

CITY OF OAK RIDGE, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2004

Prepared by
FINANCE DEPARTMENT

Janice E. McGinnis, Finance Director



**City of Oak Ridge, Tennessee
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2004**

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CITY OF OAK RIDGE



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December 31, 2004

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

State law requires that all general-purpose municipal governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Oak Ridge for the fiscal year ended June 30, 2004.

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

The City of Oak Ridge's financial statements have been audited by Cherry, Bekaert and Holland, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Oak Ridge, for the fiscal year ended June 30, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statements presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Oak Ridge's financial statements, for the fiscal year ended June 30, 2004 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Oak Ridge was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City of Oak Ridge's internal controls and compliance with legal requirements, with special emphasis on

internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Oak Ridge's separately issued Single Audit Report.

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

Profile of the City of Oak Ridge

The City of Oak Ridge, incorporated on June 16, 1959, is located in the eastern part of the State, occupying the southern portion of Anderson County and an eastern portion of Roane County. The population of Oak Ridge according to the 2000 census is 27,387.

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

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

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

The City provides a full range of services, which includes police and fire protection; electric, water and wastewater services; residential solid waste collection; the construction and maintenance of highways, streets and infrastructure; public library, recreational activities and cultural events. The Oak Ridge Schools operate under the City Charter and are considered part of the City and therefore, has been included as an integral part of the City of Oak Ridge's financial statements. In addition to general government activities, the City is financially accountable for the Convention

and Visitors' Bureau who's activities are reported separately within the City of Oak Ridge's financial statements. However, the Oak Ridge Housing Authority, Oak Ridge Utility District, Oak Ridge Industrial Development Board and the Oak Ridge Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Oak Ridge's financial planning and control. The budget preparation process begins in late summer when City departments begin the preparation of six-year Capital Improvements Program (CIP) requests for submission to the Oak Ridge Municipal Planning Commission for review. The program identifies anticipated capital projects, establishes priorities and identifies the anticipated source of funding. The CIP, as modified and approved by the Planning Commission, is submitted for Council's consideration prior to budget deliberations. All City departments are required to submit operating budget requests to the Finance Department by February 28. The Finance Department quantifies preliminary budget information, including revenue projections, for preparation of the City Manager's proposed budget. The City Manager presents this proposed budget for the upcoming fiscal year to City Council at a work session or council meeting by late April. The Board of Education also presents the School Fund budget at this meeting, including a request for appropriation of City funds to meet program obligations. Budget work sessions are held with City Council during April and May to provide detailed review of the proposed operating and capital improvements budgets. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate prior start of the City's fiscal year on July 1. The budget is presented by fund, function (e.g., public safety), and department (e.g., police). The budget is legally appropriated at the fund level. Department heads may make transfers of appropriations within a department and the City Manager may make transfers of appropriations between departments. Transfers of appropriation between funds, however, require approval of City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and school fund, this comparison is presented on pages 20-21 as part of the basic financial statements for the governmental funds. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 64.

Factors Affecting Financial Condition

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

Local economy. The City of Oak Ridge currently enjoys a favorable economic environment with several major development projects ongoing or in the initial stages of construction. Developments in the federal sector include the ongoing construction of the Spallation Neutron Source (SNS) accelerator project. The SNS is projected to cost \$1.36 billion, employ 2,300 workers during construction, and add several hundred permanent employees after construction is completed in 2006. Additionally, the SNS expects up to 3,000 scientists to visit each year for varying periods of time, and numerous small industries to be spun off from the experiments and findings. The Y-12 and Oak Ridge National Laboratory (ORNL) facilities located within Oak Ridge are currently in the initial stages of a major modernization program. Projects include a \$250 million Highly Enriched Uranium Material Facility that will be constructed from 2005 to 2008. At ORNL, construction of a \$50 million private sector funded three-story complex to house a new supercomputer capable of 10 trillion calculations per second and engineering technology and research facilities has just been completed. This is the first privately owned facility to be located on the federal reservation on which the City receives real property tax payments based on the appraised value of the building. For fiscal 2005, the property taxes on this facility will be

\$568,014. With three similar type facilities planned for the Y-12 complex, the construction of these taxable facilities on federal property represent a significant revenue stream for the City.

In April 2003, the Department of Energy transferred ownership of 490 acres in the Horizon Center industrial Park to a subsidiary of the Community Reuse Organization of East Tennessee (CROET), a non-profit development corporation. The transfer of this property from federal ownership allows this land in the Horizon Center to be sold for private industrial development.

Approximately 1,200 acres is under development to construct a pedestrian-friendly town center with both commercial and open spaces within walking distance named Rarity Ridge. Plans call for the community to ultimately consist of 3,975 residential units and 1,250,000 square-feet of commercial development. Eighteen homes have been completed or are under construction. The first phase of construction will include 60 townhomes and 82 single-family homes. Located in the far west section of Oak Ridge, development of water and wastewater infrastructure to this site by the City is currently underway.

In April 2004, the 277 remaining acres owned by the City surrounding the Tennessee Centennial Golf Course were sold to a private residential and commercial developer. The current plan provides for construction of 855 new single and multi-family dwelling units, including a 370-unit luxury apartment complex. The site also includes a 24-acre general business area.

The Oak Ridge mall has been sold to private developer who plans a \$15 million renovation of the facility toward an open-air town center type development.

Long-term financial planning.

On August 5, 2004, the citizens in the Anderson County portion of Oak Ridge overwhelmingly voted to increase the local sales tax option from 2.25% to the state maximum of 2.75%, with the additional tax proceeds being legally restricted to fund the renovation, construction and related debt service of the Oak Ridge High School (ORHS) project. The sales tax rate increase became effective with sales beginning on October 1, 2004. The ORHS project is anticipated to cost \$55,000,000 over a four-year period. Debt issuances will occur in phases over the next two to three years to finance construction of the ORHS project. Funding for the debt service on these issuances will be provided from the additional .50% sales tax proceeds in Oak Ridge Anderson County, private donations and from revenues generated from the existing property tax base.

The City is continuing its improvement to the wastewater collection system and wastewater lift station rehabilitation and replacement. The City has spent approximately \$24 million since the project began in 1997 to upgrade, expand and rehabilitate the wastewater treatment plant and wastewater collection system. The upgrades and expansion to the wastewater treatment plant increased capacity from 6 mgd to 9 mgd, a 33% increase in capacity to service new customers. The City has an authorized loan of \$7,000,000 from the Tennessee State Revolving Fund to finance the 2005 to 2009 phase of the wastewater system rehabilitation project, which includes sanitary sewer replacement, slip-lining, cured-in-place and pipe bursting, and manhole and pump station rehabilitation and replacement. During fiscal 2004, the City began an approximate \$4 million upgrade to the water treatment plant facilities. On December 13, 2004, City Council approved long-term debt issuances of up to \$5,000,000 in loans through the Tennessee Municipal Bond Fund (TMBF) to fund electric, water and wastewater projects over the next three to five years. These are draw loans in which the funds are drawn as expenditures occur and are anticipated to fund a portion of the expenditures to upgrade the water treatment plant. The next water and wastewater rate review is scheduled for the fall of 2005. It is anticipated that both water and wastewater rates will be increased to finance the debt service on these capital projects. The last wastewater rate review projected a 12% rate increase in 2005 and another

12% increase in 2007. The last water rate increase was in 1997. It is anticipated that a water rate increase will also be required in 2005.

Over the next three years, the State plans to widen State Route 95 from two to four lanes from the State 95/58 interchange to State Route 62 (South Illinois Avenue) in Oak Ridge. City water, wastewater, electric and street lighting infrastructure will need to be relocated along the State route at an estimated cost of \$2.7 million. New State legislation provides for the State to fund the cost of utility relocation costs. The City plans to upgrade the capacity of the infrastructure along this State route, which will not be funded by the State. The projected City costs for this project are not known at this time. City costs for this project will be funded through the TMBF loan mentioned above.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit and the State of Tennessee's local government investment pool (LGIP). The LGIP is a SEC 2a-7-like fund with the City exempted from sharing in any unrealized gains or losses of the LGIP. The maturities of the investments are two years or less in accordance with State law.

Risk management. Insurance coverage for city and schools assets related to general liability, auto liability, auto physical damage, errors and omissions and workers compensation for city and school system employees is through a public entity risk pool operated as a risk sharing program by the Tennessee Municipal League (TML). The City has per occurrence deductibles as outlined in Note 17 of the notes to the financial statements. The City is self-insured for the deductible with resources being accumulated in the insurance fund, an internal service fund, to meet potential losses. The City has a \$50,000 per occurrence deductible for workers' compensation claims. The City has held employee accident prevention training classes.

Pension and other postemployment benefits. Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS acts as a common investment and administrative agent for political subdivisions in the State. TCRS provides retirement benefits as well as death and disability benefits. The City's plan is noncontributory and has assumed employee contributions of up to 5% of annual covered payroll. The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2004 was 8.86% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Non-teaching employees working in the Oak Ridge School system are covered in a separate retirement plan administered by the TCRS. This plan is similar to the City's with the exception that it is a contributory plan whereby the employee contributes 5% of earnable compensation with the Schools responsible for the remaining contribution. The school fund is required to contribute at an actuarially determined rate; which was 4.92% of annual covered payroll for the fiscal year ending June 30, 2004.

The Oak Ridge Schools contribute to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan also administered by the TCRS. The plan description is the same as for non-teaching school employees. Most teachers are required by State statute to contribute 5% of salary to the plan. The school fund is required to contribute at an actuarially determined rate; which was 3.39% of annual covered payroll for the fiscal year ending June 30, 2004.

The City also provides postretirement health benefits for certain retirees and their dependents. As of the end of the current fiscal year, there were 47 employees receiving these benefits, which

are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the City's pension arrangements and postemployment benefits can be found in Notes 4 and 5 in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oak Ridge, Tennessee, for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This is the forty-third consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfied both generally accepted accounting principles (GAAP) and applicable legal requirements.

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

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

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

Respectfully submitted,



Steven W. Jenkins
Deputy City Manager



Janice E. McGinnis
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oak Ridge,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Zjelle

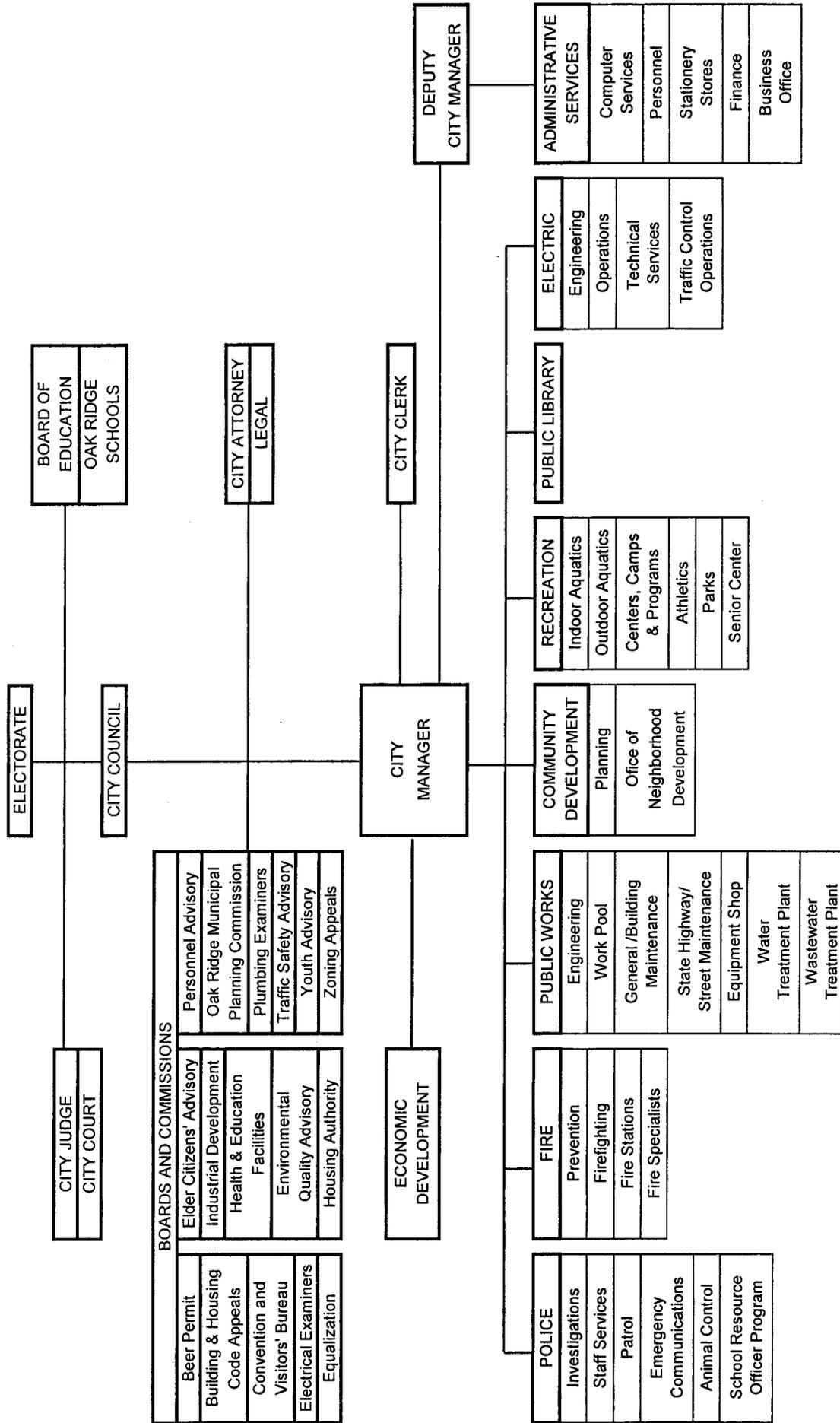
President

Jeffrey R. Emery

Executive Director

ORGANIZATION CHART

City of Oak Ridge, Tennessee



CITY OF OAK RIDGE, TENNESSEE

CITY OFFICIALS

Mayor

David R. Bradshaw

Members of City Council

Leonard A. Abbatiello
Tom Beehan
Louise Dunlap

Willie Golden, Jr.
D. Jane Miller
David N. Mosby

City Manager

James R O'Connor

Department Directors

Steven W. Jenkins
Kathryn Baldwin
Frank D. Robinson
Jack L. Suggs
Janice E. McGinnis
W. Mack Bailey
Kathy McNeilly
E. Joshua Collins, Jr.
Penelope H. Sissom
David H. Beams
Gary M. Cinder

Deputy City Manager
Community Development Director
Economic Development Director
Electrical Director
Finance Director
Fire Chief
Library Director
Parks & Recreation Director
Personnel Director
Police Chief
Public Works Director

City Attorney

Kenneth R. Krushenski

City Judge

Robert A. McNees III

City Clerk

Jacquelyn J. Bernard

Board of Education

John W. Smith, Jr., Chairperson
Tracy Larabee., Vice Chairperson
Jennifer Richter, Treasurer
Keyes Fillauer, Parliamentarian
Angi Agle

Director of Schools

Thomas E. Bailey, Ed.D.

Assistant Director of Schools

John D. Dobbs, Ed.D.





REPORT OF INDEPENDENT AUDITORS

Honorable Mayor, City Council and City Manager of the
City of Oak Ridge, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Oak Ridge, Tennessee ("City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Oak Ridge Schools, a blended component unit as a governmental fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Oak Ridge Schools, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, of the City as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the school fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, miscellaneous schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules, and the miscellaneous schedules as of and for the years ended June 30, 2004 and 2003 have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the data included in the introductory or statistical sections of this report and, accordingly, we express no opinion on such data.

Cherry, Behaert & Holland, L.L.P.

Knoxville, Tennessee
December 16, 2004

Management's Discussion and Analysis

As management of the City of Oak Ridge, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

Financial Highlights

- The assets of the City of Oak Ridge exceeded its liabilities at the close of the most recent fiscal year by \$105,841,662 (*net assets*). Of this amount, \$23,363,976 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Net assets increased by \$1,995,916, an increase of 1.9% over fiscal 2003. Approximately half of the increase was generated from the sale of land by the City to a private developer of residential and commercial property. The City of Oak Ridge's changes in net assets is detailed on page 7 of this report.
- As of the close of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of \$18,372,850, an increase of \$367,113 in comparison with the prior year. Only 12.5% is reserved for specific purposes, and the remaining 87.4%, or \$16,080,059, is *available for spending* at the City's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,915,690, or 35.0 percent of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$18,450,497 in the City's general fund.
- Overall, the City's total debt decreased by \$1,287,103 (1.2 percent) during the current fiscal year due to planned principal payments. During fiscal 2004, the City entered into a capital lease agreement for computer equipment in the amount of \$891,640 and drew \$2,322,336 from previously authorized loans. Draws from these loans were made as expenditures occurred. Of this amount, \$1,524,599 was for waterworks rehabilitation projects and \$797,737 was to complete the expansion of the Scarboro Recreational Center.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the City of Oak Ridge itself (known as the *primary government*) and the operations of the Oak Ridge Schools, but also a legally separate Convention and Visitors for which the City of Oak Ridge is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-15 of this report.

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

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

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

The City of Oak Ridge maintains ten 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 fund and the school fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 16-21 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

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

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-63 of this report.

Other information. In the notes to financial statements, note 4, pages 38 to 42 there is presented certain *required supplementary information* concerning the City of Oak Ridge's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to financial statements. Combining and individual fund statements and schedules can be found on pages 65-93 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Oak Ridge, assets exceeded liabilities by \$105,841,662 at the close of the most recent fiscal year.

By far the largest portion of the City of Oak Ridge's net assets (77.8 percent) reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Oak Ridge uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Oak Ridge's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Oak Ridge's Net Assets

	Governmental activities		Business-type activities		Total	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Current and other assets	\$ 42,614,243	\$ 41,794,787	\$ 11,292,603	\$ 9,159,136	\$ 53,906,846	\$ 50,953,923
Capital assets	73,272,729	73,778,042	112,081,184	111,457,213	185,353,913	185,235,255
Total assets	115,886,972	115,572,829	123,373,787	120,616,349	239,260,759	236,189,178
Long-term liabilities outstanding	50,663,529	51,449,496	53,103,045	53,447,804	103,766,574	104,897,300
Other liabilities	21,601,721	21,254,868	8,050,802	6,191,264	29,652,523	27,446,132
Total liabilities	72,265,250	72,704,364	61,153,847	59,639,068	133,419,097	132,343,432
Net assets:						
Invested in capital assets net of related debt	23,875,530	23,501,788	58,458,062	59,304,016	82,333,592	82,805,804
Restricted	—	—	144,094	136,362	144,094	136,362
Unrestricted	19,746,192	19,366,677	3,617,784	1,536,903	23,363,976	20,903,580
Total net assets	\$ 43,621,722	\$ 42,868,465	\$ 62,219,940	\$ 60,977,281	\$ 105,841,662	\$ 103,845,746

An additional portion of the City of Oak Ridge's net assets (.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$23,363,976) may be used to meet the government's ongoing obligations to citizens and creditors.

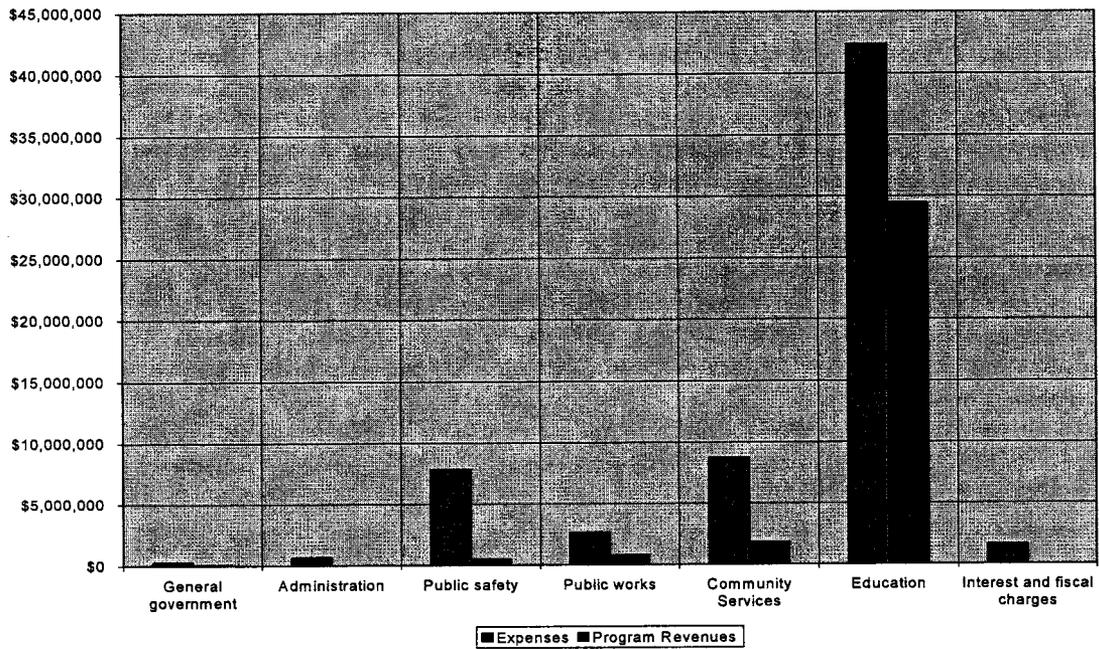
At the end of the current fiscal year, the City of Oak Ridge is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City of Oak Ridge's net assets by \$753,257, thereby accounting for 37.7% of the total growth in the net assets of the City of Oak Ridge. Property tax collections declined \$241,780 from the prior year related to a 7-cent reduction in the adopted property tax rate. Other tax collections declined \$135,854 due to a reduction in the revenues the City receives from the State from State-shared tax collections. These revenue reductions were incorporated into the adopted fiscal 2004 budget and budgeted expenditures and operating transfers for fiscal 2004 were reduced by a like amount. Revenues continue to exceed expenditures in fiscal 2004, primarily related to an increase in revenues from operating grants and other contributions for the Oak Ridge Schools.

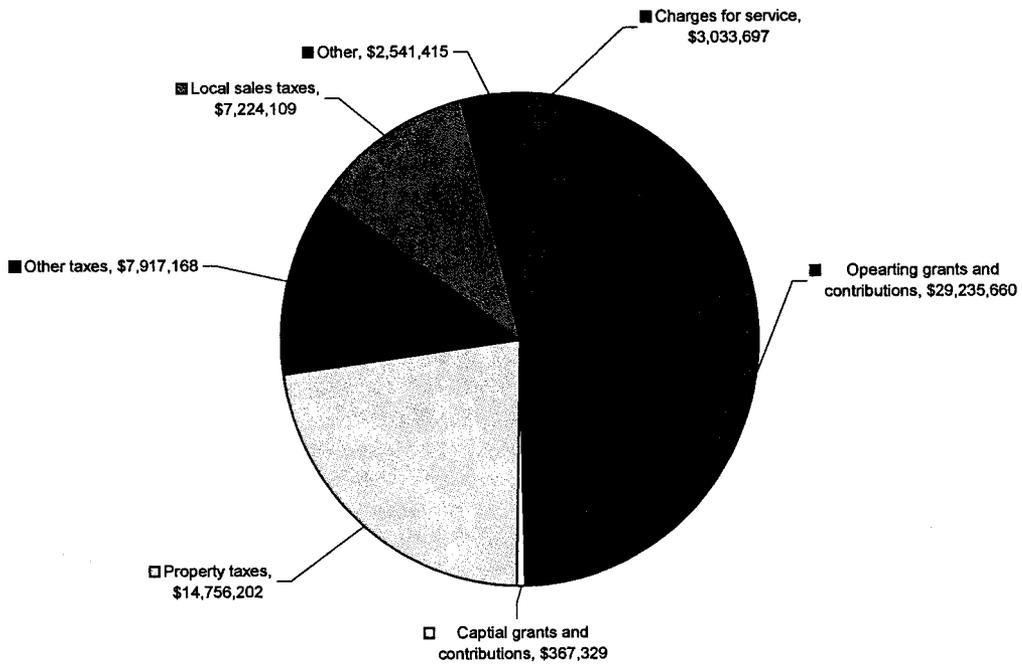
City of Oak Ridge's Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	FY 2004	FY2003	FY2004	FY2003	FY2004	FY2003
Revenues:						
Program revenues:						
Charges for service	\$ 3,033,697	\$ 2,915,242	\$ 48,783,868	\$ 47,964,444	\$ 51,817,565	\$ 50,879,686
Operating grants and contributions	29,235,660	27,933,166	—	—	29,235,660	27,933,166
Capital grants and contributions	367,329	1,295,056	522,961	1,653,294	890,290	2,948,350
General revenues:						
Property taxes	14,756,202	14,997,982	—	—	14,756,202	14,997,982
Other taxes	15,141,277	15,277,131	—	—	15,141,277	15,277,131
Other	2,541,415	1,921,667	1,902,253	758,922	4,443,668	2,680,589
Total Revenues:	65,075,580	64,340,244	51,209,082	50,376,660	116,284,662	114,716,904
Expenses:						
General government	273,179	1,383,174	—	—	273,179	1,383,174
Administration	658,782	705,764	—	—	658,782	705,764
Public Safety	7,839,973	8,117,808	—	—	7,839,973	8,117,808
Public Works	2,669,071	2,383,800	—	—	2,669,071	2,383,800
Community Services	8,714,166	9,331,657	—	—	8,714,166	9,331,657
Education	42,325,347	39,642,525	—	—	42,325,347	39,642,525
Interest and fiscal charges	1,593,696	1,927,382	—	—	1,593,696	1,927,382
Electric	—	—	36,004,534	33,916,143	36,004,534	33,916,143
Waterworks	—	—	12,116,274	12,414,120	12,116,274	12,414,120
Emergency communication district	—	—	399,182	285,099	399,182	285,099
Golf Course	—	—	1,694,542	1,618,415	1,694,542	1,618,415
Total expenses	64,074,214	63,492,110	50,214,532	48,233,777	114,288,746	111,725,887
Increase in net assets before transfer	1,001,366	848,134	994,550	2,142,883	1,995,916	2,991,017
Transfers	(248,109)	(308,284)	248,109	308,284	—	—
Increase in net assets	753,257	539,850	1,242,659	2,451,167	1,995,916	2,991,017
Net assets – July 1, 2003	42,868,465	42,328,615	60,977,281	58,526,114	103,845,746	100,854,729
Net assets – June 30, 2004	\$ 43,621,722	\$ 42,868,465	\$ 62,219,940	\$ 60,977,281	\$ 105,841,662	\$ 103,845,746

Expenses and Program Revenues - Governmental Activities

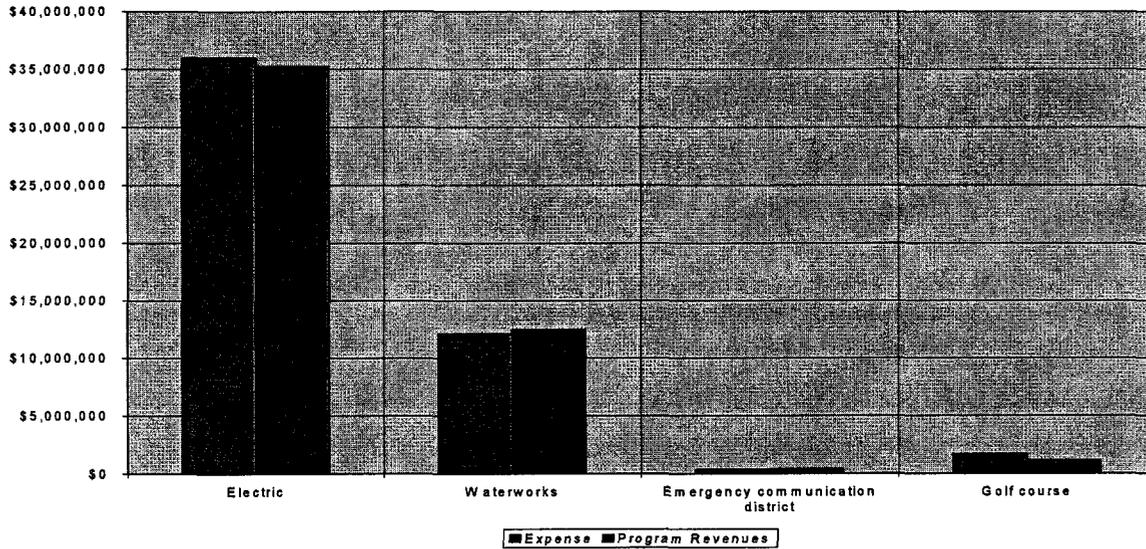


Revenue by Source - Governmental Activities

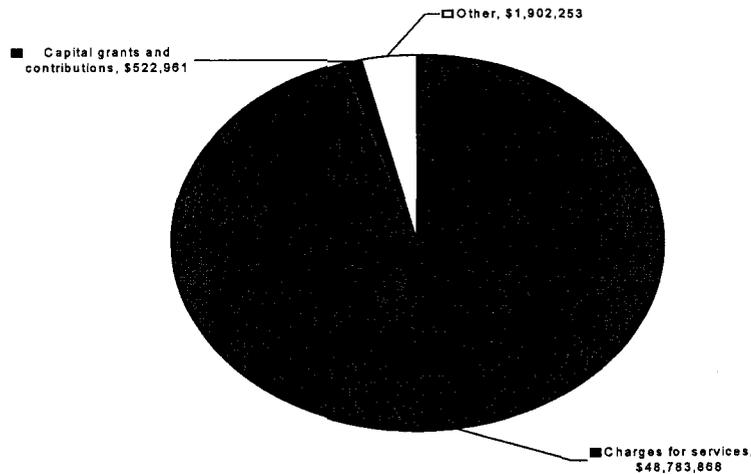


Business-type activities. Business-type activities increased the City of Oak Ridge's net assets by \$1,242,659, accounting for 62.3% of the total growth in the government's net assets. \$1,086,558 of the increase was in the golf course fund generated from the sale of land surrounding the City-owned golf course to a private developer.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



The net assets of the electric fund declined by \$228,276 from the prior fiscal year. The City of Oak Ridge is a distributor of electrical power that is purchased from the Tennessee Valley Authority (TVA) and then transmitted and sold by the City to its residential and commercial customers. Effective October 1, 2003, the City increased its electrical rates by approximately 5.5% due to an increase in TVA's wholesale power costs. Revenues from charges for electrical services increased by \$1,148,004 during fiscal 2004. The City's costs for wholesale power purchased from TVA increased \$1,548,564 over the same time frame. The City's new electric rate structures provided by and approved by TVA was insufficient to fund the increase in purchased power costs. Effective November 1, 2004, the City increased its electrical rates by approximately 3.5% to cover this shortfall and to finance capital, maintenance and operational costs of the electric system.

The net assets of the waterworks fund increased by \$339,093 from fiscal 2003. This increase is primarily related to grant proceeds that are funding a portion of the infrastructure costs related to the development of the Rarity Ridge site.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Oak Ridge's governmental funds reported combined ending fund balances of \$18,372,850, an increase of \$367,133 in comparison to the prior year. Approximately 87.5% of this total amount (\$16,080,059) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$2,087,109), 2) advances to other funds (\$112,500), or 3) for a variety of other restricted purposes (\$93,182).

The general fund is the chief operating fund of the City of Oak Ridge. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,915,690, while total fund balance reached \$5,438,644. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 35.0% of total general fund expenditures, while total fund balance represents 38.8% of that same amount. However, unreserved fund balance only represents 15.1% when compared to total fund expenditures and transfers to other funds (e.g. school and debt service funds).

The fund balance of the City of Oak Ridge's general fund decreased by \$251,007 during the current fiscal year. This was inline with the general fund's budgeted fund balance decrease of \$273,944. In 1986, the City received \$23.1 million from the U.S. Department of Energy that ended the City's annual financial assistance from that entity. Since that time, the City has budgeted annual fund balance draws from those proceeds. Budgeted fund balance draws in the City's general fund will cease when the unreserved fund balance of the general fund reaches \$3 million.

General fund revenues declined \$516,021 from the preceding fiscal year. In fiscal 2004, the property tax rate decreased by 7-cents which resulted in \$383,327 less collections than in the prior year. Beginning in fiscal 2004, the State reduced the local government allocation of State-shared taxes which resulted in a \$176,872 reduction in City revenues from these sources in comparison to the previous fiscal year. General fund expenditures and operating transfers for fiscal 2004 were reduced accordingly to compensate for these revenue declines.

There were no budgetary amendments to the general fund during fiscal 2004.

The debt service fund has a total fund balance of \$1,720,796, all of which is designated for the payment of debt service. The net increase in fund balance in the debt service fund during the current year of \$481,049 was due to lower interest rates on the city's variable rate loans.

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

Unrestricted net assets at the end of the year amounted to \$2,321,953 for the electric fund, (\$163,962) for the waterworks fund, \$1,187,125 for the golf course fund and \$272,668 for the emergency communications district fund.

Capital Asset and Debt Administration

Capital assets. The City of Oak Ridge's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$185,343,913 (net of accumulated depreciation), which is a \$118,658 increase over last fiscal year. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure.

City of Oak Ridge's Capital Assets

	Governmental activities		Business-type activities		Total	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Land	\$ 2,188,961	\$ 1,589,374	\$ 1,169,241	\$ 1,877,066	\$ 3,358,202	\$ 3,466,440
Buildings	35,088,953	35,630,334	16,321,595	16,234,022	51,410,548	51,864,356
Improvements other than buildings	14,441,801	14,790,046	14,134,417	14,630,605	28,576,218	29,420,651
Machinery and equipment	5,802,758	6,572,805	78,271,412	76,463,607	84,074,170	83,036,412
Infrastructure	15,569,012	14,939,832	—	—	15,569,012	14,939,832
Construction in progress	181,244	255,651	2,184,519	2,251,913	2,365,763	2,507,564
Total	\$ 73,272,729	\$ 73,778,042	\$ 112,081,184	\$ 111,457,213	\$ 185,353,913	\$ 185,235,255

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

- Public Works activities added \$1,864,557 in capital assets, including \$972,135 in infrastructure (streets and stormwater systems) donated by residential property developers to the City. \$587,495 in sidewalks funded by state grants was constructed during the fiscal year. Other assets additions include storm water system, street and building improvements.
- Community Services and Development activities added \$626,784, including \$382,122 for the expansion of the Scarboro Center, \$130,434 in upgrades to the Civic Center and its indoor pool, and \$114,228 in improvements to playgrounds and other City recreational facilities.

- Educational activities added \$650,267, primarily for building improvements and telecommunications equipment.
- Business-type activities added \$5,907,086 in capital assets. \$2,093,155 in electrical capital assets was added, including upgrades to substation 500 and routine capital improvements to the overhead and underground distribution systems, \$3,803,254 in waterworks capital assets, which continued the rehabilitation and upgrades to the wastewater plant and collection system and \$10,677 in radio equipment for emergency communication purposes.
- The value of land owned by the City declined by \$707,825 due to the sale of 277 acres to a private developer of residential and commercial property for \$1,750,000.

Additional information on the City of Oak Ridge's capital assets can be found in note 10 on pages 45 - 46 of this report.

Long-term debt. At the end of the current fiscal year, the City of Oak Ridge had total long-term debt outstanding of \$102,268,597. Of this amount, \$49,403,008 comprises debt backed solely by the full faith and credit of the City. \$31,315,589 in long-term debt is secured by specified revenue sources (waterworks and golf course fund debt); however, in the event of default, the full faith and credit of the City are irrevocable pledged. The \$21,550,000 in remaining debt is solely backed by the income and revenues from the operation of the electric power distribution system.

City of Oak Ridge's Outstanding Debt
General Obligation and Revenue Long-Term Debt

	Governmental Activities		Business-type Activities		Total	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
General obligation bonds	\$28,640,000	\$30,845,000	\$11,425,000	\$11,925,000	\$40,065,000	\$42,770,000
Long-term notes and loans	20,043,765	19,295,028	19,890,589	18,997,695	39,934,354	38,292,723
Revenue debt	—	—	21,550,000	22,360,000	21,550,000	22,360,000
Capital leases	719,243	132,977	—	—	719,243	132,977
Total	\$49,403,008	\$50,273,005	\$52,865,589	\$53,282,695	\$102,268,597	\$103,555,700

The City of Oak Ridge's total debt decreased by \$1,287,103 (1.24%) during the current fiscal year. During the fiscal year the City drew \$2,322,336 from previously authorized loans for construction progress on water and wastewater projects and expansion of the Scarboro Center. A capital lease agreement was entered into for \$891,640 for School computer equipment. At fiscal year end, the City had \$8,231,996 in authorized loans from which funds could be drawn to finance water and wastewater projects over the next five years.

The City of Oak Ridge maintains an "Aa3" from Moody's and an "A+" rating from Standard & Poor's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Oak Ridge is \$175,526,736, which is significantly in excess of the City of Oak Ridge's outstanding general obligation debt.

Additional information on the City of Oak Ridge's long-term debt can be found in note 11 on pages 47-57 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Oak Ridge in census year 2000 was 3.2%. Data for Oak Ridge is only available in census years. Oak Ridge's unemployment rate has historically been well below that of Anderson County, State and national levels.
- While numerous major projects in Oak Ridge are in the planning and early construction phase, including the Rarity Ridge and Centennial Village developments, enhanced revenues to the City are not anticipated from these projects until fiscal 2006. Therefore, moderately low sales and assessment growth is anticipated for fiscal 2005.
- The 1.6% budgeted growth in property tax collections for fiscal 2005, was to reflect the additional tax proceeds from the completion of a nearly \$50 million facility located at ORNL. This is the first facility in Oak Ridge located on federal property that is subject to taxation by the City. The building was 50% complete in fiscal 2004 and finished in fiscal 2005. This facility generates \$568,014 in taxable revenues to the City at the current property tax rate. Three other facilities of similar size are planned for the Y-12 federal complex. It is anticipated that these facilities will also be taxable by the City. The allowance of taxation by the City of these type facilities located on federal property represents a significant new revenue stream to the City.
- Inflationary trends in the region compare with national indices. A major driver of increased expenses continues to be medical and retirement costs, which mirrors national trends.
- Since 1986 when the City received \$23.1 million from the U.S. Department of Energy, the City has relied on fund balance draws to support operations. The City is nearing its \$3 million fund balance target for the general fund, which will end the utilization of fund balance draws to support operations. In fiscal 2005, the City budgeted a \$250,442 fund balance draw in the general fund. Future property taxes will be impacted by approximately 5-cents if revenue growth or expense reduction does not occur to replace these funds.

All of these factors were considered in preparing the City of Oak Ridge's budget for the 2005 fiscal year.

During the current fiscal year, the unreserved fund balance in the general fund decreased by \$334,943 to \$4,915,690. This decrease was inline with budgeted projections. Management has again been conservative in estimating revenues for 2005, especially local sales tax collections as the state economy begins to rebound. The City's property tax rate remained at \$2.87 per hundred dollars of assessment.

On August 5, 2004, the citizens in the Anderson County portion of Oak Ridge voted overwhelmingly to increase the local sales tax option from 2.25% to 2.75%, with the additional sales tax proceeds being legally restricted to funding the renovation, construction and related debt service of the Oak Ridge High School (ORHS) project. The sales tax increase became effective October 1, 2004. New construction and renovation of the ORHS is anticipated to cost \$55 million over a four-year period. Debt issuances will occur in phases over the next two to three years. Project funding will be provided from the additional .50% sales tax increase, private donations and from revenues generated from the existing property tax base.

Requests for Information

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2004

	Governmental Activities	Business Type Activities	Total Primary Government	Convention and Visitors Bureau	Total Reporting Unit
Assets					
Cash and cash equivalents	\$ 20,255,202	\$ 2,312,706	\$ 22,567,908	\$ 64	\$ 22,567,972
Receivables, net	15,018,534	5,707,365	20,725,899	-	20,725,899
Internal balances	1,569,678	(1,569,678)	-	-	-
Due from other governments	5,541,860	925,872	6,467,732	-	6,467,732
Inventory, at cost	-	1,989,470	1,989,470	-	1,989,470
Prepaid items	220,638	-	220,638	-	220,638
Restricted assets:					
Deposits	-	1,149,390	1,149,390	-	1,149,390
Current debt service account	-	144,094	144,094	-	144,094
Deferred charges	8,331	633,384	641,715	-	641,715
Capital assets nondepreciable	2,370,205	3,353,760	5,723,965	-	5,723,965
Capital assets depreciable	70,902,524	108,727,424	179,629,948	-	179,629,948
Total assets	115,886,972	123,373,787	239,260,759	64	239,260,823
Liabilities					
Accounts payable	1,046,560	6,678,682	7,725,242	-	7,725,242
Claims payable	230,000	-	230,000	-	230,000
Accrued liabilities	2,870,126	142,761	3,012,887	-	3,012,887
Deposits	345,052	886,585	1,231,637	-	1,231,637
Due to other governments	1,465,606	-	1,465,606	-	1,465,606
Unearned revenue	15,318,486	-	15,318,486	-	15,318,486
Restricted liabilities:					
Contracts payable	58,251	262,805	321,056	-	321,056
Accrued interest payable	267,640	79,969	347,609	-	347,609
Long-term liabilities:					
Due within one year	3,847,560	2,314,910	6,162,470	-	6,162,470
Due in more than one year	46,815,969	50,788,135	97,604,104	-	97,604,104
Total liabilities	72,265,250	61,153,847	133,419,097	-	133,419,097
Net assets					
Invested in capital assets net of related debt	23,875,530	58,458,062	82,333,592	-	82,333,592
Restricted for:					
Net assets - restricted for debt service	-	144,094	144,094	-	144,094
Unrestricted	19,746,192	3,617,784	23,363,976	64	23,364,040
Total net assets	\$ 43,621,722	\$ 62,219,940	\$ 105,841,662	\$ 64	\$ 105,841,726

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital		Primary Government		Convention and Visitors Bureau	Total Reporting Unit
			Operating Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
Administration	\$ 273,179	\$ 53,534	\$ 541	\$ -	\$ (219,104)	\$ -	\$ -	\$ (219,104)
Public safety	658,782	-	-	-	(658,782)	-	-	(658,782)
Public works	7,839,973	423,988	59,668	32,999	(7,323,318)	-	-	(7,323,318)
Community services	2,669,071	-	770,381	10,000	(1,888,690)	-	-	(1,888,690)
Education	8,714,166	1,052,044	443,168	324,330	(6,894,624)	-	-	(6,894,624)
Interest and fiscal charges	42,325,347	1,504,131	27,961,902	-	(12,859,314)	-	-	(12,859,314)
Total governmental activities	1,593,696	3,033,687	29,235,660	387,329	(31,437,528)	-	-	(31,437,528)
Business-type activities:								
Electric	36,004,534	35,245,680	-	-	(758,854)	-	-	(758,854)
Waterworks	12,116,274	11,941,129	-	522,961	347,816	-	-	347,816
Emergency communication district	399,182	442,362	-	-	43,180	-	-	43,180
Golf course	1,694,542	1,154,697	-	-	(539,845)	-	-	(539,845)
Total business-type activities	50,214,532	48,783,868	-	522,961	(907,703)	-	-	(907,703)
Total primary government	114,288,748	51,817,565	29,235,660	890,290	(31,437,528)	(907,703)	-	(32,345,231)
Component units:								
Visitors Bureau	328,376	-	-	-	-	-	-	(328,376)
Total component units	328,376	-	-	-	-	-	-	(328,376)
General revenues:								
Taxes	29,897,479	-	-	-	29,897,479	-	-	29,897,479
Interest	185,766	47,575	-	-	233,341	-	43	233,384
Miscellaneous	2,355,649	1,854,678	-	-	4,210,327	-	326,073	4,536,400
Transfers	(248,109)	248,109	-	-	-	-	-	-
Total general revenues and transfers	32,190,785	2,150,362	-	-	34,341,147	-	326,116	34,667,263
Change in net assets	753,257	1,242,659	-	-	1,995,916	-	(2,260)	1,993,656
Net assets - beginning	42,868,465	60,977,281	-	-	103,845,746	-	2,324	103,848,070
Net assets - ending	\$ 43,621,722	\$ 62,219,940	-	-	\$ 105,841,662	-	\$ 64	\$ 105,941,726

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

**CITY OF OAK RIDGE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004**

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,566,287	\$ 5,581,287	\$ 9,887,446	\$ 17,035,020
Receivables, net	14,878,082	140,452	-	15,018,534
Due from other funds	3,653,765	-	214,162	3,867,927
Due from other governments	1,681,979	1,542,162	2,308,873	5,533,014
Advances to other funds	112,500	-	-	112,500
Prepaid items	4,800	6,778	209,060	220,638
Total assets	<u>\$ 21,897,413</u>	<u>\$ 7,270,679</u>	<u>\$ 12,619,541</u>	<u>\$ 41,787,633</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 259,776	\$ 364,268	\$ 343,001	\$ 967,045
Accrued liabilities	332,375	2,521,835	2,649	2,856,859
Deposits	345,052	-	-	345,052
Due to other funds	215,743	-	2,196,587	2,412,330
Due to other governments	37,510	350,572	1,068,678	1,456,760
Deferred revenue	15,268,313	29,362	20,811	15,318,486
Contracts payable	-	-	58,251	58,251
Total liabilities	<u>16,458,769</u>	<u>3,266,037</u>	<u>3,689,977</u>	<u>23,414,783</u>
Fund balances:				
Reserved for special programs	-	49,221	43,961	93,182
Reserved for encumbrances	410,454	191,161	1,485,494	2,087,109
Reserved for advances to other funds	112,500	-	-	112,500
Designated for subsequent years' expenditures	-	63,316	-	63,316
Undesignated	4,915,690	3,700,944	-	8,616,634
Unreserved, reported in nonmajor:				
Special revenue	-	-	3,255,223	3,255,223
Designated for debt service fund	-	-	1,720,796	1,720,796
Designated for capital projects fund	-	-	2,424,090	2,424,090
Total fund balances	<u>5,438,644</u>	<u>4,004,642</u>	<u>8,929,564</u>	<u>18,372,850</u>
Total liabilities and fund balances	<u>\$ 21,897,413</u>	<u>\$ 7,270,679</u>	<u>\$ 12,619,541</u>	<u>\$ 41,787,633</u>

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

CITY OF OAK RIDGE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
June 30, 2004

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

Ending fund balance - governmental funds	\$ 18,372,850
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,642,189
Internal service funds are used by management to charge the costs of insurance and equipment replacement costs to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	4,935,291
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.	<u>(49,328,608)</u>
Net assets of governmental activities	<u>\$ 43,621,722</u>

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	General Fund	School Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 19,497,314	\$ -	\$ -	\$ 19,497,314
Licenses and permits	173,514	-	-	173,514
Intergovernmental	10,411,582	27,961,902	3,111,707	41,485,191
Charges for services	1,403,450	1,504,131	690,231	3,597,812
Fines and forfeitures	340,788	-	56,493	397,281
Interest	53,086	-	115,330	168,416
Other	353,469	335,464	12,100	701,033
Total revenues	<u>32,233,203</u>	<u>29,801,497</u>	<u>3,985,861</u>	<u>66,020,561</u>
Expenditures				
Current:				
General government	653,026	-	-	653,026
Administration	625,253	-	-	625,253
Public Safety	7,456,906	-	110,293	7,567,199
Public Works	1,535,614	-	1,470,961	3,006,575
Community services	3,762,914	-	4,187,435	7,950,349
Education	-	41,392,925	-	41,392,925
Capital outlay	-	-	2,257,873	2,257,873
Debt service:				
Principal retirement	-	-	2,095,289	2,095,289
Interest and fiscal charges	-	-	1,546,228	1,546,228
Total expenditures	<u>14,033,713</u>	<u>41,392,925</u>	<u>11,668,079</u>	<u>67,094,717</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,199,490</u>	<u>(11,591,428)</u>	<u>(7,682,218)</u>	<u>(1,074,156)</u>
Other financing sources (uses)				
Transfers in	-	10,646,242	7,556,146	18,202,388
Transfers out	(18,450,497)	-	-	(18,450,497)
Loan issuance	-	-	797,737	797,737
Capital lease issuance	-	891,641	-	891,641
Total other financing sources (uses)	<u>(18,450,497)</u>	<u>11,537,883</u>	<u>8,353,883</u>	<u>1,441,269</u>
Net change in fund balances	(251,007)	(53,545)	671,665	367,113
Fund balance - beginning	<u>5,689,651</u>	<u>4,058,187</u>	<u>8,257,899</u>	<u>18,005,737</u>
Fund balance - ending	<u>\$ 5,438,644</u>	<u>\$ 4,004,642</u>	<u>\$ 8,929,564</u>	<u>\$ 18,372,850</u>

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

CITY OF OAK RIDGE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004

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

Net change in fund balances - total governmental funds	\$ 367,113
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation.	712,515
Loss on the disposal of capital assets	(592,369)
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. This is the amount by which the payments exceeded the debt issuance.	536,597
The internal service fund is used by management to charge the costs of insurance.	5,457
The net loss of the equipment replacement fund of the internal service fund is reported with governmental activities.	(298,154)
The net revenue of the school equipment replacement fund of the internal service fund is reported with governmental activities.	22,098
Change in net assets of governmental activities	\$ 753,257

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND - SCHOOL FUND
For the Fiscal Year Ended June 30, 2004

	General Fund					
	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Variance With Final Positive (Negative)
Revenues						
Taxes	\$ 19,864,000	\$ 19,864,000	\$ 19,497,314	\$ -	\$ 19,497,314	\$ (366,686)
Licenses and permits	215,000	215,000	173,514	-	173,514	(41,486)
Intergovernmental	10,405,712	10,405,712	10,411,582	-	10,411,582	5,870
Charges for services	1,392,621	1,392,621	1,403,450	-	1,403,450	10,829
Fines and forfeitures	319,000	319,000	340,788	-	340,788	21,788
Interest	120,000	120,000	53,086	-	53,086	(66,914)
Other	327,500	327,500	353,469	-	353,469	25,969
Total revenues	<u>32,643,833</u>	<u>32,643,833</u>	<u>32,233,203</u>	<u>-</u>	<u>32,233,203</u>	<u>(410,630)</u>
Expenditures						
Current:						
General government	671,924	671,924	653,026	14,872	667,898	4,026
Administration	739,335	739,335	625,253	29,605	654,858	84,477
Public Safety	7,444,292	7,444,292	7,456,906	7,173	7,464,079	(19,787)
Public Works	1,630,297	1,630,297	1,535,614	9,175	1,544,789	85,508
Community services	3,839,428	3,839,428	3,762,914	23,111	3,786,025	53,403
Education	-	-	-	-	-	-
Total expenditures	<u>14,325,276</u>	<u>14,325,276</u>	<u>14,033,713</u>	<u>83,936</u>	<u>14,117,649</u>	<u>207,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>18,318,557</u>	<u>18,318,557</u>	<u>18,199,490</u>	<u>(83,936)</u>	<u>18,115,554</u>	<u>(203,003)</u>
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers out	(18,592,501)	(18,592,501)	(18,450,497)	-	(18,450,497)	142,004
Capital lease issuance	-	-	-	-	-	-
Total other financing sources (uses)	<u>(18,592,501)</u>	<u>(18,592,501)</u>	<u>(18,450,497)</u>	<u>-</u>	<u>(18,450,497)</u>	<u>142,004</u>
Net change in fund balances	<u>(273,944)</u>	<u>(273,944)</u>	<u>(251,007)</u>	<u>(83,936)</u>	<u>(334,943)</u>	<u>(60,999)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>5,689,651</u>	<u>-</u>	<u>5,689,651</u>	<u>-</u>
Fund balance - ending	<u>\$ (273,944)</u>	<u>\$ (273,944)</u>	<u>\$ 5,438,644</u>	<u>\$ (83,936)</u>	<u>\$ 5,354,708</u>	<u>\$ (60,999)</u>

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND AND ANNUALLY BUDGETED MAJOR SPECIAL REVENUE FUND - SCHOOL FUND
For the Fiscal Year Ended June 30, 2004

	School Fund					Variance With Final Positive (Negative)
	Original Budget	Final Budget	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	27,226,272	27,828,878	27,961,902	-	27,961,902	133,024
Charges for services	1,542,614	1,542,614	1,504,131	-	1,504,131	(38,483)
Fines and forfeitures	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	378,000	378,000	335,464	-	335,464	(42,536)
Total revenues	<u>29,146,886</u>	<u>29,749,492</u>	<u>29,801,497</u>	<u>-</u>	<u>29,801,497</u>	<u>52,005</u>
Expenditures						
Current:						
General government	-	-	-	-	-	-
Administration	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	-	-	-	-
Community services	-	-	-	-	-	-
Education	40,946,472	42,440,719	41,392,925	110,157	41,503,082	937,637
Total expenditures	<u>40,946,472</u>	<u>42,440,719</u>	<u>41,392,925</u>	<u>110,157</u>	<u>41,503,082</u>	<u>937,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,799,586)</u>	<u>(12,691,227)</u>	<u>(11,591,428)</u>	<u>(110,157)</u>	<u>(11,701,585)</u>	<u>989,642</u>
Other financing sources (uses)						
Transfers in	10,646,242	10,646,242	10,646,242	-	10,646,242	-
Transfers out	-	-	-	-	-	-
Capital lease issuance	-	891,641	891,641	-	891,641	-
Total other financing sources (uses)	<u>10,646,242</u>	<u>11,537,883</u>	<u>11,537,883</u>	<u>-</u>	<u>11,537,883</u>	<u>-</u>
Net change in fund balances	<u>(1,153,344)</u>	<u>(1,153,344)</u>	<u>(53,545)</u>	<u>(110,157)</u>	<u>(163,702)</u>	<u>989,642</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>4,058,187</u>	<u>-</u>	<u>4,058,187</u>	<u>-</u>
Fund balance - ending	<u>\$ (1,153,344)</u>	<u>\$ (1,153,344)</u>	<u>\$ 4,004,642</u>	<u>\$ (110,157)</u>	<u>\$ 3,894,485</u>	<u>\$ 989,642</u>

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004

Enterprise Funds						
	Electric Fund	Waterworks Fund	Golf Course Fund	Nonmajor Fund		Internal Service Funds
				Emergency	Communication	
				District Fund		
ASSETS						
Current assets						
Cash and cash equivalents	\$ 906,815	\$ 121,168	\$ 1,057,620	\$ 227,103	\$ 2,312,706	\$ 3,220,182
Receivables, net	5,295,905	308,037	63,650	39,773	5,707,365	-
Due from other funds	-	-	-	-	-	1,581
Due from other governments	500,000	410,979	-	14,893	925,872	-
Inventory, at cost	-	-	48,399	-	48,399	1,941,071
Restricted assets:						
Deposits	886,585	262,805	-	-	1,149,390	-
Current debt service account	144,094	-	-	-	144,094	-
Total current assets	<u>7,733,399</u>	<u>1,102,989</u>	<u>1,169,669</u>	<u>281,769</u>	<u>10,287,826</u>	<u>5,162,834</u>
Noncurrent assets						
Capital assets, net	40,067,331	66,400,302	5,591,935	21,616	112,081,184	3,630,540
Advances to other funds	950,000	600,000	-	-	1,550,000	-
Deferred charges	285,355	304,807	43,222	-	633,384	8,331
Total noncurrent assets	<u>41,302,686</u>	<u>67,305,109</u>	<u>5,635,157</u>	<u>21,616</u>	<u>114,264,568</u>	<u>3,638,871</u>
Total assets	<u>49,036,085</u>	<u>68,408,098</u>	<u>6,804,826</u>	<u>303,385</u>	<u>124,552,394</u>	<u>8,801,705</u>
LIABILITIES						
Current liabilities						
Accounts payable	5,812,112	751,430	-	9,101	6,572,643	185,554
Claims payable	-	-	-	-	-	230,000
Accrued liabilities	60,625	82,136	-	-	142,761	13,267
Deposits	886,585	-	-	-	886,585	-
Due to other funds	406,698	877,948	-	-	1,284,646	172,532
Advances from other funds	-	-	-	-	-	1,662,500
Current portion of notes and bonds payable	820,000	1,026,791	162,328	-	2,009,119	237,902
Contracts payable	-	262,805	-	-	262,805	-
Bonds and notes payable	4,534	-	-	-	4,534	-
Accrued interest payable	40,711	13,492	25,766	-	79,969	3,760
Total current liabilities	<u>8,031,265</u>	<u>3,014,602</u>	<u>188,094</u>	<u>9,101</u>	<u>11,243,062</u>	<u>2,505,515</u>
Noncurrent liabilities						
Vacation benefits payable	117,310	183,947	-	-	301,257	36,443
Notes and loans payable	10,380,000	23,621,174	-	-	34,001,174	-
Bonds payable	10,427,591	-	6,359,370	-	16,786,961	1,324,456
Total noncurrent liabilities	<u>20,924,901</u>	<u>23,805,121</u>	<u>6,359,370</u>	<u>-</u>	<u>51,089,392</u>	<u>1,360,899</u>
Total liabilities	<u>28,956,166</u>	<u>26,819,723</u>	<u>6,547,464</u>	<u>9,101</u>	<u>62,332,454</u>	<u>3,866,414</u>
NET ASSETS						
Invested in capital assets net of related debt	17,613,872	41,752,337	(929,763)	21,616	58,458,062	2,068,182
Net assets - restricted for debt service	144,094	-	-	-	144,094	-
Unrestricted	2,321,953	(163,962)	1,187,125	272,668	3,617,784	2,867,109
Total net assets	<u>\$ 20,079,919</u>	<u>\$ 41,588,375</u>	<u>\$ 257,362</u>	<u>\$ 294,284</u>	<u>\$ 62,219,940</u>	<u>\$ 4,935,291</u>

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

Enterprise Funds						
	Electric Fund	Waterworks Fund	Golf Course Fund	Nonmajor Fund		Internal Service Funds Totals
				Emergency	Communication District Fund	
Operating revenues						
Charges for services	\$ 35,245,680	\$ 11,941,129	\$ -	\$ -	\$ 442,362	\$ 47,629,171
Golf course fees and sales	-	-	1,154,697	-	-	1,154,697
Other	627,790	103,618	24,000	-	-	755,408
Employer's contributions	-	-	-	-	-	-
Employees' contributions	-	-	-	-	-	2,221,011
Total operating revenues	<u>35,873,470</u>	<u>12,044,747</u>	<u>1,178,697</u>	<u>442,362</u>	<u>49,539,276</u>	<u>7,958,411</u>
Operating expenses						
Maintenance and administrative	6,007,969	7,760,075	1,221,206	384,056	15,373,306	1,545,800
Purchased power and water	27,615,316	927,978	-	-	28,543,294	-
Depreciation	1,786,575	2,596,236	154,800	15,126	4,552,737	935,272
Materials	-	-	-	-	-	2,421,961
Medical/liability claims	-	-	-	-	-	285,592
Insurance premiums	-	-	-	-	-	3,053,834
Total operating expenses	<u>35,409,860</u>	<u>11,284,289</u>	<u>1,376,006</u>	<u>399,182</u>	<u>48,469,337</u>	<u>8,242,459</u>
Operating income (loss)	<u>463,610</u>	<u>760,458</u>	<u>(197,309)</u>	<u>43,180</u>	<u>1,069,939</u>	<u>(284,048)</u>
Nonoperating revenue (expense)						
Gain on sale of capital assets	-	-	1,099,270	-	1,099,270	15,446
Intergovernmental revenue	-	274,475	-	-	274,475	-
Interest revenue	40,183	2,155	3,133	2,104	47,575	17,350
Interest expense	(594,674)	(831,985)	(318,536)	-	(1,745,195)	(52,346)
Total nonoperating revenue (expense)	<u>(554,491)</u>	<u>(555,355)</u>	<u>783,867</u>	<u>2,104</u>	<u>(323,875)</u>	<u>(19,550)</u>
Income (loss) before transfers and contributions	<u>(90,881)</u>	<u>205,103</u>	<u>586,558</u>	<u>45,284</u>	<u>746,064</u>	<u>(303,598)</u>
Transfers in	-	-	500,000	-	500,000	-
Transfers out	(137,395)	(114,496)	-	-	(251,891)	-
Capital contributions	-	248,486	-	-	248,486	32,999
Change in net assets	<u>(228,276)</u>	<u>339,093</u>	<u>1,086,558</u>	<u>45,284</u>	<u>1,242,659</u>	<u>(270,599)</u>
Total net assets - beginning	<u>20,308,195</u>	<u>41,249,282</u>	<u>(829,196)</u>	<u>249,000</u>	<u>60,977,281</u>	<u>5,205,890</u>
Total net assets - ending	<u>\$ 20,079,919</u>	<u>\$ 41,588,375</u>	<u>\$ 257,362</u>	<u>\$ 294,284</u>	<u>\$ 62,219,940</u>	<u>\$ 4,935,291</u>

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

**CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004**

Enterprise Funds						
	Electric Fund	Waterworks Fund	Golf Course Fund	Nonmajor Fund Emergency Communication District Fund	Totals	Internal Service Funds Totals
Operating activities						
Cash received from customers	\$ 36,187,691	\$ 12,057,090	\$ 1,231,649	\$ 438,957	\$ 49,915,387	\$ 7,958,411
Cash paid to employees	42,492	13,139	(1,221,206)	-	(1,165,575)	-
Cash paid to suppliers	(33,780,092)	(8,524,295)	(788,828)	(391,297)	(43,484,512)	(7,545,737)
Net cash provided by (used in) operating activities	<u>2,450,091</u>	<u>3,545,934</u>	<u>(778,385)</u>	<u>47,660</u>	<u>5,265,300</u>	<u>412,674</u>
Noncapital financing activities						
Transfers in	-	-	500,000	-	500,000	-
Transfers out	(137,395)	(114,496)	-	-	(251,891)	-
Advances to other funds	-	(95,000)	-	-	(95,000)	95,000
Federal grant proceeds	-	274,475	-	-	274,475	-
Net cash provided (used) by noncapital financing activities	<u>(137,395)</u>	<u>64,979</u>	<u>500,000</u>	<u>-</u>	<u>427,584</u>	<u>95,000</u>
Capital and related financing activities						
Net proceeds from the issuance of long-term debt	-	-	-	-	-	(169,270)
Proceeds from the sale of capital assets	-	-	1,807,095	-	1,807,095	(281,028)
Capital contributed	-	248,486	-	-	248,486	32,999
Acquisition and construction of capital assets	(2,170,175)	(3,703,681)	-	(10,677)	(5,884,533)	(13,339)
Principal paid on long-term debt	(814,534)	571,472	(157,970)	-	(401,032)	(64,659)
Interest paid on long-term debt	(580,229)	(783,515)	(316,253)	-	(1,679,997)	(51,695)
Net cash used in capital and related financing activities	<u>(3,564,938)</u>	<u>(3,667,238)</u>	<u>1,332,872</u>	<u>(10,677)</u>	<u>(5,909,981)</u>	<u>(546,992)</u>
Investing activities						
Interest and dividends on investments	40,183	2,155	3,133	2,104	47,575	17,350
Net cash provided by investing activities	<u>40,183</u>	<u>2,155</u>	<u>3,133</u>	<u>2,104</u>	<u>47,575</u>	<u>17,350</u>
Net increase in cash and cash equivalents/investments	<u>(1,212,059)</u>	<u>(54,170)</u>	<u>1,057,620</u>	<u>39,087</u>	<u>(169,522)</u>	<u>(21,968)</u>
Cash and cash equivalents/investments Beginning of year	<u>3,149,553</u>	<u>438,143</u>	<u>-</u>	<u>188,016</u>	<u>3,775,712</u>	<u>3,242,150</u>
End of year	<u>\$ 1,937,494</u>	<u>\$ 383,973</u>	<u>\$ 1,057,620</u>	<u>\$ 227,103</u>	<u>\$ 3,606,190</u>	<u>\$ 3,220,182</u>

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2004

	Enterprise Funds						
	Electric Fund	Waterworks Fund	Golf Course Fund	Nonmajor Fund		Internal Service Funds	
				Emergency	Communication		Totals
				District Fund			
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 463,610	\$ 760,458	\$ (197,309)	\$	43,180	\$ 1,069,939	\$ (284,048)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	1,786,575	2,596,236	154,800		15,126	4,552,737	935,272
Change in assets and liabilities							
(Increase) decrease in Accounts receivable	179,110	12,343	52,952		(3,405)	241,000	-
(Increase) decrease in Due from other funds	-	-	-		-	-	(1,581)
(Increase) decrease in Inventory, at cost	-	-	(8,422)		-	(8,422)	(210,942)
(Increase) decrease in Due from other governments	(500,000)	(410,979)	-		(2,068)	(913,047)	-
Increase (decrease) in Accounts payable	1,295,306	408,515	(500)		(5,173)	1,698,148	(15,652)
Increase (decrease) in Claims payable	-	-	-		-	-	90,000
Increase (decrease) in Accrued Liabilities	16,911	15,239	-		-	32,150	(964)
Increase (decrease) in Due to other funds	(969,024)	150,983	(779,906)		-	(1,597,947)	(102,499)
Increase (decrease) in Accrued vacation	42,492	13,139	-		-	55,631	3,088
Increase in Customer deposits	135,111	-	-		-	135,111	-
Total adjustments	1,986,481	2,785,476	(581,076)		4,480	4,195,361	696,722
Net cash provided by (used in) operating activities	\$ 2,450,091	\$ 3,545,934	\$ (778,385)	\$	47,660	\$ 5,265,300	\$ 412,674

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004 and 2003

	Private-purpose Trust Fund	
	2004	2003
Assets		
Cash and cash equivalents	\$ 257,460	\$ 306,636
Investments, at fair value	96,791	61,380
Accounts receivable	-	570
Accrued interest	7	627
Total assets	354,258	369,213
Liabilities		
Accounts payable	5,360	3,080
Due to other funds	-	5,770
Total liabilities	5,360	8,850
Net assets		
Held in Trust for:		
Reserved for endowment	348,898	360,363
Total net assets	\$ 348,898	\$ 360,363

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

CITY OF OAK RIDGE, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Years Ended June 30, 2004 and June 30, 2003

	Private-purpose Trust Fund	
	2004	2003
Additions		
Contributions	\$ 4,000	\$ 2,325
Net increase (decrease) in fair value of investments	(585)	13,588
Total additions	<u>3,415</u>	<u>15,913</u>
Deductions		
Scholarship awards	<u>14,880</u>	<u>11,375</u>
Total deductions	<u>14,880</u>	<u>11,375</u>
Change in net assets	(11,465)	4,538
Total net assets - beginning	<u>360,363</u>	<u>355,825</u>
Total net assets - ending	<u>\$ 348,898</u>	<u>\$ 360,363</u>

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

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30 2004

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CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

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

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

As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The operations of the Oak Ridge Schools are included as a part of the primary government. Discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize they are legally separate from the City. The accounting principles and policies utilized by the discretely presented component units are the same as those of the City unless stated otherwise in the following Notes to the Financial Statements. All discretely presented component units have a June 30 year-end.

Discretely Presented Component Unit

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

Oak Ridge Convention and Visitors Bureau
302 South Tulane
Oak Ridge, Tennessee 37830

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

Related Organizations

Oak Ridge City Council is responsible for all board appointments of the following:

Oak Ridge Housing Authority
Oak Ridge Utility District
Oak Ridge Industrial Development Board
Oak Ridge Health and Education Facilities Board

However, the City has no further accountability for any of these organizations. The City cannot impose its will on these boards since it does not have the ability to modify or approve their budgets or overrule or modify decisions of the boards. The boards are fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, they are not included in the City's financial statements.

b. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

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

The City reports the following major governmental funds:

General Fund

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

School Fund

The School Fund is a special revenue fund. This fund is used to account for the revenues and expenditures of the City's public school system.

The City reports the following major enterprise funds:

Electric Fund

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

Waterworks Fund

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

Golf Course Fund

The Golf Course Fund is used to account for the construction and operation of a municipal golf course. The course opened for play in late June 1997. The fund's operations are financed from the sale of land surrounding the golf course and the proceeds from the operations of the golf course.

The City reports the following fund types:

Internal Service Funds

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

Private Purpose Trust Fund

The Scholarship Fund, a private purpose trust fund, is used to account for principal trust amounts received and related interest income. The interest portion of the trust is used

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

for college scholarship awards. The principal amount is invested but must be preserved intact.

c. Measurement Focus and Basis of Accounting

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

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

The City considers all revenues available if they are collected within 60 days after year-end. Sales, gasoline and motor fuel, beer and liquor wholesale, room occupancy and mixed drink taxes are considered "measurable" at the point of sale and are recognized as revenue at that time. All other intergovernmental revenues, licenses and permits, charges for services, fines and forfeitures, and other revenues are measurable when received and are recorded as revenue at that time. Property taxes are levied June 1 and the revenue from that levy is recognized in the following fiscal year beginning July 1, the year in which the tax revenues are intended to finance (see Note 2).

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

As permitted by generally accepted accounting principles, the City has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989 that

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

do not contradict GASB pronouncements in its accounting and reporting practices for its governmental activities, business-type activities and proprietary operations.

d. Budgets and Budgetary Accounting

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

- 1) Prior to May 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Also, a six-year capital budget is presented in conjunction with the operating budget.
- 2) A public hearing is conducted at the Municipal Building to obtain taxpayer comments.
- 3) Prior to July 1, the budgets for all governmental funds are legally enacted through passage of an ordinance by City Council.
- 4) The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Expenditures may not exceed appropriations at the fund level.
- 5) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Budgetary control is also achieved for the Debt Service Fund through general obligation bond indenture provisions.
- 6) The budgets for all governmental funds are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), except that in the General, Special Revenue, and Capital Projects Funds, encumbrances are treated as budgeted expenditures in the year the commitment to purchase is incurred.
- 7) All appropriations which are not expended or encumbered lapse at year end.
- 8) During the year, supplementary appropriations were necessary for the School Fund, a special revenue fund. The effect of the amendments was to increase budgeted revenues and other financing sources by \$1,494,247, and increase budgeted expenditures by \$1,553,067. These modifications were necessary to allow for the expenditure of unanticipated grant revenues and to account for the capital lease of computer equipment entered into during fiscal 2004.

e. Cash and Cash Equivalents

Cash and cash equivalents include deposits in the State of Tennessee's Local Government Investment Pool (LGIP) as well as cash on hand and on deposit. Withdrawals in excess of \$500,000 generally require 24-hour notice to the LGIP. The LGIP is a SEC 2a-7-like fund and

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

the amount stated is based on the LGIP share price. The fund is reported at its amortized book value and the City is exempted from sharing in any realized gains or losses of the fund.

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

f. Investments

Investments are comprised of corporate stock held in the Scholarship Fund, and are stated at the fair value based upon quoted market price.

g. Unbilled Accounts Receivable

In the Electric Fund, an enterprise fund, an estimated amount has been recorded for services rendered but not yet billed as of the close of the fiscal year. The receivable was computed by taking the cycle billings the City sent to customers in July and prorating the amount of days applicable to the current fiscal year.

h. Allowances for Doubtful Accounts

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

i. Inventories and Prepaid Items

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

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

j. Compensated Absences

Employees of the City are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave; however, accumulated sick pay is not paid. For the City's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

k. Capital Assets

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

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

Infrastructure	50 years	2% composite method
Buildings	33 1/3 - 50 years	2% - 3% composite method
Improvements	15 - 40 years	2.5% - 6.67% composite method
Equipment	3 - 20 years	6% - 8% composite method

For proprietary fund assets, interest is capitalized on construction costs incurred with tax-exempt debt using the interest rate on borrowed funds. The amount of interest cost incurred on tax-exempt debt is reduced by the amount of interest earnings for the year. Interest is capitalized on construction costs incurred with taxable debt using the average interest rate on the borrowed funds. The capitalization period is from the date of the borrowing until the construction period is complete.

l. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

m. Interfund Transactions

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

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

n. Net Assets/Fund Balance

Net assets in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net assets represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Refer to Note 14.

o. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue and Capital Project Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

p. Deferred Revenues

Deferred revenue represents amounts that have been collected or billed in advance of revenue recognition. In the General Fund, revenue from the June 1 tax levy is recognized in the following fiscal year beginning on July 1. Refer to Note 2. Grant revenues are recognized when an expenditure is made and any grant proceeds received in excess of amounts expended are deferred until a qualifying expenditure is made. At June 30, 2004, deferred revenue from grant proceeds included \$1,897 recorded in the School Fund and \$20,811 recorded in the Grant Fund, both special revenue funds. School Fund deferred revenues also includes \$27,465 in collections to fund special projects in fiscal 2005.

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

q. Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

r. Comparative Data

Comparative total data for the prior year, which was summarized from the 2003 Comprehensive Annual Financial Report, have been presented in selected sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations and is not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Certain reclassifications have been made to make 2003 data comparable to that of 2004.

s. Early Application of GASB Statement No. 42

The City early applied GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement provides guidance for accounting and reporting for the impairment of capital assets. Asset impairment is a *significant, unexpected decline in the service utility of a capital asset*. There was no impact on the financial statements that resulted from the early application of this statement.

2. PROPERTY TAX

The City's property tax is levied each June 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. The revenue from that levy is recognized in the following fiscal year beginning July 1, the year in which it is intended to finance, and is reflected as deferred revenue on the current year's General Fund balance sheet. The amount of property taxes recorded as deferred revenue in the General Fund at June 30, 2004 is \$15,268,313.

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

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

The last reappraisal was completed for the list as of January 1, 1998 (recognized in the fiscal year beginning July 1, 1998). The assessed value for the list as of January 1, 2003, was \$524,705,300. The appraised value was \$1,755,267,362 making the total assessed value approximately 30 percent of the total appraised value.

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

Taxes were levied at a rate of \$2.87 per \$100 of assessed value. Taxes are due in one payment on June 1 (levy date) and delinquent on August 1 (lien date) each tax year. Current tax collections of \$14,760,793 for the fiscal year ended June 30, 2004 were approximately 96 percent of the tax levy.

3. DEPARTMENT OF ENERGY

The Department of Energy (DOE) has three major facilities in Oak Ridge that represent the largest activity at any one location within the nationwide DOE complex. Oak Ridge National Laboratory (ORNL), one of the nation's largest multipurpose research centers, develops safe, economic, and environmentally acceptable technologies for efficient production and use of energy. ORNL enhances area wide economic growth and development through its technology transfer program to private sector industries, as well as, sophisticated needs and uses for federal and private environmental/hazardous waste management, metals and ceramics technologies, and space-age tool and die industries. The former Oak Ridge Gaseous Diffusion Plant is a focal point for developing hazardous waste management impoundment and storage. Oak Ridge Y-12 plant is a highly sophisticated manufacturing and developmental engineering organization engaged primarily in programs vital to national defense. BWXT, Inc., UT-Battelle and Bechtel Jacobs, the contractors that operate the three major facilities, are the major employers in Oak Ridge. DOE plants account for 35% of total water sales and 24% of wastewater revenues.

From incorporation through 1986, the City received financial assistance and in-lieu of tax payments from DOE or its predecessor agencies. In fiscal year 1986, the City received a settlement of \$23,184,600 from DOE that ended the financial assistance and represented a ten-year lump sum settlement for in-lieu of tax. In the last quarter of fiscal 1996, the annual in-lieu of tax payments from DOE resumed. The City received \$1,266,919 from DOE in tax payments in fiscal 2004. The annual payments are subject to congressional appropriation.

4. RETIREMENT PLAN

Plan Description

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Employees working in the school system are members of a separate plan administered by the TCRS. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with 5 years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Active members on June 1, 1994 became vested after 5 years of service. Benefit provisions are established in State statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided each July based on the percentage

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**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increase is less than .50%. The maximum annual COLA is capped at 3.0%. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Status and Progress

The City's plan is noncontributory and has assumed employee contributions up to 5.0% of annual covered payroll. A small number of employees whose contribution rate was greater than 5.0% prior to the change to the adoption to noncontributory still contribute the excess over 5.0%.

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2004 was 8.86% of annual covered payroll. The contribution requirement of plan members is set by State statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2004, the City's annual pension cost of \$1,188,137 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2001 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 salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2001 was 14 years. An actuarial valuation was performed as of July 1, 2003, which established contribution rates effectively July 1, 2004.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 1,188,137	100.00%	\$ 0
6/30/03	\$ 1,206,855	100.00%	\$ 0
6/30/02	\$ 912,552	100.00%	\$ 0

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Required Supplementary Information

The Schedule of Funding Progress is presented below (dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
_____	(a)	(b)	(b)-(a)	(a/b)	(c)	((b-a)/c)
7/01/03	\$ 54,703	\$ 56,972	\$ 2,269	96.02%	\$ 13,623	16.66%
7/01/01	\$ 51,844	\$ 54,289	\$ 2,445	95.50%	\$ 12,996	18.81%
7/01/99	\$ 46,449	\$ 46,795	\$ 346	99.26%	\$ 12,086	2.86%

Oak Ridge School System Employees - Retirement Plan

Non-Teaching Personnel

Plan Description

Non-teaching employees working in the Oak Ridge School system are covered in a separate retirement plan administered 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 plan description is the same as the one outlined above for City employees not working in the school system with the exception that a reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service and members joining the system prior to July 1, 1979 were vested after four years of service. Benefit improvements are not applicable to employees in the School system unless approved by the Board of Education.

The Comprehensive Annual Financial Report of the TCRS for the year ended June 30, 2004, may be obtained at the following address: Tennessee Treasury Department, Tennessee Consolidated Retirement System, 10th Floor, Andrew Jackson State Office Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

The Oak Ridge Schools plan is a contributory plan whereby the employee contributes 5% of earnable compensation and the employer is responsible for the remaining contribution. The School Fund is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2004, was 4.92% of annual covered payroll. 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.

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**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Annual Pension Cost

For the year ending June 30, 2004, Oak Ridge Schools' annual pension cost of \$271,599 to TCRS was equal to Oak Ridge Schools' required and actual contributions. The required contribution was determined as part of the July 1, 2001, 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 salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a five-year period. Amortized book value was used for fixed income securities. 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, 2001, was 14 years.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	\$ 271,599	100.00%	\$ 0
6/30/03	\$ 264,180	100.00%	\$ 0
6/30/02	\$ 204,035	100.00%	\$ 0

Required Supplementary Information

The Schedule of Funding Progress is presented below (dollar amounts in thousands)

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b)-(a)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>((b-a)/c)</u>
7/01/03	\$ 15,549	\$ 16,227	\$ 678	95.82%	\$ 5,305	12.78%
7/01/01	\$ 14,594	\$ 15,446	\$ 852	94.48%	\$ 4,697	18.14%
7/01/99	\$ 12,816	\$ 13,365	\$ 549	95.89%	\$ 4,473	12.27%

Teaching Personnel

Plan Description

The Oak Ridge Schools contribute to the State Employees, Teachers and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The plan description is the same as the one outlined above for non-teaching school employees. Benefit provisions are established by State statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly.

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CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained at the following address: Tennessee Treasury Department, Tennessee Consolidated Retirement System, 10th Floor, Andrew Jackson State Office Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

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 rate for the fiscal year ending June 30, 2004, was 3.39% of annual covered payroll. The contribution requirements of the Oak Ridge Schools are established and may be amended by the TCRS Board of Trustees. The Oak Ridge Schools' contributions to TCRS for the years ending June 30, 2004, 2003, and 2002 were \$702,435, \$679,142 and \$724,897, respectively, equal to the required contributions for each year.

5. POST-RETIREMENT BENEFITS

Retired employees from the City, excluding employees working in the school system, may continue their individual or family hospitalization insurance coverage through the City, but must reimburse the City at 75% of the premium costs. During fiscal 2004, the City contributed \$35,230 toward retirees insurance premium costs with 20 retirees receiving the benefit at fiscal year end. The City funds its contribution of the retirees insurance premiums on a pay-as-you-go basis.

The Schools will provide post-retirement health benefits for retired professional employees for a period of up to 5 consecutive years following retirement if required criteria has been satisfied. With proper notification, for professional employees retiring at age 60, or after 30 years of creditable service in the Tennessee Consolidated Retirement System (TCRS) with at least 10 years as a teacher in the Oak Ridge Schools, the individual out-of-pocket insurance premium will be paid by the schools for 5 years or until the retiree reaches age 65.

Retirees have health insurance premiums deducted directly from their TCRS monthly pension benefits. TCRS will pay the following percentage of the individual premium based on years of service. With 30 years or more of service TCRS pays 45% of the premium, 20 to 29 years of service TCRS pays 35% of the premium and with less than 20 years of service TCRS pays 25% of the premium. The Schools will reimburse up to 85% of qualified retirees individual out-of-pocket health insurance premium costs. During fiscal 2004, the Schools reimbursed approximately \$64,172 to 27 retirees. The Schools funds its contribution of the retirees individual insurance premium on a pay-as-you-go basis.

6. ACCOUNTS RECEIVABLE

For collection economy, the Electric Fund purchases the utility customer receivables from the Waterworks Fund and accounts receivable from the Solid Waste Fund for charges on residential refuse service. The Electric Fund is reimbursed by these funds for their uncollectible accounts. Billing and collecting expenses or expenditures are allocated among the three funds. Customers

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

are billed for services monthly on a cyclical basis. Unbilled revenue for utility services rendered but not yet billed as of the close of the fiscal year in the amount of \$1,159,619 was recorded in the Electric Fund at June 30, 2004.

Receivables at June 30, 2004 consist of the following:

Fund	Taxes	Customer Accounts	Other	Allowance For Uncollectibles	Net Receivable Per Governmental- wide Financial Statement
General	\$ 15,223,746	\$ 535,691	\$ 582,085	\$ (1,463,440)	\$ 14,878,082
School Fund	---	140,452	---	---	140,452
Electric	---	6,143,239	---	(847,334)	5,295,905
Waterworks	---	308,037	---	---	308,037
Golf Course	---	---	63,650	---	63,650
Emergency Communi- cation District	---	---	39,773	---	39,773
Total	\$ 15,223,746	\$ 7,127,419	\$ 685,508	\$ (2,310,774)	\$ 20,725,899

7. DEPOSITS AND INVESTMENTS

The unrestricted cash of the City's various funds are pooled for investment purposes as described in Note 8. State statutes authorize the City and Oak Ridge Schools to invest in obligations of the Federal government, State government, State investment pool, Certificates of Deposit and other time deposits, and repurchase agreements.

Deposits

At year-end, the carrying amount of the City's deposits was \$8,559,228 and the bank balance was \$8,505,069. Deposits include a certificate of deposit accounted for in the General Fund recorded at its fair value of \$58,583 at year-end. At June 30, 2004, all City deposits were held in financial institutions that participate in the Tennessee Bank Collateral Pool administered by the Treasurer's Office of the State of Tennessee. Financial institutions participating in the bank collateral pool determine the aggregate balance of their public funds and report that to the Treasurer's Office. The amount of collateral required to secure these deposits must be equal to the average daily balance of public deposits held. Participating financial institutions pledge the collateral securities required to protect their public fund accounts to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. Since the bank collateral pool covered all City deposits at year-end, they are classified in category 1 as insured.

Investments

The Oak Ridge Schools held, as trustee, federal agency debt securities in the Scholarship fund, a Fiduciary Fund, with a carrying value of \$96,791 at year-end. The carry value of the investment

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**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

was presented at fair value. The level of risk assumed by the City for this investment is Category 1 since the investment is held by the Schools in the School's name.

The City's remaining investments at fiscal year end were held in the State Local Government Investment Pool (LGIP). The responsibility for conducting the LGIP's investment program resides with the State Treasurer and investments are made in instruments authorized by Tennessee Code Annotated, Section 9-4-602. The LGIP is a SEC 2a-7-like fund and the carrying value of the City's investment held by the LGIP at fiscal year end of \$15,826,698 is based on the LGIP share price. The City is exempted from sharing in any unrealized gains or losses of the LGIP.

Investment Income (Loss)

Investment income (loss) in the Scholarship Fund for 2004 consisted of the following:

Interest and dividend income	\$ 7,412
Unrealized (loss) on market value	(7,001)
Realized (loss) on sale of common stock	<u>(996)</u>
Total	<u>\$ (585)</u>

8. POOLED CASH AND INVESTMENTS

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

9. RESTRICTED ASSETS

The Electric Fund's restricted assets include customer utility deposits and funds set aside to satisfy legal covenants regarding debt service on Electric Fund long-term debt issuances. The Waterworks Fund's restricted assets include contractor retainage deposits.

The "current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The Enterprise Funds restricted assets at June 30, 2004 are as indicated below:

	<u>Electric Fund</u>	<u>Waterworks Fund</u>	<u>Total</u>
Deposits	\$ 886,585	\$ 262,805	\$ 1,149,390
Current debt service account	<u>144,094</u>	<u>---</u>	<u>144,094</u>
Total	<u>\$ 1,030,679</u>	<u>\$ 262,805</u>	<u>\$ 1,293,484</u>

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

10. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2004 was as follows:

	Beginning Balances	Increases	Decreases and Adjustments	Transfers	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,589,374	\$ 7,218	\$ -	\$ 592,369	\$ 2,188,961
Construction in progress	255,651	370,255	-	(444,662)	181,244
Total capital assets not being depreciated	<u>1,845,025</u>	<u>377,473</u>	<u>-</u>	<u>147,707</u>	<u>2,370,205</u>
Capital assets being depreciated:					
Infrastructure	27,612,940	1,797,919	-	(592,369)	28,818,490
Buildings	54,194,924	557,547	-	-	54,752,471
Improvements other than buildings	26,080,170	698,258	-	-	26,778,428
Machinery and equipment	14,408,492	461,855	(310,311)	-	14,560,036
Total capital assets being depreciated	<u>122,296,526</u>	<u>3,515,579</u>	<u>(310,311)</u>	<u>(592,369)</u>	<u>124,909,425</u>
Less accumulated depreciation for:					
Infrastructure	(12,673,108)	(576,370)	-	-	(13,249,478)
Buildings	(18,564,590)	(1,098,928)	-	-	(19,663,518)
Improvements other than buildings	(11,290,124)	(1,046,503)	-	-	(12,336,627)
Machinery and equipment	(7,835,687)	(1,249,808)	328,217	-	(8,757,278)
Total accumulated depreciation	<u>(50,363,509)</u>	<u>(3,971,609)</u>	<u>328,217</u>	<u>-</u>	<u>(54,006,901)</u>
Total capital assets being depreciated, net	<u>71,933,017</u>	<u>(456,030)</u>	<u>17,906</u>	<u>(592,369)</u>	<u>70,902,524</u>
Governmental activities capital assets, net	<u>\$ 73,778,042</u>	<u>\$ (78,557)</u>	<u>\$ 17,906</u>	<u>\$ (444,662)</u>	<u>\$ 73,272,729</u>

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

General government	\$ 101,648
Public safety	486,175
Public works	1,112,957
Community service	525,708
Education	1,745,121
Total depreciation expense	<u>\$ 3,971,609</u>

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

Capital Asset activity for the business type activities for the year ended June 30, 2004 was as follows:

	Beginning Balances	Increases	Decreases and Adjustments	Ending Balances
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,877,066	\$ -	\$ (707,825)	\$ 1,169,241
Construction in progress	<u>2,251,913</u>	<u>3,803,254</u>	<u>(3,870,648)</u>	<u>2,184,519</u>
Total capital assets not being depreciated	<u>4,128,979</u>	<u>3,803,254</u>	<u>(4,578,473)</u>	<u>3,353,760</u>
Capital assets being depreciated:				-
Buildings	22,984,004	797,230	-	23,781,234
Improvements other than buildings	17,694,862	117,387	(98,510)	17,713,739
Machinery and equipment	<u>113,946,674</u>	<u>5,059,863</u>	<u>(278,557)</u>	<u>118,727,980</u>
Total capital assets being depreciated	<u>154,625,540</u>	<u>5,974,480</u>	<u>(377,067)</u>	<u>160,222,953</u>
Buildings	(6,749,982)	(709,657)	-	(7,459,639)
Improvements other than buildings	(3,064,257)	(515,065)	-	(3,579,322)
Machinery and equipment	<u>(37,483,067)</u>	<u>(3,328,015)</u>	354,514	<u>(40,456,568)</u>
Total accumulated depreciation	<u>(47,297,306)</u>	<u>(4,552,737)</u>	354,514	<u>(51,495,529)</u>
Total capital assets being depreciated, net	<u>107,328,234</u>	<u>1,421,743</u>	<u>(22,553)</u>	<u>108,727,424</u>
Business-type activities capital assets, net	<u>\$ 111,457,213</u>	<u>\$ 5,224,997</u>	<u>\$ (4,601,026)</u>	<u>\$ 112,081,184</u>

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

Electric	\$ 1,786,575
Waterworks	2,596,236
Golf Course	154,800
Emergency Communications	15,126
Total depreciation expense	<u>\$ 4,552,737</u>

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

11. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the City for the year ended June 30, 2004:

	Beginning Balances	Additions	Retirements/ Reductions	Ending Balances	Current Portion of Long-term Liabilities
Governmental Activities:					
General Fund:					
General Obligation Bonds	\$ 29,176,000	\$ -	\$ (2,035,000)	\$ 27,141,000	\$ 2,095,000
Unamortized Bond Discount	(73,360)	-	5,680	(67,680)	(5,680)
Unamortized Reoffering Premium	82,299	-	(6,372)	75,927	6,372
TN Municipal Bond Fund Loan	725,028	797,737	(49,000)	1,473,765	51,000
TN-LOANS	18,570,000	-	-	18,570,000	-
Capital Lease Obligations	-	891,640	(240,872)	650,768	205,575
Vacation Benefits	1,139,887	1,377,445	(1,296,384)	1,220,948	1,220,948
City Equipment Replacement Rental Fund:					
General Obligation Bonds	1,669,000	-	(170,000)	1,499,000	170,000
Unamortized Bond Discount	(18,520)	-	1,867	(16,653)	(1,867)
Unamortized Reoffering Premium	12,830	-	(1,294)	11,536	1,294
Vacation Benefits	33,355	22,140	(19,052)	36,443	36,443
School Equipment Replacement Rental Fund:					
Capital Lease Obligations	132,977	-	(64,502)	68,475	68,475
Total Long-term Liabilities - Governmental Activities:	\$ 51,449,496	\$ 3,088,962	\$ (3,874,929)	\$ 50,663,529	\$ 3,847,560
Business-type Activities:					
Electric Fund:					
Revenue Bonds	\$ 11,980,000	\$ -	\$ (810,000)	\$ 11,170,000	\$ 820,000
Unamortized Bond Discount	(121,891)	-	9,437	(112,454)	(9,437)
Unamortized Reoffering Premium	310,320	-	(24,499)	285,821	24,499
TN-LOANS	10,380,000	-	-	10,380,000	-
Unamortized Bond Discount	(101,770)	-	10,528	(91,242)	(10,528)
Vacation Benefits	74,818	140,217	(97,725)	117,310	117,310
Waterworks Fund:					
General Obligation Bonds	5,125,000	-	(325,000)	4,800,000	330,000
Unamortized Bond Discount	(52,343)	-	4,052	(48,291)	(4,052)
Unamortized Reoffering Premium	6,141	-	(475)	5,666	475
TN Municipal Bond Fund Loan	4,174,572	306,167	(95,000)	4,385,739	100,000
TN Local Development Authority Notes	104,846	-	(13,641)	91,205	14,407
State Revolving Fund Program Loan	14,718,277	1,218,432	(523,064)	15,413,645	585,960
Vacation Benefits	170,808	157,931	(144,791)	183,948	183,948
Golf Course Fund:					
General Obligation Bonds	6,800,000	-	(175,000)	6,625,000	180,000
Unamortized Bond Discount	(120,974)	-	17,672	(103,302)	(17,672)
Total Long-term Liabilities - Business-type Activities:	\$ 53,447,804	\$ 1,822,747	\$ (2,167,506)	\$ 53,103,045	\$ 2,314,910

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**CITY OF OAK RIDGE, TENNESSEE
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For the Fiscal Year Ended June 30, 2004**

General Obligation Debt Refunding

In March 2003, the City issued \$14,720,000 in General Obligation Refunding Bonds Series 2003 to refund outstanding general obligation debt whose annual debt service payment was to be funded by, the General Fund and Equipment Replacement Rental Fund, both governmental-type activities, and debt to be funded by the Waterworks Fund, a business-type activity. At fiscal year end, the unamortized discount on the bonds was \$132,624, the unamortized bond issuance costs were \$66,379 and the unamortized gain on sale was \$93,129. These costs are being amortized over a 14-year life in the government-wide statements.

A. Long-Term Debt – Governmental Activities

General Obligation Bonds – General Fund

The following is a summary of the City's general obligation bonded debt transactions funded by the General Fund for the year ended June 30, 2004:

	<u>Governmental Activities</u>			<u>Balance 6/30/04</u>
	<u>Balance 7/01/03</u>	<u>Additions</u>	<u>Retirements</u>	
Series 2000, General Obligation Bonds Portions Advance Refunded FY 2001 Interest Rate: 4.40% - 4.95%, Mature 2007 City and School miscellaneous building, recreational and street improvements	\$ 775,000	\$ ---	\$ 160,000	\$ 615,000
Series 2001, GO Refunding Bonds Issue: \$22,480,000, Maturing 2015 Interest Yield: 3.56% - 4.83%	21,010,000	---	740,000	20,270,000
Series 2003, GO Refunding Bonds Issue: \$7,485,709, Maturing 2016 Interest Yield: 2.00% - 4.00%	7,391,000	---	1,135,000	6,256,000
Total General Obligation Bonded Debt	<u>\$ 29,176,000</u>	<u>\$ ---</u>	<u>\$ 2,035,000</u>	<u>\$ 27,141,000</u>

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

Debt service requirements to maturity for general obligation bonds for the fiscal year ended June 30, 2004, are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total Requirements
2005	\$ 2,095,000	\$ 1,211,278	\$ 3,306,278
2006	2,175,000	1,130,722	3,305,722
2007	2,260,000	1,046,635	3,306,635
2008	2,350,000	952,747	3,302,747
2009	2,440,000	860,760	3,300,760
2010	2,338,000	757,785	3,095,785
2011	2,453,000	634,455	3,087,455
2012	2,740,000	515,900	3,255,900
2013	2,690,000	378,900	3,068,900
2014	2,620,000	246,550	2,866,550
2015	1,600,000	122,150	1,722,150
2016	1,380,000	55,200	1,435,200
Total	\$ 27,141,000	\$ 7,913,082	\$ 35,054,082

Variable Interest Rate Loans – General Fund

In fiscal 1995, the City executed a loan agreement with the Tennessee Municipal Bond Fund for \$1,247,994 to fund a grant to the Roane State Foundation for the purpose of purchasing land for a permanent Roane State Community College campus in Oak Ridge and storm drainage improvements. The loan had a principal balance of \$568,765 at June 30, 2004.

In May 2001, the City issued \$18,570,000 in variable rate debt through the TN-LOANS program to refund all the outstanding General Obligation Refunding Bonds Series 1992 and refund \$9,600,000 of the outstanding General Obligation School Bonds Series 1995. Principal payments begin in 2015 with maturity in 2022.

On August 20, 2001, City Council authorized the issuance of \$1,000,000 in general obligation debt through the Tennessee Municipal Bond Fund to finance the expansion, renovation and equipping of the Scarboro Center. The United States Department of Housing and Urban Development (HUD) has approved a \$95,000 annual grant award that is anticipated to finance the annual principal and interest payments through the loans maturity in 2017. At June 30, 2004, the outstanding principal balance of the loan was \$905,000.

The loans are to be repaid from General Fund revenues, with the exception of the loan for the Scarboro expansion that is to be paid from grant proceeds from HUD as outlined above. The interest rate varies on a weekly basis and is paid monthly for the Tennessee Municipal Bond Fund loans and quarterly for the TN-LOANS. Annual interest payments are amortized below using a

(continued)

CITY OF OAK RIDGE, TENNESSEE
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1.7% interest rate, which was the actual weekly rate at June 30, 2004. For budgeting purposes, the City uses a 3.8% interest rate for these loans. Projected debt service requirements to maturity are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total Requirements
2005	\$ 51,000	\$ 340,672	\$ 391,672
2006	54,000	339,801	393,801
2007	56,000	338,880	394,880
2008	59,000	337,923	396,923
2009	62,000	336,916	398,916
2010	65,000	335,858	400,858
2011	69,000	334,747	403,747
2012	72,000	333,570	405,570
2013	76,000	332,340	408,340
2014	79,000	331,044	410,044
2015	1,223,000	328,080	1,551,080
2016	1,572,000	306,795	1,878,795
2017	3,102,722	277,903	3,380,625
2018	3,145,326	225,096	3,370,422
2019	2,890,251	171,987	3,062,238
2020	3,010,512	122,682	3,133,194
2021	3,146,145	71,311	3,217,456
2022	1,212,183	20,566	1,232,749
2023	98,626	1,537	100,163
Total	<u>\$ 20,043,765</u>	<u>\$ 4,887,708</u>	<u>\$ 24,931,473</u>

City Equipment Replacement Rental Fund

On September 30, 1999, the City executed a general obligation loan agreement through the Tennessee Municipal Bond Fund loan program for \$2,326,575 for the acquisition of four fire trucks and year 2000 compliant computer hardware and software. The outstanding principal balance of this loan was paid in its entirety from the proceeds of the General Obligation Refunding Bonds Series 2003. The debt service on the \$1,898,733 portion of the bonds required to refund the outstanding loan is to be repaid from revenues in the City Equipment Replacement Rental Fund, an internal service fund, a governmental type activity. At year-end, the bonds had a principal balance of \$1,499,000. Interest rates range from 2% to 4% with debt service requirements to maturity as of June 30, 2004 as follows:

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

<u>Fiscal Year</u>	Governmental Activities		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 170,000	\$ 45,115	\$ 215,115
2006	170,000	41,715	211,715
2007	175,000	38,315	213,315
2008	185,000	33,940	218,940
2009	190,000	28,390	218,390
2010	157,000	22,690	179,690
2011	177,000	17,195	194,195
2012	205,000	11,000	216,000
2013	70,000	2,800	72,800
Total	\$ 1,499,000	\$ 241,160	\$ 1,740,160

Capital Leases Obligations

During fiscal year 2004, the Schools financed the purchases of two apple computer systems for \$891,640 from Apple Computer, Inc. and California First Leasing Corporation (CalFirst) through the General Purpose School Fund. Terms of these two capital leases required an initial payment of \$240,873 and three annual payments of \$245,872 at 5.49% and 4.04% interest through July 14, 2006 and January 31, 2007, respectively. The amount outstanding at June 30, 2004 was \$650,768.

During fiscal year 1998, the Oak Ridge Schools financed the purchase of nine school buses for a principal amount of \$503,502 through the School Equipment Replacement Rental Fund. Terms of the capital lease required an initial payment of \$100,000 and seven annual payments of \$72,693 at 6.16% interest. The amount outstanding at June 30, 2004 was \$68,475. The accumulated depreciation on the nine school buses was \$229,368 at June 30, 2004.

The future principal and interest payments on these capital lease obligations as of June 30, 2004 are as follows:

2005	\$	313,565
2006		240,872
2007		240,872
Total Minimum Lease Payments		795,309
Less: Amount Representing Interest		76,066
Present Value of Minimum Lease Payment	\$	719,243

(continued)

CITY OF OAK RIDGE, TENNESSEE
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B. Long-term Debt – Business-type Activities

Electric Revenue Bonds

In March 2003, the City issued \$12,425,000 in Electric Revenue Refunding Bonds, Series 2003 to refund portions of outstanding Electric Fund debt. At fiscal year end, the unamortized bond issuance costs were \$75,182. These costs were recorded as a Deferred Charge and are being amortized over the 14-year life of the new debt. The \$316,445 difference between the reacquisition price and the net carrying amount of the refunded debt has been deferred and is being amortized straight-line over a 14-year life. At year-end, the deferral balance of \$285,821 has been shown on the balance sheet for the Electric Fund as an increase to the liability for the outstanding long-term debt. The unamortized discount on the bonds was \$112,454 at June 30, 2004.

This bond issuance is payable solely from and secured by the income and revenues from the operation of the electric power distribution system, subject only to the payment of reasonable and necessary costs of operating, maintaining, repairing and insuring said system. Interest rates on the bonds range from 2% to 4% with debt service requirements to maturity as of June 30, 2004 as follows:

Fiscal Year	Business-type Activities		
	Principal	Interest	Total Requirements
2005	\$ 820,000	\$ 415,700	\$ 1,235,700
2006	835,000	399,300	1,234,300
2007	850,000	374,250	1,224,250
2008	880,000	348,750	1,228,750
2009	900,000	322,350	1,222,350
2010	930,000	290,850	1,220,850
2011	965,000	258,300	1,223,300
2012	1,000,000	219,700	1,219,700
2013	1,010,000	169,700	1,179,700
2014	1,095,000	119,200	1,214,200
2015	925,000	75,400	1,000,400
2016	960,000	38,400	998,400
Total	<u>\$ 11,170,000</u>	<u>\$ 3,031,900</u>	<u>\$ 14,201,900</u>

Electric System Variable Interest Rate Loan

During fiscal 2001, the City executed a \$15,000,000 loan agreement through TN-LOANS payable solely from and secured by a pledge of Net Revenues derived from the operations of the Electric System. This loan refunded the outstanding Series 1993 revenue bonds, refunded the outstanding bonds sold at private sale to TVA, and provided funding for electric system rehabilitation and expansion. \$235,936 was disbursed for issuance costs, which were recorded as a Deferred Charge and are being amortized straight-line over the 29-year life of the new debt.

(continued)

CITY OF OAK RIDGE, TENNESSEE
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The unamortized issuance costs were \$210,173 at June 30, 2004. The \$124,580 difference between the reacquisition price and the net carrying amount of the Series 1993 bonds has been deferred and will be straight-line amortized as a component of interest-expense over the remaining life of the Series 1993 bonds. At year-end, the deferral balance of \$91,242 has been shown on the balance sheet for the Electric Fund as a deduction to the liability for the outstanding long-term debt. The 2003 to 2016 maturities of this loan were paid from the proceeds of the Electric Revenue Refunding Bonds, Series 2003. The loan had an outstanding balance of \$10,380,000 at June 30, 2004.

The loan is to be repaid from Electric system revenues and accordingly, has been recorded as a long-term liability of the Electric Fund. Terms of the loan agreements provide for annual principal and quarterly interest installments, with the interest rate varying on a weekly basis. Annual interest payments are amortized below using a 1.7% interest rate, which was the actual weekly rate at June 30, 2004. Projected debt service requirements to maturity as of June 30, 2004 as follows:

Fiscal Year	Business-type Activities		Total Requirements
	Principal	Interest	
2005	\$ ---	\$ 176,460	\$ 176,460
2006	---	176,460	176,460
2007	---	176,460	176,460
2008	---	176,460	176,460
2009	---	176,460	176,460
2010	---	176,460	176,460
2011	---	176,460	176,460
2012	---	176,460	176,460
2013	---	176,460	176,460
2014	---	176,460	176,460
2015	---	176,460	176,460
2016	---	176,460	176,460
2017	290,000	176,054	466,054
2018	305,000	171,104	476,104
2019	580,000	165,535	745,535
2020	615,000	155,626	770,626
2021	650,000	145,122	795,122
2022	690,000	134,016	824,016
2023	735,000	122,223	857,223
2024	775,000	109,672	884,672
2025	825,000	96,427	921,427
2026	870,000	82,339	952,339
2027	925,000	67,472	992,472
2028	980,000	51,671	1,031,671
2029	1,040,000	34,927	1,074,927
2030	1,100,000	17,163	1,117,163
Total	<u>\$ 10,380,000</u>	<u>\$ 3,646,871</u>	<u>\$ 14,026,871</u>

(continued)

CITY OF OAK RIDGE, TENNESSEE
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For the Fiscal Year Ended June 30, 2004

General Obligation Bonds – Waterworks Fund:

In March 2003, the City issued \$14,720,000 in General Obligation Refunding Bonds Series 2003, a portion of which paid all the outstanding Waterworks Fund variable interest rate debt for the TN-LOANS H-1 loan issued in 1997 and Tennessee Municipal Bond Fund (TMBF) loan issued in 1998 and the 2003 through 2016 maturities of the variable interest rate TMBF loan issued in 1995. The unamortized issuance costs for the Waterworks Fund portion of this issue, recorded as a Deferred Charge, was \$24,157 at fiscal year end. The net of the unamortized discount of \$48,291 and the unamortized gain on issuance of \$5,666 has been shown on the balance sheet for the Waterworks Fund as a reduction to the liability for the outstanding long-term debt at June 30, 2004. Interest rate range from 2% to 4% with debt service requirements to maturity for the fiscal year ended June 30, 2004 as follows:

<u>Fiscal Year</u>	Business-type Activities		
	Principal	Interest	Total Requirements
2005	\$ 330,000	\$ 161,900	\$ 491,900
2006	340,000	155,300	495,300
2007	350,000	148,500	498,500
2008	370,000	139,750	509,750
2009	380,000	128,650	508,650
2010	390,000	117,250	507,250
2011	400,000	103,600	503,600
2012	420,000	89,600	509,600
2013	435,000	72,800	507,800
2014	445,000	55,400	500,400
2015	460,000	37,600	497,600
2016	480,000	19,200	499,200
Total	\$ 4,800,000	\$ 1,229,550	\$ 6,029,550

Variable Interest Rate Loan – Waterworks Fund

The City executed loan agreements for \$6,152,006 and \$3,000,000 during fiscal 1995 and 2001, respectively, with the Tennessee Municipal Bond Fund to fund water and wastewater system rehabilitation and expansion. The 2003 to 2016 maturities of the 1995 loan were paid from the proceeds of the General Obligation Refunding Bonds Series 2003. The remaining portion of the 1995 loan matures in 2023 and the 2001 loan matures in 2021. The unamortized issuance costs for these loans, recorded as a Deferred Charge, was \$42,072 at year-end.

The loans are to be repaid from Waterworks Fund revenues and accordingly, have been recorded as a long-term liability of the Waterworks Fund. The outstanding principal balance on these loans at June 30, 2004 was \$4,385,739. Terms of the loan agreements provide for annual principal and monthly interest installments, with the interest rate varying on a weekly basis. Interest is estimated using a 1.7% interest rate, which was the actual weekly rate at June 30, 2004, with projected debt service requirements to maturity as follows:

(continued)

CITY OF OAK RIDGE, TENNESSEE
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For the Fiscal Year Ended June 30, 2004

Fiscal Year	Business-type Activities		
	Principal	Interest	Total Requirements
2005	\$ 100,000	\$ 74,415	\$ 174,415
2006	105,000	72,708	177,708
2007	110,000	70,916	180,916
2008	116,000	69,038	185,038
2009	121,000	67,059	188,059
2010	128,000	64,992	192,992
2011	134,000	62,807	196,807
2012	141,000	60,519	201,519
2013	148,000	58,112	206,112
2014	155,000	55,586	210,586
2015	163,000	52,940	215,940
2016	161,004	50,174	211,178
2017	323,978	47,210	371,188
2018	346,674	41,665	388,339
2019	370,949	35,737	406,686
2020	396,888	29,394	426,282
2021	424,655	22,608	447,263
2022	454,417	15,346	469,763
2023	486,174	7,576	493,750
Total	\$ 4,385,739	\$ 958,802	\$ 5,344,541

Waterworks Fund - Tennessee Local Development Authority Note

Debt service requirements to maturity for the Tennessee Local Development Authority Waterworks Fund note payable are as follows:

Fiscal Year	Business-type Activities		
	Principal	Interest	Total Requirement
2005	\$ 14,407	\$ 1,553	\$ 15,960
2006	15,377	795	16,172
2007	15,936	75	16,011
2008	16,550	---	16,550
2009	17,155	---	17,155
2010	11,780	---	11,780
Total	\$ 91,205	\$ 2,423	\$ 93,628

(continued)

CITY OF OAK RIDGE, TENNESSEE
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For the Fiscal Year Ended June 30, 2004

Tennessee State Revolving Fund Loan – Waterworks Fund

During fiscal 1998 and 1999, the City executed a \$11,197,000 loan and a \$5,000,000 loan through the Tennessee State Revolving Fund (SRF) administered by the Tennessee Department of Environment and Conservation (TDEC) to finance improvements and expansion of the Wastewater Treatment Plant, wastewater collection system rehabilitation and wastewater lift station replacements. Terms of both 20-year loans call for monthly principal and interest payments, using a 4.09% and a 4.04% fixed interest rate, respectively. Debt service payments will be funded by Waterworks Fund revenues from residential and commercial wastewater fees. The City, as do all governmental entities in the SRF loan program, pledged first its State-shared tax revenues (State sales, gasoline, beer, TVA replacement, mixed drinks, alcoholic beverages and income tax) and then the City's taxing authority as collateral for the loan. It is not anticipated that revenues from these sources will be required to fund the debt service on these loans. The outstanding principal balance of these loans was \$10,823,487 and \$4,590,158, respectively, at June 30, 2004. A projected amortization schedule for outstanding SRF loans as of June 30, 2004 is as follows:

Fiscal Year	Business-type Activities		Total Requirements
	Principal	Interest	
2005	\$ 585,960	\$ 617,268	\$ 1,203,228
2006	610,296	592,920	1,203,216
2007	635,640	567,588	1,203,228
2008	662,040	541,188	1,203,228
2009	689,520	513,696	1,203,216
2010	718,164	485,064	1,203,228
2011	747,984	455,256	1,203,240
2012	779,040	424,188	1,203,228
2013	811,392	391,836	1,203,228
2014	845,088	358,140	1,203,228
2015	880,176	323,052	1,203,228
2016	916,716	286,500	1,203,216
2017	954,792	248,436	1,203,228
2018	994,440	208,788	1,203,228
2019	1,035,732	167,496	1,203,228
2020	1,078,740	124,476	1,203,216
2021	1,123,536	79,680	1,203,216
2022	1,170,147	33,004	1,203,151
2023	<u>174,242</u>	<u>2,036</u>	<u>176,278</u>
Total	<u>\$ 15,413,645</u>	<u>\$ 6,420,612</u>	<u>\$ 21,834,257</u>

During fiscal 2003, a third loan from the SRF program for \$7,000,000 was approved that will provide financing for the fiscals 2005 to 2009 phase of the wastewater system rehabilitation project, which includes sanitary sewer replacement, slip-lining, cured-in-place and pipe bursting, and manhole and pump station rehabilitation and replacement. Terms of the loan are the same

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

as outlined above with the exception that the fixed interest rate for this loan is 3.83%. Loan proceeds are drawn as work is completed. No loan proceeds had been drawn as of June 30, 2004.

General Obligation Bonds - Golf Course Fund

On August 1, 1998, the City issued \$7,275,000 in Golf Course Revenue and Tax Bonds for the refunding of \$6,100,000 in outstanding Capital Outlay Notes issued to construct and equip the Golf Course and for capital improvements. The unamortized discount on the bonds at June 30, 2004 is \$61,190. The \$126,388 difference between the reacquisition price and the net carrying amount of the capital outlay notes has been deferred and is being straight-line amortized as a component of interest expense over the original remaining 9-year life of the notes. At year-end, the deferral balance of \$103,302 has been shown on the balance sheet for the Golf Course Fund as a deduction to the liability for the outstanding bonds.

The general obligation bonds are primarily payable from the net revenues of the operation of the golf course and sale of land surrounding the course for residential development. Accordingly, the bonds have been recorded as a liability of the Golf Course Fund. Interest rates range from 4.4% - 4.9% and final maturity is June 1, 2023. Debt service requirements to maturity for the bonds as of June 30, 2004, are as follows:

Fiscal Year	Business-type Activities		
	Principal	Interest	Total Requirements
2005	\$ 180,000	\$ 309,195	\$ 489,195
2006	190,000	301,275	491,275
2007	200,000	292,915	492,915
2008	245,000	284,115	529,115
2009	265,000	273,335	538,335
2010	275,000	261,675	536,675
2011	285,000	249,575	534,575
2012	300,000	237,035	537,035
2013	315,000	223,535	538,535
2014	330,000	209,360	539,360
2015	345,000	194,180	539,180
2016	360,000	178,310	538,310
2017	380,000	161,570	541,570
2018	410,000	143,710	553,710
2019	460,000	124,235	584,235
2020	480,000	101,925	581,925
2021	510,000	78,645	588,645
2022	530,000	53,655	583,655
2023	565,000	27,685	592,685
TOTAL	\$ 6,625,000	\$ 3,705,930	\$ 10,330,930

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

12. INTERFUND RECEIVABLE AND PAYABLE BALANCES

Due to and from accounts represent short-term loans between funds. The composition of due to / due from balances as of June 30, 2004, is as follows:

Due to Other Funds						
Due from Other Funds	General Fund	Nonmajor Funds	Internal Service	Electric Fund	Waterworks Fund	Total
General Fund	\$ -	\$ 2,196,587	\$ 172,532	\$ 406,698	\$ 877,948	\$ 3,653,765
Internal Service Funds	1,581	-	-	-	-	1,581
Nonmajor Funds	214,162	-	-	-	-	214,162
Total	\$ 215,743	\$ 2,196,587	\$ 172,532	\$ 406,698	\$ 877,948	\$ 3,869,508

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Inventory	\$ 112,500
Electric	Inventory	950,000
Waterworks	Inventory	600,000
Total		\$ 1,662,500

Advances to and from accounts represent long-term loans between funds.

13. TRANSFERS

Transfers were primarily to support the capital projects and operations of the funds. Interfund transfers for the current fiscal year were as follows:

Transfer In				
Transfer Out	School Fund	Nonmajor Funds	Golf Course Fund	Total
General Fund	\$ 10,646,242	\$ 7,304,255	\$ 500,000	\$ 18,450,497
Electric Fund	-	137,395	-	137,395
Waterworks Fund	-	114,496	-	114,496
Total	\$ 10,646,242	\$ 7,556,146	\$ 500,000	\$ 18,702,388

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

14. RESERVES AND DESIGNATIONS

The City records a number of reserves and designations of fund balance which are maintained for specific purposes. The nature and purpose of these reserves and designations is explained as follows:

Reserved for Special Programs. City Special Revenue Funds had statutory reserves of fund balance totaling \$93,182 at fiscal year end for special programs. The fund balance of the Drug Enforcement Program Fund, \$43,505 at fiscal year end, is legally restricted for use in investigations of drug-related violations. The School Fund had reserves totaling \$49,221 for the Career Ladder Program and prepaid items. The Capital Projects Fund reserves totaled \$456 for the City's remaining share of the recently completed phase of the State roadway project to expand Tuskegee Drive in Oak Ridge.

Reserved For Encumbrances. Encumbrances outstanding at year-end represent the estimated amount the City intends to honor as a commitment regardless of the lapse in the appropriation. At June 30, 2004, the following amounts were reserved:

	<u>Amount</u>
General Fund	\$ 410,454
School Fund	191,161
Nonmajor Funds	<u>1,485,494</u>
Total	<u>\$ 2,087,109</u>

Reserved for Endowment. The Scholarship Fund, a Private Purpose Trust Fund, was established to account for trust funds that are legally restricted to endowment purposes. The interest on the trust principal is used to award college scholarships to high school seniors. The Reserve for Endowment for the Scholarship Fund at June 30, 2004 was \$348,898.

Designated for Debt Retirement. This designation was established by City Council action to accumulate funds from General Fund revenues for retirement of existing general obligation debt. The amount designated at June 30, 2004 totaled \$1,720,796.

Reserved For Advance to Other Funds. Noncurrent portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. Advances to Internal Service Funds at June 30, 2004 from the General Fund totaled \$112,500.

Unreserved Fund Balance - Designated for Subsequent Years' Expenditures. Designations of fund balances of governmental funds are used to indicate tentative plans for financial resource utilization in a future period. The School Fund, a Special Revenue Fund, designated \$63,316 of fund balance of which \$7,995 was for the Family Resource Center, \$53,246 was for extended childcare programs and \$2,075 for miscellaneous other projects. The Capital Projects Fund designated \$2,424,090 of fund balance for capital projects.

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

15. COMMITMENTS

At June 30, 2004, the City had remaining contractual commitments for engineering, construction contracts and equipment purchases totaling \$4,373,496 for the following projects:

<u>Projects</u>	<u>Spent To-Date</u>	<u>Commitment Remaining</u>	<u>Committed Fund</u>
Emory Valley Greenway	\$ 127,110	\$ 34,300	Capital Projects
Storm Water Regulations Study	31,484	36,216	Capital Projects
Building Improvements	10,940	93,360	Capital Projects
Roadway Improvements	317,083	243,325	Capital Projects State Street Aid
Legal Services	72,000	77,000	Economic Diversification
Professional Services for Electric	768,843	654,039	Electric
Waterworks Treatment Plant Improvements	1,523,702	625,516	Waterworks
Wastewater Distribution System Rehab.	1,266,525	2,417,659	Waterworks
Utility Relocation - Turnpike Widening	26,211	75,489	Waterworks
Equipment	<u>0</u>	<u>116,592</u>	Equipment Replacement Rental
TOTAL	<u>\$ 4,143,898</u>	<u>\$ 4,373,496</u>	

Funding for Capital Projects Fund commitments will primarily be provided by existing cash in the Fund generated through annual operating transfers from the General Fund to finance major maintenance projects. The State Street Aid Fund, whose revenues are derived from State-share taxes and operating transfers from the General Fund, will provide additional funding for roadway projects. The Economic Diversification Fund, whose operations are funded by transfers from the General, Electric and Waterworks Funds, will provide funding for contacted legal services whose goal is to enhance remuneration from the federal government. Electrical project costs will be funded from current available revenues in the Electric Fund. Waterworks projects will be funded by the \$7,000,000 in available proceeds from an approved TDEC loan and current waterworks revenues. The equipment will be purchased from existing cash in the Equipment Replacement Rental Fund.

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**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

16. LITIGATION

The City generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both (1) an asset has been impaired or a liability has been incurred, and (2) the amount of loss can be reasonably estimated. Settlement of all potential claims from various lawsuits in which the City is involved would not, in management's estimation, materially affect the financial statements of the City.

17. RISK MANAGEMENT

The City Insurance Fund, an internal service fund, is used to account for risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and employee medical insurance plans. The City Insurance Fund does not account for risks related to the City School system assets or employees. Funding for the City Insurance Fund is provided by the General, Electric and Waterworks Funds through an allocation for insurance coverage based on each Fund's pro rata share of services provided. The School Fund, a Special Revenue Fund, is used to account for School system risks of loss related to torts; theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and employee medical insurance plans.

City employee group medical insurance is fully provided through an independent insurance carrier with the City and employees contributing to payment of the premiums. Dental and vision benefits provided to employees by the City are self-funded from the revenues of the City Insurance Fund. School employee medical insurance is fully provided through an independent insurance carrier with the School Fund and the employees contributing to payment of the premiums.

Insurance coverage for city and schools assets related to general liability, auto liability, auto physical damage, errors and omissions and workers compensation for city and school system employees is through a public entity risk pool operated as a risk sharing program by the Tennessee Municipal League (TML). This pool is sustained by member premiums and the City and Schools pay an annual premium for its coverage. Losses for risk related to the school system were paid in full by the TML in fiscal 2004. The City has per occurrence deductibles as outlined below. The city paid \$54,203 in deductibles to the TML in fiscal 2004 for workers compensation and property liability claims of \$38,351 and \$15,852, respectively.

Other school risks of loss are covered by commercial insurance. The remaining risks accounted for in the City Insurance Fund are covered by commercial insurance purchased from independent third parties with the City being self-insured for the per occurrence deductible under each insurance policy. The per occurrence deductible for each insurance policy covered by the City Insurance Fund for fiscal 2004 is as outlined below:

(continued)

**CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004**

<u>Insurance Plan</u>	<u>Annual Per Occurrence Deductible</u>
General Liability	\$ 5,000
Auto Liability	5,000
Auto Physical Damage	5,000
Errors and Omissions	5,000
Boiler and Machinery	10,000 or 2% of KVA
Electronic Data Processing	2,500
Property	5,000
Property-Natural Disaster (Flood/Earthquake)	50,000
Worker's Compensation	50,000

There have been no liabilities in excess of commercial insurance coverage for the past three fiscal years. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Changes in the claims liability amount for the City Insurance Funds for the fiscal years ended June 30, 2003 and June 30, 2004 were as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2003	\$ 192,846	\$ 323,157	(\$ 358,299)	\$ 157,704
2004	\$ 157,704	\$ 285,592	(\$ 178,185)	\$ 265,111

18. SALES TAX REFUND

In fiscal 1998, the City received \$1,281,500 in local option sales taxes through the State from a local federal government contractor based upon an audit assessment by the Tennessee Department of Revenue. The taxpayer contested the audit assessment and filed legal action to obtain a refund of the remitted sales taxes. In May 2004, the City received notification from the State that the City would be required to refund the local option sales taxes received by the City in fiscal 1998 plus an additional amount for interest. The City will refund the taxes to the State over a 24-month period. The \$1,281,500 had previously been accounted for as Deferred Revenue. At June 30, 2004, \$1,077,524 and \$341,000 was recorded as an accrued liability in the Capital Projects Fund and the School Fund, respectively.

19. SUBSEQUENT EVENTS

On August 5, 2004, the citizens in the Anderson County portion of Oak Ridge overwhelmingly voted to increase the local sales tax option from 2.25% to the state maximum of 2.75%, with the additional tax proceeds being legally restricted to fund the renovation, construction and related debt service of the Oak Ridge High School (ORHS) project. The sales tax rate increase became

(continued)

CITY OF OAK RIDGE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2004

effective with sales beginning on October 1, 2004. The ORHS project is anticipated to cost \$55,000,000 over a four-year period. Debt issuances will occur in phases over the next two to three years to finance construction of the ORHS project. Funding for the debt service on these issuances will be provided from the additional .50% sales tax proceeds in Oak Ridge Anderson County, private donations and from revenues generated from the existing property tax base.

To finance the ORHS project and other projects, City Council has authorized the following general obligation debt issuances. On September 7, 2004 City Council authorized agreements to issue up to \$12,000,000 in bond or notes through the Tennessee State School Board Authorities Qualified Zone Academy Projects (QZAB) program for the ORHS project. The QZAB program provides interest free loans to school systems that met certain criteria. On October 4, 2004, City Council authorized the issuance of not to exceed \$46,000,000 in debt for the ORHS project through a Tennessee Public Building Authority. On December 13, 2004, City Council authorized the issuance of not to exceed \$20,000,000 in debt through the Tennessee Municipal Bond Fund (TMBF) loan program, with \$15,000,000 estimated for the ORHS project and \$5,000,000 estimated for electric, water and wastewater projects. The \$15,000,000 for the ORHS project is a duplication of the October 4, 2004 authorization to clarify resolution wording requested by the TMBF. The intent is for the financing of the ORHS project not to exceed \$55,000,000 from the various debt instruments outlined above. While the estimated \$5,000,000 in funding for electric, water and wastewater projects is backed by the full faith and credit of the city, the debt service on these issuances will be funded by the revenues generated from the operation of the electric, water and wastewater systems.

To date, the City has issued \$9,000,000 in debt through the QZAB program, with issuance of the remaining \$4,000,000 authorized borrowing being contingent on funding being available from the State and the project being able to meet the required criteria.



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Economic Diversification Fund: This fund was established in fiscal 2000 to account for the economic diversification efforts of the City. Economic Diversification Fund expenditures are primarily funded from transfers from the General, Electric and Waterworks Funds.

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

Street and Public Transportation Fund: This fund accounts for the Transportation Assistance for the Elderly Program and the Public Transportation Program. Revenues are provided from a special one-cent-per-gallon inspection fee levied on all petroleum products bought, sold or stored in Tennessee and an operating assistance grant from the Tennessee Department of Transportation.

Grant Fund: This fund is used to account for programs and expenditures funded by state and federal grants. Annually awarded grants are primarily from the Tennessee and United States Departments of Housing and Urban Development and the Tennessee Department of Human Services. Other grants accounted for in this fund are generally one-time project specific awards.

Solid Waste Fund: This fund was established in accordance with Tennessee State Law, Public Chapter Number 759, which requires the use of a Special Revenue Fund to account for the financial activities related to the collection and transportation of solid waste.

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

Debt Services Fund

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition, construction and major maintenance of capital assets of the City other than those financed by proprietary funds. Projects are funded through a combination of long-term debt proceeds and annual transfers from the General Fund. Current projects included the renovation of various City and School buildings. Major projects for the Schools included roof replacements, heating/cooling equipment replacements and technological upgrades. Major City projects included storm water and sidewalk improvements, roof replacements and major building maintenance projects and miscellaneous recreation and park improvements.

**CITY OF OAK RIDGE, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	SPECIAL REVENUE FUNDS										Total Nonmajor Governmental Funds
	Economic Diversification	State Street Aid	Street and Public Transportation	Grant	Solid Waste	Drug Enforcement Program	Debt Service Fund	Capital Projects Fund			
Assets											
Cash and cash equivalents	\$ 2,684,994	\$ 624,467	\$ 171,530	\$ 58,251	\$ -	\$ 41,770	\$ 1,722,029	\$ 4,584,405	\$ -	\$ 9,887,446	
Due from other funds	40,473	-	4,150	-	169,539	-	-	-	-	214,162	
Due from other governments	-	131,044	38,787	2,139,042	-	-	-	-	-	2,308,873	
Prepaid items	-	206,834	-	-	-	1,765	-	461	-	209,060	
Total assets	\$ 2,725,467	\$ 962,345	\$ 214,467	\$ 2,197,293	\$ 169,539	\$ 43,535	\$ 1,722,029	\$ 4,584,866	\$ -	\$ 12,619,541	
Liabilities and fund balances											
Liabilities:											
Accounts payable	\$ 20,753	\$ 16,682	\$ 26,478	\$ 14,579	\$ 169,539	\$ 30	\$ 1,233	\$ 93,707	\$ -	\$ 343,001	
Accrued liabilities	2,649	-	-	-	-	-	-	-	-	2,649	
Due to other funds	-	-	-	2,032,533	-	-	-	164,054	-	2,196,587	
Due to other governments	-	-	-	-	-	-	-	1,068,678	-	1,068,678	
Deferred revenue	-	-	-	20,811	-	-	-	-	-	20,811	
Contracts payable	-	-	-	58,251	-	-	-	-	-	58,251	
Total liabilities	23,402	16,682	26,478	2,126,174	169,539	30	1,233	1,326,439	-	3,689,977	
Fund balances:											
Reserved for special programs	-	-	-	-	-	43,505	-	456	-	43,961	
Reserved for encumbrances	11,613	640,000	-	-	-	-	-	833,881	-	1,485,494	
Designated for debt service fund	-	-	-	-	-	-	1,720,796	-	-	1,720,796	
Designated for capital projects fund	-	-	-	-	-	-	-	2,424,090	-	2,424,090	
Undesignated	2,690,452	305,663	187,989	71,119	-	-	-	-	-	3,255,223	
Total fund balances	2,702,065	945,663	187,989	71,119	-	43,505	1,720,796	3,258,427	-	8,929,564	
Total liabilities and fund balances	\$ 2,725,467	\$ 962,345	\$ 214,467	\$ 2,197,293	\$ 169,539	\$ 43,535	\$ 1,722,029	\$ 4,584,866	\$ -	\$ 12,619,541	

CITY OF OAK RIDGE, TENNESSEE
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2004

	SPECIAL REVENUE FUNDS							Capital Projects Fund	Total Nonmajor Governmental Funds
	Economic Diversification	State Street Aid	Street and Public Transportation	Grant	Solid Waste	Drug Enforcement Program	Debt Service Fund		
Revenues									
Intergovernmental	\$ -	\$ 770,381	\$ 138,032	\$ 2,202,753	\$ -	\$ 541	\$ -	\$ -	\$ 3,111,707
Charges for services	-	-	-	-	690,231	-	-	-	690,231
Fines and forfeitures	-	-	-	-	-	56,493	-	-	56,493
Interest	24,664	8,060	1,634	-	-	447	27,792	52,733	115,330
Other	-	-	-	-	-	12,100	-	-	12,100
Total revenues	24,664	778,441	139,666	2,202,753	690,231	69,581	27,792	52,733	3,985,861
Expenditures									
Current:									
Public Safety	-	-	-	42,977	-	67,316	-	-	110,293
Public Works	-	1,214,426	3,927	252,608	-	-	-	-	1,470,961
Community services	1,138,723	-	190,128	1,145,347	1,713,237	-	-	-	4,187,435
Capital outlay	-	-	-	987,800	-	-	-	1,270,073	2,257,873
Debt service:									
Principal retirement	-	-	-	60,289	-	-	2,035,000	-	2,095,289
Interest and fiscal charges	-	-	-	-	-	-	1,546,228	-	1,546,228
Total expenditures	1,138,723	1,214,426	194,055	2,489,021	1,713,237	67,316	3,581,228	1,270,073	11,668,079
Excess (deficiency) of revenues over (under) expenditures	(1,114,059)	(435,985)	(54,389)	(286,268)	(1,023,006)	2,265	(3,553,436)	(1,217,340)	(7,682,218)
Other financing sources (uses)									
Transfers in	931,655	500,000	10,000	-	1,023,006	-	4,034,485	1,057,000	7,556,146
Loan issuance	-	-	-	797,737	-	-	-	-	797,737
Total other financing sources (uses)	931,655	500,000	10,000	797,737	1,023,006	-	4,034,485	1,057,000	8,353,883
Net change in fund balances	(182,404)	64,015	(44,389)	511,469	-	2,265	481,049	(160,340)	671,665
Fund balance - beginning	2,884,469	881,648	232,378	(440,350)	-	41,240	1,239,747	3,418,767	8,257,899
Fund balance - ending	\$ 2,702,065	\$ 945,663	\$ 187,989	\$ 71,119	\$ -	\$ 43,505	\$ 1,720,796	\$ 3,258,427	\$ 8,929,564

**CITY OF OAK RIDGE, TENNESSEE
ECONOMIC DIVERSIFICATION FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 2,684,994	\$ 2,887,377
Due from other funds	40,473	1,200
Total assets	<u>\$ 2,725,467</u>	<u>\$ 2,888,577</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 20,753	\$ 2,009
Accrued liabilities	2,649	2,099
Total liabilities	<u>23,402</u>	<u>4,108</u>
Fund balances:		
Reserved for encumbrances	11,613	20,306
Undesignated	2,690,452	2,864,163
Total fund balances	<u>2,702,065</u>	<u>2,884,469</u>
Total liabilities and fund balances	<u>\$ 2,725,467</u>	<u>\$ 2,888,577</u>

**CITY OF OAK RIDGE, TENNESSEE
ECONOMIC DIVERSIFICATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004**

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 1,000,000	\$ (1,000,000)
Interest	24,664	-	24,664	40,000	(15,336)
Total revenues	<u>24,664</u>	<u>-</u>	<u>24,664</u>	<u>1,040,000</u>	<u>(1,015,336)</u>
Expenditures					
Current:					
Community services	1,138,723	(8,692)	1,130,031	3,021,655	1,891,624
Total expenditures	<u>1,138,723</u>	<u>(8,692)</u>	<u>1,130,031</u>	<u>3,021,655</u>	<u>1,891,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,114,059)</u>	<u>8,692</u>	<u>(1,105,367)</u>	<u>(1,981,655)</u>	<u>876,288</u>
Other financing sources (uses)					
Transfers in	931,655	-	931,655	931,655	-
Total other financing sources (uses)	<u>931,655</u>	<u>-</u>	<u>931,655</u>	<u>931,655</u>	<u>-</u>
Net change in fund balances	(182,404)	8,692	(173,712)	(1,050,000)	876,288
Fund balance - beginning	<u>2,884,469</u>	<u>-</u>	<u>2,884,469</u>	<u>2,884,469</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,702,065</u>	<u>\$ 8,692</u>	<u>\$ 2,710,757</u>	<u>\$ 1,834,469</u>	<u>\$ 876,288</u>

**CITY OF OAK RIDGE, TENNESSEE
STATE STREET AID FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 624,467	\$ 752,027
Due from other governments	131,044	134,346
Total assets	<u>\$ 962,345</u>	<u>\$ 886,373</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 16,682	\$ 4,725
Total liabilities	<u>16,682</u>	<u>4,725</u>
Fund balances:		
Reserved for encumbrances	640,000	275,000
Undesignated	305,663	606,648
Total fund balances	<u>945,663</u>	<u>881,648</u>
Total liabilities and fund balances	<u>\$ 962,345</u>	<u>\$ 886,373</u>

CITY OF OAK RIDGE, TENNESSEE
STATE STREET AID FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues					
Intergovernmental	\$ 770,381	\$ -	\$ 770,381	\$ 714,350	\$ 56,031
Interest	8,060	-	8,060	10,000	(1,940)
Total revenues	<u>778,441</u>	<u>-</u>	<u>778,441</u>	<u>724,350</u>	<u>54,091</u>
Expenditures					
Current:					
Public Works	<u>1,214,426</u>	<u>364,999</u>	<u>1,579,425</u>	<u>1,581,290</u>	<u>1,865</u>
Total expenditures	<u>1,214,426</u>	<u>364,999</u>	<u>1,579,425</u>	<u>1,581,290</u>	<u>1,865</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(435,985)</u>	<u>(364,999)</u>	<u>(800,984)</u>	<u>(856,940)</u>	<u>55,956</u>
Other financing sources (uses)					
Transfers in	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>560,650</u>	<u>(60,650)</u>
Total other financing sources (uses)	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>560,650</u>	<u>(60,650)</u>
Net change in fund balances	64,015	(364,999)	(300,984)	(296,290)	(4,694)
Fund balance - beginning	<u>881,648</u>	<u>-</u>	<u>881,648</u>	<u>881,648</u>	<u>-</u>
Fund balance - ending	<u>\$ 945,663</u>	<u>\$ (364,999)</u>	<u>\$ 580,664</u>	<u>\$ 585,358</u>	<u>\$ (4,694)</u>

**CITY OF OAK RIDGE, TENNESSEE
STREET AND PUBLIC TRANSPORTATION FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 171,530	\$ 189,786
Due from other funds	4,150	313
Due from other governments	38,787	48,643
Total assets	<u>\$ 214,467</u>	<u>\$ 238,742</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 26,478	\$ 6,364
Total liabilities	<u>26,478</u>	<u>6,364</u>
Fund balances:		
Undesignated	<u>187,989</u>	<u>232,378</u>
Total fund balances	<u>187,989</u>	<u>232,378</u>
Total liabilities and fund balances	<u>\$ 214,467</u>	<u>\$ 238,742</u>

CITY OF OAK RIDGE, TENNESSEE
STREET AND PUBLIC TRANSPORTATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues					
Intergovernmental	\$ 138,032	\$ -	\$ 138,032	\$ 139,950	\$ (1,918)
Interest	1,634	-	1,634	6,000	(7,634)
Total revenues	<u>139,666</u>	<u>-</u>	<u>139,666</u>	<u>145,950</u>	<u>(9,552)</u>
Expenditures					
Current:					
Public Works	3,927	-	3,927	-	(3,927)
Community services	190,128	-	190,128	208,000	17,872
Total expenditures	<u>194,055</u>	<u>-</u>	<u>194,055</u>	<u>208,000</u>	<u>13,945</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,389)</u>	<u>-</u>	<u>(54,389)</u>	<u>(62,050)</u>	<u>7,661</u>
Other financing sources (uses)					
Transfers in	10,000	-	10,000	5,850	4,150
Total other financing sources (uses)	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>5,850</u>	<u>4,150</u>
Net change in fund balances	(44,389)	-	(44,389)	(56,200)	11,811
Fund balance - beginning	<u>232,378</u>	<u>-</u>	<u>232,378</u>	<u>232,378</u>	<u>-</u>
Fund balance - ending	<u>\$ 187,989</u>	<u>\$ -</u>	<u>\$ 187,989</u>	<u>\$ 176,178</u>	<u>\$ 11,811</u>

**CITY OF OAK RIDGE, TENNESSEE
GRANT FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	2004	2003
Assets		
Cash and cash equivalents	\$ 58,251	\$ 55,002
Due from other governments	2,139,042	1,645,198
Total assets	\$ 2,197,293	\$ 1,700,200
 Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 14,579	\$ 107,534
Due to other funds	2,032,533	1,952,229
Deferred revenue	20,811	25,785
Contracts payable	58,251	55,002
Total liabilities	2,126,174	2,140,550
 Fund balances:		
Undesignated	71,119	(440,350)
Total fund balances	71,119	(440,350)
Total liabilities and fund balances	\$ 2,197,293	\$ 1,700,200

CITY OF OAK RIDGE, TENNESSEE
GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues					
Intergovernmental	\$ 2,202,753	-	\$ 2,202,753	\$ 4,700,881	\$ (2,498,128)
Total revenues	<u>2,202,753</u>	<u>-</u>	<u>2,202,753</u>	<u>4,700,881</u>	<u>(2,498,128)</u>
Expenditures					
Current:					
Public Safety	42,977	-	42,977	55,000	12,023
Public Works	252,608	-	252,608	-	252,608
Community services	1,145,347	-	1,145,347	1,077,080	(68,267)
Capital outlay	987,800	-	987,800	3,473,801	2,486,001
Principal retirement	60,289	-	60,289	95,000	60,289
Total expenditures	<u>2,489,021</u>	<u>-</u>	<u>2,489,021</u>	<u>4,700,881</u>	<u>2,742,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(286,268)</u>	<u>-</u>	<u>(286,268)</u>	<u>-</u>	<u>(286,268)</u>
Other financing sources (uses)					
Loan issuance	797,737	-	797,737	-	797,737
Total other financing sources (uses)	<u>797,737</u>	<u>-</u>	<u>797,737</u>	<u>-</u>	<u>797,737</u>
Net change in fund balances	511,469	-	511,469	-	511,469
Fund balance - beginning	<u>(440,350)</u>	<u>-</u>	<u>(440,350)</u>	<u>-</u>	<u>-</u>
Fund balance - ending	<u>\$ 71,119</u>	<u>\$ -</u>	<u>\$ 71,119</u>	<u>\$ -</u>	<u>\$ 511,469</u>

**CITY OF OAK RIDGE, TENNESSEE
SOLID WASTE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Due from other funds	\$ 169,539	\$ 164,827
Total assets	<u>\$ 169,539</u>	<u>\$ 164,827</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 169,539	\$ 164,827
Total liabilities	<u>169,539</u>	<u>164,827</u>
Fund balances:		
Undesignated	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 169,539</u>	<u>\$ 164,827</u>

CITY OF OAK RIDGE, TENNESSEE
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues					
Charges for services	\$ 690,231	\$ -	\$ 690,231	\$ 686,000	\$ 4,231
Total revenues	<u>690,231</u>	<u>-</u>	<u>690,231</u>	<u>686,000</u>	<u>4,231</u>
Expenditures					
Current:					
Community services	<u>1,713,237</u>	<u>-</u>	<u>1,713,237</u>	<u>1,769,510</u>	<u>56,273</u>
Total expenditures	<u>1,713,237</u>	<u>-</u>	<u>1,713,237</u>	<u>1,769,510</u>	<u>56,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,023,006)</u>	<u>-</u>	<u>(1,023,006)</u>	<u>(1,083,510)</u>	<u>60,504</u>
Other financing sources (uses)					
Transfers in	<u>1,023,006</u>	<u>-</u>	<u>1,023,006</u>	<u>1,108,510</u>	<u>(85,504)</u>
Total other financing sources (uses)	<u>1,023,006</u>	<u>-</u>	<u>1,023,006</u>	<u>1,108,510</u>	<u>(85,504)</u>
Net change in fund balances	-	-	-	25,000	(25,000)
Fund balance - beginning	-	-	-	-	-
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ (25,000)</u>

**CITY OF OAK RIDGE, TENNESSEE
 DRUG ENFORCEMENT PROGRAM FUND
 COMPARATIVE BALANCE SHEETS
 June 30, 2004 and 2003**

	2004	2003
Assets		
Cash and cash equivalents	\$ 41,770	\$ 40,727
Prepaid items	1,765	644
Total assets	\$ 43,535	\$ 41,371
 Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 30	\$ 131
Total liabilities	30	131
 Fund balances:		
Reserved for special programs	43,505	41,240
Total fund balances	43,505	41,240
Total liabilities and fund balances	\$ 43,535	\$ 41,371

**CITY OF OAK RIDGE, TENNESSEE
 DRUG ENFORCEMENT PROGRAM FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET (BUDGETARY BASIS) AND ACTUAL
 For the Fiscal Year Ended June 30, 2004**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
Revenues					
Intergovernmental	\$ 541	\$ -	\$ 541	\$ -	\$ 541
Fines and forfeitures	56,493	-	56,493	58,500	(2,007)
Interest	447	-	447	2,500	(2,053)
Other	12,100	-	12,100	10,000	2,100
Total revenues	<u>69,581</u>	<u>-</u>	<u>69,581</u>	<u>71,000</u>	<u>(1,419)</u>
Expenditures					
Current:					
Public Safety	67,316	-	67,316	98,450	31,134
Total expenditures	<u>67,316</u>	<u>-</u>	<u>67,316</u>	<u>98,450</u>	<u>31,134</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,265</u>	<u>-</u>	<u>2,265</u>	<u>(27,450)</u>	<u>29,715</u>
Net change in fund balances	2,265	-	2,265	(27,450)	29,715
Fund balance - beginning	<u>41,240</u>	<u>-</u>	<u>41,240</u>	<u>41,240</u>	<u>-</u>
Fund balance - ending	<u>\$ 43,505</u>	<u>\$ -</u>	<u>\$ 43,505</u>	<u>\$ 13,790</u>	<u>\$ 29,715</u>

**CITY OF OAK RIDGE, TENNESSEE
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	2004	2003
Assets		
Cash and cash equivalents	\$ 1,722,029	\$ 667,152
Due from other funds	-	573,330
Total assets	\$ 1,722,029	\$ 1,240,482
 Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 1,233	\$ -
Matured interest payable	-	735
Total liabilities	1,233	735
 Fund balances:		
Designated for debt service fund	1,720,796	1,239,747
Total fund balances	1,720,796	1,239,747
Total liabilities and fund balances	\$ 1,722,029	\$ 1,240,482

CITY OF OAK RIDGE, TENNESSEE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Budget</u>	<u>Variance Positive (Negative)</u>
Revenues					
Interest	\$ 27,792	\$ -	\$ 27,792	\$ 7,200	\$ 20,592
Other	-	-	-	1,000,000	(1,000,000)
Total revenues	<u>27,792</u>	<u>-</u>	<u>27,792</u>	<u>1,007,200</u>	<u>(979,408)</u>
Expenditures					
Debt service:					
Principal retirement	2,035,000	-	2,035,000	2,050,000	15,000
Interest and fiscal charges	<u>1,546,228</u>	<u>-</u>	<u>1,546,228</u>	<u>3,184,485</u>	<u>1,638,257</u>
Total expenditures	<u>3,581,228</u>	<u>-</u>	<u>3,581,228</u>	<u>5,234,485</u>	<u>1,653,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,553,436)</u>	<u>-</u>	<u>(3,553,436)</u>	<u>(4,227,285)</u>	<u>673,849</u>
Other financing sources (uses)					
Transfers in	4,034,485	-	4,034,485	4,234,485	(200,000)
Total other financing sources (uses)	<u>4,034,485</u>	<u>-</u>	<u>4,034,485</u>	<u>4,234,485</u>	<u>(200,000)</u>
Net change in fund balances	481,049	-	481,049	7,200	473,849
Fund balance - beginning	<u>1,239,747</u>	<u>-</u>	<u>1,239,747</u>	<u>1,239,747</u>	<u>-</u>
Fund balance - ending	<u>\$ 1,720,796</u>	<u>\$ -</u>	<u>\$ 1,720,796</u>	<u>\$ 1,246,947</u>	<u>\$ 473,849</u>

**CITY OF OAK RIDGE, TENNESSEE
CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
June 30, 2004 and 2003**

	2004	2003
Assets		
Cash and cash equivalents	\$ 4,584,405	\$ 4,858,273
Prepaid items	461	456
Total assets	\$ 4,584,866	\$ 4,858,729
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 93,707	\$ 303,700
Due to other funds	164,054	195,762
Due to other governments	1,068,678	-
Deferred revenue	-	940,500
Total liabilities	1,326,439	1,439,962
Fund balances:		
Reserved for special programs	456	456
Reserved for encumbrances	833,881	639,409
Designated for capital projects fund	2,424,090	2,778,902
Total fund balances	3,258,427	3,418,767
Total liabilities and fund balances	\$ 4,584,866	\$ 4,858,729

CITY OF OAK RIDGE, TENNESSEE
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
Revenues					
Intergovernmental	\$ -	\$ -	\$ -	\$ 376,240	\$ (376,240)
Interest	52,733	-	52,733	25,000	27,733
Other	-	-	-	2,000,000	(2,000,000)
Total revenues	<u>52,733</u>	<u>-</u>	<u>52,733</u>	<u>2,401,240</u>	<u>(2,348,507)</u>
Expenditures					
Current:					
Capital outlay	<u>1,270,073</u>	<u>194,471</u>	<u>1,464,544</u>	<u>7,345,500</u>	<u>5,880,956</u>
Total expenditures	<u>1,270,073</u>	<u>194,471</u>	<u>1,464,544</u>	<u>7,345,500</u>	<u>5,880,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,217,340)</u>	<u>(194,471)</u>	<u>(1,411,811)</u>	<u>(4,944,260)</u>	<u>3,532,449</u>
Other financing sources (uses)					
Transfers in	<u>1,057,000</u>	<u>-</u>	<u>1,057,000</u>	<u>3,057,000</u>	<u>(2,000,000)</u>
Total other financing sources (uses)	<u>1,057,000</u>	<u>-</u>	<u>1,057,000</u>	<u>3,057,000</u>	<u>(2,000,000)</u>
Net change in fund balances	(160,340)	(194,471)	(354,811)	(1,887,260)	1,532,449
Fund balance - beginning	<u>3,418,767</u>	<u>-</u>	<u>3,418,767</u>	<u>3,418,767</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,258,427</u>	<u>\$ (194,471)</u>	<u>\$ 3,063,956</u>	<u>\$ 1,531,507</u>	<u>\$ 1,532,449</u>



Internal Service Funds

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

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

Inventory Fund: This fund is used to account for the costs of maintaining a central inventory of materials and supplies for use by all activities of the City.

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

School Equipment Replacement Rental Fund: This fund is used to account for the assets used in providing a pool of equipment for the schools' use. Rents charged to the various school departments are used to fund replacement of the equipment.

CITY OF OAK RIDGE, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2004 and 2003

	Insurance		Inventory		City Equipment Replacement		School Equipment Replacement		Totals	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
ASSETS										
Current assets	\$ 825,775	\$ 714,492	\$ -	\$ -	\$ 885,588	\$ 1,030,583	\$ 1,508,819	\$ 1,497,075	\$ 3,220,182	\$ 3,242,150
Cash and cash equivalents	1,581	-	1,941,071	1,730,129	-	-	-	-	1,941,071	1,730,129
Due from other funds	-	-	1,941,071	1,730,129	885,588	1,030,583	1,508,819	1,497,075	5,162,834	4,972,279
Inventory, at cost	827,356	714,492	-	-	-	-	-	-	-	-
Total current assets										
Noncurrent assets	-	-	-	-	2,591,419	3,085,506	1,039,121	1,170,493	3,630,540	4,255,999
Capital assets, net	-	-	-	-	8,331	9,265	-	-	8,331	9,265
Deferred charges	-	-	-	-	2,599,750	3,094,771	1,039,121	1,170,493	3,638,871	4,265,264
Total noncurrent assets										
Total assets	827,356	714,492	1,941,071	1,730,129	3,485,338	4,125,354	2,547,940	2,667,568	8,801,705	9,237,543
LIABILITIES										
Current liabilities	35,111	17,704	106,039	110,727	44,404	(1,137)	-	73,912	185,554	201,206
Accounts payable	230,000	140,000	-	-	-	-	-	-	230,000	140,000
Claims payable	-	-	-	-	9,753	7,405	3,514	6,826	13,267	14,231
Accrued liabilities	-	-	172,532	51,902	-	223,129	-	-	172,532	275,031
Due to other funds	-	-	1,662,500	1,567,500	-	-	-	-	1,662,500	1,567,500
Advances from other funds	-	-	-	-	169,427	169,584	68,475	64,502	237,902	234,086
Current portion of notes and bonds	-	-	-	-	3,760	4,043	-	-	3,760	4,043
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Total current liabilities	265,111	157,704	1,941,071	1,730,129	227,344	403,024	71,989	145,240	2,505,515	2,436,097
Noncurrent liabilities	-	-	-	-	36,443	33,355	-	-	36,443	33,355
Vacation benefits payable	-	-	-	-	-	-	-	68,475	-	68,475
Capital leases payable	-	-	-	-	1,324,456	1,493,726	-	-	1,324,456	1,493,726
Bonds payable	-	-	-	-	1,360,899	1,527,081	-	68,475	1,360,899	1,595,556
Total noncurrent liabilities										
Total liabilities	265,111	157,704	1,941,071	1,730,129	1,588,243	1,930,105	71,989	213,715	3,866,414	4,031,653
NET ASSETS										
Invested in capital assets net of unrestricted	562,245	556,788	-	-	1,097,536	1,422,196	970,646	1,037,516	2,068,182	2,459,712
Total net assets	\$ 562,245	\$ 556,788	\$ -	\$ -	\$ 1,897,095	\$ 2,195,249	\$ 2,475,951	\$ 2,453,853	\$ 4,935,291	\$ 5,205,890

**CITY OF OAK RIDGE, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Fiscal Years Ended June 30, 2004 and June 30, 2003

	Insurance		Inventory		City Equipment Replacement		School Equipment Replacement		Totals	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Operating revenues										
Charges for services	\$ 477,001	\$ 448,480	\$ 1,928,863	\$ 1,597,997	\$ 2,505,545	\$ 2,464,098	\$ 187,133	\$ 384,050	\$ 5,098,542	\$ 4,894,625
Employer's contributions	2,221,011	1,999,031	-	-	-	-	-	-	2,221,011	1,999,031
Employees' contributions	638,858	411,406	-	-	-	-	-	-	638,858	411,406
Total operating revenues	3,336,870	2,858,917	1,928,863	1,597,997	2,505,545	2,464,098	187,133	384,050	7,958,411	7,305,062
Operating expenses										
Maintenance and administrative	-	-	-	-	1,545,800	1,557,062	-	69	1,545,800	1,557,131
Depreciation	-	-	-	-	775,115	797,093	160,157	153,919	935,272	951,012
Materials	-	-	1,928,863	1,597,997	493,098	384,134	-	-	2,421,961	1,982,131
Medical/liability claims	285,592	323,157	-	-	-	-	-	-	285,592	323,157
Insurance premiums	3,053,834	2,458,916	-	-	-	-	-	-	3,053,834	2,458,916
Total operating expenses	3,339,426	2,782,073	1,928,863	1,597,997	2,814,013	2,738,289	160,157	153,988	8,242,459	7,272,347
Operating income (loss)	(2,556)	76,844	-	-	(308,468)	(274,191)	26,976	230,062	(284,048)	32,715
Nonoperating revenue (expense)										
Gain on sale of capital assets	-	-	-	-	15,446	1,333	-	-	15,446	1,333
Interest revenue	8,013	8,713	-	-	9,337	12,127	-	8,060	17,350	28,900
Interest expense	-	-	-	-	(47,468)	(39,324)	(4,878)	(8,814)	(52,346)	(48,138)
Total nonoperating revenue (expense)	8,013	8,713	-	-	(22,685)	(25,864)	(4,878)	(754)	(19,550)	(17,905)
Income (loss) before transfers and contribution	5,457	85,557	-	-	(331,153)	(300,055)	22,098	229,308	(303,598)	14,810
Transfers in	-	-	-	-	-	-	-	822,131	-	822,131
Capital contributions	-	-	-	-	32,999	65,998	-	-	32,999	65,998
Change in net assets	5,457	85,557	-	-	(298,154)	(234,057)	22,098	1,051,439	(270,599)	902,939
Total net assets - beginning	556,788	471,231	-	-	2,195,249	2,429,306	2,453,853	1,402,414	5,205,890	4,302,951
Total net assets - ending	\$ 562,245	\$ 556,788	\$ -	\$ -	\$ 1,897,095	\$ 2,195,249	\$ 2,475,951	\$ 2,453,853	\$ 4,935,291	\$ 5,205,890

CITY OF OAK RIDGE, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Years Ended June 30, 2004 and June 30, 2003

	Insurance		Inventory		City Equipment Replacement		School Equipment Replacement		Totals	
	2004	2003	2004	2003	2004	2003	2004	2003	June 30, 2004	June 30, 2003
Operating activities										
Cash received from customers	\$ 3,336,870	\$ 2,858,917	\$ 1,928,863	\$ 1,597,997	\$ 2,505,545	\$ 2,464,098	\$ 187,133	\$ 384,050	\$ 7,958,411	\$ 7,305,062
Cash paid to suppliers	(3,233,600)	(2,817,215)	(2,023,863)	(1,842,997)	(2,211,050)	(1,773,606)	(77,224)	54,931	(7,545,737)	(6,378,887)
Net cash provided by (used in) operating activities	103,270	41,702	(95,000)	(245,000)	294,495	690,492	109,909	438,981	412,674	926,175
Noncapital financing activities										
Transfers out	-	-	95,000	-	-	-	-	822,131	-	822,131
Advances from other funds	-	-	-	245,000	-	-	-	-	95,000	245,000
Net cash provided (used) by noncapital financing activities	-	-	95,000	245,000	-	-	-	822,131	95,000	1,067,131
Capital and related financing activities										
Net proceeds from the issuance of long-term debt	-	-	-	-	(169,270)	1,493,726	-	-	(169,270)	1,493,726
Proceeds from the sale of capital assets	-	-	-	-	(281,028)	(385,786)	-	-	(281,028)	(385,786)
Capital contributed	-	-	-	-	32,999	65,998	-	-	32,999	65,998
Acquisition and construction of capital assets	-	-	-	-	15,446	1,333	(28,785)	(13,339)	(13,339)	(209,925)
Principal paid on long-term debt	-	-	-	-	(157)	(1,707,407)	(64,502)	(60,758)	(64,659)	(1,768,165)
Interest paid on long-term debt	-	-	-	-	(46,817)	(35,888)	(4,878)	(8,814)	(51,695)	(44,702)
Net cash provided (used) by capital and related financing activities	-	-	-	-	(448,827)	(568,024)	(98,165)	(280,830)	(546,992)	(848,854)
Investing activities										
Interest and dividends on investments	8,013	8,713	-	-	9,337	12,127	-	8,060	17,350	28,900
Net cash provided (used) in investing activities	8,013	8,713	-	-	9,337	12,127	-	8,060	17,350	28,900
Net increase in cash and cash equivalents/investments	111,283	50,415	-	-	(144,995)	134,595	11,744	988,342	(21,968)	1,173,352
Cash and cash equivalents/investments										
Beginning of year	714,492	664,077	-	-	1,030,583	895,988	1,497,075	508,733	3,242,150	2,068,798
End of year	\$ 825,775	\$ 714,492	\$ -	\$ -	\$ 885,588	\$ 1,030,583	\$ 1,508,819	\$ 1,497,075	\$ 3,220,182	\$ 3,242,150

**CITY OF OAK RIDGE, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Years Ended June 30, 2004 and June 30, 2003**

	Insurance		Inventory		City Equipment Replacement		School Equipment Replacement		Totals	
	2004	2003	2004	2003	2004	2003	2004	2003	June 30, 2004	June 30, 2003
\$	(2,556)	\$ 76,844	\$ -	\$ -	\$ (308,468)	\$ (274,191)	\$ 26,976	\$ 230,062	\$ (284,048)	\$ 32,715
	-	-	-	-	775,115	797,093	160,157	153,919	935,272	951,012
	(1,581)	-	-	-	-	1,492	-	-	(1,581)	1,492
	17,407	(35,142)	(210,942)	(98,223)	45,541	(60,191)	(73,912)	58,119	(210,942)	(98,223)
	90,000	-	(4,688)	21,591	-	-	-	-	(15,652)	(15,623)
	-	-	-	-	2,348	932	(3,312)	(3,119)	90,000	-
	-	-	120,630	(168,368)	(223,129)	223,129	-	-	(102,499)	(2,187)
	-	-	-	-	3,088	2,228	-	-	3,088	54,761
	105,826	(35,142)	(95,000)	(245,000)	602,963	964,683	82,933	208,919	696,722	893,460
	\$ 103,270	\$ 41,702	\$ (95,000)	\$ (245,000)	\$ 294,495	\$ 690,492	\$ 109,909	\$ 438,981	\$ 412,674	\$ 926,175

Reconciliation of operating income (loss) to net cash provided by (used in) operating activities
 Operating income (loss)
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:
 Depreciation
 Change in assets and liabilities
 (Increase) decrease in Due from other funds
 (Increase) decrease in Inventory, at cost
 Increase (decrease) in Accounts payable
 Increase (decrease) in Claims payable
 Increase (decrease) in Accrued Liabilities
 Increase (decrease) in Due to other funds
 Increase (decrease) in Accrued vacation
 Total adjustments

Net cash provided by (used in) operating activities



**CITY OF OAK RIDGE, TENNESSEE
GENERAL FUND
COMPARATIVE BALANCE SHEET
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 1,566,287	\$ -
Receivables, net	14,878,082	15,140,045
Due from other funds	3,653,765	5,305,615
Due from other governments	1,681,979	2,035,502
Advances to other funds	112,500	112,500
Prepaid items	4,800	4,800
Total assets	<u>\$ 21,897,413</u>	<u>\$ 22,598,462</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 259,776	\$ 754,754
Accrued liabilities	332,375	264,322
Deposits	345,052	285,456
Due to other funds	215,743	739,670
Due to other governments	37,510	80,346
Deferred revenue	<u>15,268,313</u>	<u>14,784,263</u>
Total liabilities	<u>16,458,769</u>	<u>16,908,811</u>
Fund balances:		
Reserved for encumbrances	410,454	326,518
Reserved for advances to other funds	112,500	112,500
Undesignated	<u>4,915,690</u>	<u>5,250,633</u>
Total fund balances	<u>5,438,644</u>	<u>5,689,651</u>
Total liabilities and fund balances	<u>\$ 21,897,413</u>	<u>\$ 22,598,462</u>

**CITY OF OAK RIDGE, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES
For the Fiscal Year Ended June 30, 2004**

	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
<u>TAXES</u>			
<u>General Property Taxes</u>			
Real Property	\$ 13,206,591	\$ 13,501,000	\$ (294,409)
Personal Property	1,285,547	1,336,000	(50,453)
Public Utilities	264,064	323,000	(58,936)
Interest & Penalties	159,474	110,000	49,474
Total General Property Taxes	<u>14,915,676</u>	<u>15,270,000</u>	<u>(354,324)</u>
<u>Other Property Taxes</u>			
Other than assessed	14,897	21,000	(6,103)
Tax Equiv. - Electric Fund	1,187,321	1,213,000	(25,679)
Tax Equiv. - Waterworks Fund	1,289,064	1,312,000	(22,936)
Total Other Property Taxes	<u>2,491,282</u>	<u>2,546,000</u>	<u>(54,718)</u>
<u>Gross Receipts Taxes</u>			
Beer Wholesale	552,256	510,000	42,256
Liquor Wholesale	194,216	195,000	(784)
Room Occupancy	363,789	355,000	8,789
Sales Tax - Local	212,381	210,000	2,381
Min. & Gross Receipts	732,440	760,000	(27,560)
Pen. & Int. on Bus. Tax	9,383	18,000	(8,617)
Rec. Fee on Bus. Tax	25,891	-	25,891
Total Gross Receipts Taxes	<u>2,090,356</u>	<u>2,048,000</u>	<u>42,356</u>
TOTAL TAXES	<u>19,497,314</u>	<u>19,864,000</u>	<u>(366,686)</u>
<u>LICENSES & PERMITS</u>			
Retail Beer	9,300	20,000	(10,700)
Liquor Licenses & Permits	10,760	-	10,760
Bldg., Zoning & Exam.	88,650	120,000	(31,350)
Electrical & Exam.	21,965	26,000	(4,035)
Plumbing Exam.	19,951	22,000	(2,049)
Grading and Zoning Permits	6,013	-	6,013
Animal Registration	15,179	17,000	(1,821)
Other Licenses & Permits	1,696	10,000	(8,304)
TOTAL LICENSES & PERMITS	<u>173,514</u>	<u>215,000</u>	<u>(41,486)</u>
<u>INTERGOVERNMENTAL</u>			
<u>State Shared</u>			
Sales Tax	1,608,120	1,551,550	56,570
Income Tax	208,141	373,100	(164,959)
Excise Tax	38,147	36,400	1,747
Beer Barrelage	13,591	12,740	851
Mixed Drink Tax	69,372	72,800	(3,428)
<u>County Shared</u>			
Sales Tax - Roane	1,051,284	1,035,000	16,284
Sales Tax - Anderson	5,960,444	5,880,000	80,444
<u>State Grants in Aid</u>			
	11,417	-	11,417
<u>Federal</u>			
TVA Replacement	184,147	170,170	13,977
DOE In-Lieu of Taxes	1,266,919	1,273,952	(7,033)
TOTAL INTERGOVERNMENTAL	<u>\$ 10,411,582</u>	<u>\$ 10,405,712</u>	<u>\$ 5,870</u>

(Continued)

**CITY OF OAK RIDGE, TENNESSEE
GENERAL FUND
SCHEDULE OF REVENUES
For the Fiscal Year Ended June 30, 2004**

	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
<u>CHARGES FOR SERVICES</u>			
<u>General Government</u>			
Repro. of Maps & Documents	\$ 1,302	\$ 17,000	\$ (15,698)
General & Admin. Cost	30,551	20,000	10,551
<u>Public Safety</u>			
Police and Fire Reports	30,281	-	30,281
Animal Shelter Fees	35,758	38,000	(2,242)
<u>Library</u>			
Lost Library Books	3,174	3,000	174
Total General Services	<u>101,066</u>	<u>78,000</u>	<u>23,066</u>
<u>Use of Property</u>			
Youth and Adult Activities	5,972	10,000	(4,028)
Outdoor Pool	68,263	85,000	(16,737)
Indoor Pool	57,405	62,500	(5,095)
Rental of Lands	93,450	80,000	13,450
Rental of Service Center & Municipal Bldg.	892,732	892,732	-
Marina Rental	7,150	-	7,150
Restaurant Rental	30,684	30,684	-
City Owned Radios	118,044	118,705	(661)
Community Centers Rental	28,684	35,000	(6,316)
Total Use of Property	<u>1,302,384</u>	<u>1,314,621</u>	<u>(12,237)</u>
TOTAL CHARGES FOR SERVICES	<u>1,403,450</u>	<u>1,392,621</u>	<u>10,829</u>
<u>FINES AND FORFEITURES</u>			
City Court Fines	89,579	60,000	29,579
City Court Costs	41,220	35,000	6,220
Bail Forfeitures	148,827	150,000	(1,173)
Misc. Court Revenues	7,541	4,000	3,541
Library Fines	53,621	70,000	(16,379)
TOTAL FINES AND FORFEITURES	<u>340,788</u>	<u>319,000</u>	<u>21,788</u>
<u>INTEREST</u>			
	<u>53,086</u>	<u>120,000</u>	<u>(66,914)</u>
<u>OTHER REVENUES</u>			
CATV Franchise	290,254	265,000	25,254
Right Of Way	60,000	60,000	-
Miscellaneous	3,215	2,500	715
TOTAL OTHER REVENUES	<u>353,469</u>	<u>327,500</u>	<u>25,969</u>
TOTAL REVENUES	<u>\$ 32,233,203</u>	<u>\$ 32,643,833</u>	<u>\$ (410,630)</u>

**CITY OF OAK RIDGE, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION
For the Fiscal Year Ended June 30, 2004**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
GENERAL GOVERNMENT:					
<u>Legislative</u>					
City Council	\$ 78,439	\$ 5,510	\$ 83,949	\$ 73,201	\$ (10,748)
Total Legislative	<u>78,439</u>	<u>5,510</u>	<u>83,949</u>	<u>73,201</u>	<u>(10,748)</u>
<u>Executive</u>					
City Clerk	96,783	5,000	101,783	114,762	12,979
City Manager	208,200	(3,638)	204,562	206,755	2,193
Total Executive	<u>304,983</u>	<u>1,362</u>	<u>306,345</u>	<u>321,517</u>	<u>15,172</u>
<u>Judicial</u>					
Legal	168,928	3,000	171,928	172,074	146
City Court	100,676	5,000	105,676	105,132	(544)
Total Judicial	<u>269,604</u>	<u>8,000</u>	<u>277,604</u>	<u>277,206</u>	<u>(398)</u>
TOTAL GENERAL GOVERNMENT	<u>653,026</u>	<u>14,872</u>	<u>667,898</u>	<u>671,924</u>	<u>4,026</u>
 ADMINISTRATION:					
Computer Services	188,573	-	188,573	213,510	24,937
Personnel	155,946	(395)	155,551	192,895	37,344
Stationery Stores	79,866	-	79,866	79,784	(82)
Finance	204,769	(20,000)	184,769	206,551	21,782
Utilities Business Office	(3,901)	50,000	46,099	46,595	496
TOTAL ADMINISTRATION	<u>625,253</u>	<u>29,605</u>	<u>654,858</u>	<u>739,335</u>	<u>84,477</u>
 PUBLIC SAFETY:					
<u>Police</u>					
Supervision	169,298	-	169,298	171,643	2,345
Investigations	497,762	-	497,762	502,270	4,508
Staff Services	363,764	(1,000)	362,764	347,807	(14,957)
Patrol	2,561,254	12,773	2,574,027	2,565,058	(8,969)
Emergency Communications	213,012	-	213,012	219,754	6,742
Animal Control	229,367	(4,600)	224,767	234,452	9,685
School Resource Officer Program	112,311	-	112,311	118,571	6,260
Total Police	<u>\$ 4,146,768</u>	<u>\$ 7,173</u>	<u>\$ 4,153,941</u>	<u>\$ 4,159,555</u>	<u>\$ 5,614</u>

(Continued)

**CITY OF OAK RIDGE, TENNESSEE
GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION
For the Fiscal Year Ended June 30, 2004**

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance with Final Budget Positive (Negative)
<u>PUBLIC SAFETY (Continued):</u>					
<u>Fire</u>					
Supervision	\$ 167,280	\$ -	\$ 167,280	\$ 163,851	\$ (3,429)
Prevention	101,624	-	101,624	102,090	466
Firefighting	2,821,707	-	2,821,707	2,778,780	(42,927)
Fire Stations	84,730	-	84,730	88,416	3,686
Fire Specialists	134,797	-	134,797	151,600	16,803
Total Fire	<u>3,310,138</u>	<u>-</u>	<u>3,310,138</u>	<u>3,284,737</u>	<u>(25,401)</u>
TOTAL PUBLIC SAFETY	<u>7,456,906</u>	<u>7,173</u>	<u>7,464,079</u>	<u>7,444,292</u>	<u>(19,787)</u>
<u>PUBLIC WORKS:</u>					
Supervision	56,903	10,000	66,903	81,156	14,253
Engineering	116,475	-	116,475	146,744	30,269
State Highway Maintenance	48,257	-	48,257	55,509	7,252
General Maintenance	204,400	-	204,400	205,960	1,560
Central Service Building	97,991	-	97,991	99,305	1,314
Municipal Building	118,983	(825)	118,158	129,823	11,665
Traffic Control and Lights	892,605	-	892,605	911,800	19,195
TOTAL PUBLIC WORKS	<u>1,535,614</u>	<u>9,175</u>	<u>1,544,789</u>	<u>1,630,297</u>	<u>85,508</u>
<u>COMMUNITY SERVICES:</u>					
<u>Community Development</u>					
Supervision	109,171	(3,155)	106,016	108,722	2,706
Planning	87,895	-	87,895	90,872	2,977
Office of Neighborhood Development	282,749	1,332	284,081	297,053	12,972
Total Community Development	<u>479,815</u>	<u>(1,823)</u>	<u>477,992</u>	<u>496,647</u>	<u>18,655</u>
<u>Recreation</u>					
Supervision	246,369	-	246,369	245,650	(719)
Indoor Aquatics	159,036	4,568	163,604	180,936	17,332
Outdoor Aquatics	212,501	(244)	212,257	232,708	20,451
Centers, Camps & Programs	579,997	2,414	582,411	577,674	(4,737)
Athletics	54,018	4,627	58,645	59,659	1,014
Parks	639,736	(32,508)	607,228	612,708	5,480
Senior Center	323,987	30,371	354,358	348,037	(6,321)
Total Recreation	<u>2,215,644</u>	<u>9,228</u>	<u>2,224,872</u>	<u>2,257,372</u>	<u>32,500</u>
<u>Library</u>	<u>1,067,455</u>	<u>15,706</u>	<u>1,083,161</u>	<u>1,085,409</u>	<u>2,248</u>
TOTAL COMMUNITY SERVICES	<u>3,762,914</u>	<u>23,111</u>	<u>3,786,025</u>	<u>3,839,428</u>	<u>53,403</u>
TOTAL EXPENDITURES	<u>\$ 14,033,713</u>	<u>\$ 83,936</u>	<u>\$ 14,117,649</u>	<u>\$ 14,325,276</u>	<u>\$ 207,627</u>

**CITY OF OAK RIDGE, TENNESSEE
SCHOOL FUND
COMPARATIVE BALANCE SHEET
June 30, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Assets		
Cash and cash equivalents	\$ 5,581,287	\$ 5,443,397
Receivables, net	140,452	57,689
Due from other funds	-	388,811
Due from other governments	1,542,162	1,412,887
Prepaid items	6,778	82,633
Total assets	<u>\$ 7,270,679</u>	<u>\$ 7,385,417</u>
Liabilities and fund balances		
Liabilities:		
Accounts payable	\$ 364,268	\$ 116,779
Accrued liabilities	2,521,835	2,474,218
Due to other funds	-	383,041
Due to other governments	350,572	-
Deferred revenue	29,362	353,192
Total liabilities	<u>3,266,037</u>	<u>3,327,230</u>
Fund balances:		
Reserved for special programs	49,221	171,752
Reserved for encumbrances	191,161	81,004
Designated for subsequent years' expenditures	63,316	31,686
Undesignated	3,700,944	3,773,745
Total fund balances	<u>4,004,642</u>	<u>4,058,187</u>
Total liabilities and fund balances	<u>\$ 7,270,679</u>	<u>\$ 7,385,417</u>

CITY OF OAK RIDGE, TENNESSEE
SCHOOL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET (BUDGETARY BASIS) AND ACTUAL
For the Fiscal Year Ended June 30, 2004

	Actual	Adjustment to Budgetary Basis	Actual on Budgetary Basis	Budget	Variance Positive (Negative)
Revenues					
Intergovernmental	\$ 27,961,902	\$ -	\$ 27,961,902	\$ 27,828,878	\$ 133,024
Charges for services	1,504,131	-	1,504,131	1,542,614	(38,483)
Other	335,464	-	335,464	378,000	(42,536)
Total revenues	<u>29,801,497</u>	<u>-</u>	<u>29,801,497</u>	<u>29,749,492</u>	<u>52,005</u>
Expenditures					
Current:					
Education	41,392,925	110,157	41,503,082	42,440,719	937,637
Debt service:					
Total expenditures	<u>41,392,925</u>	<u>110,157</u>	<u>41,503,082</u>	<u>42,440,719</u>	<u>937,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,591,428)</u>	<u>(110,157)</u>	<u>(11,701,585)</u>	<u>(12,691,227)</u>	<u>989,642</u>
Other financing sources (uses)					
Transfers in	10,646,242	-	10,646,242	10,646,242	-
Capital lease issuance	891,641	-	891,641	891,641	-
Total other financing sources (uses)	<u>11,537,883</u>	<u>-</u>	<u>11,537,883</u>	<u>11,537,883</u>	<u>-</u>
Net change in fund balances	(53,545)	(110,157)	(163,702)	(1,153,344)	989,642
Fund balance - beginning	<u>4,058,187</u>	<u>-</u>	<u>4,058,187</u>	<u>4,058,187</u>	<u>-</u>
Fund balance - ending	<u>\$ 4,004,642</u>	<u>\$ (110,157)</u>	<u>\$ 3,894,485</u>	<u>\$ 2,904,843</u>	<u>\$ 989,642</u>

CITY OF OAK RIDGE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE(1)
June 30, 2004 and 2003

	2004	2003
Governmental funds capital assets:		
Land	\$ 2,188,961	\$ 1,589,374
Construction in progress	181,244	255,651
Buildings	54,752,471	54,194,924
Improvements other than buildings	26,778,428	26,080,170
Infrastructure	28,818,490	27,612,940
Machinery and equipment	4,200,000	4,027,250
Total governmental funds capital assets:	\$ 116,919,594	\$ 113,760,309
Investments in governmental fund capital assets:		
Total investment in governmental funds capital assets:	\$ 116,919,594	\$ 113,760,309

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF OAK RIDGE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (1)
June 30, 2004

Function and Activity	Capital Assets	Land	Construction In Progress	Buildings	Improvements Other Than Buildings	Infrastructure	Machinery and Equipment
General Government:							
Executive	\$ 9,728	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,728
Judicial	9,500	-	-	-	-	-	9,500
Total General Government	<u>19,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,228</u>
Administration:							
Data Services	12,445	-	-	-	-	-	12,445
Finance	26,424	-	-	-	-	-	26,424
Total Administration	<u>38,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,869</u>
Public Safety:							
Police	1,224,563	122	-	146,413	10,044	-	1,067,984
Fire	1,674,188	11,087	-	1,515,713	101,540	-	45,848
Total Public Safety	<u>2,898,751</u>	<u>11,209</u>	<u>-</u>	<u>1,662,126</u>	<u>111,584</u>	<u>-</u>	<u>1,113,832</u>
Public Works:							
Engineering	9,952	-	-	-	-	-	9,952
Municipal Building	1,981,842	534	-	1,727,420	132,694	-	121,194
Central Service Center Complex	13,155,636	626,139	-	12,529,497	-	-	-
Other Buildings	86,355	29,049	-	57,306	-	-	-
Streets, Sidewalks, and Stormwater Maintenance	29,475,883	657,393	-	-	-	28,818,490	-
	7,321	-	-	-	-	-	7,321
Total Public Works	<u>44,716,989</u>	<u>1,313,115</u>	<u>-</u>	<u>14,314,223</u>	<u>132,694</u>	<u>28,818,490</u>	<u>138,467</u>
Community Services & Development:							
Planning	5,949	-	-	-	-	-	5,949
Economic Development	1,794,466	262,830	-	1,251,044	280,592	-	-
Recreation & Parks	11,696,711	445,452	-	7,069,746	4,156,983	-	24,530
Library	1,255,039	-	-	878,875	21,996	-	354,168
Total Community Services	<u>14,752,165</u>	<u>708,282</u>	<u>-</u>	<u>9,199,665</u>	<u>4,459,571</u>	<u>-</u>	<u>384,647</u>
Education	54,493,592	156,355	181,244	29,576,457	22,074,579	-	2,504,957
Total Governmental Fund Capital Assets	<u>\$116,919,594</u>	<u>\$2,188,961</u>	<u>\$ 181,244</u>	<u>\$54,752,471</u>	<u>\$26,778,428</u>	<u>\$28,818,490</u>	<u>\$4,200,000</u>

(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF OAK RIDGE, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY (1)
For the Fiscal Year Ended June 30, 2004

<u>Function and Activity</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
General Government:				
Executive	\$ 9,728	\$ -	\$ -	\$ 9,728
Judicial	9,500	-	-	9,500
Total General Government	<u>19,228</u>	<u>-</u>	<u>-</u>	<u>19,228</u>
Administration:				
Data Services	12,445	-	-	12,445
Finance	26,424	-	-	26,424
Total Administration	<u>38,869</u>	<u>-</u>	<u>-</u>	<u>38,869</u>
Public Safety:				
Police	1,206,886	17,677	-	1,224,563
Fire	1,674,188	-	-	1,674,188
Total Public Safety	<u>2,881,074</u>	<u>17,677</u>	<u>-</u>	<u>2,898,751</u>
Public Works:				
Engineering	9,952	-	-	9,952
Municipal Building	1,977,422	4,420	-	1,981,842
Central Service Center Complex	13,100,636	55,000	-	13,155,636
Other Buildings	86,355	-	-	86,355
Streets, Sidewalks, and Stormwater	27,670,746	1,805,137	-	29,475,883
Maintenance	7,321	-	-	7,321
Total Public Works	<u>42,852,432</u>	<u>1,864,557</u>	<u>-</u>	<u>44,716,989</u>
Community Services & Development:				
Planning	5,949	-	-	5,949
Economic Development	1,794,466	-	-	1,794,466
Recreation & Parks	11,069,927	626,784	-	11,696,711
Library	1,255,039	-	-	1,255,039
Total Community Services	<u>14,125,381</u>	<u>626,784</u>	<u>-</u>	<u>14,752,165</u>
Education	<u>53,843,325</u>	<u>650,267</u>	<u>-</u>	<u>54,493,592</u>
Total Governmental Fund Capital Assets	<u>\$ 113,760,309</u>	<u>\$ 3,159,285</u>	<u>\$ -</u>	<u>\$ 116,919,594</u>

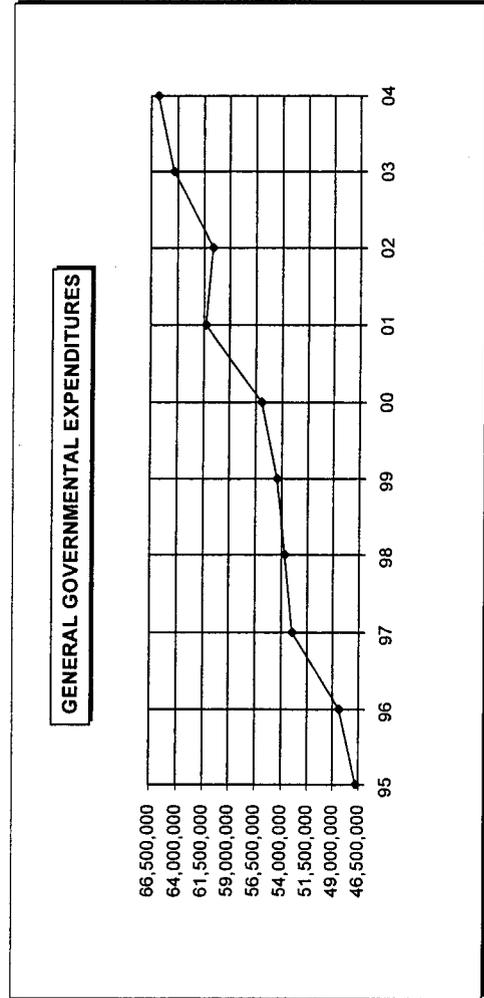
(1) This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF OAK RIDGE, TENNESSEE

GENERAL GOVERNMENTAL EXPENDITURES AND OTHER USES BY FUNCTION*
LAST TEN FISCAL YEARS

Expenditures:	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
General Government	\$ 486,477	\$ 463,049	\$ 455,046	\$ 506,416	\$ 601,652	\$ 500,225	\$ 532,967	\$ 735,874	\$ 668,580	\$ 653,026
Administration	820,229	546,719	701,924	568,489	647,496	652,626	633,336	637,149	684,778	625,253
Public Safety	5,399,095	5,538,542	5,770,000	6,397,020	6,612,607	7,106,905	7,160,283	7,477,238	7,888,433	7,567,199
Public Works	2,472,804	2,585,906	2,964,343	2,555,642	2,692,532	2,748,497	2,775,844	2,505,253	2,621,163	3,006,575
Community Services	4,652,753	4,617,462	5,052,556	5,498,965	5,700,028	6,214,930	6,331,493	6,747,811	7,521,630	7,950,349
Education	30,033,219	31,914,788	33,743,502	33,648,120	34,340,158	34,257,433	36,369,497	37,825,252	38,985,004	41,392,925
Capital Outlay	1,020,340	351,375	1,231,309	634,297	16,567	-	2,241,618	97,165	2,114,144	987,800
Debt Service	1,761,185	2,244,505	2,878,798	3,705,327	3,756,332	4,322,082	5,073,054	4,311,350	3,867,992	3,641,517
Operating Transfers Out - to component units	115,357	127,003	167,349	161,664	73,000	150,000	196,719	296,202	-	-
Total Expenditures	\$ 46,761,459	\$ 48,389,349	\$ 52,964,827	\$ 53,675,940	\$ 54,440,372	\$ 55,952,698	\$ 61,314,811	\$ 60,633,294	\$ 64,351,724	\$ 65,824,644

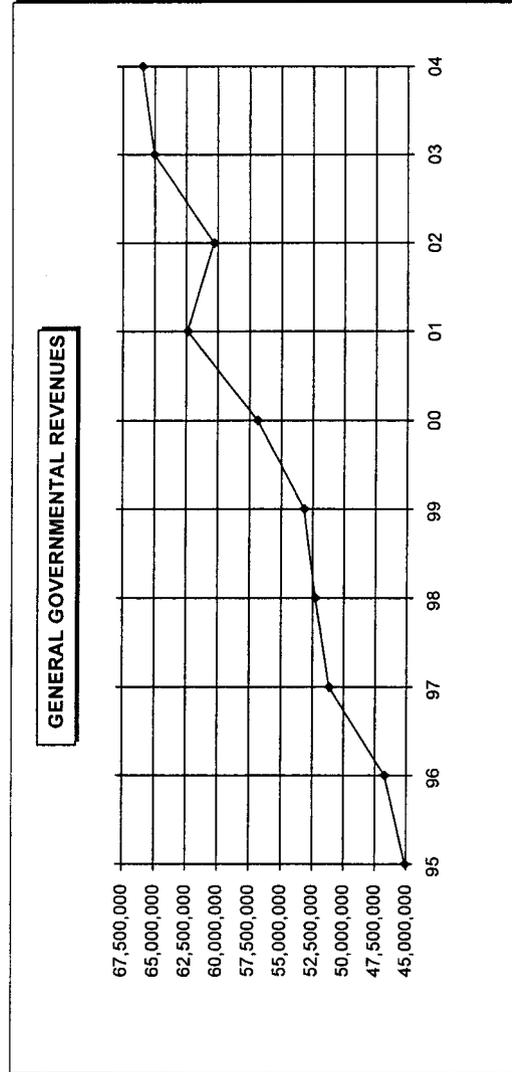
*Includes General, Special Revenue and Debt Service Funds.



**CITY OF OAK RIDGE, TENNESSEE
GENERAL REVENUES BY SOURCE*
LAST TEN FISCAL YEARS**

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenues:										
Taxes	\$ 10,123,279	\$ 10,681,625	\$ 11,976,651	\$ 12,691,156	\$ 13,428,755	\$ 15,102,649	\$ 16,753,443	\$ 17,442,567	\$ 19,776,290	\$ 19,497,314
Licenses and Permits	182,436	155,618	116,750	143,627	141,617	251,324	223,135	173,790	197,357	173,514
Intergovernmental	31,264,467	32,320,132	34,434,602	34,829,158	34,442,298	35,756,766	38,905,204	37,947,915	39,887,937	41,485,191
Charges for Services	1,977,342	2,049,809	3,003,413	2,949,076	3,552,269	3,473,407	3,486,933	3,505,195	3,493,647	3,597,812
Fines and Forfeitures	327,432	406,688	368,837	443,673	444,899	329,798	380,438	315,880	356,599	397,281
Interest	669,417	830,704	908,420	935,597	849,219	1,017,194	987,737	436,378	164,236	115,683
Other	546,245	312,566	353,666	292,161	346,035	969,631	1,660,284	504,319	1,179,774	701,033
Total Revenues	\$ 45,090,618	\$ 46,757,142	\$ 51,162,339	\$ 52,284,448	\$ 53,205,092	\$ 56,900,769	\$ 62,397,174	\$ 60,326,044	\$ 65,055,840	\$ 65,967,828

*Includes General, Special Revenue and Debt Service Funds.



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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Total Collections as Percentage of Tax Levy	Outstanding Delinquent Taxes (2)	Outstanding Delinquent Taxes as Percentage of Tax Levy
1995	\$ 7,608,640	\$ 7,501,655	99%	\$ 177,362	\$ 7,679,017	101%	\$ 177,020	2%
1996	8,123,777	7,994,789	98%	79,855	8,074,644	99%	200,410	2%
1997	9,311,579	9,112,842	98%	96,972	9,209,814	99%	245,811	3%
1998	9,891,970	9,684,743	98%	163,498	9,848,241	100%	330,146	3%
1999	10,484,535	10,245,066	98%	177,715	10,422,781	99%	350,094	3%
2000	11,710,850	11,283,542	96%	156,992	11,440,534	98%	641,362	5%
2001	12,970,084	12,585,185	97%	133,108	12,718,293	98%	776,716	6%
2002	13,579,083	12,921,156	95%	281,803	13,202,959	97%	773,142	6%
2003	15,066,995	14,768,834	98%	482,851	15,251,685	101%	589,856	4%
2004	15,059,042	14,460,793	96%	262,348	14,723,141	98%	837,127	6%

Note:
(1) Each amount includes collections for any prior year's delinquent taxes received in the year presented.

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

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

Fiscal Year	Real Property		Personal Property		Public Utility Property		Total		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	Assessed Value (1)	Estimated Actual Value	
1995	\$ 351,725,682	\$ 1,167,707,212	\$ 33,274,114	\$ 110,913,528	\$ 15,453,574	\$ 28,097,407	\$ 400,453,370	\$ 1,306,718,147	31%
1996	361,427,703	1,201,690,700	32,524,330	108,414,433	16,339,725	29,708,590	410,291,758	1,339,813,723	31%
1997	369,397,050	1,225,066,500	36,707,763	122,359,210	19,080,767	34,692,304	425,185,580	1,382,108,014	31%
1998	371,299,256	1,234,949,502	39,346,941	131,172,126	12,087,566 (3)	21,977,393	422,733,763	1,388,099,021	30%
1999	439,574,710 (2)	1,488,553,300 (2)	46,459,688 (2)	154,865,627 (2)	15,617,983 (2)	28,396,333 (2)	501,652,381 (2)	1,671,815,260 (2)	30%
2000	443,329,438	1,491,097,145	48,111,477	160,371,590	15,549,682	28,272,151	506,990,597	1,679,740,886	30%
2001	443,712,065	1,503,891,804	46,228,403	154,094,464	14,732,079	26,785,601	504,672,547	1,684,771,869	30%
2002	452,459,608	1,532,308,228	47,009,498	156,698,171	12,948,598	23,542,906	512,417,704	1,712,549,305	30%
2003	454,787,962	1,541,654,110	46,245,603	154,152,010	11,449,272	20,816,860	512,482,837	1,716,622,980	30%
2004	466,890,078	1,576,995,410	48,281,222	160,937,406	9,534,000	17,334,546	524,705,300	1,755,267,362	30%

Notes:

- (1) Overall assessment ratios and effective rates for 1973 and thereafter are weighted averages due to varying constitutional assessment ratios which became effective statewide January 1, 1973. Assessment ratios are Residential Property, Real at 25 percent with all bank accounts and \$7,500 of all other items in the hands of a taxpayer exempt; Commercial and Industrial - Real at 40 percent and Personal at 30 percent except that the Personal Property of eligible Banks is 40 percent; Public Utilities (excluding Railroads and Telecommunications) - All Property both Real and Personal at 55 percent; Railroads and Telecommunications - Real and Personal at 40 percent.
- (2) All properties were reappraised in tax year 1998 (fiscal year 1999).
- (3) The assessed value for Public Utility properties declined in fiscal 1998 due to a statewide court awarded reduction in the assessment ratio from 55 percent to 40 percent for specific public utilities. Additionally, after several years of appeals, the final determination of value for BellSouth properties resulted in a reduced assessment for those properties, both in the City and statewide.

CITY OF OAK RIDGE, TENNESSEE
 CHANGES IN PROPERTY TAXES RECEIVABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Tax Year (1)	Property Taxes Receivable At June 30, 2003	Add Taxes Levied	Deduct Collections	Net Adjustments	Property Taxes Receivable At June 30, 2004	Deduct Allowance for Uncollectable	Net Property Taxes Receivable At June 30, 2004
2004 (1)	\$ -	\$ 15,268,313	\$ 1,667,606	\$ 2,953	\$ 13,603,660	\$ 207,732	\$ 13,395,928
2003	14,238,348	294,668	13,750,942	(183,825)	598,249	213,004	385,245
2002	412,771	-	101,980	24,318	335,109	179,950	155,159
2001	281,093	-	65,880	27,591	242,804	117,814	124,990
2000	171,116	-	41,109	36,854	166,861	113,764	53,097
1999	213,883	-	20,699	233	193,417	134,754	58,663
1998	71,040	-	13,854	(2,848)	54,338	11,081	43,257
1997	19,160	-	6,398	(73)	12,689	3,831	8,858
1996	12,174	-	3,904	-	8,270	2,556	5,714
1995	7,775	-	3,147	119	4,747	3,500	1,247
1994	5,069	-	3,020	-	2,049	1,152	897
1993	3,910	-	2,357	-	1,553	1,553	-
Total	\$ 15,436,339	\$ 15,562,981	\$ 15,680,896	\$ (94,678)	\$ 15,223,746	\$ 990,691	\$ 14,233,055

(1) The City's real and personal property taxes are levied each June 1 on the assessed valuation listed as of the prior January 1. The revenue from that levy is recognized in the following fiscal year beginning July 1, the year in which it is intended to finance. Taxes are due in one payment on June 1 (levy date) and delinquent on August 1 (lien date) each tax year. Public utility taxes are mailed after the roll is received from the state, generally around February 1 of each year.

CITY OF OAK RIDGE, TENNESSEE

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)

LAST TEN FISCAL YEARS

Fiscal Year	Anderson County, Tennessee			Roane County, Tennessee		
	City	County	Total	City	County	Total
1995	\$ 1.90	\$ 2.84	\$ 4.74	\$ 1.90	\$ 2.365	\$ 4.265
1996	1.98	2.84	4.82	1.98	2.365	4.345
1997	2.19	3.00	5.19	2.19	2.465	4.655
1998	2.34	3.00	5.34	2.34	2.465	4.805
1999	2.09	2.59	4.68	2.09	2.12	4.21
2000	2.31	2.97	5.28	2.31	2.32	4.63
2001	2.57	3.14	5.71	2.57	2.11	4.68
2002	2.65	3.14	5.79	2.65	2.11	4.76
2003	2.94	3.14	6.08	2.94	2.11	5.05
2004	2.87	3.14	6.01	2.87	2.445	5.315

Note: The City of Oak Ridge is located in two Tennessee counties: Anderson and Roane. Approximately 11 percent of the taxable real parcels (1,354 of 11,942) are located in the Roane County portion of the City. In addition, each governmental unit operates under different property tax assessment rolls which were certified at the time of their most recent reappraisal programs (Oak Ridge and Anderson County - 1992 and 1999; and Roane County - 1997)

CITY OF OAK RIDGE, TENNESSEE

RATIO OF NET GENERAL OBLIGATION DEBT (1)
TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA

LAST TEN FISCAL YEARS

Fiscal Year	Population*	Assessed Value	General Obligation (1) Debt	Debt Service Monies Available	Net General Obligation Debt	Ratio of Net General Obligation Debt to Assessed Value	Net General Obligation Debt Per Capita
1995	27,310	\$ 400,453,370	\$ 30,362,606	\$ 2,194	\$ 30,360,412	7.58%	\$ 1112
1996	27,310	410,291,758	29,996,636	18,139	29,978,497	7.31%	1,098
1997	27,310	425,185,580	44,936,930	21,492	44,915,438	10.56%	1,645
1998	27,310	422,733,763	45,987,130	30,008	45,957,122	10.87%	1,683
1999	27,310	501,652,381 (2)	47,167,927	9,761	47,158,166	9.40%	1,727
2000	27,387	506,990,597	55,766,665	41,667	55,724,998	10.99%	2,035
2001	27,387	504,672,547	54,877,746	85,765	54,791,981	10.86%	2,001
2002	27,387	512,417,704	52,314,464	783,398	51,531,066	10.06%	1,882
2003	27,387	512,482,837	50,273,005	1,239,747	49,033,258	9.57%	1,790
2004	27,387	524,705,300	49,403,008	1,720,796	47,682,212	9.09%	1,741

*Source: U.S. Census

- (1) This excludes general obligation debt in which debt service is to be funded through an Enterprise Fund.
- (2) The assessed value reflects a reappraisal of real property.

**CITY OF OAK RIDGE, TENNESSEE
LONG-TERM INDEBTEDNESS AND DEBT RATIOS
FOR THE LAST FIVE FISCAL YEARS**

	2000	2001	2002	2003	2004
INDEBTEDNESS					
GENERAL OBLIGATION DEBT:					
General Obligation Bonds	\$ 48,890,000	\$ 29,515,000	\$ 27,235,000	\$ 29,176,000	\$ 27,141,000
Capital Outlay Notes	235,199	160,592	82,255	-	-
Tennessee Municipal Bond Fund Loan	1,189,558	1,167,296	1,143,483	725,028	1,473,765
TN-LOANS	3,213,000	21,783,000	21,783,000	18,570,000	18,570,000
General Obligation Bonds City Equipment Replacement Rental Fund	1,934,027	2,000,890	1,876,991	1,669,000	1,499,000
Capital Leases	304,881	250,968	193,735	132,977	719,243
TOTAL GENERAL OBLIGATION DEBT	\$ 55,766,665	\$ 54,877,746	\$ 52,314,464	\$ 50,273,005	\$ 49,403,008
REVENUE SUPPORTED DEBT:					
Waterworks Fund General Obligation Bonds	-	-	-	\$ 5,125,000	\$ 4,800,000
Waterworks Fund TLDA Bonds and Notes	142,230	130,370	117,921	104,846	91,205
Waterworks Fund Tennessee Municipal Bond Fund Loan	5,863,942	5,754,204	6,493,316	4,174,572	4,385,739
Waterworks Fund TN-LOANS	2,432,000	2,432,000	2,432,000	-	-
Waterworks Fund State Revolving Program Loan	7,152,603	12,419,047	14,527,214	14,718,277	15,413,645
Golf Course Fund Notes	7,130,000	7,050,000	6,965,000	6,800,000	6,625,000
Electric Fund Bonds	15,060,000	6,020,000	5,745,000	11,980,000	11,170,000
Electric TN-LOANS	2,905,000	13,045,056	15,767,348	10,380,000	10,380,000
TOTAL REVENUE SUPPORTED DEBT	\$ 40,685,775	\$ 46,850,677	\$ 52,047,799	\$ 53,282,695	\$ 52,865,589
TOTAL LONG-TERM DEBT	\$ 96,452,440	\$ 101,728,423	\$ 104,362,263	\$ 103,555,700	\$ 102,268,597
Less: Debt Service Fund	(41,667)	(85,765)	(783,398)	(1,239,747)	(1,720,796)
Less: Revenue Supported	(40,685,775)	(46,850,677)	(52,047,799)	(53,282,695)	(52,865,589)
NET GENERAL OBLIGATION DEBT	\$ 55,724,998	\$ 54,791,981	\$ 51,531,066	\$ 49,033,258	\$ 47,682,212
OVERLAPPING DEBT - (1)	10,358,037	8,970,008	9,906,522	14,945,752	14,586,989
NET GENERAL OBLIGATION & OVERLAPPING DEBT	\$ 66,083,035	\$ 63,761,989	\$ 61,437,588	\$ 63,979,010	\$ 62,269,201
TOTAL PROPERTY TAXES					
Actual Value	\$ 1,776,939,475	\$ 1,834,064,739	\$ 1,864,303,620	\$ 1,868,738,276	\$ 2,001,216,922
Appraised Value	1,679,740,886	1,684,771,869	1,712,549,305	1,716,622,980	1,755,267,362
Assessed Value	506,990,597	504,672,547	512,417,704	512,482,837	524,705,300

(Continued)

**CITY OF OAK RIDGE, TENNESSEE
LONG-TERM INDEBTEDNESS AND DEBT RATIOS
FOR THE LAST FIVE FISCAL YEARS**

	2000	2001	2002	2003	2004
DEBT RATIOS					
TOTAL LONG TERM DEBT to Actual Value	5.43%	5.55%	5.60%	5.54%	5.11%
TOTAL LONG TERM DEBT to Appraised Value	5.74%	6.04%	6.09%	6.03%	5.83%
TOTAL LONG TERM DEBT to Assessed Value	19.02%	20.16%	20.37%	20.21%	19.49%
NET GENERAL OBLIGATION DEBT to Actual Value	3.14%	2.99%	2.76%	2.62%	2.38%
NET GENERAL OBLIGATION DEBT to Appraised Value	3.32%	3.25%	3.01%	2.86%	2.72%
NET GENERAL OBLIGATION DEBT to Assessed Value	10.99%	10.86%	10.06%	9.57%	9.09%
OVERLAPPING DEBT to Actual Value	0.58%	0.49%	0.53%	0.80%	0.73%
OVERLAPPING DEBT to Appraised Value	0.62%	0.53%	0.58%	0.87%	0.83%
OVERLAPPING DEBT to Assessed Value	2.04%	1.78%	1.93%	2.92%	2.78%
NET GENERAL OBLIGATION & OVERLAPPING DEBT to Actual Value	3.72%	3.48%	3.30%	3.42%	3.11%
NET GENERAL OBLIGATION & OVERLAPPING DEBT to Appraised Value	3.93%	3.78%	3.59%	3.73%	3.55%
NET GENERAL OBLIGATION & OVERLAPPING DEBT to Assessed Value	13.03%	12.63%	11.99%	12.48%	11.87%
PER CAPITA RATIOS					
POPULATION (2)	27,387	27,387	27,387	27,385	27,387
PER CAPITA PERSONAL INCOME (2)	\$ 24,793	\$ 27,194	\$ 27,100	\$ 27,100	\$ 27,100
Actual Value to POPULATION	\$ 64,883	\$ 66,968	\$ 68,073	\$ 68,239	\$ 73,072
Assessed Value to POPULATION	\$ 18,512	\$ 18,427	\$ 18,710	\$ 18,714	\$ 19,159
TOTAL LONG TERM DEBT to POPULATION	\$ 3,522	\$ 3,714	\$ 3,811	\$ 3,781	\$ 3,734
NET GENERAL OBLIGATION DEBT to POPULATION	\$ 2,035	\$ 2,001	\$ 1,882	\$ 1,791	\$ 1,741
OVERLAPPING DEBT to POPULATION	\$ 378	\$ 328	\$ 362	\$ 546	\$ 533
NET GENERAL OBLIGATION & OVERLAPPING DEBT to POPULATION	\$ 2,413	\$ 2,328	\$ 2,243	\$ 2,336	\$ 2,274
Total Long-Term Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	14.20%	13.66%	14.06%	13.95%	13.78%
NET GENERAL OBLIGATION DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	8.21%	7.36%	6.94%	6.61%	6.42%
OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	1.53%	1.20%	1.33%	2.01%	1.97%
NET GENERAL OBLIGATION & OVERLAPPING DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	9.73%	8.56%	8.28%	8.62%	8.39%

(1) OVERLAPPING DEBT includes that portion of debt for those portions of Anderson and Roane Counties located within the City boundaries.

(2) Per Capita computations are based upon population data according to the 2000 U.S. Census.

CITY OF OAK RIDGE, TENNESSEE
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2004

Appraised Value	<u>\$ 1,755,267,362</u>
Debt Limit 10 Percent of Appraised Value	<u>\$ 175,526,736</u>
Less Debt Applicable to Debt Limit:	
GO Refunding Bonds, Series 2000	615,000
GO Refunding Bonds, Series 2001	20,270,000
GO Refunding Bonds, Series 2003	12,555,000
TN-LOANS, 2001	18,570,000
TMBF Loan, 1994	3,372,500
TMBF Loan, 2002	2,487,004
Golf Course Fund Series 1998	6,625,000
State Revolving Program Loan	15,413,645
Capital Lease	<u>719,243</u>
Total General Obligation Debt (1)	<u>80,627,392</u>
Legal Debt Margin	<u>\$ 94,899,344</u>

Note: Limitation on Borrowing Power: Home Rule Charter - Article IV, Section 12.

"The total amount of bonds or other evidence of indebtedness secured by the full faith and credit of the City that shall be outstanding at any one time shall not exceed 10% of the total appraised valuation of all real estate lying within the city limits."

- (1) Not listed above is authorized and available lines of credit of \$7,000,000 to fund wastewater and \$1,231,996 to fund water projects.
- (2) The above includes debt that is scheduled to be funded through the revenues of a Proprietary Fund, but is legally secured by the full faith and credit of the City.

CITY OF OAK RIDGE, TENNESSEE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

June 30, 2004

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage of Debt Applicable To the City</u>	<u>City's Share of Debt</u>
Direct:			
City of Oak Ridge -			
General Obligation Bonds	\$ 26,919,204	100%	\$ 26,919,204
Tennessee Municipal Bond Fund Loan	1,473,765	100%	1,473,765
TN-LOANS	18,570,000	100%	18,570,000
Capital Lease	<u>719,243</u>	100%	<u>719,243</u>
Total Direct Debt	<u>47,682,212</u>		<u>47,682,212</u>
Overlapping:			
Anderson County, Tennessee	25,750,233	46.65% *	12,012,484
Roane County, Tennessee	<u>23,619,313</u>	10.90% *	<u>2,574,505</u>
Total Overlapping Debt	<u>49,369,546</u>		<u>14,586,989</u>
Total Direct and Overlapping Debt	<u>\$ 97,051,758</u>		<u>\$ 62,269,201</u>

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

CITY OF OAK RIDGE, TENNESSEE

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
OBLIGATION DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES (1)

LAST TEN FISCAL YEARS

Fiscal Year	Principal	Interest and Fiscal Charges	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1995	\$ 818,521	\$ 942,664	\$ 1,761,185	\$ 46,761,459	3.8%
1996	898,521	1,345,984	2,244,505	48,389,349	4.6%
1997	1,059,901	1,818,897	2,878,798	52,964,827	5.4%
1998	1,291,150	2,414,177	3,705,327	53,675,940	6.9%
1999	1,355,637	2,400,695	3,756,332	54,440,372	6.9%
2000	1,975,387	2,346,695	4,322,082	55,952,698	7.7%
2001	2,196,869	2,876,185	5,073,054	61,314,811	8.3%
2002	2,382,150	1,929,200	4,311,350	60,633,294	7.1%
2003	1,981,813	1,886,179	3,867,992	64,351,724	6.0%
2004	2,035,000	1,546,228	3,581,228	65,824,644	5.4%

(1) This excludes general obligation debt in which debt service will be funded through a Proprietary Fund.

(2) Includes General, Special Revenue and Debt Service Funds.

CITY OF OAK RIDGE, TENNESSEE

REVENUE BOND COVERAGE
ELECTRIC SYSTEM BONDS

LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
1995	\$ 25,883,506	\$ 23,831,585	\$ 2,051,921	\$ 205,000	\$ 311,168	\$ 516,168	3.98
1996	28,554,493	25,758,587	2,795,906	215,000	774,274	989,274	2.83
1997	27,576,939	25,622,088	1,954,851	225,000	732,621	957,621	2.04
1998	30,171,408	27,718,138	2,453,270	460,000	701,162	1,161,162	2.11
1999	30,317,007	27,773,119	2,543,888	480,000	740,858	1,220,858	2.08
2000	30,654,173	28,784,333	1,869,840	600,000	767,181	1,367,181	1.37
2001	33,291,474	29,404,337	3,887,137	899,944	1,275,692	2,175,636	1.79
2002	33,434,251	30,414,099	3,020,152	660,000	699,127	1,359,127	2.22
2003	34,689,697	31,647,977	3,041,720	730,000	740,151	1,470,151	2.07
2004	35,913,653	33,623,285	2,290,368	810,000	580,229	1,390,229	1.65

NOTE:

- (1) Includes operating and nonoperating revenues.
(2) Total operating expenses exclusive of depreciation.

CITY OF OAK RIDGE, TENNESSEE

PROPERTY VALUE AND CONSTRUCTION

LAST TEN FISCAL YEARS

Fiscal Year	Residential and Commercial Construction (1)		Property Value (2) (3)
	Number of Units	Value	
1995	826	\$ 40,625,694	\$ 1,306,718,147
1996	838	26,559,519	1,339,813,723
1997	588	12,670,012	1,382,108,014
1998	479	26,469,935	1,388,099,021
1999	453	25,702,368	1,671,815,260
2000	510	27,806,864	1,679,740,886
2001	426	17,997,402	1,684,771,869
2002	474	18,157,979	1,712,549,305
2003	494	60,311,753	1,716,622,980
2004	582	19,386,502	1,755,267,362

Notes:

- (1) Based on building permits issued by the City's Permit Office of which values are estimated construction cost.
- (2) Estimated Actual Value.
- (3) Includes Residential and Commercial.

CITY OF OAK RIDGE, TENNESSEE
PRINCIPAL TAXPAYERS
TAX YEAR 2003
(FOR FISCAL YEAR 2004)

Taxpayer	Type of Business	2003 Assessed Valuation	Percentage of Total Assessed Valuation
Boeing Tennessee Inc.	Manufacturing and Engineering	\$ 12,394,653	2.36%
UT-Battelle	Management Contractor (ORNL)	11,666,398	2.22%
Oak Ridge Tech Center Oak Ridge Corp Partners	Office Complex	10,838,880	2.07%
Crown America	Shopping Mall/Misc. Development	8,772,377	1.67%
BellSouth	Communications	7,503,930	1.43%
Methodist Medical Center of Oak Ridge	Health Services	7,495,470	1.43%
Richard Chinn	Entrepreneur	6,018,265	1.15%
International Environmental Resources (AKA Manufacturing Sciences)	Environmental Services	5,057,257	0.96%
BNFL, Inc	Environmental Services	4,582,926	0.87%
Scientific Ecology Group (AKA GTS Duratek)	Environmental Services	<u>4,096,141</u>	<u>0.78%</u>
TOTAL		<u>\$ 78,426,297</u>	<u>14.95%</u>

*Does not include in-lieu of tax payments.

CITY OF OAK RIDGE, TENNESSEE
TEN LARGEST ELECTRIC CUSTOMERS
For the Fiscal Year Ending June 30, 2004

Customer	Annual Demand	Annual Kwh Usage	Annual Sales Dollars	Percentage Of Total Sales
City of Oak Ridge	58,781	26,888,841	\$ 1,668,010	4.73%
BNFL Inc.	49,405	24,214,400	1,650,266	4.68%
Methodist Medical Center	43,823	22,077,781	1,332,151	3.78%
Scientific Ecology Group (SEG) (AKA GTS Duratek)	(1)	21,811,514	1,100,894	3.12%
Boeing	(1)	21,466,016	1,033,074	2.93%
Oak Ridge Board Of Education	34,184	12,795,922	858,547	2.44%
US Department of Energy	17,841	7,364,289	474,971	1.35%
International Environmental Resources (AKA Manufacturing Sciences)	18,126	7,081,520	465,171	1.32%
Advanced Measurement	14,567	7,978,100	455,926	1.29%
BWXT Y-12	15,243	7,320,419	<u>438,342</u>	<u>1.24%</u>
Total			<u>\$ 9,477,352</u>	<u>26.89%</u>

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

CITY OF OAK RIDGE, TENNESSEE
INSURANCE IN FORCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Type of Coverage/ Insurance Carrier	Policy Number	Policy Period	Details of Coverage	Claim Dollar Limits	Annual Premium
<u>City, Excluding Schools:</u>					
Comprehensive General Liabilities/ TN Municipal League Insurance Pool	TML 079 06	7/01/03 - 7/01/04	General Liability	\$250,000/\$600,000/\$85,000	\$ 139,112
			Law Enforcement	\$250,000/\$600,000/\$85,000	31,602
			Errors and Omissions	Vaires - Maximum \$3,000,000	43,381
			Auto Liability	\$250,000/\$600,000/\$85,000	35,168
			Auto Physical Damage	\$250,000/\$600,000/\$85,000	6,881
	TWC 0050 01	7/01/03 - 7/01/04	Worker's Compensation	Statutory	137,492
	TMP-8050-05	7/01/03 - 7/01/04	Property, Casualty & Boiler	Maximum \$161,643,185	216,365
Employee Fidelity Assurance Center	441CF0050	12/02/01 - 12/02/04	Employee Fidelity	\$500,000 Blanket Bond	2,147
Environmental Policy- Water Treatment Plant Greenwich Insurance Company	PEC0002643	5/1/00 - 4/31/10	Pollution Policy	\$25,000,000	29,316
Unemployment Compensation Self Insured					
<u>Schools:</u>					
Comprehensive General Liability/ TN Municipal League	TML 0078-06	7/01/03 - 7/01/04	General Liability	\$250,000/\$600,000/\$85,000	9,198
			Auto Liability & Physical	\$250,000/\$600,000/\$85,000	35,513
			Errors and Omissions	\$600,000	8,351
	TWC 0049-06	7/01/03 - 7/01/04	Worker's Compensation	Statutory	267,000
	TML 303-04	7/01/03 - 7/01/04	Driver's Education	\$250,000/\$600,000/\$85,000	4,705
	TML 50-108440	7/01/03 - 7/01/04	Boilers	\$250,000/\$600,000/\$85,000	4,000
	TML 50-108440	7/01/03 - 7/01/04	School - All Other Risks	Maximum \$77,350,549	74,671
Surety Bond - Thomas E. Bailey, Ed.D. Cincinnati Insurance Company	8312975	7/01/03 - 7/01/04	Dishonesty	\$827,082 Aggregate	2,775
Surety - Public Employee Blanket Bond St. Paul Insurance Company	441CF0122	7/01/03 - 7/01/05	Dishonesty - All Employees	\$250,000 Per Incident	2,947
Student Accident Insurance - Preschool Hartford Accident and Indemnity Co.	83SR190324	2/01/03 - 02/01/04	Student Accident	\$5,000/\$10,000/\$10,000	851
Total Premium					<u>\$ 1,051,475</u>

CITY OF OAK RIDGE, TENNESSEE

DEMOGRAPHIC STATISTICS

1980 AND 1990 CENSUS YEAR INFORMATION AND LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	(2) Per Capita Income	(2) Median Age	(2) Unemployment Rate	School Enrollment
1980	27,662	\$ 9,244 (1)	35.0 (1)	5.4% (1)	5,274
1990	27,310	17,661 (1)	39.6 (1)	4.9% (1)	4,432
1995	27,310	21,621	(3)	4.0%	4,810
1996	27,310	22,292	(3)	4.8%	4,965
1997	27,310	22,130	(3)	5.6%	4,845
1998	27,310	24,337	(3)	3.6%	4,801
1999	27,310	25,181	(3)	3.6%	4,639
2000	27,387	24,793 (1)	43.4 (1)	3.2% (1)	4,491
2001	27,387	27,194	(3)	4.1%	4,398
2002	27,387	27,100	(3)	4.0%	4,391
2003	27,387	(3)	(3)	4.7%	4,323
2004	27,387	(3)	(3)	(3)	4,285

NOTE:

- (1) Source: U. S. Census Bureau. Statistic is for the City of Oak Ridge
- (2) Source: East Tennessee Development District. Statistic is for Anderson County. Information is maintained on a county basis and is unavailable for the City of Oak Ridge as a separate entity in a non-census year. The City comprises approximately 38% of Anderson County.
- (3) Data Not Available.

CITY OF OAK RIDGE, TENNESSEE

CHANGES IN ENTERPRISE FUND CAPITAL ASSETS

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Capital Assets June 30, 2003	Additions (1)	Reductions (1)	Capital Assets June 30, 2004	Accumulated Depreciation	Net Capital Assets June 30, 2004
<u>Electric Fund</u>						
Land	\$ 517,855	\$ -	\$ -	\$ 517,855	\$ -	\$ 517,855
Buildings	316,041	-	-	316,041	208,904	107,137
Machinery and equipment	54,707,676	2,181,809	245,667	56,643,818	19,291,412	37,352,406
Construction in progress	2,178,587	-	88,654	2,089,933	-	2,089,933
Total Electric Fund	\$ <u>57,720,159</u>	\$ <u>2,181,809</u>	\$ <u>334,321</u>	\$ <u>59,567,647</u>	\$ <u>19,500,316</u>	\$ <u>40,067,331</u>
<u>Waterworks Fund</u>						
Land	\$ 137,018	\$ -	\$ -	\$ 137,018	\$ -	\$ 137,018
Buildings	21,736,383	797,230	-	22,533,613	7,071,699	15,461,914
Improvements other than buildings	11,925,065	117,387	98,510	11,943,942	2,135,517	9,808,425
Machinery and equipment	58,689,312	2,867,377	32,890	61,523,799	20,625,440	40,898,359
Construction in progress	73,326	3,803,254	3,781,994	94,586	-	94,586
Total Waterworks Fund	\$ <u>92,561,104</u>	\$ <u>7,585,248</u>	\$ <u>3,913,394</u>	\$ <u>96,232,958</u>	\$ <u>29,832,656</u>	\$ <u>66,400,302</u>
<u>Golf Course Fund</u>						
Land	\$ 1,222,193	\$ -	\$ 707,825	\$ 514,368	\$ -	\$ 514,368
Buildings	902,605	-	-	902,605	154,861	747,744
Improvements other than buildings	5,769,797	-	-	5,769,797	1,443,805	4,325,992
Machinery and equipment	356,525	-	-	356,525	352,694	3,831
Total Golf Course Fund	\$ <u>8,251,120</u>	\$ <u>-</u>	\$ <u>707,825</u>	\$ <u>7,543,295</u>	\$ <u>1,951,360</u>	\$ <u>5,591,935</u>
<u>Emergency Communications District Fund</u>						
Buildings	\$ 28,975	\$ -	\$ -	\$ 28,975	\$ 24,175	\$ 4,800
Machinery and equipment	193,161	10,677	-	203,838	187,022	16,816
Total Emergency Communications District Fund	\$ <u>222,136</u>	\$ <u>10,677</u>	\$ <u>-</u>	\$ <u>232,813</u>	\$ <u>211,197</u>	\$ <u>21,616</u>
Total Enterprise Funds	\$ <u>158,754,519</u>	\$ <u>9,777,734</u>	\$ <u>4,955,540</u>	\$ <u>163,576,713</u>	\$ <u>51,495,529</u>	\$ <u>112,081,184</u>

(1) Additions and reductions include transfers between asset types.

CITY OF OAK RIDGE, TENNESSEE
ELECTRICAL SYSTEM DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

RESIDENTIAL RATE

Energy Charge Per Month:
 6.544 cents per kilowatt-hour

Customer Charge:
 \$6.57 per delivery point per month

COMMERCIAL RATE

Customers with a demand of less than 50 kilowatts and with energy takings less than 15,000 kilowatt-hours:

Energy Charge per Month:
 7.1777 cents per kWh per month

Customer Charge:
 \$15.00 per delivery point per month

Customers with a demand of (a) greater than 50 kilowatts but less than 1,000 kilowatts or (b) a demand of less than 50 kilowatts but with energy takings exceeding 15,000 kilowatt-hours:

Demand Charge Per Month:
 First 50 kilowatt-hours at no demand charge
 Excess over 50 kilowatts at \$10.67 per kW

Customer Charge:
 \$30.00 per delivery point per month

Energy Charge per Month:
 First 15,000 kilowatt-hours at 7.421 cents per kWh
 Additional kilowatt-hours at 3.823 cents per kWh

Customers with demand exceeding 1,000 kilowatts:

Demand Charge Per Month:
 First 1,000 kilowatts at \$10.09 per kW
 Next 4,000 kilowatts at \$12.02 per kW

Customer Charge:
 \$80.00 per delivery point per month

Energy Charge Per Month:
 3.901cents per kilowatt-hour

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

CITY OF OAK RIDGE, TENNESSEE
ELECTRICAL SYSTEM DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CLASS OF SERVICE:	Consumers - June		Electric Sales This Year		
	This Year	Last Year	Kilowatt Hours	Amount	
Residential	12,964	12,937	163,177,077	\$ 11,698,351	
Small lighting and power	1,698	1,654	36,149,045	2,842,168	
Large lighting and power	360	383	319,181,136	19,668,254	
Street and outdoor lighting	62	61	6,819,862	1,036,907	
Totals	<u>15,084</u>	<u>15,035</u>	<u>525,327,120</u>	<u>\$ 35,245,680</u>	35261.835

	Purchased Power This Year	
	Kilowatt Hours	Amount
Power billings for the year	<u>551,468,429</u>	<u>\$ 27,615,311</u>

LINE LOSSES AND COST PER KILOWATT-HOUR PURCHASED

Kilowatt-hours purchased (per above)	551,468,429
Kilowatt-hours sold (per above)	<u>525,327,120</u>
Line losses and kilowatt-hours unaccounted for	<u>26,141,309</u>
Percentage of losses and unaccounted for kilowatt-hours to purchases	4.74%
Cost per kilowatt-hour purchases	<u>\$0.0501</u>

OTHER STATISTICS

Miles of electric lines	<u>282.00</u>
Number of regular street lights	<u>5,431</u>
Number of private outdoor lights	<u>1,577</u>

CITY OF OAK RIDGE, TENNESSEE
WATER SYSTEM DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

1. Commodity charge:

First 2,000 gallons or any part thereof	\$ 8.01 per month
Next 8,000 gallons	3.10 per thousand
Next 40,000 gallons	2.77 per thousand
Next 150,000 gallons	2.29 per thousand
Next 800,000 gallons	1.90 per thousand
Next 1,000,000 gallons	1.56 per thousand

United States Department of Energy:

Treated Water	\$ 0.658 per thousand
Raw Water	0.165 per thousand

2. Minimum monthly billings:

For customers using 5/8" or 3/4" meter	\$ 8.01 per month
For customers using 1" or 1-1/4" meter	20.80 per month
For customers using 1-1/2" meter	37.68 per month
For customers using 2" meter	69.67 per month
For customers using 3" meter	117.22 per month
For customers using 4" meter or larger meter	166.68 per month

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

CITY OF OAK RIDGE, TENNESSEE
WATER SYSTEM DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

CLASS OF SERVICE:	<u>Consumers - June</u>		Water Sales
	<u>This Year</u>	<u>Last Year</u>	Fiscal Year 2004
Residential	10,955	10,914	\$ 2,137,416
Commercial	1,453	1,423	1,252,322
U.S. Department of Energy (DOE)	1	1	1,952,432
Public fire protection (fire hydrants)	<u>1</u>	<u>1</u>	<u>43,745</u>
Totals	<u>12,411</u>	<u>12,340</u>	<u>\$ 5,385,915</u>

LINE LOSSES AND COST PER GALLON

Gallons treated (Thousands)	3,907,730
Treated gallons sold to DOE (Thousands)	2,528,875
Gallons sold - residential and commercial customers (Thousands)	<u>1,151,486</u>
Line losses and gallons unaccounted for (Thousands)	<u>227,369</u>
Percentage of losses and unaccounted for gallons to purchases	<u>5.82%</u>

OTHER STATISTICS

Average daily water consumption (gallons)	<u>10,083,181</u>
Miles of water mains	<u>225.77</u>
Number of fire hydrants	<u>2,500</u>

CITY OF OAK RIDGE, TENNESSEE

**WASTEWATER TREATMENT SYSTEM DATA
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<u>CLASS OF SERVICE:</u>	<u>Consumers - June</u>		<u>Wastewater Fees</u>
	<u>This Year</u>	<u>Last Year</u>	<u>Fiscal Year 2004</u>
Residential	10,671	10,633	\$ 2,524,510
Commercial	1,167	1,179	3,123,418
Totals	<u>11,838</u>	<u>11,812</u>	<u>\$ 5,647,928</u>

WASTEWATER TREATMENT:

Clinch River Industrial Park Plant:	
Capacity daily (gallons)	<u>10,000</u>
Treatment during Fiscal Year 2004 (gallons)	<u>1,724,000</u>
West End Plant:	
Capacity daily (gallons)	<u>30,000,000</u>
Treatment during Fiscal Year 2004 (gallons)	<u>1,942,491,000</u>

COLLECTION SYSTEM:

Miles of sewer mains	<u>245.87</u>
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WASTEWATER TREATMENT RATE:

Recover of Total Cost:	
First 2,000 gallons per month or any part thereof	\$10.50 flat rate
Next 8,000 gallons per month	\$3.75 per thousand gallons
Next 4,999,990 gallons per month	\$5.05 per thousand gallons
Over 5,000,000 gallons per month	\$5.90 per thousand gallons

Minimum Charge per Month

The total wastewater charge shall be no less than \$10.50 per month.

Maximum Charge per Month

The following terms are defined:

Winter Period - November 2 through May 1.

Summer Period - May 2 through November 1.

Residential meter readings taken during the Summer Period shall be subject to a maximum monthly charge. The maximum charge shall be computed using the rates in effect applied to the highest monthly meter reading taken during the preceding Winter Period.

The maximum charge set forth herein is not applicable unless a residential customer has maintained water service at the metered location continuously during the preceding Winter Period.

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

CITY OF OAK RIDGE, TENNESSEE

Table 22

**OTHER STATISTICAL DATA
JUNE 30, 2004**

Population (2000 Census)	27,387
Date of incorporation	June 16, 1959
Date of adoption of City Charter	May 5, 1959
Date City took over operations from U. S. Atomic Energy Commission	June 1, 1960
Form of government	Modified City Manager-Council
Number of Council Members (elected at large for a four-year term, staggered so that approximately half of the Council is elected every two years.)	7
Mayor (Council elects one of their members for a two-year term)	
City employees (not including schools):	
Regular Full-Time	321
Seasonal Full-Time	35
Regular Part-Time	7
Seasonal Part-Time	9
Temporary Part-Time	21
Total	393
Area of City	92 square miles
Miles of roads and streets:	
Asphalt	193.23
Bituminous	24.52
Miles of sidewalks:	
Asphalt	55.12
Concrete	43.61
FIRE PROTECTION:	
Classification	Class 3/9/10
Number of stations	3
Number of full-time employees	45
Number of on-call Fire Specialists	24
Number of fire trucks (pumpers and ladder) radio equipped	6
Number of rescue vehicles - radio equipped	2
Number of sedans - radio equipped	4
Number of Fire Specialists' vehicles	5
Number of fire hydrants	2,500

(continued)

CITY OF OAK RIDGE, TENNESSEE

Table 22
(Cont.)

**OTHER STATISTICAL DATA
JUNE 30, 2004**

POLICE PROTECTION:

Number of stations	1
Number of employees:	
Police Officers	54
Records and support personnel	4
Emergency dispatchers	8
Animal Control Officers	3
Number of vehicles:	
Marked	23
Unmarked	6
Animal control	2
Other	9

EDUCATION - PUBLIC SCHOOL SYSTEM:

	<u>Number</u>	<u>ADM</u>	<u>ADA</u>	<u>Teacher/Pupil Ratio</u>
Senior High (Grade 9 through 12)	1	1,464	1,397	1 to 12.60
Middle Schools (Grade 5 through 8)	2	1,349	1,274	1 to 13.20
Elementary Schools (Grade K through 4)	4	1,406	1,343	1 to 14.00
Other (special education)		<u>57</u>	<u>52</u>	
Total Students		<u>4,276</u>	<u>4,066</u>	
Certified Staff	393			
Non-certified Personnel	<u>293</u>			
Total Personnel	<u>686</u>			

RECREATION:

Parks (total acres)	2,237
Number developed	12
Number undeveloped	2
Number of playground (summer)	1
Number of swimming pools	2
Number of tennis courts	22
Number of baseball parks	5
Number of softball parks	6
Number of gymnasiums	1
Number of golf courses	2
Number of soccer fields	9
Number of marina slips	30

UTILITIES:

Electric -	City-owned (statements and statistics are included in this report).
Water -	City-owned (statements and statistics are included in this report).
Sewer -	City-owned (statements and statistics are included in this report).
Gas -	Natural gas system owned and operated by the Oak Ridge Utility District.
Telephone -	Oak Ridge is served by South Central Bell Telephone Company.
Railroads -	Oak Ridge is served by two railroads - Seaboard System and Southern (freight only).
Airports -	Limousine service to McGhee-Tyson Airport at Knoxville (40 minute drive).