944	175,778
Unrestricted:				
Committed	0	40,710	0	40,710
Total Fund Balances	1,834	40,710	178,510	221,054
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,385	\$ 45,350	\$ 274,934	\$ 324,669

OAK RIDGE SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2013

	Special Revenue Funds			Total
	Other Education Special Revenue Fund	Extended School Program Fund	Central Cafeteria Fund	
REVENUES				
Charges for Services	\$ 0	\$ 369,890	\$ 484,571	\$ 854,461
Other Local Sources	9,991	0	0	9,991
State Grants	51,012	0	0	51,012
Federal Government	0	0	1,233,702	1,233,702
Other	0	0	117,900	117,900
Total Revenues	<u>61,003</u>	<u>369,890</u>	<u>1,836,173</u>	<u>2,267,066</u>
EXPENDITURES				
Current:				
Non-Instructional:				
Food Service	0	0	1,727,032	1,727,032
Community Service	109,011	399,848	0	508,859
Total Expenditures	<u>109,011</u>	<u>399,848</u>	<u>1,727,032</u>	<u>2,235,891</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(48,008)</u>	<u>(29,958)</u>	<u>109,141</u>	<u>31,175</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers - Other Funds	<u>46,982</u>	<u>0</u>	<u>0</u>	<u>46,982</u>
NET CHANGE IN FUND BALANCES	<u>(1,026)</u>	<u>(29,958)</u>	<u>109,141</u>	<u>78,157</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,860</u>	<u>70,668</u>	<u>69,369</u>	<u>142,897</u>
FUND BALANCES END OF YEAR	<u>\$ 1,834</u>	<u>\$ 40,710</u>	<u>\$ 178,510</u>	<u>\$ 221,054</u>

OAK RIDGE SCHOOLS
COMPARATIVE BALANCE SHEETS
OTHER EDUCATION SPECIAL REVENUE FUND
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and Cash Equivalents	\$ 3,159	\$ 3,989
Grants Receivable	<u>1,226</u>	<u>1,359</u>
TOTAL ASSETS	<u>\$ 4,385</u>	<u>\$ 5,348</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued Salaries and Benefits	\$ <u>2,551</u>	\$ <u>2,488</u>
Total Liabilities	<u>2,551</u>	<u>2,488</u>
FUND BALANCE		
Restricted:		
Restricted for Support Services	<u>1,834</u>	<u>2,860</u>
Total Fund Balance	<u>1,834</u>	<u>2,860</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,385</u>	<u>\$ 5,348</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
OTHER EDUCATION SPECIAL REVENUE FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Other Local Sources	\$ 9,991	\$ 11,482
State Grants	<u>51,012</u>	<u>50,512</u>
Total Revenues	<u>61,003</u>	<u>61,994</u>
EXPENDITURES		
Current:		
Non-Instructional:		
Community Service	<u>109,011</u>	<u>105,769</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(48,008)</u>	<u>(43,775)</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers - Other Funds	<u>46,982</u>	<u>42,230</u>
NET CHANGE IN FUND BALANCE	(1,026)	(1,545)
FUND BALANCE, BEGINNING OF YEAR	<u>2,860</u>	<u>4,405</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,834</u>	<u>\$ 2,860</u>

OAK RIDGE SCHOOLS

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
OTHER EDUCATION SPECIAL REVENUE FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Other Local Sources	\$ 0	\$ 7,500	\$ 9,991	\$ 2,491	\$ 0	\$ 0	\$ 11,482	\$ 11,482
State Grants	52,512	51,012	51,012	0	50,512	50,512	50,512	0
Total Revenues	<u>52,512</u>	<u>58,512</u>	<u>61,003</u>	<u>2,491</u>	<u>50,512</u>	<u>50,512</u>	<u>61,994</u>	<u>11,482</u>
EXPENDITURES								
Current:								
Non-Instructional:								
Community Service	101,313	107,313	109,011	(1,698)	101,624	97,638	105,769	(8,131)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,801)	(48,801)	(48,008)	793	(51,112)	(47,126)	(43,775)	3,351
OTHER FINANCING SOURCES								
Operating Transfers From Other Funds	48,801	48,801	46,982	(1,819)	51,112	47,126	42,230	(4,896)
NET CHANGE IN FUND BALANCES	0	0	(1,026)	(1,026)	0	0	(1,545)	(1,545)
FUND BALANCES, BEGINNING OF YEAR	<u>7,104</u>	<u>7,104</u>	<u>2,860</u>	<u>(4,244)</u>	<u>7,104</u>	<u>7,104</u>	<u>4,405</u>	<u>(2,699)</u>
FUND BALANCES, END OF YEAR	<u>\$ 7,104</u>	<u>\$ 7,104</u>	<u>\$ 1,834</u>	<u>\$ (5,270)</u>	<u>\$ 7,104</u>	<u>\$ 7,104</u>	<u>\$ 2,860</u>	<u>\$ (4,244)</u>

OAK RIDGE SCHOOLS
COMPARATIVE BALANCE SHEETS
EXTENDED SCHOOL PROGRAM FUND
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 45,350	\$ 78,485
Prepaid Items	<u>0</u>	<u>100</u>
TOTAL ASSETS	<u>\$ 45,350</u>	<u>\$ 78,585</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 226	\$ 285
Accrued Salaries and Benefits	<u>4,414</u>	<u>7,632</u>
Total Liabilities	<u>4,640</u>	<u>7,917</u>
FUND BALANCE		
Non-Spendable - Prepaid Expenditures	0	100
Committed	<u>40,710</u>	<u>70,568</u>
Total Fund Balance	<u>40,710</u>	<u>70,668</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 45,350</u>	<u>\$ 78,585</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
EXTENDED SCHOOL PROGRAM FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Charges for Services	\$ <u>369,890</u>	\$ <u>405,470</u>
EXPENDITURES		
Current:		
Non-Instructional:		
Community Service	<u>399,848</u>	<u>379,224</u>
Excess of Revenues Over (Under) Expenditures	<u>(29,958)</u>	<u>26,246</u>
OTHER FINANCING SOURCES (USES)		
Operating Transfers - Other Funds	<u>0</u>	<u>(10,000)</u>
NET CHANGE IN FUND BALANCE	(29,958)	16,246
FUND BALANCE, BEGINNING OF YEAR	<u>70,668</u>	<u>54,422</u>
FUND BALANCE, END OF YEAR	\$ <u><u>40,710</u></u>	\$ <u><u>70,668</u></u>

OAK RIDGE SCHOOLS

COMPARATIVE SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
EXTENDED SCHOOL PROGRAM FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUE								
Charges for Services	\$ 452,338	\$ 452,338	\$ 369,890	\$ (82,448)	\$ 463,521	\$ 463,521	\$ 405,470	\$ (58,051)
EXPENDITURES								
Current:								
Non-Instructional:								
Community Service	480,338	480,338	399,848	80,490	463,521	463,521	379,224	84,297
Excess of Revenues Over (Under) Expenditures	(28,000)	(28,000)	(29,958)	(1,958)	0	0	26,246	26,246
OTHER FINANCING SOURCES (USES)								
Operating Transfers - Other Funds	0	0	0	0	0	0	(10,000)	(10,000)
NET CHANGE IN FUND BALANCES	(28,000)	(28,000)	(29,958)	(1,958)	0	0	16,246	16,246
FUND BALANCES, BEGINNING OF YEAR	86,470	86,470	70,668	(15,802)	86,470	86,470	54,422	(32,048)
FUND BALANCES, END OF YEAR	\$ 58,470	\$ 58,470	\$ 40,710	\$ (17,760)	\$ 86,470	\$ 86,470	\$ 70,668	\$ (15,802)

OAK RIDGE SCHOOLS
BALANCE SHEETS
CENTRAL CAFETERIA FUND
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 251,279	\$ 97,738
Accounts Receivable	2,207	12,183
Grant Receivable	16,882	4,910
Prepaid Items	<u>4,566</u>	<u>4,408</u>
TOTAL ASSETS	\$ <u>274,934</u>	\$ <u>119,239</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 40,704	\$ 49,192
Due to Other Funds	36,942	0
Unearned Revenue	<u>18,778</u>	<u>678</u>
Total Liabilities	<u>96,424</u>	<u>49,870</u>
FUND BALANCE		
Non-Spendable - Prepaid Items	4,566	4,408
Restricted for Non-Instruction - Food Service	<u>173,944</u>	<u>64,961</u>
Total Fund Balance	<u>178,510</u>	<u>69,369</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>274,934</u>	\$ <u>119,239</u>

OAK RIDGE SCHOOLS

STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
CENTRAL CAFETERIA FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES		
Charges for Services	\$ 484,571	\$ 627,223
Federal Government	1,233,702	1,181,707
Other	<u>117,900</u>	<u>82,023</u>
Total Revenues	<u>1,836,173</u>	<u>1,890,953</u>
EXPENDITURES		
Current:		
Non-Instructional:		
Food Service	<u>1,727,032</u>	<u>1,821,271</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>109,141</u>	<u>69,682</u>
NET CHANGE IN FUND BALANCE	109,141	69,682
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>69,369</u>	<u>(313)</u>
FUND BALANCE, END OF YEAR	\$ <u><u>178,510</u></u>	\$ <u><u>69,369</u></u>

OAK RIDGE SCHOOLS
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CENTRAL CAFETERIA FUND

For the Fiscal Years Ended June 30, 2013 and 2012

	2013				2012			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES								
Charges for Services	\$ 616,074	\$ 616,074	\$ 484,571	\$ (131,503)	\$ 715,753	\$ 715,753	\$ 627,223	\$ (88,530)
Federal Government	1,154,479	1,154,479	1,233,702	79,223	1,104,801	1,104,801	1,181,707	76,906
Other	100,183	100,183	117,900	17,717	99,131	99,131	82,023	(17,108)
Total Revenues	<u>1,870,736</u>	<u>1,870,736</u>	<u>1,836,173</u>	<u>(34,563)</u>	<u>1,919,685</u>	<u>1,919,685</u>	<u>1,890,953</u>	<u>(28,732)</u>
OPERATING EXPENDITURES								
Current:								
Non-Instructional:								
Food Service	<u>1,928,836</u>	<u>1,928,836</u>	<u>1,727,032</u>	<u>201,804</u>	<u>1,919,685</u>	<u>1,919,685</u>	<u>1,821,271</u>	<u>98,414</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(58,100)</u>	<u>(58,100)</u>	<u>109,141</u>	<u>167,241</u>	<u>0</u>	<u>0</u>	<u>69,682</u>	<u>69,682</u>
NET CHANGE IN FUND BALANCE	<u>(58,100)</u>	<u>(58,100)</u>	<u>109,141</u>	<u>167,241</u>	<u>0</u>	<u>0</u>	<u>69,682</u>	<u>69,682</u>
FUND BALANCE (DEFICIT), BEGINNING OF YEAR	<u>0</u>	<u>6,341</u>	<u>69,369</u>	<u>63,028</u>	<u>0</u>	<u>6,341</u>	<u>(313)</u>	<u>(6,654)</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u><u>\$ (58,100)</u></u>	<u><u>\$ (51,759)</u></u>	<u><u>\$ 178,510</u></u>	<u><u>\$ 230,269</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 6,341</u></u>	<u><u>\$ 69,369</u></u>	<u><u>\$ 63,028</u></u>

**PROPRIETARY FUND TYPE
INTERNAL SERVICE FUND**

Internal Service Funds are used to account for the financing of goods or services provided to various departments on a cost-reimbursement basis.

The **Equipment Rental and Replacement Fund** is used to account for the rental of buses and vehicles to other departments. This Fund is used to accumulate resources for future transportation and vehicle needs.

OAK RIDGE SCHOOLS
COMPARATIVE BALANCE SHEETS
EQUIPMENT RENTAL AND REPLACEMENT FUND
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 903,714	\$ 883,844
Accounts Receivable	<u>2,753</u>	<u>0</u>
Current Assets	<u>906,467</u>	<u>883,844</u>
CAPITAL ASSETS		
Buses, Vehicles and Equipment	2,549,709	2,686,366
Less: Accumulated Depreciation	<u>(2,014,748)</u>	<u>(2,050,151)</u>
Capital Assets - Net	<u>534,961</u>	<u>636,215</u>
TOTAL ASSETS	<u>\$ 1,441,428</u>	<u>\$ 1,520,059</u>
NET POSITION		
NET POSITION		
Net Investment in Capital Assets	\$ 534,961	\$ 636,215
Unrestricted	<u>906,467</u>	<u>883,844</u>
Total Net Position	<u>\$ 1,441,428</u>	<u>\$ 1,520,059</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION
EQUIPMENT RENTAL AND REPLACEMENT FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
Rental Income	\$ <u>24,239</u>	\$ <u>26,200</u>
OPERATING EXPENSES		
Depreciation	<u>125,492</u>	<u>151,729</u>
Operating Loss	<u>(101,253)</u>	<u>(125,529)</u>
NON-OPERATING REVENUES (EXPENSES)		
Gain (Loss) on Disposal of Capital Assets	<u>22,622</u>	<u>0</u>
CHANGE IN NET POSITION	(78,631)	(125,529)
NET POSITION, BEGINNING OF YEAR	<u>1,520,059</u>	<u>1,645,588</u>
NET POSITION, END OF YEAR	<u>\$ <u>1,441,428</u></u>	<u>\$ <u>1,520,059</u></u>

OAK RIDGE SCHOOLS

**COMPARATIVE STATEMENTS OF CASH FLOWS
EQUIPMENT RENTAL AND REPLACEMENT FUND
For the Fiscal Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts for Interfund Services	\$ 21,486	\$ 26,200
Payments to Suppliers	<u>0</u>	<u>(1,292)</u>
Net Cash Provided by Operating Activities	<u>21,486</u>	<u>24,908</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(24,238)	(30,096)
Proceeds from Sale of Capital Assets	<u>22,622</u>	<u>0</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(1,616)</u>	<u>(30,096)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,870	(5,188)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>883,844</u>	<u>889,032</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 903,714</u>	<u>\$ 883,844</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	\$ (101,253)	\$ (125,529)
Adjustment to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	125,492	151,729
Change in Accounts Receivable	(2,753)	0
Change in Accounts Payable	<u>0</u>	<u>(1,292)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 21,486</u>	<u>\$ 24,908</u>

FIDUCIARY FUND

Fiduciary funds are used to account for assets held by the School system in a trustee capacity.

The **Scholarship Fund** (a private purpose Trust Fund) is used to account for the accumulation of resources for college scholarships which are awarded on an annual basis.

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF FIDUCIARY NET POSITION - FIDUCIARY FUND
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUND
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 318,787	\$ 82,311
Investments, at Fair Value	<u>0</u>	<u>240,555</u>
TOTAL ASSETS	\$ <u>318,787</u>	\$ <u>322,866</u>
NET POSITION		
NET POSITION		
Held in Trust for Scholarships	\$ <u>318,787</u>	\$ <u>322,866</u>

OAK RIDGE SCHOOLS

COMPARATIVE STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND
PRIVATE PURPOSE TRUST - SCHOLARSHIP FUND
For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ADDITIONS		
Investment Income	\$ 3,111	\$ 7,703
Contributions	1,350	2,650
Other	<u>0</u>	<u>250</u>
Total Additions	<u>4,461</u>	<u>10,603</u>
DEDUCTIONS		
Scholarship Awards	<u>8,540</u>	<u>59,780</u>
CHANGE IN NET POSITION	(4,079)	(49,177)
NET POSITION, BEGINNING OF YEAR	<u>322,866</u>	<u>372,043</u>
NET POSTION, END OF YEAR	<u>\$ 318,787</u>	<u>\$ 322,866</u>

OAK RIDGE SCHOOLS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS and STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended June 30, 2013**

Grantor Agency	Program Name	CFDA Number	Contract/ Program Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures/ Amounts Earned	Ending (Accrued) Deferred
DIRECT FEDERAL AWARDS							
U.S. Dept. of Education	Federal Impact Aid	84.041	FY 2013	\$ 0	\$ 73,083	\$ 73,083	\$ 0
U.S. Dept. of Energy	Clinch River Environmental Studies Organization - CRESO	81.104	DE-FG05-93OR22105	(38,214)	75,144	71,662	(34,732)
U.S. Dept. of Energy	Clinch River Environmental Studies Organization -CRESO - SEP	81.102	DE-EM0001888	(8,386)	28,456	36,757	(16,687)
U.S. Dept. of Agriculture	USDA Team Nutrition Grant	10.574	FY 2013	0	0	3,500	(3,500)
INDIRECT FEDERAL AWARDS							
U.S. Dept. of Educ. through the TN Dept. of Education	Title I, Part A Grants to Local Educational Agencies	84.010A	2012.01 2013.01	(107,623) 0	107,623 709,610	0 813,964	0 (104,354)
				<u>(107,623)</u>	<u>817,233</u>	<u>813,964</u>	<u>(104,354)</u>
	Special Education - IDEA, Part B	84.027	2012.01 2013.01 2012.21	(112,261) 0 0	112,261 778,510 6,396	0 945,509 6,396	0 (166,999) 0
				<u>(112,261)</u>	<u>897,167</u>	<u>951,905</u>	<u>(166,999)</u>
	Special Education - IDEA Part B, High Excess Costs	84.027	2013.01	0	43,924	43,924	0
	Special Education - IDEA, Part B Preschool	84.173A	2012.01 2013.01	(2,012) 0	2,012 22,129	0 26,573	0 (4,444)
				<u>(2,012)</u>	<u>24,141</u>	<u>26,573</u>	<u>(4,444)</u>
	Special Education - IDEA, Part B Preschool Competitive	84.173A	2013.01	0	2,050	2,050	0

Significant Accounting Policies: The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the grant activity of the Oak Ridge Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

OAK RIDGE SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS and STATE FINANCIAL ASSISTANCE (Continued)
For the Fiscal Year Ended June 30, 2013

Grantor Agency	Program Name	CFDA Number	Contract/ Program Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures/ Amounts Earned	Ending (Accrued) Deferred
INDIRECT FEDERAL AWARDS (Continued)							
U.S. Dept. of Educ. Through the TN Dept. of Education (Continued)	Title IV, Part B - 21st CCLC Grant	84.287C	2012.01	\$ (14,577)	\$ 14,577	\$ 0	\$ 0
			2013.01	0	80,462	89,950	(9,488)
				<u>(14,577)</u>	<u>95,039</u>	<u>89,950</u>	<u>(9,488)</u>
	Vocational Education and Reserve Grant - Carl Perkins	84.048A	2012.01	(10,143)	10,143	0	0
			2013.01	0	52,416	65,147	(12,731)
				<u>(10,143)</u>	<u>62,559</u>	<u>65,147</u>	<u>(12,731)</u>
	Vocational Education and Reserve Grant - Carl Perkins Reserve	84.048A	2013.01	0	29,370	44,990	(15,620)
	Tech - Prep Education - High Schools That Work	84.243	2012.01	(2,079)	2,079	0	0
			2013.01	0	2,856	5,341	(2,485)
				<u>(2,079)</u>	<u>4,935</u>	<u>5,341</u>	<u>(2,485)</u>
	Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	2012.01	(20,201)	20,201	0	0
			2013.01	0	91,948	104,059	(12,111)
				<u>(20,201)</u>	<u>112,149</u>	<u>104,059</u>	<u>(12,111)</u>
	Title III, Part A - English Language Enhancement and Academic Achievement	84.365A	2012.01	(1,365)	1,365	0	0
			2013.01	0	10,868	18,946	(8,078)
				<u>(1,365)</u>	<u>12,233</u>	<u>18,946</u>	<u>(8,078)</u>

OAK RIDGE SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS and STATE FINANCIAL ASSISTANCE (Continued)
For the Fiscal Year Ended June 30, 2013

Grantor Agency	Program Name	CFDA Number	Contract/ Program Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures/ Amounts Earned	Ending (Accrued) Deferred
INDIRECT FEDERAL AWARDS (Continued)							
U.S. Dept. of Education through the the TN Dept. of Education (Continued)	ARRA - Race to the Top	84.395	S395A100032	<u>(14,448)</u>	<u>139,333</u>	<u>149,359</u>	<u>(24,474)</u>
	ARRA - Education Jobs Bill	84.410	S410A100043	<u>(155,581)</u>	<u>155,581</u>	<u>0</u>	<u>0</u>
U.S. Dept. of Agriculture through the TN Dept. of Education	National School Lunch Program	10.555	FY 2012	(3,707)	3,707	0	0
			FY 2013	<u>0</u>	<u>794,334</u>	<u>794,334</u>	<u>0</u>
	School Breakfast Program	10.553	FY 2012	(1,202)	1,202	0	0
			FY 2013	<u>0</u>	<u>226,995</u>	<u>226,995</u>	<u>0</u>
				<u>(1,202)</u>	<u>228,197</u>	<u>226,995</u>	<u>0</u>
	Child and Adult Care Food Program	10.558	03-47-59931-00-5	<u>0</u>	<u>163,128</u>	<u>163,128</u>	<u>0</u>
	National School Lunch Prog. - Snack	10.555	FY 2013	<u>0</u>	<u>5,742</u>	<u>5,742</u>	<u>0</u>
	Child Nutrition State Match	10.560	FY 2013	<u>0</u>	<u>16,096</u>	<u>16,096</u>	<u>0</u>

OAK RIDGE SCHOOLS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS and STATE FINANCIAL ASSISTANCE (Continued)
For the Fiscal Year Ended June 30, 2013

Grantor Agency	Program Name	CFDA Number	Contract/ Program Number	Beginning (Accrued) Deferred	Cash Receipts	Expenditures/ Amounts Earned	Ending (Accrued) Deferred
INDIRECT FEDERAL AWARDS (Continued)							
U.S. Dept. of Health and Human Services through Anderson County, Tennessee	Head Start Program	93.600	FY 2012 FY 2013	\$ (81,215) 0	\$ 81,215 640,461	\$ 0 722,085	\$ 0 (81,624)
				<u>(81,215)</u>	<u>721,676</u>	<u>722,085</u>	<u>(81,624)</u>
Total Direct and Indirect Federal Awards				<u>(573,014)</u>	<u>4,505,277</u>	<u>4,429,590</u>	<u>(497,327)</u>
STATE FINANCIAL ASSISTANCE							
TN Dept. of Education	Early Childhood Ed. Pre-K Expansion	N/A	FY 2012 FY 2013	(56,923) 0	56,923 391,927	0 450,079	0 (58,152)
				<u>(56,923)</u>	<u>448,850</u>	<u>450,079</u>	<u>(58,152)</u>
TN Dept. of Education	Lottery for Ed After School Programs	N/A	119-09-2-037	<u>(51,207)</u>	<u>209,756</u>	<u>178,263</u>	<u>(19,714)</u>
TN Dept. of Education	Coordinated School Health	N/A	46591(S397A09043)	<u>(26,341)</u>	<u>75,141</u>	<u>75,000</u>	<u>(26,200)</u>
TN Dept. of Education	Safe Schools Act - FY2013	N/A	S397A090043	<u>0</u>	<u>21,400</u>	<u>21,400</u>	<u>0</u>
TN Dept. of Education	Family Resource Center	N/A	S397A090043	<u>(1,359)</u>	<u>29,745</u>	<u>29,612</u>	<u>(1,226)</u>
TN Dept. of Education	ConnectTen	N/A	46590	<u>0</u>	<u>0</u>	<u>14,808</u>	<u>(14,808)</u>
Total State Financial Assistance				<u>(135,830)</u>	<u>784,892</u>	<u>769,162</u>	<u>(120,100)</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				\$ <u>(708,844)</u>	\$ <u>5,290,169</u>	\$ <u>5,198,752</u>	\$ <u>(617,427)</u>

OAK RIDGE SCHOOLS

SCHEDULE OF NONCASH FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2013

Description	CFDA Number	Project Period		Commodities	Commodities	Commodities	Commodities
		From	To	Inventory July 1, 2012	Received	Consumed	Inventory June 30, 2013
U.S. Dept. of Agriculture through the TN Dept. of Education							
U.S.D.A. Commodities	10.555	7/1/2012	6/30/2013	\$ <u>41,816</u>	\$ <u>101,855</u>	\$ <u>93,310</u>	\$ <u>50,361</u>

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page Numbers</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the schools' financial performance and well-being have changed over time.</i>	
Net Position by Component	87
Changes in Net Position	88
Fund Balances of Governmental Funds	89
Changes in Fund Balances of Governmental Funds	90
Revenue Capacity	
<i>These schedules contain information to help the reader assess the Schools' most significant local revenue sources, the property tax and local sales tax.</i>	
Local Tax Revenue by Source of All Governmental Funds	91
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Property Tax Rates	93
Principal Property Taxpayers	94
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Direct and Overlapping Local Option Sales Tax Rates	96
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the Schools' current levels of outstanding debt and the Schools' ability to issue additional debt in the future.</i>	
Ratios of Outstanding Debt by Type	97
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Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Schools' financial activities take place.</i>	
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STATISTICAL SECTION

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Operating Information

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

Full-Time Equivalent School Employees	101
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Capital Assets Statistic by Function.....	103

Sources: *Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The Schools implemented GASB Statement No. 34 effective for the fiscal year ended June 30, 2008; schedules presenting departmental wide information include information beginning in that year.*

OAK RIDGE SCHOOLS

NET POSITION BY COMPONENT
Last Six Fiscal Years

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities:						
Net Investment in Capital Assets	\$ (3,631,784)	\$ (2,366,437)	\$ (966,589)	\$ 662,060	\$ 4,947,063	\$ 6,055,423
Restricted	89,870	27,016	71,666	171,115	0	59,923
Unrestricted (Deficit)	<u>(3,009,777)</u>	<u>(5,854,000)</u>	<u>(719,887)</u>	<u>(1,625,225)</u>	<u>(540,772)</u>	<u>220,671</u>
Total Governmental Activities	<u>\$ (6,551,691)</u>	<u>\$ (8,193,421)</u>	<u>\$ (1,614,810)</u>	<u>\$ (792,050)</u>	<u>\$ 4,406,291</u>	<u>\$ 6,336,017</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

OAK RIDGE SCHOOLS
CHANGES IN NET POSITION
Last Six Fiscal Years
(Accrual Basis of Accounting)

	2013	2012 (Restated)	2011	2010	2009	2008
Expenses						
Governmental Activities:						
Instructional	\$ 34,942,916	\$ 36,147,513	\$ 34,495,875	\$ 34,778,760	\$ 32,739,386	\$ 31,904,482
Support Services	18,067,089	18,167,296	17,610,147	17,023,868	17,645,565	15,911,013
Non-Instructional	4,028,545	3,910,058	3,920,163	4,001,466	4,415,677	4,238,894
Interest on Long-Term Debt	2,868,515	2,763,493	2,697,482	2,899,923	3,532,757	3,064,217
Total Governmental Activities Expenses	<u>\$ 59,907,065</u>	<u>\$ 60,988,360</u>	<u>\$ 58,723,667</u>	<u>\$ 58,704,017</u>	<u>\$ 58,333,385</u>	<u>\$ 55,118,606</u>
Program Revenues						
Governmental Activities:						
Charges for Services:						
Instructional	\$ 327,892	\$ 354,642	\$ 400,746	\$ 478,794	\$ 531,124	\$ 504,599
Support Services	17,200	19,349	15,354	9,372	9,445	3,983
Non-Instructional	869,140	1,046,683	1,116,039	1,172,024	1,279,473	1,382,413
Operating Grants and Contributions:						
Instructional	3,903,431	5,083,714	3,294,489	3,900,376	2,227,562	2,277,971
Support Services	0	0	675,182	369,509	338,315	325,896
Non-Instructional	1,744,783	1,689,867	2,361,629	2,321,936	2,862,024	2,638,006
Total Governmental Activities Program Revenues	<u>\$ 6,862,446</u>	<u>\$ 8,194,255</u>	<u>\$ 7,863,439</u>	<u>\$ 8,252,011</u>	<u>\$ 7,247,943</u>	<u>\$ 7,132,868</u>
Net Expenses						
Governmental Activities	<u>\$ (53,044,619)</u>	<u>\$ (52,794,105)</u>	<u>\$ (50,860,228)</u>	<u>\$ (50,452,006)</u>	<u>\$ (51,085,442)</u>	<u>\$ (47,985,738)</u>
General Revenues and Other Changes in Net Position						
Governmental Activities:						
General Revenues:						
Property Taxes	\$ 8,893,890	\$ 8,806,098	\$ 8,774,875	\$ 8,680,992	\$ 8,102,237	\$ 7,993,442
Local Option Sales Taxes	4,986,448	3,984,776	4,005,204	3,935,389	3,710,474	3,571,471
Local Mineral Severance Taxes	2,038	41,936	22,045	33,545	11,432	7,029
Other Local Sources	313,863	356,505	308,108	357,546	211,624	180,389
State of Tennessee - BEP	18,886,515	18,525,000	16,714,405	17,201,600	17,663,000	17,175,000
Federal Government - Unrestricted	73,083	66,544	1,936,754	922,596	104,421	107,450
Investment Income	22,042	24,744	20,766	21,366	40,394	149,314
Investment (Loss) - Change in Fair Value of Swaps	3,169,166	(4,830,874)	(414,647)	(760,615)	0	0
Gain (Loss) on Sale and Disposal of Capital Assets	17,917	1,262	(18,896)	4,149	(615,424)	1,979
Payments from Component Unit	111,329	0	0	0	0	0
Transfers from the City's General Fund	13,862,832	14,629,302	14,686,834	13,980,802	13,508,020	12,988,482
Transfers from the City's Debt Service Fund	4,331,972	4,141,985	4,002,020	3,973,916	1,893,483	2,003,693
Transfers from the City's Capital Projects Fund	15,254	524,703	0	0	4,526,055	12,790,494
Total Governmental Activities	<u>\$ 54,686,349</u>	<u>\$ 46,271,981</u>	<u>\$ 50,037,468</u>	<u>\$ 48,351,286</u>	<u>\$ 49,155,716</u>	<u>\$ 56,968,743</u>
Changes in Net Position						
Governmental Activities	<u>\$ 1,641,730</u>	<u>\$ (6,522,124)</u>	<u>\$ (822,760)</u>	<u>\$ (2,100,720)</u>	<u>\$ (1,929,726)</u>	<u>\$ 8,983,005</u>

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

OAK RIDGE SCHOOLS
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	Total
2004	\$ 0	\$ 133,158	\$ 3,764,260	\$ 3,897,418	\$ 0	\$ 0	\$ 107,224	\$ 107,224
2005	11,687	104,687	3,968,698	4,085,072	0	0	81,045	81,045
2006	10,328	155,562	4,105,522	4,271,412	0	0	91,271	91,271
2007	8,343	199,475	3,640,387	3,848,205	0	0	103,318	103,318
2008	0	375,929	2,828,858	3,204,787	0	0	157,169	157,169
2009	364,453	191,434	2,109,483	2,665,370	0	0	67,138	67,138
2010	62,829	171,115	3,599,158	3,833,102	0	7,269	34,768	42,037
2011	53,580	67,261	5,509,326	5,630,167	0	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

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

OAK RIDGE SCHOOLS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (A)
Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Local Taxes	\$ 10,289,426	\$ 10,820,403	\$ 11,181,303	\$ 11,139,581	\$ 11,571,942	\$ 11,824,143	\$ 12,649,926	\$ 12,802,124	\$ 12,832,810	\$ 13,882,376
Charges for Services	1,504,131	1,669,657	1,740,046	1,776,167	1,886,084	1,810,598	1,650,818	1,514,327	1,401,325	1,197,033
Other Local Sources	315,639	310,480	458,809	440,922	296,111	252,442	221,755	178,545	160,263	196,074
State of Tennessee	14,258,175	14,820,198	15,590,578	16,530,794	18,627,316	19,216,214	18,307,746	17,698,595	19,809,329	20,055,845
State of TN - On-Behalf Payments	0	0	0	0	175,587	182,699	194,338	178,079	165,609	178,429
Federal Government	3,414,301	3,690,686	3,580,084	3,687,555	3,712,383	3,787,503	6,204,151	7,098,920	5,455,401	4,453,497
Other	19,825	63,390	77,056	81,880	47,540	25,576	176,311	176,006	176,383	204,185
Total Revenues	29,801,497	31,374,814	32,627,876	33,656,899	36,316,963	37,099,175	39,405,045	39,646,596	40,001,120	40,167,439
Expenditures										
Instructional	25,388,532	25,278,603	25,025,687	26,454,760	30,011,282	29,442,234	30,983,850	30,539,940	32,468,000	31,319,400
Support Services	13,740,442	14,537,295	14,767,364	15,314,104	15,927,669	17,465,168	16,837,686	17,463,999	17,919,146	17,927,629
Non-Instructional	1,872,921	1,994,354	3,690,179	3,859,581	4,193,144	4,303,762	3,884,878	3,771,273	3,826,312	3,872,652
Capital Outlays	184,069	237,664	106,735	186,485	91,702	170,247	1,239,855	655,294	851,912	655,676
Debt Service - Principal	0	0	0	0	0	302,533	1,386,865	1,468,216	1,681,448	1,758,264
Debt Service - Interest	0	0	0	0	0	10,339	2,899,923	2,846,676	2,886,106	2,999,307
Other	206,961	351,965	419,415	323,272	403,694	13,875	134,075	117,204	0	0
Total Expenditures	41,392,925	42,399,881	44,009,380	46,138,202	50,627,491	51,708,158	57,367,132	56,862,602	59,632,924	58,532,928
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(11,591,428)</u>	<u>(11,025,067)</u>	<u>(11,381,504)</u>	<u>(12,481,303)</u>	<u>(14,310,528)</u>	<u>(14,608,983)</u>	<u>(17,962,087)</u>	<u>(17,216,006)</u>	<u>(19,631,804)</u>	<u>(18,365,489)</u>
Other Financing Sources (Uses)										
Transfers In-From City	10,646,242	11,186,542	11,578,070	12,070,143	12,988,482	13,508,020	17,954,718	18,688,854	18,771,287	18,194,804
Current Refunding of Bonds	0	0	0	0	0	0	(4,675,000)	(1,656,721)	0	0
Refunding Bonds Issued	0	0	0	0	0	0	0	1,645,631	0	0
Premium on Refunding Bonds Issued	0	0	0	0	0	0	0	33,500	0	0
General Obligation Bonds Issued	0	0	0	0	0	0	5,825,000	318,284	0	0
Transfer to Other Funds	0	0	0	0	0	0	0	0	0	0
Capitalized Lease Proceeds	891,641	0	0	0	732,479	471,515	0	0	1,152,844	479,112
Total Other Financing Sources	11,537,883	11,186,542	11,578,070	12,070,143	13,720,961	13,979,535	19,104,718	19,029,548	19,924,131	18,673,916
Net Change in Fund Balances	(53,545)	161,475	196,566	(411,160)	(589,567)	(629,448)	1,142,631	1,813,542	292,327	308,427
Fund Balances, Beginning of Year	4,058,187	4,004,642	4,166,117	4,362,683	3,951,523	3,361,956	2,732,508	3,875,139	5,688,681	5,981,008
Fund Balances, End of Year	<u>\$ 4,004,642</u>	<u>\$ 4,166,117</u>	<u>\$ 4,362,683</u>	<u>\$ 3,951,523</u>	<u>\$ 3,361,956</u>	<u>\$ 2,732,508</u>	<u>\$ 3,875,139</u>	<u>\$ 5,688,681</u>	<u>\$ 5,981,008</u>	<u>\$ 6,289,435</u>

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

OAK RIDGE SCHOOLS

**LOCAL TAX REVENUES BY SOURCE OF ALL GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Local Option Sales Tax</u>	<u>Mineral Severance Tax</u>	<u>Total</u>
2004	\$ 7,044,479	\$ 3,243,840	\$ 1,107	\$ 10,289,426
2005	7,548,484	3,266,992	4,927	10,820,403
2006	7,795,289	3,384,634	1,380	11,181,303
2007	7,782,936	3,351,404	5,241	11,139,581
2008	7,993,442	3,571,471	7,029	11,571,942
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

OAK RIDGE SCHOOLS
APPRAISED AND ASSESSED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

<u>Anderson County</u>		(1a) Real Property		(1b) Personal Property		(1c) Public Utility Property		Total		(3) Total Direct Tax Rate	Ratio of Total Assessed to Total Appraised Value
Fiscal Years	Tax Year	Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value	Appraised Value	Assessed Value		
2004	2003	\$ 3,012,353,000	\$ 863,322,920	\$ 306,978,956	\$ 82,335,143	\$ 52,690,385	\$ 28,979,712	\$ 3,372,022,341	\$ 974,637,775	3.14/3.40	28.90%
2005	(2) 2004	3,050,012,600	872,896,130	312,102,890	83,469,007	53,459,049	29,402,477	3,415,574,539	985,767,614	3.22/3.40	28.86%
2006	2005	3,809,604,800	1,077,413,360	324,661,031	97,398,417	74,055,042	40,730,273	4,208,320,873	1,215,542,050	2.68/2.82	28.88%
2007	2006	3,904,492,300	1,102,774,960	353,263,679	105,979,217	72,689,618	39,979,290	4,330,445,597	1,248,733,467	2.68/2.82	28.84%
2008	2007	4,043,862,400	1,149,011,110	389,371,776	100,002,700	64,086,782	35,247,730	4,497,320,958	1,284,261,540	2.68/2.82	28.56%
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%
2010	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%
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%
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%
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%
<u>Roane County</u>											
2004	2003	\$ 2,500,483,547	\$ 619,117,170	\$ 181,579,691	\$ 49,849,140	\$ 65,049,223	\$ 25,936,212	\$ 2,747,112,461	\$ 694,902,522	2.45/2.91	25.30%
2005	2004	2,750,286,011	649,628,275	192,083,858	49,978,408	66,334,158	25,083,276	3,008,704,027	724,689,959	2.45/2.91	24.09%
2006	2005	3,072,492,400	829,240,755	170,034,930	51,029,054	67,911,814	29,612,047	3,310,439,144	909,881,856	2.02/2.32	27.49%
2007	2006	3,200,739,300	866,352,240	192,930,770	57,880,980	69,489,599	30,327,679	3,463,159,669	954,560,899	2.02/2.32	27.56%
2008	2007	3,916,956,583	910,546,800	186,125,914	47,842,722	77,290,363	26,367,221	4,180,372,860	984,756,743	2.27/2.63	23.56%
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%
2010	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%
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%
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%
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%

Notes: (1) Assessment Rates are set by Tennessee State Law as follows:
(a) Real Property: Residential and Farm at 25 percent of value
Commercial and Industrial at 40 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-wide reappraisals of real property were completed during tax years 2005 and 2010.

Sources: Anderson County, Tennessee finance department.
Roane County, Tennessee finance department.

OAK RIDGE SCHOOLS

**PROPERTY TAX RATES
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City of Oak Ridge</u>	<u>Anderson County</u>	<u>Roane County</u>
2004	\$ 2.87	\$ 3.14	\$ 2.45
2005	2.87	3.22	2.45
2006	2.55	2.68	2.02
2007	2.55	2.68	2.02
2008	2.65	2.68	2.27
2009	2.77	2.68	2.27
2010	2.77	2.68	2.27
2011	2.39	2.26	1.91
2012	2.39	2.35	1.97
2013	2.39	2.35	1.97

Each governmental unit uses the same property tax assessment rolls which were certified at the time of the most recent reappraisal of property in fiscal year 2008. The Anderson County and Roane County rates include the respective County's Board of Education. Oak Ridge Schools and the Anderson and Roane County Boards of Education receive a pro-rata share of tax revenues based upon weighted-average daily attendance. These rates are for county residents living within the City of Oak Ridge vs. other municipalities or rural unincorporated areas.

OAK RIDGE SCHOOLS
PRINCIPAL PROPERTY TAXPAYERS
Current Tax Year 2012 and Nine Years Ago

Taxpayer	Type of Business	Tax Year 2012			Tax Year 2003		
		Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation
UT-Battelle	Management Contractor (ORNL)	\$ 44,219,336	1	5.54%	\$ 11,666,398	2	2.22%
Oak Ridge Projects LLC	Real Estate Developer	37,011,567	2	4.64%	0		0.00%
Oak Ridge Tech Center Oak Ridge Corp Partners	Office Complex	13,384,685	3	1.68%	10,838,880	2	2.07%
R&R Properties/Richard Chinn	Entrepreneur	12,074,608	4	1.51%	6,018,265	7	1.15%
Methodist Medical Center of Oak Ridge	Health Services	10,557,920	5	1.32%	7,495,470	6	1.43%
Scientific Ecology Group (AKA GTS Duratek)	Environmental Services	9,827,319	6	1.23%	4,096,141	10	0.78%
Wilkinson Realty	Apartment Complexes	8,325,024	7	1.04%	0		0.00%
A&M Enterprises Inc.	Real Estate Developer	6,634,680	8	0.83%	0		0.00%
JMM Realty LLC	Real Estate	5,667,240	9	0.71%	0		0.00%
ORNL Federal Credit Union	Credit Union	4,452,632	10	0.56%	0		0.00%
BellSouth	Communications	0		0.00%	7,503,930	5	1.43%
Boeing Tennessee Inc.	Manufacturing and Engineering	0		0.00%	12,394,653	1	2.36%
Crown America	Shopping Mall/Misc. Development	0		0.00%	8,772,377	4	1.67%
International Environmental Resources (AKA Manufacturing Sciences)	Environmental Services	0		0.00%	5,057,257	8	0.96%
BNFL, Inc.	Environmental Services	0		0.00%	4,582,926	9	0.87%
TOTAL		\$ 152,155,011		19.06%	\$ 78,426,297		14.94%

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

OAK RIDGE SCHOOLS

**PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years**

Anderson County

Fiscal Year	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	Percentage of Levy		Amount	Percentage of Levy	Amount	Percentage of Levy
2004	2003	\$ 31,541,534	\$ 29,710,989	94.20	\$ 1,803,552	\$ 31,514,541	99.91	\$ 26,993	0.09
2005	2004	32,691,543	31,110,500	95.16	1,541,633	32,652,133	99.88	39,410	0.12
2006	2005	33,550,148	31,908,542	95.11	1,621,238	33,529,780	99.94	20,368	0.06
2007	2006	34,484,834	32,724,486	94.90	1,744,444	34,468,930	99.95	15,904	0.05
2008	2007	34,479,582	33,772,795	97.95	685,805	34,458,600	99.94	20,982	0.06
2009	2008	35,271,646	34,150,225	96.82	1,089,557	35,239,782	99.91	31,864	0.09
2010	2009	35,939,486	34,723,573	96.62	1,159,813	35,883,386	99.84	56,100	0.16
2011	2010	36,336,767	35,100,300	96.60	945,120	36,045,420	99.20	291,347	0.80
2012	2011	39,418,410	36,853,130	93.49	1,937,885	38,791,015	98.41	627,395	1.59
2013	2012	39,767,690	37,296,389	93.79	0	37,296,389	93.79	1,186,925	2.98

City of Oak Ridge

								(3)	
2004	2003	\$ 15,046,210	\$ 14,460,793	96.11	\$ 442,046	\$ 14,902,839	99.05	\$ 143,371	0.95
2005	2004	15,469,277	14,934,125	96.54	469,863	15,403,988	99.58	65,289	0.42
2006	2005	15,563,401	15,280,442	98.18	248,983	15,529,425	99.78	33,976	0.22
2007	2006	16,207,091	15,901,543	98.11	268,021	16,169,564	99.77	37,527	0.23
2008	2007	17,755,416	17,303,022	97.45	411,864	17,714,886	99.77	40,530	0.23
2009	2008	19,084,350	18,519,409	97.04	535,008	19,054,417	99.84	29,933	0.16
2010	2009	18,975,624	18,120,891	95.50	831,319	18,952,210	99.88	23,414	0.12
2011	2010	19,286,297	18,322,654	95.00	835,188	19,157,842	99.33	128,455	0.67
2012	2011	19,231,752	18,695,063	97.21	310,675	19,005,738	98.82	226,014	1.18
2013	2012	19,059,666	18,350,887	96.28	0	18,350,887	96.28	708,779	3.72

- 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

OAK RIDGE SCHOOLS

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
2004	2.25	2.25	2.50
2005	2.75	2.25	2.50
2006	2.75	2.25	2.50
2007	2.75	2.75	2.50
2008	2.75	2.75	2.50
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

Sources: City of Oak Ridge finance department.

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.

OAK RIDGE SCHOOLS

**RATIOS OF OUTSTANDING DEBT BY TYPE
Last Six Fiscal Years**

<u>Fiscal Year</u>	<u>General Obligation Bonds (A)</u>	<u>QZAB Bonds (A)</u>	<u>Notes Payable</u>	<u>Capitalized Lease Obligations</u>	<u>Total Debt</u>	<u>Total Debt Per Capita</u>
2008	\$ 3,459,113	\$ 6,622,439	\$ 67,856,634	\$ 544,157	\$ 78,482,343	\$ 2,866
2009	18,653,756	6,113,020	53,892,287	713,139	79,372,202	2,898
2010	19,319,372	5,603,602	53,792,287	420,076	79,135,337	2,698
2011	19,117,977	5,094,184	53,702,287	119,869	78,034,317	2,661
2012	17,968,189	4,075,347	53,252,287	851,825	76,147,648	2,596
2013	17,968,219	4,075,347	53,252,287	930,736	76,226,589	2,599

- Notes: (A) Does not include unamortized bond discounts and premiums.
 (B) FY 2008 is the first year the Schools adopted GASB Statement No. 34.
 (C) Per Capita is based upon the 2000 census population of 27,387.
 (D) Per Capita after FY 2009 is based upon the 2010 census population of 29,330.
 (E) Personal Income information not available.

OAK RIDGE SCHOOLS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Six Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2008	\$ 3,459,113	0.08%	\$ 126
2009	18,653,756	0.41%	681
2010	19,319,372	0.41%	659
2011	19,117,977	0.35%	652
2012	17,968,189	0.32%	613
2013	17,968,219	0.30%	613

- Notes: (A) FY 2008 is the first year the Schools have adopted GASB Statement No. 34.
(B) Per Capita is based upon the 2000 census population of 27,387.
(C) Per Capita after FY 2009 is based upon the 2010 census population of 29,330.
(D) See the Schedule of Appraised and Assessed Value of Taxable Property.
(E) Property Values are for Anderson County Only.

OAK RIDGE SCHOOLS
DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	(1) Population	(2) Personal Income (expressed in thousands)	(2) Per Capita Income	(2) Median Age	(3) Unemployment Rate	School Enrollment
2004	27,387	\$ 1,964,603	\$ 27,194	39.9	5.10%	4,285
2005	27,387	2,151,426	29,780	39.2	5.80%	4,280
2006	27,387	2,158,127	29,780	40.7	5.30%	4,306
2007	27,387	2,191,183	29,780	41.4	3.60%	4,394
2008	27,387	2,217,002	29,780	41.4	5.40%	4,362
2009	27,387	2,258,433	30,218	41.4	10.80%	4,411
2010	29,330	2,154,154	28,780	39.2	9.40%	4,472
2011	29,330	2,162,213	28,780	39.9	9.40%	4,532
2012	29,330	2,543,192	33,851	39.5	8.60%	4,468
2013	29,330	N/A	N/A	40.5	7.40%	4,687

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

(2) Source: Tennessee Advisory Commission on Intergovernmental Relations (TACIR). Statistic is for Anderson County. Information is maintained on a county basis and is unavailable for the City of Oak Ridge is a separate entity in a non-census year. The City comprises approximately 38% of Anderson County.

(3) Source: Tennessee Department of Labor and Workforce Development. Statistic is for Anderson County.

OAK RIDGE SCHOOLS
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

<u>Employer</u>	2013			2004		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
BWXT Y-12	5,000	1	13.20%	3,883	2	10.84%
UT-Battelle	4,500	2	11.88%	4,700	1	13.12%
Methodist Medical Center	1,350	3	3.56%	1,300	3	3.63%
UCOR	1,337	4	3.53%	N/A	N/A	N/A
Science Applications Int'l Corp. (SAIC)	1,000	5	2.64%	869	6	2.43%
Oak Ridge Associated Universities	1,000	6	2.64%	650	10	1.81%
Energy Solutions (AKA Duratek, Scientific Ecology)	620	7	1.64%	N/A	N/A	N/A
Sitel (ClientLogic)	600	8	1.58%	720	7	2.01%
Navarro Research & Engineering	445	9	1.17%	N/A	N/A	N/A
ORNL Federal Credit Union	381	10	1.01%	N/A	N/A	N/A
Wackenhut-Oak Ridge Team	N/A	N/A	N/A	694	9	1.94%
Oak Ridge Schools	N/A	N/A	N/A	700	8	1.95%
Bechtel Jacobs Co. LLC	N/A	N/A	N/A	986	4	2.75%
BNFL, Inc.	N/A	N/A	N/A	915	5	2.55%
	<u>16,233</u>		<u>42.85%</u>	<u>15,417</u>		<u>43.03%</u>

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

Note: 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.

OAK RIDGE SCHOOLS
FULL-TIME EQUIVALENT SCHOOL EMPLOYEES
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Teachers</u>	<u>Non-Teachers</u>	<u>Total</u>
2004	401.30	305.08	706.38
2005	396.10	302.20	698.30
2006	401.20	273.39	674.59
2007	406.70	266.14	672.84
2008	414.90	282.39	697.29
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

**All numbers taken from appendices of Board of Education approved budgets.*

OAK RIDGE SCHOOLS

**ENROLLMENT, MEMBERSHIP AND ATTENDANCE DATA
Last Ten Fiscal Years**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Enrollment (A)	4,285	4,280	4,306	4,394	4,362	4,411	4,472	4,532	4,468	4,687
Average Daily Membership (A)	4,279	4,284	4,348	4,364	4,407	4,452	4,472	4,532	4,456	4,438
Average Daily Attendance (A)	4,066	4,061	4,127	4,142	4,185	4,220	4,214	4,288	4,240	4,274
Teacher/Pupil Ratio (B)	12	13	12	13	12	12	13	13	14	14
Number Graduating (B)	307	316	313	320	319	325	346	353	347	331
Avg. Test Scores(ACT) (B)	24.4	24.5	24.3	23.6	23.6	24.7	23.0	23.4	23.2	23
Number of Graduates Going to College (B)	276	284	282	275	255	302	294	318	295	284
Number of Free and Reduced Students (C)	1,127	1,242	1,322	1,511	1,448	1,633	1,735	1,929	2,171	2,208
Number of Student Meals Served (Lunch) (C)	345,645	340,134	355,232	380,315	396,796	418,796	489,546	449,930	383,005	372,676

Sources of Information:

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

OAK RIDGE SCHOOLS

CAPITAL ASSETS STATISTIC BY FUNCTION
Last Six Fiscal Years

<u>Function</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Elementary Schools	4	4	4	4	4	4
Middle Schools	2	2	2	2	2	2
High Schools	1	1	1	1	1	1
Football Fields	3	3	3	3	3	3
Soccer Fields	1	1	1	1	1	1
Track Fields	3	3	3	3	3	3
Buses	39	39	35	35	35	32

Note: FY 2008 is the first year the Schools adopted GASB Statement No. 34.

**INTERNAL CONTROL
AND
COMPLIANCE SECTION**

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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

Report on Compliance

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 departmental-wide financial statements of the governmental activities, each major fund, aggregate remaining fund information, and the budgetary comparison statements of the General Purpose School Fund and School Federal Projects Fund of the Oak Ridge Board of Education (the Schools), a department of the City of Oak Ridge, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Schools' basic financial statements, and have issued our report thereon dated January 20, 2014. Other auditors 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 result 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.

Pugh & Company, P.C.

Certified Public Accountants
Oak Ridge, Tennessee
January 20, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Oak Ridge Schools
Oak Ridge, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the Oak Ridge Board of Education's (the Schools), (a department of the City of Oak Ridge, Tennessee), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Schools' major federal programs for the year ended June 30, 2013. 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 the requirements of laws, regulations, contracts and grants applicable 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. Other auditors 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.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.



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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, 2013.

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 OMB Circular A-133, 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pugh & Company, P.C.

Certified Public Accountants
Oak Ridge, Tennessee
January 20, 2014

OAK RIDGE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's reports issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes none

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

CFDA Number(s)
93.600
84.010

84.395

Name of Federal Program or Cluster
Head Start Program
Title I, Part A Grants to Local Educational Agencies
Race to the Top – ARRA

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

yes no

OAK RIDGE SCHOOLS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

June 30, 2013

Section II - Financial Statement Finding

No matters are being reported

Section III - Federal Award Findings and Questioned Costs

No matters are being reported

OAK RIDGE SCHOOLS

SCHEDULE OF CORRECTED PRIOR YEAR FINDINGS AND QUESTIONED COSTS

June 30, 2013

2012-1 Approval of Budget Amendment and Related Capital Lease

Criteria or Specific Requirement - The City of Oak Ridge Charter, Article VI Section 13, requires the Board of Education (the Schools) to obtain approval for increases in total budgeted expenditures from the City Council. In addition, the City Charter, Article IV Section 4, requires the Schools (a department of the City) to obtain approval of new debt obligations in accordance with Tennessee Code Annotated (TCA) Section 9-21-151.

Condition - As part of the Schools original FY 2012 budget, which was approved by the Board of Education on June 1, 2012 and the City Council by June 30, 2011, the Schools budgeted \$386,000 for the initial year of a capitalized lease transaction and \$388,000 for related debt service payments. On August 8, 2011 the Board of Education approved a capital lease obligation of \$1,152,844 for the purchase of approximately 390 classroom computers that is to be repaid in four annual installments of \$301,019 with interest at 2.97% from August 9, 2011 through August 9, 2014. According to generally accepted accounting principles (GAAP) the initial year of this capital lease transaction was recorded in the FY 2012 general purpose school fund as \$1,152,844 in proceeds from a capitalized lease obligation and as a corresponding capital expenditure. During FY 2012 the initial lease payment of \$301,019 was correctly recorded as a debt service expenditure in the general purpose school fund.

In order to budget for the \$766,844 increase in this capital lease transaction in the initial year, a general purpose school fund budget amendment of \$939,081, which included an additional \$172,237 for other purposes, was approved by the Board of Education on October 17, 2011 and November 28, 2011. In accordance with the City Charter, the total budget amendment of \$939,081 was submitted to the City Manager for City Council approval. On February 13, 2012, February 27, 2012 and March 7, 2012, the City Manager and Attorney recommended approval; however, City Council failed to approve the budget amendment. Due to the City Council failing to approve the budget amendment School management could not submit this capital lease for subsequent approval from the Tennessee Comptroller of the Treasury, Office of State and Local Finance, in accordance with the City Charter and TCA Section 9-21-151.

Cause and Effect - Due to the City Council not approving the FY 2012 budget amendment, the Schools were not in compliance with the City Charter and TCA Section 9-21-151.

Recommendation - While there were several attempts made by the school administration to seek City Council's approval of this budget amendment, we recommend that School management obtain prior approval of all budget amendments from the City Council. In addition, we recommend that after obtaining budgetary amendments that relate to capitalized lease obligations, the Schools should submit the capitalized lease obligation for approval to the Tennessee Comptroller of the Treasury, Office of State and Local Finance, in accordance with the City Charter and TCA Section 9-21-151.

Management's Prior Year Response - Management agrees that prior approval should be obtained from City Council pursuant to the City Charter and State Statutes. During FY 2012 management presented this transaction in proper form to the City Council on two occasions at regular council meetings and, further, on one other occasion at a City Council workshop. In contravention of advice from and opinions from the City Manager and City Attorney at each of these meetings, the City Council failed to act upon the recommendation for approval of this transaction.

It should be noted for the record that the funds to pay for the capital lease were included in the School Department's original FY 2012 budget and that no budgetary amendments for payment were required. The only matter presented for consideration to the Council was a FY 2012 budgetary amendment to reflect the initial capital lease transaction. Therefore, the budgetary amendment that did not receive approval is perfunctory only and does not, in any way, affect the financial condition of the Schools. Also subsequent to June 30, 2012 the City Council approved the School Department's FY 2013 budget which includes the second annual payment for this capital lease.

OAK RIDGE SCHOOLS

SCHEDULE OF CORRECTED PRIOR YEAR FINDINGS AND QUESTIONED COSTS (Continued)

June 30, 2013

2012-1 Approval of Budget Amendment and Related Capital Lease (Continued)

Current Year Update - As part of the Schools original FY 2013 budget, which was approved by the Board of Education on June 25, 2012 and the City Council by June 30, 2012, the Schools budgeted \$479,145 for a FY 2013 capitalized lease transaction and related debt service payments. On July 10, 2012 the Board of Education approved a capital lease obligation of \$479,112 for the purchase of technology equipment that is to be repaid in four annual installments of \$124,550 with interest at 2.668% from July 10, 2012 through July 10, 2015. The capital lease was submitted for subsequent approval by the Tennessee Comptroller of the Treasury, Office of State and Local Finance, in accordance with the City Charter and TCA Section 9-21-151. The condition listed above has been corrected.

