NEW ISSUE
BOOK-ENTRY-ONLY

Rating: S&P: "___"

PRELIMINARY OFFICIAL STATEMENT

$6,000,000*
CITY OF ROCKWOOD, TENNESSEE
General Obligation Bonds, Series 2018

OFFERED FOR SALE NOT SOONER THAN
Wednesday, January 17, 2018 at 10:15 A.M. E.S.T.
Through the Facilities of ***PARITY***®
and at the offices of
Cumberland Securities Company, Inc.
Knoxville, Tennessee

Cumberland Securities Company, Inc.
Financial Advisor

January 5, 2018

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 5, 2018

NEW ISSUE Rating: S&P: “___”
BOOK-ENTRY-ONLY (See “MISCELLANEOUS-Rating”)

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

$6,000,000*
CITY OF ROCKWOOD, TENNESSEE
General Obligation Bonds, Series 2018

Dated: Date of Delivery (assume February 1, 2018) Due: June 1 (as indicated below)

The $6,000,000* General Obligation Bonds, Series 2018 (the “Bonds”) of the City of Rockwood, Tennessee (the “City”) shall be issued as book-entry-only Bonds in denominations of $5,000 and authorized integral multiples thereof. The Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”) except as otherwise described herein. DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2018 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the “Registration Agent”). In the event of discontinuation of the book-entry system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The Bonds maturing June 1, 2024 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2023.

Maturity (June 1)	Amount*	Interest Rate	Yield	CUSIPS **	Maturity (June 1)	Amount*	Interest Rate	Yield	CUSIPS **
2019	$ 75,000				2030	$ 300,000			
2020	75,000				2031	305,000			
2021	250,000				2032	315,000			
2022	255,000				2033	325,000			
2023	260,000				2034	335,000			
2024	265,000				2035	345,000			
2025	265,000				2036	355,000			
2026	275,000				2037	370,000			
2027	280,000				2038	380,000			
2028	285,000				2039	395,000			
2029	290,000								

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

The Bonds are offered when, as and if issued by the City, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, bond counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon from Greg Leffew, counsel to the City. It is expected that the Bonds, will be available for delivery through the facilities of DTC, New York, New York, on or about February __, 2018.

Cumberland Securities Company, Inc.
Financial Advisor

January __, 2018

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* Preliminary, subject to change.

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

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

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

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

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

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

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

CITY OF ROCKWOOD, TENNESSEE

OFFICIALS

Honorable Mike Miller	*Mayor*
Belinda Puckett	*Finance Director*
Becky Ruppe	*City Administrator / City Recorder*
Greg Leffew	*City Attorney*
Kim Ramsey	*Utilities General Manager*

COUNCIL MEMBERS

Jason Jolly, Vice Mayor
Bobby Anderson
Dudley Evans
Mike Freeman
Harold Holloway
Jane Long

BOND COUNSEL

Bass, Berry & Sims PLC
Knoxville, Tennessee

BOND REGISTRATION AND PAYING AGENT

Regions Bank
Nashville, Tennessee

FINANCIAL ADVISOR

Cumberland Securities Company, Inc.
Knoxville, Tennessee

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SUMMARY STATEMENT

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

Issuer	City of Rockwood, Tennessee (the “City”, “Municipality” or “Issuer”). See APPENDIX B contained herein.
The Bonds	The $6,000,000* General Obligation Bonds, Series 2018 (the “Bonds”) of the City, dated the date of delivery (estimated to be February 1, 2018). The Bonds will mature each June 1 beginning June 1, 2019 through June 1, 2039, inclusive, See the section herein entitled “SECURITIES OFFERED – Authority and Purpose”.
Security	The Bonds are payable from taxes to be levied on all taxable property in said Issuer without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City of Rockwood, Tennessee are irrevocably pledged.
Purpose	The Bonds are being issued for the purpose of (i) the acquisition and installation of improvements to public buildings and facilities, including energy efficient improvements that would include LED lighting, heating and air conditioning equipment and other energy efficiency improvements; (ii) the acquisition of vehicles and equipment for public purposes, including but not limited to public works vehicles, public safety vehicles and equipment to include, but not be limited to, fire truck(s); (iii) the construction, improvement and paving of highways, streets and roads; (iv) the installation of LED street lights; (v) the repair and renovation of public buildings and facilities (collectively, the "Projects"); (vi) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vii) reimbursement of the Municipality for funds previously expended for any of the foregoing; and (viii) payment of costs incident to the issuance and sale of the Bonds.
Optional Redemption	The Bonds are subject to optional redemption prior to maturity on or after June 1, 2023, at the redemption price of par plus accrued interest. See section entitled “SECURITIES OFFERED - Optional Redemption”.
Tax Matters	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds will be exempt from certain taxation in Tennessee, all as more fully described in the section entitled “LEGAL MATTERS-Tax Matters” and APPENDIX A (form of opinion) included herein.
Bank Qualification	The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating	S&P: “__”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Registration and Paying Agent	Regions Bank, Nashville, Tennessee (the “Registratio
Bond Counsel	Bass, Berry & Sims PLC, Knoxville, Tennessee.
Financial Advisor	Cumberland Securities Company, Inc., Knoxville, Tennessee. See the section entitled “MISCELLANEOUS - Financial Advisor, Related Parties; Other” herein.
Underwriter	________________________________.

* Preliminary, subject to change.

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

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

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

Other Information.......................... The information in this *Preliminary Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof except for the omission of certain pricing and other information. For more information concerning the City, or the PRELIMINARY OFFICIAL STATEMENT, contact Mike Miller, Mayor, 110 No. Chamberlain Avenue, Rockwood, Tennessee 37854, Telephone: (865) 354-0611; or the City's Financial Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663. Additional information regarding BiDCOMP™/PARITY® may be obtained from PARITY®, 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: 800.850.7422.

GENERAL FUND BALANCES

Summary of Changes In Fund Balances

(In Thousands)

For the Fiscal Year Ended June 30

	2012	**2013**	**2014**	**2015**	**2016**
Beginning Fund Balance	$459,072	$232,849	$1,032,131	$601,094	$717,832
Revenues	4,397,750	5,006,390	4,090,335	4,172,244	4,530,058
Expenditures	4,631,532	4,765,351	5,893,692	4,712,037	5,070,625
Other Financing Sources:					
Transfers In/Grants	609,126	713,247	650,951	656,530	723,572
Transfers Out	(654,403)	(272,205)	(5,565)	-	-
Sale of Capital Assets	132,016	117,202	726,934	-	-
Adjustments	(89,180)	-	-	1	-
Ending Fund Balance	**$232,849**	**$1,032,131**	**$601,094**	**$717,832**	**$900,836**

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

SUMMARY NOTICE OF SALE

$6,000,000*

CITY OF ROCKWOOD, TENNESSEE

General Obligation Bonds, Series 2018

NOTICE IS HEREBY GIVEN that the Mayor of the City of Rockwood, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.S.T.** on **Wednesday, January 17, 2018** for the purchase of all, but not less than all, of the City's $6,000,000* General Obligation Bonds, Series 2018 (the "Bonds"). Electronic bids must be submitted through ***PARITY***® as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the City's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth in the Detailed Notice of Sale, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY***® System not later than 9:30 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the ***PARITY***® System.

Electronic bids must be submitted through ***PARITY***® via the BiDComp Competitive Bidding Service as described in the Detailed Notice of Sale and no other provider of electronic bidding services will be accepted. For the purposes of the bidding process, both written and electronic, the time maintained by ***PARITY***® shall constitute the official time with respect to all bids. To the extent any instructions or directions set forth in ***PARITY***® conflict with the terms of the Detailed Notice of Sale and this Summary Notice of Sale, the Detailed Notice of Sale and this Summary Notice of Sale shall prevail.

The Bonds will be issued in book-entry form (except as otherwise described in the Detailed Notice of Sale) and dated the date of issuance (assume February 1, 2018). The Bonds will mature on June 1 in the years 2019 through 2039, inclusive, with term bonds optional, with interest payable on June 1 and December 1 of each year, commencing June 1, 2018, and will be subject to optional redemption prior to maturity on or after June 1, 2023 at the redemption price of par plus accrued interest. Bidders must bid not less than ninety-nine percent (99.00%) of par or more than one hundred and twenty-five percent (125%) of par for the Bonds. The approving opinion for the Bonds will be furnished at the expense of the City by Bass, Berry & Sims, PLC, Bond Counsel, Knoxville, Tennessee. No rate or rates bid for the Bonds shall exceed five percent (5.00%) per annum.

In the event that the competitive sale requirements are not satisfied, the City will reject all bids and cancel the sale.

Additional information, including the PRELIMINARY OFFICIAL STATEMENT in near final form and the Detailed Notice of Sale, may be obtained through www.prospectushub.com or from the City's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee (865) 988-2663. Further information regarding ***PARITY***® may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

CITY OF ROCKWOOD, TENNESSEE
By: Mike Miller, Mayor

* Preliminary, subject to change.

DETAILED NOTICE OF SALE

$6,000,000*

CITY OF ROCKWOOD, TENNESSEE

General Obligation Bonds, Series 2018

NOTICE IS HEREBY GIVEN that the Mayor of the City of Rockwood, Tennessee (the "City") will receive electronic or written sealed bids until **10:15 a.m. E.S.T.** on **Wednesday, January 17, 2018** for the purchase of all, but not less than all, of the City's $6,000,000* General Obligation Bonds, 2016 (the "Bonds"). Electronic bids must be submitted through ***PARITY®*** as described in the "Detailed Notice of Sale". In case of written bids, bids will be received by the City's Financial Advisor, Cumberland Securities Company, Inc., via facsimile at 865-988-1863. Prior to accepting bids, the City reserves the right to adjust the principal amount and maturity amounts of the Bonds being offered as set forth herein, to postpone the sale to a later date, or to cancel the sale based upon market conditions via Bloomberg News Service and/or the ***PARITY®*** System not later than 9:30 a.m., Eastern Standard Time, on the day of the bid opening. Such notice will specify the revised principal amounts, if any, and any later date selected for the sale, which may be postponed or cancelled in the same manner. If the sale is postponed, a later public sale may be held at the hour and place and on such date as communicated upon at least forty-eight hours notice via Bloomberg News Service and/or the ***PARITY®*** System.

Description of the Bonds. The Bonds will be issued in book-entry-only form without coupons and will be issued or reissued upon transfer, in $5,000 denominations or multiples thereof, as shall be requested by the purchaser or registered owner thereof, as applicable. Interest on the Bonds will be payable on June 1 and December 1 of each year, commencing June 1, 2018. The Bonds will mature and be payable on June 1 of each year as follows:

YEAR (JUNE 1)	**AMOUNT***	**YEAR (JUNE 1)**	**AMOUNT***
2019	$ 75,000	2030	$ 300,000
2020	75,000	2031	305,000
2021	250,000	2032	315,000
2022	255,000	2033	325,000
2023	260,000	2034	335,000
2024	265,000	2035	345,000
2025	265,000	2036	355,000
2026	275,000	2037	370,000
2027	280,000	2038	380,000
2028	285,000	2039	395,000
2029	290,000		

Bank Qualification. The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended.

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

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* Preliminary, subject to change.

beneficial ownership interests of the Bonds in the principal amount of $5,000 for the Bonds and any integral multiple of $5,000, with transfers of beneficial ownership interest effected on the records of DTC participants and, if necessary, in turn by DTC pursuant to rules and procedures established by DTC and its participants (the "DTC Participants" or "Participants of DTC"). The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC, registered in the name of Cede & Co., nominee of DTC. The Bonds will be payable, at maturity or upon earlier redemption to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments (as applicable) to beneficial owners of the Bonds by Participants of DTC, will be the responsibility of such participants and of the nominees of beneficial owners. The City will not be responsible or liable for such transfer of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. Notwithstanding the foregoing, if the winning bidder certifies that it intends to hold the Bonds for its own account and has no present intent to re-offer the Bonds, the use the Book-Entry-Only System is not required.

In the event that the Book-Entry Only System for the Bonds is discontinued and a successor securities depository is not appointed by the City, Bond Certificates in fully registered form will be delivered to, and registered in the names of, the DTC Participants or such other persons as such DTC participants may specify (which may be the indirect participants or beneficial owners), in authorized denominations of $5,000 for the Bonds or integral multiples thereof. The ownership of Bonds so delivered shall be registered in registration books to be kept by the Registration Agent (named herein) at its principal corporate trust office, and the City and the Registration Agent shall be entitled to treat the registered owners of the Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution authorizing the Bonds.

Security Pledged. The Bonds are payable from taxes to be levied on all taxable property in said Issuer without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City of Rockwood, Tennessee are irrevocably pledged.

Purpose. The Bonds are being issued for the purpose of (i) the acquisition and installation of improvements to public buildings and facilities, including energy efficient improvements that would include LED lighting, heating and air conditioning equipment and other energy efficiency improvements; (ii) the acquisition of vehicles and equipment for public purposes, including but not limited to public works vehicles, public safety vehicles and equipment to include, but not be limited to, fire truck(s); (iii) the construction, improvement and paving of highways, streets and roads; (iv) the installation of LED street lights; (v) the repair and renovation of public buildings and facilities (collectively, the "Projects"); (vi) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vii) reimbursement of the Municipality for funds previously expended for any of the foregoing; and (viii) payment of costs incident to the issuance and sale of the Bonds.

Optional Redemption. The Bonds maturing on June 1, 2024, and thereafter, will be subject to optional redemption prior to maturity at the option of the City on and after June 1, 2023, as a whole or part, at any time, at the redemption price of par plus accrued interest as provided herein.

Term Bond Option; Mandatory Redemption. Bidders shall have the option to designate certain consecutive serial maturities of the Bonds as one or more term bonds ("Term Bonds") bearing a single interest rate. If the successful bidder for the Bonds designates certain consecutive serial maturities of such Bonds to be combined as one or more Term Bonds as allowed herein, then each Term Bond shall be subject to mandatory sinking fund redemption by the City at a redemption price equal to one hundred percent (100%) of the principal amount thereof, together with accrued interest to the date fixed for redemption at the rate stated in the Term Bonds to be redeemed. Each such mandatory sinking fund redemption shall be made on the date on which a consecutive maturity included as part of a Term Bond is payable in accordance with the proposal of the successful bidder for the Bonds and in the amount of the maturing principal installment for the Bonds listed herein for such principal payment date. Term Bonds to be redeemed within a single maturity shall be selected in the manner provided above for optional redemption of Bonds within a single maturity.

Bidding Instructions. The City will receive electronic or written bids for the purchase of all, but not less than all, of the Bonds. Bidders for the Bonds are requested to name the interest rate or rates the Bonds are to bear in multiples of one-eighth of one percent and/or one-hundredth of one percent (.01%) or one (1) basis point, but no rate specified shall be in excess of five percent (5.00%) per annum. There will be no limitation on the number of rates of interest that may be specified in a single bid for the Bonds but a single rate shall apply to each single maturity of the Bonds. Bidders must bid not less than ninety-nine percent (99.00%) of par or more than one hundred and twenty-five percent (125%) of par.

Electronic bids must be submitted through ***PARITY***® via BiDCOMP Competitive Bidding System and no other provider of electronic bidding services will be accepted. Subscription to the i-Deal LLC Dalcomp Division's BiDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City will not confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. For the purposes of the bidding process, the time as maintained by ***PARITY***® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in ***PARITY***® conflict with the terms of the Detailed Notice of Sale, this Notice shall prevail. An electronic bid made through the facilities of ***PARITY***® shall be deemed an offer to purchase in response to the Detailed Notice of Sale and shall be binding upon the bidder as if made by a signed, written bid delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by ***PARITY***®. The use of ***PARITY***® facilities are at the sole risk of the prospective bidders.

For further information regarding ***PARITY***®, potential bidders may contact i-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, Telephone: 212-849-5000.

In the event of a system malfunction in the electronic bidding process only, bidders may submit bid prior to the established date and time by FACSIMILE transmission sent to the City's Financial Advisor, Cumberland Securities Company, Inc. at 865-988-1863. Any facsimile submission is made at the sole risk of the prospective bidder. The City and the Financial Advisor shall not be responsible for confirming receipt of any facsimile bid or for any malfunction relating to the transmission and receipt of such bids.

Separate written bids should be submitted by facsimile to the City's Financial Advisor, at 865-988-1863. Written bids must be submitted on the Bid Forms included with the PRELIMINARY OFFICIAL STATEMENT.

The City reserves the right to reject all bids for the Bonds and to waive any informalities in the bids accepted. Acceptance or rejection of "Bids for Bonds" for the Bonds will not obligate the City to accept or reject "Bids for Bonds".

Unless all bids for the Bonds are rejected, the Bonds will be awarded by the Mayor of the City to the bidder whose bid complies with this notice and results in the lowest true interest rate on the Bonds to be calculated as that rate that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds), produces an amount equal to the purchase price of the Bonds exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year. In the event that two or more bidders offer to purchase the Bonds at the same lowest true interest rate, the Mayor shall determine in his sole discretion which of the bidders shall be awarded the Bonds.

After receipt of the bids, the City reserves the right to make adjustments and/or revisions to the Bonds, as described below.

Adjustment and/or Revision. While it is the City's intention to sell and issue the approximate par amounts of the Bonds as offered herein, there is no guarantee that adjustment and/or revision may not be necessary in order to properly size the Bonds. Accordingly, the Mayor reserves the right, in his sole discretion, to adjust down the original par amount of the Bonds by up to $1,500,000. The primary factor in adjusting the par amount will be the amount of any premium that is bid. Among other factors the Mayor may (but shall be under no obligation to) consider in sizing the par amounts and individual maturities of the Bonds is the size of individual maturities or sinking fund installments and/or other preferences of the City. Additionally, the Mayor reserves the right to change the dated date of the Bonds.

In the event of any such adjustment and/or revision with respect to the Bonds, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid for the Bonds) shall be adjusted in the same proportion as the amount of such revision in par amount of the Bonds bears to the original par amount of such Bonds offered for sale.

The successful bidder for the Bonds will be tentatively notified by not later than 5:00 p.m. (Eastern Standard Time), on the sale date of the exact revisions and/or adjustments required, if any.

Good Faith Deposit. No good faith check will be required to accompany any bid submitted. The successful bidder shall be required to deliver to the City's Financial Advisor (via wire transfer or certified check) the amount of two percent (2%) of the aggregate principal amount of the Bonds offered for sale which will secure the faithful performance of the terms of the bid. A certified check or wire transfer must be received by the City's Financial Advisor no later than the close of business on the day following the competitive sale. A wire transfer may be sent to First Tennessee Bank, ABA Number: 084-000-026 First Tenn Mem, FAO Cumberland Securities Company, Inc., Account No. 183302631, for further credit to Good Faith Trust Account.

The good faith deposits shall be applied (without interest) to the purchase price of the Bonds. If the successful bidder should fail to accept or pay for the Bonds when tendered for delivery and payment, the good faith deposit will be retained by the City as liquidated damages.

In the event of the failure of the City to deliver the Bonds to the purchaser in accordance with the terms of this Notice within forty-five (45) days after the date of the sale, the good-faith deposit will be promptly returned to the purchaser unless the purchaser directs otherwise.

Establishment of Issue Price

General. The winning bidder shall assist the City in establishing the issue price of the Bonds as more fully described herein. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the City by the City's financial advisor identified herein and any notice or report to be provided to the City may be provided to the City's financial advisor.

Anticipated Compliance with Competitive Sale Requirements. The City anticipates that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "competitive sale requirements") because:

- the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- all bidders shall have an equal opportunity to bid;
- the City expects to receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

In the event that the competitive sale requirements are not satisfied, the City will reject all bids and cancel the sale.

Issue Price Certificate. The winning bidder will be required to provide the City, at closing, with an issue price certificate consistent with the foregoing. A form of the issue price certificate is attached to this Detailed Notice of Sale as Exhibit A.

Reoffering Prices; Other Information. The successful bidder must furnish the following information to the City to complete the *Official Statement* in final form within two (2) hours after receipt and award of the bid for the Bonds:

1. The offering prices or yields for the Bonds (expressed as a price or yield per maturity, exclusive of any accrued interest, if applicable);
2. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields as provided above);
3. The identity of the underwriters if the successful bidder is part of a group or syndicate; and
4. Any other material information necessary to complete the *Official Statement* in final form but not known to the City.

As a condition to the delivery of the Bonds, the successful bidder will be required to deliver a certificate to the City as is described above relating to reoffering price.

Legal Opinion. The approving opinion of Bass, Berry & Sims, PLC, Knoxville, Tennessee, Bond Counsel along with other certificates including, but not limited to, a tax certificate and a continuing disclosure certificate dated as of the date of delivery of the Bonds will be furnished to the purchaser at the expense of the City. As set forth in the *Preliminary Official Statement*, Bond Counsel's opinion with respect to the Bonds will state that interest on the Bonds will be excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal law alternative minimum tax imposed on individuals. As set forth in the *Preliminary Official Statement*, the owners of the Bonds, however, may be subject to certain additional taxes or tax consequences arising with respect to ownership of the Bonds, reference is hereby made to the *Preliminary Official Statement* and the form of the opinion contained in Appendix A.

Continuing Disclosure. At the time the Bonds are delivered, the City will execute a Continuing Disclosure Certificate in which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after each of the City's fiscal years, (the “Annual Report”), and to provide notice of the occurrence of certain enumerated events. The Annual Report (and audited financial statements, if filed separately) will be filed with the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (the “EMMA”) and any State Information Depository established in the State of Tennessee (the “SID”). If the City is unable to provide the Annual Report to the MSRB and the SID by the date required, notice of each failure will be sent to the MSRB and the SID on or before such date. The notices of events will be filed by the City either with the MSRB and the SID. The specific nature of the information to be contained in the Annual Report or the notices of material events will be summarized in the City's *Official Statement* to be prepared and distributed in connection with the sale of the Bonds.

Delivery of Bonds. Delivery of the Bonds is expected within forty-five (45) days. At least five (5) days notice will be given to the successful bidder. Delivery will be made in book-entry form through the facilities of

The Depository Trust Company, New York, New York. Payment for the Bonds must be made in *Federal Funds* or other immediately available funds. Delivery is expected on or about February 1, 2018.

CUSIP Numbers. CUSIP numbers will be assigned to the Bonds at the expense of the City. The City will assume no obligation for assignment of such numbers or the correctness of such numbers and neither failure to record such numbers on Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and make payment for the Bonds.

Official Statements; Other. The City has deemed the PRELIMINARY OFFICIAL STATEMENT to be final as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission (the "SEC") except for the omission of certain pricing and other information. The City will furnish the successful bidder at the expense of the City a reasonable number of copies of the *Official Statement* in final form, containing the pricing and other information to be supplied by the successful bidder and to be dated the date of the sale, to be delivered by the successful bidder to the persons to whom such bidder and members of its bidding group initially sell the Bonds. Acceptance of the bid will constitute a contract between the City and the successful bidder for the provision of such copies within seven business days of the sale date.

Further Information. Additional information, including the *Preliminary Official Statement*, the Detailed Notice of Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, Cumberland Securities Company, Inc., Knoxville, Tennessee, Telephone: 865-988-2663. Further information regarding ***PARITY***® may be obtained from i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone: 212-849-5000.

/s/ Mike Miller, Mayor

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Exhibit A to Detailed Notice of Sale

CITY OF ROCKWOOD, TENNESSEE
$6,000,000 GENERAL OBLIGATION BONDS, SERIES 2018
ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (the "Underwriter"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Bonds").

1. ***Reasonably Expected Initial Offering Price***.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed below (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Exhibit A is a true and correct copy of the bid provided by the Underwriter to purchase the Bonds including the Expected Offering Prices submitted by the Underwriter on the Sale Date.

(b) The Underwriter was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) *Issuer* means City of Rockwood, Tennessee.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this Certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale or exchange the Bonds. The Sale Date of the Bonds is January 17, 2018.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bass, Berry & Sims PLC in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

Dated: [Issue Date]

[UNDERWRITER], as Underwriter

By:______________________________________

Name:______________________________________

BID FORM

The Honorable Mike Miller, Mayor
110 North Chamberlain Avenue
Rockwood, Tennessee 37854

January 17, 2018

Dear Mayor Miller:

For your legally issued, properly executed $6,000,000* General Obligation Bonds, Series 2018 (the "Bonds") of the City of Rockwood, Tennessee, in all respects as more fully outlined in your Notice of Sale, which by reference are made a part hereof, we will pay you a sum of ______________________________ ($______________).

The Bonds shall be dated the date of issuance (assume February 1, 2018) and shall be callable in accordance with the DETAILED NOTICE OF SALE. The Bonds shall mature on June 1 and bear interest at the following rates:

Maturity (June 1)	**Amount***	**Rate**	**Maturity (June 1)**	**Amount***	**Rate**
2019	$ 75,000	___	2030	$ 300,000	___
2020	75,000	___	2031	305,000	___
2021	250,000	___	2032	315,000	___
2022	255,000	___	2033	325,000	___
2023	260,000	___	2034	335,000	___
2024	265,000	___	2035	345,000	___
2025	265,000	___	2036	355,000	___
2026	275,000	___	2037	370,000	___
2027	280,000	___	2038	380,000	___
2028	285,000	___	2039	395,000	___
2029	290,000	___			

We have the option to designate two or more consecutive serial maturities as term bond maturities as indicated:

Term Bond 1: Maturities from June 1, 20______ through June 1, 20______ @ ______%.
Term Bond 2: Maturities from June 1, 20______ through June 1, 20______ @ ______%.
Term Bond 3: Maturities from June 1, 20______ through June 1, 20______ @ ______%.
Term Bond 4: Maturities from June 1, 20______ through June 1, 20______ @ ______%.
Term Bond 5: Maturities from June 1, 20______ through June 1, 20______ @ ______%.
Term Bond 6: Maturities from June 1, 20______ through June 1, 20______ @ ______%.

It is our understanding that the Bonds are offered for sale as "qualified tax-exempt obligations" subject to the final approving opinion of Bass, Berry & Sims PLC, Bond Counsel, Knoxville, Tennessee, whose opinion together with the executed Bonds, will be furnished by the City without cost to us.

If our bid is accepted, we agree to provide a good faith deposit for 2% of the aggregate principal amount of Bonds on which we have bid by the close of business on the date following the competitive public sale as outlined in the *Detailed Notice of Sale*. Should for any reason we fail to comply with the terms of this bid, this good faith deposit shall be forfeited by us as full liquidated damages. Otherwise, this good faith deposit shall be applied to the purchase price of the Bonds on which we have bid.

This bid is a firm offer for the purchase of the Bonds identified in the Notice of Sale, on the terms set forth in this bid form and the Notice of Sale, and is not subject to any conditions, except as permitted by the Notice of Sale. By submitting this bid, we confirm that we have an established industry reputation for underwriting new issuances of municipal bonds. [If the bidder cannot confirm an established industry reputation for underwriting new issuances of municipal bonds, the preceding sentence should be crossed out.]

Accepted for and on behalf of the
City of Rockwood, Tennessee, this
17 th day of January, 2018

____
Mike Miller, Mayor

Respectfully submitted,
____
____

Total interest cost from
February 1, 2018 to final maturity $______________
Less: Premium /plus discount, if any $______________
Net Interest Cost .... $______________
True Interest Rate ______________%

The computations of net interest cost and true interest rate are for comparison purposes only and are not to be considered as part of this proposal.

* Preliminary, subject to change.

$6,000,000*

CITY OF ROCKWOOD, TENNESSEE

General Obligation Bonds, Series 2018

SECURITIES OFFERED

AUTHORITY AND PURPOSE

This PRELIMINARY OFFICIAL STATEMENT which includes the Summary Statement hereof and appendices hereto is furnished in connection with the offering by the City of Rockwood, Tennessee (the "City", "Municipality" or "Issuer") of its $6,000,000* General Obligation Bonds, Series 2018 (the "Bonds").

The Bonds are authorized to be issued pursuant to the provisions of Title 9, Chapter 21, *Tennessee Code Annotated,* as amended, and other applicable provisions of the law and pursuant to resolutions adopted by the Board of Mayor and Council of the City (the "Board"). The detailed bond resolution (the "Resolution") was adopted by the Board on December 18, 2017.

The Bonds are being issued for the purpose of (i) the acquisition and installation of improvements to public buildings and facilities, including energy efficient improvements that would include LED lighting, heating and air conditioning equipment and other energy efficiency improvements; (ii) the acquisition of vehicles and equipment for public purposes, including but not limited to public works vehicles, public safety vehicles and equipment to include, but not be limited to, fire truck(s); (iii) the construction, improvement and paving of highways, streets and roads; (iv) the installation of LED street lights; (v) the repair and renovation of public buildings and facilities (collectively, the "Projects"); (vi) payment of architectural, engineering, legal, fiscal and administrative costs incident to the foregoing; (vii) reimbursement of the Municipality for funds previously expended for any of the foregoing; and (viii) payment of costs incident to the issuance and sale of the Bonds.

DESCRIPTION OF THE BONDS

The Bonds will be initially dated and bear interest from the date of issuance (assume February 1, 2018). Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2018. The Bonds are issuable in registered book-entry form only and in $5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

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

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* Preliminary, subject to change.

SECURITY

The Bonds are payable from taxes to be levied on all taxable property in said City without limitation as to rate and amount. For the prompt payment of such principal and interest, the full faith, credit and resources of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected.

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

QUALIFIED TAX-EXEMPT OBLIGATIONS

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

OPTIONAL REDEMPTION

Bonds maturing June 1, 2024, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2023 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

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

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

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

MANDATORY REDEMPTION

The bidders have the option of creating term bonds pursuant to the Detailed Notice of Sale. If term bonds are created, then the following provisions will apply. Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 20__, and June 1, 20__ on the redemption dates set forth below opposite the maturity date, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. The Bonds to be so redeemed shall be selected in the manner described above as The Bonds within a maturity to be so redeemed shall be selected in the same manner as is described above relating to optional redemption.

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

Maturity	Redemption Date	Principal Amount of Bonds Redeemed

*Final Maturity

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

NOTICE OF REDEMPTION

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. As long as

DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. The Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein.

PAYMENT OF BONDS

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Bond Registrar to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the principal corporate trust office of the Bond Registrar.

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BASIC DOCUMENTATION

REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as described below. However, if the winning bidder certifies to the City that it intends to hold the Bonds for its own account and has no present intent to reoffer the Bonds, then the use of the Book-Entry System is not required.

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

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

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

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

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

DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the Issuer determines to discontinue the

Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the Issuer will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

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

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

DISPOSITION OF BOND PROCEEDS

The proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2018 Construction Fund (the "Construction Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the Municipality. The Municipality shall disburse funds in the Construction Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Financial Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Construction Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the Municipality for any funds previously expended for costs of the Projects. Money in the Construction Fund shall be secured in the manner prescribed by applicable statutes relative to the securing of public or trust funds, if any, or, in the absence of such a statute, by a pledge of readily marketable securities having at all times a market value of not less than the amount in said Construction Fund. Money in the Construction Fund shall be invested in such investments as shall be permitted by applicable law to the extent permitted by applicable law.

DISCHARGE AND SATISFACTION OF BONDS

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

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

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

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

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

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

REMEDIES OF BONDHOLDERS

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

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

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

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LEGAL MATTERS

LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds. See the subsection entitled Closing Certificates for additional information.

TAX MATTERS

Federal

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

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

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

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

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

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

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

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

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

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

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

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

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

State Taxes

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

CHANGES IN FEDERAL AND STATE TAX LAW

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

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

CLOSING CERTIFICATES

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

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims, PLC, Knoxville, Tennessee, Bond Counsel. Bond counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the forms of the opinion are included in APPENDIX A. For additional information, see the section entitled MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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MISCELLANEOUS

RATING

S&P Global Ratings ("S&P") has given the Bonds the rating of "__".

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

The rating reflects only the views of S&P and any explanation of the significance of such rating should be obtained from S&P.

COMPETITIVE PUBLIC SALE

The Bonds were offered for sale at competitive public bidding on January 17, 2018. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated January 5, 2018.

The successful bidder for the Bonds was an account led by __________________, _______, _______ (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of $__________ (consisting of the par amount of the Bonds, less an underwriter's discount of $_________ and less an original issue discount of $__________) or ____% of par.

FINANCIAL ADVISOR; RELATED PARTIES; OTHER

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

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

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

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

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

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

DEBT RECORD

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

ADDITIONAL DEBT

The City has not authorized the issuance of any additional debt but has various public improvement needs, including but not limited to equipment and road construction and paving.

CONTINUING DISCLOSURE

The City will at the time the Bonds are delivered execute a continuing disclosure certificate (the "Disclosure Certificate") under which it will covenant for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2018 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

Five-Year Filing History. The City was late in filing its Annual Report for Fiscal Year ending June 30, 2012. The required information for Fiscal Year ending June 30, 2012 was filed on EMMA sixteen days late on July 16, 2013. The City did file its Annual Report on time for Fiscal Years ending June 30, 2013, June 30, 2014, June 30, 2015 and June 30, 2016. While it is believed that all appropriate filings were made with respect to the ratings of the City's outstanding bond issues, some of which were insured by the various municipal bond insurance companies, no absolute assurance can be made that all such rating changes of such bonds or various insurance companies which insured some transaction were made or made in a timely manner as required by Rule 15c2-12. The City does not deem any of the forgoing omissions to be material, and therefore, in the judgment of the City, for the past five years, the City has complied in all material respects with its existing continuing disclosure agreements in accordance with Rule 15c2-12.

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

1. Summary of bonded indebtedness as of the end of such fiscal year as shown on page B-18;

2. The indebtedness and debt ratio as of the end of such fiscal year, together with information about the property tax base as shown on pages B-19 and B-20;

3. Information about the Bonded Debt Service Requirements - General Obligation Debt Service Fund as of the end of such fiscal year as shown on page B-21;

4. Information about the Bonded Debt Service Requirements - Water and Sewer Debt Service Fund as of the end of such fiscal year as show on page B-22;

5. Information about the Bonded Debt Service Requirements – Electric System Debt Service Fund as of the end of such fiscal year as show on page B-23;

6. The fund balances and retained earnings for the fiscal year as shown on page B-24;

7. Summary of Revenues, Expenditures and Changes in Fund Balances - General Fund for the fiscal year as shown on page B-25;

8. Summary of Revenues, Expenditures and Changes in Fund Balances - Water and Sewer Fund for the fiscal year as shown on page B-26;

9. Summary of Revenues, Expenditures and Changes in Fund Balances – Electric System Fund for the fiscal year as shown on page B-27;

12. The estimated assessed value of property in the City for the tax year ending in such fiscal year and the total estimated actual value of all taxable property for such year as shown on page B-33;

13. Property tax rates and tax collections of the City for the tax year ending in such fiscal year as well as the uncollected balance for such fiscal year as shown on page B-33; and

14. The ten largest taxpayers as shown on page B-34.

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

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

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any. Notwithstanding the foregoing, notice of Listed Events described in subsection (3)(h) and (i) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds pursuant to the Resolution.

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

3. The following are the Listed Events:

    a. Principal and interest payment delinquencies;

    b. Non-payment related defaults, if material;

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

    d. Unscheduled draws on credit enhancements reflecting financial difficulties;

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

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

    g. Modifications to rights of Bondholders, if material;

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

    i. Defeasances;

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

    k. Rating changes;

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

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

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

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

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

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

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

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

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

ADDITIONAL INFORMATION

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

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

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

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

The City has deemed this PRELIMINARY OFFICIAL STATEMENT as “final” as of its date within the meaning of Rule 15c2-12 of the U.S. Securities and Exchange Commission except for the omission of certain pricing information allowed to be omitted pursuant to Rule 15c2-12.

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CERTIFICATION OF ISSUER

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

/s/______________________________
Mayor

ATTEST:

/s/______________________________
City Recorder

APPENDIX A

FORM OF LEGAL OPINION

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

Ladies and Gentlemen:

We have acted as bond counsel to the City of Rockwood, Tennessee (the "Issuer") in connection with the issuance of $__________ General Obligation Bonds, Series 2018, dated ____________, 2018 (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

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

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

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

3. The Bonds constitute general obligations of the Issuer for the payment of which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer. The Bonds shall be additionally payable from and secured by revenues to be derived from the operation of the Issuer's electrical power distribution system (the "System").

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and in Paragraph 6 below, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

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

Yours truly,

APPENDIX B

SUPPLEMENTAL INFORMATION STATEMENT
OF

CITY OF ROCKWOOD, TENNESSEE

GENERAL INFORMATION

LOCATION

The City of Rockwood (the "City") is located in Roane County (the "County"), approximately 42 miles west of Knoxville, and 147 miles east of Nashville and 82 miles north of Chattanooga. The County is bordered by Loudon, Anderson, Morgan, Cumberland, Rhea, Meigs, and McMinn counties. There are three other incorporated municipalities in Roane County other than Rockwood: Kingston, the County Seat, Harriman and Oliver Springs.

A portion of the City of Oak Ridge is also located in Roane County. This portion includes facilities run by the U.S. Department of Energy (the "DOE"): the Oak Ridge National Laboratory (the "ORNL") and the Y-12 National Security Complex (the "Y-12").

GENERAL

The land area of the County encompasses 361 square miles. A variety of crops are produced, with livestock and dairy products contributing materially to farm income.

The County is part of the Knoxville Metropolitan Statistical Area (the "MSA") that had a population of 837,571 according to the 2010 US Census. The MSA includes Knox (Knoxville and Farragut), Anderson (Oak Ridge and Clinton), Blount (Maryville and Alcoa), Campbell (LaFollette), Grainger (Rutledge), Loudon (Loudon), Morgan (Wartburg), Roane (Harriman) and Union (Maynardville) Counties.

The County is also part of the Knoxville-Sevierville-Harriman Combined Statistical Area (the "CSA"). According to the 2010 Census, the CSA had a population of 1,056,442. The CSA includes Roane, Anderson, Blount, Knox, Loudon, Union, Grainger, Hamblen, Jefferson, Campbell, Cocke and Sevier Counties. The City of Knoxville is the largest city in the CSA with a population of 178,874 according to the 2010 Census. The population of Roane County numbered 54,181 persons in 2010 per the U.S. Bureau of the Census. The population of 2010 Census for Harriman was 6,350.

TRANSPORTATION

The potential for continued growth is high due to Roane County's access to excellent railroad, highway and river transportation facilities. Rail service is provided by the main lines of the CSX and Louisville and Nashville railroads. Both railroads have extensive switching facilities and freight yards in Rockwood. Highway transportation is provided by U.S. Highways 27 and 70, and Interstate Highway 40. Access to Interstate 75 is within 10 miles of the Roane County border. The community airport is Rockwood Municipal located six miles in Rockwood with a 5,000-foot asphalt runway. The nearest commercial airport is the McGee Tyson Airport located in Knoxville about 50 miles to the east.

Barge service is available on the Tennessee, Emory and Clinch Rivers, with a port facility located in Rockwood. Channelization of the Tennessee River to a 9-foot minimum navigable depth from its junction with the Ohio River at Paducah, Kentucky to Knoxville, Tennessee gives the

County the benefits of year round, low cost water transportation and a port on the nation's 10,000 mile-inland waterway system. This system formed largely by the Mississippi River and its tributaries, effectively links the County with the Great Lakes to the north and the Gulf of Mexico to the south. The River borders Knox, Blount, Roane, Loudon, Meigs, Rhea, Marion, Hamilton, Hardin, Wayne, Decatur, Perry, Benton, Humphreys, Henry, Houston and Stewart Counties in the state.

EDUCATION

The *Roane County School System* operates seventeen facilities for students living in the cities of Harriman, Kingston, Oliver Springs and Rockwood and in the County regions. There are seven elementary schools, four middle schools, five high schools and an Educational Center. The fall 2015 enrollment was 6,842 students with 424 teachers. The *Oak Ridge City School System* operates seven schools covering pre-school through 12. For the fall of 2015 the School System enrolled 4,479 students with 302 teachers.

Source: Tennessee Department of Education.

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

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

Source: Roane State Community College.

The Tennessee Technology Center at Harriman. The Tennessee Technology Center at Harriman is part of a statewide system of 26 vocational-technical schools. The Tennessee Technology Center meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution’s primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The Technology Center at Harriman serves the eastern region of the state including Anderson, Loudon, Meigs, Morgan, Rhea, and Roane Counties. The Technology Center at Harriman began operations in 1970, and the main campus is located in Roane County. Fall 2014 enrollment was 409 students.

Source: Tennessee Technology Center at Harriman.

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

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

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

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

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

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

MEDICAL

Roane County residents have access to two hospitals, *Methodist Medical Center* and *Roane Medical Center*, which are both affiliated with Covenant Health. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist

Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also one of the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

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

Source: Covenant Health and Roane Medical Center.

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

Source: Covenant Health and Methodist Medical Center.

SCIENCE AND ENERGY

History

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

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

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

Research

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

National Institute for Mathematical and Biological Synthesis (NIMBioS) is a first-of-its-kind institute dedicated to combining mathematics and biology to solve problems in both scientific fields. The center is funded by a 2008 $16 million award from the National Science Foundation and is located at the University of Tennessee. A unique aspect of NIMBioS will be its partnership with the Great Smoky Mountains National Park. The park and its Twin Creeks Science Center play a key role in the institute’s work, with the park serving as a testing ground for many of the ideas that come from NIMBioS. Partners in NIMBioS include the US Department of Agriculture and the US Department of Homeland Security, IBM and ESRI, a developer of software and technology related to geographic information systems. It draws over 600 researchers each year to Knoxville.

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

Nuclear

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

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

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

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

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

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

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

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

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

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

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

POWER PRODUCTION

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

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

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

Source: Tennessee Valley Authority.

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

Source: Tennessee Valley Authority and Knoxville News Sentinel.

MANUFACTURING AND COMMERCE

Much of Roane County's growth and prosperity during the last thirty years can be attributed to the fact that Roane County is located at the heart of the Tennessee Valley Authority's electric power system. Another TVA project, the Watts Bar Dam and Hydroelectric Plant, is located eight miles southwest of Roane County. These abundant sources of power and water have attracted a diverse group of manufacturers and businesses to the County.

A robust industrial recruitment program is underway to bring high-paying jobs into the County's abundant industrial parks. The County has 4,455 acres already zoned and is being developed for industry. In addition, the County has just adopted an aggressive tax abatement program that will allow attractive tax incentive packages for industries based on economic impact.

Located on the west side of Oak Ridge, *The East Tennessee Technology Park* (the "ETTP") is a compilation of resource-rich industrial facilities which have their beginnings in the

Manhattan Project during World War II. The site's original mission was to enrich uranium in the uranium 235 isotope for use in atomic weapons and subsequently for use in the commercial nuclear power industry. The plant was permanently shut down in 1987 and in 1996 reindustrialization went into effect with efforts focusing on restoration of the environment, decontamination and decommissioning of the facilities, and management of legacy wastes. The biggest task includes dismantlement and demolition of the K-25 building – a mile-long, U-shaped structure that was built to process uranium.

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

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

Harriman Industrial Park. This 91-acre park is located on the Tennessee River, adjacent to the 9-foot navigation channel of the waterway system.

The Horizon Center is a greenfield industrial park with more than 1,000 acres ready for immediate development. Horizon Center is a new site designed to provide building sites and amenities desired by high-tech companies while still preserving the area's scenic beauty. There are two corporate headquarters located in the park, with a total investment about $33 million.

Roane County Industrial Park. Located near Rockwood and Harriman less than 3 miles from I-40, this older and established industrial park has rail access on site. It contains 500 acres of which 80 acres are left for development. This park is where some of the county's larger, long-term employers are located.

Roane Regional Business and Technology Park. The County's newest industrial park is Roane Regional Business and Technology Park, with 655 acres located east of Kingston on Interstate 40. Anchored by The H.T. Hackney Company of Knoxville, which in early 2005 has built its new distribution and service center and brought 250 initial jobs to the county, the park is also home to other industries: Protean Scientific Instruments; Pegasus Technologies, Dienamic Tooling Systems (DTS) and EOD Technology Inc. The estimated cost of the park development was about $13,500,000. This new park has an interchange off Interstate 40, an $18.3 million state Department of Transportation project opened in 2008.

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Major Employers within the County

Company	Product	Employees
Roane County Schools	Education	1,150
Roane County Government	Government	472
Roane State Community College	Education	409
Chase Instruments	Pharmaceutical Glassware	400
TVA Steam Plant	Electricity	318
Roane Medical Center	Hospital	312
Energy Solutions	Industrial Waste Disposal	300
H.T. Hackney Co.	Distribution	250
GTS Duratek	Disposal of hazardous wastes	250
Alba Waldensian	Surgical Hosiery	165
Richards Industries	Rebuilt Nozzles	150
Bayou Steel	Rolled Steel Products	126
TOHO Carbon Fibers, Inc.	Carbon Fibers	120
Harrison Construction	Concrete	100
Roane Transportation	Scrap Metal Processing	90
Clayton Homes	Mobile Homes	93
Thermo Fisher	Pharmaceuticals glassware	74

Source: Department of Economic & Community Development, Knoxville News Sentinel - 2017.

In addition to the above-mentioned employers, many residents of Roane County are employed in Oak Ridge at the various facilities of the DOE. A major portion of the production facilities is physically located in Roane County. Latest available figures reveal that DOE, in its various Oak Ridge operations, had over 11,300 employees.

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EMPLOYMENT INFORMATION

For the month of August 2017, the unemployment rate for the County stood at 4.1% with 22,040 persons employed out of a labor force of 22,990.

The Knoxville MSA's unemployment for August 2017 was at 4.1% with 399,570 persons employed out of a labor force of 413,960. As of August 2017, the unemployment rate in the Knoxville-Sevierville-Harriman CSA stood at 3.5%, representing 515,210 persons employed out of a workforce of 533,830.

Unemployment

	Annual Average 2012	Annual Average 2013	Annual Average 2014	Annual Average 2015	Annual Average 2016
National	8.1%	7.4%	6.2%	5.3%	4.9%
Tennessee	8.0%	8.2%	6.7%	5.8%	4.8%
Roane County	**7.6%**	**8.0%**	**7.4%**	**6.6%**	**5.6%**
Index vs. National	94	108	119	125	114
Index vs. State	95	98	110	114	117
Knoxville MSA	**6.6%**	**6.9%**	**6.2%**	**5.4%**	**4.5%**
Index vs. National	81	93	100	102	92
Index vs. State	82	84	93	93	94
Knoxville-Sevierville-Harriman CSA	**7.5%**	**7.7%**	**6.5%**	**6.5%**	**4.7%**
Index vs. National	93	104	105	125	96
Index vs. State	94	94	97	112	98

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

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ECONOMIC DATA

Per Capita Personal Income

	2011	2012	2013	2014	2015
National	$42,453	$44,267	$44,462	$46,414	$48,112
Tennessee	$37,452	$38,771	$38,806	$40,233	$42,094
Roane County	**$34,123**	**$34,911**	**$34,854**	**$35,955**	**$37,441**
Index vs. National	80	79	78	77	78
Index vs. State	91	90	90	89	89
Knoxville MSA	**$36,331**	**$37,981**	**$37,764**	**$39,188**	**$40,870**
Index vs. National	86	86	85	84	85
Index vs. State	97	98	97	97	97
Knoxville-Sevierville-Harriman CSA	**$34,882**	**$36,329**	**$36,275**	**$37,595**	**$39,187**
Index vs. National	82	82	82	81	81
Index vs. State	93	94	93	93	93

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

Social and Economic Characteristics

	National	Tennessee	Roane County	Rockwood
Median Value Owner Occupied Housing	$178,600	$142,100	$120,000	$75,500
% High School Graduates or Higher Persons 25 Years Old and Older	86.70%	85.50%	84.8%	75.1%
% Persons with Income Below Poverty Level	13.50%	16.70%	17.6%	30.7%
Median Household Income	$53,889	$45,219	$40,854	$27,539

Source: U.S. Census Bureau State & County QuickFacts - 2015.

TOURISM AND RECREATION

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

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

Source: American Museum of Science and Energy.

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

Source: Forest Resources Research and Education Center.

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

Source: Tennessee Valley Authority.

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

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

Source: Tennessee Valley Authority.

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

Source: Tennessee Valley Authority.

RECENT DEVELOPMENTS

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

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

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

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

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

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

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

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

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

Roane Medical Center. Roane Medical Center, founded in 1939, finished construction of a $76 million, 145,000-square-foot replacement hospital in early 2013. The new facility was moved to 64 acres off Roane State Highway in Midtown and includes private rooms, 15 emergency suites, a new cardiac cath lab, digital women's services, enlarged nursing units and larger parking areas. The Medical Center became affiliated with Covenant in May 2008. Covenant Health is a comprehensive health system established in 1996 by the consolidation of Fort Sanders Health System, Knoxville, Tennessee, and MMC HealthCare System, parent company of Methodist Medical Center of Oak Ridge, Tennessee. With headquarters located in nearby Knoxville, the system provides comprehensive services throughout East Tennessee. It is also the largest employer in the area. The organization is governed by a voluntary board of directors composed of community leaders and medical professionals.

Toho Tenax America Inc. In 2013 Toho laid off 65 employees as it shifts it production to Japan and Germany. Due to the economy, Toho Tenax laid off 69 employees in early 2009. The plant makes carbon fiber for industrial, automotive, aerospace and sporting-goods manufacturers.

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

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CITY OF ROCKWOOD, TENNESSEE

Summary of Long Term Indebtedness

AMOUNT ISSUED		PURPOSE	DUE DATE	INTEREST RATE(S)	Estimated As of June 30, 2017 OUTSTANDING (1)
$ 610,275	(2)	TMBF Loan Agreement	May 2024	Variable	$ 433,671
602,000	(2)	TMBF Loan Agreement, Series 1997	May 2025	Variable	469,000
160,000		General Obligation Bonds, Series 1979	Jan. 2018	Fixed	45,000
1,000,000		Capital Outlay Note, Series 2008 - Regions Bank	June 2020	Fixed	296,000
525,274		Various Leases	2024	Fixed	378,835
541,500	(3)	Water and Sewer Revenue and Tax Bonds, Series 2007 (Rural Development)	2047	Fixed	487,811
1,498,604	(3)	Water and Sewer Revenue and Tax Bonds, Series SRF 2000-139	2023	Fixed	500,566
3,145,000	(3)	General Obligation Bonds, Series 2012	June 2031	Fixed	2,520,000
697,000	(3)	Water and Sewer Revenue and Tax Bonds, Series 2013A (Rural Developmen	2052	Fixed	662,482
775,000	(3)	Water and Sewer Revenue and Tax Bonds, Series 2013B (Rural Developmen	2052	Fixed	733,375
1,500,000	(3)	General Obligation Capital Outlay Notes, Series 2017 (Water and Sewer Supported) (Issued 4-6-2017)	June 2029	Fixed	1,500,000
7,400,000	(4)	TMBF Loan Agreement (Electric Revenue Supported)	May 2019	Fixed	425,200
4,100,000	(4)	General Obligation Bonds, Series 2016 (Electric Revenue Pledge)	June 2026	Fixed	4,100,000
$ 22,554,653		**Total Debt**			$ 12,551,940
$ 6,000,000	(3)	General Obligation Bonds, Series 2018	June 2039	Fixed	$ 6,000,000
(19,657,104)		Less: Revenue Supported Debt			(10,929,434)
$ 8,897,549		**Total Net Debt**			$ 7,622,506

NOTES:

(1) The above figures may not include all leases or short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Excludes the $3,000,00 General Obligation Capital Outlay Notes, Series 2017B, dated May 25, 2017, which is being used to fund cash flow needs of the City on various grants. The Series 2017B Note is a draw-down note maturing June 1, 2020 and is used to pay for capital projects that are reimbursed by multiple approved grants from state and federal sources. Once the grant funds are received they are applied to the repayment of the Series 2017B Note.

(2) City budget's 5.00% on Variable Rate Debt.

(3) Supported by Water and Sewer System Revenue

(4) Supported by Electric System Revenue

CITY OF ROCKWOOD, TENNESSEE

Indebtedness and Debt Ratios

INTRODUCTION

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

	Fiscal Year Ending June 30				Unaudited	After Issuance
INDEBTEDNESS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TAX SUPPORTED						
General Obligation Bonds & Notes	$ 2,138,145	$ 1,931,275	$ 1,726,275	$ 2,005,809	$ 1,622,506	$ 7,622,506
TOTAL TAX SUPPORTED	$ 2,138,145	$ 1,931,275	$ 1,726,275	$ 2,005,809	$ 1,622,506	$ 7,622,506
REVENUE SUPPORTED						
Water and Sewer Supported Debt	$ 5,722,157	$ 6,450,323	$ 5,980,197	$ 5,312,731	$ 5,312,731	$ 5,312,731
Gas System Supported Debt	-	-	-	-	-	-
Electric System Supported Debt	3,539,100	2,039,100	1,725,300	4,871,300	4,871,300	4,871,300
TOTAL REVENUE AND TAX SUPPORTEI	$ 9,261,257	$ 8,489,423	$ 7,705,497	$ 10,184,031	$ 10,184,031	$ 10,184,031
TOTAL DEBT	$ 11,399,402	$ 10,420,698	$ 9,431,772	$ 12,189,840	$ 11,806,537	$ 17,806,537
Less: Revenue Supported Debt	$ (9,261,257)	$ (8,489,423)	$ (7,705,497)	$ (10,184,031)	$ (10,184,031)	$ (10,184,031)
NET DIRECT DEBT	$ 2,138,145	$ 1,931,275	$ 1,726,275	$ 2,005,809	$ 1,622,506	$ 7,622,506

PROPERTY TAX BASE						
Estimated Actual Value	$ 297,910,554	$ 292,616,530	$ 292,960,990	$ 302,544,530	$ 288,680,029	$ 288,680,029
Estimated Appraised Value	297,910,554	292,616,530	292,960,990	302,544,530	288,680,029	288,680,029
Estimated Assessed Value	91,734,641	89,986,828	90,799,882	93,926,449	89,729,629	89,729,629

* Best available information

	Fiscal Year Ending June 30				Unaudited	After Issuance
DEBT RATIOS	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
TOTAL DEBT to Estimated Actual Value	1.18%	1.18%	1.18%	1.18%	1.18%	1.18%
TOTAL DEBT to Appraised Value	1.47%	1.47%	1.47%	1.47%	1.47%	1.47%
TOTAL DEBT to Assessed Value	5.33%	5.33%	5.33%	5.33%	5.33%	5.33%
NET DIRECT DEBT to Estimated Actual Value	0.99%	0.99%	0.99%	0.99%	0.99%	0.99%
NET DIRECT DEBT to Appraised Value	1.24%	1.24%	1.24%	1.24%	1.24%	1.24%
NET DIRECT DEBT to Assessed Value	4.49%	4.49%	4.49%	4.49%	4.49%	4.49%
PER CAPITA RATIOS						
POPULATION (1)	5,458	5,427	5,425	5,443	5,443	5,443
PER CAPITA PERSONAL INCOME (2)	$34,854	$35,955	$37,441	$37,411	$37,411	$37,411
Estimated Actual Value to POPULATION	87,937	87,937	87,937	87,937	87,937	87,937
Assessed Value to POPULATION	19,411	19,411	19,411	19,411	19,411	19,411
TOTAL DEBT to POPULATION	1,034	1,034	1,034	1,034	1,034	1,034
NET DIRECT DEBT to POPULATION	872	872	872	872	872	872
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	3.21%	3.21%	3.21%	3.21%	3.21%	3.21%
NET DIRECT DEBT Per Capita as a % of PER CAPITA PERSONAL INCOME	2.70%	2.70%	2.70%	2.70%	2.70%	2.70%

(1) Computations are based upon estimates extracted from Tennessee Association of Business publications, the City and Bureau of Census Information.

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

CITY OF ROCKWOOD, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - General Obligation Debt and Leases

Fiscal Year Ended June 30	Total Existing Debt (1) As of June 30, 2017			General Obligation Bonds, Series 2018			% 2017 Principal Repaid	Total General Obligation Debt			% Total Principal Repaid
	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL		Principal	Interest	TOTAL	
2018	$ 367,196	$ 72,147	$ 439,343	$ -	$ 93,190	$ 93,190	0.00%	$ 367,196	$ 165,337	$ 532,533	4.82%
2019	255,028	56,183	311,211	75,000	159,755	234,755		330,028	215,938	545,966	
2020	265,576	45,116	310,692	75,000	158,893	233,893		340,576	204,008	544,584	
2021	171,459	33,574	205,033	250,000	157,955	407,955		421,459	191,529	612,988	
2022	179,535	25,753	205,288	255,000	154,455	409,455	10.92%	434,535	180,208	614,743	24.84%
2023	187,659	17,553	205,212	260,000	150,630	410,630		447,659	168,183	615,842	
2024	127,053	8,973	136,026	265,000	146,080	411,080		392,053	155,053	547,106	
2025	69,000	3,450	72,450	265,000	141,178	406,178		334,000	144,628	478,628	
2026	-	-	-	275,000	135,878	410,878		275,000	135,878	410,878	
2027	-	-	-	280,000	129,965	409,965	33.33%	280,000	129,965	409,965	47.52%
2028	-	-	-	285,000	123,665	408,665		285,000	123,665	408,665	
2029	-	-	-	290,000	116,968	406,968		290,000	116,968	406,968	
2030	-	-	-	300,000	109,718	409,718		300,000	109,718	409,718	
2031	-	-	-	305,000	101,768	406,768		305,000	101,768	406,768	
2032	-	-	-	315,000	93,380	408,380	58.25%	315,000	93,380	408,380	67.14%
2033	-	-	-	325,000	84,245	409,245		325,000	84,245	409,245	
2034	-	-	-	335,000	74,495	409,495		335,000	74,495	409,495	
2035	-	-	-	345,000	63,943	408,943		345,000	63,943	408,943	
2036	-	-	-	355,000	52,730	407,730		355,000	52,730	407,730	
2037	-	-	-	370,000	40,660	410,660	87.08%	370,000	40,660	410,660	89.83%
2038	-	-	-	380,000	27,710	407,710		380,000	27,710	407,710	
2039	-	-	-	395,000	14,220	409,220	100.00%	395,000	14,220	409,220	100.00%
	$ 1,622,506	$ 262,748	$ 1,885,254	$ 6,000,000	$ 2,331,478	$ 8,331,478		$ 7,622,506	$ 2,594,226	$ 10,216,732	

NOTES:

(1) The above figures may not include all leases or short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR. Excludes the $3,000,00 General Obligation Capital Outlay Notes, Series 2017B, dated May 25, 2017, which is being used to fund cash flow needs of the City on various grants. The Series 2017B Note is a draw-down note maturing June 1, 2020 and is used to pay for capital projects that are reimbursed by multiple approved grants from state and federal sources. Once the grant funds are received they are applied to the repayment of the Series 2017B Note.

(2) Estimated Interest Rates. Estimated Average Coupon of 2.975%.

CITY OF ROCKWOOD, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Water and Sewer System

As of June 30, 2017

Fiscal Year Ended June 30	Total General Obligation Debt			% Principal
	Principal	Interest	TOTAL	
2018	$ 476,261	$ 173,641	$ 649,902	7.44%
2019	484,086	157,277	641,364	
2020	486,986	146,079	633,065	
2021	499,961	134,806	634,767	
2022	413,012	122,357	535,368	36.86%
2023	394,261	112,108	506,370	
2024	325,385	102,260	427,645	
2025	326,594	93,805	420,398	
2026	332,842	85,309	418,152	
2027	334,133	76,428	410,560	63.61%
2028	340,466	67,503	407,970	
2029	341,844	58,109	399,953	
2030	168,268	48,669	216,938	
2031	174,741	43,607	218,347	
2032	51,262	38,344	89,606	80.42%
2033	52,836	36,780	89,616	
2034	54,464	35,163	89,627	
2035	56,146	33,491	89,637	
2036	57,886	31,761	89,647	
2037	59,687	29,972	89,659	84.81%
2038	61,549	28,121	89,670	
2039	63,476	26,206	89,682	
2040	65,469	24,224	89,693	
2041	67,532	22,173	89,705	
2042	69,668	20,050	89,718	89.92%
2043	71,878	17,853	89,731	
2044	74,166	15,578	89,744	
2045	76,534	13,223	89,757	
2046	78,986	10,785	89,771	
2047	76,104	8,273	84,377	95.82%
2048	53,539	6,515	60,054	
2049	54,856	5,213	60,069	
2050	56,207	3,878	60,085	
2051	57,591	2,510	60,101	
2052	45,552	1,108	46,660	100.00%
	$ 6,404,226	$ 1,833,181	$ 8,237,406	

NOTES:

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

CITY OF ROCKWOOD, TENNESSEE

BONDED DEBT SERVICE REQUIREMENTS - Electric System Supported Debt

Fiscal Year	Subordinated Total Existing Debt (1) As of June 30, 2017			Senior General Obligation Bonds, Series 2016			% 2016 Principal	Total General Obligation Debt (Electric System Supported)			% All Principal
Ended June 30	Principal	Interest	TOTAL	Principal	Interest (2)	TOTAL	Repaid	Principal	Interest (2)	TOTAL	Repaid
2018	$ 363,200	$ 10,417	$ 373,617	$ 200,000	$ 77,625	$ 277,625	4.88%	$ 563,200	$ 88,042	$ 651,242	12.45%
2019	62,000	1,519	63,519	200,000	73,625	273,625	9.76%	262,000	75,144	337,144	18.24%
2020	-	-	-	200,000	69,625	269,625	14.63%	200,000	69,625	269,625	22.66%
2021	-	-	-	500,000	65,625	565,625	26.83%	500,000	65,625	565,625	33.70%
2022	-	-	-	500,000	58,125	558,125	39.02%	500,000	58,125	558,125	44.75%
2023	-	-	-	500,000	50,625	550,625	51.22%	500,000	50,625	550,625	55.80%
2024	-	-	-	500,000	40,625	540,625	63.41%	500,000	40,625	540,625	66.85%
2025	-	-	-	500,000	30,625	530,625	75.61%	500,000	30,625	530,625	77.90%
2025	-	-	-	500,000	20,625	520,625	87.80%	500,000	20,625	520,625	88.95%
2026	-	-	-	500,000	10,625	510,625	100.00%	500,000	10,625	510,625	100.00%
	$ 425,200	$ 11,936	$ 437,136	$ 4,100,000	$ 497,750	$ 4,597,750		$ 4,525,200	$ 509,686	$ 5,034,886	

NOTES:

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

FINANCIAL INFORMATION

INTRODUCTION

The financial statements of the City of Rockwood, Tennessee, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

BASIS OF ACCOUNTING AND PRESENTATION

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

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

FUND BALANCES, NET ASSETS AND RETAINED EARNINGS

The following table depicts fund balances and net assets for the last five fiscal years ending June 30:

	For the Fiscal Year Ended June 30				
Fund Type	**2012**	**2013**	**2014**	**2015**	**2016**
Governmental Funds:					
General	$232,849	$1,032,131	$601,094	$717,832	$ 900,836
Capital Projects	78,328	-	-	-	
Streets & Highways	21,377	41,648	52,322	51,543	44,929
Drug Fund	-	72,679	37,878	37,762	49,539
Airport Fund	-	104,018	54,754	28,855	31,717
Total	**$332,554**	**$1,250,476**	**$746,049**	**$835,992**	**$1,026,475**
Proprietary Net Assets:					
Water & Wastewater	$ 7,796,265	$ 8,724,561	$ 9,934,640	$10,343,997	$10,550,830
Natural Gas	6,106,295	6,306,568	6,567,571	7,252,766	7,795,433
Electric Utility	35,960,189	38,423,050	40,149,770	41,291,728	42,140,531
Total	**$49,862,748**	**$53,454,179**	**$56,651,981**	**$58,888,491**	**$60,486,794**

Source: Comprehensive Annual Financial Reports of City of Rockwood, Tennessee.

CITY OF ROCKWOOD, TENNESSEE

Five Year Summary of Revenues, Expenditures and Changes In Fund Balances - General Fund

For the Fiscal Year Ended June 30

	2012	2013	2014	2015	2016
Revenues:					
Taxes	$ 2,832,299	$ 2,870,986	$ 2,727,963	$ 2,814,568	$ 2,877,952
Intergovernmental	722,144	1,341,954	482,161	532,194	696,321
Licenses and Permits	31,007	7,607	7,904	14,726	45,738
Receipts for use of Facilities	15,750	13,695	13,709	44,130	54,774
Charges for Services	624,166	550,598	518,527	545,969	551,146
Fines and Forfeitures	121,936	129,376	93,412	94,504	74,692
Other Revenues	50,448	92,174	246,659	126,155	229,435
Total Revenues	$ 4,397,750	$ 5,006,390	$ 4,090,335	$ 4,172,244	$ 4,530,058
Expenditures:					
General government	$ 1,095,514	$ 818,057	$ 757,112	$ 726,059	$ 987,461
Public Safety	1,974,920	1,860,937	1,859,884	1,882,372	1,800,887
Public Welfare	836,116	777,411	820,036	836,779	813,371
Streets and Highways	6,000	539,692	567,180	541,366	655,077
Airport	76,868	84,981	95,234	93,866	85,733
Solid Waste	189,105	195,789	202,370	183,706	153,105
Capital Outlay	204,396	188,751	1,263,577	27,363	146,519
Debt Service	248,613	299,733	328,299	420,527	428,472
Total Expenditures	$ 4,631,532	$ 4,765,351	$ 5,893,692	$ 4,712,037	$ 5,070,625
Excess (Deficiency) of Revenues Over Expenditures	$ (233,782)	$ 241,038	$ (1,803,358)	$ (539,793)	$ (540,568)
Other Sources (Uses):					
Sale of Capital Assets	$ 132,016	$ 117,202	$ 726,934	$ -	$ -
Operating Transfers - In	609,126	713,247	650,951	656,530	723,572
Operating Transfers - Out	(654,403)	(272,205)	(5,565)	-	-
Total Other Sources (Uses)	$ 86,739	$ 558,244	$ 1,372,320	$ 656,530	$ 723,572
Net Change in Fund Balance	$ (147,043)	$ 799,282	$ (431,037)	$ 116,737	$ 183,004
Fund Balance July 1	469,072	232,849	1,032,131	601,094	717,832
Adjustments	(89,180)	-	-	1	-
Fund Balance June 30	**$ 232,849**	**$ 1,032,131**	**$ 601,094**	**$ 717,832**	**$ 900,836**

Source: Comprehensive Annual Financial Reports for The City of Rockwood, Tennessee.

CITY OF ROCKWOOD, TENNESSEE

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

	2012	2013	2014	2015	2016
Revenues:					
Metered Water Sales	$ 2,284,265	$ 2,311,250	$ 2,324,726	$ 2,354,942	$ 2,347,600
Sewer Service Charge	1,133,021	1,283,526	1,195,904	1,219,576	1,207,913
Tap Fees	22,960	72,575	53,685	78,325	90,213
Forfeited Discounts and Penalties	53,637	96,238	69,788	76,836	56,569
Rent Income	30,080	-	-	-	-
Other Revenues	45,889	20,306	453	589	5,572
Total Operating Revenues	$ 3,569,852	$ 3,783,895	$ 3,644,556	$ 3,730,268	$ 3,707,867
Total Operating Expenditures	$ 2,082,169	$ 2,353,301	$ 2,324,900	$ 2,760,247	$ 2,768,902
Excess (Deficiency) of Revenues Over Expenditures	$ 1,487,683	$ 1,430,594	$ 1,319,656	$ 970,021	$ 938,965
Depreciation Expense	(554,058)	(550,654)	(557,691)	(571,127)	(639,554)
Amortization Expense	-	(10,716)	-	-	-
Total Operating Income (Loss)	$ 933,625	$ 869,224	$ 761,965	$ 398,894	$ 299,411
Other Sources (Uses):					
Operating Transfers - In	$ -	$ -	$ -	$ -	$ -
Operating Transfers - Out	-	-	-	-	-
Interest Income	196	3,406	959	553	3,138
Interest Expenses	(107,902)	(239,120)	(131,115)	(147,507)	(136,749)
Rent Income	-	-	-	30,000	30,000
Pension Income	-	-	-	5,548	890
Settlements & Judgements	-	-	-	(258)	-
Amortization Expense	(6,111)	-	-	-	-
Grant Income	-	79,595	-	-	-
Sale of Equipment	980	35,934	4,145	12,362	2,400
Administrative and Damage Fees	-	12,000	24,860		-
Total Other Sources (Uses)	$ (112,837)	$ (108,185)	$ (101,151)	$ (99,302)	$ (100,321)
Income (Loss) Before Capital Contributions	$ 820,788	$ 761,039	$ 660,814	$ 299,592	$ 199,090
Capital Contributions	1,016,973	167,257	707,395	98,143	7,743
Change in Net Assets	$ 1,837,761	$ 928,296	$ 1,368,209	$ 397,735	$ 206,833
Fund Balance July 1	5,958,502	7,796,265	8,724,561	9,934,640	10,343,997
Adjustments	2	-	(158,130)	11,622	-
Fund Balance June 30	**$ 7,796,265**	**$ 8,724,561**	**$ 9,934,640**	**$ 10,343,997**	**$ 10,550,830**

Source: Comprehensive Annual Financial Reports for The City of Rockwood, Tennessee.

CITY OF ROCKWOOD, TENNESSEE

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

	2012	2013	2014	2015	2016
Operating Revenues:					
Sale of Electric Energy					
Residential (Net of Bad Debts)	$ 18,322,649	$ 18,846,316	$ 19,069,102	$ 18,831,392	$ 17,724,352
Small Lighting and Power Sales	3,793,829	4,197,446	4,420,039	4,352,282	4,145,106
Large Lighting and Power Sales	11,895,502	10,884,270	9,935,407	9,422,669	9,253,294
Street and Outdoor	692,942	685,757	689,541	689,927	690,509
Consumer Forfeited Discounts	211,035	218,472	222,689	212,280	195,167
Rent from Electric Property	516,376	512,099	535,507	538,632	539,876
Other Electric Revenue	60	60	18	60	60
Unbilled Electric Sales	(815,265)	(263,775)	(154,091)	97,959	(46,088)
Miscellaneous Service Revenue	61,683	71,244	74,279	77,829	66,250
Total Operating Revenues	$ 34,678,811	$ 35,151,889	$ 34,792,491	$ 34,223,030	$ 32,568,526
Purchase Power	$ 25,693,720	$ 25,707,829	$ 25,469,225	$ 25,331,748	$ 23,772,221
Operating Expenses:					
Distribution Expenses	$ 974,133	$ 965,822	$ 1,018,137	$ 1,138,079	$ 1,223,954
Customer Accounts Expenses	593,316	559,940	622,990	688,351	690,158
Sales Expenses	7,084	27,504	27,371	29,832	38,208
Administrative Expenses	2,156,912	2,156,296	2,343,678	2,381,643	2,185,979
Total Operating Expenses	$ 3,731,445	$ 3,709,562	$ 4,012,176	$ 4,237,905	$ 4,138,299
Maintenance Expenses:					
Distribution Expenses	$ 1,042,682	$ 987,621	$ 1,139,247	$ 1,019,015	$ 1,096,426
Administrative and General Expenses	12,855	5,070	20,755	2,396	5,821
Total Maintenance Expenses	$ 1,055,537	$ 992,691	$ 1,160,002	$ 1,021,411	$ 1,102,247
Other Operating Expenses:					
Depreciation Expenses	$ 1,128,475	$ 1,156,039	$ 1,245,678	$ 1,323,392	$ 1,325,398
Amortization of Debt Expenses	-	-	-	-	-
Taxes and Tax Equivalents	335,940	429,122	432,800	447,323	499,017
Total Other Operating Expenses	$ 1,464,415	$ 1,585,161	$ 1,678,478	$ 1,770,715	$ 1,824,415
Total Operating Expenses and Purchased Power	$ 31,945,117	$ 31,995,243	$ 32,319,881	$ 32,361,779	$ 30,837,182
Operating Income	$ 2,733,694	$ 3,156,646	$ 2,472,610	$ 1,861,251	$ 1,731,344
Non-Operating Revenues (Expenses):					
Interest Earned	$ 266	$ 173	$ 169	$ 163	$ 939
Bond Issuance Cost	-	-	-	-	(86,210)
Miscellaneous Income	(5,942)	(5,850)	(8,400)	(12,968)	(9,219)
Interest Expense	(37,465)	(53,190)	(86,708)	(49,958)	(64,479)
Total Non-Operating Rev. (Exp.)	$ (43,141)	$ (58,867)	$ (94,939)	$ (62,763)	$ (158,969)
Income (Loss) Before Transfers	$ 2,690,553	$ 3,097,779	$ 2,377,671	$ 1,798,488	$ 1,572,375
Transfers	(609,126)	(634,918)	(650,951)	(656,530)	(723,572)
Change in Net Position	$ 2,081,427	$ 2,462,861	$ 1,726,720	$ 1,141,958	$ 848,803
Total Net Position - Beginning of Year	$ 33,878,762	$ 35,960,189	$ 38,423,050	$ 40,149,770	$ 41,291,728
Prior Year Corrections/Other	-	-	-	-	-
Total Net Position - End of Year	**$ 35,960,189**	**$ 38,423,050**	**$ 40,149,770**	**$ 41,291,728**	**$ 42,140,531**

Source: Audited Financial Statements of the Rockwood Electric System of Rockwood, TN.
Transfers Out represent the Utility's portion of in lieu of tax paid to the City of Rockwood for the City of Rockwood, Tennessee.

BUDGETARY PROCESS

All operating departments of the City are required to submit line-item budgets to the City on or before April 1 of each year or on such date as may be prescribed by the City's Budget Committee. The Budget Committee reviews departmental budgets compiled by the City and submitted by the various departments. Normally, a budget is adopted in June or July for the fiscal year which begins on July 1. The City Council has the authority to amend, reduce or add to the budget submitted by City operating departments; however, there is no authority to make transfers among the major funds. The City Council may make amendments within funds during the year.

INVESTMENT AND CASH MANAGEMENT PRACTICES

Investment of idle City operating funds is controlled by State statute and local policies. Generally, such policies limit investment instruments to direct U.S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. The City is not authorized to invest in reverse repurchase agreements or derivative products. No investment may be made for a period greater that two years without written permission of the State Director of Local Finance.

As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. Deposits with savings and loan associations must be collateralized as outlined above, by an irrevocable letter of credit issued by the Federal Home Loan Bank or by providing notes secured by the first mortgages or first deeds for trust upon residential property in the state equal to at least 150 percent of the amount of uninsured deposits. All collateral must be held in a third party escrow account for the benefit of the City. For reporting purposes, all investments are stated at cost which approximates market value.

REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES

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

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

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

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

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

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

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

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

(a) Public Utility Property, to be assessed at 55% of its value;

(b) Industrial and Commercial Property, to be assessed at 30% of its value; and

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

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

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

County Taxation of Property

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

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

Assessment of Property

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

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

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

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

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

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

Periodic Reappraisal and Equalization

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

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

Valuation for Property Tax Purposes

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

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

Certified Tax Rate

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

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

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

Tax Freeze for the Elderly Homeowners

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

Tax Collection and Tax Lien

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

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

Assessed Valuations. According to the Tax Aggregate Report, property in the County and City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2016[1].

Class	**Estimated Assessed Valuation**	**Assessment Rate**	**Estimated Appraised Value**
Public Utilities	$ 5,104,214	55%	$ 11,542,425
Commercial and Industrial	34,959,040	40%	87,397,600
Personal Tangible Property	13,388,177	30%	44,627,204
Residential and Farm	36,278,200	25%	145,122,800
Total	**$89,729,629**		**$288,680,029**

The estimated assessed value of property in the City for the fiscal year ending June 30, 2017 (tax year 2016) is $89,729,629 compared to $93,926,449 for the fiscal year ending June 30, 2016 (tax year 2015). The estimated actual value of all taxable property for tax year 2016 is $288,680,029 as compared to $302,544,530 for tax year 2015.

Source: 2016 Tennessee Tax Aggregate Report and the City.

Property Tax Rates and Collections. The table on the following page shows the property tax rates and collections of the City for tax years 2012 through 2016 as well as the aggregate uncollected balances for each fiscal year as of June 30, 2016.

PROPERTY TAX RATES AND COLLECTIONS				**Fiscal Yr Collections**		**Aggregate Uncollected Balance**	
Tax Year [1]	**Assessed Valuation**	**Tax Rates**	**Taxes Levied**	**Amount**	**Pct**	**As of June 30, 2016 Amount**	**Pct**
2012	$91,734,641	$0.90	$825,664	$769,521	93.2%	$ 9,253	1.1%
2013	89,986,828	0.95	856,257	772,464	90.2%	10,872	1.3%
2014	90,799,882	0.95	859,453	799,880	93.1%	16,072	1.9%
2015	93,926,449	1.00	899,855	839,393	93.3%	54,683	6.1%
2016	89,729,629	1.00	897,296*	**IN PROCESS**			

*Estimated

Source: Tax Aggregate Report of Tennessee, and City of Rockwood.

[1] The tax year coincides with the calendar year, therefore, tax year 2016 is actually fiscal year 2016-2017.

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Ten Largest Taxpayers. For the fiscal year ending June 30, 2016 (tax year 2015), the ten largest taxpayers in the City were as follows:

	Taxpayer	Business Type	Assessed Valuation	Taxes Levied
1.	Horsehead Corporation	Manufacturing	$ 9,286,252	$ 92,869
2.	Wal-Mart	Retail	4,076,719	40,770
3.	Heritage Hills	Apartments	2,805,015	28,050
4.	Alba Health	Manufacturing	2,118,271	21,183
5.	HCRI TN Properties	Nursing Home	1,729,830	17,298
6.	Deer Run Apartments	Apartments	1,668,941	16,689
7.	Rockwood Certified Properties	Real Estate	1,377,970	13,780
8.	Benchmark Rockwood Village	Senior Complex	1,329,500	13,298
9.	Hill, Glen & Peggy	Real Estate	1,212,745	12,127
10.	The Meadows	Apartments	780,332	7,803
	TOTAL		**$26,385,278**	**$263,867**

Source: The City.

PENSION PLANS

Employees of the City, including employees of Rockwood Water, Wastewater, and Natural Gas Systems, 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. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five 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. Members joining the system after July 1, 1979 become vested after 5 years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of the plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

UNFUNDED ACCRUED LIABILITY FOR POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Please see the appropriate Notes to Financial Statements provided herein for more information.

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APPENDIX C

GENERAL PURPOSE FINANCIAL STATEMENTS
OF

CITY OF ROCKWOOD, TENNESSEE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2016

Financial Statements

CITY OF ROCKWOOD, TENNESSEE

Year Ended June 30, 2016

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MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' AUDIT REPORT

Mayor and City Council
City of Rockwood, Tennessee
Rockwood, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of City of Rockwood, Tennessee as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Rockwood, Tennessee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We did not audit the financial statements of Rockwood Water, Wastewater, and Natural Gas Systems or Rockwood Electric Utility, which represent 100 percent of the assets, net position and revenue of the business-type activities. Those financial statements were audited by other auditors, whose report has been furnished to us, and our opinion, as it relates to the amounts included for Rockwood Water, Wastewater and Natural Gas Systems and Rockwood Electric Utility is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of City of Rockwood, Tennessee, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the general fund, state street aid fund, drug fund, and airport fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 10 and the schedule of changes in net pension liability(asset) on page 84 and the schedule of pension contributions on page 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements which collectively comprise City of Rockwood, Tennessee's basic financial statements as a whole. The accompanying other supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements

The supplementary schedules for Rockwood Water, Wastewater and Natural Gas Systems and Rockwood Electric Utility on pages 86 to 89 and the schedules of property taxes receivable; long-term debt requirements; and expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America applied by us and the other auditors. In our opinion, based on our audit and the report of the other auditors, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedules of utility rates and metered customers, water utility reporting worksheet, water utility performance indicators and principal officials have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2017 on our consideration of City of Rockwood, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Mitchell Emert + Hill

April 10, 2017

City of Rockwood
MANAGEMENT's DISCUSSION & ANALYSIS
For the Fiscal Year ending June 30, 2016

The City of Rockwood Management's Discussion and Analysis (MD&A) is a supplementary document in addition to, and part of, the municipality's annual audit report. The Governmental Accounting Standards Board requires that the MD&A be developed by the administration and management of the municipality and any proprietary utility organizations reporting to the city. The MD&A portion of this audit report has been prepared by the administration of the City of Rockwood, and presents an overview and analysis of the city's overall financial performance for the fiscal year ended June 30, 2016.

The city has the accounting firm of Mitchell Emert & Hill, P.C. of Knoxville, Tennessee, under contract to complete the annual audit of the city's financial statements. The Water & Gas Board and the Rockwood Electric Utility audits retained their own accounting firm. Fund and account balances shown in the MD&A are taken directly from the preliminary drafts or final audits presented by these accounting firms.

A GASB-34 requirement is that municipalities must account for, and include values for all public property, including buildings, paved roads, parks, recreation facilities, street right-of-way, sidewalks, and any other publicly owned infrastructure. These items are treated as fixed assets which are tracked, updated, and depreciated according to accepted standards.

Financial Analysis of the General Fund:

Comparison of prior year to current year Assets, Liabilities and Net Position

Year		Governmental Activities	Business Type Activities	Totals
June 30, 2016	ASSETS	28,028,290	78,997,566	107,025,856
June 30, 2015	ASSETS	29,017,282	74,510,654	103,527,937
Difference		(988,992)	4,486,912	3,497,919
June 30, 2016	DEFERRED OUTFLOWS	85,130	126,358	211,488
June 30, 2015	DEFERRED OUTFLOWS	87,686	56,888	144,574
Difference		(2,556)	69,470	66,914
June 30, 2016	LIABILITIES	2,175,510	18,397,109	20,572,619
June 30, 2015	LIABILITIES	2,553,371	15,193,648	17,747,019
Difference		(377,861)	3,203,461	2,825,600
June 30, 2016	DEFERRED INFLOWS	993,880	240,021	1,233,901
June 30, 2015	DEFERRED INFLOWS	1,514,912	485,403	2,000,315
Difference		(521,032)	(245,382)	(766,414)
June 30, 2016	NET POSITION	24,944,031	60,486,794	85,430,825
June 30, 2015	NET POSITION	25,036,685	58,888,491	83,925,176
Difference		(92,655)	1,598,303	1,505,648

Summary of financial activities during the fiscal years ending June 30, 2016 and 2015.

	2016	**2015**
Revenue		
Program Revenue:		
Fees, Fines and Charges for Services	39,635,247	42,430,294
Operating Grants and Contributions	222,010	203,188
Capital Grants and Contributions	150,429	601,678
General Revenue:		
Taxes	2,893,640	2,807,687
Intergovernmental	520,800	483,872
TVA Impact fund	146,885	70,626
Insurance recoveries	11,536	29,163
Pension income	0	54,819
Miscellaneous	68,322	60,971
Total Revenue	**43,648,869**	**46,742,298**
Expenses		
General Government	1,007,725	753,362
Public Safety	1,948,955	2,053,117
Public Welfare	1,171,746	1,225,331
Streets and highways	1,226,702	1,104,195
Solid waste collection and disposal	164,557	194,252
Interest on long-term debt	42,828	81,856
Electric	31,000,496	32,424,705
Natural Gas	2,035,007	3,068,927
Water and sewer	3,545,205	3,479,139
Total Expenses	**42,143,221**	**44,384,883**
Change in Net Position	**1,505,648**	**2,357,419**
Net Position at the Beginning of the Year	**83,925,176**	**81,567,756**
Net Position at the End of the Year	**85,430,825**	**83,925,176**

Below is a five year history of the City of Rockwood's Original Budget, the Final Budget and the Actual Budget:

	Original Budget	Final Budget	Actual	Variance
FY2016 Revenues	5,390,490	6,042,572	5,253,630	(788,942)
FY2016 Expenditures	5,463,678	6,117,299	5,070,626	(1,046,673)
FY2015 Revenues	5,119,815	5,073,687	4,828,774	(244,912)
FY2015 Expenditures	5,119,815	5,280,421	4,712,037	(568,383)
FY2014 Revenues	6,036,652	6,180,526	5,037,061	(1,143,465)
FY2014 Expenditures	7,108,850	7,292,044	6,919,372	(372,672)
FY2013 Revenues	5,457,750	5,670,183	5,218,993	(451,191)
FY2013 Expenditures	6,132,890	6,130,925	4,933,191	(1,197,734)
FY2012 Revenues	6,050,120	6,050,120	4,772,935	(1,277,185)
FY2012 Expenditures	6,585,068	6,595,468	5,654,235	(941,233)

The following are the Fund Balance totals for the past five years including 2015-16.

Fund Balance	General	State Street	Waste Mgt	Cap Projects	Drug Fund	Airport Fund	Total
6/30/16	900,836	44,929	N/A	N/A	49,539	31,171	1,026,475
6/30/15	717,832	51,543	N/A	N/A	37,762	28,855	835,993
6/30/14	601,095	52,322	N/A	N/A	37,878	54,754	746,049
6/30/13	1,032,131	41,648	N/A	N/A	72,679	104,018	1,250,476
6/30/12	232,849	21,377	0	78,328	N/A	N/A	332,554

City Administration continues to monitor expenditures and revenues closely during the fiscal year, and as a result the fund balance continues to grow. The total of all fund balances grew by $190,482 in this fiscal year and have increased by $693,921 since 2012. The General Fund's fund balance alone grew by $183,004 in this fiscal year and has increased from $232,849 in 2012 to $900,836 in 2016, an increase of $667,987. Administration continues to strive to make wise financial decisions. The city hasn't issued any new debt and continues to make great strides in paying off debt. Two tractor leases will be paid off in 2017 for a savings of $27,953. The city's (1979) Rural Development Bond issue (Berkadia) and the capital lease on police cars will both expire in 2018 for an annual savings of approximately $131,000. Rockwood's financial status continues to improve with the cooperation of administration, department heads, employees, and mayor & council. With new industries and other types of commercial businesses projected in the next few months in Rockwood as well as in the coming years in Roane County, the City is very optimistic of additional economic growth.

Long Term Debt Administration:

Long term debt obligations of the Governmental Activities at June 30, 2016 consisted of the following:

Loan	Rate	Maturity	Outstanding Balance
Bond TML Loan # 50105	variable	2024	492,535
Bond TML Loan # 50108 (WMart)	variable	2025	516,000
Bond Complex (Berkadia)	5.00%	2018	85,000
Bond Regions(2008)	5.20%	2020	387,000
Ford Motor Credit Capital Lease (patrol cars)	4.70%	2018	158,376
Sutphen Fire Truck	3.62%	2024	338,945
Kubota Leasing Capital- Mower		2017	18,586
Kubota Leasing Capital- Tractor		2017	9,367
TOTAL DEBT			**2,005,809**

Long term debt obligations of the Business-Type Activities at June 30, 2016 consisted of the following:

Loan	Maturity	Outstanding Balance
Water Revenue Tax Bonds Series 2012	2031	2,815,000
Water and Sewer Revenues Series 2007	2047	495,410
SRF2000-139	2023	581,137
Gen Obligation Bonds Series 2013A	2052	673,712
Gen Obligation Bonds Series 2013B	2052	747,472
Electric Utility Revenue Bonds	2027	4,871,300
TOTAL DEBT		**10,184,031**

Capital Assets:

The City’s investment in capital assets as of June 30, 2016 for governmental activities was $ 25,342,995 ($26,122,039 in 2015) net of accumulated depreciation.

Capital Assets- Net	**2016**	**2015**
Land	2,634,148	2,633,148
Construction in Progress	125,719	0
Buildings & Improvements	8,548,593	8,533,793
Vehicles & Equipment	3,610,253	3,605,253
Infrastructure	22,726,884	22,726,884
Accumulated Depreciation	(12,302,601)	(11,377,040)
Total Capital Assets, Net of Accumulated Depreciation	**25,342,995**	**26,122,039**

The City’s investment in capital assets as of June 30, 2016 for business-type activities was $57,781,587 ($54,482,532 in 2015) net of accumulated depreciation.

Capital Assets- Net	**2016**	**2015**
Land –WS&G	25,455	25,455
Land- Electric	648,256	648,256
Construction work in progress WS&G	339,239	83,933
Construction work in progress-Electric	3,494,155	927,051
Utility Distribution Collection plant WS&G	14,589,151	14,512,597
General Plant-WS&G	16,646,451	16,472,522
General Plant- Electric	51,998,870	50,735,993
Equipment, software, furniture and fixtures-WG&S	2,179,993	1,961,378
Accumulated Depreciation- WS&G	(16,914,236)	(16,141,117)
Accumulated Depreciation-Electric	(15,225,748)	(14,743,536)
Total Capital Assets, Net of Accumulated Depreciation – WS&G	16,866,054	16,914,768
Total Capital Assets, net of Accumulated Depreciation – Electric	40,915,533	37,567,764

The City’s property tax collections, including prior year were $20,557 less than the previous year. However, successful collections of prior-year back taxes have reduced the total amount owed to the city. In lieu of tax payments increased as well as interest and penalties. Business tax remained close to the same as the year before while local sales tax, wholesale liquor and beer taxes increased slightly. Intergovernmental revenues increased by $164,127 over the previous year. However, city administration doesn’t base spending practices on the amount expected to receive or expend but more so on need and the desire to save as much as possible in order to build fund balance.

Conclusion-Comments:

This fiscal year has been another rewarding one as far as the Finance Department is concerned. Tight control of expenditures and wise decision making continues. With the help of Department Heads and employees, the finance department has more accountability and much more accurate reporting to provide the mayor and city council. The administration constantly strives to achieve its goal of a healthy fund balance and accurate and open reporting.

This MD&A report is intended to provide citizens and City Council with a general overview of the City’s finances, and show accountability for the funds received. If you have questions about this report or require additional information, contact:

Becky Ruppe, City Recorder
City of Rockwood
110 No. Chamberlain Avenue
Rockwood, TN 37854

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	$ 787,172	$ 14,274,195	$ 15,061,367
Certificates of deposit	6,140	0	6,140
Cash held for customer deposits	0	134,190	134,190
Water and wastewater construction fund	0	720,859	720,859
Debt service fund	0	872,714	872,714
Roane County Wastewater fund	0	83	83
Accounts receivable, net of allowance for uncollectible accounts	49,318	3,863,439	3,912,757
Grants receivable	491	0	491
Property taxes receivable, net of allowance for uncollectible accounts	988,296	0	988,296
Taxes receivable	282,399	0	282,399
Rents receivable	0	39,246	39,246
Loan receivable - C.S.A.	0	23,264	23,264
Advanced deposit - T.D.O.T.	17,133	0	17,133
Due from other governments	159,033	0	159,033
Due from Mid-Tennessee NG	0	247,482	247,482
Material and supplies	0	866,499	866,499
Prepaid expenses	0	132,011	132,011
Internal balances	62,971	(62,971)	0
Net pension asset	332,344	104,968	437,312
Capital assets, not being depreciated	2,759,867	3,858,849	6,618,716
Capital assets being depreciated, net of accumulated depreciation	22,583,128	53,922,738	76,505,866
TOTAL ASSETS	28,028,290	78,997,566	107,025,856
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	85,130	126,358	211,488
	$ 28,113,420	$ 79,123,924	$107,237,344

See the accompanying notes to the financial statements.

	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Accounts payable	$ 13,791	$ 5,800,544	$ 5,814,335
Salaries and vacation payable	153,495	875,305	1,028,800
Accrued expenses	0	227,706	227,706
Current portion of long-term debt	383,303	754,597	1,137,900
Customer deposits	0	1,231,392	1,231,392
Prepaid rent	2,415	0	2,415
Long-term debt, net of current portion	1,622,506	9,507,565	11,130,071
TOTAL LIABILITIES	2,175,510	18,397,109	20,572,619
DEFERRED INFLOWS OF RESOURCES			
Deferred tax revenue	899,855	55,846	955,701
Over recovered ACA	0	74,001	74,001
Deferred inflows related to pension	94,025	84,234	178,259
Gas rebates	0	25,940	25,940
TOTAL DEFERRED INFLOWS OF RESOURCES	993,880	240,021	1,233,901
NET POSITION			
Net investment in capital assets	23,337,186	47,513,904	70,851,090
Restricted:			
Street improvements	59,278	0	59,278
Drug investigation	49,539	0	49,539
Airport improvement	31,171	0	31,171
Water and wastewater construction	0	720,859	720,859
Debt service	0	872,714	872,714
Pension	332,344	104,968	437,312
Other	0	1,549	1,549
Unrestricted	1,134,513	11,272,800	12,407,313
TOTAL NET POSITION	24,944,031	60,486,794	85,430,825
	$ 28,113,420	$ 79,123,924	$107,237,344

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

		Program Revenue		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	$ 1,007,725	$ 295,694	$ 20,942	$ 130,629
Public safety	1,948,955	102,830	29,077	0
Public welfare	1,171,746	261,510	9,907	11,285
Streets and highways	1,226,702	0	162,083	0
Solid waste collection and disposal	164,557	124,528	0	0
Interest on long-term debt	42,828	0	0	0
Total governmental activities	5,562,513	784,562	222,010	141,915
Business-Type Activities:				
Water and wastewater	3,545,205	3,707,867	0	7,743
Natural gas	2,035,007	2,574,292	0	771
Electric utility	31,000,496	32,568,526	0	0
Total business-type activities	36,580,708	38,850,685	0	8,514
	$ 42,143,221	$ 39,635,247	$ 222,010	$ 150,429

Net (Expense)Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (560,460)	$ 0	$ (560,460)
(1,817,048)	0	(1,817,048)
(889,043)	0	(889,043)
(1,064,619)	0	(1,064,619)
(40,029)	0	(40,029)
(42,828)	0	(42,828)
(4,414,026)	0	(4,414,026)
0	170,404	170,404
0	540,056	540,056
0	1,568,030	1,568,030
0	2,278,490	2,278,490
$ (4,414,026)	$ 2,278,490	$ (2,135,536)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF ACTIVITIES

(continued)

Year Ended June 30, 2016

NET (EXPENSE)REVENUE FROM PROGRAM ACTIVITIES

General Revenue:

Taxes:
- Property tax
- Interest and penalty
- In-Lieu of tax payments
- Local sales tax
- Business tax
- Wholesale beer tax
- Wholesale liquor tax

Intergovernmental
TVA Impact fund
Insurance recoveries
Miscellaneous

Total general revenue

Transfers

Total general revenue and transfers

CHANGES IN NET POSITION

NET POSITION AT THE BEGINNING OF THE YEAR

NET POSITION AT THE END OF THE YEAR

See the accompanying notes to the financial statements.

Net (Expense) Revenue and Changes In Net Position		
Governmental Activities	Business-Type Activities	Totals
$ (4,414,026)	$ 2,278,490	$ (2,135,536)
894,076	0	894,076
15,151	0	15,151
127,782	0	127,782
1,506,276	0	1,506,276
111,065	0	111,065
168,057	0	168,057
71,233	0	71,233
520,800	0	520,800
146,885	0	146,885
11,536	0	11,536
24,938	43,384	68,322
3,597,799	43,384	3,641,183
723,572	(723,572)	0
4,321,371	(680,188)	3,641,183
(92,655)	1,598,303	1,505,648
25,036,685	58,888,491	83,925,176
$ 24,944,031	$ 60,486,794	$ 85,430,825

CITY OF ROCKWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016

	General Fund	State Street Aid Fund	Drug Fund
Cash	$ 694,811	$ 29,275	$ 49,539
Certificates of deposit	6,140	0	0
Accounts receivable	49,318	0	0
Grants receivable	0	0	0
Property taxes receivable, net of allowance for uncollectible accounts	988,296	0	0
Taxes receivable	282,399	0	0
Due from other governments	129,030	30,003	0
Due from other funds	62,971	0	0
Advanced deposits - T.D.O.T.	0	0	0
TOTAL ASSETS	$ 2,212,964	$ 59,278	$ 49,539

Airport Fund	Totals
$ 13,548	$ 787,173
0	6,140
0	49,318
491	491
0	988,296
0	282,399
0	159,033
0	62,971
17,133	17,133
$ 31,171	$ 2,352,952

CITY OF ROCKWOOD, TENNESSEE

BALANCE SHEET
GOVERNMENTAL FUNDS
(continued)

June 30, 2016

	General Fund	State Street Aid Fund	Drug Fund
LIABILITIES			
Accounts payable	$ 6,521	$ 0	$ 0
Salaries payable	153,495	0	0
Prepaid rent	2,415	0	0
Interest payable	7,270	0	0
TOTAL LIABILITIES	169,700	0	0
DEFERRED INFLOWS OF RESOURCES			
Deferred property taxes	970,951	0	0
Deferred stated shared and local taxes	171,478	14,349	0
	1,142,428	14,349	0
FUND BALANCES			
Restricted	0	44,929	49,539
Assigned	55,378	0	0
Unassigned	845,458	0	0
	900,836	44,929	49,539
	$ 2,212,964	$ 59,278	$ 49,539

See the accompanying notes to the financial statements.

Airport Fund	Totals
$ 0	$ 6,521
0	153,495
0	2,415
0	7,270
0	169,700
0	970,951
0	185,827
0	1,156,777
31,171	125,639
0	55,378
0	845,458
31,171	1,026,475
$ 31,171	$ 2,352,952

CITY OF ROCKWOOD, TENNESSEE

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

June 30, 2016

Total Fund Balance - Governmental Funds	$ 1,026,475
Capital assets used in governmental activities are reported in the statement of net position; however, they are not current financial resources and therefore are not reported in the governmental funds balance sheet.	25,342,995
Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures; therefore, they are reported as deferred revenue in the governmental funds balance sheet.	256,922
Net pension assets and liabilities, and the related deferred outflows and deferred inflows, are reported in the statement of net position; however, they are not current financial resources, therefore they are not reported in the governmental funds balance sheet	
Net pension asset	332,344
Deferred outflows of resources	85,130
Deferred inflows of resources	(94,025)
Long-term liabilities are not due in the current period; therefore, they are not reported in the governmental funds balance sheet.	(2,005,809)
Net Position of Governmental Activities	$ 24,944,031

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

Year Ended June 30, 2016

	General Fund	State Street Aid Fund	Drug Fund
REVENUE			
Taxes:			
Property tax	$ 880,112	$ 0	$ 0
Interest and penalty	14,996	0	0
In-lieu of tax payments	127,782	0	0
Local sales tax	1,504,912	0	0
Business tax	110,860	0	0
Wholesale beer tax	168,057	0	0
Wholesale liquor tax	71,233	0	0
Intergovernmental	696,321	161,597	0
Licenses and permits	45,738	0	0
Receipts for use of facilities	54,774	0	0
Charges for services	551,146	0	0
Fines and forfeitures	74,692	0	16,360
TVA Impact fund	146,885	0	0
Sale of property, materials and supplies	33,430	0	0
Insurance recoveries	11,536	0	0
Other revenue	37,584	0	0
TOTAL REVENUE	4,530,058	161,597	16,360
EXPENDITURES			
Current:			
General government	987,461	0	0
Public safety	1,800,887	0	4,583
Public welfare	813,371	0	0
Streets and highways	655,077	168,212	0
Airport	85,733	0	0
Solid waste	153,105	0	0
Capital outlay	146,519	0	0
Debt service	428,472	0	0
TOTAL EXPENDITURES	5,070,626	168,212	4,583

Airport Fund	Totals
$ 0	$ 880,112
0	14,996
0	127,782
0	1,504,912
0	110,860
0	168,057
0	71,233
14,746	872,663
0	45,738
0	54,774
5,144	556,290
0	91,052
0	146,885
0	33,430
0	11,536
0	37,584
19,890	4,727,904
0	987,461
0	1,805,470
0	813,371
0	823,289
17,574	103,307
0	153,105
0	146,519
0	428,472
17,574	5,260,995

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

(continued)

Year Ended June 30, 2016

	General Fund	State Street Aid Fund	Drug Fund
(DEFICIENCY)EXCESS OF REVENUE OVER EXPENDITURES	(540,568)	(6,615)	11,777
OTHER FINANCING SOURCES			
Transfers from other funds	723,572	0	0
EXCESS(DEFICIENCY) OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	183,004	(6,615)	11,777
FUND BALANCES AT THE BEGINNING OF THE YEAR	717,832	51,543	37,762
FUND BALANCES AT THE END OF THE YEAR	$ 900,836	$ 44,929	$ 49,539

See the accompanying notes to the financial statements.

Airport Fund	Totals
2,316	(533,090)
0	723,572
2,316	190,482
28,855	835,993
$ 31,171	$ 1,026,475

CITY OF ROCKWOOD, TENNESSEE

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Excess of Revenue and Other Financing Sources over Expenditures - Governmental Funds	$ 190,482
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:	
Acquisition of capital assets	146,519
Depreciation expense	(925,561)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces the long-term liabilities for governmental activities.	385,645
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds:	
Negative pension expense	6,752
Retirement contributions made after the actuarial measurement date are an expenditure in the governmental funds, but increase deferred outflows for governmental activities.	85,130
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental fund financial statements.	
Deferred tax revenue - June 30, 2015	(238,542)
Deferred tax revenue - June 30, 2016	256,922
Change in Net Position of Governmental Activities	$ (92,655)

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
REVENUE				
Taxes:				
Property taxes	$ 905,000	$ 905,000	$ 880,112	$ (24,888)
Interest and penalty	15,000	15,000	14,996	(4)
In-Lieu of tax payments	117,000	117,000	127,782	10,782
Local sales tax	1,600,000	1,600,000	1,504,912	(95,088)
Business tax	130,000	130,000	110,860	(19,140)
Wholesale beer tax	185,000	185,000	168,057	(16,943)
Wholesale liquor tax	60,000	60,000	71,233	11,233
	3,012,000	3,012,000	2,877,953	(134,047)
Intergovernmental:				
State income tax	35,000	35,000	42,565	7,565
State beer tax	3,200	3,200	2,706	(494)
State sales tax	400,000	400,000	447,987	47,987
State police supplement	9,600	9,600	9,600	0
Police federal shared fund	0	10,715	10,715	0
City streets	11,000	11,000	11,316	316
Corporate excise tax	12,000	12,000	10,741	(1,259)
Airport grant	0	6,829	0	(6,829)
Bridge construction grant	0	220,348	130,629	(89,719)
Community development grant	0	381,450	0	(381,450)
Federal disaster relief grant	19,440	19,440	17,910	(1,530)
Governors highway safety grant	0	2,527	7,527	5,000
Housing rehabilitation grant	250,000	250,000	1,500	(248,500)
County grant/donation	2,500	2,500	3,125	625
	742,740	1,364,610	696,321	(668,289)
Licenses and permits:				
Beer licenses	3,000	3,000	2,769	(231)
Building permits	30,000	34,640	42,969	8,329
Other permits	1,500	1,500	0	(1,500)
	34,500	39,140	45,738	6,598

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Receipts for use of facilities:				
Meeting room fees	500	500	84	(416)
Rent	56,950	56,950	54,690	(2,260)
	57,450	57,450	54,774	(2,676)
Charges for services:				
Solid waste collection	145,800	145,800	124,528	(21,272)
Library	5,800	5,800	5,661	(139)
Parks and recreation	75,000	75,000	82,377	7,377
Water and gas departments	200,000	200,000	204,903	4,903
Special fire protection	15,000	15,000	9,500	(5,500)
Animal adoption fee	500	500	485	(15)
Alarm registration	500	500	96	(404)
Golf charges	120,000	120,000	120,443	443
Swim team	3,500	3,500	3,153	(347)
	566,100	566,100	551,146	(14,954)
Fines and forfeitures	108,600	108,600	74,692	(33,908)
Other revenue:				
Sale materials and supplies	12,500	12,500	6,887	(5,613)
Sale of property	20,000	26,542	26,542	0
TVA impact fund	147,000	147,000	146,885	(115)
Insurance recoveries	5,000	14,702	11,536	(3,166)
Fire and police donations	3,100	3,100	1,235	(1,865)
Library donations	1,000	1,000	213	(787)
Parks and recreation donations	0	2,965	3,263	298
Interest	500	500	154	(346)
Miscellaneous	30,000	36,363	32,720	(3,643)
	219,100	244,673	229,435	(15,237)
TOTAL REVENUE	4,740,490	5,392,572	4,530,058	(862,514)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
EXPENDITURES				
Legislative and general government:				
Salaries and wages	15,000	15,000	15,000	0
Christmas bonus	59,200	57,200	57,200	0
Mayor and Council expense	13,800	13,800	12,516	(1,284)
City attorney and judge	23,400	23,400	23,400	0
Public relations	5,000	5,000	4,999	(1)
Dues and subscriptions	7,600	7,600	7,097	(503)
Health insurance	35,550	33,150	27,203	(5,947)
OASDI - employer's share	3,400	7,800	6,583	(1,217)
Retirement	950	950	719	(231)
Planning and zoning services	10,200	10,200	10,175	(25)
Beer Board	500	500	500	0
Civil Service Board	3,000	3,000	2,600	(400)
Roane Alliance	10,000	10,000	10,000	0
Publication of legal notices	1,000	1,000	708	(292)
Workers' compensation	66,457	66,457	66,449	(8)
Utilities	8,000	8,000	5,379	(2,622)
Insurance	103,680	104,780	104,596	(184)
Rockwood Industrial Board	5,000	5,000	4,820	(180)
Rockwood 2000	9,500	9,500	9,410	(90)
Other professional services	2,600	2,600	2,600	0
Other contractual services	28,000	22,665	21,519	(1,146)
Economic development	432,500	813,950	71,036	(742,914)
Miscellaneous	3,500	3,735	3,127	(608)
	847,837	1,225,287	467,636	(757,651)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Building Inspector:				
Salary	20,000	27,740	27,720	(20)
OASDI - employer's share	1,550	2,200	2,175	(25)
Retirement	1,100	1,350	1,316	(34)
Repairs and maintenance	20,000	35,542	30,519	(5,023)
Training	1,500	1,500	1,414	(86)
Operating expense	500	500	435	(65)
	44,650	68,832	63,579	(5,253)
Financial Administration:				
Salaries - supervision	50,000	50,725	50,725	0
Salaries - other	115,000	114,275	112,517	(1,758)
OASDI - employer's share	13,000	13,000	12,660	(340)
Health insurance	31,400	31,400	29,101	(2,299)
Retirement	8,350	8,350	7,378	(972)
Professional services	27,500	27,500	27,500	0
Communications	8,000	8,000	7,117	(883)
Printing	2,000	2,000	1,293	(707)
Dues and subscriptions	1,000	1,000	745	(255)
Bank fees	8,000	8,000	5,710	(2,290)
Property tax discounts	1,200	1,200	387	(813)
Repairs and maintenance	1,000	1,000	249	(751)
Supplies	24,600	24,600	23,885	(715)
Utilities	500	500	500	0
Employee education	4,000	4,000	4,000	0
	295,550	295,550	283,768	(11,782)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
(continued)

Year Ended June 30, 2016

	Budget			Variance Over
	Original	Final	Actual	(Under)
Public buildings:				
Salaries - regular	28,000	16,000	15,683	(317)
OASDI - employer's share	2,250	2,250	1,145	(1,105)
Health insurance	9,600	7,600	7,482	(118)
Utilities	33,000	33,000	29,240	(3,760)
Repairs and maintenance	4,000	4,000	2,839	(1,161)
Other contractual services	42,000	42,000	41,550	(450)
Supplies	8,200	8,200	7,740	(460)
	127,050	113,050	105,678	(7,372)
City garage:				
Salaries	36,500	36,500	35,636	(864)
OASDI - employer's share	3,000	3,000	2,721	(279)
Health insurance	7,900	8,000	7,982	(18)
Retirement	1,850	1,850	1,620	(230)
Utilities	13,200	13,100	8,567	(4,533)
Communications	2,500	2,500	527	(1,973)
Repairs and maintenance	2,000	2,000	738	(1,262)
Gas, oil and grease	2,000	2,000	828	(1,172)
Supplies	8,400	8,400	7,783	(617)
Uniforms	500	500	399	(101)
	77,850	77,850	66,801	(11,049)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET

GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Police department:				
Salaries - supervisor	40,000	40,000	40,000	0
Salaries - regular	607,000	612,663	612,662	(1)
State supplement	9,000	9,000	9,000	0
OASDI - employer's share	45,000	48,312	48,311	(1)
Health insurance	130,000	125,840	125,831	(9)
Retirement	28,500	28,500	24,162	(4,338)
Training	7,000	9,000	8,251	(749)
Utilities	5,000	5,850	4,465	(1,385)
Communications	12,000	14,800	14,780	(20)
Repairs and maintenance	8,000	21,102	17,639	(3,463)
Gas, oil and grease	40,000	25,230	25,226	(4)
Supplies	9,100	17,737	16,738	(999)
Uniforms	6,500	5,182	3,331	(1,851)
Radios	7,000	7,000	5,436	(1,564)
Drug enforcement	4,903	16,168	7,487	(8,681)
Emergency 911 service	67,338	66,538	66,529	(9)
	1,026,341	1,052,922	1,029,848	(23,075)
Fire Department:				
Salaries - supervisor	45,000	45,000	39,260	(5,740)
Salaries - regular	494,000	494,000	489,939	(4,061)
OASDI - employer's share	43,000	43,000	40,714	(2,286)
Health insurance	105,000	103,110	103,109	(1)
Retirement	27,000	27,000	22,952	(4,048)
Dues and subscriptions	100	100	100	0
Training	4,000	4,000	3,694	(306)
Annual maintenance fees	3,400	3,400	3,444	44

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Fire Department (continued):				
Utility services	13,000	14,000	13,574	(426)
Communications	5,400	4,240	2,920	(1,320)
Repairs and maintenance	18,200	23,200	21,051	(2,149)
Gas, oil and grease	8,000	4,400	4,342	(58)
Supplies	11,000	11,000	9,967	(1,033)
Small equipment	5,500	5,500	5,325	(175)
Uniforms	7,500	7,500	7,500	0
Fire hydrants	4,500	5,150	3,149	(2,001)
	794,600	794,600	771,039	(23,561)
Recreation:				
Salaries - supervision	40,000	41,080	41,077	(3)
Salaries - regular	145,000	138,010	137,641	(369)
OASDI - employer's share	15,000	15,000	14,303	(697)
Health insurance	32,000	23,975	23,970	(5)
Retirement	7,000	4,900	4,860	(40)
Training	2,000	400	395	(5)
Board and committee members	4,000	3,000	3,000	0
Utilities	47,000	41,200	41,140	(60)
Tournament expense	0	2,000	1,818	(182)
Community center expenses	7,000	10,500	10,490	(10)
Communications	8,000	10,100	9,944	(156)
Repair and maintenance	22,000	29,000	27,418	(1,582)
Gas, oil and grease	9,000	6,000	5,374	(626)
Small equipment	2,000	4,965	4,963	(2)
Supplies	35,000	44,500	44,251	(249)
Uniforms	9,000	14,000	12,293	(1,707)
Swim team	3,500	3,500	2,784	(716)
Insurance	4,450	2,785	2,417	(368)
Donations	500	500	438	(62)
	392,450	395,415	388,576	(6,839)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Golf course:				
Salaries - supervision	29,900	30,370	30,367	(3)
Salaries - regular	56,300	56,850	56,833	(17)
OASDI - employer's share	7,000	6,450	6,406	(44)
Health insurance	25,000	25,230	25,200	(30)
Retirement	4,500	3,900	3,873	(27)
Board and committee members	3,000	3,000	2,976	(24)
Utilities	25,000	21,850	21,837	(13)
Communications	1,000	1,250	1,151	(99)
Repairs and maintenance	10,600	9,850	9,181	(669)
Gas, oil and grease	6,000	3,900	3,878	(22)
Supplies	12,000	12,000	11,259	(741)
Chemicals	10,000	10,500	10,246	(254)
Uniforms	500	500	498	(2)
Small equipment	4,000	4,000	3,655	(345)
Golf cart lease	19,000	24,150	23,380	(770)
Bank service charges	1,000	1,000	992	(8)
	214,800	214,800	211,731	(3,069)
Library:				
Salary - librarian	33,400	33,610	33,601	(9)
Salary - regular	49,150	48,940	48,394	(546)
OASDI - employer's share	6,800	6,800	6,311	(489)
Health insurance	10,000	10,000	9,943	(57)
Retirement	1,700	1,700	1,572	(128)
Board and committee members	4,500	4,500	4,050	(450)
Utilities	3,200	3,200	3,196	(4)
Communications	2,000	2,000	1,920	(80)
Computer literacy program	1,500	1,500	1,100	(400)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
(continued)

Year Ended June 30, 2016

	Budget			Variance Over
	Original	Final	Actual	(Under)
Library (continued):				
Books and magazines	6,500	6,550	6,386	(164)
Repairs and maintenance	8,550	8,550	8,519	(31)
Supplies	18,100	18,050	14,022	(4,028)
Miscellaneous grants	4,000	4,000	3,673	(327)
Audio visual	1,500	1,500	1,287	(213)
Library equipment	7,500	9,033	6,533	(2,500)
Small equipment	1,400	1,400	0	(1,400)
	159,800	161,333	150,507	(10,826)
Animal control:				
Salaries - regular	31,300	31,300	29,361	(1,939)
OASDI - employer's share	2,500	2,500	2,358	(142)
Health insurance	7,900	7,770	7,768	(2)
Retirement	1,600	1,600	1,427	(173)
Employee training	100	100	50	(50)
Utility services	4,000	3,750	2,964	(786)
Communications	1,200	1,909	1,713	(196)
Repairs and maintenance	3,000	2,565	1,726	(839)
Shelter fees	4,500	4,500	3,930	(570)
Immunization expense	300	300	0	(300)
Gas, oil and grease	3,000	1,500	1,067	(433)
Small equipment	2,000	5,938	5,936	(2)
Supplies	4,000	4,400	3,852	(548)
Uniforms	450	450	407	(43)
	65,850	68,583	62,558	(6,025)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET

GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Airport:				
Salaries - regular	57,800	57,800	56,791	(1,010)
OASDI - employer's share	1,400	1,400	1,354	(46)
Health insurance	7,500	7,600	7,514	(86)
Utilities	13,000	13,000	13,000	0
Communications	3,000	3,000	2,965	(35)
Supplies	3,750	2,979	2,440	(539)
Repairs and maintenance	1,250	8,750	1,670	(7,080)
	87,700	94,529	85,733	(8,796)
Solid waste:				
Salaries - regular	90,000	90,000	69,545	(20,455)
OASDI - employer's share	7,150	7,150	5,703	(1,447)
Health insurance	24,000	24,000	18,315	(5,685)
Retirement	4,600	4,600	3,235	(1,365)
Repairs and maintenance	5,000	5,000	3,357	(1,643)
Landfill services	42,000	42,000	40,221	(1,779)
Gas, oil and grease	12,000	12,000	7,430	(4,570)
Supplies	8,000	8,000	4,016	(3,984)
Uniforms	1,500	1,500	1,283	(217)
	194,250	194,250	153,105	(41,145)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
GENERAL FUND
(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
Streets and highways:				
Salaries - supervision	45,000	45,000	44,416	(584)
Salaries - regular	277,850	277,850	276,209	(1,641)
OASDI - employer's share	25,600	25,600	25,331	(269)
Health insurance	78,000	78,000	74,158	(3,842)
Retirement	14,300	14,300	12,011	(2,289)
Communication	3,000	3,000	2,260	(740)
Repairs and maintenance	175,000	185,000	180,028	(4,972)
Tires	5,000	5,000	6	(4,994)
Gas, oil and grease	25,000	15,000	13,054	(1,946)
Supplies	10,000	10,000	9,083	(917)
Signs	10,000	5,000	4,863	(137)
Brush grinder rental	5,000	10,000	9,985	(15)
Uniforms	4,000	4,000	3,674	(326)
	677,750	677,750	655,077	(22,673)
Capital outlay:				
Economic development	0	220,348	126,719	(93,629)
Public buildings	10,000	15,000	14,800	(200)
Fire department	5,000	5,000	5,000	0
	15,000	240,348	146,519	(93,829)
Debt service:				
Principal	371,500	371,500	385,645	14,145
Interest	70,700	70,700	42,828	(27,872)
	442,200	442,200	428,472	(13,728)

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET

GENERAL FUND

(continued)

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
TOTAL EXPENDITURES	5,463,678	6,117,299	5,070,626	(1,046,673)
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(723,188)	(724,727)	(540,568)	184,159
OTHER FINANCING SOURCES				
Transfer from Electric Utility Fund	650,000	650,000	723,572	73,572
(DEFICIENCY)EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES	(73,188)	(74,727)	183,004	257,731
FUND BALANCE AT THE BEGINNING OF THE YEAR	73,188	74,727	717,832	643,105
FUND BALANCE AT THE END OF THE YEAR	$ 0	$ 0	$ 900,836	$ 900,836

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
STATE STREET AID FUND

Year Ended June 30, 2016

	Budget			Variance Over
	Original	Final	Actual	(Under)
REVENUE				
City street and transportation	$ 156,000	$ 156,000	$ 152,435	$ (3,565)
Highway and street	20,000	28,919	9,162	(19,756)
TOTAL REVENUE	176,000	184,919	161,597	(23,322)
EXPENDITURES				
Utility services	165,500	165,500	151,523	(13,977)
Repairs and maintenance	10,000	18,919	16,526	(2,392)
Bank fees	500	500	163	(337)
TOTAL EXPENDITURES	176,000	184,919	168,212	(16,707)
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	0	0	(6,615)	(6,615)
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	0	51,543	51,543
FUND BALANCE AT THE END OF THE YEAR	$ 0	$ 0	$ 44,929	$ 44,929

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
DRUG FUND

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
REVENUE				
Drug fines	$ 20,000	$ 20,000	$ 14,696	$ (5,304)
Confiscated vehicle charges	0	1,663	1,663	0
TOTAL REVENUE	20,000	21,663	16,360	(5,304)
EXPENDITURES				
Drug enforcement	10,000	10,000	828	(9,172)
Vehicle towing expenses	0	1,663	0	(1,663)
Operating supplies	10,000	10,000	3,755	(6,245)
TOTAL EXPENDITURES	20,000	21,663	4,583	(17,080)
EXCESS OF REVENUE OVER EXPENDITURES	0	0	11,777	11,777
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	0	37,762	37,762
FUND BALANCE AT THE END OF THE YEAR	$ 0	$ 0	$ 49,539	$ 49,539

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - ACTUAL AND BUDGET
AIRPORT FUND

Year Ended June 30, 2016

	Budget			Variance
	Original	Final	Actual	Over (Under)
REVENUE				
T.D.O.T grants	$ 8,500	$ 8,500	$ 14,746	$ 6,246
Lease	2,400	2,400	4,800	2,400
Fuel flow	0	0	344	344
TOTAL REVENUE	10,900	10,900	19,890	8,990
EXPENDITURES				
Repairs and maintenance	8,500	9,875	16,699	6,824
Supplies	2,400	1,025	874	(151)
TOTAL EXPENDITURES	10,900	10,900	17,574	6,674
EXCESS OF REVENUE OVER EXPENDITURES	0	0	2,316	2,316
FUND BALANCE AT THE BEGINNING OF THE YEAR	0	0	28,855	28,855
FUND BALANCE AT THE END OF THE YEAR	$ 0	$ 0	$ 31,171	$ 31,171

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
ASSETS				
UTILITY PLANT				
Land	$ 25,455	$ 0	$ 0	$ 25,455
Machinery and equipment	723,623	851,991	0	1,575,614
Vehicles	245,909	215,633	0	461,542
Software	95,225	47,613	0	142,838
Utility plant in service	26,716,690	4,518,912	52,647,126	83,882,728
Construction in progress	244,358	94,881	3,494,155	3,833,394
	28,051,260	5,729,030	56,141,281	89,921,571
Accumulated depreciation	(14,373,204)	(2,541,032)	(15,225,748)	(32,139,984)
NET UTILITY PLANT	13,678,056	3,187,998	40,915,533	57,781,587
CURRENT ASSETS				
Cash	476,932	4,343,560	9,453,703	14,274,195
Accounts receivable, net of allowance for uncollectible accounts	229,446	82,366	3,551,627	3,863,439
Rents receivable	0	0	39,246	39,246
Materials, supplies, and natural gas inventory	96,524	452,586	317,389	866,499
Prepaid expenses	8,461	4,221	119,329	132,011
Due from other funds	0	105,483	0	105,483
TOTAL CURRENT ASSETS	811,363	4,988,216	13,481,294	19,280,873

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
LIABILITIES AND NET POSITION				
LONG-TERM DEBT				
Bonds and notes payable	$ 5,336,140	$ 0	$ 4,926,022	$ 10,262,162
Current maturities	(408,497)	0	(346,100)	(754,597)
	4,927,643	0	4,579,922	9,507,565
CUSTOMER DEPOSITS	0	0	1,098,668	1,098,668
CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS				
Accounts payable	102,250	118,574	5,326,325	5,547,149
Over recovered ACA - current portion	0	296,002	0	296,002
Sales tax payable	13,860	983	0	14,843
Accrued salaries	72,758	24,369	109,182	206,309
Accrued expenses	8,079	69,260	0	77,339
Accrued vacation and sick pay	0	0	668,996	668,996
Due to other funds	105,483	0	0	105,483
Other accrued liabilities	0	0	150,367	150,367
Current portion of bonds payable	0	0	346,100	346,100
	302,430	509,188	6,600,970	7,412,588

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
(continued)

June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
RESTRICTED ASSETS				
Debt service fund	872,714	0	0	872,714
Water and wastewater construction fund	720,859	0	0	720,859
Cash held for customer deposits	102,650	31,540	0	134,190
Roane County Wastewater	83	0	0	83
Net pension asset	69,838	35,130	0	104,968
TOTAL RESTRICTED ASSETS	1,766,144	66,670	0	1,832,814
OTHER ASSETS				
Loan receivable - CSA	0	0	23,264	23,264
Due from Mid-Tennessee NG	0	247,482	0	247,482
TOTAL OTHER ASSETS	0	247,482	23,264	270,746
TOTAL ASSETS	16,255,563	8,490,366	54,420,091	79,166,020
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	96,172	30,186	0	126,358
	$ 16,351,735	$ 8,520,552	$ 54,420,091	$ 79,292,378

See the accompanying notes to the financial statements.

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued interest payable	$ 5,521	$ 0	$ 0	$ 5,521
Customer deposits	102,674	30,050	0	132,724
Current portion of bonds payable	408,497	0	0	408,497
	516,692	30,050	0	546,742
TOTAL LIABILITIES	5,746,765	539,238	12,279,560	18,565,563
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	0	55,846	0	55,846
Over recovered ACA - future portion	0	74,001	0	74,001
Deferred inflows related to pension	54,140	30,094	0	84,234
Gas rebates	0	25,940	0	25,940
TOTAL DEFERRED INFLOWS OF RESOURCES	54,140	185,881	0	240,021
NET POSITION				
Net investment in capital assets	8,336,395	3,187,998	35,989,511	47,513,904
Restricted	1,663,470	36,620	0	1,700,090
Unrestricted	550,965	4,570,815	6,151,020	11,272,800
	10,550,830	7,795,433	42,140,531	60,486,794
	$ 16,351,735	$ 8,520,552	$ 54,420,091	$ 79,292,378

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
OPERATING REVENUE				
Metered sales	$ 2,347,600	$ 2,213,201	$ 31,813,261	$36,374,062
Sewer service charges	1,207,913	0	0	1,207,913
Tap fees	90,213	65,948	0	156,161
Forfeited discounts and penalties	56,569	28,552	195,167	280,288
Rental income	0	0	539,876	539,876
Local transportation	0	263,300	0	263,300
Unbilled electric sales	0	0	(46,088)	(46,088)
Miscellaneous service revenue	0	0	66,250	66,250
Other operating revenue	5,572	3,291	60	8,923
	3,707,867	2,574,292	32,568,526	38,850,685
PURCHASED POWER	0	0	23,772,221	23,772,221
OPERATING EXPENSES				
Natural gas purchases	0	1,044,815	0	1,044,815
Salaries	1,102,054	328,887	0	1,430,941
Payroll taxes	79,638	24,262	0	103,900
Unemployment insurance	3,060	1,851	0	4,911
Health insurance	233,846	89,989	0	323,835
Training	12,993	6,287	0	19,280
Other employee benefits	7,340	2,283	0	9,623
Postage and box rent	13,170	9,511	0	22,681
Publicity and subscriptions	757	589	0	1,346
Publication of legal notices	1,008	3,372	0	4,380
Membership and registration fees	5,118	16,823	0	21,941
Utility services	403,227	3,322	0	406,549
Telephone	23,557	9,691	0	33,248
Professional services	129,722	62,903	0	192,625
Motor repair and maintenance	24,358	11,803	0	36,161
Equipment repair and maintenance	41,964	10,722	0	52,686

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
(continued)

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
Operating expenses (continued):				
Building repair and maintenance	1,127	404	0	1,531
Travel	2,784	2,364	0	5,148
Plant landfill expense	74,919	169	0	75,088
Office supplies	10,800	5,457	0	16,257
Small equipment	1,234	163	0	1,397
Operating supplies	148,667	58,380	0	207,047
Chemical and laboratory	163,208	0	0	163,208
Clothing and uniforms	6,065	3,116	0	9,181
Gas and oil	18,760	15,251	0	34,011
Safety supplies	2,607	1,358	0	3,965
Meters	3,911	7,988	0	11,899
Liability insurance	26,559	12,640	0	39,199
Building insurance	37,787	18,893	0	56,680
Workers' compensation insurance	40,333	20,167	0	60,500
City services rendered	134,000	66,000	0	200,000
Rent expense	0	30,000	0	30,000
Miscellaneous expense accounts	14,329	9,093	0	23,422
Distribution expense	0	0	1,223,954	1,223,954
Customer accounts expense	0	0	690,158	690,158
Sales expense	0	0	38,208	38,208
Administrative and general expense	0	0	2,185,979	2,185,979
TOTAL OPERATING EXPENSES	2,768,902	1,878,553	4,138,299	8,785,754

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
MAINTENANCE EXPENSES				
Distribution expense	0	0	1,096,426	1,096,426
Administrative and general expense	0	0	5,821	5,821
TOTAL MAINTENANCE EXPENSES	0	0	1,102,247	1,102,247
OTHER OPERATING EXPENSES				
Depreciation expense	639,554	156,454	1,325,398	2,121,406
Taxes and tax equivalents	0	0	499,017	499,017
TOTAL OTHER OPERATING EXPENSES	639,554	156,454	1,824,415	2,620,423
TOTAL PURCHASED POWER, MAINTENANCE EXPENSES AND OPERATING EXPENSES	3,408,456	2,035,007	30,837,182	36,280,645
INCOME FROM OPERATIONS	299,411	539,285	1,731,344	2,570,040
NONOPERATING REVENUE(EXPENSE)				
Interest income	3,138	15	939	4,092
Interest expense	(136,749)	0	(64,479)	(201,228)
Bond issuance cost	0	0	(86,210)	(86,210)
Gain on disposal of assets	2,400	2,300	0	4,700
Rent income	30,000	0	0	30,000
Miscellaneous expenses	0	0	(12,625)	(12,625)
Miscellaneous income	0	0	3,406	3,406
Pension income	890	296	0	1,186

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
TOTAL NONOPERATING (EXPENSE)REVENUE	(100,321)	2,611	(158,969)	(256,679)
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	199,090	541,896	1,572,375	2,313,361
Transfers	0	0	(723,572)	(723,572)
INCOME BEFORE CAPITAL CONTRIBUTIONS	199,090	541,896	848,803	1,589,789
Capital contributions	7,743	771	0	8,514
CHANGE IN NET POSITION	206,833	542,667	848,803	1,598,303
NET POSITION AT THE BEGINNING OF THE YEAR	10,343,997	7,252,766	41,291,728	58,888,491
NET POSITION AT THE END OF THE YEAR	$10,550,830	$ 7,795,433	$ 42,140,531	$60,486,794

See the accompanying notes to the financial statements.

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Receipts from customers	$ 3,747,426	$ 2,610,120	$32,689,205	$39,046,751
Payments for purchased power	0	0	(23,581,728)	(23,581,728)
Payments to suppliers	(1,614,242)	(1,692,354)	(2,126,530)	(5,433,126)
Payments to employees	(1,093,580)	(326,525)	(3,208,947)	(4,629,052)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,039,604	591,241	3,772,000	5,402,845
CASH PROVIDED(USED) BY NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Transfers to other funds	0	0	(723,572)	(723,572)
CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(542,894)	(206,900)	(4,813,279)	(5,563,073)
Salvage value of retirements	0	0	39,746	39,746
Payment of long-term debt	(667,467)	0	(954,000)	(1,621,467)
Proceeds from issuance of long-term debt	0	0	4,100,000	4,100,000
Bond issuance cost	0	0	(86,210)	(86,210)
Increase in bond premium	0	0	54,722	54,722
Proceeds from sale of assets	3,600	3,600	0	7,200
Capital contributions	7,743	771	0	8,514
Interest paid on debt	(142,772)	0	(64,479)	(207,251)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,341,790)	(202,529)	(1,723,500)	(3,267,819)

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
CASH PROVIDED(USED) BY INVESTING ACTIVITIES				
Interest income	3,138	15	939	4,092
Administrative fees and rental income	30,000	0	0	30,000
Miscellaneous (deduction)	0	0	(9,219)	(9,219)
Pension income	890	296	0	1,186
Decrease in amount owed to water and sewer department	0	4,866	0	4,866
NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES	34,028	5,177	(8,280)	30,925
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	(268,158)	393,889	1,316,648	1,442,379
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,441,313	3,981,211	8,137,055	14,559,579
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,173,155	$ 4,375,100	$ 9,453,703	$16,001,958

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

(continued)

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES				
Income from operations	$ 299,411	$ 539,285	$ 1,731,344	$ 2,570,040
Adjustments to reconcile income from operations to net cash provided by operating activities:				
Depreciation	639,554	156,454	1,325,398	2,121,406
Depreciation (charged to transportation)	0	0	100,367	100,367
(Increase)decrease in:				
Net accounts receivable	39,559	35,828	91,876	167,263
Rents receivable	0	0	75	75
Materials and supplies	25,758	38,119	0	63,877
Inventory	0	0	13,946	13,946
Prepaid expenses	656	349	(25,525)	(24,520)
Net pension asset	19,612	9,595	0	29,207
Deferred outflows of resources	(51,212)	(18,258)	0	(69,470)
Other assets	0	0	(3,346)	(3,346)
Increase(decrease) in:				
Accounts payable	72,655	39,400	338,877	450,932
Customer deposits	7,934	4,150	28,728	40,812

CITY OF ROCKWOOD, TENNESSEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(continued)

Year Ended June 30, 2016

	Water and Wastewater Fund	Natural Gas Fund	Electric Utility Fund	Totals
Increase(decrease) in:				
Accrued salaries	0	0	28,062	28,062
Accrued vacation and sick pay	0	0	12,878	12,878
Over recovered ACA	0	1,430	0	1,430
Deferred inflows of resources	(18,140)	(227,242)	0	(245,382)
Other accruals	3,817	12,131	129,320	145,268
	740,193	51,956	2,040,656	2,832,805
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,039,604	$ 591,241	$ 3,772,000	$ 5,402,845

See the accompanying notes to the financial statements.

NOTE A - DESCRIPTION OF ORGANIZATION

City of Rockwood, Tennessee (the City) was incorporated in 1903 under the provisions of the State of Tennessee. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water, sewer, gas, electric and general administrative services.

Rockwood Water, Wastewater and Natural Gas Systems (the System) was established in 1937 under Chapter 509 of the Private Acts of Tennessee 1937 and is an enterprise fund of City of Rockwood, Tennessee. The System provides water, wastewater and natural gas services to residents of Rockwood, Tennessee and the surrounding area. The System is managed by a five-member board, all of whom are appointed by the city council. All powers, duties and responsibilities of the System were assumed by the five-member Board of Waterworks, Sewage and Natural Gas as a result of an August 31, 1991 council resolution.

Rockwood Electric Utility, Rockwood, Tennessee (the Utility) enterprise fund is a municipal system created under a State of Tennessee statute - Tennessee Public Acts of 1935. It is an enterprise fund of City of Rockwood, Tennessee, which is the primary government. The Utility is engaged in the distribution of electrical energy in the area, which it serves. The Utility is managed by a five-member Power Board. The City appoints the five members of the Power Board. The Power Board consists of three residents of the City of Rockwood, Tennessee, one resident of the City of Kingston, Tennessee, and one resident of an unincorporated area served by the Power Board. The members are appointed for four-year terms, with a maximum of two consecutive terms.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City, for financial reporting purposes, includes all funds relevant to the operations of City of Rockwood, Tennessee. The financial statements presented herein do not include agencies that have been formed under applicable state laws, or separate and distinct units of government apart from the City. As of June 30, 2016 and for the year then ended, the City had no discretely presented component units which were required to be included in these financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 30 days of the end of the current fiscal period. Property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the payment is due.

All trade receivables are shown net of an allowance for uncollectible accounts. Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. In Tennessee, this date is January 1st, and is referred to as the lien date. Revenue from property taxes, however, is recognized in the period for which the taxes are levied, which for the City is October 1st of the ensuing fiscal year. Since the receivable for property taxes is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated amount for uncollectible taxes, is reported as deferred revenue in the fund financial statements and unearned revenue in the government-wide financial statements as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied and uncollected during the current fiscal year as well as the previous eight fiscal years. These property taxes receivable are presented on the general fund balance sheet with offsetting deferred revenue to reflect the amounts not available as of June 30. Property taxes collected within 60 days of year-end are considered available and are accrued as revenue. Property taxes collected later than 60 days after year-end are not considered available and are accrued and reported as deferred revenue. An allowance for uncollectible taxes is also recorded representing the estimated amount of delinquent taxes receivable that will be filed with the Roane County Clerk and Master for collection.

The City reports the following major governmental funds:

> The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
>
> The *state street aid fund* is used to account for the City's share of motor fuel tax revenue that is legally restricted to the maintenance of streets within the City's boundaries.
>
> The *drug fund* is used to account for costs associated with drug investigation and control.
>
> The *airport fund* is used to account for costs associated with the Tennessee Department of Transportation airport improvement projects.

The City reports the following major proprietary funds:

> The *water and wastewater fund* accounts for the activities of the water and wastewater departments, which operate and maintain a water distribution and a wastewater collection system for residents and businesses on a user charge basis.

> The *natural gas fund* accounts for the activities of the natural gas department, which operates and maintains a natural gas distribution system for residents and businesses on a user charge basis.
>
> The *electric utility fund* accounts for the activities of the electric utility department, which operates and maintains an electric utility distribution system for residents and businesses on a user charge basis.
>
> All activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The City had no internal service funds or fiduciary funds as of or for the year ended June 30, 2016.

Proprietary fund financial statements include a statement of net position, a statement of revenue, expenses and changes in net position and a statement of cash flows for each major proprietary fund and nonmajor funds aggregated. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non-current) are included in the statement of net position. The statement of revenue, expenses and changes in net position presents increases (revenue) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expenses are recognized in the period in which the liability is incurred.

Enterprise funds are used for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds is charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting reporting purposes into the following three net position groups:

Net investment in capital assets

This category includes capital assets, including restricted capital assets, net of accumulated depreciation and outstanding principal balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Net investment in capital assets at June 30, 2016 has been calculated as follows:

Governmental Activities:	
Capital assets	$ 37,645,597
Accumulated depreciation	(12,302,601)
Principal balance on long-term debt	(2,005,809)
	$ 23,337,186
Business-Type Activities:	
Water, wastewater and natural gas funds:	
Capital assets	$ 33,780,290
Accumulated depreciation	(16,914,236)
Principal balance on long-term debt	(5,336,140)
Accrued interest	(5,521)
	$ 11,524,393
Electric utility fund:	
Capital assets	$ 56,141,281
Accumulated depreciation	(15,225,748)
Principal balance on long-term debt	(4,926,022)
	$ 35,989,511

Restricted

This category includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the City pursuant to those stipulations or that expire by the passage of time. Net position of the state street aid fund is classified as restricted net position because its use is limited to street lighting, repairs or improvements. Net position of the drug fund is classified as restricted net position because its use is limited to drug investigation and control. Net position of the airport fund is classified as restricted net position because its use is limited to airport improvement projects. Governmental funds also report restricted net position for pension. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The proprietary funds, water, wastewater and natural gas fund, net position includes $1,700,090 of restricted net position. This amount includes $872,714 restricted for debt service, $720,859 to be used for water and wastewater construction, $104,968 for pensions, $1,466 for customer deposits and $83 for Roane County wastewater.

Unrestricted

This category includes net position that is not subject to externally imposed stipulations and that does not meet the definition of "restricted" or "net investment in capital assets". Unrestricted net position may be designated for specific purposes by action of the Mayor and City Council or may otherwise be limited by contractual agreements with outside parties.

Fund Balances

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* establishes standards for fund balance classifications for state and local governments and requires that resources be classified for accounting reporting purposes into the following fund balances:

Nonspendable Fund Balances

Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses or inventory.

Restricted Fund Balances

Fund balances reported as restricted in the accompanying financial statements represent amounts restricted to specific purposes by externally imposed restrictions or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balances

Fund balances reported as committed in the accompanying financial statements represent amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The Mayor and City Council commit resources for specific purposes by passing ordinances.

Assigned Fund Balances

Fund balances reported as assigned in the accompanying financial statements represent amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The intent is expressed by the Mayor and City Council.

Unassigned Fund Balance

In accordance with generally accepted accounting principles, the general fund is the only fund of the City that reports amounts for unassigned fund balance. This classification represents fund balance that is not nonspendable and has not been committed to specific purposes within the general fund.

The City would typically use restricted resources first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Inventories

The Utility's inventories of materials and supplies are maintained by a perpetual inventory record system and are stated on the basis of average cost. Materials and supplies for all other funds are valued at the lower of cost (determined on a first-in, first-out basis) or market.

Budgets and Budgetary Accounting

Formal budgetary integration is employed by the City, System and Utility as a management control device during the year. The budgets are adopted on a basis consistent with generally accepted accounting principles.

Capital Assets

City of Rockwood, Tennessee

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns on the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at estimated fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years.

Rockwood Water, Wastewater and Natural Gas Systems

The System plant is stated at historical cost for items constructed or acquired by purchase and at estimated fair market value on the date received for contributed capital.

Depreciation of all exhaustible utility plant assets, including those acquired through intergovernmental grants externally restricted to capital acquisitions, is charged as an expense against operations. Accumulated depreciation is reported on the statement of net position. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Structures and improvements	40-50 years
Equipment	5-20 years
Transmission, distribution and collection plans	15-40 years

Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and betterments $1,000 and greater are capitalized while expenditures for maintenance and repairs that do not add value to the asset or materially extend asset lives are charged to operations as incurred.

Rockwood Electric Utility

The additions, renewals and betterments to the utility plant in service are capitalized at cost. Cost includes labor, materials, other direct costs and an allocation of some indirect costs. The original costs of retirements plus the cost of removal, less salvage, are charged to the depreciation reserve. Depreciation has been provided using the straight-line method. Estimated rates for depreciation as provided by TVA are primarily two to four percent for the distribution plant and two to ten percent for the general plant. General plant items costing $1,000 or more and an expected life of 5 years or more are capitalized. Any interest cost incurred in the construction of fixed assets is capitalized. Interest capitalized in 2016 was $0.

Estimated useful lives are as follows:

Distribution plant	25-50 years
General plant	10-50 years

Retirement Plan

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

Pension Plan

The Utility has a pension plan covering substantially all of their employees. The plan is funded by contributions from both the Utility and its employees (see Note E).

Transfers Out

The Utility reflects their portion of property tax paid to the City as "Transfers Out" in the statement of revenue, expenses and changes in net position - proprietary funds.

Prepaid Expenses

The System's prepaid expenses include payments made to vendors that will benefit periods beyond the end of the current fiscal year.

Compensated Absences

City of Rockwood, Tennessee

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation leave, which will be paid to employees upon separation from the City's service. The cost of vacation leave not used during the fiscal year is considered a liability at year-end. The total cost of accumulated compensated absences as of June 30, 2016 was $80,306 for the City. Upon termination, the City has no obligation to pay employees for unused sick leave.

Rockwood Water, Wastewater and Natural Gas System

The System recognizes the cost of vacation and sick pay as it is earned. Accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. Full-time employees are entitled to receive payment for any unused vacation leave upon retirement or termination of employment. Full-time employees, upon retirement, are entitled to receive payment for up to a maximum of 960 hours of accumulated sick pay. Employees separating from the System prior to retirement will receive no compensation for unused accumulated sick leave.

Rockwood Electric Utility

The Utility's policy of accounting for compensated absences conforms to the Statement on Financial Accounting Standards No. 40, whereby a liability is accrued for the amounts employees are entitled to receive for future absences. Utility employees are granted vacation and sick leave as follows:

Vacation days are earned at the rate of one day per month, with a maximum of ten days per year for employees with less than five years of service. Vacation days may be taken when earned. Vacation time is accrued at the following schedule for all years of continuous service:

Years of Service	Time earned
1 - 5 years	10 days
5 - 10 years	15 days
10 - 15 years	20 days
25 years +	25 days

No more than 280 hours can be carried over from one calendar year to the next. Upon termination, retirement or death, an employee (or his/her surviving spouse) receives compensation for earned but unused vacation days.

Sick leave is earned at the rate of one and one-quarter days per month with a maximum of fifteen days per year. There is no maximum limit of the accumulation of sick leave days. Employees separating from the Utility prior to retirement will receive no compensation for unused accumulated sick leave.

In case of death, payment of any accumulated unused sick leave shall be made to the deceased employee’s beneficiary. Each employee, when retiring at retirement age from the services of the Utility, will be compensated for unused sick leave up to a maximum of 155 days or 1,240 hours.

Emergency leave up to a maximum of three days will be granted to an employee in the event of the death of a member of the immediate family or the birth of an employee’s child.

Accrued vacation as of June 30, 2016 totaled $316,953. Accrued vested sick leave as of June 30, 2016 totaled $352,043.

The Utility does not accrue nonvested sick leave benefits when earned by employees. The benefits are recorded as an expense at the time of an employee’s retirement eligibility. The employees of the Utility not eligible for retirement had accumulated sick leave pay in the approximate amount of $825,121 at June 30, 2016. This amount has not been accrued in the financial statements as the employees were not eligible for retirement and thus, were not vested in the benefits.

Use of Estimates

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

Property Taxes

Property taxes are levied on October 1 and are due and payable at that time. Taxes become delinquent and begin accumulating interest and penalties the following March 1 and attach as an enforceable lien on the property after one year of delinquency.

Miscellaneous Income/Deduction Account

The Utility normally uses this account to record civic donations and unreimbursed expenses related to community support projects.

Taxes

The System's municipal utilities are exempt from federal and state income taxes.

Capitalization of Interest

Interest expense in excess of interest earnings on unexpended construction funds from related debt issues is capitalized when considered material. The amount of capitalized interest for the year ended June 30, 2016 was $0.

Long-Term Liabilities

The System's bonds and notes payable are reported net of any applicable bond premiums and discounts. Bond premiums and discounts are deferred and amortized over the life of the bond and notes using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

Allowance for Uncollectible Accounts

Charges to customers for services provided by the water and wastewater fund are billed and collected by the natural gas fund. Periodically, the natural gas fund pays the water and wastewater fund for its respective share of customer billings. Uncollectible accounts are charged to the respective fund. The allowances for uncollectible accounts for the year ended for June 30, 2016 are as follows:

Governmental funds	$ 20,000
Water and wastewater fund	21,000
Natural gas fund	20,801
Electric utility fund	70,000
	$ 131,801

Interdepartmental Receivable and Payables

These accounts reflect the outstanding balance of monies loaned from one utility system department to another.

Working Capital

The working capital of the Utility enterprise fund for the year ended June 30, 2016 was $6,880,324.

Deferred Gas Costs and Over Recovered ACA

At June 30, 2015 the System implemented deferred gas cost accounting whereby actual costs incurred for natural gas and costs recovered through the application of the Purchased Gas Adjustment are reflected as a net deferred charge or credit on the balance sheet. The System is calculating deferred gas costs in a manner that is similar to the Purchased Gas Adjustment Rules allowed for regulated entities. Annually, the System measures the over or under recovered actual cost adjustment and adjusts the billing rates to either recover or to credit back the difference between the gas cost recovery and the actual gas costs.

NOTE C - CASH AND INVESTMENTS

Investments that have maturities of three months or less at the date of purchase are classified as cash equivalents. Cash represents money on deposit in various banks. Cash and investments are stated at cost, which approximates market value. Carrying amounts of the governmental funds at June 30, 2016 were as follows:

Bank deposits	
(checking and savings accounts)	$ 787,172
Certificates of deposit	6,140
	$ 793,312

All cash balances at June 30, 2016 for the City were entirely insured and collateralized.

Carrying amounts of the System's deposits at June 30, 2016 were as follows:

Bank deposits	
(checking and savings accounts)	$ 6,548,255
Unrestricted	$ 4,820,492
Restricted cash	1,006,904
Restricted cash equivalents	720,859
	$ 6,548,255

The bank balance was $5,813,104. The System was covered by $250,000 of federal depository insurance at June 30, 2016. Additionally, the System was covered by the financial institution's participation in the State of Tennessee Bank Collateral Pool for the bank balances. In addition to bank balances, the System had cash equivalents comprised of cash and one-month U.S. Treasuries of $720,859 in a brokerage account at June 30, 2016. This account is a category 3. The bank balance is a category 1 as of June 30, 2016. The three categories of collateralization are as follows:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uncollateralized.

Carrying amounts of the Utility's deposits at June 30, 2016 were as follows:

Cash on hand	$ 3,600
Bank deposits (checking and savings accounts)	9,450,103
	$ 9,453,703

The bank balance was $9,368,824. At June 30, 2016, the Utility had $3,600 in petty cash, which is included in total cash and cash equivalents of $9,453,703.

State of Tennessee law authorizes the City, the System, and the Utility to invest in obligations of the United States of America or its agencies, nonconvertible debt securities of certain federal agencies, other obligations guaranteed as to principal and interest by the United States of America or any of its agencies, secured certificates of deposit and other evidences of deposit in state and federal banks and savings and loan associations, and the Tennessee Department of Treasury Local Government Investment Pool (LGIP). The LGIP contains investments in certificates of deposit, U.S. Treasury securities and repurchase agreements, backed by the U.S. Treasury securities. The Treasurer of the State of Tennessee administers the investment pool.

The Utility is authorized by its board to invest Utility funds in the institution that bids and pays the highest rate of interest.

All deposits with financial institutions in excess of Federal Deposit Insurance Corporation (FDIC) limits are required to be secured by one of two methods. Excess funds can be deposited with a financial institution that participates in the State of Tennessee Bank Collateral Pool. For deposits with financial institutions that do not participate in the State of Tennessee Bank Collateral Pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits.

All cash balances at June 30, 2016 for the Utility were entirely insured or collateralized.

NOTE D - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance 7/1/15	Additions	Retirements	Balance 6/30/16
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 2,633,148	$ 1,000	$ 0	$ 2,634,148
Construction in process	0	125,719	0	125,719
	2,633,148	126,719	0	2,759,867
Capital assets being depreciated				
Buildings	3,033,107	14,800	0	3,047,907
Improvements	5,500,686	0	0	5,500,686
Machinery and equipment	3,605,253	5,000	0	3,610,253
Infrastructure	22,726,884	0	0	22,726,884
	34,865,930	19,800	0	34,885,730
Accumulated depreciation				
Buildings	(2,747,026)	(70,805)	0	(2,817,831)
Improvements	(1,566,529)	(226,033)	0	(1,792,562)
Machinery and equipment	(2,480,478)	(233,131)	0	(2,713,609)
Infrastructure	(4,583,008)	(395,592)	0	(4,978,600)
	(11,377,040)	(925,561)	0	(12,302,601)
	$ 26,122,039	$ (779,042)	$ 0	$ 25,342,995

Depreciation expense is charged to the various governmental functions as follows:

General government	$ 38,053
Public safety	190,599
Public welfare	266,799
Streets and highways	415,423
Solid waste	14,687
	$ 925,561

	Balance 7/1/15	Additions	Retirements	Balance 6/30/16
Business-Type Activities:				
Water, Wastewater and Natural Gas funds				
Capital assets not being depreciated				
Land	$ 25,455	$ 0	$ 0	$ 25,455
Construction in progress	83,933	323,432	(68,126)	339,239
	109,388	323,432	(68,126)	364,694
Capital assets being depreciated				
Distribution and collection	14,512,597	76,554	0	14,589,151
Utility plant and improvements	16,472,522	173,929	0	16,646,451
Transportation equipment	436,733	50,197	(25,388)	461,541
Machinery and equipment	1,324,721	48,377	0	1,373,098
Software	0	142,838	0	142,838
Furniture and fixtures	199,924	2,592	0	202,516
	32,946,497	494,487	(25,388)	33,415,596
Accumulated depreciation				
Distribution and collection	(6,907,234)	(253,025)	0	(7,160,259)
Utility plant and improvements	(7,844,588)	(436,757)	0	(8,281,345)
Transportation equipment	(333,100)	(30,928)	22,888	(341,140)
Machinery and equipment	(861,447)	(72,048)	0	(933,495)
Software	0	(1,617)	0	(1,617)
Furniture and fixtures	(194,748)	(1,632)	0	(196,380)
	(16,141,117)	(796,007)	22,888	(16,914,236)
	$ 16,914,768	$ 21,912	$ (70,626)	$ 16,866,054

Depreciation expense charged to income for the year ended June 30, 2016 totaled $639,554 for the water and wastewater department and $156,454 for the natural gas department.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

June 30, 2016

	Balance 7/1/15	Additions	Retirements	Balance 6/30/16
Electric Utility Fund				
Capital assets not being depreciated				
Land	$ 648,256	$ 0	$ 0	$ 648,256
Work in progress	927,051	2,567,104	0	3,494,155
	1,575,307	2,567,104	0	4,142,411
Capital assets being depreciated				
Electric plant	50,735,993	1,949,632	(686,755)	51,998,870
Accumulated depreciation				
Electric plant	(14,743,536)	(1,325,398)	843,186	(15,225,748)
	$ 37,567,764	$ 3,191,338	$ 156,431	$ 40,915,533

NOTE E - PENSION PLAN

City of Rockwood, Tennessee and Rockwood Water, Wastewater and Natural Gas Systems

Plan Description

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

Benefits Provided

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. A COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3% and applied to the current benefit. No COLA is granted if the change in the CPI is less than .5%. A 1% COLA is granted if the CPI change is between .5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	69
Active employees	78
	199

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, the Actuarially Determined Contribution (ADC) for the City was $148,393 based on a rate of 4.65% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability(Asset)

The City's net pension liability(asset) was measured as of June 30, 2015, and the total pension liability(asset) used to calculate net pension liability(asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the 3 factors described above.

Discount Rate

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

Changes in Net Pension Liability(Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a)-(b)
Changes for the year ended June 30, 2015:			
Increase(decrease):			
Service cost	$ 264,261	$ 0	$ 264,261
Interest	627,848	0	627,848
Differences between expected and actual experience	131,766	0	131,766
Contributions-employer	0	144,375	(144,375)
Contributions-employees	0	155,913	(155,913)
Net investment income	0	281,464	(281,464)
Benefit payments, including refunds of employee contributions	(331,077)	(331,077)	0
Administrative expense	0	(4,294)	4,294
Net changes for the year ended June 30, 2015	692,798	246,381	446,417
Balance at June 30, 2014	8,272,578	9,156,307	(883,729)
Balance at June 30, 2015	$ 8,965,376	$ 9,402,688	$ (437,312)

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

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

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net pension liability(asset)	$ 730,856	$ (437, 312)	$ (1,411,123)

Negative Pension Expense

For the year ended June 30, 2016, the City recognized negative pension expense of $8,135 in the government-wide statement of activities.

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 109,805	$ 125,552
Net difference between projected and actual earnings on pension plan investments	323,154	422,571
Contributions subsequent to the measurement date of June 30, 2015	148,393	not applicable
Totals	$ 581,352	$ 548,123

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ending June 30,	
2017	$ (63,218)
2018	(63,218)
2019	(63,218)
2020	77,639
2021	(3,150)
Thereafter	0

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

Payable to Pension Plan

At June 30, 2016 the City reported a payable of $9,647 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2016.

Rockwood Electric Utility

The Utility maintains a contributory defined contribution plan for employees. All employees who have attained age 21 and have six months of service are eligible to participate and, based on a vesting scale, are fully vested after five years of participation. The Utility's policy during the year ended June 30, 2016 was to fund pension costs on a bi-weekly basis, based upon set base wages. The total pension expense was $331,918 for the year ended June 30, 2016. Net assets of the pension plan available for benefits are approximately $10,643,177 for the year ended June 30, 2016.

Total covered payroll for the year ended June 30, 2016 was $2,678,337, of which $1,460,839 is at ten percent (10%), or $146,084 and $1,217,498 is at fifteen percent (15%), or $182,625 for a total of $328,709 contributed by the Utility to the pension plan. The employees contributed five percent (5%) or $133,917 to the pension plan. There were 40 employees covered by the plan for the year ended June 30, 2016. Administrative costs for the year ended June 30, 2016 were $48,379.

In July 1982, the pension plan was revised. The individual policies of all participants were surrendered to Aetna Life and Casualty (Aetna) for cash surrender value. The Multiple Assets Portfolio (MAP) with Aetna was converted to cash. All proceeds were invested as directed by the pension plan trustees. As a part of the revised benefits, group term life insurance was provided to plan participants. After deducting sufficient funds to provide for the group term life insurance, the balance of the funds was divided into a cash accumulation account and a variable fund consisting of treasury notes and common stock.

NOTE F - POST RETIREMENT BENEFITS OTHER THAN PENSIONS

On July 1, 2008, the Utility adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Utility maintains a plan that provides certain health care benefits for eligible retirees and dependent spouses that have met the plan's age requirements. The plan is a fully insured medical, cancer, dental and life insurance plan. Eligibility for the plan depends on the date of hire. Surviving spouse benefits depend on whether or not the spouse was eligible for the senior health plan coverage. The Utility's liability for these unfunded benefits was revalued as of July 2013.

In August 2008, the Utility adopted the provisions of Governmental Accounting Standards Board Statement No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pensions.*

The Utility administers one defined benefit postemployment healthcare plan known as the Rockwood Electric Utility Postemployment Benefits Trust (the Trust). The Trust was set up in August 2008 to exclusively fund other postemployment benefits (OPEB) accrued by the employees of the Utility.

The Trust has issued a separate audit report dated October 17, 2016.

GASB 45 Disclosure Requirements

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution (ARC)	$ 63,824
Interest on net OPEB obligation	0
Adjustment to ARC	0
Annual OPEB cost (expense)	63,824
Contribution made	(63,824)
Increase in net OPEB obligation	0
Net OPEB obligation - beginning of the year	0
Net OPEB obligation - end of the year	$ 0

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years 2016 and 2015 were as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/16	$ 63,824	100.00%	$ 0
6/30/15	273,094	100.00%	0

Funded Status and Funding Progress

Actuarial valuation date	7/1/15	7/1/13	7/1/11
Actuarial value of assets	$ 2,710,948	$ 1,812,505	$ 1,157,738
Actuarial accrued liability (AAL)	2,721,763	4,510,128	3,151,292
Unfunded AAL (UAAL)	10,815	2,697,623	1,993,554
Funded ratio	99.60%	40.20%	36.70%
Covered payroll	2,594,087	2,351,253	2,226,626
UAAL as a percentage of covered payroll	0.40%	114.70%	89.50%

Methods and Assumptions

Funding interest rate	7.00%
2011 medical trend rate	9% / 5% / 5%
Ultimate trend rate	5.00%
Year ultimate trend rate reached	2019/2015/2015
Actuarial cost method	Entry Age Normal
Annual payroll growth rate	2.50%
Remaining amortization period at June 30, 2016	0

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the short-term volatility in actuarial accrued liabilities and the actuarial value of the assets, consistent with the long-term perspective of the calculations.

NOTE G - LONG-TERM DEBT

Long-term debt at June 30, 2016 consisted of the following:

Governmental Activities:	
TML Loan Program, BNY Mellon, Trustee, varying annual installments, variable interest rate (0.15% at June 30, 2016)	$ 492,535
Wal-Mart RW Certified Properties Bond, BNY Mellon, Trustee for TN Municipal Bond Fund (1997), variable interest rate (0.15% at June 30, 2016), principal installments due annually in varying amounts	516,000
Municipal Complex Bonds of 1979, Berkadia Commercial Mortgage, interest rate of 5.00% payable semi-annually, principal installments due annually in varying amounts	85,000
TML Loan Program, Regions Bank, Trustee, interest rate of 4.01%, principal installments due annually in varying amounts	387,000
Ford Motor Credit Company, lease-purchase agreement, 48 consecutive monthly payments of $7,214 (including interest), secured by 11 Dodge Chargers through 2018	158,376
Leasing 2, lease-purchase agreement, 10 annual payments of $49,016 (including interest), secured by a rescue pumper fire truck through 2024	338,945
Kubota Leasing, lease-purchase agreement, 4 annual payments of $19,720 (including interest), secured by two mowers through 2017	18,586
Kubota Leasing, lease-purchase agreement, 5 annual payments of $9,939 (including interest), secured by a tractor through 2017	9,367
	2,005,809
Less current maturities	(383,303)
	$ 1,622,506

Business-Type Activities:

Rockwood Water, Wastewater and Natural Gas Systems:

Water and Sewer Revenue and Tax Refunding Bonds, Series 2007, interest rate of 4.50%; payable in monthly installments of $2,481 through 2047	$ 495,410
General Obligation Bonds, Series 2012 payable in annual installments ranging from $110,000 to $350,000, plus interest ranging from 1% to 3% through 2031, including a bond premium of $23,409	2,838,409
State of Tennessee SRF loan payable in monthly installments of $7,724, including interest at 2.20% through 2023	581,137
General Obligation Bond, Series 2013A payable in monthly installments of $2,468, including interest at 2.75% through 2052	673,712
General Obligation Bond, Series 2013B payable in monthly installments of $2,487, including interest at 2.125% through 2052	747,472
	5,336,140
Less current maturities	(408,497)
	$ 4,927,643

Long-term debt of $5,336,140 at June 30, 2016 on the statement of net position includes bond premiums and discounts (net of accumulated amortization) of $23,409. This is for the Series 2012 Bonds.

During the year ended June 30, 2013, the Utility refunded Water and Wastewater Revenue Bonds, Series 2003 with the issuance of Water and Sewer General Obligation Bonds, Series 2012. The refunding was undertaken to reduce total debt service payments over the next eighteen years by $110,399 and to obtain an economic gain difference (difference between the present value of the debt service payments of the refunded and refunding bonds) of $21,956.

The Water and Sewer Rural Development Bond (original balance $541,500; balance is $495,410 at June 30, 2016) bears interest at 4.50% and is payable in monthly installments of $2,481 through 2047 and is secured by the Water and Sewer Revenue and Tax Bond Series 2007. This bond was used to pay off the interim financing for the Mountain View/Black Creek water line extension. The Rural Development Bond requires the Utility to deposit one tenth of one annual payment, $29,832, each year for ten years. The amount required to be deposited for the year ended June 30, 2016 was $21,379. This amount was included in a restricted deposit account with balances of $872,714 at June 30, 2016.

The Wastewater Department (original balance $1,498,604; balance is $581,137 at June 30, 2016) State Revolving Loan from the State of Tennessee (SRF 2000-139) bears interest 2.20% and is payable in monthly installments of $7,724 through 2023 and is secured by the revenue of the Utility and state shared revenue.

The Wastewater Department (original balance $700,000; balance is $0 at June 30, 2016) State Revolving Loan from the State of Tennessee (SRF 2004-178) bears interest at 1.98% and is payable in monthly installments of $3,487 through 2027 and is secured by the revenue of the Utility and state shared revenue. This debt was retired as of June 30, 2016.

The net revenue of the System and the taxing authority of the City and state shared revenue are pledged to secure long-term debt. Interest costs incurred for the year ended June 30, 2015 were $136,749.

Rockwood Electric Utility

The Power Board approved a $7,400,000 bond issue to upgrade the electric system, and as of June 30, 2005, the full amount of the bond had been drawn. During the year ended June 30, 2013, the Power Board approved to refinance the bond through US Bank. The interest rate on the bond is 2.45%.

The Power Board approved a $4,100,000 bond issue to construct a new office building, and as of June 30, 2016, the full amount of the bond had been drawn. The interest rate on the bond is 1.89%.

Electric Utility Revenue Bonds, Series 2013 principal installments due annually in varying amounts	$ 771,300
Electric Utility Revenue Bonds, Series 2015 Principal installments due annually in varying amounts	4,100,000
Net bond premium	54,722
	4,926,022
Less current maturities	(346,100)
	$ 4,579,922

Scheduled payments on long-term debt as of June 30, 2016 are due as follows:

Governmental Activities:

Year Ending June 30,	Principal	Interest	Totals
2017	$ 383,304	$ 43,695	$ 426,999
2018	367,195	30,548	397,743
2019	255,028	20,887	275,915
2020	265,576	15,087	280,663
2021	171,459	9,074	180,533
2022	179,535	7,090	186,625
2023	187,659	5,025	192,684
2024	127,053	2,885	129,938
2025	69,000	325	69,325
	$ 2,005,809	$ 134,616	$ 2,140,425

Business-Type Activities:

Rockwood Water, Wastewater and Natural Gas Systems:

Year Ending June 30,	Principal	Interest	Totals
2017	$ 408,497	$ 134,664	$ 543,161
2018	451,262	126,010	577,272
2019	459,087	116,479	575,566
2020	461,987	105,929	567,916
2021	474,962	95,308	570,270
2022	238,013	83,506	321,519
2023	219,262	78,118	297,380
2024	150,386	73,603	223,989
2025	151,595	69,864	221,459
2026	157,843	66,086	223,929
2027	159,134	61,920	221,054
2028	165,468	57,711	223,179
2029	166,845	53,033	219,878
2030	168,270	48,309	216,579
2031	174,742	43,237	217,979
2032	51,264	37,965	89,229
2033	52,837	36,392	89,229
2034	54,466	34,763	89,229
2035	56,148	33,081	89,229
2036	57,888	31,341	89,229
2037	59,689	29,540	89,229
2038	61,551	27,678	89,229
2039	63,478	25,751	89,229
2040	65,471	23,758	89,229
2041	67,534	21,695	89,229
2042	69,671	19,558	89,229
2043	71,881	17,348	89,229
2044	74,169	15,060	89,229
2045	76,537	12,692	89,229

Rockwood Water, Wastewater and Natural Gas Systems (continued):

Year Ending June 30,	Principal	Interest	Totals
2046	78,988	10,241	89,229
2047	76,061	7,704	83,765
2048	53,539	5,921	59,460
2049	54,856	4,604	59,460
2050	56,207	3,253	59,460
2051	57,591	1,869	59,460
2052	45,552	476	46,028
	$ 5,312,731	$ 1,614,464	$ 6,927,195

Rockwood Electric Utility Fund

Year Ending June 30,	Principal	Interest	Totals
2017	$ 346,100	$ 96,522	$ 442,622
2018	563,200	88,042	651,242
2019	262,000	75,143	337,143
2020	200,000	69,625	269,625
2021	500,000	65,625	565,625
2022-2026	2,500,000	200,625	2,700,625
2027	500,000	10,625	510,625
	$ 4,871,300	$ 606,207	$ 5,477,507

During the year ended June 30, 2016, the changes in long-term debt were as follows:

	Balance 7/1/15	Proceeds	Payments	Balance 6/30/16	Amounts Due Within One Year
Governmental Activities:					
TML Loan Program	$ 566,275	$ 0	$ (73,740)	$ 492,535	$ 58,864
Wal-Mart RW Certified Properties Bond	560,000	0	(44,000)	516,000	47,000
Municipal Complex Bonds	125,000	0	(40,000)	85,000	40,000
TML Loan Program	475,000	0	(88,000)	387,000	91,000
Ford Motor Credit Capital Lease	235,521	0	(77,145)	158,376	80,850
Leasing 2 Capital Lease	375,359	0	(36,414)	338,945	37,636
Kubota Leasing	36,104	0	(17,518)	18,586	18,586
Kubota Leasing	18,196	0	(8,829)	9,367	9,367
	$ 2,391,455	$ 0	$ (385,645)	$ 2,005,809	$ 383,303

NOTES TO THE FINANCIAL STATEMENTS
(continued)

June 30, 2016

Rockwood Water, Wastewater and Natural Gas Systems

	Balance 7/1/15	Proceeds	Payments	Balance 6/30/16	Amounts Due Within One Year
Bonds payable					
Water and sewer revenue and tax refunding bonds Series 2007	$ 502,940	$ 0	$ (7,530)	$ 495,410	$ 7,599
General obligation bond Series 2013A	684,578	0	(10,866)	673,712	11,230
General obligation bond Series 2013B	760,947	0	(13,475)	747,472	14,097
General obligation bond Series 2012	2,925,000	0	(110,000)	2,815,000	295,000
Total bonds payable	4,873,465	0	(141,871)	4,731,594	327,926
Notes payable					
Wastewater system:					
State revolving fund loan					
(SRF2000-139)	659,953	0	(78,816)	581,137	80,571
(SRF2004-178)	446,780	0	(446,780)	0	0
Total notes payable	1,106,733	0	(525,596)	581,137	80,571
Total bonds and notes payable	5,980,198	0	(667,467)	5,312,731	408,497
Series 2012 bond premium	29,295	0	(5,886)	23,409	0
Total bonds and notes payable net of bond premium	$ 6,009,493	$ 0	$ (673,353)	$ 5,336,140	$ 408,497

Electric Utility

	Balance 7/1/15	Proceeds	Payments	Balance 6/30/16	Amounts Due Within One Year
Electric Utility Revenue Bonds	$ 1,725,300	$ 4,100,000	$ (954,000)	$ 4,871,300	$ 346,100
Add net bond premium				54,722	
Total bonds and net bond premium				$ 4,926,022	

NOTE H - OTHER ASSETS - LOAN TO CSA

The Utility owns stock in Central Service Association (CSA) and has a loan receivable from CSA reflected on the statement of net position - proprietary funds. Interest earned on the loan for the year ended June 30, 2016 was $159.

NOTE I - INTERFUND RECEIVABLES AND PAYABLES

Amounts due from and due to other funds at June 30, 2016 are as follows:

	Due To		
Due From	General Fund	Natural Gas Fund	Totals
Water and wastewater fund	$ 0	$ 105,483	$ 105 483
Electric utility fund	62,971	0	62,971
	$ 62,971	$ 105,483	$ 189,847

The balance due to the natural gas fund from the water and wastewater fund was $105,483 at June 30, 2016. The balance of $105,483 at June 30, 2016 resulted from short-term advances for shared costs and was paid to the natural gas fund in July 2016. The balance due to the general fund from the electric utility fund was for in-lieu tax payments and is included in accounts payable in the statement of net position – proprietary funds.

The following interfund transfer was made during the year ended June 30, 2016:

Transfer From	Transfer To General Fund
Electric Utility Fund	$ 723,572

NOTE J - INTERFUND RENT

The natural gas fund pays the water and wastewater fund $2,500 per month for the usage of the Church Street facility. As of June 30, 2016, the total rent paid by the natural gas fund was $30,000.

NOTE K - CONTRACT WITH TENNESSEE VALLEY AUTHORITY

The Utility has a power contract with the Tennessee Valley Authority (TVA) whereby the Utility purchases all its electric power from TVA and is subject to certain restrictions and conditions as provided for in the power contract. Such restrictions include, but are not limited to, prohibitions against furnishing, advancing, lending, pledging, or otherwise diverting utility funds, revenue, credit, or property to other operations of the City, and the purchasing or paying of, or providing security for indebtedness or other obligations applicable to such other operations. In addition, the Utility will not make payments of more than its fair share of amounts equivalent to property taxes or make payments greater than standardized or market prices for property or services from other departments of the City.

NOTE L - LITIGATION

There are no claims pending against Rockwood Water, Wastewater and Natural Gas System as of June 30, 2016.

NOTE M - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Tennessee Municipal League Risk Management Pool (the Pool) and pay an annual premium to the Pool for its workers' compensation and general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Utility is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The Utility purchases commercial insurance for all of these risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Utility currently purchases all of its electricity from TVA. In the normal course of operations, credit is extended to both residential and commercial customers in the East Tennessee area. The Utility monitors accounts receivable on an on-going basis.

NOTE N - CAPITAL CONTRIBUTIONS AND GRANTS

The System received $8,514 for the year ended June 30, 2016 that is reflected as a capital contribution and grant.

NOTE O - PREPAID EXPENSES

At June 30, 2016 prepaid expenses of the System consisted of prepaid insurance and postage. The water and sewer fund had prepaid expenses of $8,461 and the natural gas fund had prepaid expenses of $4,221.

NOTE P – COMMITMENTS

As of June 30, 2016, the City had entered into contracts totaling $249,255 for replacement of a bridge. Total expenditures as of June 30, 2016 were $124,719. Funding for this project has been obtained through Tennessee Department of Transportation (TDOT) grants.

As of June 30, 2016, the City had entered a contract totaling $15,000 for administration, management and environmental review of the 2014 Rockwood HOME Program. Total expenditures as of June 30, 2016 were $1,500. Funding for this project has been obtained through U.S. Department of Housing and Urban Development (HUD) grants.

NOTE O – SUBSEQUENT EVENT

The System experienced a failure in one of the main interceptor sanitary sewer lines leading to the wastewater treatment plant in early January 2017. The line that failed was an original (approximately 1960) concrete line. Because of the failure, the System needed to rent and maintain two pumps to bypass flow around the failure, complete a survey and design of a solution and solicit bids for the construction of the repair project. The project is currently underway and anticipated to be completed by May 31, 2017. Financing of this project was obtained through a capital outlay note in the amount $1,500,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ROCKWOOD, TENNESSEE

CHANGES IN NET PENSION LIABILITY(ASSET)

June 30, 2016

	Measurement Date at June 30,	
Total pension liability(asset)	2015	2014
Service cost	$ 264,261	$ 242,269
Interest	627,848	600,446
Differences between actual and expected experience	131,766	(175,774)
Benefit payments, including refunds of employee contributions	(331,077)	(316,095)
Net change in total pension liability	692,798	350,846
Total pension liability - beginning	8,252,578	7,921,732
Total pension liability - ending (a)	8,965,376	8,272,578
Plan fiduciary net position		
Contributions - employer	144,375	206,116
Contributions - employee	155,913	146,390
Net investment income	281,464	1,292,808
Benefit payments, including refunds of employee contributions	(331,077)	(316,095)
Administrative expense	(4,294)	(3,347)
Net change in plan fiduciary net position	246,381	1,325,872
Plan fiduciary net position - beginning	9,156,307	7,830,435
Plan fiduciary net position - ending (b)	9,402,688	9,156,307
Net Pension Liability(Asset) - ending (a)-(b)	$ (437,312)	$ (883,729)
Plan fiduciary net position as a percentage of total net pension liability	104.88%	110.68%
Covered employee payroll	$ 3,118,242	$ 2,927,787
Net pension liability(asset) as a percentage of covered employee payroll	(14.02)%	(30.18)%

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

CITY OF ROCKWOOD, TENNESSEE

PENSION CONTRIBUTIONS

June 30, 2016

Public Employee Retirement Plan

	2016	2015	2014
Actuarially determined contributions	$ 148,393	$ 144,375	$ 206,116
Contributions in relation to the actuarially determined contributions	(148,393)	(144,375)	(206,116)
Contribution deficiency(excess)	$ 0	$ 0	$ 0
Covered employee payroll	$ 3,190,458	$ 3,118,242	$ 2,927,787
Contributions as a percentage of covered employee payroll	4.65%	4.63%	7.04%

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

Notes to Pension Contributions

Valuation date: Actuarially determined contribution rates for the year ended June 30, 2016 were calculated based on the July 1, 2013 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	1 year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment Rate of Return	7.5%, net of investment expense, including inflation
Mortality	Customized table based on actual experience including adjustment for some anticipated improvement
Cost of Living Adjustments	2.5%

OTHER SUPPLEMENTARY INFORMATION

CITY OF ROCKWOOD, TENNESSEE

UTILITY PLANT AND ACCUMULATED DEPRECIATION WATER AND WASTEWATER FUND

Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
UTILITY PLANT				
Capital assets, not being depreciated				
Land and land rights	$ 25,455	$ 0	$ 0	$ 25,455
Construction in process	54,557	228,551	(38,750)	244,358
	80,012	228,551	(38,750)	269,813
Capital assets being depreciated				
Distribution and collection	10,600,962	47,177	0	10,648,139
Utility plant	15,929,911	138,640	0	16,068,551
Transportation equipment	224,436	34,167	(12,694)	245,909
Machinery and equipment	574,093	35,291	0	609,384
Software	0	95,225	0	95,225
Furniture and fixtures	111,647	2,592	0	114,239
	27,441,049	353,092	(12,694)	27,781,447
TOTAL UTILITY PLANT	27,521,061	581,643	(51,444)	28,051,260
ACCUMULATED DEPRECIATION				
Distribution and collection	(5,521,691)	(171,444)	0	(5,693,135)
Utility plant	(7,589,937)	(415,514)	0	(8,005,451)
Transportation equipment	(165,857)	(15,871)	11,494	(170,234)
Machinery and equipment	(359,189)	(34,525)	0	(393,714)
Software	0	(1,078)	0	(1,078)
Furniture and fixtures	(108,471)	(1,121)	0	(109,592)
	(13,745,145)	(639,553)	11,494	(14,373,204)
NET UTILITY PLANT	$ 13,775,916	$ (57,910)	$ (39,950)	$ 13,678,056

CITY OF ROCKWOOD, TENNESSEE

UTILITY PLANT AND ACCUMULATED DEPRECIATION NATURAL GAS FUND

Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016
UTILITY PLANT				
Capital assets, not being depreciated				
Land and land rights	$ 29,376	$ 94,881	$ (29,376)	$ 94,881
Capital assets being depreciated				
Distribution and collection	3,911,635	29,377	0	3,941,012
Utility plant	542,611	35,289	0	577,900
Transportation equipment	212,297	16,030	(12,694)	215,633
Machinery and equipment	750,628	13,086	0	763,714
Software	0	47,613	0	47,613
Furniture and fixtures	88,277	0	0	88,277
	5,505,448	141,395	(12,694)	5,634,149
TOTAL UTILITY PLANT	5,534,824	236,276	(42,070)	5,729,030
ACCUMULATED DEPRECIATION				
Distribution and collection	(1,385,543)	(81,581)	0	(1,467,124)
Utility plant	(254,651)	(21,243)	0	(275,894)
Transportation equipment	(167,243)	(15,057)	11,394	(170,906)
Machinery and equipment	(502,258)	(37,523)	0	(539,781)
Software	0	(539)	0	(539)
Furniture and fixtures	(86,277)	(511)	0	(86,788)
	(2,395,972)	(156,454)	11,394	(2,541,032)
NET UTILITY PLANT	$ 3,138,852	$ 79,822	$ (30,676)	$ 3,187,998

CITY OF ROCKWOOD, TENNESSEE

ELECTRIC PLANT IN SERVICE
ELECTRIC UTILITY FUND

Year Ended June 30, 2016

	Account Number	Balance July 1, 2015
DISTRIBUTION		
Land and land rights	360	$ 87,036
Substation equipment	362	6,784,672
Poles, towers and fixtures	364	10,551,204
Overhead conductors and devices	365	9,285,864
Underground conductors and devices	367	4,161,255
Line transformers	368	8,012,794
Services	369	3,453,111
Meters	370	3,020,838
Installation on customers' premises	371	1,088,516
Street lighting and signal systems	373	734,633
GENERAL		
Land and land rights	389	561,220
Structures and improvements	390	1,131,567
Office furnitures and equipment	391	443,210
Transportation equipment	392	1,722,112
Stores equipment	393	73,883
Tools, shop and garage equipment	394	104,540
Communication equipment	397	167,794
		51,384,249
Construction in progress	107	927,051
		$ 52,311,300

Additions	Retirements	Balance June 30, 2016
$ 0	$ 0	$ 87,036
0	0	6,784,672
503,249	(109,852)	10,944,601
588,887	(95,553)	9,779,198
218,577	(10,376)	4,369,456
138,986	(119,588)	8,032,192
542	(14,625)	3,439,028
43,934	(100,349)	2,964,423
48,846	(40,255)	1,097,107
11,188	(12,152)	733,669
8,500	0	569,720
67,472	(4,721)	1,194,318
60,097	(597)	502,710
247,004	(173,184)	1,795,932
0	0	73,883
0	0	104,540
6,847	0	174,641
1,944,129	(681,252)	52,647,126
2,567,104	0	3,494,155
$ 4,511,233	$ (681,252)	$ 56,141,281

CITY OF ROCKWOOD, TENNESSEE

ACCUMULATED DEPRECIATION
ELECTRIC UTILITY FUND

Year Ended June 30, 2016

	Account Number	Balance July 1, 2015
DISTRIBUTION PLANT		
Station and storage battery equipment	362	$ 1,958,348
Poles, towers and fixtures	364	2,073,843
Overhead conductors and devices	365	1,852,745
Underground conductors and devices	367	604,893
Line transformers	368	2,656,222
Services	369	1,893,376
Meters	370	304,575
Installation on customers' premises	371	991,779
Street lighting and signal systems	373	609,897
		12,945,678
GENERAL PLANT		
Structures and improvements	390	493,095
Office furnitures and equipment	391	219,072
Transportation equipment	392	873,921
Stores equipment	393	18,465
Tools, shop and garage equipment	394	79,178
Communication equipment	397	114,127
		1,797,858
		$ 14,743,536
Charged to depreciation expense		
Charged to clearing accounts		
Total		
Original cost of units retired		
Cost of removal		
Net salvage		
Total removed from accumulated depreciation		

Additions	Retirements	Balance June 30, 2016
$ 237,464	$ 0	$ 2,195,812
266,424	(214,256)	2,126,011
187,971	(195,157)	1,845,559
85,129	(34,285)	655,737
161,508	(132,588)	2,685,142
103,431	(14,641)	1,982,166
88,868	(100,349)	293,094
65,446	(79,913)	977,312
58,724	(21,437)	647,184
1,254,965	(792,626)	13,408,017
23,747	(4,721)	512,121
22,349	(597)	240,824
100,367	(145,609)	828,679
1,847	0	20,312
5,227	0	84,405
17,263	0	131,390
170,800	(150,927)	1,817,731
$ 1,425,765	$ (943,553)	$ 15,225,748
$ 1,325,398		
100,367		
$ 1,425,765		
$ 681,255		
302,044		
(39,746)		
$ 943,553		

CITY OF ROCKWOOD, TENNESSEE

PROPERTY TAXES RECEIVABLE

June 30, 2016

Year of Levy	Rate	Total Assessment	Levy	Balance June 30, 2015
2016	$ 1.00	$ 89,951,561	$ 899,855	$ 0
2015	1.00	90,906,111	909,241	909,241
2014	0.95	90,802,461	859,453	46,353
2013	0.95	90,383,304	856,257	15,049
2012	0.90	91,734,984	825,664	12,072
2011	0.75	93,188,995	699,039	4,151
2010	0.75	92,211,964	691,704	3,361
2009	0.85	79,985,271	679,885	2,517
2008	0.85	73,960,702	628,677	2,377
2007	0.85	70,423,084	598,629	2,984
2006	0.85	69,580,283	591,441	3,015
2005	0.85	69,071,991	589,014	1,534
2004	0.85	60,081,367	510,723	0
2003	0.85	59,511,486	505,879	0
				$ 1,002,654

Property taxes unpaid from 2005 through 2014 have been filed with the Roane County Clerk and Master.

Taxes Levied	Adjustments	Collections	Balance June 30, 2016
$ 899,855	$ 0	$ 0	$ 899,855
0	(15,165)	839,393	54,683
0	0	30,281	16,072
0	0	4,177	10,872
0	0	2,819	9,253
0	0	1,013	3,138
0	0	478	2,883
0	0	338	2,179
0	0	227	2,150
0	0	161	2,823
0	0	121	2,894
0	0	40	1,494
0	0	0	0
0	0	0	0
$ 899,855	$ (15,165)	$ 879,048	$ 1,008,296

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

June 30, 2016

Governmental Activities:

Tennessee Municipal League Loan Program,
BNY Mellon

	Principal	Interest	Totals
Year Ending June 30,			
2017	$ 58,864	$ 2,500	$ 61,364
2018	61,771	2,274	64,045
2019	64,823	2,038	66,861
2020	68,021	1,793	69,814
2021	71,509	1,524	73,033
2022	75,142	1,251	76,393
2023	78,776	959	79,735
2024	13,629	655	14,284
	$ 492,535	$ 12,994	$ 505,529

Wal-Mart RW Certified Properties Bond

	Principal	Interest	Totals
Year Ending June 30,			
2017	$ 47,000	$ 2,431	$ 49,431
2018	49,000	2,209	51,209
2019	51,000	1,979	52,979
2020	54,000	1,743	55,743
2021	57,000	1,484	58,484
2022	60,000	1,215	61,215
2023	63,000	933	63,933
2024	66,000	638	66,638
2025	69,000	325	69,325
	$ 516,000	$ 12,957	$ 528,957

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	Principal	Interest	Totals
Municipal Complex Bonds of 1979			
Year Ending June 30,			
2017	$ 40,000	$ 4,250	$ 44,250
2018	45,000	2,250	47,250
	$ 85,000	$ 6,500	$ 91,500
Ford Motor Credit Company capital lease			
Year Ending June 30,			
2017	$ 80,850	$ 5,717	$ 86,567
2018	77,526	1,828	79,354
	$ 158,376	$ 7,545	$ 165,921
Tennessee Municipal League Loan Program, Regions Bank			
Year Ending June 30,			
2017	$ 91,000	$ 15,518	$ 106,518
2018	95,000	11,870	106,870
2019	99,000	8,060	107,060
2020	102,000	4,090	106,090
	$ 387,000	$ 39,538	$ 426,538

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	Principal	Interest	Totals
Leasing 2 capital lease - Fire Truck			
Year Ending June 30,			
2017	$ 37,636	$ 11,380	$ 49,016
2018	38,899	10,117	49,016
2019	40,205	8,811	49,016
2020	41,555	7,460	49,015
2021	42,950	6,065	49,015
2022	44,393	4,623	49,016
2023	45,883	3,133	49,016
2024	47,424	1,592	49,016
	$ 338,945	$ 53,181	$ 392,126
Kubota Leasing capital lease - mowers			
Year Ending June 30,			
2017	$ 18,586	$ 1,329	$ 19,915
Kubota Leasing capital lease - tractor			
Year Ending June 30,			
2017	$ 9,367	$ 571	$ 9,938

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	Principal	Interest	Totals
Business-Type Activities:			
General Obligation Bonds, Series 2012			
Year Ending June 30,			
2017	$ 295,000	$ 66,250	$ 361,250
2018	335,000	60,350	395,350
2019	340,000	53,650	393,650
2020	340,000	46,001	386,001
2021	350,000	38,350	388,350
2022	110,000	29,600	139,600
2023	110,000	27,180	137,180
2024	110,000	24,760	134,760
2025	110,000	22,230	132,230
2026	115,000	19,700	134,700
2027	115,000	16,825	131,825
2028	120,000	13,950	133,950
2029	120,000	10,650	130,650
2030	120,000	7,350	127,350
2031	125,000	3,750	128,750
	$ 2,815,000	$ 440,596	$ 3,255,596

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2016

	Principal	Interest	Totals
Water and Sewer Revenue and Tax Refunding Bonds, Series 2007			
Year Ending June 30,			
2017	$ 7,599	$ 22,170	$ 29,769
2018	7,958	21,811	29,769
2019	8,323	21,446	29,769
2020	8,706	21,063	29,769
2021	9,106	20,663	29,769
2022	9,524	20,245	29,769
2023	9,961	19,808	29,769
2024	10,419	19,350	29,769
2025	10,898	18,871	29,769
2026	11,398	18,371	29,769
2027	11,922	17,847	29,769
2028	12,470	17,299	29,769
2029	13,042	16,727	29,769
2030	13,642	16,127	29,769
2031	14,268	15,501	29,769
2032	14,924	14,845	29,769
2033	15,609	14,160	29,769
2034	16,327	13,442	29,769
2035	17,077	12,692	29,769
2036	17,861	11,908	29,769
2037	18,682	11,087	29,769
2038	19,540	10,229	29,769
2039	20,437	9,332	29,769
2040	21,376	8,393	29,769
2041	22,358	7,411	29,769
2042	23,386	6,383	29,769
2043	24,460	5,309	29,769

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

	Principal	Interest	Totals
Water and Sewer Revenue and Tax Refunding Bonds, Series 2007 (continued)			
Year Ending June 30,			
2044	25,584	4,185	29,769
2045	26,759	3,010	29,769
2046	27,987	1,782	29,769
2047	23,807	485	24,292
	$ 495,410	$ 421,952	$ 917,362
State of Tennessee SRF loan (SRF2000-139)			
Year Ending June 30,			
2017	$ 80,571	$ 12,120	$ 92,691
2018	82,361	10,330	92,691
2019	84,191	8,500	92,691
2020	86,062	6,629	92,691
2021	87,975	4,716	92,691
2022	89,930	2,761	92,691
2023	70,047	916	70,963
	$ 581,137	$ 45,972	$ 627,109

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2016

	Principal	Interest	Totals
General Obligation Bonds, Series 2013A			
Year Ending June 30,			
2017	$ 11,230	$ 18,386	$ 29,616
2018	11,543	18,073	29,616
2019	11,864	17,752	29,616
2020	12,195	17,421	29,616
2021	12,534	17,082	29,616
2022	12,883	16,733	29,616
2023	13,242	16,374	29,616
2024	13,611	16,005	29,616
2025	13,990	15,626	29,616
2026	14,380	15,236	29,616
2027	14,780	14,836	29,616
2028	15,192	14,424	29,616
2029	15,615	14,001	29,616
2030	16,050	13,566	29,616
2031	16,497	13,119	29,616
2032	16,956	12,660	29,616
2033	17,428	12,188	29,616
2034	17,914	11,702	29,616
2035	18,412	11,204	29,616
2036	18,925	10,691	29,616
2037	19,452	10,164	29,616
2038	19,994	9,622	29,616
2039	20,551	9,065	29,616
2040	21,123	8,493	29,616
2041	21,711	7,905	29,616
2042	22,316	7,300	29,616
2043	22,938	6,678	29,616

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2016

General Obligation Bonds, Series 2013A (continued)

	Principal	Interest	Totals
Year Ending June 30,			
2044	23,576	6,040	29,616
2045	24,233	5,383	29,616
2046	24,908	4,708	29,616
2047	25,601	4,015	29,616
2048	26,314	3,302	29,616
2049	27,047	2,569	29,616
2050	27,801	1,815	29,616
2051	28,575	1,041	29,616
2052	22,331	261	22,592
	$ 673,712	$ 385,440	$ 1,059,152

General Obligation Bonds, Series 2013B

	Principal	Interest	Totals
Year Ending June 30,			
2017	$ 14,097	$ 15,747	$ 29,844
2018	14,400	15,444	29,844
2019	14,709	15,135	29,844
2020	15,024	14,820	29,844
2021	15,347	14,497	29,844
2022	15,676	14,168	29,844
2023	16,012	13,832	29,844
2024	16,356	13,488	29,844
2025	16,707	13,137	29,844
2026	17,065	12,779	29,844
2027	17,432	12,412	29,844
2028	17,806	12,038	29,844
2029	18,188	11,656	29,844
2030	18,578	11,266	29,844

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS

(continued)

June 30, 2016

General Obligation Bonds, Series 2013B (continued)

Year Ending June 30,	Principal	Interest	Totals
2031	18,977	10,867	29,844
2032	19,384	10,460	29,844
2033	19,800	10,044	29,844
2034	20,225	9,619	29,844
2035	20,659	9,185	29,844
2036	21,102	8,742	29,844
2037	21,555	8,289	29,844
2038	22,017	7,827	29,844
2039	22,490	7,354	29,844
2040	22,972	6,872	29,844
2041	23,465	6,379	29,844
2042	23,969	5,875	29,844
2043	24,483	5,361	29,844
2044	25,009	4,835	29,844
2045	25,545	4,299	29,844
2046	26,093	3,751	29,844
2047	26,653	3,191	29,844
2048	27,225	2,619	29,844
2049	27,809	2,035	29,844
2050	28,406	1,438	29,844
2051	29,016	828	29,844
2052	23,221	215	23,436
	$ 747,472	$ 320,504	$ 1,067,976

CITY OF ROCKWOOD, TENNESSEE

LONG-TERM DEBT REQUIREMENTS
(continued)

June 30, 2015

	Principal	Interest	Totals
Electric Utility Revenue Bonds, Series 2013			
Year Ending June 30,			
2017	$ 346,100	$ 34,209	$ 380,309
2018	363,200	25,730	388,930
2019	62,000	5,518	67,518
	$ 771,300	$ 65,457	$ 836,757

	Principal	Interest	Totals
Electric Utility Revenue Bonds, Series 2015			
Year Ending June 30,			
2017	$ 0	$ 62,313	$ 62,313
2018	200,000	62,312	262,312
2019	200,000	69,625	269,625
2020	200,000	69,625	269,625
2021	500,000	65,625	565,625
2022-2026	2,500,000	200,625	2,700,625
2027	500,000	10,625	510,625
	$ 4,100,000	$ 540,750	$ 4,640,750

CITY OF ROCKWOOD, TENNESSEE

UTILITY RATES AND METERED CUSTOMERS

June 30, 2016

WATER

Usage	Inside City	Outside City	South Roane County
0-200 cubic feet (minimum)	$ 12.75	$ 22.30	$ 29.04
201-1,000 cubic feet (per 100 cubic feet)	3.76	6.57	7.00

WASTEWATER

160% of bill for water services

NATURAL GAS

	Inside City	Outside City
Residential	$ 8.30/Dth	$ 10.08/Dth
Commercial	8.30/Dth	10.08/Dth
Industrial	8.30/Dth	10.08/Dth
Transportation	varies with metered consumption	

In addition, a Purchase Gas Adjustment (PGA) is included on monthly gas bills. The PGA can fluctuate monthly depending on purchased gas prices.

UTILITY RATES AND METERED CUSTOMERS
(continued)

June 30, 2016

TAP FEES

	Inside City	Outside City
¾” tap fee	$ 650.00	$ 800.00
1” tap fee	750.00	1,075.00
2” and larger tap fee	Priced as needed	Priced as needed
Wastewater – residential 4” tap fee	$ 1,000.00	$ 1,000.00
Wastewater – residential 6” tap fee	1,100.00	1,100.00
Wastewater – grinder pump and tap	6,000.00	32,000.00
Installation fee on private property up to 100’	1,000.00	600.00
Per foot charge after first 100’ on private property	1.00	1.50
Natural gas	400.00	400.00
Gas lines assessed at $1.00 per foot (property line to meter) over 150 feet		

Average number of customers

Water	3,845
Wastewater	1834
Natural gas	2,728

ELECTRIC

Residential Rates

Customer charge	$ 16.29 per month
Energy charge	0.09703 per kWh

Commercial Rates

A. Customer charge #1	$ 17.89 per delivery/month
Customer charge #2	29.34 per delivery/month
Energy charge	0.11427 per kWh
B. Customer charge	$ 85.78 per delivery/month
Demand charge: 0-50 kWh	No charge
Excess over 50 kWh	17.46000 per kWh
Energy charges: 0-15,000 kWh per month	0.11460 per kWh
Excess over 15,000 kWh	0.06135 per kWh

UTILITY RATES AND METERED CUSTOMERS
(continued)

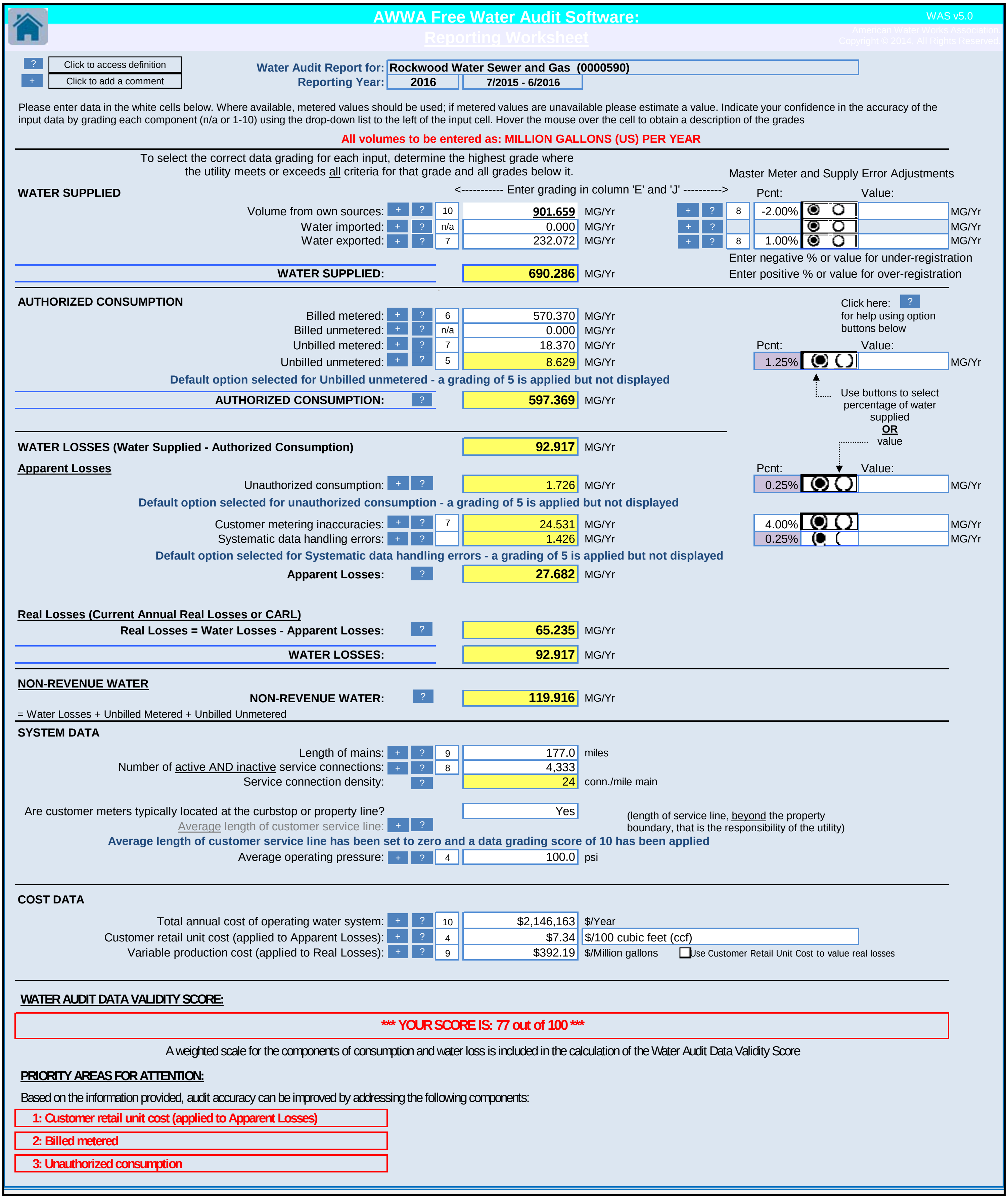
June 30, 2016

C. Customer charge	$ 200.0000 per delivery/month
Demand charges: 0-1,000 kW	16.6500 per kW
Excess over 1,000 kW	18.7700 per kW
Energy charge	0.06135 per kW

Customers serviced (years ended June 30, 2016 and 2015)

	June 30, 2016	June 30, 2015
Residential	11,550	11,525
Commercial	2,870	2,846
Industrial	38	38
Transportation	142	148
	14,600	14,557

Customer billing during June 30, 2016, numbered 14,600 as compared to 14,557 for June 30, 2015.



AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association.
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? Click to access definition
\+ Click to add a comment

Water Audit Report for: Rockwood Water Sewer and Gas (0000590)
Reporting Year: 2016 7/2015 - 6/2016

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

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

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

<----------- Enter grading in column 'E' and 'J' ---------->

Master Meter and Supply Error Adjustments

WATER SUPPLIED

					Pcnt:		Value:	
Volume from own sources:	10	901.659	MG/Yr	8	-2.00%	● ○		MG/Yr
Water imported:	n/a	0.000	MG/Yr			● ○		MG/Yr
Water exported:	7	232.072	MG/Yr	8	1.00%	● ○		MG/Yr
WATER SUPPLIED:		690.286	MG/Yr					

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

AUTHORIZED CONSUMPTION

Click here: ? for help using option buttons below

				Pcnt:		Value:	
Billed metered:	6	570.370	MG/Yr				
Billed unmetered:	n/a	0.000	MG/Yr				
Unbilled metered:	7	18.370	MG/Yr				
Unbilled unmetered:	5	8.629	MG/Yr	1.25%	● ○		MG/Yr

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

AUTHORIZED CONSUMPTION:	597.369	MG/Yr	

Use buttons to select percentage of water supplied **OR** value

WATER LOSSES (Water Supplied - Authorized Consumption)	92.917	MG/Yr

Apparent Losses

				Pcnt:		Value:	
Unauthorized consumption:		1.726	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies:	7	24.531	MG/Yr	4.00%	● ○		MG/Yr
Systematic data handling errors:		1.426	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses:	27.682	MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:	65.235	MG/Yr
WATER LOSSES:	92.917	MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER:	119.916	MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	9	177.0	miles
Number of active AND inactive service connections:	8	4,333	
Service connection density:		24	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line:

(length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure:	4	100.0	psi

COST DATA

Total annual cost of operating water system:	10	$2,146,163	$/Year
Customer retail unit cost (applied to Apparent Losses):	4	$7.34	$/100 cubic feet (ccf)
Variable production cost (applied to Real Losses):	9	$392.19	$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

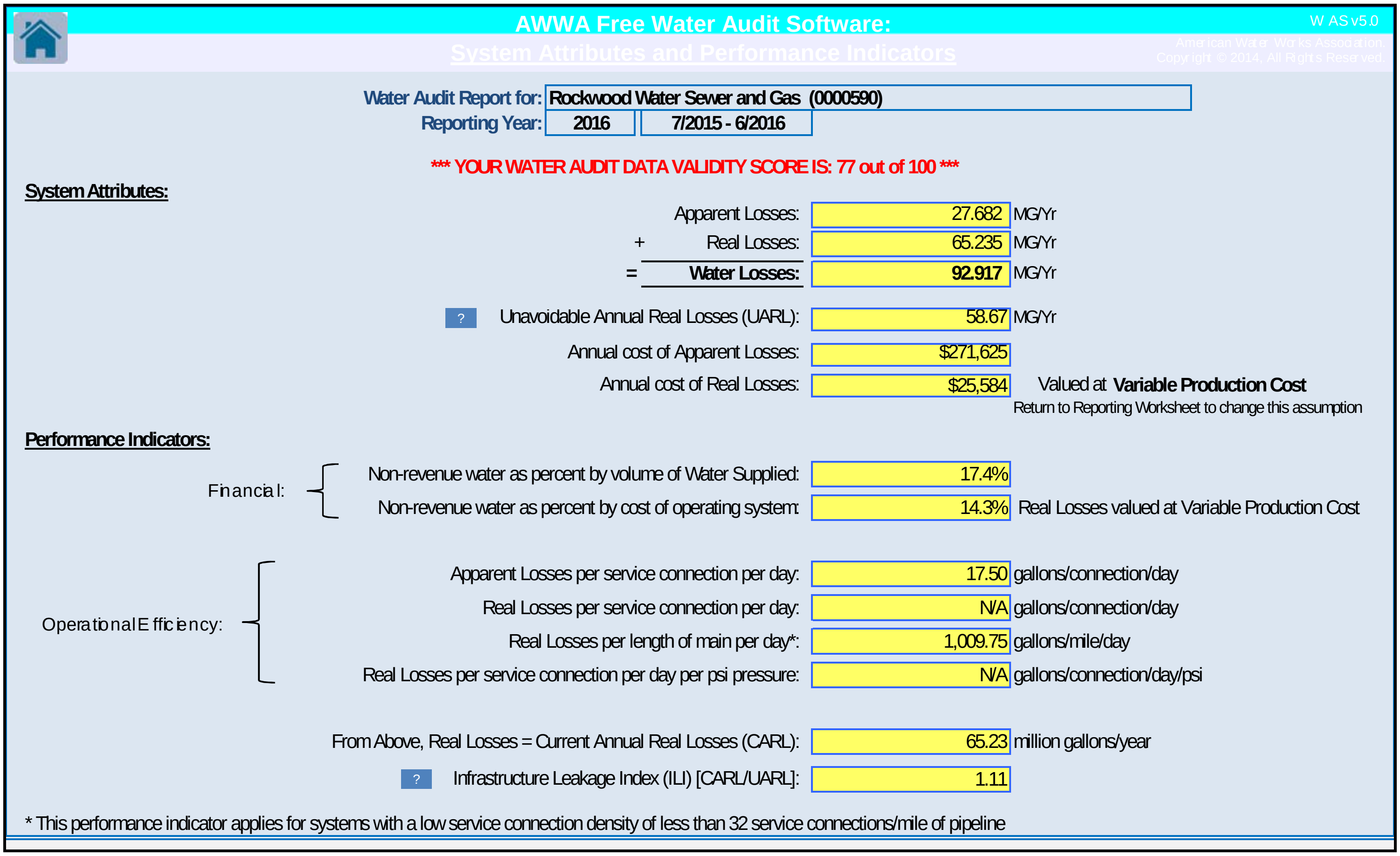
***** YOUR SCORE IS: 77 out of 100 *****

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Customer retail unit cost (applied to Apparent Losses)
2: Billed metered
3: Unauthorized consumption



W AS v5.0

American Water Works Association.
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AWWA Free Water Audit Software:

System Attributes and Performance Indicators

Water Audit Report for: **Rockwood Water Sewer and Gas (0000590)**

Reporting Year: **2016** **7/2015 - 6/2016**

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 77 out of 100 *****

System Attributes:

	Apparent Losses:	27.682	MG/Yr
+	Real Losses:	65.235	MG/Yr
=	**Water Losses:**	**92.917**	MG/Yr
?	Unavoidable Annual Real Losses (UARL):	58.67	MG/Yr
	Annual cost of Apparent Losses:	$271,625	
	Annual cost of Real Losses:	$25,584	Valued at **Variable Production Cost** Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	17.4%	
	Non-revenue water as percent by cost of operating system:	14.3%	Real Losses valued at Variable Production Cost
Operational Efficiency:	Apparent Losses per service connection per day:	17.50	gallons/connection/day
	Real Losses per service connection per day:	N/A	gallons/connection/day
	Real Losses per length of main per day*:	1,009.75	gallons/mile/day
	Real Losses per service connection per day per psi pressure:	N/A	gallons/connection/day/psi
	From Above, Real Losses = Current Annual Real Losses (CARL):	65.23	million gallons/year
?	Infrastructure Leakage Index (ILI) [CARL/UARL]:	1.11	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

CITY OF ROCKWOOD, TENNESSEE

PRINCIPAL OFFICIALS

June 30, 2016

City of Rockwood, Tennessee

Mike Miller, Mayor
Dudley Evans, Vice-Mayor
Harold Holloway, Councilmember
Mike Fuller, Councilmember
Shane Trew, Councilmember
Bobby Anderson, Jr., Councilmember
Jason Jolly, Councilmember
Becky Ruppe, City Recorder/City Administrator
Belinda Puckett, Finance Director/CMFO

Rockwood Water, Wastewater and Natural Gas Systems

Darryl Meadows, Chairman
Loren Bone, Vice-Chairman
Tim Couch, Commissioner
Dudley Evans, Commissioner
Joe Moore, Commissioner
Kim Ramsey, General Manager
Joan Kerley, Secretary/Treasurer

Rockwood Electric Utility

Lee Fisher, Chairman
Harold Holloway, Board member
Don White, Board member
Don Layne, Board member
Larry Davis, Board member
Kendall Bear, General Manager

CITY OF ROCKWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2016

Federal Grantor/ Pass-Through Grantor	CFDA #	Contract Number	Expenditures
Federal Awards			
U.S. Department of Transportation/Tennessee Department of Transportation	20.607	Z-15-GHS-299	$ 7,527
U.S. Department of Transportation/Tennessee Department of Transportation	20.106	AERM 16-152-00	3,460
U.S. Department of Housing And Urban Development/ Tennessee Department of Economic and Community Development	14.239	N/A	1,500
U.S. Department of Homeland Security/Tennessee Emergency Management Agency	97.036	FEMA-4189-DR-TN	17,910
Total Federal Awards			30,397

CITY OF ROCKWOOD, TENNESSEE

EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

(continued)

Year Ended June 30, 2016

State Financial Assistance			
Tennessee Department of Transportation	N/A	73-A922-0.06	130,629
Tennessee Department of Transportation	N/A	73-555-0724-16	11,285
Total State Financial Assistance			141,914
Total Federal Awards and State Financial Assistance			$ 172,311

NOTE 1 - BASIS OF PRESENTATION

This schedule summarizes the expenditures of the City under programs of the federal and state governments for the year ended June 30, 2016. The schedule is presented using the modified accrual basis of accounting.

INTERNAL CONTROL

AND

COMPLIANCE

MEH MITCHELL EMERT & HILL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mayor and City Council
City of Rockwood, Tennessee
Rockwood, Tennessee

We have audited, 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 of America, the financial statements of the governmental activities, the business-type activities and each major fund of City of Rockwood, Tennessee as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise City of Rockwood, Tennessee's basic financial statements and have issued our report thereon dated April 10, 2017. Our report includes a reference to other auditors who audited the financial statements of Rockwood Water, Wastewater, and Natural Gas Systems and Rockwood Electric Utility, as described in our report on City of Rockwood, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Rockwood, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Rockwood, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Rockwood, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of City of Rockwood, Tennessee's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purposed described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we did identify certain deficiencies in internal control, described in the accompanying schedule of findings, recommendations and management responses as finding number 2016-01 and 2016-02, that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Rockwood, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance, described in the accompanying schedule of findings, recommendations and management responses as finding number 2016-01, that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of City of Rockwood, Tennessee in a separate letter dated April 10, 2017.

City of Rockwood, Tennessee's Responses to Findings

City of Rockwood, Tennessee's responses to the findings identified in our audit are described in the accompanying schedule of findings, recommendations, and management responses. City of Rockwood, Tennessee's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of City of Rockwood, Tennessee's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Rockwood, Tennessee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mitchell Emert + Hill

April 10, 2017

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

Year Ended June 30, 2016

Finding Number 2016-01: Compensation payments

Finding: During the year ended June 30, 2016, the City paid three individuals as independent contractors when it appears they should have been paid as employees. If the individuals are determined to be employees, the City could be liable for penalties equal to the taxes that should have been withheld and paid on those employees.

The City is a member of the Tennessee Consolidated Retirement System (TCRS) and is required to make contributions based on the compensation of its employees. If the individuals paid as independent contractors should have been classified as employees, the City could be liable for retirement contributions for the individual's compensation. In addition, if the individuals were receiving retirement payments from TCRS due to previous employment, the individuals could be required to repay those benefits to TCRS.

Recommendation: The City should review the classification of all independent contractors to determine if they should be classified as employees. For any independent contractors who have been misclassified, the City should determine the reporting required to the Internal Revenue Service and TCRs and file amended tax returns as necessary.

Management Response: Management concurs that there were three contract employees during the 2015-2016 fiscal year. One of the individuals is no longer employed. After further review of the Independent Checklist (20 Question test) of the two remaining contract employees, it is management's opinion that they qualify as Independent Contractors and will be treated as such. Independent contractors do not qualify for TCRS through the city. Management concurs that any contract employees should always follow all IRS and TCRS guidelines.

Finding Number 2016-02: Financial reporting

Finding: During the year ended June 30, 2016, we noted several expenditure accounts which had whole dollar amounts as ending balances. We were advised that checks were classified to other expenditure accounts if an account had no remaining budget appropriation. This practice conceals spending in excess of approved budgets and could result in financial statements being misleading if the amounts misclassified were material. We determined the amounts involved were not material.

Recommendation: All transactions should be recorded in the proper account, without exception. If the actual amount expended exceeds the available budget, the budget should be amended.

Management Response: Management concurs that several expenditure accounts ended the fiscal year with whole dollar amounts. City management constantly reviews all expenditures to prevent any overages. Although the bottom line of each department is the most important, management strives very hard to make sure each line item, within each budget, is not overspent as well. Anything that cannot be paid out of a very similar line item is always corrected by a budget amendment with council approval. Invoices are never paid out of unlike line items or outside the budget they should be in. Management concurs and will not attempt to balance line items to zero in the future, but will allow lines to run over, or be corrected through budget amendments that are approved by council.

CITY OF ROCKWOOD, TENNESSEE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2016

There were no findings reported in the prior year.