



ANNUAL COMPREHENSIVE FINANCIAL REPORT

**Fiscal Year 2021
July 1, 2020 - June 30, 2021**

Prepared by Finance Department

About the Cover

Since the 1960s, Morristown public works operated out of their facility located on Dice Street. The facility served them well, but in recent years, there was a strong need for a larger, more updated space. The process began for the construction of a new public works complex located on Durham landing. The City worked closely with Lose Design on the design and functionality of the complex. In June 2020, the Public Works Department was able to relocate all operations to this new, state of the art facility featuring expansive garages, wash bays, and office and conference space

CITY OF MORRISTOWN, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED
June 30, 2021

FINANCE DEPARTMENT

CITY OF MORRISTOWN, TENNESSEE

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INTRODUCTORY SECTION

The City of Morristown

Office of Administration



December 21, 2021

To the Honorable Mayor, Members of the Governing Council, and Citizens of the City of Morristown:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), audited in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the City of Morristown for the fiscal year ended June 30, 2021.

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

The City of Morristown's financial statements have been audited by Brown, Edwards & Company, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Morristown for the fiscal year ended June 30, 2021, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Morristown's financial statements for the fiscal year ended June 30, 2021, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Morristown was part of a broader, federally mandated "Uniform Guidance" designed to meet the special needs of federal grantor agencies. The standards governing Uniform Guidance engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this ACFR.

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

Profile of the Government

The City of Morristown was incorporated in 1855 and operates under a council-administrator form of government. It is located between two major Tennessee Valley Authority lakes approximately 40 miles northeast of Knoxville on Interstate-81 and approximately 60 miles southwest of the Tri-Cities area on the same highway. The City currently occupies a land area of approximately 22 square miles and serves a population of approximately 30,431. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries.

Policy-making and legislative authority are vested in the Mayor and Council members consisting of the mayor and six other members. The Council is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring the City Administrator, City Attorney, Police Chief, and Fire Chief. The City's Administrator is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City and for appointing the heads of various departments.

The City of Morristown provides a full range of services, including police, fire, street construction and maintenance, planning and zoning, parks and recreation, cultural events and general administrative services. In addition, water, electric, broadband, sewer service, and storm water collection are provided under an Enterprise Fund concept with user charges established by the Council and/or the Morristown Utility Commission to ensure adequate coverage of operating expenses and payments on outstanding debt.

The annual budget serves as the foundation for the City of Morristown's financial planning and control. All departments of the City of Morristown are required to submit requests for appropriation to the City Administrator. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the Council for review by May 15th. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City of Morristown's fiscal year. The appropriated budget is prepared by fund, function, and department. The City Administrator may make transfers of appropriations within a department. Budget-to-actual comparisons are provided in this report. The general fund comparison is presented on pages 11 through 13 as part of the basic financial statements for the City's fund.

Factors Affecting Financial Condition

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

Local Economy

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments reacted to the public health crisis, creating significant uncertainties in the economy. This situation continues to change, and additional impacts may still arise. While the disruption was expected to be temporary, there remains uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity or capital resources cannot be reasonably estimated at this time. While the past

year was full of unforeseen challenges and mid-course corrections in response to COVID-19 and the constantly changing restrictions, guidelines and the economic disruptions that resulted from the turmoil, the City of Morristown was able to make progress on many fronts. In preparing the FY22 budget, revenue estimates were not taken lightly. The revenue estimates were evaluated based on information provided by state and national economist. There are sufficient resources to sustain operations and services to taxpayers. The City of Morristown will continue to conservatively manage its resources until there is some normalcy restored in the economy.

Based on its location, the City of Morristown is a regional employer and retail market. The City of Morristown, along with cooperative efforts by the Morristown Chamber of Commerce, Hamblen County Government, and its citizens has been one of the state's most successful recruiters of regional, national, and international industry despite being the third smallest in the State of Tennessee in terms of land size. The economy continues to have an impact on every segment of Morristown's largest taxpayers, especially the automotive industry. The breakdown of assessed values between commercial and residential is 71% and 29%, respectively Manufacturing continues to make up the majority of property tax assessments for the City of Morristown. Over the past several years, the City of Morristown has been experiencing a significant amount of retail development. National retail chains continue to locate to Morristown. This has stopped leakage of sales tax to other neighboring communities. Despite the effects of the COVID-19 pandemic unexpected growth of approximately 11.6% occurred with sales tax collections.

Long-term Financial Planning and Major Initiatives

The City of Morristown has a policy that requires an unassigned fund balance equal to 15-40% of General Fund expenditures. The City had an unassigned fund balance of \$14.6 million at June 30, 2021 in its General Fund. This represents approximately a 38% unassigned fund balance compared to expenditures. This compares to 22% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2020. The increase is attributed in part to the growth in local revenues, in particular the increase in sales tax collections. The increase is also partly attributed to the decrease in expenditures of approximately \$1.5 million. It should be stressed that fund balance is only used for capital items and is not used for re-occurring expenditures.

The City of Morristown continued to demonstrate effective long-term planning with the adoption of its 2021-2022 fiscal year budget. The City of Morristown was proactive in that it appropriated \$1.5 million from fund balance for local paving and the purchase of a Class A Pumper Fire Truck. These funds were identified to meet the needs without issuing additional debt. It should once again be stressed that fund balance is only used for capital items and not used for re-occurring expenditures.

Awards and Acknowledgment

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Morristown for its comprehensive annual financial report for the fiscal year ended June 30, 2020. This was the eighth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Morristown also received the GFOA's Distinguished Budget Presentation award for its annual budget documented for the 2020-2021 fiscal year. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device. The preparation of this report could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to the Finance staff and other personnel from various departments, agencies, and authorities that assisted in the preparation of this report, especially Michelle Woods, Accounting Manager. Also, we would like to thank the Mayor and Council for their support for maintaining the highest standards of professionalism in the management of the City of Morristown's finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "A.W. Cox", with a stylized flourish at the end.

Anthony W. Cox
City Administrator

A handwritten signature in blue ink, appearing to read "Larry Clark", with a stylized flourish at the end.

Larry Clark, CMFO
Assistant City Administrator/Operations



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Morristown
Tennessee**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrell

Executive Director/CEO

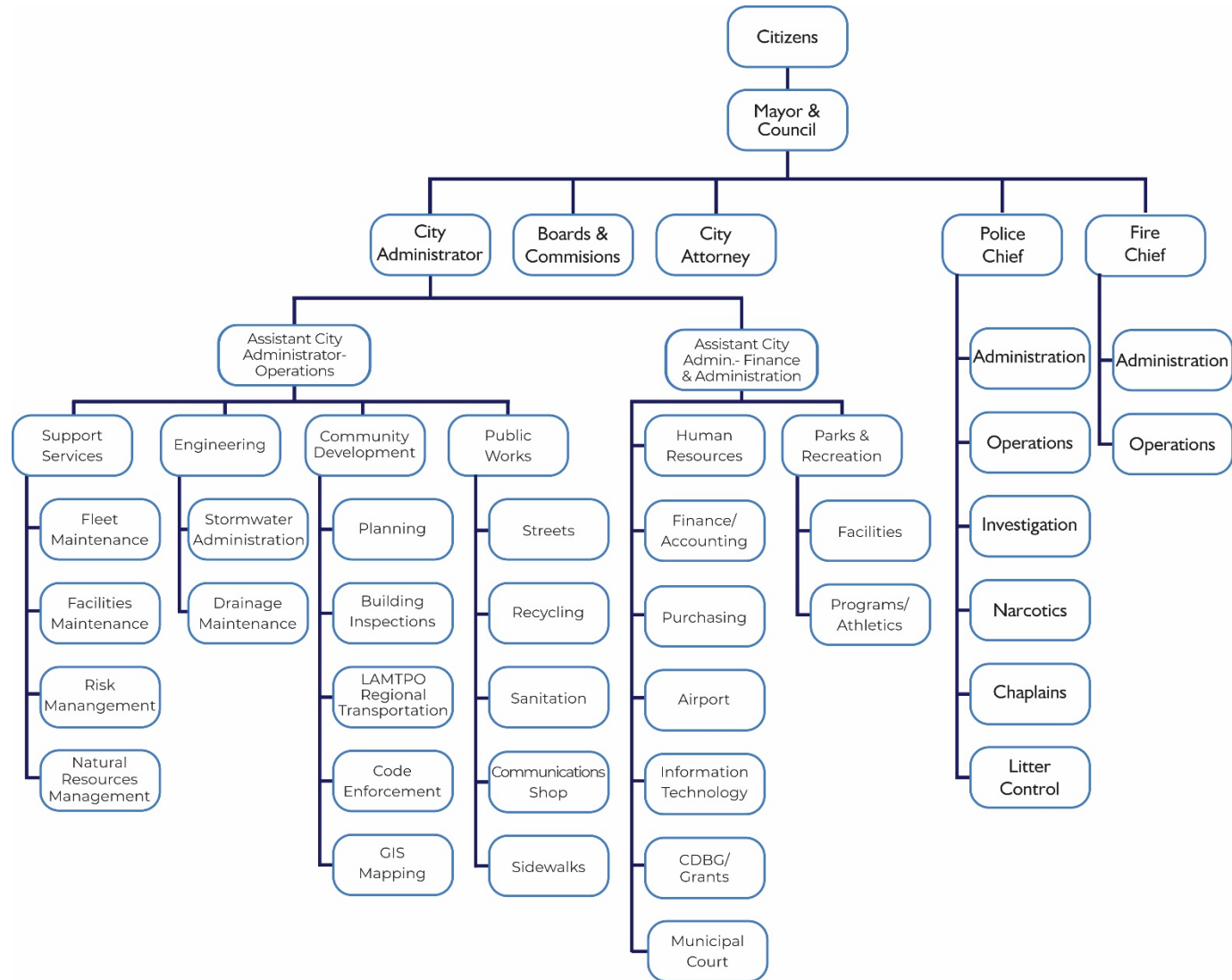
June 30, 2021

Al A'Hearn
Chris Bivens
Bob Garrett
Tommy Pedigo
Kay Senter
Ken Smith

Anthony W. Cox.....	City Administrator
Joey Barnard.....	Assistant City Administrator/ Finance & Administration
	Certified Municipal Financial Officer
Larry Clark	Assistant City Administrator/ Operations
Lauren Carroll	City Attorney
Steve Nielson.....	Director of Planning
Roger Overholt	Chief of Police
Clark Taylor	Fire Chief
Paul Brown	Director of Public Works
Craig Price.....	Director of Parks and Recreation

Brown, Edwards & Company, L.L.P.

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council
City of Morristown, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Morristown Utilities Commission, which represents 96.8%, 96.7%, and 98.8%, respectively, of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morristown Utilities Commission, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Auditor's Responsibility (Continued)

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

Opinions

In our opinion, based on our audit and the report of 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statements for the general fund and the solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 17, the City has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. GASB 84 defines what is meant by fiduciary activities. It establishes four types of fiduciary funds for reporting purposes. In addition, GASB 84 changes the title of "Agency" Funds to "Custodial" Funds and requires that custodial funds, unlike agency funds should present fund net position. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial statements of the general fund and the water system have been restated to correct a misstatement. Additionally the financial statements of the LAMPTO have been adjusted as a result of the City implementing GASB Statement No. 84 *Fiduciary Activities*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedule of changes in long-term debt by individual issue, the budget to actual statements for non-major funds, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements. The schedule of State Financial Assistance is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedule of changes in long-term debt by individual issue, the budget to actual statements for non-major funds, the schedule of expenditures of federal awards, and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditor. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditor, the combining non-major fund financial statements, schedule of changes in long-term debt by individual issue, the budget to actual statements for non-major funds, the schedule of expenditures of federal awards, and the schedule of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
December 21, 2021

Management's Discussion & Analysis

As management of the City of Morristown, Tennessee, we offer readers of the City of Morristown's financial statements this narrative overview and analysis of the financial activities of the City of Morristown for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages i through iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Morristown exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$228.8 million (net position). Of this amount, \$50.1 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Morristown's total net position increased by approximately \$14.2 million. Charges for services, which are program specific revenues accounted for \$111.8 million in revenue or 70.5% of all government revenues. The majority (96.0%) of the charges for services are from Morristown Utilities Commission. General revenues of the primary government account for \$45.8 million or 28.9% of all government revenues.
- As of the close of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of approximately \$63.8 million, a decrease of \$3.7 million in comparison with the prior year. The overall decrease is attributed in part to an increase in amounts collected in relation to Local Option Sales Tax and funds spent in relation to the construction of Morristown Landing (Community Center). The construction of Morristown Landing was a planned project funded by general obligation bonds and thus fund balance will continue to be impacted as the project progresses. Approximately 22.9% of total fund balance is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the City of Morristown's General Fund was approximately \$14.6 million, or approximately 37.8% of total General Fund expenditures.
- The City of Morristown's total outstanding long-term debt decreased by \$10.5 million during the current fiscal year. This decrease is due to principal payments being made and no new debt being issued.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the City of Morristown's financial statements. The City of Morristown's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

Management's Discussion & Analysis

The *statement of net position* presents information on all of the City of Morristown's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Morristown is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of Morristown that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Morristown include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the City of Morristown include the power, water, storm water, broadband, and wastewater systems. Of the business-type activities, the Morristown Utilities Commission is responsible for water, power, wastewater, and broadband. The Morristown Utilities Commission is an administrative unit of the City and therefore has been included as a business-type activity of the primary government. The Morristown Utilities Commission issues a separate annual financial report and information from that report is used in this report. Readers should consult the Morristown Utilities Commission's Comprehensive Financial Report for more detailed information on their finances.

The government-wide financial statements can be found on pages 5-6 of this report.

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

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

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

The City of Morristown maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Solid Waste Fund, the General Capital Projects Fund, the Community Center Capital Project Fund and the American Rescue Plan Act Fund which

Management's Discussion & Analysis

are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 75-76 of this report.

The City of Morristown adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on pages 11-13 for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 7-10 of this report.

Proprietary funds. The City of Morristown maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Morristown uses enterprise funds to account for its water, wastewater, storm water, broadband and power systems. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Morristown's various functions. The City of Morristown uses an internal service fund to account for its self-insured employee health insurance program. Because the services predominately benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for wastewater, water, power and broadband systems, all of which are considered to be major funds of the City of Morristown. The storm water system is not considered to be a major fund; however, it is presented separately in the proprietary fund financial statements because it is the only other proprietary fund.

The basic proprietary fund financial statements can be found on pages 15-19 of this report.

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

The City of Morristown maintains three fiduciary funds. The City of Morristown uses an agency fund to account for the Lakeway Area Metropolitan Transportation Planning Organization (LAMTPO) funding. LAMTPO is the metropolitan planning organization for Morristown's region encompassing two counties and four cities. LAMTPO's board consists of members from these localities consisting of Mayors and City Administrators. The City also maintains a trust fund for the OPEB obligation. The administration of the fund assets is contracted out to USI Advisors, Inc. Finally, the City maintains an Employee Benefits Custodial Fund that is used to account for operations of the flexible benefits program for City of Morristown employees. It should be noted that with the implementation of GASB 84 this fund was reclassified from a trust fund to a custodial fund effective fiscal year 2021.

The basic fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Morristown's progress in

Management's Discussion & Analysis

funding its obligation to provide pension and OPEB benefits to its employees. A table of contents has been provided to locate this information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Morristown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$228.8 million at the close of the most recent fiscal year.

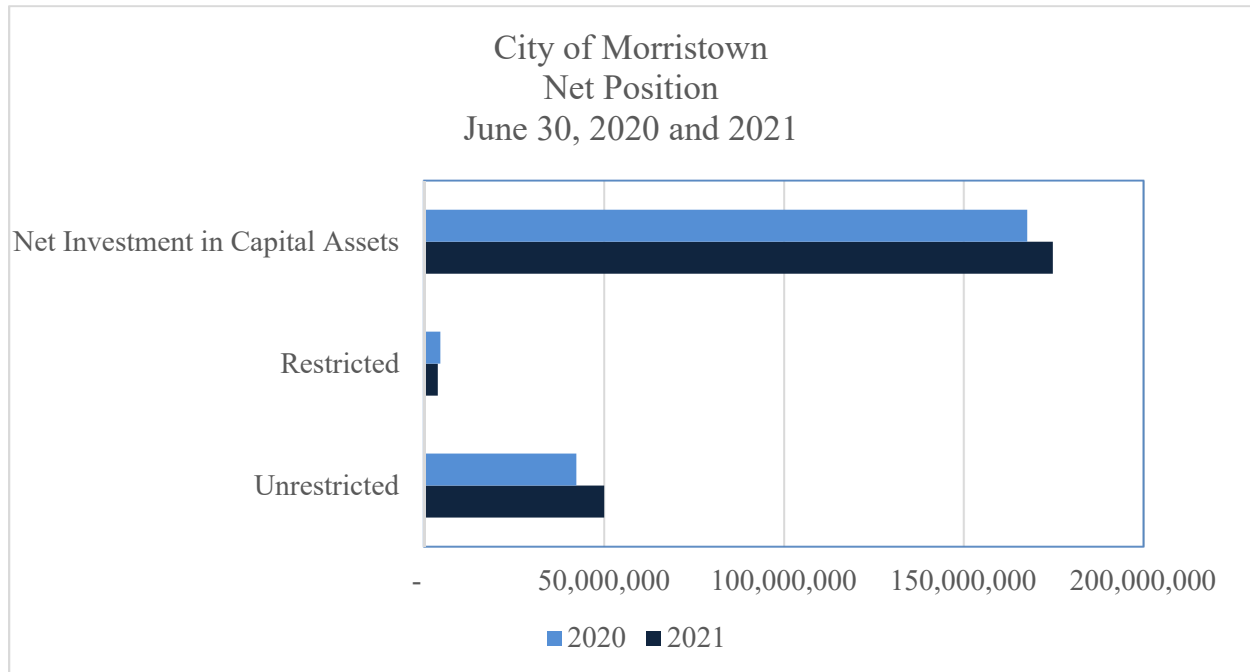
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 96,791,457	\$ 91,259,745	\$ 45,282,751	\$ 41,304,304	\$ 142,074,208	\$ 132,564,049
Capital assets	89,804,459	81,485,084	228,792,828	234,908,771	318,597,287	316,393,855
Total assets	186,595,916	172,744,829	274,075,579	276,213,075	460,671,495	448,957,904
Total deferred outflows of resources	5,643,377	4,934,097	226,976	164,440	5,870,353	5,098,537
Long-term liabilities outstanding	79,245,180	82,442,148	101,828,090	127,247,547	181,073,270	209,689,695
Other liabilities	15,759,253	6,937,781	24,127,029	6,182,185	39,886,282	13,119,966
Total liabilities	95,004,433	89,379,929	125,955,119	133,429,732	220,959,552	222,809,661
Total deferred inflows of resources	16,600,126	16,395,409	175,042	203,635	16,775,168	16,599,044
Net position:						
Net investment in capital assets	53,742,337	49,242,104	121,125,559	118,518,543	174,867,896	167,760,647
Restricted	3,791,241	4,551,306	0	0	3,791,241	4,551,306
Unrestricted	23,101,156	18,110,178	27,046,835	24,225,605	50,147,991	42,335,783
Total net position	\$ 80,634,734	\$ 71,903,588	\$ 148,172,394	\$ 142,744,148	\$ 228,807,128	\$ 214,647,736

By far the largest portion of the City of Morristown's net position (76.4%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related outstanding debt that was used to acquire those assets. The City of Morristown uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are *not* available for future spending. Although the City of Morristown's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Morristown's net position (1.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$50,147,991 is unrestricted and may be used to meet Morristown's ongoing obligations to citizens and creditors.

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

Management's Discussion & Analysis



The City of Morristown's overall net position increased by approximately \$14.2 million (6.6%) from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position of the governmental activities increased by \$8.7 million (12.1%). An increase in overall revenues, specifically local options sales tax, property tax, and federal and state stimulus funds received along with a decrease in expenses contributed to the increase in net position.

Management's Discussion & Analysis

City of Morristown's Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 3,046,395	\$ 3,018,629	\$ 108,731,316	\$ 106,818,546	\$ 111,777,711	\$ 109,837,175
Operating grants & contributions	192,356	203,610	-	-	192,356	203,610
Capital grants & contributions	434,798	431,610	372,610	185,380	807,408	616,990
General revenues:						
Property taxes	14,554,286	14,377,982	-	-	14,554,286	14,377,982
Sales tax	15,120,224	13,543,093	-	-	15,120,224	13,543,093
Intergovernmental	7,570,005	5,702,751	-	-	7,570,005	5,702,751
Other	5,011,376	5,559,593	3,561,906	4,115,760	8,573,282	9,675,353
Total revenues	45,929,440	42,837,268	112,665,832	111,119,686	158,595,272	153,956,954
Expenses:						
General government	5,023,218	8,523,594	-	-	5,023,218	8,523,594
Public safety	17,247,169	16,712,969	-	-	17,247,169	16,712,969
Public works	11,264,215	11,044,754	-	-	11,264,215	11,044,754
Culture & recreation	2,254,193	1,315,038	-	-	2,254,193	1,315,038
Civic support	1,642,185	1,746,265	-	-	1,642,185	1,746,265
Interest on long-term debt	2,209,706	1,770,299	-	-	2,209,706	1,770,299
Water	-	-	7,472,802	6,977,206	7,472,802	6,977,206
Wastewater	-	-	15,101,255	14,221,715	15,101,255	14,221,715
Storm water	-	-	1,482,648	1,321,479	1,482,648	1,321,479
Power	-	-	70,548,813	72,585,833	70,548,813	72,585,833
Broadband	-	-	8,563,862	8,872,846	8,563,862	8,872,846
Total expenses	39,640,686	41,112,919	103,169,380	103,979,079	142,810,066	145,091,998
Increase (decrease) in net position before transfers	6,288,754	1,724,349	9,496,452	7,140,607	15,785,206	8,864,956
Transfers	2,442,392	2,258,458	(2,442,392)	(2,258,458)	-	-
Increase (decrease) in net position	8,731,146	3,982,807	7,054,060	4,882,149	15,785,206	8,864,956
Net position - July 1,	71,903,588	67,920,781	141,118,334	137,861,999	213,021,922	205,782,780
Prior period restatement	-	-	(1,625,814)	-	(1,625,814)	-
Net position - June 30,	\$ 80,634,734	\$ 71,903,588	\$ 148,172,394	\$ 142,744,148	\$ 228,807,128	\$ 214,647,736

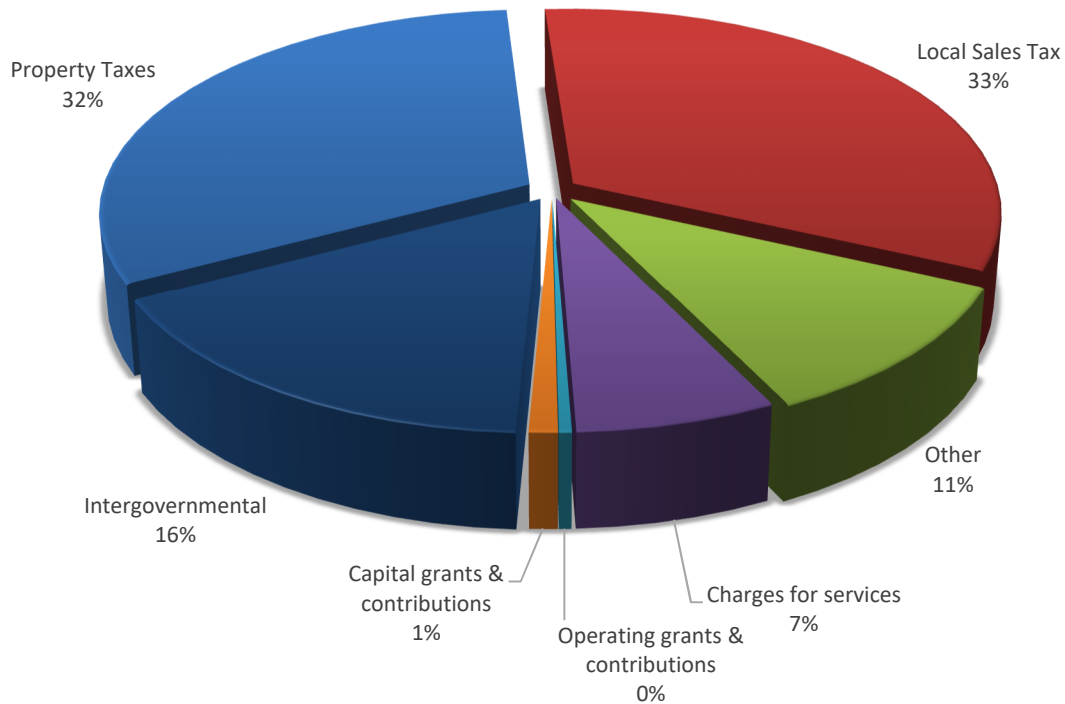
Revenues on the government-wide Statement of Activities are broken into two major categories, program revenues and general revenues.

Program revenues are three types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).

General revenues are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are local option sales tax and property taxes. Both local option sales tax and property tax continue to be a stable revenue source for the City of Morristown. During the current fiscal year, sales tax collections increased by approximately \$1.6 million or 11.6% compared to the previous fiscal year. Despite the effects of the pandemic, the City continued to see growth in sales tax. Property tax saw a slight increase of approximately \$176,000 or 1.2% compared to previous fiscal year. The graph below presents the major sources of revenues for governmental activities.

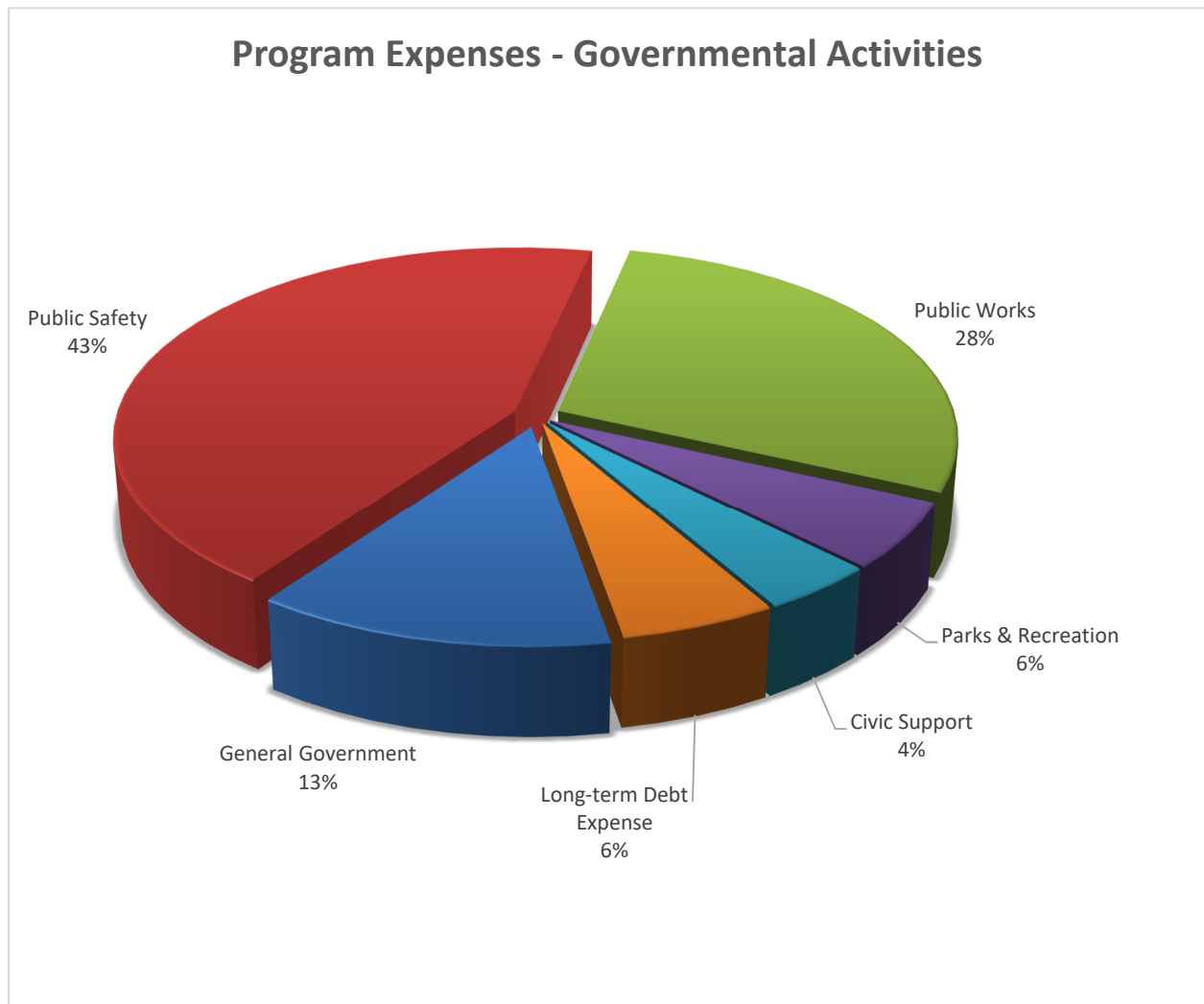
Management's Discussion & Analysis

Revenues by Source - Governmental Activities



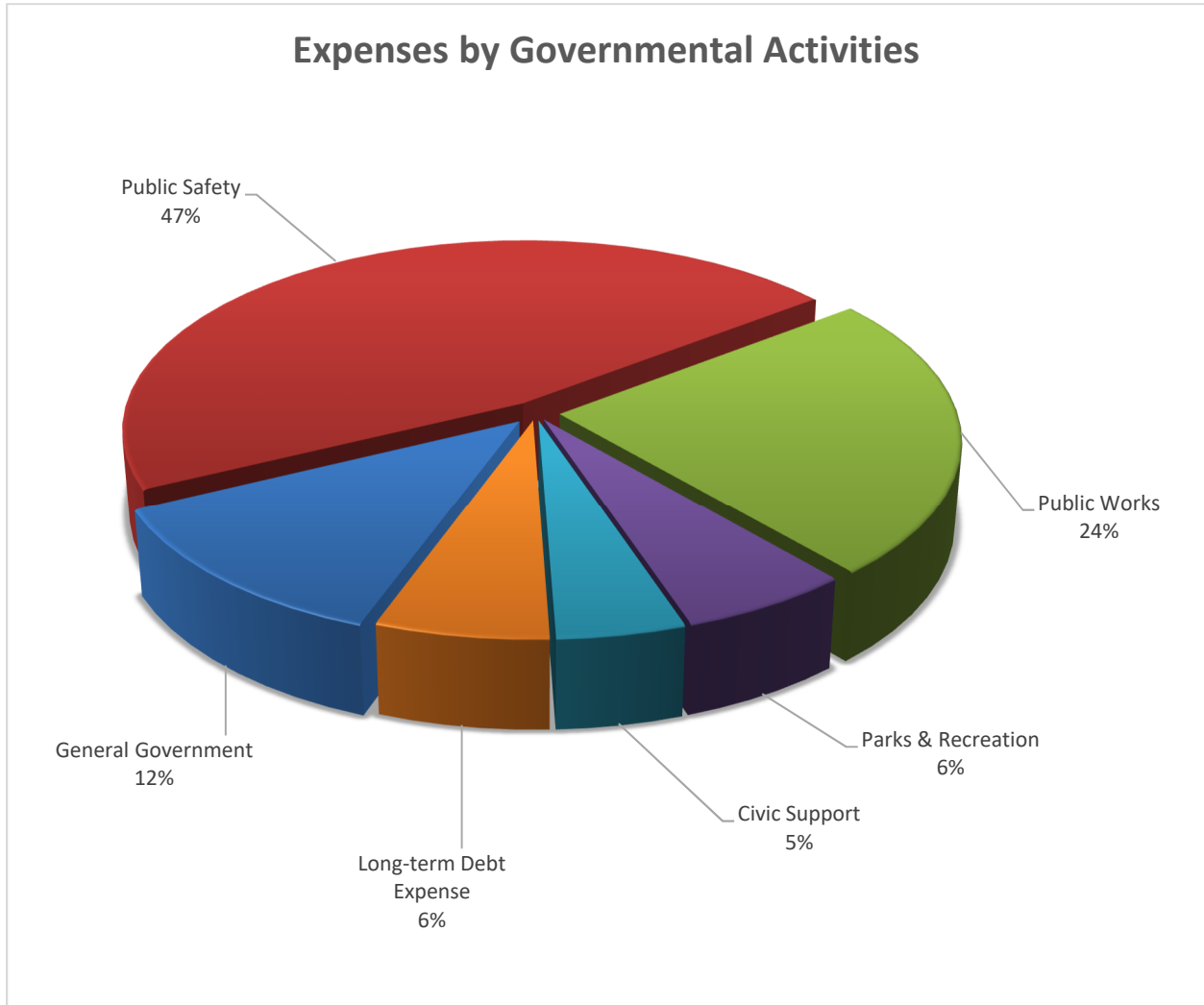
Public Safety expenses of \$17,247,169 and Public Works expenses of \$11,264,215 are the largest expenses of the City of Morristown, which when combined total \$28,511,384 and are 71% of total expenses. Of this amount, \$2,362,760 was recovered by charges for services, \$192,356 from operating grants/contributions, and \$434,798 from capital grants/contributions. As discussed earlier overall expenses decreased by approximately \$1.5 million or -3.58% when compared to prior year. General Government saw the largest decrease of approximately \$3.5 million, while Culture and Recreation saw the largest increase in expenses of approximately \$939,155.

Management's Discussion & Analysis



The following illustration shows the “net (expenses)” from the Statement of Activities as a percentage of the total. Unlike the preceding illustration, this one not only shows the percentage of total costs, it shows the impact the program had on the local citizens’ tax base, as a percentage. Net expense is all program expenses less all program revenues.

Management's Discussion & Analysis



Business-type Activities. For the City of Morristown's business-type activities, the results for the current year were positive in that overall net position increased to reach an ending balance of approximately \$148.2 million. Of the overall net position amount, \$4,963,706 or 3.3% relates to the Stormwater fund.

The total increase in net position for business-type activities was \$5.4 million or 3.8% from the prior fiscal year. While overall net position for business-type activities increased, the Stormwater Fund experienced a decrease of approximately \$133,963 or -2.6%. The decrease in the Storm Water fund is attributed to a slight decrease in revenues and increase in operating expenses as it relates to maintenance type items. The increase in net position is partially attributed to the increase in rates for the power, wastewater and some broadband services. For a more thorough discussion of the Morristown Utilities Commission's finances readers should consult the Annual Financial Report issued by the Commission for the current fiscal year ended.

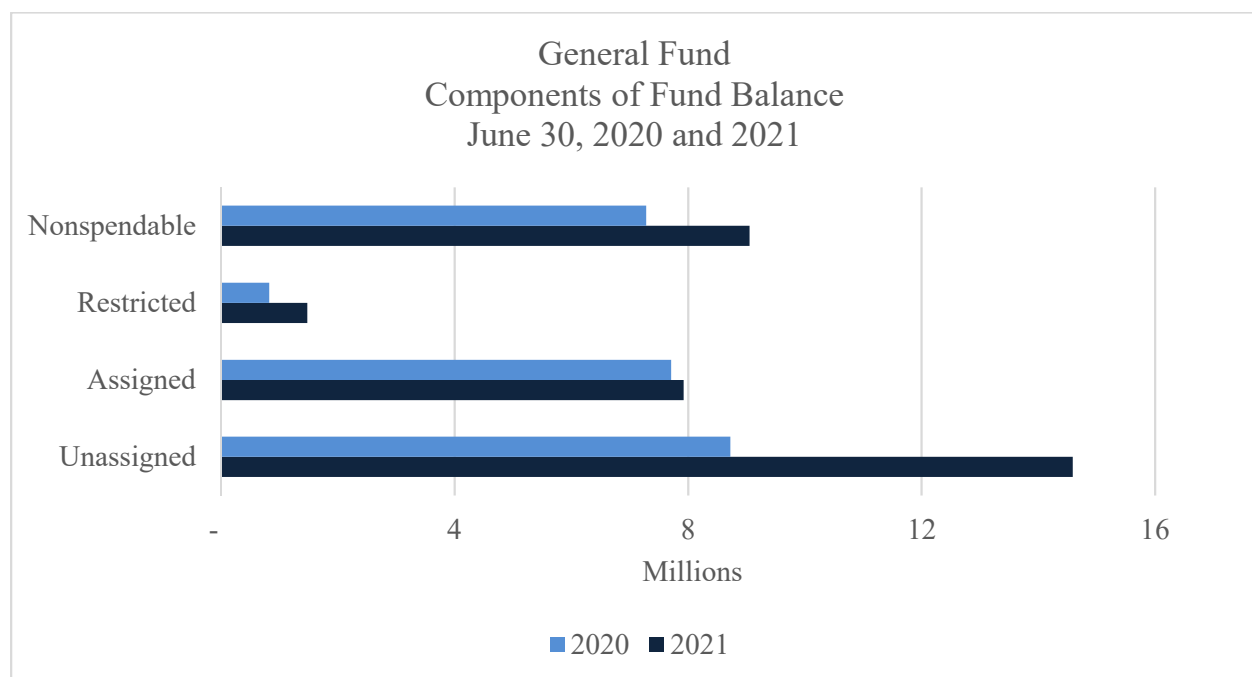
Management's Discussion & Analysis

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Morristown's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Morristown's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not been limited to use for a particular purpose by either an external party, the City of Morristown itself, or a group or individual that has been delegated authority to assign resources for use for a particular purpose by the City of Morristown's Council.

At June 30, 2021, the City of Morristown's governmental funds reported combined ending fund balances of \$63,770,160 a decrease of approximately \$3.7 million in comparison with the prior year. Approximately 22.9% of this amount (\$14,592,210) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, or assigned to indicate that it is 1) not in spendable form or legally/contractually required to be maintained intact (\$9,056,749), 2) restricted for particular purposes (\$30,067,987), 3) committed for particular purposes (\$2,128,821), or 4) assigned for particular purposes (\$7,924,393).



The General Fund is the chief operating fund of the City of Morristown. The total fund balance increased to \$8,507,794. At the end of the current fiscal year, unassigned fund balance was \$14,592,210. This increase is attributed in part to a combination of an increase in most revenue types; in particular an increase of 32.7% in intergovernmental revenues and 11.6% in local sales tax collections. Other contributing factors were the reduction of funds transferred relating to General Capital Projects. The City also experienced a decrease in expenses in the amount \$1.5 million or -3.58%. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 37.8% of total general fund expenditures,

Management's Discussion & Analysis

while total fund balance represents 85.7% of that same amount. City of Morristown Council has formally adopted a financial policy stating that the City's general fund will maintain an unassigned fund balance of at least 15%, but not to exceed 40% of annual general fund expenditures.

The fund balance of the City of Morristown's general fund increased \$8,507,794. As mentioned above, this increase is attributed in part to a combination of revenue growth, decrease in funds transferred for capital projects and a decrease in expenses. It must be stressed that fund balance is only being expended for one-time items, not reoccurring expenditures.

The General Capital Projects fund is used to account the construction of major capital facilities and other projects that are capital in nature. Transfers are made from the General Fund as necessary to help fund capital projects. The fund balance for the General Capital Projects fund decreased by approximately \$500 thousand or 17.0%. This is due to in part the nature of the current projects underway and the fact the facility for the new Community Center (Morristown Landing) is being accounted for in a separate fund. The projects currently in process are not related to new facilities but improvements to existing facilities that will increase the useful life of the asset.

The Community Center Capital Projects Fund accounts for financial resources to be used for the construction of capital facilities related to the City's Community Center referred to as Morristown Landing. Fund balance for this fund decreased by approximately \$12.0 million or 31.40%. The decrease was expected as construction for this project began earlier in the year. Currently this project is financed solely by General Obligation Bonds.

The Solid Waste fund is used to account for the City's sanitation and recycling operations. The Solid Waste Fund's operations are funded by user fees. The Solid Waste Fund balance increased in the amount of approximately \$385,800 or 35.9%. The reason for the increase in part is related to the way user fees were being remitted to the City. The user fee funding the Solid Waste Fund, increased beginning July 1, 2018 as part of a long-term funding plan to help this fund become self-sufficient. It should be noted no funds were transferred from the general fund during FY 2020-2021.

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

The unrestricted net position of the City's business-type activities increased overall by \$2,821,230. Of this amount, the unrestricted net position of the City's Storm Water Fund decreased approximately \$1.03 million for the current fiscal year. Unrestricted net position of the Morristown Utilities Commission, which operates power, wastewater, water, and broadband service for the City, at the end of the year, amounted to \$25,348,086, an increase of \$3,847,704. For a more thorough discussion of the Morristown Utilities Commission's finances readers should consult the Annual Comprehensive Financial Report issued by the Commission for the current fiscal year ended.

General Fund Budgetary Highlights

During the fiscal year, amendments were necessary to increase estimated revenues and original budgeted appropriations. Additionally, there were amendments made to reallocate appropriations between departments without increasing the total appropriations. The original budget ordinance approved appropriations totaling \$41,375,100. Budget amendments were approved by Council during the year increasing total appropriations to \$42,923,133, an increase of \$1,548,033 or 3.74%. Significant differences

Management's Discussion & Analysis

between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$550,329 to increase revenue and appropriations to account for the Department of Justice Grant in relation to the Coronavirus Emergency Supplemental Funding Program for the Police Department, for the U.S. Department of Transportation Hazardous Materials Emergency Planning Grant for the Fire Department, for the Tennessee Cares Act Grant, and the Airport Taxiway Connector Project.
- \$334,355 of which \$209,355 was re-appropriated to purchase vehicles for the Police Department per their replacement plan. Due to supply chain issues, vehicles could not be ordered in FY20 and thus the amounts were re-appropriated in FY21.
- \$669,410 to increase revenue and appropriations to account the implementation of the market survey updated as presented by the Austin Peters Group with a two percent cost of living adjustment added to the updated survey. This was retroactive to July 1, 2020.
- \$103,443 to increase appropriations associated with paving of Progress Parkway. The money as originally allocated in FY20. However, the purchase order was inadvertently liquidated at the end of fiscal year and thus had to be reappropriated in FY21.

Capital Asset and Debt Administration

Capital assets. The City of Morristown's investment in capital assets for its governmental and business-type activities as of June 30, 2021, amounts to \$89.8 million and \$228.8 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, vehicles, park facilities, infrastructure, and construction in progress. The total increase in capital assets for the current fiscal year was approximately 0.7%.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 13,843,330	\$ 13,843,330	\$ 2,759,851	\$ 2,729,137	\$ 16,603,181	\$ 16,572,467
Buildings	31,376,608	13,974,252	-	-	31,376,608	13,974,252
Improvements other than buildings	5,800,174	3,061,368	-	-	5,800,174	3,061,368
Machinery & equipment	6,400,513	7,111,237	-	-	6,400,513	7,111,237
Infrastructure	18,629,512	20,790,779	-	-	18,629,512	20,790,779
Utility plant and equipment	-	-	222,511,936	230,517,400	222,511,936	230,517,400
Construction in progress	13,754,322	22,704,118	3,521,041	1,662,234	17,275,363	24,366,352
Total	<u>\$ 89,804,459</u>	<u>\$ 81,485,084</u>	<u>\$ 228,792,828</u>	<u>\$ 234,908,771</u>	<u>\$ 318,597,287</u>	<u>\$ 316,393,855</u>

Additional information on the City of Morristown's capital assets can be found in Note 7 on pages 36-38 of this report.

Long-term debt. At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$166.5 million; of this amount, \$63.9 million comprises net direct debt of governmental activities. The remainder of the City of Morristown's debt represents bonds secured by specified revenue sources and the full faith and credit of the government.

Management's Discussion & Analysis

The City's breakdown of variable and fixed rate debt outstanding is 12.3% and 87.7% respectively.

The following is a brief summary of the City's long-term debt by fund:

City of Morristown's Long-Term Debt				
	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
Governmental activities				
General fund	\$ 66,396,847	\$ -	\$ 2,669,752	\$ 63,727,095
Solid waste fund	193,953	-	26,655	\$ 167,298
Total governmental activities	66,590,800	-	2,696,407	63,894,393
Business-type activities				
Sewer system	74,465,448		4,789,004	69,676,444
Storm water system	3,593,862	-	211,899	3,381,963
Electric system	18,740,000	-	1,120,000	17,620,000
Water system	8,843,177	-	1,020,960	7,822,217
Broadband system	4,798,000	-	692,000	4,106,000
Total business-type activities	110,440,487	-	7,833,863	102,606,624
Total Debt	<u>\$ 177,031,287</u>	<u>\$ -</u>	<u>\$ 10,530,270</u>	<u>\$ 166,501,017</u>

The City of Morristown's total debt decreased by \$10,530,270 (-5.9%) during the current fiscal year. The reason for the decreased is attributed to the principal payments made throughout the year.

Additional information on the City of Morristown's long-term debt can be found in Note 8 on pages 38-44 of this report.

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Morristown and were considered in developing the 2021-2022 fiscal year budget.

- Given the impact of the COVID-19 pandemic, the City's economy exhibited unexpected growth. Local option sales tax saw growth of approximately 11.6% when compared to prior fiscal year. Small growth was expected to continue into the new fiscal year in part due to the implementation of online sales tax collection by the Tennessee General Assembly in October 2019.
- The unemployment as of June 30, 2021 was 5.4%, compared to 9.4% at June 30, 2020. The state's seasonally adjusted unemployment rate also decreased and as of June 30, 2020 was 4.9% compared to 9.6% a year ago. The national average unemployment rate also saw a decrease and was 5.9% compared to 11.2% a year ago.

Management's Discussion & Analysis

- Healthy reserves, conservative management and budgeting, and the stable tax base of the local economy allowed the City of Morristown to maintain its strong financial position in 2021 and to continue the current level of services for the near-term.
- During the current fiscal year, the assigned fund balance in the General Fund was \$7,924,393. The City of Morristown has appropriated \$1,505,776 of this amount for spending in the 2021-2022 fiscal year budget. This action was taken to address the need for improving the City of Morristown's capital assets without having to issue long-term debt and is not spent on reoccurring operating expenditures.

Impact of Pandemic

In March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The impact on the City of Morristown's fiscal year 2021 operations was lessened in part due to federal and state stimulus funds provided to the City and to the increase in sales tax collections. Another contributing factor was management's conservative spending. This situation continues to evolve, and additional impacts may arise. While the disruption was originally expected to be temporary, there remains uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity, or capital resources cannot be reasonably estimated at this time. There are sufficient resources to sustain operations and services to taxpayers. The City of Morristown will continue to conservatively manage its resources until there is some normalcy restored in the economy.

Requests for Information

This financial report is designed to provide a general overview of the City of Morristown's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for addition financial information should be addressed to the City of Morristown, Office of Finance, P.O. Box 1499, Morristown, Tennessee 37816-1499.

BASIC FINANCIAL STATEMENTS

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 3)	\$ 35,617,301	\$ 29,933,658	\$ 65,550,959
Receivables, net (Note 4)	20,392,104	11,399,616	31,791,720
Internal balances	332,673	(332,673)	-
Due from other governmental units	1,019	1,473,334	1,474,353
Inventories	81,972	2,129,265	2,211,237
Other current assets	36,732	313,042	349,774
Restricted assets:			
Cash and cash equivalents (Note 3)	31,357,087	-	31,357,087
Capital assets: (Note 7)			
Non-depreciable	27,597,652	6,280,892	33,878,544
Depreciable, net	62,206,807	222,511,936	284,718,743
Land held for sale (Note 6)	8,972,569	-	8,972,569
Other assets	-	366,509	366,509
Total assets	186,595,916	274,075,579	460,671,495
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows (Note 10)	5,002,756	100,128	5,102,884
OPEB related deferred outflows (Notes 12 and 13)	640,621	126,848	767,469
Total deferred outflows of resources	5,643,377	226,976	5,870,353
LIABILITIES			
Accounts payable and accrued liabilities	6,769,687	8,385,305	15,154,992
Accrued payroll and related liabilities	678,308	2,681,482	3,359,790
Accrued interest payable	184,134	115	184,249
Customer deposits	-	4,569,951	4,569,951
Due to other governmental units	4,117,242	-	4,117,242
Unearned revenue (Note 4)	679,250	264,188	943,438
Long-term liabilities:			
Due within one year (Note 8)	3,330,632	8,225,988	11,556,620
Due in more than one year (Note 8)	66,075,669	99,482,700	165,558,369
Net OPEB liability (Notes 12 and 13)	5,409,428	2,190,076	7,599,504
Net pension liability (Note 10)	7,760,083	155,314	7,915,397
Total liabilities	95,004,433	125,955,119	220,959,552
DEFERRED INFLOWS OF RESOURCES			
Property taxes and seized funds (Note 4)	14,393,346	-	14,393,346
OPEB related deferred inflows (Notes 12 and 13)	1,406,505	159,025	1,565,530
Pension related deferred inflows (Note 10)	800,275	16,017	816,292
Total deferred inflows of resources	16,600,126	175,042	16,775,168
NET POSITION			
Net investment in capital assets	53,742,337	121,125,559	174,867,896
Restricted for:			
ARPA	355	-	355
Narcotics	259,253	-	259,253
E-Citation	57,215	-	57,215
Capital projects	537,020	-	537,020
Public works	2,937,398	-	2,937,398
Unrestricted	23,101,156	27,046,835	50,147,991
Total net position	\$ 80,634,734	\$ 148,172,394	\$ 228,807,128

The Notes to Financial Statements are an integral part of this statement.

EXHIBIT 2

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 5,023,218	\$ 632,062	\$ -	\$ -	\$ (4,391,156)	\$ -	\$ (4,391,156)
Public safety	17,247,169	216,378	192,291	-	(16,838,500)	-	(16,838,500)
Public works	11,264,215	2,146,382	65	434,798	(8,682,970)	-	(8,682,970)
Culture and recreation	2,254,193	51,573	-	-	(2,202,620)	-	(2,202,620)
Civic support	1,642,185	-	-	-	(1,642,185)	-	(1,642,185)
Interest on long-term debt	2,209,706	-	-	-	(2,209,706)	-	(2,209,706)
Total governmental activities	39,640,686	3,046,395	192,356	434,798	(35,967,137)	-	(35,967,137)
Business-type activities:							
Water	7,472,802	7,611,410	-	133,610	-	272,218	272,218
Wastewater	15,101,255	16,159,332	-	239,000	-	1,297,077	1,297,077
Stormwater	1,482,648	1,376,972	-	-	-	(105,676)	(105,676)
Power	70,548,813	74,974,451	-	-	-	4,425,638	4,425,638
Broadband	8,563,862	8,609,151	-	-	-	45,289	45,289
Total business-type activities	103,169,380	108,731,316	-	372,610	-	5,934,546	5,934,546
Total	\$ 142,810,066	\$ 111,777,711	\$ 192,356	\$ 807,408	(35,967,137)	5,934,546	(30,032,591)
General revenues:							
Property taxes					14,554,286	-	14,554,286
Local sales taxes					15,120,224	-	15,120,224
Franchise taxes					600,615	-	600,615
Alcohol beverage tax					1,387,455	-	1,387,455
Business and gross receipts tax					1,225,928	-	1,225,928
Lodging tax					737,761	-	737,761
Litigation tax					41,024	-	41,024
Intergovernmental revenue-unrestricted					7,570,005	-	7,570,005
Unrestricted investment earnings					-	39,876	39,876
Other					1,018,593	3,522,030	4,540,623
Transfers (Note 5)					2,442,392	(2,442,392)	-
Total general revenues and transfers					44,698,283	1,119,514	45,817,797
Change in net position					8,731,146	7,054,060	15,785,206
Net position at July 1, as previously reported'					71,903,588	142,744,148	214,647,736
Prior period restatement (Note 17)					-	(1,625,814)	(1,625,814)
Net position at July 1, as restated					71,903,588	141,118,334	213,021,922
Net position at June 30,					\$ 80,634,734	\$ 148,172,394	\$ 228,807,128

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2021**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Community Center Capital Projects</u>	<u>American Rescue Plan Act</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 21,465,889	\$ 1,051,288	\$ 2,672,293	\$ 283,047	\$ 4,117,597	\$ 407,282	\$ 29,997,396
Cash and cash equivalents, restricted	-	-	-	31,357,087	-	-	31,357,087
Receivables, net	19,941,167	272,400	20,366	-	-	32	20,233,965
Due from other funds	97,477	235,196	-	-	-	-	332,673
Due from other governmental units	-	-	-	-	-	1,019	1,019
Prepaid	2,208	-	-	-	-	-	2,208
Inventories	81,972	-	-	-	-	-	81,972
Land held for sale	8,972,569	-	-	-	-	-	8,972,569
Total assets	<u>\$ 50,561,282</u>	<u>\$ 1,558,884</u>	<u>\$ 2,692,659</u>	<u>\$ 31,640,134</u>	<u>\$ 4,117,597</u>	<u>\$ 408,333</u>	<u>\$ 90,978,889</u>
LIABILITIES							
Accounts payable and accrued liabilities	\$ 808,702	\$ 85,663	\$ 26,818	\$ 5,363,388	\$ -	\$ 3,013	\$ 6,287,584
Accrued payroll and related liabilities	664,089	14,219	-	-	-	-	678,308
Due to other governmental units	-	-	-	-	4,117,242	-	4,117,242
Unearned revenue	679,250	-	-	-	-	-	679,250
Total liabilities	<u>2,152,041</u>	<u>99,882</u>	<u>26,818</u>	<u>5,363,388</u>	<u>4,117,242</u>	<u>3,013</u>	<u>11,762,384</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable/deferred taxes	<u>15,357,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,852</u>	<u>15,446,345</u>
FUND BALANCES							
Nonspendable	9,056,749	-	-	-	-	-	9,056,749
Restricted	1,478,396	1,459,002	537,020	26,276,746	355	316,468	30,067,987
Committed	-	-	2,128,821	-	-	-	2,128,821
Assigned	7,924,393	-	-	-	-	-	7,924,393
Unassigned	14,592,210	-	-	-	-	-	14,592,210
Total fund balances	<u>33,051,748</u>	<u>1,459,002</u>	<u>2,665,841</u>	<u>26,276,746</u>	<u>355</u>	<u>316,468</u>	<u>63,770,160</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 50,561,282</u>	<u>\$ 1,558,884</u>	<u>\$ 2,692,659</u>	<u>\$ 31,640,134</u>	<u>\$ 4,117,597</u>	<u>\$ 408,333</u>	<u>\$ 90,978,889</u>

(Continued)

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2021**

Total Fund Balance – Governmental Funds \$ 63,770,160

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	89,804,459
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,052,999
Long-term liabilities, including bonds payable, compensated absences, and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	(67,702,256)
Accrued interest payable	(184,134)
Compensated absences	(1,704,045)
Deferred amounts:	
Deferred outflows of resources for the net difference between projected and actual experience on pension plan investments.	1,463,491
Deferred outflows of resources for change in pension assumptions.	781,557
Deferred outflows of resources for the difference between projected and actual earnings to the pension plan.	511,184
Deferred outflows of resources for 2021 employer pension plan contributions.	2,246,524
Deferred inflows of resources for the difference between actual and expected experience related to the pension plan.	(800,275)
Deferred outflows of resources for change in OPEB assumptions.	371,858
Deferred outflows of resources for the difference between actual and expected experience related to the OPEB plan.	268,763
Deferred inflows of resources for the difference between actual and expected experience related to the OPEB plan.	(486,738)
Deferred inflows of resources change in OPEB assumptions.	(758,274)
Deferred inflows of resources for the difference between projected and actual earnings to the OPEB plan.	(161,493)
Net pension liability	(7,760,083)
Net OPEB liability	(5,409,428)

The internal service fund is used by management to account for the claims and premiums for employee health insurance. Its assets and liabilities are included in the governmental activities' statement of net position.

5,330,465

Net position of governmental activities

\$ 80,634,734

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	General	Solid Waste	Capital Projects	Community Center Capital Projects	American Rescue Plan Act	Non-major Governmental	Total Governmental Funds
REVENUES							
General property taxes	\$ 14,893,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,893,375
Sales tax	15,120,224	-	-	-	-	-	15,120,224
Other local taxes	3,992,783	-	-	-	-	-	3,992,783
Licenses, permits, and fines	445,903	-	-	-	-	118,142	564,045
Charges for services	335,968	2,146,382	-	-	-	-	2,482,350
Other	851,834	-	45,980	54,270	355	66,154	1,018,593
Intergovernmental	7,346,966	-	850,193	-	-	-	8,197,159
Total revenues	42,987,053	2,146,382	896,173	54,270	355	184,296	46,268,529
EXPENDITURES							
Current:							
General government	4,849,256	-	65,714	12,086,266	-	-	17,001,236
Public safety	17,165,474	-	-	-	-	211,249	17,376,723
Public works	7,199,737	1,729,340	60,920	-	-	-	8,989,997
Culture and recreation	2,119,994	-	-	-	-	-	2,119,994
Civic support	1,642,185	-	-	-	-	-	1,642,185
Retiree health insurance	524,572	-	-	-	-	-	524,572
Debt service:							
Principal retirement	2,669,751	26,656	-	-	-	-	2,696,407
Interest and fiscal charges	2,411,843	4,581	-	-	-	-	2,416,424
Total expenditures	38,582,812	1,760,577	126,634	12,086,266	-	211,249	52,767,538
Excess (deficiency) of revenues over expenditures	4,404,241	385,805	769,539	(12,031,996)	355	(26,953)	(6,499,009)
OTHER FINANCING SOURCES (USES)							
Transfers in	3,760,476	-	-	-	-	-	3,760,476
Transfers out	-	-	(1,318,084)	-	-	-	(1,318,084)
Total other financing sources (uses)	3,760,476	-	(1,318,084)	-	-	-	2,442,392
Net change in fund balance	8,164,717	385,805	(548,545)	(12,031,996)	355	(26,953)	(4,056,617)
Fund balance at beginning of year as previously reported	24,543,954	1,073,197	3,214,386	38,308,742	-	343,421	67,483,700
Prior period restatement (Note 17)	343,077	-	-	-	-	-	343,077
FUND BALANCES AT JULY 1,	24,887,031	1,073,197	3,214,386	38,308,742	-	343,421	67,826,777
FUND BALANCES AT JUNE 30,	\$ 33,051,748	\$ 1,459,002	\$ 2,665,841	\$ 26,276,746	\$ 355	\$ 316,468	\$ 63,770,160

(Continued)

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021**

Net changes in fund balances – Governmental Funds	\$ (4,056,617)
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	12,657,848
Loss on disposal of assets	(26,952)
Depreciation expense	(3,968,444)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(339,089)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayment	2,696,407
Amortization of premium	196,987
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 governmental funds.	
Change in accrued interest payable	9,731
Change in compensated absences	(110,006)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned net of employee contributions is reported as OPEB expense.	93,092
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reports as pension expense.	846,479
The internal service fund is used by management to account for the claims and premiums for employee health insurance. The change in net position of internal service funds is reported with governmental activities.	731,710
Change in net position of governmental activities	\$ 8,731,146

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2021**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
REVENUES						
Taxes:						
General property	\$ 13,782,000	\$ 13,782,000	\$ 14,893,375	\$ -	\$ 14,893,375	\$ 1,111,375
Sales tax	12,217,500	14,558,825	15,120,224	-	15,120,224	561,399
Other local taxes	3,378,500	3,378,500	3,992,783	-	3,992,783	614,283
Licenses and permits	380,000	380,000	445,903	-	445,903	65,903
Charges for services	405,000	405,000	335,968	-	335,968	(69,032)
Other	745,000	791,556	851,834	-	851,834	60,278
Intergovernmental	6,988,111	6,491,884	7,346,966	-	7,346,966	855,082
Total revenues	37,896,111	39,787,765	42,987,053	-	42,987,053	3,199,288
EXPENDITURES						
General government:						
Mayor and City Council	290,869	290,869	210,259	3,534	213,793	77,076
Council elections	22,000	22,000	21,762	-	21,762	238
City administrator	853,256	851,664	823,618	13,327	836,945	14,719
Finance department	961,616	1,038,509	1,008,634	(5,640)	1,002,994	35,515
Purchasing department	68,915	69,801	68,570	440	69,010	791
Computer operations	355,498	356,261	315,196	2,588	317,784	38,477
Human resources	155,069	156,581	142,173	1,447	143,620	12,961
Risk management	177,048	182,752	180,416	502	180,918	1,834
Court administration	97,226	97,226	66,389	-	66,389	30,837
Legal	101,391	101,391	76,974	-	76,974	24,417
Community and economic affairs	984,545	979,214	576,250	27,799	604,049	375,165
Engineering	240,234	552,744	335,026	190,752	525,778	26,966
GIS	276,949	281,481	269,012	906	269,918	11,563
Inspections	536,987	544,924	498,755	669	499,424	45,500
Natural resource maintenance	413,150	415,806	256,222	75,615	331,837	83,969
Total general government	5,534,753	5,941,223	4,849,256	311,939	5,161,195	780,028
Public safety:						
Police supervision	795,907	860,169	683,650	44,133	727,783	132,386
Patrol and traffic	5,033,234	5,497,836	4,625,120	521,303	5,146,423	351,413
Police investigation	1,446,610	1,463,622	1,314,388	(24,736)	1,289,652	173,970
Police support	1,171,448	1,207,089	987,608	1,300	988,908	218,181
Litter crew	91,588	91,588	30,027	(411)	29,616	61,972
Chaplains	1,650	1,650	1,103	50	1,153	497
Narcotics	711,581	762,998	749,098	(380)	748,718	14,280
Code enforcement	234,540	236,744	189,443	32,904	222,347	14,397
Fire supervision	703,326	732,715	685,803	1,873	687,676	45,039
Fire inspection	256,587	271,352	225,865	1,018	226,883	44,469
Fire stations	209,441	209,441	182,014	343	182,357	27,084
Firefighting	7,185,012	7,405,224	7,491,355	37,557	7,528,912	(123,688)
Total public safety	17,840,924	18,740,428	17,165,474	614,954	17,780,428	960,000

(Continued)

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2021**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
EXPENDITURES (Continued)						
Public works:						
Public works supervision	\$ 302,736	\$ 307,917	\$ 298,821	\$ (3,640)	\$ 295,181	\$ 12,736
Building and grounds	580,127	642,123	676,196	9,827	686,023	(43,900)
Equipment shop	682,061	690,601	603,996	43,314	647,310	43,291
Repairs and maintenance	1,485,322	1,505,238	1,321,611	40,709	1,362,320	142,918
Street lighting and signs	875,331	879,281	829,187	(12,797)	816,390	62,891
Brush pick-up and snow removal	1,416,324	1,442,308	1,436,195	(17,041)	1,419,154	23,154
Sidewalks	98,000	98,000	135,335	(53,388)	81,947	16,053
Traffic devices	243,500	243,500	194,053	22,881	216,934	26,566
Communication shop	224,223	235,989	215,399	7,260	222,659	13,330
Pavement management system	1,950,000	1,950,000	1,219,215	817,468	2,036,683	(86,683)
Airport	328,200	374,756	269,729	48,751	318,480	56,276
Total public works	8,185,824	8,369,713	7,199,737	903,344	8,103,081	266,632
Culture and recreation:						
Parks and recreation supervision	523,112	548,531	534,971	1,960	536,931	11,600
Playgrounds and programs	524,984	461,264	275,340	(6,141)	269,199	192,065
Parks and maintenance	1,489,578	1,586,049	1,309,683	59,634	1,369,317	216,732
Total culture and recreation	2,537,674	2,595,844	2,119,994	55,453	2,175,447	420,397
Civic support:						
Contributions to local agencies	232,000	232,000	218,019	-	218,019	13,981
Animal control	137,880	177,880	195,901	-	195,901	(18,021)
E-911 district	262,580	262,580	262,580	-	262,580	-
Economic development	246,500	246,500	258,571	-	258,571	(12,071)
Emergency management agency	30,000	40,000	31,262	-	31,262	8,738
Library	293,500	293,500	293,500	-	293,500	-
TIF payments	392,090	342,090	338,517	-	338,517	3,573
LAMTPO Local Match	36,000	36,000	35,335	-	35,335	665
Crockett Tavern Association	8,500	8,500	8,500	-	8,500	-
Total civic support	1,639,050	1,639,050	1,642,185	-	1,642,185	(3,135)

(Continued)

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)
Year Ended June 30, 2021**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
EXPENDITURES (Continued)						
Retiree health insurance	\$ 550,000	\$ 550,000	\$ 524,572	\$ -	\$ 524,572	\$ 25,428
Debt service:						
Principal	2,670,581	2,670,581	2,669,751	-	2,669,751	830
Interest	2,411,294	2,411,294	2,409,806	-	2,409,806	1,488
Bond expense	5,000	5,000	2,037	-	2,037	2,963
Total debt service	5,086,875	5,086,875	5,081,594	-	5,081,594	5,281
Total expenditures	41,375,100	42,923,133	38,582,812	1,885,690	40,468,502	2,454,631
Excess (deficiency) of revenues over expenditures	(3,478,989)	(3,135,368)	4,404,241	(1,885,690)	2,518,551	5,653,919
OTHER FINANCING SOURCES (USES)						
Non-revenue fund balance appropriation	-	891,621	-	-	-	(891,621)
Transfers in	2,222,327	2,222,327	3,760,476	-	3,760,476	1,538,149
Net other financing sources (uses)	2,222,327	3,113,948	3,760,476	-	3,760,476	646,528
Net change in fund balance	(1,256,662)	(21,420)	8,164,717	(1,885,690)	6,279,027	6,300,447
Fund balance, July 1, 2020	23,480,117	23,480,117	24,543,954	(1,645,058)	22,898,896	7,525,855
Prior period adjustment	-	-	343,077	-	343,077	343,077
Fund balance, June 30, 2021	\$ 22,223,455	\$ 23,458,697	\$ 33,051,748	\$ (3,530,748)	\$ 29,521,000	\$ 14,169,379

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – SOLID WASTE FUND (BUDGETARY BASIS)
Year Ended June 30, 2021**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Charges for services	\$ 2,088,000	\$ 2,088,000	\$ 2,146,382	\$ -	\$ 2,146,382	\$ 58,382
Total revenues	2,088,000	2,088,000	2,146,382	-	2,146,382	58,382
EXPENDITURES						
Public works:						
Sanitation department	2,287,902	2,277,347	1,491,953	732,227	2,224,180	53,167
Curbside recycle	230,398	240,467	237,387	566	237,953	2,514
Debt service:						
Principal	25,828	26,656	26,656	-	26,656	-
Interest	4,725	4,883	4,581	-	4,581	302
Paying agent fees	500	-	-	-	-	-
Total expenditures	2,549,353	2,549,353	1,760,577	732,793	2,493,370	55,983
Excess (deficiency) of revenues over expenditures	(461,353)	(461,353)	385,805	(732,793)	(346,988)	114,365
Net change in fund balance	(461,353)	(461,353)	385,805	(732,793)	(346,988)	114,365
Fund balance, July 1, 2020	820,328	820,328	1,073,197	(293,667)	779,530	325,210
Fund balance, June 30, 2021	\$ 358,975	\$ 358,975	\$ 1,459,002	\$ (1,026,460)	\$ 432,542	\$ 439,575

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2021**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 6,486,244	\$ 17,959,525	\$ 3,085,654	\$ 1,109,815	\$ 1,292,420	\$ -	\$ 29,933,658	\$ 5,619,905
Receivables, net	812,397	9,838,792	282,227	-	466,200	-	11,399,616	158,139
Due from other funds	236,774	398,929	20,836	111,780	83,764	(852,083)	-	-
Due from other governmental units	715,286	619,581	98,301	40,166	-	-	1,473,334	-
Other current assets	42,195	12,170	18,442	240,235	-	-	313,042	34,524
Inventories	247,846	1,374,680	458,111	448	48,180	-	2,129,265	-
Total current assets	8,540,742	30,203,677	3,963,571	1,502,444	1,890,564	(852,083)	45,248,915	5,812,568
NONCURRENT ASSETS								
Advances from other funds	-	1,008,071	-	-	-	(1,008,071)	-	-
Other assets	-	306,633	-	-	59,876	-	366,509	-
Capital assets:								
Non-depreciable	2,014,619	2,471,033	1,023,740	16,701	754,799	-	6,280,892	-
Depreciable, net	98,799,538	69,573,741	36,173,512	11,948,200	6,016,945	-	222,511,936	-
Total noncurrent assets	100,814,157	73,359,478	37,197,252	11,964,901	6,831,620	(1,008,071)	229,159,337	-
Total assets	109,354,899	103,563,155	41,160,823	13,467,345	8,722,184	(1,860,154)	274,408,252	5,812,568
DEFERRED OUTFLOWS OF RESOURCES								
Pension related deferred outflows	-	-	-	-	100,128	-	100,128	-
OPEB related deferred outflows	23,706	61,903	24,025	17,214	-	-	126,848	-
Total deferred outflows of resources	23,706	61,903	24,025	17,214	100,128	-	226,976	-
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable and accrued liabilities	1,121,547	6,359,861	262,473	509,188	132,236	-	8,385,305	482,103
Accrued payroll and related liabilities	352,854	1,587,393	422,314	307,136	11,785	-	2,681,482	-
Accrued interest payable	-	-	-	-	115	-	115	-
Customer deposits	-	4,486,851	-	83,100	-	-	4,569,951	-

(Continued).
The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2021

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
LIABILITIES (Continued)								
CURRENT LIABILITIES (Continued)								
Due to other funds	\$ 97,477	\$ 688,350	\$ -	\$ 398,929	\$ -	\$ (852,083)	\$ 332,673	\$ -
Compensated absences	-	-	-	-	10,906	-	10,906	-
Unearned revenues	-	-	-	264,188	-	-	264,188	-
Bonds, leases, and contracts payable	5,005,369	1,175,000	1,052,469	770,264	211,980	-	8,215,082	-
Total current liabilities	6,577,247	14,297,455	1,737,256	2,332,805	367,022	(852,083)	24,459,702	482,103
NONCURRENT LIABILITIES								
Advances to other funds	-	-	-	1,008,071	-	(1,008,071)	-	-
Compensated absences	-	-	-	-	25,446	-	25,446	-
Other post-employment benefits	240,465	1,195,413	442,747	311,451	-	-	2,190,076	-
Net pension liability	-	-	-	-	155,314	-	155,314	-
Bonds, leases, and contracts payable	68,713,776	17,062,162	6,769,748	3,616,761	3,294,807	-	99,457,254	-
Total noncurrent liabilities	68,954,241	18,257,575	7,212,495	4,936,283	3,475,567	(1,008,071)	101,828,090	-
Total liabilities	75,531,488	32,555,030	8,949,751	7,269,088	3,842,589	(1,860,154)	126,287,792	482,103
DEFERRED INFLOWS OF RESOURCES								
OPEB related deferred inflows	1,314	143,551	3,373	10,787	-	-	159,025	-
Pension related deferred inflows	-	-	-	-	16,017	-	16,017	-
Total deferred inflows of resources	1,314	143,551	3,373	10,787	16,017	-	175,042	-
NET POSITION								
Net investment in capital assets	27,100,079	53,807,612	29,375,035	7,577,876	3,264,957	-	121,125,559	-
Unrestricted	6,745,724	17,118,865	2,856,689	(1,373,192)	1,698,749	-	27,046,835	5,330,465
Total net position	\$ 33,845,803	\$ 70,926,477	\$ 32,231,724	\$ 6,204,684	\$ 4,963,706	\$ -	\$ 148,172,394	\$ 5,330,465

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET FUND POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
OPERATING REVENUES								
Charges for services	\$ 16,159,332	\$ 74,974,451	\$ 7,611,410	\$ 8,609,151	\$ 1,376,972	\$ -	\$ 108,731,316	\$ 6,329,094
Interfund services	61,713	1,530,951	470,504	1,756,800	-	(3,819,968)	-	-
Other	764,982	1,677,798	88,482	990,746	22	-	3,522,030	-
Total operating revenues	16,986,027	78,183,200	8,170,396	11,356,697	1,376,994	(3,819,968)	112,253,346	6,329,094
OPERATING EXPENSES								
Operations	6,270,162	5,161,685	4,077,992	6,783,109	287,059	-	22,580,007	-
Maintenance	1,213,945	3,052,969	995,283	595,667	767,635	-	6,625,499	-
Power purchased	-	56,116,057	-	-	-	-	56,116,057	-
Depreciation and amortization	5,667,624	5,210,102	2,156,803	966,555	350,071	-	14,351,155	-
Interfund services	539,896	1,425,351	465,731	1,388,990	-	(3,819,968)	-	-
Other	-	455,576	-	81,538	-	-	537,114	-
Insurance claims and expenses	-	-	-	-	-	-	-	5,597,384
Total operating expenses	13,691,627	71,421,740	7,695,809	9,815,859	1,404,765	(3,819,968)	100,209,832	5,597,384
Operating income (loss)	3,294,400	6,761,460	474,587	1,540,838	(27,771)	-	12,043,514	731,710
NONOPERATING REVENUES (EXPENSES)								
Interest income	8,907	25,522	3,751	818	878	-	39,876	-
Interest expense	(1,949,524)	(552,424)	(242,724)	(136,993)	(77,883)	-	(2,959,548)	-
Total nonoperating expenses	(1,940,617)	(526,902)	(238,973)	(136,175)	(77,005)	-	(2,919,672)	-
Income (loss) before contributions and transfers	1,353,783	6,234,558	235,614	1,404,663	(104,776)	-	9,123,842	731,710
Capital contributions	239,000	-	133,610	-	-	-	372,610	-
Transfers out	(807,880)	(1,569,205)	(36,120)	-	(29,187)	-	(2,442,392)	-
Change in net position	784,903	4,665,353	333,104	1,404,663	(133,963)	-	7,054,060	731,710
Net position at beginning of year as previously reported	33,060,900	66,261,124	33,524,434	4,800,021	5,097,669	-	142,744,148	4,598,755
Prior period restatement (Note 17)	-	-	(1,625,814)	-	-	-	(1,625,814)	-
NET POSITION AT JULY 1,	33,060,900	66,261,124	31,898,620	4,800,021	5,097,669	-	141,118,334	4,598,755
NET POSITION AT JUNE 30,	\$ 33,845,803	\$ 70,926,477	\$ 32,231,724	\$ 6,204,684	\$ 4,963,706	\$ -	\$ 148,172,394	\$ 5,330,465

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
OPERATING ACTIVITIES								
Receipts from customers	\$ 16,373,385	\$ 76,583,984	\$ 8,048,927	\$ 11,389,136	\$ 1,307,002	\$ (3,819,968)	\$ 109,882,466	\$ 6,276,139
Payments to suppliers	(5,493,999)	(59,469,947)	(3,843,633)	(6,730,069)	(680,545)	3,819,968	(72,398,225)	(5,396,097)
Payments to employees	(2,105,270)	(6,233,238)	(1,682,834)	(2,111,099)	(278,628)	-	(12,411,069)	-
Other receipts	-	1,608,382	-	-	22	-	1,608,404	-
Net cash provided by operating activities	8,774,116	12,489,181	2,522,460	2,547,968	347,851	-	26,681,576	880,042
NONCAPITAL FINANCING ACTIVITIES								
Transfers to other funds	(807,880)	(1,542,790)	(36,120)	-	(29,187)	-	\$ (2,415,977)	-
Interfund borrowing (repayments)	(186,458)	769,786	(42,642)	(540,686)	-	-	-	-
Net cash used in noncapital financing activities	(994,338)	(773,004)	(78,762)	(540,686)	(29,187)	-	(2,415,977)	-
CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(1,591,517)	(5,493,992)	(1,226,527)	(906,765)	(1,008,658)	-	(10,227,459)	-
Contribution of capital by other governments	239,000	-	133,610	-	-	-	372,610	-
Principal paid on debt and contractual obligations	(4,883,862)	(1,120,000)	(1,020,960)	(737,312)	(211,899)	-	(7,974,033)	-
Interest paid on capital debt	(2,442,305)	(764,321)	(242,724)	(168,759)	(117,902)	-	(3,736,011)	-
Net cash used in capital and related financing activities	(8,678,684)	(7,378,313)	(2,356,601)	(1,812,836)	(1,338,459)	-	(21,564,893)	-
INVESTING ACTIVITIES								
Interest received	8,907	25,522	3,751	818	878	-	39,876	-
Net cash provided by investing activities	8,907	25,522	3,751	818	878	-	39,876	-
Net increase (decrease) in cash and cash equivalents	(889,999)	4,363,386	90,848	195,264	(1,018,917)	-	2,740,582	880,042
CASH AND CASH EQUIVALENTS								
Beginning at July 1	7,376,243	13,596,139	2,994,806	914,551	2,311,337	-	27,193,076	4,739,863
Ending at June 30	\$ 6,486,244	\$ 17,959,525	\$ 3,085,654	\$ 1,109,815	\$ 1,292,420	\$ -	\$ 29,933,658	\$ 5,619,905

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2021**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
Operating income (loss)	\$ 3,294,400	\$ 6,761,460	\$ 474,587	\$ 1,540,838	\$ (27,771)	\$ -	\$ 12,043,514	\$ 731,710
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation and amortization	5,779,262	5,354,481	2,211,417	1,030,910	350,071	-	14,726,141	-
Pension expense net of employer contributions	-	-	-	-	(2,020)	-	(2,020)	-
Change in assets and liabilities:								
(Increase) decrease in:								
Receivables, net	(538,300)	(584,123)	(77,515)	19,544	(69,970)	-	(1,250,364)	(52,955)
Unbilled/unearned revenues	(74,342)	(225,463)	(43,954)	-	-	-	(343,759)	(3,960)
Inventories	(14,621)	(22,738)	(73,039)	-	13,841	-	(96,557)	-
Other current assets	(11,085)	127,707	(1,325)	(87,472)	-	-	27,825	-
Deferred outflows	2,309	6,242	3,400	883	-	-	12,834	-
(Decrease) increase in:								
Accounts payable and accrued liabilities	263,485	523,456	14,915	(6,555)	73,249	-	868,550	205,247
Accrued payroll and related liabilities	-	-	-	-	(218)	-	(218)	-
Customer deposits	-	691,045	-	-	-	-	691,045	-
Total OPEB liability	43,410	71,335	(4,407)	49,836	-	-	160,174	-
Deferred inflows of resources	(192)	(19,960)	(725)	(1,172)	-	-	(22,049)	-
Other liabilities	29,790	(194,261)	19,106	1,156	10,669	-	(133,540)	-
Net cash provided by operating activities	<u>\$ 8,774,116</u>	<u>\$ 12,489,181</u>	<u>\$ 2,522,460</u>	<u>\$ 2,547,968</u>	<u>\$ 347,851</u>	<u>\$ -</u>	<u>\$ 26,681,576</u>	<u>\$ 880,042</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2021

	Post-Employment Benefits Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 21,481	\$ 250,076
Receivables:		
Grants receivable	-	43,719
Investments at fair value:		
Fixed Income Mutual Funds	352,048	-
Equity Mutual Funds	817,912	-
International Equity Mutual Funds	61,818	-
	<u>1,231,778</u>	<u>-</u>
Total assets	<u>1,253,259</u>	<u>293,795</u>
LIABILITIES		
Accounts payable	-	408
Accrued payroll and related liabilities	-	70
	<u>-</u>	<u>478</u>
Total liabilities	<u>-</u>	<u>478</u>
NET POSITION		
Restricted for:		
Post-employment benefits other than pensions	1,253,259	-
Individuals and organizations	-	293,317
	<u>-</u>	<u>293,317</u>
Total net position	<u>\$ 1,253,259</u>	<u>\$ 293,317</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2021

	Post-Employment Benefits Trust Fund	Custodial Funds
ADDITIONS		
Contributions:		
Employers	\$ 100,000	\$ 75,228
Investment earnings:		
Dividends and capital gains	18,075	-
Net decrease in fair value of investments	282,911	-
Intergovernmental	-	134,089
Transfers in	-	32,915
	<hr/>	<hr/>
Total additions	400,986	242,232
	<hr/>	<hr/>
DEDUCTIONS		
Benefits	-	87,753
Administrative expenses	3,000	10,211
Medical, dental, and life insurance for retirees	-	16,872
Payroll	-	75,392
Other contracted services	-	75,831
	<hr/>	<hr/>
Total deductions	3,000	266,059
	<hr/>	<hr/>
Change in net position	397,986	(23,827)
Net position – beginning of the year	855,273	17,856
	<hr/>	<hr/>
Prior period restatement (Note 17)	-	299,288
Net position – end of the year	<u>\$ 1,253,259</u>	<u>\$ 293,317</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

The City of Morristown, Tennessee (the “City”) was incorporated in 1855. The City operates on a Council-Administrator form of government and provides municipal services to its residents including fire and police protection, planning, engineering, inspections, public works, parks, and general government. The City also provides water, wastewater, power, refuse collection, and broadband services to its citizens. The water, wastewater, power, and broadband systems are operated by a separate board, Morristown Utilities Commission (the “Commission”), whose members are appointed by the Mayor and approved by City Council. The financial statements present the City as the primary government.

A blended component unit is an entity, that while legally separate, is in substance, part of the City’s operations, and so its financial information is combined with the financial statements of the City. The Commission as discussed in the preceding paragraph is a blended component unit of the City. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) 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 revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement 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 and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Accordingly, real and personal property taxes are recorded as deferred revenue and receivables when levied, net of allowances for uncollectible amounts. Real and personal property taxes recorded at June 30 and received within the first 60 days after year end are included in tax revenues, with the related amount reduced from deferred revenues. Franchise licenses, sales and use taxes, other local licenses and fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Intergovernmental revenues, consisting primarily of federal, state, and other grants for the purpose of specific funding are recognized when earned or at the time of the specific reimbursable expenditure. Revenues from general purpose grants are recognized in the period in which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Fiduciary fund reporting focuses on net position and changed in net positions. The fiduciary fund category includes OPEB trust fund and custodial funds.

The City reports the following major governmental funds:

The *general fund* is the government'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 *solid waste fund* accounts for the revenue and expenditure activity relating to operation of refuse collection activities. Solid waste revenues are provided through monthly charges to customers and garbage can purchases, with transfers from the general fund covering deficits.

The *capital projects fund* accounts for financial resources to be used for the construction of major capital facilities, other than those financed by proprietary funds.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The *community center capital projects fund* accounts for financial resources to be used for the construction of capital facilities related to the City's community center.

The *American Rescue Plan Act fund* is used to account for funds received under the American Rescue Plan Act.

The City reports the following non-major governmental funds:

The *narcotics fund* accounts for fines and forfeitures collected and used to support the City police department's drug investigations and enforcement programs.

The *e-citation fund* accounts for electronic citation fees associated with each conviction from law enforcement citations.

The City reports the following major proprietary funds:

The *power system fund* accounts for the activities of the City's electric distribution activities.

The *water system fund* accounts for the activities of the City's water distribution activities.

The *wastewater system fund* accounts for the activities of the government's sewage treatment operations.

The *broadband system fund* accounts for the activities of the government's cable and telephone services.

The City reports the following nonmajor proprietary fund:

The *stormwater system fund* accounts for infrastructure maintenance and improvements to the City's stormwater infrastructure.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for the City's health insurance services.

The *fiduciary funds* are used to account for monies held by the City in a trustee capacity or as an agent or custodian for others. The City's Other Post-Employment Benefits (OPEB) Trust fund accounts for assets held in trust and the related contributions and expense for OPEB administration. The employee benefits trust fund is used to account for operations of the flexible benefits program for City of Morristown employees. The LAMTPO fund is used to account for the City's role of fiscal agent of the Lakeway Area Metropolitan Transportation Planning Organization (LAMTPO).

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

During the course of operations, the government has activity between funds for various purposes. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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.

D. Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

E. Accounts Receivable

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are eliminated in the government-wide statement of net position.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable and trade receivables allowance accounts are based on prior years' collection experience.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable (Continued)

All property values are assessed and related taxes levied on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are due and payable December 1st. Bills for taxes are usually mailed on July 1st. A 2% discount is offered for payment received by August 31st. All unpaid property taxes become delinquent on December 31st. A penalty of 4.5% is imposed on unpaid property taxes as of December 1st an additional penalty of 1% is imposed for each month thereafter until paid. After one year and eleven months, any unpaid taxes are sent to the City Clerk and Master for collection.

F. Inventories

Inventories are stated at lower of cost (first-in, first-out) or net realizable value for enterprise and internal service funds and at cost for the general fund. Inventories consist of parts and materials held for consumption, which are recorded as an expenditure or expense when used.

G. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15-50 years
Machinery and equipment	5-25 years
Transmission equipment, fixtures, and devices	25-50 years
Infrastructure (roads and streets)	20 years
Distribution transformers, meters, fixtures, and devices	5-50 years

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statements which present financial position report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has six items that qualify for reporting in this category, which consist of contributions subsequent to the measurement date for pensions, which will be applied to the net pension liability in the next fiscal year; pension change in assumptions which will be recognized in expense over a closed five year period, the difference between expected and actual experience on the pension plan which will be recognized over the average working lifetime of all participants; the difference between expected and actual experience on the OPEB plan which will be recognized over the average service of plan participants; the difference between expected and actual earning on pension plan investments which will be recognized in expense over a closed five year period; and change in assumptions for OPEB which will be recognized in expense over a closed five year period.

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has six items reported as deferred inflows of resources. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents tax collections received before the period in which they are eligible for use (unearned revenue). The third item is the difference between actual and expected experience related to the pension plan. This difference will be recognized in pension expense over the average working lifetime of all participants. The fourth item is a change in assumptions related to the OPEB liability. This will be recognized in OPEB expense over the average working lifetime of all participants. The fifth item is the net difference between projected and actual earning on OPEB plan investments, which will be recognized in expense over a closed five year period. The sixth item is the differences between actual and expected experience related to the OPEB plan. This difference will be recognized in OPEB expense over a closed five year period.

I. Compensated Absences

It is the government's policy to permit employees to accumulate earned but not used sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

The Commission's policy is to recognize the cost of both vacation pay and sick leave benefits as earned. In the event of termination or retirement, an employee is reimbursed for accumulated vacation days. In general, accumulated vacation days are limited to 30 days. Employees are reimbursed for accumulated sick leave upon retirement or termination at an equivalent salary rate of 100%, 50%, or 33-1/3% depending on the date earned. Sick leave accumulation is limited to 90 days.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund type financial statements, *long-term debt* and other long-term obligations are reported as liabilities in the applicable fund-type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period of debt issuance. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

K. Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, financial statement elements related to pensions and OPEB, and pension and OPEB 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) Retirement Plan and the additions to/deductions from the City's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the TCRS for the Public Employee Retirement Plan and as reported in the City's trust fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources. The classifications are as follows:

- **Nonspendable** – Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as prepaid expenses, inventories, long-term interfund loans, and noncurrent notes receivable.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the City, using its highest level of decision making authority (City Council); to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the City intends to use for a specified purpose; intent can be expressed by the governing body or by the City Administrator which has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City will reduce fund balance restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.

The City reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Council establishes fund balance commitments by passage of an ordinance. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

M. Net Position

Net Investment in Capital Assets: Consists of capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets. When debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position: Restricted net position reflects the resources that are subject to restricted use and have been externally imposed by creditors, grantors or contributors, or by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Unrestricted net position includes resources that are available for transactions relating to the general operations of the City and may be used at the discretion of the City to meet current expenses for any purpose.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 1. Summary of Significant Accounting Policies (Continued)

N. Estimates

Management uses estimates and assumptions in preparing its financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and reported revenues, expenditures, and expenses. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

The budget process begins around the first of February with the City Administrator giving direction to department heads. Their requests are due back to finance by the end of February. During the month of March budget requests are reviewed and budget meetings held with each department. The City Administrator will make final decisions before submission to City Council which usually occurs in early May. City Council has work sessions and makes their revisions. The proposed budget is placed in the local newspaper. Before June 30, City Council adopts the budget ordinance with two readings.

Capital Project Funds are not budgeted. However, projects go before Council throughout the year and are approved on an individual basis. Once project is approved any associated contracts also go before Council for approval.

The appropriated budget is prepared by fund, function, and department, but the budget ordinance is on the fund level. The government's department heads may make transfers of appropriations within their department. The legal level of budgetary control is the fund level. Management can transfer amounts between departments. City Council amends the original budget, and the original and final amounts are presented in the financial statements included in this report.

The City's budgetary basis is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis, if any, is presented on the face of each budgetary schedule. For budgetary basis current year encumbrances are added to GAAP basis while prior year encumbrances are subtracted from GAAP basis. The capital projects fund, the community center capital projects fund and the American Rescue Plan Act fund do not have a legally adopted budget.

B. Excess of Expenditure over Appropriations

For the fiscal year ended June 30, 2021, there were no instances of expenditures by fund exceeding appropriations in any funds.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 2. Stewardship, Compliance, and Accountability (Continued)

C. Deficit Fund Equity

There were no instances of deficit fund equity in any City funds at June 30, 2021.

Note 3. Deposits and Investments

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized as required by *Tennessee Code Annotated* (TCA) 9-1-118. Demand deposits are held in financial institutions which are members of the Tennessee Bank Collateral Pool (the "Pool") administered by the State of Tennessee Treasurer. The Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral Pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the Pool if the value of collateral is inadequate to cover a loss. Accordingly, all deposits are considered fully collateralized.

At June 30, 2021, the City's cash consisted of:

Cash on hand	\$ 9,315
Deposits	<u>96,898,731</u>
Total deposits and investments	<u>\$ 96,908,046</u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 65,550,959
Cash and cash equivalents, restricted	<u>31,357,087</u>
Total deposits and investments	<u>\$ 96,908,046</u>

Restricted cash and cash equivalents consist of funds restricted for a construction escrow and unspent bond proceeds.

Post-Employment Trust Funds

As of June 30, the City's post-employment trust funds had the following cash, cash equivalents, and investments:

<u>Investment Type</u>	<u>Fair Value</u>
Cash	\$ 21,481
Fixed Income Mutual Funds	352,048
Equity Mutual Funds	817,912
International Equity Mutual Funds	61,818
Total cash, cash equivalents, and investments	<u>\$ 1,253,259</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 3. Deposits and Investments (Continued)

OPEB Funds

Investment Policy:

In accordance with the Code of Tennessee and other applicable law, including City Council resolutions, the OPEB Fund's investment policy permits investments in Certificates of deposit, money market mutual funds, stable value funds, U.S. government notes and bonds, bond funds, balanced funds, domestic equity funds, international equity funds, and equities. The authority and responsibility for the administration, management and operation of the trust is authorized in City resolution 15-08. Investments on the OPEB Fund are held by trustees.

Market Risk:

All investment/allocation decisions shall reflect the current and future projected cash flow needs of the OPEB plan. The projected cash flow needs shall be determined in part from the data compiled for the OPEB actuarial study conducted at least every two years. The investments shall be diversified by limiting investments to avoid overconcentration in securities from a specific issuer or business sector, limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and continuously investing a portion in readily available funds such as money market funds or overnight repurchase agreement to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. Investments of the OPEB fund are held for the long term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk is controlled by limiting exposure to international equities.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. The policy states that the portfolio should be reviewed periodically as to its effectiveness in meeting the employer's needs for safety, liquidity, rate of return, and its general performance.

The City categorizes its fair value measurements within fair value hierarchy established by accounting principles generally accepted in the United States of America (GAAP). The hierarchy is based on valuation inputs used to measure the fair value of the asset and are described as follows:

Level 1 – inputs are quoted prices in active markets for identical assets;

Level 2 – inputs are significant other observable inputs; bonds values by a pricing service that uses matrix price.

Level 3 – significant unobservable inputs that are not corroborated by observable market data.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 3. Deposits and Investments (Continued)

	Fair Value Measurements			
	Fair Value	(Level 1)	(Level 2)	(Level 3)
Fixed income mutual funds	\$ 352,048	\$ 352,048	\$ -	\$ -
Equity mutual funds	817,912	817,912	-	-
International equity mutual funds	61,818	61,818	-	-
Total investments	<u>\$ 1,231,778</u>	<u>\$ 1,231,778</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4. Receivables, Net

Receivables are as follows:

	Governmental Activities					
	General	Solid Waste	Capital Projects	Electronic Citation	Internal Service	Total
Receivables:						
Taxes	\$ 15,921,745	\$ -	\$ -	\$ -	\$ -	\$ 15,921,745
Accounts	4,557,530	306,100	20,366	-	-	4,883,996
Other	-	-	-	32	158,139	158,171
Less: allowance for uncollectibles	<u>(538,108)</u>	<u>(33,700)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(571,808)</u>
Receivables, net	<u>\$ 19,941,167</u>	<u>\$ 272,400</u>	<u>\$ 20,366</u>	<u>\$ 32</u>	<u>\$ 158,139</u>	<u>\$ 20,392,104</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 4. Receivables, Net (Continued)

	Business-Type Activities					
	Wastewater	Stormwater	Power	Water	Broadband	Total
Receivables:						
Accounts	\$ 812,397	\$ 664,726	\$ 10,081,915	\$ 282,227	\$ -	\$ 11,841,265
Less: allowance for uncollectibles	-	(198,526)	(243,123)	-	-	(441,649)
Receivables, net	<u>\$ 812,397</u>	<u>\$ 466,200</u>	<u>\$ 9,838,792</u>	<u>\$ 282,227</u>	<u>\$ -</u>	<u>\$ 11,399,616</u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental and proprietary funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, the components of *unavailable/unearned revenue* reported in the governmental funds were as follows:

	Unavailable/ Unearned	Unearned
Included in receivables:		
Property taxes	\$ 15,357,493	\$ 14,304,494
	<u>15,357,493</u>	<u>14,304,494</u>
Included in cash:		
Unearned lease proceeds	679,250	679,250
Seized funds escrow	88,852	88,852
	<u>768,102</u>	<u>768,102</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 16,125,595</u>	<u>\$ 15,072,596</u>

Note 5. Interfund Receivables, Payables, and Transfers

Amounts due from/to other funds consist of the following at June 30:

Receivable Fund	Payable Fund	Purpose	Amount
Power System	Broadband	Interfund loan	\$ 1,407,000
Broadband	Power	Temporary cash advance	111,780
Water System	Power	Temporary cash advance	20,836
Wastewater	Power	Temporary cash advance	236,774
Solid Waste	Power	Customer receivables	235,196
Stormwater	Power	Customer receivables	83,764
General	Water	Temporary cash advance	97,477
			<u>\$ 2,192,827</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 5. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Funds:		
General	\$ 3,760,476	\$ -
Capital Projects	-	1,318,084
Water System	-	36,120
Power System	-	1,569,205
Stormwater System	-	29,187
Wastewater System	-	807,880
	<u>\$ 3,760,476</u>	<u>\$ 3,760,476</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All items represent duly appropriated operating transfers. The transfers from the power fund, water fund, and wastewater fund to the general fund are in lieu of tax payments that are required to be accounted for as transfers by the Government Accounting Standards Board. Transfers from the stormwater fund were in lieu of tax payments and reimbursement of administrative costs. Transfers to the general fund from the capital projects fund were to fund capital project costs.

Note 6. Land Held for Sale

Land held for sale consists of land located in industrial parks held for resale. At June 30, 2021, the balance was \$8,972,569.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 7. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 13,843,330	\$ -	\$ -	\$ 13,843,330
Construction in progress	22,361,041	12,274,983	20,881,702	13,754,322
Total capital assets, not depreciated	36,204,371	12,274,983	20,881,702	27,597,652
Capital assets, depreciated				
Buildings	23,381,612	17,882,043	-	41,263,655
Improvements other than buildings	15,093,153	2,999,659	-	18,092,812
Infrastructure	53,073,399	-	-	53,073,399
Motor vehicles	5,495,784	359,064	1,523,180	4,331,668
Machinery and equipment	15,289,118	23,801	-	15,312,919
Total capital assets depreciated	112,333,066	21,264,567	1,523,180	132,074,453
Less accumulated depreciation for:				
Buildings	(9,407,360)	(479,687)	-	9,887,047
Improvements other than buildings	(12,031,785)	(260,853)	-	12,292,638
Infrastructure	(32,282,620)	(2,161,267)	-	34,443,887
Motor vehicles	(3,666,378)	(592,694)	1,496,228	2,762,844
Machinery and equipment	(10,007,287)	(473,943)	-	10,481,230
Total accumulated depreciation	(67,395,430)	(3,968,444)	1,496,228	69,867,646
Total capital assets, depreciated, net	44,937,636	17,296,123	26,952	62,206,807
Governmental activities, capital activities, capital	\$ 81,142,007	\$ 29,571,106	\$ 20,908,654	\$ 89,804,459

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance as restated	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	\$ 2,729,137	\$ 30,714	\$ -	\$ 2,759,851
Construction in progress	1,662,234	10,003,573	8,144,766	3,521,041
Total capital assets, not depreciated	4,391,371	10,034,287	8,144,766	6,280,892
Capital assets, depreciated				
Buildings and improvements	34,024,360	32,763	-	36,413,795
Transmission and distribution	317,525,996	4,999,107	1,083,631	164,689,895
Machinery and equipment	62,887,438	2,930,790	270,792	219,942,341
Total capital assets depreciated	414,437,794	7,962,660	1,354,423	421,046,031
Less accumulated depreciation for:				
Buildings and improvements	(10,858,829)	(1,063,689)	-	(11,922,518)
Transmission and distribution	(76,229,033)	(5,264,900)	1,458,909	(80,035,024)
Machinery and equipment	(98,458,346)	(8,388,999)	270,792	(106,576,553)
Total accumulated depreciation	(185,546,208)	(14,717,588)	1,729,701	(198,534,095)
Total capital assets, depreciated, net	228,891,586	(6,754,928)	(375,278)	222,511,936
Business-type activities, capital activities, capital	\$ 233,282,957	\$ 3,279,359	\$ 7,769,488	\$ 228,792,828

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 353,792
Public safety	648,863
Public works	2,708,295
Culture and recreation	257,494
	<u>\$ 3,968,444</u>
Business-type activities:	
Stormwater	\$ 341,518
Water	2,211,417
Power	5,354,481
Wastewater	5,779,262
Broadband	1,030,910
	<u>\$ 14,717,588</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 7. Capital Assets (Continued)

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operations expenses in the statements of revenues, expenses, and changes in net position. The depreciation on transportation equipment not included in depreciation expense previously noted was \$111,638 for the wastewater system, \$144,379 for the power system, \$54,614 for the water system, and \$64,355 for the broadband system.

Note 8. Long-Term Liabilities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 65,270,800	\$ -	\$ 2,366,407	\$ 62,904,393	\$ 2,489,418
Net discounts/premiums	4,004,850	-	196,987	3,807,863	-
Total bonds payable	69,275,650	-	2,563,394	66,712,256	2,489,418
Direct Borrowings					
Notes payable	1,320,000	-	330,000	990,000	330,000
Total direct borrowings	1,320,000	-	330,000	990,000	330,000
Compensated absences	1,594,039	2,641,179	2,531,173	1,704,045	511,214
	<u>\$ 72,189,689</u>	<u>\$ 2,641,179</u>	<u>\$ 5,424,567</u>	<u>\$ 69,406,301</u>	<u>\$ 3,330,632</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
General obligation bonds	\$ 75,829,362	\$ -	\$ 4,383,016	\$ 71,446,346	\$ 4,508,097
Net discounts/premiums	3,731,641	-	731,721	2,999,920	-
Total bonds payable	79,561,003	-	5,114,737	74,446,266	4,508,097
Direct Borrowings					
Notes payable	34,611,125	-	3,450,847	31,160,278	3,540,546
Contractual obligations	1,979,439	-	106,996	1,872,443	109,175
Capital leases	238,661	-	45,312	193,349	57,264
Total direct borrowings	36,829,225	-	3,603,155	33,226,070	3,706,985
Compensated absences	25,683	57,324	46,655	36,352	10,906
	<u>\$ 116,415,911</u>	<u>\$ 57,324</u>	<u>\$ 8,764,547</u>	<u>\$ 107,708,688</u>	<u>\$ 8,225,988</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Long-Term Liabilities (Continued)

Governmental activities compensated absences and other post-employment benefits liabilities are generally liquidated by the general fund.

The annual requirements to amortize long-term debt and related interest are as follows:

Year Ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 2,489,418	\$ 2,279,326	\$ 330,000	\$ 16,995	\$ 2,819,418	\$ 2,296,321
2023	2,613,032	2,163,164	330,000	10,197	2,943,032	2,173,361
2024	2,756,644	2,041,098	330,000	3,399	3,086,644	2,044,497
2025	2,890,258	1,912,131	-	-	2,890,258	1,912,131
2026	3,043,870	1,776,659	-	-	3,043,870	1,776,659
2027-2031	13,272,166	6,948,206	-	-	13,272,166	6,948,206
2032-2036	11,759,005	4,873,438	-	-	11,759,005	4,873,438
2037-2041	11,895,000	3,067,640	-	-	11,895,000	3,067,640
2042-2046	8,030,000	1,289,338	-	-	8,030,000	1,289,338
2047-2049	4,155,000	249,300	-	-	4,155,000	249,300
	<u>\$ 62,904,393</u>	<u>\$ 26,600,300</u>	<u>\$ 990,000</u>	<u>\$ 30,591</u>	<u>\$ 63,894,393</u>	<u>\$ 26,630,891</u>

Year Ending June 30,	Business-Type Activities					
	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 4,508,097	\$ 2,694,182	\$ 3,540,546	\$ 699,644	\$ 8,048,643	\$ 3,393,826
2023	4,623,195	2,494,492	3,199,982	619,667	7,823,177	3,114,159
2024	4,748,293	2,289,175	3,283,211	542,431	8,031,504	2,831,606
2025	4,878,390	2,071,004	3,122,234	465,047	8,000,624	2,536,051
2026	5,013,488	1,837,856	2,487,463	395,971	7,500,951	2,233,827
2027-2031	23,844,006	6,111,958	9,898,182	1,230,030	33,742,188	7,341,988
2032-2036	20,677,232	2,377,246	5,628,660	295,128	26,305,892	2,672,374
2037-2041	3,153,645	108,846	-	-	3,153,645	108,846
	<u>\$ 71,446,346</u>	<u>\$ 19,984,759</u>	<u>\$ 31,160,278</u>	<u>\$ 4,247,918</u>	<u>\$ 102,606,624</u>	<u>\$ 24,232,677</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Balance June 30, 2021</u>
<u>Governmental Activities</u>					
General long-term debt					
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	\$ 2,848,203	\$ 1,843,970
Capital Outlay Note	2.06%	2011	2011-2024	3,750,000	928,125
2018 Public Improvement and Refunding (\$64M)	3.00-5.00%	2019	2018-2042	19,190,000	16,085,000
Capital projects					
2017 GO (\$9.71M)	3.00-3.75%	3/30/2017	2018-2042	9,710,000	8,490,000
2019B GO Bond (\$37.25M)	5%	2019	2019-2049	37,250,000	36,380,000
Solid waste					
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	162,919	105,423
Capital Outlay Note	2.06%	2011	2011-2024	250,000	61,875
Total governmental activities				<u>\$ 73,161,122</u>	<u>\$ 63,894,393</u>
<u>Enterprise Funds</u>					
Wastewater system					
State Revolving Fund 07-203	2.06%	2007	Various	\$ 12,500,000	\$ 5,766,493
2009 CWSRF Promissory Note	2.73%	2011	Various	1,600,000	823,750
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	5,000,000	1,234,905
2012 General Obligation Bonds	Variable	2012	2012-2037	26,000,000	17,309,383
2013 CWSRF Promissory Note (\$5M)	1.51%	2013	2015-2036	5,000,000	3,829,913
2015 Promissory Note (\$10M)	2.74%	2016	2017-2037	10,000,000	8,304,000
2016 Promissory Note (\$15M)	2.27%	2017	2018-2037	15,000,000	2,603,000
2018 General Obligation Bonds	3.00-4.00%	2019	2020-2038	10,060,000	10,060,000
2018 General Obligation Refunding	4.00-5.00%	2019	2020-2028	10,480,000	7,845,000
2019 General Obligation Refunding	3.00-5.00%	2019	2020-2033	12,775,000	11,900,000
Power system					
2018 General Obligation	3.00-5.00%	2019	2020-2038	4,375,000	3,960,000
2018 General Obligation Refunding	3.00-5.00%	2019	2020-2035	16,410,000	13,660,000
Water system					
DWSRF Promissory Note	2.61%	2002	2007-2026	8,500,000	3,069,624
Water System Bonds Series 2010	2.52%	2009	2010-2029	7,500,000	4,010,000
2011 DWSRF Note	2.83%	2011	2011-2032	2,000,000	742,593

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Long-Term Liabilities (Continued)

Description	Interest Rate	Year Issued	Final Maturity	Original Issue	Balance June 30, 2021
Enterprise Funds (Continued)					
Broadband system					
First Tennessee Bank Promissory Note	2.59%	2014	2014-2024	\$ 1,000,000	\$ 360,000
First Tennessee Bank Promissory Note	2.00%	2017	2018-2022	2,000,000	416,000
2018 General Obligation Refunding	3.00-5.00%	2019	2020-2035	3,810,000	3,330,000
Stormwater system					
2009 Public Improvement and Refunding (5M)	Variable	2009	2009-2034	81,459	52,701
General Obligation Bonds	2.00-4.00%	2012	2012-2037	<u>5,000,000</u>	<u>3,329,262</u>
Total enterprise funds				<u>159,091,459</u>	<u>102,606,624</u>
				<u>\$ 232,252,581</u>	<u>\$ 166,501,017</u>

In October 2018, the City issued General Obligation Bond, Series 2018, in the amount of \$64,325,000. The breakdown of these funds is as follows:

\$4,375,000 is attributed to the Power System for renovations to an administrative building. An additional \$16,410,000 of the proceeds were used for a current refunding of the 2008 Promissory Note and the 2013 Promissory Note then outstanding, and \$960,562 in previously undrawn funds on the 2013 Promissory Note. The bonds attributed to the Power System were issued at a premium of \$1,259,089. The underwriters discount was \$205,143 with an additional \$94,330 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2038. The outstanding principal balance attributable to the Power System is \$17,620,000 at June 30, 2021.

\$10,060,000 is attributed to the Wastewater System, including \$9,910,000 to replace previously undrawn loan proceeds on the 2016 Promissory Note. An additional \$10,480,000 in proceeds were used for a current refunding of the then outstanding 2008-50518 Promissory Note, the 2008-50532 Promissory Note, the 2008-50536 Promissory Note and the 2008-50545 Promissory Note. The bonds attributed to the Wastewater System were issued at a premium of \$1,051,041. The underwriters discount was \$202,725 with an additional \$92,318 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2034. The outstanding principal balance attributable to the Wastewater System is \$17,309,383 at June 30, 2021.

\$3,810,000 is attributed to the Broadband System for a current refunding of its then outstanding 2008 Promissory Note. The bonds attributed to the Broadband System were issued at a premium of \$183,948. The underwriters discount was \$37,604 with an additional \$17,291 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2035. The outstanding principal balance attributable to the Power System is \$3,330,000 at June 30, 2021.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Long-Term Liabilities (Continued)

\$9,250,000 is attributed to governmental activities for future construction. An additional \$11,092,098 in proceeds were used for a current refunding of the then outstanding Series 2008A, 2008B, 2008C and 2008D General Obligation Bonds. The bonds attributed to Governmental Activities were issued at a premium of \$1,409,107. The underwriters discount was \$189,401 with an additional \$67,609 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2035. The outstanding principal balance attributable to Governmental Activities is \$16,085,000 at June 30, 2021.

In June 2019, the City issued General Obligation Bonds, Series 2019, of \$12,775,000 attributable to the Wastewater System for an advanced refunding of \$14,000,000 for the outstanding maturities between 2021 and 2034 of the 2013 Promissory Note. From the advance refunding, \$13,956,901 was deposited with an escrow agent to be applied to refunded principal payments in August 2019. As of June 30, 2019, \$14,000,000 of notes outstanding are considered defeased. These bonds were issued at a premium of \$1,351,198. The underwriters discount was \$68,981 with an additional \$100,315 in other issuance costs. The interest rate ranges from 3% to 5% with maturity in 2034. The intent of the refunding is to reduce debt service payments. The transaction resulted in an economic gain of \$1,201,367 and a reduction of \$1,407,701 in future debt service payment. The outstanding principal balance of the bonds is \$11,900,000 at June 30, 2020.

In December 2019, the City issued General Obligation Bonds, Series 2019B, of \$37,250,000 attributable to the governmental activities. These bonds were issued at a premium of \$2,554,964. The underwriters discount was \$501,056 with an addition \$149,995 in other issuance costs. The interest rate is 5% with maturity in 2049. The outstanding principal balance of the bonds is \$36,380,000 at June 30, 2021.

Other than the capital leases noted below all of the City's direct borrowings are backed by the full faith and credit of the government. In the event of defaults these direct borrowings would be payable in full at the time of default.

The Broadband System leases certain equipment with an original cost of \$293,664 under a capital lease agreement expiring in 2025. Amortization of the asset is included with depreciation expense. Accumulated amortization totals \$101,968 as of June 30, 2021. Collateral for the lease is the leased equipment and, in the event of default the equipment would be repossessed.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 8. Long-Term Liabilities (Continued)

Future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments, is as follows:

<u>Business-Type</u>	
2022	\$ 57,264
2023	57,264
2024	57,264
2025	<u>42,948</u>
Total future minimum lease payments	214,740
Less amounts representing interest	<u>21,391</u>
Present value of future minimum lease payments	<u><u>\$ 193,349</u></u>

Note 9. Fund Balance

Fund balance is classified based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balances are presented below:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
Prepays	\$ 2,208	\$ -
Inventories	81,972	-
Land held for sale	<u>8,972,569</u>	<u>-</u>
Total nonspendable	<u>9,056,749</u>	<u>-</u>
Restricted for:		
General government	324,781	-
ARPA	-	355
Narcotics	-	259,253
E-Citation	-	57,215
Capital projects	-	537,020
Community center	-	26,276,746
Public works	1,040,624	-
Other operations – airport	112,991	-
Solid waste	<u>-</u>	<u>1,459,002</u>
Total restricted	<u>1,478,396</u>	<u>28,589,591</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 9. Fund Balance (Continued)

Committed to:		
Capital projects	\$ -	\$ 2,128,821
Total committed	-	2,128,821
Assigned to:		
General government	286,774	-
Finance	38,164	-
Public safety	1,802,416	-
Public works	661,640	-
Social, cultural, and recreational	84,899	-
Capital projects	4,000,000	-
Other purposes	1,050,500	-
Total assigned	7,924,393	-
Unassigned	14,592,210	-
Total fund balance	\$ 33,051,748	\$ 30,718,412

Note 10. Defined Benefit Pension Plan

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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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 five 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% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Defined Benefit Pension Plan (Continued)

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3.00%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A 1.00% COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms

At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	176
Inactive employees entitled to but not yet receiving benefits	120
Active employees	<u>285</u>
Total covered employees	<u><u>581</u></u>

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5.00% 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, 2021, employer contributions for the City were \$2,291,487 based on a rate of 15.17% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's Actuarially Determined Contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net pension liability

The City's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability as of June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected inflation of 2.50%.

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial assumptions (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69 %	31.00 %
Developed market international equity	5.29	14.00
Emerging market international equity	6.36	4.00
Private equity and strategic lending	5.79	20.00
U.S. fixed income	2.01	20.00
Real estate	4.32	10.00
Short-term securities	0.00	1.00
		100.00 %

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

Discount rate

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Defined Benefit Pension Plan (Continued)

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2019	\$ 80,422,108	\$ 73,847,798	\$ 6,574,310
Changes for the year:			
Service cost	1,233,197	-	1,233,197
Interest	5,741,445	-	5,741,445
Differences between expected and actual experience	969,693	-	969,693
Changes in assumptions	-	-	-
Contributions – employer	-	2,266,133	(2,266,133)
Contributions – employee	-	747,745	(747,745)
Net investment income	-	3,614,865	(3,614,865)
Benefit payments, including refunds of employee contributions	(4,925,924)	(4,925,924)	-
Administrative expenses	-	(25,495)	25,495
Net changes	3,018,411	1,677,324	1,341,087
Balances at June 30, 2020	\$ 83,440,519	\$ 75,525,122	\$ 7,915,397

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
City's net pension liability	\$ 18,418,770	\$ 7,915,397	\$ (834,483)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense:

For the year ended June 30, 2021, the City recognized pension expense of \$1,430,231.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Defined Benefit Pension Plan (Continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, 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	\$ 1,492,782	\$ 816,292
Net difference between projected and actual earnings on pension plan investments	521,415	-
Changes in assumptions	797,200	-
Contributions subsequent to the measurement date of June 30, 2020	<u>2,291,487</u>	<u>-</u>
	<u><u>\$ 5,102,884</u></u>	<u><u>\$ 816,292</u></u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2020, will be recognized as a reduction (increase) to net pension liability 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,	
2022	\$ (37,950)
2023	566,251
2024	726,498
2025	622,632
2026	117,674
Thereafter	-

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 10. Defined Benefit Pension Plan (Continued)

Payable to the pension plan

At June 30, 2021, the City reported a payable of \$73,856 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2021.

Note 11. Morristown Utilities Commission's Retirement Plan

The Commission's systems share in a defined contribution retirement plan, the Morristown Utilities Retiree Benefit Plan (the Retirement Plan), covering substantially all employees. The Commission is the administrator of the Retirement Plan and is responsible for establishing or amending the Retirement Plan provisions and contribution requirements.

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>Employer Contributions</u>	<u>% of Covered Payroll</u>	<u>Employee Contributions</u>	<u>% of Covered Payroll</u>
<u>Power system</u>						
2021	\$ 6,371,003	\$ 6,245,357	\$ 935,814	15 %	\$ 448,682	7.00 %
2020	6,389,369	6,204,542	929,217	15	459,136	7.00
2019	6,420,251	6,033,695	838,429	14	392,115	6.00
2018	6,477,368	6,036,752	893,135	15	391,543	6.00
2017	6,111,363	5,881,850	705,822	15	377,248	6.00
2016	6,260,687	5,881,940	870,587	15	367,676	6.00
<u>Water system</u>						
2021	\$ 1,701,787	\$ 1,675,645	\$ 245,819	15 %	\$ 126,475	8.00 %
2020	1,679,279	1,562,608	234,583	15	123,330	8.00
2019	1,601,029	1,594,638	218,868	14	100,281	6.00
2018	1,665,933	1,628,461	241,677	15	101,077	6.00
2017	1,618,187	1,591,175	190,941	15	108,231	7.00
2016	1,663,147	1,649,644	244,255	15	109,179	7.00
<u>Broadband system</u>						
2021	\$ 2,137,475	\$ 2,069,162	\$ 307,899	15 %	\$ 110,657	5.00 %
2020	2,233,088	2,124,850	315,481	15	102,548	5.00
2019	2,108,886	1,993,359	249,719	13	74,816	4.00
2018	1,603,631	1,483,120	222,066	15	65,876	4.00
2017	1,388,146	1,325,350	159,042	15	56,142	4.00
2016	1,236,036	1,193,252	178,001	15	52,463	4.00
<u>Wastewater system</u>						
2021	\$ 2,152,268	\$ 2,087,070	\$ 311,942	15 %	\$ 174,904	8.00 %
2020	2,115,332	2,064,767	307,992	15	175,678	5.00
2019	1,959,730	1,896,378	239,397	13	131,864	7.00
2018	1,692,847	1,639,469	242,825	15	122,477	7.00
2017	1,460,078	1,410,292	169,235	15	98,289	7.00
2016	1,310,427	1,047,942	155,819	15	81,756	8.00

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 11. Morristown Utilities Commission's Retirement Plan (Continued)

Under the Retirement Plan terms, the Commission will match participant contributions up to 3% of the participant's salary and may also contribute an additional amount to the Plan at its discretion. During 2021, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed six months of service as defined by the Retirement Plan and who have attained the age of 21 are eligible to participate in the Retirement Plan. Participants are 100% vested in the employer contributions when they are made.

Note 12. Other Post-Employment Benefits Liability – Local Plan

Plan description

The City provides post-employment health benefits for retired employees through a single-employer defined benefit plan. The City may change, add, or delete health insurance benefits as the City deems appropriate with City Council approval. The plan does not grant retirees vested health coverage benefits.

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability. A trust fund was established by the City with Commercial Bank and Trust Company (the "Trust Fund"). The Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 75 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Benefits provided

The City provides medical, dental, and vision benefits to retirees and their spouses. The City also pays 85% of medical and 100% of dental, and vision premiums for the retiree and the retiree spouse. All full-time, active employees who retire or are disabled directly from the City and meet the eligibility criteria may participate.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	36
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	36
Active plan members	<u>290</u>
	<u><u>326</u></u>

Contributions

The City pays 85% of medical and 100% of dental, and vision insurance premiums for all retirees and their spouse.

Net OPEB liability

The City's total net OPEB liability of \$5,409,428 was measured as of June 30, 2021 and was determined by an actuarial valuation performed as of June 30, 2021.

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	6.58%
Inflation	2.50%
Salary increases, including inflation	4.0%
Payroll Growth Rate	2.50%
Investment rate of return	6.58%
Healthcare cost trend rates	5.00% -7.00%

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Actuarial assumptions and other inputs

Mortality rates: The mortality rates are from the RP-2014 Combined Fully Generational Mortality Table with projection scale MP 2020.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2021.

Change in assumptions: The healthcare trend rate was updated to 7%, grading down by 0.5% per annum to an ultimate trend of 5% in years 2024 and later. The mortality improvement scale was updated to RPH 2014 headcount weighted total dataset fully generational table with projection scale MP-2020.

Long-term expected rate of return

The long-term expected rate of return on OPEB investments was determined using the annual money-weighted rate of return on investments for each asset class, asset allocation percentages and a 2.5% inflation rate. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Real Rate of Return</u>	<u>Weighted Average Long-Term Real Rate of Return</u>
Large Cap	26.00 %	5.86 %	1.52 %
Small/Mid Cap	28.00	7.04	1.97
Non-US Equity-Developed	3.00	6.59	0.20
Non-US Equity-Emerging	2.00	8.83	0.18
Core Fixed Income	12.00	1.24	0.15
High Yield Fixed Income	7.00	3.64	0.25
US Treasuries	7.00	(0.22)	(0.02)
TIPS	5.00	0.44	0.02
Real Estate	10.00	5.41	0.54
Total	100.00 %		4.81 %
	Inflation		2.50 %
			7.31 %

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Discount rate

The discount rate used to measure the net OPEB liability was 6.58%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Rate of return

For the year ended June 30, 2021, the annual money weighted rate of return on investments of the OPEB Plan, net of investment expense, was 32.47 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in net OPEB liability

	Increase (Decrease)			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non Trust Activity (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2020	\$ 7,783,461	\$ 855,273	\$ -	\$ 6,928,188
Changes for the year:				
Service cost	163,335	-	-	163,335
Interest	431,446	-	-	431,446
Differences between expected and actual experience	(533,857)	239,742	-	(773,599)
Assumption changes	(731,630)	-	-	(731,630)
Contributions – employer	-	100,000	450,068	(550,068)
Net investment income	-	58,244	-	(58,244)
Benefit payments	(450,068)	-	(450,068)	-
Other changes	-	-	-	-
Net changes	(1,120,774)	397,986	-	(1,518,760)
Balances at June 30, 2021	\$ 6,662,687	\$ 1,253,259	\$ -	\$ 5,409,428

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.58%) or one percentage point higher (7.58%) than the current discount rate:

	1.00% Decrease (5.58%)	Current Discount Rate (6.58%)	1.00% Increase (7.58%)
Net OPEB liability	<u>\$ 5,993,251</u>	<u>\$ 5,409,428</u>	<u>\$ 4,892,289</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

	1.00% Decrease (6.00% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.00% decreasing to 5.00%)	1.00% Increase (8.00% decreasing to 6.00%)
Net OPEB liability	<u>\$ 4,805,731</u>	<u>\$ 5,409,428</u>	<u>\$ 6,119,812</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2021, the City recognized OPEB expense of \$456,976. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 268,763	\$ 486,738
Change in assumptions	371,858	758,274
Net difference between projected and actual earnings on OPEB plan investments	-	161,493
	<hr/>	<hr/>
Total	<u>\$ 640,621</u>	<u>\$ 1,406,505</u>

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
<hr/>	<hr/>
2022	\$ (79,561)
2023	(79,561)
2024	(76,853)
2025	(89,520)
2026	(42,327)
Thereafter	(398,062)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. Post-Employment Health Insurance Benefits – Morristown Utilities Commission

Plan description

The Systems provide post-employment benefits (OPEB) through the Morristown Utilities Retiree Benefit Plan to all eligible retirees. The OPEB is administered by the Systems, is a single employer defined benefit plan and is not required to issue a separate financial report. There are no assets accumulated in a trust and the Systems fund the Plan on a pay-as-you-go basis.

The amounts reported as of June 30, 2021 are based on an actuarial valuation performed as of July 1, 2019 and updated to June 30, 2021.

The Systems provide medical, dental and life insurance benefits to retirees. Employees who retire at age 55 with 10 years of service are eligible to participate for five years or until the age of 65. The Systems pay either 90% or 95% of the monthly premium amount that is paid for active employees of the retiree's medical premiums. The Systems pay 100% of the monthly premium amount that is paid for active employees of the retiree's dental and life insurance premiums.

In addition, the Systems pay 60% of the monthly premium amount that is paid for active employees of the retiree's dependent's medical premiums. The retiree's spouse is also eligible for medical benefits (same as retiree) as long as the retiree is eligible (there are no surviving spouse benefits). The life insurance benefit available to retirees is \$5,000.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. Post-Employment Health Insurance Benefits – Morristown Utilities Commission (Continued)

Plan description (Continued)

Participants in the OPEB consisted of the following as of July 1, 2019:

	<u>Actives</u>	<u>Inactives Receiving Benefits</u>	<u>Total</u>
Male	129	5	134
Female	34	-	34
Total	<u>163</u>	<u>5</u>	<u>168</u>

Total OPEB liability

Total OPEB liability of the Commission is as follows as of June 30, 2021:

	<u>Power System</u>	<u>Water System</u>	<u>Wastewater System</u>	<u>Broadband System</u>	<u>Total Commission</u>
Total OPEB liability	\$ 1,195,413	\$ 442,747	\$ 240,465	\$ 311,451	\$ 2,190,076

Changes in total OPEB liability

The changes in the total OPEB liability are as follows for 2021:

Total OPEB liability at beginning of year	<u>\$ 2,029,902</u>
Changes for the year:	
Service cost	213,360
Interest	48,405
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and other inputs	5,014
Benefit payments	<u>(106,605)</u>
Net changes for the year	<u>160,174</u>
Total OPEB liability at end of year	<u><u>\$ 2,190,076</u></u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. Post-Employment Health Insurance Benefits – Morristown Utilities Commission (Continued)

Actuarial methods and assumptions

The actuarial methods and assumptions used were applied consistently for the Power, Water, Wastewater, and Broadband Systems. A discount rate of 2.16% was used for the year ending June 30, 2021, based on the Bond Buyer's 20 Bond Index. The mortality rates are from the RP-2014 Total Dataset fully generational projected table with projection scale MP-2019.

It was assumed that the following percentages of eligible employees would retire each year:

<u>Age</u>	<u>Rate</u>
55-59	3 %
60-64	20
65-69	15
70+	100

It was also assumed that employees would terminate employment with the rate in the following table:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	6.3 %	7.5 %
25	5.0	6.0
30	3.6	4.4
35	2.3	2.9
40	1.0	1.4
45	0.9	1.2
50	0.8	1.0
55	0.6	0.7

It was assumed that health care cost would increase in accordance with the trend rates in the following table, with the exception of dental costs which are assume to increase at 5% per annum:

<u>Year</u>	<u>Current Valuation Rates</u>	<u>Previous Valuation Rates</u>
2019	7.5%	7.0 %
2020	7.0	6.0
2021	6.5	5.0
2022	6.0	5.0
2023	5.5	5.0
2024	5.0	5.0
2025+	4.5	5.0

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. Post-Employment Health Insurance Benefits – Morristown Utilities Commission (Continued)

Actuarial methods and assumptions (Continued)

It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement. It was also assumed that 10% of the male and 10% of the female employees who elect retiree health coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

The preparation of the actuarial liabilities calculated requires management to make assumptions discussed above. Due to the use of these assumptions, actual results may differ from the estimates. The discount rate considers inflationary rate adjustments.

Sensitivity of the total OPEB liability

The following presents the total OPEB liability of the Systems calculated using the discount rate of 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

1.00% Decrease (1.16%)	Discount Rate (2.16%)	1.00% Increase (3.16%)
\$ 2,288,277	\$ 2,190,076	\$ 2,088,357

The following presents the total OPEB liability of the Systems as of June 30, 2021, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

1.00% Decrease (6.0%) decreasing to (3.5%)	Healthcare Cost Trend Rates (7.0%) decreasing to (4.5%)	1.00% Increase (8.0%) decreasing to (5.5%)
\$ 1,934,463	\$ 2,190,076	\$ 2,493,908

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 13. Post-Employment Health Insurance Benefits – Morristown Utilities Commission (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2021, the Power, Water, Wastewater and Broadband Systems recognized OPEB expense of \$114,839, \$40,506, \$45,527, and \$56,692, respectively. At June 30, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources				
	Power	Water	Wastewater	Broadband
Experience loss	\$ -	\$ 2,548	\$ 10,773	\$ -
Change in assumptions	61,903	21,477	12,933	17,214
	<u>\$ 61,903</u>	<u>\$ 24,025</u>	<u>\$ 23,706</u>	<u>\$ 17,214</u>
Deferred Inflows of Resources				
	Power	Water	Wastewater	Broadband
Experience gain	\$ 134,673	\$ -	\$ -	\$ 8,807
Change in assumptions	8,878	3,373	1,314	1,980
	<u>\$ 143,551</u>	<u>\$ 3,373</u>	<u>\$ 1,314</u>	<u>\$ 10,787</u>

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

Deferred Outflows/Inflows of Resources				
Year Ended June 30,	Power	Water	Wastewater	Broadband
2022	\$ (11,112)	\$ 3,477	\$ 2,784	\$ 650
2023	(11,112)	3,477	2,784	650
2024	(11,112)	3,477	2,784	650
2025	(11,112)	3,477	2,784	650
2026	(11,112)	3,729	2,784	650
Thereafter	(26,088)	3,015	8,472	3,177
	<u>\$ (81,648)</u>	<u>\$ 20,652</u>	<u>\$ 22,392</u>	<u>\$ 6,427</u>

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 14. Risk Management

The City is exposed to various risks of loss related to the following: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss. There have been no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 15. Commitments and Contingencies

Special purpose grants

Special purpose grants are subject to audit to determine compliance with their requirements. City officials believe that if any refunds are required, they will be immaterial.

Self-insurance

The City is self-insured for employee medical benefits which are administered by Blue Cross Blue Shield of Tennessee, Inc. The rate of the premiums paid into the fund is based on prior experience and insurance company recommendations. Claims in excess of a self-insured aggregate limit of \$4,952,996 and specific underlying coverage of \$100,000 per employee are covered through a stop loss coverage agreement with BlueRe of Tennessee, an affiliate of the claims administrator. The stop loss arrangement provides for 100% reimbursement of claims exceeding \$4,952,996, subject to contract provisions, up to a maximum aggregate reimbursement of \$1,000,000 per policy year.

Claims liabilities

Liabilities of the self-insurance fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The self-insurance fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims incurred prior to June 30, 2021, and subsequently settled total approximately \$480,688, which is recorded as a payable in the self-insurance fund. Claims incurred but not reported are estimated to be insignificant as of June 30, 2021.

Commitments and contingencies

At June 30, 2021, the City had the following commitments:

The City has a month-to-month contract with Morristown Air Service for fixed base operation of the airport.

Contingent liabilities

The government is the defendant in various lawsuits. Although the outcome of these lawsuits are not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material effect on the financial condition of the government.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 15. Commitments and Contingencies (Continued)

Concentration of credit risk

The Morristown Utilities Commission provides electric power, water, wastewater, and broadband service to customers in the City of Morristown and Hamblen County, Tennessee. Customers include residential, commercial, and heavy industrial users. Residential customers for the power and broadband systems are required to place deposits that approximate one month's account balance. Loss experience has not been significant to the Systems' operations.

Litigation

During the ordinary course of business, the City is subject to various disputes and claims and there could be uncertainty relating to the resolution of these matters. Management believes any successful claims will be covered by insurance.

Note 16. Joint Ventures

Morristown-Hamblen County Library – The City of Morristown and Hamblen County jointly own the Morristown – Hamblen Library. Each appoints an equal number of members to its Board of Directors. The City contributed \$293,500 for the library's operations during the fiscal year ended June 30, 2021.

Hamblen County – Morristown Solid Waste Authority – The City of Morristown and Hamblen County jointly own the Hamblen County – Morristown Landfill. Each appoints an equal number of members to the Board of Directors. This operation is self – sufficient in that users are charged for services rendered. During the year ended June 30, 2021, the City was charged \$708,032.

City of Morristown does not have an equity interest in any of the above – noted joint ventures. Complete financial statements for the Morristown – Hamblen Library and Hamblen County – Morristown Solid Waste Disposal System can be obtained from their respective administrative offices at the following addresses:

Morristown-Hamblen Library
417 West Main Street
Morristown, TN 37814

Hamblen County-Morristown Solid
Waste Disposal System
P.O. Box 2108
Morristown, TN 37816

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 17. Prior Period Adjustments

An adjustment to beginning fund balance has been recorded to the general fund to recognize an error in the prior year in which \$343,077 was expended on the fund basis and incorrectly placed into construction in progress for governmental activities and should have been recorded as land held for sale. Therefore, an adjustment to increase the general fund's fund balance as of July 1, 2020 totaling \$343,077 has been recognized in the statement of revenues, expenses, and changes in net position. The error resulted in an understatement of land held for sale of \$343,077 for the year ending June 30, 2020 and an overstatement of governmental activities construction in progress in the same amount.

An adjustment to beginning net position has been recorded to the Water System to recognize an error in the calculation of depreciation expense. The error was a result of carbon filters being depreciated over an incorrect useful life. Therefore, an adjustment to decrease the Water System's net position as of July 1, 2020 totaling \$1,625,814 has been recognized in the statement of revenues, expenses, and changes in net position. The error resulted in an understatement of depreciation expense of approximately \$320,000 for the year ending June 30, 2020.

An adjustment to the beginning fund balance of the LAMPTO fund as a result of the City implementing GASB Statement No. 84 *Fiduciary Activities*. In prior years this was noted as an agency fund and is now a custodial fund. In prior years, this fund had no measurement focus. However under GASB Statement 84 it is required to present fund balance.

Note 18. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Government's operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Government's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Government is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 19. Subsequent Events

On September 10, 2021 the City issued Series 2021A general obligation refunding bonds in the amount of \$28,320,000. The debt has an interest rate of 2% and is payable yearly beginning March 1, 2022 and maturing March 1, 2037. This issuance refunded the Series 2012 general obligation bonds stormwater system, Series 2012 general obligation bonds wastewater system, 2007 CWSRF promissory note wastewater system, 2009 CWSRF promissory note wastewater system, 2002 DWSRF promissory note water system, and the 2001 DWSRF promissory note water system. The issuance resulted in a premium of \$1,560,953.

On September 10, 2021 the City issued Series 2021B general obligation refunding bonds in the amount of \$6,785,000. The debt has an interest rate of 2% and is payable yearly beginning March 1, 2022 and maturing March 1, 2041. The issuance resulted in a premium of \$339,975.

On September 21, 2021 the City approved entering into an agreement with a company for a public safety communications modernization project with a final cost in an amount of \$2,535,778. This project will be paid for with ARPA funds.

Note 20. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

The GASB issued **Statement No. 87, Leases** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued **Statement No. 91, Conduit Debt Obligations** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued **Statement No. 92, Omnibus**. This Statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2021

Note 20. New Accounting Standards (Continued)

In March 2020, the GASB issued **Statement No. 93**, *Replacement of Interbank Offered Rates*. This Statement addresses accounting and financial reporting implications that result from the replacement of an LIBOR. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued **Statement No. 94**, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In June 2020, the GASB issued **Statement No. 97**, *Certain Component Unit Criteria*, and *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84*, and a *Supersession of GASB Statement No. 32*. This Statement provides a more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN MORRISTOWN'S NET PENSION LIABILITY AND
RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE
PENSION PLAN OF TCRS
June 30, 2021

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 1,233,197	\$ 1,193,785	\$ 1,154,404	\$ 1,133,722	\$ 1,047,579	\$ 1,046,764
Interest on total pension liability	5,741,445	5,593,373	5,329,715	5,262,280	5,091,070	4,991,380
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	969,693	(307,533)	1,198,233	(943,037)	(164,027)	(1,019,195)
Changes in assumptions	-	-	-	1,860,136	-	-
Benefit payments, including refunds of employee contributions	(4,925,924)	(4,027,396)	(4,142,751)	(3,825,670)	(3,730,258)	(3,650,880)
Net change in total pension liability	3,018,411	2,452,229	3,539,601	3,487,431	2,244,364	1,368,069
Total pension liability – beginning	80,422,108	77,969,879	74,430,278	70,942,847	68,698,483	67,330,414
Total pension liability – ending	83,440,519	80,422,108	77,969,879	74,430,278	70,942,847	68,698,483
Plan Fiduciary Net Position						
Contributions – employer	2,266,133	2,166,600	2,114,084	2,087,774	2,123,622	1,999,102
Contributions – employee	747,745	729,818	712,166	703,035	694,124	652,910
Net investment income	3,614,865	5,157,698	5,404,804	6,759,639	1,569,650	1,794,350
Benefit payments, including refunds of employee contributions	(4,925,924)	(4,027,396)	(4,142,751)	(3,825,670)	(3,730,258)	(3,650,880)
Administrative expenses	(25,495)	(25,546)	(26,895)	(24,114)	(21,456)	(14,221)
Net change in plan fiduciary net position	1,677,324	4,001,174	4,061,408	5,700,664	635,682	781,261
Plan fiduciary net position – beginning	73,847,798	69,846,624	65,785,216	60,084,552	59,448,870	58,667,609
Plan fiduciary net position – ending	75,525,122	73,847,798	69,846,624	65,785,216	60,084,552	59,448,870
Net pension liability – ending	\$ 7,915,397	\$ 6,574,310	\$ 8,123,255	\$ 8,645,062	\$ 10,858,295	\$ 9,249,613
Plan fiduciary net position as a percentage of total pension liability	91%	92%	90%	88%	85%	87%
Covered payroll	\$ 14,938,250	\$ 14,580,077	\$ 14,226,673	\$ 14,049,621	\$ 14,185,234	\$ 13,452,906
Net pension liability as a percentage of covered employee payroll	52.99%	45.09%	57.10%	61.53%	76.55%	68.76%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. The plan years above are reported in the City's financial statements in the fiscal year following the plan year – i.e., plan year 2020 information was presented in the City's fiscal year 2021 financial report.

This schedule is intended to show information for 10 years. Since fiscal year 2015 (plan year 2014) was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of these statements.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF MORRISTOWN'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE
PUBLIC EMPLOYEE PENSION PLAN OF TCRS
June 30, 2021

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 2,291,487	\$ 2,291,487	\$ -	\$ 15,105,383	15.17 %
2020	2,266,133	2,266,133	-	14,938,250	15.17
2019	2,159,424	2,159,424	-	14,580,077	14.81
2018	2,114,084	2,114,084	-	14,226,673	14.86
2017	2,087,774	2,087,774	-	14,049,621	14.86
2016	2,123,622	2,123,622	-	14,185,234	14.97
2015	1,982,140	1,982,140	-	13,338,762	14.86

This Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2021

	Fiscal Year				
	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 163,335	\$ 227,524	\$ 205,890	\$ 125,354	\$ 122,297
Interest on total OPEB liability	431,446	507,372	500,435	335,358	333,893
Changes in benefit terms	-	-	1,605,545	-	-
Difference between expected and actual experience	(533,857)	-	362,379	11,546	-
Changes in assumptions and other inputs	(731,630)	(111,512)	511,478	-	-
Benefit payments, including refunds of employee contributions	(450,068)	(499,076)	(428,784)	(463,208)	(414,252)
Net change in total OPEB liability	(1,120,774)	124,308	2,756,943	9,050	41,938
Total OPEB liability – beginning	7,783,461	7,659,153	4,902,210	4,893,160	4,851,222
Total OPEB liability – ending	6,662,687	7,783,461	7,659,153	4,902,210	4,893,160
Plan Fiduciary Net Position					
Contributions – employer	100,000	100,000	100,000	100,000	100,000
Net investment income	58,244	50,630	42,454	31,073	29,896
Differences between expected and actual experience	239,742	(57,848)	13,558	-	-
Net change in plan fiduciary net position	397,986	92,782	156,012	131,073	129,896
Plan fiduciary net position – beginning	855,273	762,491	606,479	475,406	345,510
Plan fiduciary net position – ending	1,253,259	855,273	762,491	606,479	475,406
Net OPEB liability – ending	\$ 5,409,428	\$ 6,928,188	\$ 6,896,662	\$ 4,295,731	\$ 4,417,754
Plan fiduciary net position as a percentage of total OPEB liability	19%	11%	10%	12%	10%
Covered payroll	\$ 12,942,046	\$ 12,878,509	\$ 12,564,399	\$ 12,522,594	\$ 12,217,165
Net OPEB liability as a percentage of covered employee payroll	42%	54%	55%	34%	36%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2020 information will be presented in the entity's fiscal year 2021 financial report.

This Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

In 2019, changes in assumptions related to the discount rate, which was changed from 6.64% in 2019 to 6.81% in 2020. Additionally the Mortality improvement scale was changed to scale BB in 2019 from AA in 2018.

Changes in benefits in 2019 were spouse benefits until spouse reaches age 65 compared to until retiree reaches ages 65 in 2018.

The Notes to Required Supplementary Information are an integral part of these statements.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
MORRISTOWN UTILITIES RETIREE BENEFIT PLAN
June 30, 2021

	Fiscal Year			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 213,360	\$ 176,287	\$ 156,987	\$ 159,163
Interest on total OPEB liability	48,405	66,096	74,345	64,374
Changes in benefit terms	-	(52,328)	-	-
Differences between expected and actual experience	-	(164,865)	-	-
Changes in assumptions and other inputs	5,014	107,229	36,980	(27,201)
Benefit payments, including refunds of employee contributions	(106,605)	(92,391)	(84,282)	(58,468)
Net change in total OPEB liability	160,174	40,028	184,030	137,868
Total OPEB liability – beginning	<u>2,029,902</u>	<u>1,989,874</u>	<u>1,805,844</u>	<u>1,667,976</u>
Total OPEB liability – ending	<u><u>\$ 2,190,076</u></u>	<u><u>\$ 2,029,902</u></u>	<u><u>\$ 1,989,874</u></u>	<u><u>\$ 1,805,844</u></u>
Covered employee payroll	<u><u>\$ 11,656,684</u></u>	<u><u>\$ 11,372,375</u></u>	<u><u>\$ 10,311,836</u></u>	<u><u>\$ 10,060,328</u></u>
Net OPEB liability as a percentage of covered employee payroll	<u><u>19%</u></u>	<u><u>18%</u></u>	<u><u>19%</u></u>	<u><u>18%</u></u>
Changes in assumptions:				
Discount rates	2.16%	2.21%	3.50%	3.87%

Benefit terms changed in 2020 from 100% of retiree medical premiums to either 90% or 95%, if the retiree completes a wellness program.

In 2021, amounts reported as changes in assumptions also include the following: the healthcare trend rate of 7.5% to 4.5% was decreased to 7.0% to 4.5%.

There are no assets accumulated in a trust to pay related benefits.

This Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS – OPEB TRUST
June 30, 2021

Annual money-weighted rate of return, net of investment expense:

2021	32.47 %
2020	8.50
2019	8.12
2018	6.53
2017	0.77

This Schedule is intended to show information for 10 years. Since 2017 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2021

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
Local Plan					
2021	\$ 450,068	\$ 550,068	\$ (100,000)	\$ 12,942,046	4.25 %
2020	499,076	599,076	(100,000)	12,878,509	4.65
2019	428,784	528,784	(100,000)	12,564,399	4.50
2018	463,208	563,208	(100,000)	12,522,594	4.50

This Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered employee payroll on which required contributions were based for the same year.

CITY OF MORRISTOWN, TENNESSEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2021

Note 1. Methods and Assumptions

Valuation date:

Actuarially determined contribution rates for 2021 were calculated based on the July 1, 2019, actuarial valuation. Detailed below are the methods and assumptions used in the June 30, 2019

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period (years)	Varies
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25%

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF MORRISTOWN, TENNESSEE

**COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2021**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 350,099	\$ 57,183	\$ 407,282
Receivables, net	-	32	32
Due from other governmental units	1,019	-	1,019
	<u>1,019</u>	<u>-</u>	<u>1,019</u>
Total assets	<u>\$ 351,118</u>	<u>\$ 57,215</u>	<u>\$ 408,333</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 3,013	\$ -	\$ 3,013
	<u>3,013</u>	<u>-</u>	<u>3,013</u>
Total liabilities	<u>3,013</u>	<u>-</u>	<u>3,013</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	88,852	-	88,852
	<u>88,852</u>	<u>-</u>	<u>88,852</u>
Total deferred inflows of resources	<u>88,852</u>	<u>-</u>	<u>88,852</u>
FUND BALANCES			
Restricted	259,253	57,215	316,468
	<u>259,253</u>	<u>57,215</u>	<u>316,468</u>
Total fund balances	<u>259,253</u>	<u>57,215</u>	<u>316,468</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 351,118</u>	<u>\$ 57,215</u>	<u>\$ 408,333</u>

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2021**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
REVENUES			
Licenses, permits, and fines	\$ 107,966	\$ 10,176	\$ 118,142
Other	66,154	-	66,154
Total revenues	<u>174,120</u>	<u>10,176</u>	<u>184,296</u>
EXPENDITURES			
Public safety	<u>211,249</u>	-	<u>211,249</u>
Total expenditures	<u>211,249</u>	-	<u>211,249</u>
Net change in fund balance	(37,129)	10,176	(26,953)
FUND BALANCES AT JULY 1	<u>296,382</u>	<u>47,039</u>	<u>343,421</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 259,253</u></u>	<u><u>\$ 57,215</u></u>	<u><u>\$ 316,468</u></u>

See Independent Auditor's Report.

CUSTODIAL FUNDS

Custodial Funds are used to account for assets held by the City as custodian for private organizations or other governments.

CITY OF MORRISTOWN, TENNESSEE

COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	Custodial Funds		
	LAMPTO Fund	Employee Benefits	Total Custodial Funds
ASSETS			
Cash and cash equivalents	\$ 234,268	\$ 15,808	\$ 250,076
Grant receivable	43,719	-	43,719
Total assets	<u>277,987</u>	<u>15,808</u>	<u>293,795</u>
LIABILITIES			
Accounts payable	408	-	408
Accrued payroll and related liabilities	<u>70</u>	<u>-</u>	<u>70</u>
Total liabilities	<u>478</u>	<u>-</u>	<u>478</u>
NET POSITION			
Restricted for:			
Organizations	277,509	-	277,509
Individuals	<u>-</u>	<u>15,808</u>	<u>15,808</u>
Total net position	<u><u>\$ 277,509</u></u>	<u><u>\$ 15,808</u></u>	<u><u>\$ 293,317</u></u>

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2021

	Custodial Funds		
	LAMPTO Fund	Employee Benefits Trust	Total Custodial Funds
ADDITIONS			
Employer contributions	\$ -	\$ 75,228	\$ 75,228
Intergovernmental	134,089	-	134,089
Transfers in	32,915	-	32,915
Total additions	167,004	75,228	242,232
DEDUCTIONS			
Benefits	10,477	77,276	87,753
Administrative expenses	10,211	-	10,211
Medical, dental, and life insurance for retirees	16,872	-	16,872
Payroll	75,392	-	75,392
Other contracted services	75,831	-	75,831
Total deductions	188,783	77,276	266,059
Change in net position	(21,779)	(2,048)	(23,827)
Net position – beginning of the year	-	17,856	17,856
Prior period restatement (Note 17)	299,288	-	299,288
Net position – end of the year	<u>\$ 277,509</u>	<u>\$ 15,808</u>	<u>\$ 293,317</u>

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2020	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2021
GOVERNMENTAL ACTIVITIES									
GENERAL FUND									
\$4,000,000 Capital Outlay Notes, Series 2011	\$ 3,750,000	2.06%	2011	2024	\$ 1,237,500	\$ -	\$ 309,375	\$ -	\$ 928,125
\$5,000,000 Local Government Loan Program Bond, Series 2009	2,848,203	Variable	12-21-2009	2034	1,949,347	-	105,377	-	1,843,970
General Obligation Bonds, Series 2017	9,710,000	3% to 3.75%	03-30-2017	2042	8,775,000	-	285,000	-	8,490,000
General Obligation Bonds Series 2018	19,190,000	3% to 5%	10-24-2018	2042	17,185,000	-	1,100,000	-	16,085,000
General Obligation Bonds Series 2019B	37,250,000	5.00%	12-02-2019	2049	37,250,000	-	870,000	-	36,380,000
Total payable through general fund					66,396,847	-	2,669,752	-	63,727,095
SOLID WASTE FUND									
\$5,000,000 Local Government Loan Program Bond, Series 2009	162,919	Variable	12-21-2009	2034	111,452	-	6,029	-	105,423
\$4,000,000 Capital Outlay Notes, Series 2011	250,000	2.06	2011	2024	82,501	-	20,626	-	61,875
Total payable through solid waste fund					193,953	-	26,655	-	167,298
Total governmental activities					66,590,800	-	2,696,407	-	63,894,393
BUSINESS-TYPE ACTIVITIES									
Bonds payable									
Series 2018 General Obligation Bonds	4,375,000	3% to 5%	10-24-2018	2035	4,115,000	-	155,000	-	3,960,000
Series 2018 General Obligation Bonds Refunding	16,410,000	3% to 5%	10-24-2018	2035	14,625,000	-	965,000	-	13,660,000
Total bonds payable through power system fund					18,740,000	-	1,120,000	-	17,620,000

(Continued)
See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2020	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2021
BUSINESS-TYPE ACTIVITIES (Continued)									
WATER SYSTEM									
Notes payable									
2002 DWSRF Promissory Note	\$ 8,500,000	2.61%	08-09-2001	2026	\$ 3,658,857	\$ -	\$ 589,233	\$ -	\$ 3,069,624
2009 Promissory Note	7,500,000	2.52%	12-21-2009	2030	4,385,000	-	375,000	-	4,010,000
2011 DWSRF Promissory Note	2,000,000	2.83%	09-03-2009	2032	799,320	-	56,727	-	742,593
Total notes payable through water sytsem fund					8,843,177	-	1,020,960	-	7,822,217
WASTEWATER SYSTEM									
Notes payable									
2007 CWSRF Promissory Note	12,500,000	2.06%	05-15-2007	2032	6,248,989	-	482,496	-	5,766,493
2009 CWSRF Promissory Note	1,600,000	2.73%	05-02-2011	2033	879,487	-	55,737	-	823,750
2013 CWSRF Promissory Note	5,000,000	1.51%	03-27-2013	2036	4,059,989	-	230,076	-	3,829,913
2009 Promissory Note	5,000,000	2.91%	12-21-2009	2035	1,305,483	-	70,578	-	1,234,905
2015 Promissory Note	10,000,000	2.74%	08-31-2015	2036	8,730,000	-	426,000	-	8,304,000
2016 Promissory Note	15,000,000	2.27%	12-23-2016	2037	3,246,000	-	643,000	-	2,603,000
Total notes payable through wastewater fund					24,469,948	-	1,907,887	-	22,562,061
Bonds payable									
Series 2012 General Obligation Bonds	26,000,000	2% to 4%	05-30-2012	2037	18,395,500	-	1,086,117	-	17,309,383
Series 2018 General Obligation Bonds	10,060,000	3% to 4%	10-24-2018	2037	10,060,000	-	-	-	10,060,000
Series 2018 General Obligation Bonds – Refunding	10,480,000	4% to 5%	10-24-2018	2028	8,765,000	-	920,000	-	7,845,000
Series 2019 General Obligation Bonds – Refunding	12,775,000	3% to 5%	06-28-2019	2034	12,775,000	-	875,000	-	11,900,000
Total bonds payable through wastewater system fund					49,995,500	-	2,881,117	-	47,114,383

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2020	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2021
BUSINESS-TYPE ACTIVITIES (Continued)									
BROADBAND SYSTEM									
Notes payable									
2014 Promissory Note	1,000,000	2.59%	06-26-2014	2024	\$ 474,000	\$ -	\$ 114,000	\$ -	\$ 360,000
2016 Promissory Note	2,000,000	2.00%	12-23-2016	2022	824,000	-	408,000	-	416,000
Total notes payable through broadband sytsem fund					1,298,000	-	522,000	-	776,000
Bonds payable									
Series 2018 General Obligation Bonds – Refunding	3,810,000	3% to 5%	10-24-2018	2035	3,500,000	-	170,000	-	3,330,000
Total bonds payable through broadband system fund					3,500,000	-	170,000	-	3,330,000
STORMWATER SYSTEM									
Bonds payable									
\$5,000,000 Local Government Loan Program Bond, Series 2009	81,459	Variable	12-21-2009	2034	55,716	-	3,015	-	52,701
\$31,000,000 GO Bonds, Series 2012	5,000,000	2% to 4%	05-30-2012	2037	3,538,146	-	208,884	-	3,329,262
Total payable through storm water fund					3,593,862	-	211,899	-	3,381,963
Total payable business type activities					110,440,487	-	7,833,863	-	102,606,624
TOTAL DEBT – CITY OF MORRISTOWN					\$ 177,031,287	\$ -	\$ 10,530,270	\$ -	\$ 166,501,017

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS GOVERNMENTAL FUNDS
June 30, 2021

General Fund											
Year	General Obligation Bonds Series 2017		General Obligation Bonds Series 2018		General obligation Bonds Series 2019B		General Fund Tennessee Local Government Loan Program Series 2009		General Fund Capital Outlay Note Series 2011		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 295,000	\$ 277,313	\$ 1,170,000	\$ 685,850	\$ 910,000	\$ 1,263,238	\$ 108,224	\$ 50,006			\$ 6,932,869
2023	305,000	268,463	1,235,000	627,350		1,217,738	111,642	46,873	309,375	15,933	7,265,112
2024	315,000	259,313	1,315,000	565,600	1,005,000	1,169,988	115,059	43,642	309,375	9,560	7,282,525
2025	320,000	249,863	1,390,000	499,850	1,055,000	1,119,738	118,477	40,315	309,375	3,187	7,280,543
2026	330,000	240,263	1,475,000	430,350	1,110,000	1,066,988	121,894	36,889	-	-	6,988,372
2027	340,000	230,363	1,565,000	356,600	1,165,000	1,011,488	125,312	34,072	-	-	7,004,323
2028	350,000	220,163	1,645,000	294,000	1,220,000	953,238	128,730	30,746	-	-	7,015,115
2029	360,000	209,663	405,000	228,200	1,280,000	892,238	132,717	27,021	-	-	5,707,077
2030	375,000	198,863	365,000	216,050	1,345,000	828,238	136,704	23,182	-	-	5,661,275
2031	385,000	187,613	380,000	205,100	1,390,000	774,438	140,691	19,229	-	-	5,646,509
2032	395,000	176,063	390,000	193,225	1,390,000	718,838	144,678	15,162	-	-	5,531,804
2033	410,000	164,213	400,000	180,550	1,390,000	685,825	148,666	10,982	-	-	5,466,061
2034	420,000	151,193	415,000	167,550	1,390,000	651,075	153,222	6,680	-	-	5,395,795
2035	430,000	139,313	430,000	153,025	1,385,000	616,325	157,954	2,248	-	-	5,315,190
2036	445,000	126,413	445,000	137,975	1,385,000	574,775	-	-	-	-	5,073,938
2037	460,000	113,063	460,000	122,400	1,385,000	533,225	-	-	-	-	4,991,913
2038	475,000	95,813	480,000	104,000	1,385,000	491,675	-	-	-	-	4,908,163
2039	495,000	78,000	500,000	84,800	1,385,000	450,125	-	-	-	-	4,828,050
2040	510,000	59,438	520,000	64,800	1,385,000	412,038	-	-	-	-	2,951,276
2041	530,000	40,313	540,000	44,000	1,385,000	373,950	-	-	-	-	4,672,213
2042	545,000	20,438	560,000	22,400	1,385,000	332,400	-	-	-	-	4,582,638
2042	-	-	-	-	1,385,000	290,850	-	-	-	-	3,351,700
2042	-	-	-	-	1,385,000	249,300	-	-	-	-	3,268,600
2042	-	-	-	-	1,385,000	207,750	-	-	-	-	3,185,500
2042	-	-	-	-	1,385,000	166,200	-	-	-	-	3,102,400
2042	-	-	-	-	1,385,000	124,650	-	-	-	-	3,019,300
2042	-	-	-	-	1,385,000	83,100	-	-	-	-	2,936,200
2042	-	-	-	-	1,385,000	41,550	-	-	-	-	1,426,550
	<u>\$ 8,490,000</u>	<u>\$ 3,506,140</u>	<u>\$ 16,085,000</u>	<u>\$ 5,383,675</u>	<u>\$ 36,380,000</u>	<u>\$ 17,300,981</u>	<u>\$ 1,843,970</u>	<u>\$ 387,047</u>	<u>\$ 928,125</u>	<u>\$ 28,680</u>	<u>\$140,791,011</u>
Solid Waste											
Tennessee Local Government Series 2009		Capital Outlay Note Series 2011									
	Principal	Interest	Principal	Interest	Total						
	\$ 6,194	\$ 2,919									
2022	6,390	2,740	20,625	1,062	30,817						
2023	6,585	2,555	20,625	637	30,402						
2024	6,781	2,365	20,625	212	29,983						
2025	6,976	2,169	-	-	9,145						
2026	7,172	1,967	-	-	9,139						
2027	7,368	1,760	-	-	9,128						
2028	7,596	1,546	-	-	9,142						
2029	7,824	1,327	-	-	9,151						
2030	8,052	1,101	-	-	9,153						
2031	8,280	868	-	-	9,148						
2032	8,509	629	-	-	9,138						
2033	8,769	382	-	-	9,151						
2034	8,927	129	-	-	9,056						
	<u>\$ 105,423</u>	<u>\$ 22,457</u>	<u>\$ 61,875</u>	<u>\$ 1,911</u>	<u>\$ 182,553</u>						

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS BUSINESS TYPE FUNDS

June 30, 2021

Fiscal Year Ended 30-Jun	Stormwater Fund					Power System				
	Tennessee Local Government Loan Program		General Obligation Bonds			General Obligation Bonds		General Obligation Bonds - Refundings		
	Series 2009		Series 2012			Series 2018		Series 2018		
	Principal	Interest	Principal	Interest	Total	Principal	Interest	Principal	Interest	Total
2022	\$ 3,097	\$ 1,460	\$ 208,883	\$ 110,090	\$ 323,530	\$ 165,000	\$ 152,875	\$ 1,010,000	\$ 559,613	\$ 1,887,488
2023	3,195	1,370	208,883	103,823	317,271	170,000	144,625	1,055,000	509,113	1,878,738
2024	3,293	1,278	208,883	97,557	311,011	180,000	136,125	1,105,000	456,363	1,877,488
2025	3,390	1,182	208,883	90,246	303,701	190,000	127,125	1,155,000	401,113	1,873,238
2026	3,488	1,084	208,883	81,890	295,345	200,000	117,625	1,205,000	343,363	1,865,988
2027	3,586	983	208,883	73,535	286,987	210,000	107,625	1,260,000	283,113	1,860,738
2028	3,684	880	208,883	65,180	278,627	220,000	99,225	1,305,000	232,713	1,856,938
2029	3,798	773	208,883	56,824	270,278	225,000	90,425	725,000	180,513	1,220,938
2030	3,912	663	207,270	49,538	261,383	235,000	83,675	745,000	158,763	1,222,438
2031	4,026	550	207,270	43,319	255,165	240,000	76,625	770,000	136,413	1,223,038
2032	4,140	434	207,270	37,101	248,945	245,000	69,125	790,000	112,350	1,216,475
2033	4,254	314	207,270	30,753	242,591	255,000	61,163	820,000	86,675	1,222,838
2034	4,385	191	207,270	24,147	235,993	265,000	52,875	845,000	60,025	1,222,900
2035	4,453	64	207,270	17,411	229,198	275,000	43,600	870,000	30,450	1,219,050
2036	-	-	207,270	10,545	217,815	285,000	33,975	-	-	318,975
2037	-	-	207,308	3,524	210,832	295,000	24,000	-	-	319,000
2038	-	-	-	-	-	305,000	12,200	-	-	317,200
Totals	\$ 52,701	\$ 11,226	\$ 3,329,262	\$ 895,483	\$ 4,288,672	\$ 3,960,000	\$ 1,432,888	\$ 13,660,000	\$ 3,550,580	\$ 22,603,468

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS BUSINESS TYPE FUNDS

June 30, 2021

Fiscal Year Ended 30-Jun	Water System						
	Note		Promissory Note		DWSRF Promissory Note		Total
	2002		2009		2011		
	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 604,082	\$ 73,738	\$ 390,000	\$ 96,138	\$ 58,387	\$ 20,261	
2023	620,039	57,781	400,000	86,184	60,061	18,587	1,242,652
2024	636,417	41,403	415,000	75,915	61,783	16,865	1,247,383
2025	653,228	24,592	430,000	65,268	63,554	15,094	1,251,736
2026	555,858	7,332	445,000	54,243	65,376	13,272	1,141,081
2027	-	-	460,000	42,840	67,251	11,397	581,488
2028	-	-	475,000	31,059	69,179	9,469	584,707
2029	-	-	490,000	18,900	71,162	7,486	587,548
2030	-	-	505,000	6,363	73,202	5,446	590,011
2031	-	-	-	-	75,301	3,347	78,648
2032	-	-	-	-	77,337	1,189	78,526
Totals	\$3,069,624	\$ 204,846	\$ 4,010,000	\$ 476,910	\$ 742,593	\$ 122,413	\$ 8,626,386

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS BUSINESS TYPE FUNDS

June 30, 2021

Fiscal Year Ended 30-Jun	Wastewater System									
	Note		CWSRF Promissory Note		CWSRF Promissory Note		Promissory Note		Promissory Note	
	2007		2009		2013		2009		2015	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 492,528	\$ 114,091	\$ 62,484	\$ 21,568	\$ 233,580	\$ 56,215	\$ 72,485	\$ 34,881	\$ 437,000	\$ 219,108
2023	502,764	103,849	64,212	19,841	237,132	52,663	74,774	32,739	449,000	206,692
2024	513,228	93,393	65,988	18,066	240,732	49,058	77,063	30,530	462,000	194,453
2025	523,896	82,720	67,812	16,241	244,392	45,397	79,352	28,254	474,000	180,808
2026	534,792	71,825	69,684	14,367	248,112	41,681	81,641	25,911	487,000	167,340
2027	545,916	60,703	71,616	12,440	251,880	37,909	83,930	23,502	501,000	153,487
2028	557,268	49,350	73,596	10,460	255,720	34,079	86,218	21,026	514,000	139,655
2029	568,860	37,761	75,636	8,425	259,608	30,191	88,889	18,479	529,000	124,645
2030	580,680	25,930	77,724	6,334	263,556	26,243	91,559	15,853	543,000	109,628
2031	592,764	13,854	79,872	4,186	267,564	22,236	94,231	13,150	558,000	94,197
2032	353,797	2,414	82,080	1,978	271,632	18,167	96,901	10,369	573,000	78,565
2033	-	-	33,046	159	275,760	14,037	99,571	7,510	589,000	62,063
2034	-	-	-	-	279,948	9,844	102,622	4,568	605,000	45,333
2035	-	-	-	-	284,208	5,588	105,669	1,538	622,000	28,133
2036	-	-	-	-	216,089	1,362	-	-	961,000	2,311
Totals	<u>\$5,766,493</u>	<u>\$ 655,890</u>	<u>\$ 823,750</u>	<u>\$ 134,065</u>	<u>\$ 3,829,913</u>	<u>\$ 444,670</u>	<u>\$ 1,234,905</u>	<u>\$ 268,310</u>	<u>\$ 8,304,000</u>	<u>\$ 1,806,418</u>

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS BUSINESS TYPE FUNDS

June 30, 2021

Wastewater System											
Fiscal Year Ended 30-Jun	Promissory Note 2016		General Obligation Bonds Series 2012		General Obligation Bonds Series 2018		General Obligation Bonds - Refunding Series 2018		General Obligation Bonds - Refunding Series 2018		Wastewater System Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 657,000	\$ 51,675	\$ 1,086,117	\$ 572,425	\$ -	\$ 339,069	\$ 965,000	\$ 367,100	\$ 890,000	\$ 462,850	\$ 7,135,176
2023	672,000	36,591	1,086,117	539,842	-	339,069	1,015,000	318,850	900,000	418,100	7,069,235
2024	688,000	21,155	1,086,117	507,258	-	339,069	1,065,000	268,100	905,000	372,975	6,997,185
2025	586,000	6,673	1,086,117	469,244	-	339,069	1,115,000	214,850	915,000	327,475	6,802,300
2026	-	-	1,086,117	425,800	-	339,069	1,170,000	159,100	925,000	281,475	6,128,914
2027	-	-	1,086,117	382,355	-	339,069	1,230,000	100,600	935,000	234,975	6,050,499
2028	-	-	1,086,117	338,910	-	339,069	1,285,000	51,400	935,000	192,900	5,969,768
2029	-	-	1,086,117	295,466	985,000	339,069	-	-	935,000	155,500	5,537,646
2030	-	-	1,077,730	257,577	1,015,000	309,519	-	-	930,000	122,850	5,453,183
2031	-	-	1,077,730	225,245	1,045,000	279,069	-	-	920,000	95,100	5,382,198
2032	-	-	1,077,730	192,914	1,075,000	246,413	-	-	910,000	67,650	5,058,610
2033	-	-	1,077,730	159,908	1,110,000	211,475	-	-	900,000	40,500	4,580,759
2034	-	-	1,077,730	125,555	1,145,000	175,400	-	-	900,000	13,500	4,484,500
2035	-	-	1,077,730	90,529	1,185,000	135,325	-	-	-	-	3,535,720
2036	-	-	1,077,730	54,829	1,230,000	93,850	-	-	-	-	3,637,171
2037	-	-	1,076,337	18,322	1,270,000	50,800	-	-	-	-	2,415,459
Totals	<u>\$2,603,000</u>	<u>\$ 116,094</u>	<u>\$17,309,383</u>	<u>\$ 4,656,179</u>	<u>\$ 10,060,000</u>	<u>\$ 4,214,403</u>	<u>\$ 7,845,000</u>	<u>\$ 1,480,000</u>	<u>\$11,900,000</u>	<u>\$ 2,785,850</u>	<u>\$ 86,238,323</u>

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS BUSINESS TYPE FUNDS

June 30, 2021

Totals Ended 30-Jun	Broadband System						
	Promissory Note 2014		Promissory Note 2016		General Obligation Bonds Series 2018		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2022	\$ 117,000	\$ 7,809	\$ 416,000	\$ 4,160	\$ 180,000	\$ 128,700	\$ 853,669
2023	120,000	4,740	-	-	185,000	119,700	429,440
2024	123,000	1,593	-	-	195,000	110,450	430,043
2025	-	-	-	-	205,000	100,700	305,700
2026	-	-	-	-	215,000	88,450	303,450
2027	-	-	-	-	225,000	79,700	304,700
2028	-	-	-	-	235,000	70,700	305,700
2029	-	-	-	-	245,000	61,300	306,300
2030	-	-	-	-	255,000	53,950	308,950
2031	-	-	-	-	260,000	46,300	306,300
2032	-	-	-	-	270,000	38,175	308,175
2033	-	-	-	-	280,000	29,400	309,400
2034	-	-	-	-	285,000	20,300	305,300
2035	-	-	-	-	295,000	10,325	305,325
2036	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-
Totals	<u>\$ 360,000</u>	<u>\$ 14,142</u>	<u>\$ 416,000</u>	<u>\$ 4,160</u>	<u>\$ 3,330,000</u>	<u>\$ 958,150</u>	<u>\$ 5,082,452</u>

See Independent Auditor's Report.

SUPPORTING SCHEDULES

SCHEDULE 1

CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – NARCOTICS FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 107,966	\$ -	\$ 107,966	\$ 102,966
Intergovernmental	50,000	40,200	66,154	-	66,154	25,954
Total revenues	55,000	45,200	174,120	-	174,120	128,920
EXPENDITURES						
Public safety	156,251	166,051	211,249	(65,089)	146,160	19,891
Total expenditures	156,251	166,051	211,249	(65,089)	146,160	19,891
Excess (deficiency) of revenues over expenditures	(101,251)	(120,851)	(37,129)	65,089	27,960	109,029
Net change in fund balance	(101,251)	(120,851)	(37,129)	65,089	27,960	109,029
Fund balances, June 30, 2020	198,953	198,953	296,382	-	296,382	-
Fund balances, June 30, 2021	\$ 97,702	\$ 78,102	\$ 259,253	\$ 65,089	\$ 324,342	\$ 109,029

The Notes to Financial Statements are an integral part of this statement.

SCHEDULE 2

CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – E-CITATION FUND
Year Ended June 30, 2021**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Fines and forfeitures	\$ 13,000	\$ 13,000	\$ 10,176	\$ -	\$ 10,176	\$ (2,824)
Total revenues	13,000	13,000	10,176	-	10,176	(2,824)
Excess (deficiency) of revenues over expenditures	13,000	13,000	10,176	-	10,176	(2,824)
Net change in fund balance	13,000	13,000	10,176	-	10,176	(2,824)
Fund balances, June 30, 2020	50,397	50,397	47,039	-	47,039	-
Fund balances, June 30, 2021	\$ 63,397	\$ 63,397	\$ 57,215	\$ -	\$ 57,215	\$ (2,824)

The Notes to Financial Statements are an integral part of this statement.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Award Number	Assistance Listing Number		Federal Expenditures
Department of Housing and Urban Development:				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants	B-18-MC-47-0013	14.218	\$ 6,032	
Community Development Block Grants	B-19-MC-47-0013	14.218	91,220	
Community Development Block Grants	B-19-MC-47-0013	14.218	133,158	230,410
Department of Justice:				
Edward Byrne Memorial JAG Program	2019-DJ-BX-0701	16.738	6,450	
Edward Byrne Memorial JAG Program	2019-DJ-BX-0388	16.738	1,275	7,725
Coronavirus Emergency Supplemental Grant	2020-VD-BX-1407	16.034		7,254
Enforcement of TN Driving Under the Influence Laws	Z19THS199	20.607	1,588	
Enforcement of TN Driving Under the Influence Laws	Z20THS175	20.607	26,990	28,578
Department of Transportation:				
Highway Planning and Construction Cluster				
Highway Planning and Construction	STP-M-9113(23)	20.205	146,451	
Highway Planning and Construction	STP-M-9113(24)	20.205	15,261	
Highway Planning and Construction	STP-M-5930(10)	20.205	64,822	226,534
Metropolitan Transportation Planning	Z19MPO009	20.205		151,020
Department of Treasury:				
Pass-through payments:				
Tennessee Department of Health and Human Services				
Covid-19: Coronavirus Relief Fund		21.019		448,890
Total Expenditures of Federal Awards				\$ 1,100,411

Note 1. – Basis of Accounting:

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting as contemplated by generally accepted accounting principles.

Note 2. – Reconciling Item - Prior Year Expenditures:

The above Schedule of Expenditures of Federal Awards (SEFA) includes eligible federal expenditures of \$397,588 which were incurred and properly reported in the financial statements of the City during the year ended June 30, 2020.

Note 2. – Indirect Costs:

The City has not elected to use the de minimis 10% indirect cost rate.

Note 3. – Outstanding Loan Balances:

At June 30, 2021, the City had no outstanding loan balances requiring continuing disclosure.

SCHEDULE 4**CITY OF MORRISTOWN, TENNESSEE****SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2021**

Grantor Agency/Program	Contract Number	Expenditures
Airport Improvement Program	32-555-0765-19	\$ 14,217
Airport Maintenance Grant	32-555-0767-21	15,000
Airport Improvement Program	32-555-0168-21	84,464
Airport Improvement Program	32-555-0169-21	8,400
Multi Modal Program	32LPLM-S3-068	82,152
Better Bridge Program	32SABI-S3-003	83,832
Local Government Recovery and Rebuild Direct Appropriation Grant		690,420
Fastrack Grant		27,000
Site Development Grant		1,018,055
Metropolitan Transportation Planning	Z19MPO009	2,420
		<u>\$ 2,025,960</u>

STATISTICAL SECTION

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

Contents

Financial Trends

Tables 1-5

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

Revenue Capacity

Tables 6-13

These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes, as well as revenues from its water, wastewater, power, and broadband operations.

Debt Capacity

Tables 14-16

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

Demographic and Economic Information

Tables 17-18

These tables offer demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparison over time and with other governments.

Operating Information

Tables 19-21

These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

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

TABLE 1**CITY OF MORRISTOWN, TENNESSEE**

**NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	<u>6/30/2012</u>	<u>6/30/2013</u>	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>6/30/2018</u>	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>
Governmental activities:										
Net investment in capital assets	\$ 26,055,799	\$ 29,647,943	\$ 33,965,440	\$ 34,875,277	\$ 40,495,228	\$ 43,572,086	\$ 44,366,928	\$ 44,112,071	\$ 49,242,104	\$ 53,742,337
Restricted	1,369,307	1,607,753	1,680,576	2,420,193	1,671,349	652,846	609,400	16,055,663	4,551,306	3,791,241
Unrestricted	<u>22,204,246</u>	<u>23,431,214</u>	<u>24,213,008</u>	<u>13,709,843</u>	<u>17,464,209</u>	<u>17,454,074</u>	<u>17,815,244</u>	<u>7,753,047</u>	<u>18,110,178</u>	<u>23,101,156</u>
Total governmental activities net position	<u>\$ 49,629,352</u>	<u>\$ 54,686,910</u>	<u>\$ 59,859,024</u>	<u>\$ 51,005,313</u>	<u>\$ 59,630,786</u>	<u>\$ 61,679,006</u>	<u>\$ 62,791,572</u>	<u>\$ 67,920,781</u>	<u>\$ 71,903,588</u>	<u>\$ 80,634,734</u>
Business-type activities:										
Net investment in capital assets	\$ 76,792,135	\$ 79,424,880	\$ 88,050,533	\$ 98,316,369	\$ 100,428,103	\$ 104,788,569	\$ 110,725,993	\$ 111,985,630	\$ 118,518,543	\$ 121,125,559
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>23,525,937</u>	<u>26,580,161</u>	<u>24,920,115</u>	<u>19,315,616</u>	<u>22,443,531</u>	<u>23,637,244</u>	<u>22,555,484</u>	<u>25,876,369</u>	<u>24,225,605</u>	<u>27,046,835</u>
Total business-type net position	<u>\$ 100,318,072</u>	<u>\$ 106,005,041</u>	<u>\$ 112,970,648</u>	<u>\$ 117,631,985</u>	<u>\$ 122,871,634</u>	<u>\$ 128,425,813</u>	<u>\$ 133,281,477</u>	<u>\$ 137,861,999</u>	<u>\$ 142,744,148</u>	<u>\$ 148,172,394</u>
Primary government:										
Net investment in capital assets	\$ 102,847,934	\$ 109,072,823	\$ 122,015,973	\$ 133,191,646	\$ 140,923,331	\$ 148,360,655	\$ 155,092,921	\$ 156,097,701	\$ 167,760,647	\$ 174,867,896
Restricted	1,369,307	1,607,753	1,680,576	2,420,193	1,671,349	652,846	609,400	16,055,663	4,551,306	3,791,241
Unrestricted	<u>45,730,183</u>	<u>50,011,375</u>	<u>49,133,123</u>	<u>33,025,459</u>	<u>39,907,740</u>	<u>41,091,318</u>	<u>40,370,728</u>	<u>33,629,416</u>	<u>42,335,783</u>	<u>50,147,991</u>
Total primary government	<u>\$ 149,947,424</u>	<u>\$ 160,691,951</u>	<u>\$ 172,829,672</u>	<u>\$ 168,637,298</u>	<u>\$ 182,502,420</u>	<u>\$ 190,104,819</u>	<u>\$ 196,073,049</u>	<u>\$ 205,782,780</u>	<u>\$ 214,647,736</u>	<u>\$ 228,807,128</u>

NOTE: GASB Statement No. 75 was adopted in fiscal year 2018. Information for previous years presented is unavailable.

TABLE 2

CITY OF MORRISTOWN, TENNESSEE

**CHANGES IN NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Expenses										
Governmental activities:										
General government	\$ 4,267,622	\$ 3,593,414	\$ 2,837,464	\$ 4,726,077	\$ 4,399,314	\$ 2,623,688	\$ 5,565,353	\$ 5,724,079	\$ 8,523,594	\$ 5,023,218
Public safety	13,775,987	14,016,226	14,634,316	14,168,464	14,408,187	16,205,149	15,198,313	16,306,668	16,712,969	17,247,169
Public works	9,939,809	6,665,204	6,831,898	10,493,687	10,389,418	11,598,260	9,749,660	10,736,232	11,044,754	11,264,215
Parks and recreation	1,793,705	1,773,943	2,056,499	1,807,804	2,057,170	3,817,269	2,196,230	2,055,250	1,315,038	2,254,193
Civic support	1,638,926	1,098,472	1,011,941	417,774	1,936,921	1,994,024	1,565,036	1,622,080	1,746,265	1,642,185
Economic development	392,784	147,547	296,060	942,834	303,006	-	-	-	-	-
Retiree benefits	309,530	401,695	306,363	382,916	389,559	366,337	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Long-term debt expense	289,717	327,064	286,676	263,167	279,047	-	643,818	1,135,318	1,770,299	2,209,706
Other	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	32,408,080	28,023,565	28,261,217	33,202,723	34,162,622	36,604,727	34,918,410	37,579,627	41,112,919	39,640,686
Business-type activities:										
Water	5,854,982	5,689,323	6,287,865	6,117,002	6,396,446	6,676,177	6,791,455	6,776,689	6,977,206	7,472,802
Wastewater	9,632,557	9,489,262	9,067,056	9,385,294	10,464,615	12,035,984	12,957,929	14,297,200	14,221,715	15,101,255
Power	71,977,895	73,724,566	75,270,529	994,148	73,769,967	813,226	76,594,389	77,796,499	72,585,833	70,548,813
Broadband system	6,963,308	7,256,552	6,945,100	75,855,798	7,059,706	76,497,573	7,653,604	8,580,326	8,872,846	8,563,862
Storm water	658,713	810,198	832,132	7,330,637	1,319,920	7,018,332	1,078,566	1,164,915	1,321,479	1,482,648
Total business-type expenses	95,087,455	96,969,901	98,402,682	99,682,879	99,010,654	103,041,292	105,075,943	108,615,629	103,979,079	103,169,380
Total primary government expenses	127,495,535	124,993,466	126,663,899	132,885,602	133,173,276	139,646,019	139,994,353	146,195,256	145,091,998	142,810,066
Program revenues:										
Governmental activities:										
Charges for services:										
General government	130,440	232,242	134,359	1,183,648	966,744	603,535	650,780	730,749	635,530	632,062
Public safety	1,319,940	1,178,045	1,057,791	365,496	660,840	513,404	571,333	415,954	184,349	216,378
Public works	1,300,875	1,343,759	1,370,370	-	1,407,639	1,406,844	1,438,504	2,132,234	2,124,274	2,146,382
Culture and recreation	-	-	-	-	124,077	110,620	115,340	122,973	74,476	51,573
Operating grants and contributions	700,118	710,156	1,454,535	2,949,422	466,292	128,336	191,531	175,368	203,610	192,356
Capital grants and contributions	-	-	-	1,356,626	4,102,716	1,668,274	701,821	347,471	431,610	434,798
Total governmental activities program revenues	3,451,373	3,464,202	4,017,055	5,855,192	7,728,308	4,431,013	3,669,309	3,924,749	3,653,849	3,673,549

(Continued)

TABLE 2

CITY OF MORRISTOWN, TENNESSEE

**CHANGES IN NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Business-type activities:										
Charge for services:										
Water	\$ 6,602,966	\$ 6,450,217	\$ 6,449,809	\$ 6,411,681	\$ 6,378,731	\$ 6,616,395	\$ 7,005,669	\$ 7,227,168	\$ 7,437,738	\$ 7,611,410
Wastewater	10,049,655	11,227,579	12,656,593	12,247,129	12,852,808	13,781,869	14,128,788	14,415,596	14,238,435	16,159,332
Power	74,575,366	74,850,804	75,425,515	75,151,759	74,026,335	77,244,198	78,262,760	79,519,049	75,488,051	74,974,451
Broadband system	6,815,505	7,195,234	7,629,190	8,239,118	8,509,233	8,602,426	1,345,299	8,281,370	8,249,700	8,609,151
Stormwater	1,375,723	1,342,550	1,330,147	1,276,062	1,080,408	1,353,476	8,360,510	1,617,918	1,404,622	1,376,972
Operating grants and contributions	2,067,523	2,219,003	2,580,025	2,586,526	-	-	-	-	-	-
Capital grants and contributions	165,384	1,602,948	524,286	151,200	422,950	230,150	263,600	266,000	185,380	372,610
Total business-type activities program revenue	101,652,122	104,888,335	106,595,565	106,063,475	103,270,465	107,828,514	109,366,626	111,327,101	107,003,926	109,103,926
Total primary government program revenue	\$ 105,103,495	\$ 108,352,537	\$ 110,612,620	\$ 111,918,667	\$ 110,998,773	\$ 112,259,527	\$ 113,035,935	\$ 115,251,850	\$ 110,657,775	\$ 112,777,475
Net (expense) revenue:										
Governmental activities	\$ (28,956,707)	\$ (24,559,363)	\$ (24,244,162)	\$ (27,347,531)	\$ (26,434,314)	\$ (32,173,714)	\$ (31,249,101)	\$ (33,654,878)	\$ (37,459,070)	\$ (35,967,137)
Business-type activities:	6,564,667	7,918,434	8,192,883	6,380,596	4,259,811	4,787,222	4,290,683	2,711,472	3,024,847	5,934,546
Total primary government program expense	\$ (22,392,040)	\$ (16,640,929)	\$ (16,051,279)	\$ (20,966,935)	\$ (22,174,503)	\$ (27,386,492)	\$ (26,958,418)	\$ (30,943,406)	\$ (34,434,223)	\$ (30,032,591)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 9,135,643	\$ 9,083,552	\$ 9,313,995	\$ 9,916,198	\$ 10,895,994	\$ 11,026,905	\$ 11,133,574	\$ 11,786,494	\$ 14,377,982	\$ 14,554,286
Local sales tax	10,236,619	9,923,645	10,061,738	10,793,398	11,743,470	12,280,106	12,405,158	13,389,122	13,543,093	15,120,224
Other local taxes	2,495,965	2,592,612	2,639,552	2,620,843	2,631,490	2,680,673	2,832,219	2,791,745	3,016,443	2,766,855
Business and gross receipts tax	1,000,937	936,935	837,434	958,795	1,049,900	1,061,806	1,091,623	1,113,149	1,159,672	1,225,928
Intergovernmental revenue										
unrestricted	4,777,887	5,146,051	4,476,998	4,390,483	5,318,624	4,747,970	6,074,849	6,105,485	5,702,751	7,570,005
Investment earnings	979,709	253,683	750,587	502,987	-	-	-	-	-	-
Other	-	-	-	-	1,766,013	489,811	811,649	1,561,606	1,383,478	1,018,593
Transfers	1,532,378	1,667,528	1,452,361	1,597,848	1,797,999	1,934,663	1,928,844	2,036,486	2,258,458	2,442,392
Total governmental activities	30,159,138	29,604,006	29,532,665	30,780,552	35,203,490	34,221,934	36,277,916	38,784,087	41,441,877	44,698,283
Business-type activities:										
Investment earnings	304,325	81,739	225,086	60,378	51,870	75,541	186,200	596,817	407,078	39,876
Other	-	-	-	-	2,833,685	2,626,079	3,008,322	3,308,719	3,708,682	3,522,030
Transfers	(1,532,378)	(1,667,528)	(1,452,361)	(1,597,848)	(1,797,999)	(1,934,663)	(1,928,844)	(2,036,486)	(2,258,458)	(2,442,392)
Total business-type activities	(1,228,053)	(1,585,789)	(1,227,275)	(1,537,470)	1,087,556	766,957	1,265,678	1,869,050	1,857,302	1,119,514
Total primary government	\$ 28,931,085	\$ 28,018,217	\$ 28,305,390	\$ 29,243,082	\$ 36,291,046	\$ 34,988,891	\$ 37,543,594	\$ 40,653,137	\$ 43,299,179	\$ 45,817,797
Changes in Net Position										
Governmental activities	\$ 1,202,431	\$ 5,044,643	\$ 5,288,503	\$ 3,433,021	\$ 8,769,176	\$ 2,048,220	\$ 5,028,815	\$ 5,129,209	\$ 3,982,807	\$ 8,731,146
Business-type activities	5,336,614	6,332,645	6,965,608	4,843,126	5,347,367	5,554,179	5,556,361	4,580,522	4,882,149	7,054,060
Total primary government	\$ 6,539,045	\$ 11,377,288	\$ 12,254,111	\$ 8,276,147	\$ 14,116,543	\$ 7,602,399	\$ 10,585,176	\$ 9,709,731	\$ 8,864,956	\$ 15,785,206

TABLE 3

CITY OF MORRISTOWN, TENNESSEE

FUND BALANCES – GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Post-GASB 54 Implementation:										
General Fund										
Nonspendable	\$ 11,756,646	\$ 11,780,321	\$ 11,822,098	\$ 11,716,611	\$ 8,857,981	\$ 8,853,869	\$ 9,587,862	\$ 9,145,379	\$ 7,283,183	\$ 9,056,749
Restricted	1,262,954	1,448,582	1,520,896	2,265,480	1,578,637	73,571	133,457	690,825	826,400	1,478,396
Committed	3,072	69,710	57,058	-	-	-	-	-	-	-
Assigned	3,852	8,500	156,876	5,970,170	6,713,983	6,397,453	7,699,910	6,110,594	7,709,773	7,924,393
Unassigned	10,069,059	11,118,191	12,155,081	7,062,313	8,350,230	7,902,354	7,482,374	5,721,167	8,724,598	14,592,210
Total general fund	<u>\$ 23,095,583</u>	<u>\$ 24,425,304</u>	<u>\$ 25,712,009</u>	<u>\$ 27,014,574</u>	<u>\$ 25,500,831</u>	<u>\$ 23,227,247</u>	<u>\$ 24,903,603</u>	<u>\$ 21,667,965</u>	<u>\$ 24,543,954</u>	<u>\$ 33,051,748</u>
All other governmental funds										
Restricted	\$ 106,353	\$ 159,171	\$ 159,680	\$ 154,713	\$ 529,089	\$ 8,864,668	\$ 5,639,588	\$ 15,364,838	\$ 42,033,648	\$ 28,589,591
Committed	-	-	-	-	1,375,000	1,899,728	2,859,940	659,444	906,098	2,128,821
Assigned	541,585	398,617	203,350	230,012	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 647,938</u>	<u>\$ 557,788</u>	<u>\$ 363,030</u>	<u>\$ 384,725</u>	<u>\$ 1,904,089</u>	<u>\$ 10,764,396</u>	<u>\$ 8,499,528</u>	<u>\$ 16,024,282</u>	<u>\$ 42,939,746</u>	<u>\$ 30,718,412</u>

NOTE: 2011 was the first year of implementing GASB54 which revised fund balance classifications.

TABLE 4

CITY OF MORRISTOWN, TENNESSEE

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
Revenues:										
Taxes	\$ 22,869,163	\$ 22,536,744	\$ 22,852,719	\$ 24,289,234	\$ 25,426,851	\$ 27,005,685	\$ 27,538,575	\$ 29,330,294	\$ 31,670,979	\$ 34,006,382
Licenses, permits and fines	1,319,940	1,178,045	1,057,791	365,496	645,551	299,544	529,149	426,202	366,065	564,045
Use of money and property	636,386	253,683	750,587	502,987	-	-	-	-	-	-
Service charges and fees	1,431,315	1,576,001	1,504,729	2,540,274	2,513,749	2,334,859	2,246,808	770,519	493,886	2,482,350
Other	-	-	-	-	1,766,013	489,811	811,649	901,819	886,480	1,018,593
Intergovernmental	5,478,005	5,856,207	5,931,533	7,339,905	9,533,778	6,544,580	6,968,201	5,430,323	5,690,936	8,197,159
Total revenues	<u>31,734,809</u>	<u>31,400,680</u>	<u>32,097,359</u>	<u>35,037,896</u>	<u>39,885,942</u>	<u>36,674,479</u>	<u>38,094,382</u>	<u>36,859,157</u>	<u>39,108,346</u>	<u>46,268,529</u>
Expenditures:										
General government	4,062,142	3,629,042	4,100,871	5,551,674	4,283,426	6,559,447	5,315,372	4,542,957	5,757,474	17,001,236
Public safety	13,522,370	13,972,414	15,060,623	15,674,562	15,712,924	17,581,344	17,975,611	16,645,427	17,063,214	17,376,723
Public works	8,862,747	8,798,240	8,199,366	8,723,165	12,436,344	9,997,726	8,494,267	6,863,299	7,112,936	8,989,997
Parks and recreation	1,746,676	1,768,165	2,037,972	2,024,368	2,296,653	3,924,041	2,393,220	2,068,403	2,243,483	2,119,994
Civic support	1,395,326	841,472	750,451	756,937	1,679,921	1,994,024	3,655,908	1,622,080	1,746,265	1,642,185
Library	243,600	257,000	261,490	257,000	257,000	-	-	-	-	-
Economic development	356,373	179,891	201,550	328,040	303,006	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Retiree benefits	309,530	401,695	306,363	382,916	389,559	370,885	463,208	536,776	499,080	524,572
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,574,629	1,675,568	1,136,023	1,173,560	1,211,528	1,248,061	1,655,663	1,648,742	1,736,591	2,696,407
Interest	232,380	239,740	187,384	169,905	165,996	342,634	658,489	1,147,625	1,824,272	2,416,424
Debt expense	57,337	87,324	99,292	93,262	92,982	-	-	-	-	-
Total expenditures	<u>32,363,110</u>	<u>31,850,551</u>	<u>32,341,385</u>	<u>35,135,389</u>	<u>38,829,339</u>	<u>42,018,162</u>	<u>40,611,738</u>	<u>35,075,309</u>	<u>37,983,315</u>	<u>52,767,538</u>
Deficiency of revenue over expenditures	<u>(628,301)</u>	<u>(449,871)</u>	<u>(244,026)</u>	<u>(97,493)</u>	<u>1,056,603</u>	<u>(5,343,683)</u>	<u>(2,517,356)</u>	<u>1,783,848</u>	<u>1,125,031</u>	<u>(6,499,009)</u>
Other financing sources (uses)										
Transfers in	2,202,954	2,059,154	2,038,024	2,381,066	4,244,692	6,004,663	3,730,510	2,036,486	2,258,458	3,760,476
Transfers out	(1,184,908)	(391,626)	(585,663)	(783,218)	(2,446,693)	(4,070,000)	(1,801,666)	(7,189,100)	(507,500)	(1,318,084)
Bonds issued	4,000,000	-	-	-	-	9,995,743	-	9,940,000	-	-
Payments to Refunded Bond Escrow	-	-	-	-	-	-	-	(11,092,095)	-	-
Premium on Debt Issuance	-	-	-	-	-	-	-	1,285,223	-	-
Total other financing sources (uses)	<u>5,018,046</u>	<u>1,667,528</u>	<u>1,452,361</u>	<u>1,597,848</u>	<u>1,797,999</u>	<u>11,930,406</u>	<u>1,928,844</u>	<u>(5,019,486)</u>	<u>1,750,958</u>	<u>2,442,392</u>
Net change in fund balance	<u>\$ 4,389,745</u>	<u>\$ 1,217,657</u>	<u>\$ 1,208,335</u>	<u>\$ 1,500,355</u>	<u>\$ 2,854,602</u>	<u>\$ 6,586,723</u>	<u>\$ (588,512)</u>	<u>\$ (3,235,638)</u>	<u>\$ 2,875,989</u>	<u>\$ (4,056,617)</u>
Debt service as a percentage of noncapital governmental expenditures	<u>5.83%</u>	<u>6.81%</u>	<u>5.06%</u>	<u>4.15%</u>	<u>4.08%</u>	<u>4.54%</u>	<u>6.69%</u>	<u>11.82%</u>	<u>15.00%</u>	<u>21.54%</u>

TABLE 5

CITY OF MORRISTOWN, TENNESSEE

GOVERNMENTAL ACTIVITIES REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	In-lieu Tax	Franchise Tax	Local Sales Tax	Alcohol Beverage Tax	Business and Gross Receipts Tax	Licenses, Permits, and Fines	Hotel/ Motel Tax	Litigation Tax	Use of Money and Property	Other	Inter- Governmental	Transfers	Total
2012	\$ 9,135,642	\$ -	\$ 598,668	\$ 10,236,619	\$ 1,364,148	\$ 1,000,937	\$ 1,319,940	\$ 533,149	\$ -	\$ 2,067,701	\$ -	\$ 5,478,005	\$ 1,018,046	\$ 32,752,855
2013	9,064,768	18,784	632,723	9,923,645	1,397,959	936,935	203,798	561,930	-	1,387,479	-	5,358,672	1,667,528	31,154,221
2014	9,286,317	27,678	692,442	10,061,738	1,404,875	837,434	233,710	542,235	-	1,496,078	-	5,717,743	1,452,361	31,752,611
2015	9,851,476	64,722	726,174	10,793,398	1,316,273	958,795	365,496	565,490	12,906	3,043,261	-	7,339,905	2,381,066	37,418,962
2016	10,895,994	-	598,717	11,743,470	1,338,486	1,049,900	-	622,095	72,192	3,159,300	1,766,013	9,887,632	1,797,999	42,931,798
2017	11,026,905	-	603,791	12,280,106	1,334,354	1,061,806	-	675,088	67,440	2,634,403	489,811	6,544,580	1,934,663	38,652,947
2018	11,133,574	-	708,339	12,405,158	1,330,498	1,091,623	-	745,950	47,432	2,775,957	811,649	6,968,201	1,928,844	39,947,225
2019	11,786,494	-	712,126	13,389,122	1,260,568	1,113,149	-	767,588	51,463	3,401,910	1,561,606	6,105,485	2,036,486	42,185,997
2020	14,377,982	-	638,180	13,543,093	1,682,295	1,159,672	-	651,258	44,710	3,653,849	1,383,478	5,702,751	2,258,458	45,095,726
2021	14,893,375	-	600,615	15,120,224	1,387,455	1,225,928	445,903	737,761	41,024	3,617,444	851,834	7,346,966	3,760,476	50,029,005

TABLE 6

CITY OF MORRISTOWN, TENNESSEE

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Tax Year	Residential Property	Commercial Property	Public Utility Property	Other	Industrial Property	Public Utility Property	Total Assessment Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2012	\$ 267,600,800	\$ 406,290,680	\$ 707,025	\$ 5,674,505	\$ 183,822,111	\$ 3,547	\$ 864,098,668	1.05	\$ 2,722,855,361	31.74%
2013	266,280,800	341,958,234	707,025	5,716,175	248,685,433	2,270	863,349,937	1.05	2,720,476,644	31.74%
2014	267,100,775	342,794,907	707,025	5,697,950	252,008,861	5,587	868,315,105	1.05	2,736,636,423	31.73%
2015	241,973,025	346,673,196	695,695	4,832,500	257,178,659	9,735	851,362,810	1.114	2,665,051,327	31.95%
2016	242,706,000	360,519,034	695,695	4,777,775	282,378,782	6,753	891,084,039	1.20	2,791,909,491	31.92%
2017	243,508,725	368,288,320	695,695	4,824,475	290,189,983	9,111	907,516,309	1.20	2,879,128,380	31.52%
2018	244,715,150	376,170,327	695,695	4,647,200	298,679,525	-	924,907,897	1.20	2,934,086,480	31.52%
2019	246,406,625	385,853,750	695,695	4,703,875	305,384,722	-	943,044,667	1.25	2,999,344,651	31.44%
2020	283,235,750	419,337,636	377,630	5,358,750	303,539,923	-	1,011,849,689	1.50	3,279,367,845	30.86%
2021	288,118,350	426,114,323	377,630	4,952,525	317,980,983	-	1,037,543,811	1.3958	3,268,980,991	31.74%

TABLE 7

CITY OF MORRISTOWN, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2021			2013		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mahle	45,978,438	1	4.43%	4,43%	1	3.85%
JTEKT(Toyoda-TRW)	36,825,213	2	3.55%	3,55%	6	1.73%
OTICS	25,742,095	3	2.48%	2,48%	4	2.21%
Inteplast (formelry Vifan)	16,892,031	4	1.63%	1,63%	3	2.88%
Colgate	14,914,981	5	1.44%	1,44%		
Tuff Torq Corp	14,531,069	6	1.40%	1,40%	5	1.84%
Rich Products	14,247,520	7	1.37%	1,37%		
Time Equities (formerly CBL Morristown LTD)	12,899,360	8	1.24%	1,24%	2	3.02%
Team Technologies	11,513,210	9	1.11%	1,11%	9	1.26%
Meritor/Rockwell	7,891,085	10	0.76%	0,76%	10	0.73%
Lear Corporation	-			11,519,987	8	1.31%
Morristown-Hamblen Hospital	-			14,801,900	7	1.68%
	201,435,002			26,321,887		

Source: City of Morristown, Tennessee Finance Department

TABLE 8

CITY OF MORRISTOWN, TENNESSEE

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2021	\$ 14,575,762	\$ 13,770,863	94.48 %	\$ 755,353	\$ 14,526,216	99.66 %
2020	13,701,894	13,169,235	96.11	366,100	13,535,335	98.78
2019	11,728,491	11,086,237	94.52	-	11,086,237	94.52
2018	11,784,000	11,209,575	95.13	458,210	11,667,785	99.01
2017	11,131,901	10,356,964	93.04	393,662	10,750,626	96.57
2016	10,933,593	10,355,811	94.72	258,036	10,613,847	97.08
2015	9,117,321	8,690,500	95.32	203,214	8,893,714	97.55
2014	9,065,786	8,545,014	94.26	354,573	8,899,587	98.17
2013	9,065,786	8,579,330	94.63	394,911	8,974,241	98.99
2012	9,073,036	8,679,616	95.66	341,884	9,021,500	99.43

Source: City of Morristown, Tennessee Finance Department

TABLE 9

CITY OF MORRISTOWN, TENNESSEE

**WASTEWATER UTILITY RATES AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<u>Wastewater rate</u>										
Inside	\$ 8.11	\$ 8.11	\$ 9.17	\$ 9.17	\$ 10.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 12.50
Outside	16.22	16.22	18.34	18.34	21.00	23.00	23.00	23.00	23.00	25.00
<u>Customers</u>										
Inside	11,618	11,668	10,567	10,565	10,605	10,594	10,685	10,719	10,753	10,874
Outside	105	106	10	9	9	9	9	9	9	9
<u>Commodity charge (per 1,000 gallons)</u>										
Inside					5.00	5.00	5.00	5.00	5.00	5.00
Outside					10.00	10.00	10.00	10.00	10.00	10.00

Source: Morristown Utility Commission (2021-2014)

City of Morristown Finance Department (2013-2012)

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Residential										
Customer charge per month	\$ 26.27	\$ 25.27	\$ 25.27	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71
Energy charge:										
First 2,000 kWh	0.00948	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242
Additional kWh per month	0.00948	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242
Commercial, Industrial, Governmental and Institutional										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	\$28 or \$45	\$27 or \$44	\$27 or \$44	\$25 or \$42	\$21 or \$39	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	26.00
Energy charge per kWh per month	0.10784	1.1052	0.10852	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	135.50	135.50	135.50	135.50	135.50	135.00	133.00	133.00	133.00	133.00
Demand charge:										
First 50 kW per month										
Excess over 50 kW per month	13.66	13.66	13.66	13.36	13.12	12.88	12.35	12.00	11.86	11.86
Energy charge:										
First 15,000 kWh per month	0.10252	0.09934	0.10266	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702
Additional kWh per month	0.06465	0.06151	0.06479	0.06459	0.06515	0.06236	0.06284	0.06695	0.0635	0.06491
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	275.08	275.08	275.08	275.08	275.08	275.08	270.00	270.00	270.00	270.00
Demand charge:										
First 1,000 kW per month	13.91	13.91	13.91	13.58	13.32	13.06	12.50	12.24	11.98	11.98
Excess over 1,000 kW per month	16.04	16.04	16.04	15.64	15.32	15.00	14.32	13.99	13.67	13.67
Energy charge:										
Per kWh per month	0.06456	0.06142	0.0647	0.06451	0.06508	0.0623	0.06279	0.06691	0.06348	0.06489
MSB										
Demand Charge:										
On Peak	10.24	10.24	-	-	-	-	-	-	-	-
Excess off Peak	2.26	2.26	-	-	-	-	-	-	-	-
Excess over contract	10.24	10.24								
Enegrgy Charge:										
On Peak	0.07403	0.07016	-	-	-	-	-	-	-	-
Off Peak (200 hours)	0.04903	0.04516	-	-	-	-	-	-	-	-
Off Peak (next 200 hours)	0.01934	0.01547	-	-	-	-	-	-	-	-
Off Peak (additional kWh)	0.01679	0.1292	-	-	-	-	-	-	-	-

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
TDMSA										
Demand charge:										
On peak	-	-	11.00	9.97	9.74	9.52	17.24	16.84	16.45	16.45
Excess off peak	-	-	4.62	4.24	3.40	3.36	4.14	4.07	4.00	4.00
Excess over contract	-	-	11.00	9.97	9.74	9.52	17.24	16.84	16.45	16.45
Energy charge:										
On peak	-	-	0.08102	0.07152	0.07197	0.0694	0.09815	0.10127	0.09683	0.09694
Off peak (first 425 kWh)	-	-	0.05182	0.04718	0.04819	-	0.06163	0.06568	0.06215	0.06226
Off peak (next 195 kWh)	-	-	0.02229	0.02126	0.02209	-	0.04198	0.04653	0.04349	0.0436
Off peak (additional kWh)	-	-	0.01974	0.01878	0.01966	-	0.02529	0.03026	0.02764	0.02775
Commercial, Industrial, Governmental and Institutional (Continued)										
GSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	-
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	-	-	-
Additional kWh per month	-	-	-	-	-	-	-	-	-	-
GSB (non-manufacturing) (demand of 15,001 to 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	-
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	-	-	-
Additional kWh per month	-	-	-	-	-	-	-	-	-	-
Part F (demand greater than 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	-
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
Energy charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-

(Continued)

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Active Service (number of customers)										
Residential	12,460	12,296	12,198	12,133	11,995	11,862	11,826	11,721	11,764	11,752
Commercial	2,252	2,231	2,239	2,191	2,163	2,160	2,141	2,120	2,121	2,105
Industrial	428	446	439	448	458	446	439	458	449	447
Street and athletic	82	79	79	79	76	75	76	73	70	71
Outdoor lighting	145	79	77	35	34	33	33	34	34	31
Total active service	15,367	15,131	15,032	14,886	14,726	14,576	14,515	14,406	14,438	14,406

TABLE 11

CITY OF MORRISTOWN, TENNESSEE

WATER RATES AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Inside City Rate										
Customer charge per month	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	2.35	2.35	2.35	2.35	2.20	2.05	2.05	2.05	2.05	2.05
Next 50,000 gallons	2.10	2.10	2.10	2.10	1.95	1.80	1.80	1.80	1.80	1.80
Over 100,000	1.90	1.90	1.90	1.90	1.75	1.60	1.60	1.60	1.60	1.60
Minimum bill:										
5/8" meter	9.35	9.35	9.35	9.35	9.05	8.75	8.75	8.75	8.75	8.75
3/4" meter	9.85	9.85	9.85	9.85	9.55	9.25	9.25	9.25	9.25	9.25
1" meter	10.60	10.60	10.60	10.60	10.30	10.00	10.00	10.00	10.00	10.00
1 1/2" meter	12.10	12.10	12.10	12.10	11.80	11.50	11.50	11.50	11.50	11.50
2" meter	16.60	16.90	16.60	16.60	16.30	16.00	16.00	16.00	16.00	16.00
3" meter	61.60	61.90	61.60	61.60	61.30	61.00	61.00	61.00	61.00	61.00
4" meter	71.60	71.60	71.60	71.60	71.30	71.00	71.00	71.00	71.00	71.00
6" meter	101.60	101.60	101.60	101.60	101.30	101.00	101.00	101.00	101.00	101.00
8" meter	114.90	114.90	114.90	114.90	114.60	114.30	114.30	114.30	114.30	114.30
Outside City rates:										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	4.70	4.70	4.70	4.70	4.40	4.10	4.10	4.10	4.10	4.10
Next 50,000 gallons	4.20	4.20	4.20	4.20	3.90	3.60	3.60	3.60	3.60	3.60
Over 100,000 gallons	3.80	3.80	3.80	3.80	3.50	3.20	3.20	3.20	3.20	3.20
Minimum bill:										
5/8" meter	14.05	14.05	14.05	14.05	13.45	12.85	12.85	12.85	12.85	12.85
3/4" meter	14.55	14.55	14.55	14.55	13.95	13.35	13.35	13.35	13.35	13.35
1" meter	15.30	15.30	15.30	15.30	14.70	14.10	14.10	14.10	14.10	14.10
1 1/2" meter	16.80	16.80	16.80	16.80	16.20	15.60	15.60	15.60	15.60	15.60
2" meter	21.30	21.30	21.30	21.30	20.70	20.10	20.10	20.10	20.10	20.10
3" meter	66.30	66.30	66.30	66.30	65.70	65.10	65.10	65.10	65.10	65.10
4" meter	76.30	76.30	76.30	76.30	75.70	75.10	75.10	75.10	75.10	75.10
6" meter	106.30	106.30	106.30	106.30	105.70	105.10	105.10	105.10	105.10	105.10
8" meter	119.60	119.60	119.60	119.60	119.00	118.40	118.40	118.40	118.40	118.40
Monthly fire protection service charge:										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
6"	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
8"	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
10"	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Number of Customers										
Total active service	12,981	12,877	12,804	12,758	12,671	12,649	12,589	12,549	12,569	12,553

TABLE 12

CITY OF MORRISTOWN, TENNESSEE

MONTHLY BROADBAND RATES
LAST TEN FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Standard Cable:										
Expanded basic	\$ 60.95	\$ 60.95	\$ 60.95	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95
Digital basic	72.95	72.95	72.95	72.95	72.95	68.95	68.95	60.95	54.95	54.95
Digital basic + 1	87.90	87.90	87.90	87.90	82.95	78.75	78.75	69.95	63.95	63.95
Digital basic + 2	99.90	99.90	99.90	99.90	90.95	86.95	86.95	77.95	71.95	71.95
Digital basic + 4	119.90	119.90	119.90	119.90	103.95	99.95	99.95	90.95	84.95	84.95
Premium channels	14.95-46.95	14.95-46.95	14.95-46.95	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95
Internet:										
Residential										
Tier 1	44.95	39.95	39.95	39.95	34.95	34.95	34.95	34.95	34.95	34.95
Tier 2	64.95	59.95	59.95	59.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	79.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	44.95
Tier 4	104.95	99.95	99.95	99.96	99.95	99.95	99.95	99.95	99.95	74.95
Tier 5	-	-	-	-	-	-	-	-	-	99.95-199.95
Commercial										
Tier 1	54.95	49.95	49.95	49.95	49.95	49.95	49.95	44.95	44.95	44.95
Tier 2	84.95	79.95	79.95	79.95	79.95	79.95	79.95	74.95	74.95	74.95
Tier 3	109.95	104.95	104.95	104.95	104.95	104.95	104.95	99.95	99.95	99.95
Tier 4	159.95	154.95	154.95	154.90	154.95	154.95	154.95	149.90	149.95	149.95
Tier 5	-	-	-	-	199.95	199.95	199.95	199.95	199.95	199.95
Tier 6	-	-	-	-	-	-	-	-	299.95	-
Telephone:										
Residential										
Basic Pack	32.95	32.95	32.95	28.65	22.95	22.95	22.95	22.95	22.95	22.95
Preferred Pack	48.95	48.95	48.95	28.65	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.75-17.95	3.75-17.95	3.75-17.95	3.95-17.95	3.79-11.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95
Long distance per minute	-	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial										
Access line	29.95	29.95	29.95	29.95	25.95	25.95	25.95	25.95	25.95	25.95
Business local telephone service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	3.75-36.95	3.75-36.95	3.75-36.95	3.75-36.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note: The Broadband System began operations in 2006.

WATER AUDIT REPORT FOR MORRISTOWN UTILITIES COMMISSION

AWWA Free Water Audit Software: Reporting Worksheet						WAS v5.0 American Water Works Association Copyright © 2014, All Rights Reserved.	
<div style="display: flex; align-items: center;"> <div style="border: 1px solid #ccc; padding: 2px; margin-right: 5px; text-align: center;">?</div> <div style="font-size: x-small;">Click to access definition</div> </div> <div style="display: flex; align-items: center;"> <div style="border: 1px solid #ccc; padding: 2px; margin-right: 5px; text-align: center;">+</div> <div style="font-size: x-small;">Click to add a comment</div> </div>		Water Audit Report for: Morristown Utilities Commission (0000474)					
		Reporting Year: 2021		7/2020 - 6/2021			
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 <u>all</u> criteria for that grade and all grades below it.							
WATER SUPPLIED				----- Enter grading in column 'E' and 'J' -----			
Volume from own sources: + ? 9 3,419.000 MG/Yr				+ ? 9 2.00% ● ○ MG/Yr			
Water imported: + ? n/a MG/Yr				+ ? 9 2.00% ● ○ MG/Yr			
Water exported: + ? 9 1,395.000 MG/Yr				+ ? 9 2.00% ● ○ MG/Yr			
WATER SUPPLIED:				1,984.314 MG/Yr			
Enter negative % or value for under-registration Enter positive % or value for over-registration							
AUTHORIZED CONSUMPTION				Master Meter and Supply Error Adjustments			
Billed metered: + ? 10 1,520.000 MG/Yr				Click here: ? for help using option buttons below			
Billed unmetered: + ? n/a MG/Yr				Pcnt: 1.25% ● ○ Value: MG/Yr			
Unbilled metered: + ? 10 0.138 MG/Yr				Use buttons to select percentage of water supplied OR value			
Unbilled unmetered: + ? n/a 24.804 MG/Yr							
Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed							
AUTHORIZED CONSUMPTION:				1,544.942 MG/Yr			
WATER LOSSES (Water Supplied - Authorized Consumption)				439.372 MG/Yr			
Apparent Losses				Pcnt: 0.25% ● ○ Value: MG/Yr			
Unauthorized consumption: + ? n/a 4.961 MG/Yr				1.00% ● ○ MG/Yr			
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed							
Customer metering inaccuracies: + ? 10 15.355 MG/Yr				0.25% ● ○ MG/Yr			
Systematic data handling errors: + ? n/a 3.800 MG/Yr							
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed							
Apparent Losses:				24.116 MG/Yr			
Real Losses (Current Annual Real Losses or CARL)				Real Losses = Water Losses - Apparent Losses:			
				415.256 MG/Yr			
WATER LOSSES:				439.372 MG/Yr			
NON-REVENUE WATER				NON-REVENUE WATER:			
				464.314 MG/Yr			
= Water Losses + Unbilled Metered + Unbilled Unmetered							
SYSTEM DATA							
Length of mains: + ? 5 312.6 miles							
Number of <u>active AND inactive</u> service connections: + ? 7 13,800							
Service connection density: + ? n/a 44 conn./mile main							
Are customer meters typically located at the curbside or property line? Yes				(length of service line, <u>beyond</u> the property boundary, that is the responsibility of the utility)			
Average length of customer service line: + ? n/a							
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 65.0 psi							
COST DATA							
Total annual cost of operating water system: + ? 10 \$5,568,059 \$/Year							
Customer retail unit cost (applied to Apparent Losses): + ? 10 \$2.58 \$/1000 gallons (US)							
Variable production cost (applied to Real Losses): + ? 10 \$551.00 \$/Million gallons				<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses			
WATER AUDIT DATA VALIDITY SCORE:							
*** YOUR SCORE IS: 89 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: Unauthorized consumption							
2: Systematic data handling errors							
3: Volume from own sources							

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TABLE 14

CITY OF MORRISTOWN, TENNESSEE

**DEBT CAPACITY INFORMATION
RATIOS OF OUTSTANDING DEBT TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Per Capita Income	Governmental Activities	Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
			General Obligation Bonds	Revenue Bonded Debt			
2012	29,369	\$ 19,718	\$ 19,054,360	\$ 66,678,349	\$ 85,732,709	0.02%	2,919
2013	29,269	32,838	21,373,996	94,873,935	116,247,931	0.03%	3,972
2014	29,324	32,588	20,237,974	106,117,010	126,354,984	0.03%	4,309
2015	29,304	33,217	19,064,476	116,342,780	135,407,256	0.02%	4,621
2016	29,478	30,846	17,852,950	114,160,479	132,013,429	0.02%	4,478
2017	29,663	28,930	26,620,225	114,284,913	140,905,138	0.02%	4,750
2018	29,771	31,259	24,953,248	114,645,160	139,598,408	0.02%	4,689
2019	29,926	33,597	32,707,643	122,762,242	155,469,885	0.02%	5,195
2020	30,193	32,386	69,275,650	116,390,228	185,665,878	0.02%	6,149
2021	30,193	32,193	66,712,256	107,672,336	174,384,592	0.02%	5,776

(1) Source: U.S. Census Bureau

TABLE 15

CITY OF MORRISTOWN, TENNESSEE

DEBT CAPACITY INFORMATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Population	Actual Value of Taxable Property	General Bonded Debt	Percent of General Obligation Debt to Actual Value	Net Bonded Debt Per Capita
2012	29,369	\$ 2,722,855,361	\$ 19,054,360	0.70%	649
2013	29,269	2,720,476,644	21,373,996	0.79%	730
2014	29,324	2,736,636,423	20,237,974	0.74%	690
2015	29,304	2,665,051,328	19,064,476	0.72%	651
2016	29,478	2,791,909,491	17,852,950	0.64%	606
2017	29,663	2,879,128,380	26,620,225	0.92%	897
2018	29,771	2,934,086,480	24,953,248	0.85%	838
2019	29,926	2,999,344,651	32,707,643	1.09%	1,093
2020	30,193	3,279,367,845	69,275,650	2.11%	2,294
2021	30,193	3,268,980,991	66,712,256	2.04%	2,210

TABLE 16

CITY OF MORRISTOWN, TENNESSEE

**GENERAL BONDED DEBT WITH TOTAL ASSESSMENT AND
EXPENDITURE RATIO
LAST TEN FISCAL YEARS**

Tax Year	General Bonded Debt (1)	Total Assessment	Ratio of Bonded Debt to Total Assessment	Total Expenditures	Ratio of Bonded Debt to Total Expenditures
2012	\$ 19,054,360	\$ 864,098,668	.022 to 1	\$ 31,217,154	.610 to 1
2013	21,373,996	863,349,937	.025 to 1	30,941,516	.691 to 1
2014	20,237,974	868,315,105	.023 to 1	32,088,324	.630 to 1
2015	19,064,476	851,362,810	.022 to 1	35,135,389	.543 to 1
2016	17,852,950	891,084,039	.020 to 1	36,181,623	.493 to 1
2017	26,620,225	907,516,309	.030 to 1	34,963,452	.762 to 1
2018	24,953,248	924,907,897	.027 to 1	33,520,735	.744 to 1
2019	32,707,643	943,044,667	.035 to 1	35,075,309	.932 to 1
2020	69,275,650	1,011,870,089	.068 to 1	37,983,315	1.82 to 1
2021	66,712,256	1,037,543,811	.064 to 1	38,582,812	1.73 to 1

(1) – This is total bonded debt for governmental activities only.

TABLE 17

CITY OF MORRISTOWN, TENNESSEE

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age (1)	Education Level In Years of Formal Schooling (1)	School Enrollment	Unemployment Rate (2)
2012	29,369	\$ 579,097,942	\$ 19,718	35.88	13.7	9,852	13.53
2013	29,269	961,135,422	32,838	36.20	14.0	13,046	10.20
2014	29,324	955,610,512	32,588	39.80	14.5	13,136	7.70
2015	29,304	973,390,968	33,217	36.00	14.5	12,148	6.90
2016	29,478	909,278,388	30,846	36.30	14.0	11,970	5.40
2017	29,663	872,982,090	29,430	39.40	14.0	13,583	4.40
2018	29,771	930,611,689	31,259	39.90	14.0	16,900	4.40
2019	29,926	1,005,423,822	33,597	36.80	14.0	16,900	4.50
2020	30,193	977,830,498	32,386	37.40	14.0	15,850	9.40
2021	30,431	979,665,183	32,193	37.80	14.0	17,470	5.40

(1) Population is based on figures available from U.S. Census Bureau

TABLE 18

CITY OF MORRISTOWN, TENNESSEE

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2021			2012		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Dept. of Education	1,284	1	11%	1,284	1	10%
Koch Foods	1,100	2	9%	1,087	2	9%
MAHLE	1,015	3	8%	965	3	8%
Team Technologies	853	4	7%	-	0	0%
Arconic (f/k/a Howmet)	833	5	7%	560	7	4%
Wal-Mart	749	6	6%	443	9	4%
Walters State Community College	743	7	6%	766	4	6%
Morristown Hamblen Healthcare	716	8	6%	716	5	6%
JTEKT Automotive	693	9	6%	600	6	5%
Rich Products	540	10	5%	438	10	3%
Lakeway Regional Hospital	-		0%	501	8	4%
Total	8,526		71%	7,360		58%

Source: Morristown Area Chamber of Commerce

TABLE 19

CITY OF MORRISTOWN, TENNESSEE

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Administration and Staff	6	6	6	6	6	4	4	4	3	3
Finance	6	6	7	7	6	6.5	6.5	6.5	6.5	5.5
Purchasing	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	1	1	1	1	1	2	2
Human Resources	1	1	1	2	2	2.5	2.5	2.5	1.5	1.5
Risk Management	2	2	2	0	0	0	0	0	0	0
Legal services	0	0	1	2	2	2	2	2	2	2
Court Administration	2	2	2	0	0	0	0	0	0	0
Planning	4	4	4	4	3.5	3.5	3.5	4.3	3.3	3.3
GIS	2	2	2	2	2	2	2	1	0	0
Engineering	2	2	2	2	2.5	2.3	2.3	3.3	3.1	3.1
Inspections	5	5	5	5	5	5	5	5	5	4
LAMTPO	1	1	1	1	1	1	1	1	2	2
CDBG	1	1	0	1	1	1	1	1	1	1
Police:										
Administration	6	6	6	6	6	6	6	5	5	6
Support	13	13	12	0	0	0	0	0	0	0
Liter Crew	1	1	1	0	0	0	0	0	0	0
Patrol	51	51	52	63	64	64	64	65	65	64
Investigations	13	13	13	15	14	15	15	15	15	15
Codes Enforcement	2	2	2	2	2	2	2	1	2	1
Vice	0	0	0	0	0	0	0	0	1	1
Narcotics & Vice	7	7	7	7	7	6	6	5	5	5
Fire:										
Administration	6	6	6	6	6	6	6	6	6	6
Firefighting	78	78	79	79	79	79	79	79	79	79
Prevention & inspection	2	2	1	1	1	1	1	1	1	1
Public works:										
Administration	3	3	3	4	3	2.5	2.5	2	1.83	1.83
Facilities Maintenance	3	3	3	3	3	3	3	3	2	2
Fleet Maintenance	7	7	7	7	7	7	7	7	7	7
Repairs and maintenance	15	15	15	15	13	15	14	9	9	9
Street lights and signs	1	1	1	1	1	1	1	1	1	1
Brush and Bulk	11	11	11	13	15	11	11	10.7	10.7	10.7
Communication shop	2	2	2	2	2	2	2	2	1.65	1.65
Park and recreation	17	17	17	17	17	17	17	17	17	17
Natural Resource Maintenance	3	3	3	0	0	0	0	0	0	0
Sewer	0	0	0	0	0	0	0	16	17.98	17.98
Stormwater	8	8	6	4	4	4.2	4.2	5.1	5.44	5.44
Solid waste	10	10	13	13	13	13.5	13.5	12.5	12	12
Total	300	300	302	299	297	294	293	301.9	302	299

TABLE 20

CITY OF MORRISTOWN, TENNESSEE

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
Police:										
Physical arrests	4,872	3,061	3,661	5,071	4,378	4,339	3,639	3,412	3,277	2,376
Parking violations	288	17	167	102	117	251	42	50	48	36
Fire:										
Number of calls answered	2,975	3,222	3,984	4,288	4,742	3,916	3,184	4,077	3,476	3,317
Inspections	2,781	2,562	2,535	2,724	2,663	2,635	2,498	2,726	703	1,516
Highway and streets:										
Street maintenance/resurfacing (miles)	15.30	9.40	1.33	5.10	5.60	11.50	3.85	23.16	4.50	4.75
Sanitation:										
Brush collected (annual)	6,094	6,574	2,412	2,126	2,649	3,620	3,141	3,304	3,438	3,239
Refuse collected	9,313	9,249	9,313	9,064	9,358	9,405	12,856	10,737	13,333	11,103

Source: Various Department of the City of Morristown

TABLE 21

CITY OF MORRISTOWN, TENNESSEE

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48	48	48
Fire stations	6	6	6	6	6	6	6	6	6	6
Sanitation										
Collection trucks	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Street (miles)	320	320	320	320	320	320	320	320	320	320
Culture and recreation										
Parks acreage	264	264	264	264	264	264	264	276	328	328
Parks	16	16	16	16	16	16	16	16	17	17

Source: Various Department of the City of Morristown

COMPLIANCE SECTION

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

To the Honorable Members of City Council
City of Morristown, 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; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2021. Our report includes a reference to other auditors who audited the financial statements of the Morristown Utilities Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **We did identify one deficiency in internal control described in the accompanying schedule of findings and questioned costs, as item 2021-001 that we consider a material weakness.**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

City's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
December 21, 2021



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

To the Honorable Members of City Council
City of Morristown, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Morristown, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2021. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Kingsport, Tennessee
December 21, 2021

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One material weakness** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. This deficiency is reported as a material weakness.
3. **No instances of noncompliance** material to the financial statements were disclosed.
4. **No significant deficiencies** relating to the audit of the major federal award programs were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs expresses an **unmodified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The program tested as a major program is

COVID-19 - Coronavirus Relief Fund

21.019

8. The **threshold** for distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2021-001: Auditor Adjustments (Material Weakness)

Condition: Multiple adjustments were proposed as a result of audit procedures. The City failed to properly record land held for sale as well as governmental activities capital assets. The City also failed to properly record capital assets for the stormwater system. Additionally the City's estimate for outstanding claims in the internal service fund was overstated.

Cause: The City failed to follow governmental accounting policies properly.

Effect: Land held for sale was understated as some of the items were expensed on the fund statements and initially included in governmental capital assets. These items were deemed to be held for resale and thus reportable as an asset on the general fund. This required a prior period adjustment to the general fund as well as a current year adjustment to the general fund. Additionally an adjustment was made to the stormwater system for items which were initially expensed which should have been included in capital assets. An adjustment was also required on the internal service fund to reduce the estimate for outstanding claims.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2021

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

Recommendation: The City should track land and improvements to that land as either held for sale or on the capital asset listing. Those items not intended for use by the City and held for resale should be reported on the fund statements as an asset rather than expensed and shown as part of governmental assets. The City should also ensure that all items meeting their capitalization policy are properly reported as capital assets either on the statement of net position – proprietary funds or on the statement of net position for governmental capital assets. Additionally the City should evaluate their estimate for outstanding claims in the internal service fund for reasonableness by comparing to monthly claims estimates.

Management Response: Management concurs with this finding, but notes that the issue is one of presentation and does not have a material impact on the City's financial standing. For transparency, the Finance Department did account for the land improvements but presented the improvements on the government-wide financial statements. In accordance with the standards, these improvements should have been reflected at the fund level as the improvements relate to industrial park land that is held for resale. The Finance Department does track land and improvements as well as all other capital assets but did not properly present the transaction. However, the level of oversight and internal controls over capital assets were impacted by the departure of the administrator responsible for overall review prior to the completion of the financial statements. Reports will be prepared and reviewed no less than annually by an administrative staff member other than the preparer to ensure that all land, improvements, and all other capital assets are accounted for properly. Additionally, estimates for outstanding claims in the internal service fund will be reviewed and compared to monthly claims estimates for reasonableness.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None noted.

D. FINDINGS – STATE OF TENNESSEE

None noted.

CITY OF MORRISTOWN, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2021

No findings or instances of noncompliance material to the financial statements were disclosed in the prior year.

The City of Morristown

Office of Administration



MANAGEMENT'S CORRECTIVE ACTION PLAN For the Year Ended June 30, 2021

CORRECTIVE ACTION PLAN

The City of Morristown, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

Brown, Edwards & Company, L.L.P.
433 E. Center Street, Suite 101
Kingsport, TN 37660

Responsible officials for corrective action:

NAME: Anthony W. Cox
TITLE: City Administrator

Signed: _____

The findings from the June 30, 2021 schedule of findings and responses is discussed below.

2021-001: Auditor Adjustments (Material Weakness)

Recommendation: The City should track land and improvements to that land as either held for sale or on the capital asset listing. Those items not intended for use by the City and held for resale should be reported on the fund statements as an asset rather than expensed and shown as part of governmental assets. The City should also ensure that all items meeting their capitalization policy are properly reported as capital assets either on the statement of net position – proprietary funds or on the statement of net position for governmental capital assets. Additionally the City should evaluate their estimate for outstanding claims in the internal service fund for reasonableness by comparing to monthly claims estimates.

Management's response: Management concurs with this finding, but notes that the issue is one of presentation and does not have a material impact on the City's financial standing. For transparency, the Finance Department did account for the land improvements but presented the improvements on the government-wide financial statements. In accordance with the standards, these improvements should have been reflected at the fund level as the improvements relate to industrial park land that is held for resale. The Finance Department does track land and improvements as well as all other capital assets but did not properly present the transaction. However, the level of oversight and internal controls over capital assets were impacted by the departure of the administrator responsible for overall review prior to the completion of the financial statements. Reports will be prepared and reviewed no less than annually by an administrative staff member other than the preparer to ensure that all land, improvements, and all other capital assets are accounted for properly. Additionally, estimates for outstanding claims in the internal service fund will be reviewed and compared to monthly claims estimates for reasonableness.

Anticipated completion date: December 10, 2021