

CITY OF MORRISTOWN, TENNESSEE

AUDIT REPORT

June 30, 2010

City of Morristown, Tennessee
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June 30, 2010

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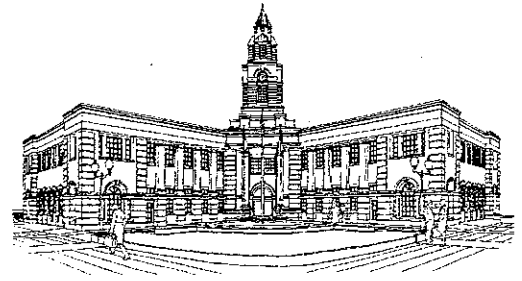
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City of Morristown

Incorporated 1855



ANTHONY W. COX
City Administrator

December 28, 2010

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 year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Morristown for the fiscal year ended June 30, 2010.

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 Craine, Thompson, and Jones, PC, 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, 2010, 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 unqualified opinion that the City of Morristown's financial statements for the fiscal year ended June 30, 2010, 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 "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this CAFR.

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 auditors.

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 25,000. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the Council.

Policy-making and legislative authority are vested in the Mayor and Councilmembers 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 and sewer service and solid waste collection are provided under an Enterprise fund concept with user charges established by the Council 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 15. 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 page 35 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.

The economy continues to have an impact on every segment of Morristown's largest taxpayers, especially the automotive industry. Morristown has many manufacturers that are tied to this industry. They produce automotive products for many different type of brands but principally Toyota.

Manufacturing continues to make up the majority of property tax assessments for the City of Morristown. The breakdown between commercial and residential is 69% and 31% respectively.

Sales Tax

As with last year, the overall economic health of the City of Morristown reflects the nationwide economic downturn. In FY 2010 the city experienced a 9.3% decline in the local option sales tax; however most of this decline can be explained by the County beginning to receive their share of the sales tax increase beginning in July 2009. This expected decline was incorporated in the 2010 budget, which shows that collections fell short by \$107,945 to budget.


Major Initiatives

Last year, Double H Plastics of Philadelphia, PA purchased an existing industrial building for the expansion of their plastic extrusion businesses. This expansion is still on course, which will employ an approximately 75 people with an investment amount of nearly \$20 million.

The City of Morristown and the Industrial Development Board continue to recruit new industry and support expansion of our existing industry. One main effort is the acquisition of property for the East Tennessee Progress Center to provide available land for possible expansion or placement of new businesses. The nature of the economy has also affected this board in their industrial recruiting; however, in the past six months inquiries on Morristown have started to increase.

Acknowledgment. The preparation of the CAFR 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. Also, we would like to thank the Mayor and Council for their guidance and support.

Respectfully submitted,



Tony Cox
City Administrator



Larry Clark
Administrative Services Director

*CITY OF MORRISTOWN
CITY OFFICIALS*

June 30, 2010

MAYOR

Sami Barile

COUNCIL

Kay Senter

Claude Jinks

William Rooney

Frank McGuffin

Gene Brooks

Bob Garrett

City Administrator

Assistant City Administrator

City Attorney

Director of Finance

Director of Personnel/Budget

Director of Planning

Police Chief

Fire Chief

Chief Building Official

Director of Public Works (Acting)

City Engineer

Director of Parks and Recreation

Tony Cox

Ralph Fielder

Richard Jessee

Dynise Robertson

Brian Janish

Alan Hartman

Roger Overholt

William Honeycutt

Jay Moore

Ralph Fielder

Bryan Fowler

Craig Price

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET
P.O. BOX 1779
SUITE 300, MILLENNIUM SQUARE
MORRISTOWN, TENNESSEE 37816-1779
423-586-7650

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Morristown
Morristown, Tennessee

We have audited the accompanying financial statements of the governmental activities, general fund and solid waste budgetary comparisons, business-type activities, major funds, and remaining fund information which collectively comprise the basic financial statements of the City of Morristown, Tennessee as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City of Morristown, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Morristown Utility Commission proprietary fund types, which statements reflect total assets of \$127,693,257 as of June 30, 2010, and total revenue of \$81,074,439 for the year then ended. These financial statements were audited by other auditors and the reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Morristown Utility Commission, is based solely on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and solid waste funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2010, on our consideration of the City of Morristown, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Board of Aldermen

The management's discussion and analysis on pages 8 through 17 and the schedule of funding progress on page 51 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morristown, Tennessee basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and the schedules of expenditures of federal and state awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements and the General Fund and Solid Waste Fund budgetary comparison schedules taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Craine, Thompson & Jones P.C.

Morristown, Tennessee
December 15, 2010

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Management's Discussion & Analysis

As management of the City of Morristown, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2010. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on page 1-4 of this report.

Financial Highlights

- The assets of the City of Morristown exceeded its liabilities at the close of the most recent fiscal year by approximately \$137.3 million (net assets), an increase of nearly \$4.8 million during FY 2010. Of this amount, \$17.9 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of just over \$2.1 million, a decrease of almost \$500K from the prior year.
- The City of Morristown's total long-term debt increased by about \$6.8 million during the current fiscal year. The key factor in this increase was the new issuance of \$5 million in bonds and other long-term debt for Public Works, Bond Refunding, and Sewer Fund. The General Fund's long-term debt decreased by \$1 million.
- The City of Morristown's General Fund reported a fund balance of \$3,159,977 on June 30, 2010.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Morristown's financial statements. The basic financial statements consist of three parts: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both 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 include the electric, water, storm water, telecom and sewer systems. Of the business-type activities, the Morristown Utilities Commission is responsible for water, electric and

telecom. 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 comprehensive annual financial report and information from that report is used in this report. Readers should consult the Morristown Utility Commission's Annual Comprehensive Financial Report for more detailed information on their finances.

The government-wide financial statements can be found beginning on page 18 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 two categories: governmental funds and proprietary 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the solid waste fund, both of which are considered to be major funds. Data from the other governmental fund are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found beginning on page 20 of this report.

Proprietary funds. The City of Morristown maintains one type of proprietary fund. *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, sewer, storm water, telecom and electric systems.

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 sewer, water, electric and telecom 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 page 45 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 54 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 funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the City of Morristown, assets exceeded liabilities by almost \$137.3 million at the close of the most recent fiscal year. Net assets increased by \$5.1 million for the period.

City of Morristown's Net Assets						
	Governmental activities		Business-type activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$27,699,281	\$27,580,034	\$ 41,853,717	\$31,314,824	\$ 69,552,998	\$ 58,894,858
Capital assets	54,084,500	55,325,232	137,831,060	134,648,347	191,915,560	189,973,579
Total assets	81,783,781	82,905,266	179,684,777	165,963,171	261,468,558	248,868,437
Long-term liabilities						
outstanding	21,562,149	21,818,617	67,143,149	60,758,742	88,705,298	82,577,359
Other liabilities	12,520,099	14,709,605	22,958,837	19,420,581	35,478,936	34,130,186
Total liabilities	34,082,248	36,528,222	90,101,986	80,179,323	124,184,234	116,707,545
Net assets:						
Invested in capital assets, net of related debt	32,407,578	43,754,778	73,214,568	73,440,732	105,622,146	117,195,510
Restricted	353,457	2,736,718	585,465	1,331,951	938,922	4,068,669
Assigned	12,820,683					
Unrestricted	2,119,815	(114,452)	15,782,758	11,011,165	17,902,573	10,896,713
Total Net assets	\$ 47,701,533	\$ 46,377,044	\$ 89,582,791	\$ 85,783,848	\$ 137,284,324	\$ 132,160,892

By far the largest portion of the City of Morristown's net assets (85%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Morristown uses these capital assets to provide services to citizens; consequently, 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 needed 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 assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$17,902,573) may be used to meet Morristown's ongoing obligations to citizens and creditors.

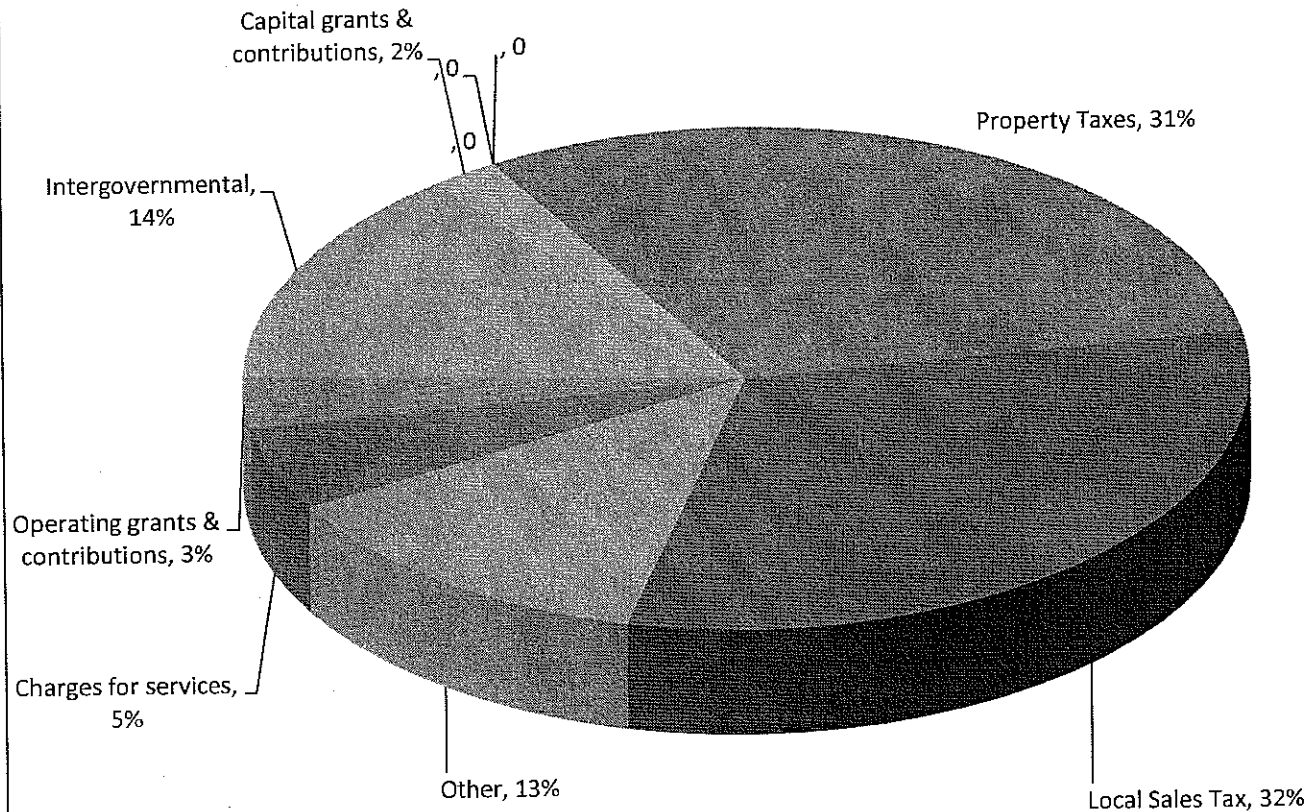
At the end of the current fiscal year, the City of Morristown is able to report positive balances in two of the three categories of net assets for governmental activities, and all three categories of net assets for business-type activities. The general fund had a unrestricted fund balance of \$2,119,815 on June 30, 2010.

City of Morristown's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 1,624,219	\$ 1,557,509	\$ 88,117,786	\$ 91,526,394	\$ 89,742,005	\$ 93,083,903
Operating grants & contributions	975,928	1,454,660	-	-	975,928	1,454,660
Capital grants & contributions	660,995	312,160	84,631	546,085	745,626	858,245
General revenues:						
Property taxes	9,180,026	8,766,697	-	-	9,180,026	8,766,697
Sales tax	9,454,955	10,389,929	-	-	9,454,955	10,389,929
Intergovernmental	4,188,982	2,813,264	-	-	4,188,982	2,813,264
Other	3,874,039	4,319,799	95,302	161,484	3,969,341	4,481,283
Total revenues	29,959,144	29,614,018	88,297,719	92,233,963	118,256,863	121,847,981
Expenses:						
General government	3,536,036	3,807,015	-	-	3,536,036	3,807,015
Public safety	13,510,787	13,721,953	-	-	13,510,787	13,721,953
Public works	7,208,206	5,536,365	-	-	7,208,206	5,536,365
Economic development	553,177	464,294	-	-	553,177	464,294
Parks & recreation	2,162,558	2,070,840	-	-	2,162,558	2,070,840
Civic support	624,033	496,633	-	-	624,033	496,633
Airport	767,273	302,588	-	-	767,273	302,588
Miscellaneous	-	-	-	-	-	-
Interest on long-term debt	342,543	591,654	-	-	342,543	591,654
Water	-	-	5,305,637	5,172,597	5,305,637	5,172,597
Sewer	-	-	7,844,245	7,108,351	7,844,245	7,108,351
Storm water	-	-	576,843	543,434	576,843	543,434
Electric	-	-	63,957,470	69,522,516	63,957,470	69,522,516
Telecom	-	-	7,030,319	6,914,905	7,030,319	6,914,905
Total expenses	28,704,613	26,991,342	84,714,514	89,261,803	113,419,127	116,253,145
Increase (decrease) in net assets before transfers	1,254,531	2,622,676	3,583,205	2,972,160	4,837,736	5,594,836
Transfers	734,958	735,507	(734,958)	(735,507)	-	-
Increase (decrease) in net assets	1,989,489	3,358,183	2,848,247	2,236,653	4,837,736	5,594,836
Net assets - July 1, 2009	45,712,044	44,519,361	85,783,848	81,832,188	131,495,892	126,351,549
Prior period adjustment	-	(1,500,500)	950,696	1,715,007	950,696	214,507
Net assets - June 30, 2009	\$ 47,701,533	\$ 46,377,044	\$ 89,582,791	\$ 85,783,848	\$ 137,284,324	\$ 132,160,892

The graph on the following page presents the major sources of revenue for governmental activities.

Revenues by Source-Governmental Activities

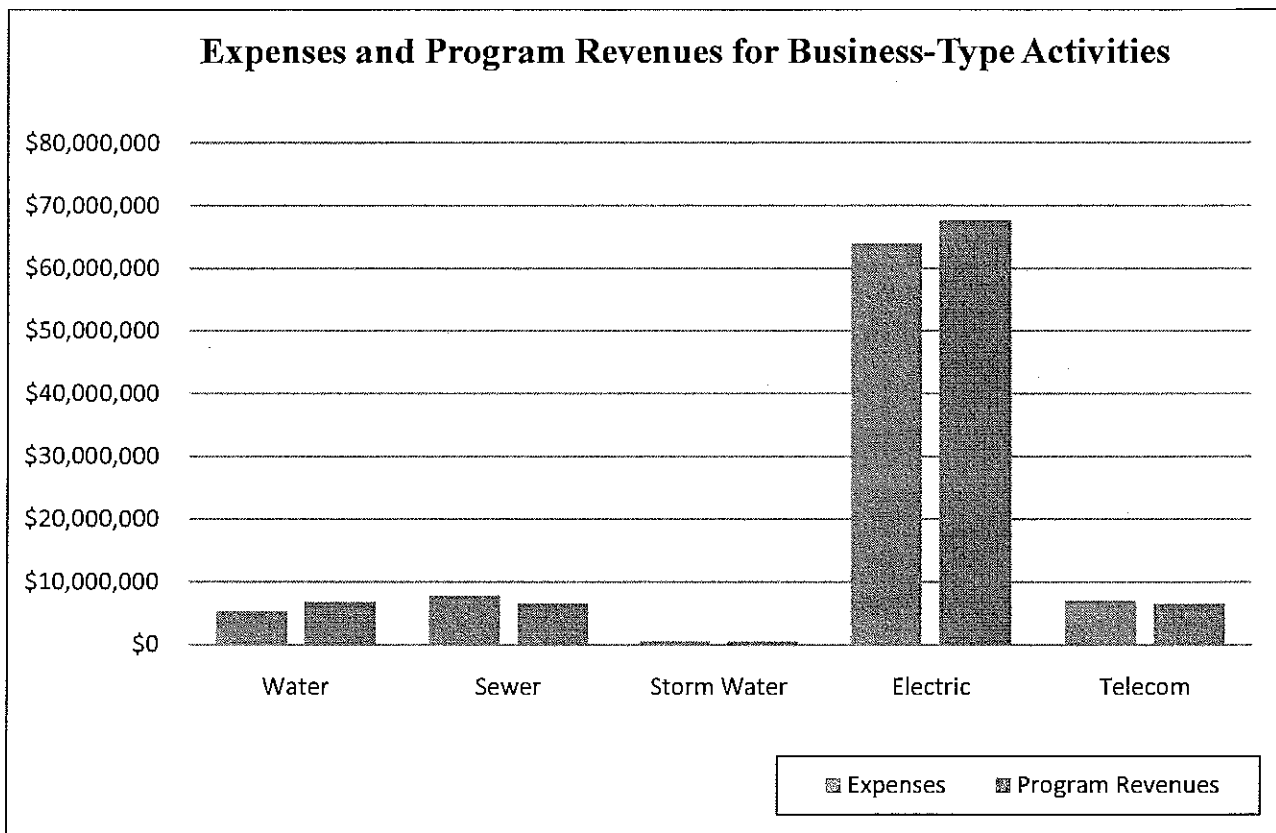


The City's reliance on the sales tax for over a third of its revenues has contributed to the decline in reserves over the last three fiscal years. Taxable sales declined 1.54% from FY 2007 to FY 2008, and an additional 7.1% from FY 2008 to FY 2009. Gross collections decreased by \$934,974 for the 2010 fiscal year due primarily to the county receiving their share of the tax increase. The local option sales tax rates and how it is divided is as follows:

	FY 2007	FY 2008	FY 2009	FY 2010
City portion	1.250%	1.250%	1.500%	1.375%
County portion	1.250%	1.250%	1.250%	1.375%
Total rate	2.500%	2.500%	2.750%	2.750%
City collections	\$ 9,594,019	\$ 9,446,110	\$ 10,389,929	\$ 9,454,955

The property tax continues to be a stable revenue source for the City. For FY 2010 collections increased \$135,279 from FY 2009.

Intergovernmental revenues received by the City can vary when there are projects managed by the City but paid for primarily by other entities, such as the State of Tennessee or federal government.



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, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of \$3,156,271 an increase of \$534,000.

The general fund's fund balance increased \$1,960,055. This was mainly due to the recognition of \$2,849,536 of unexpended bond proceeds. The general fund's unreserved fund balance is \$3,159,977.

The solid waste fund is used to account for the City's sanitation and recycling operations. The solid waste fund's operations are funded entirely by the general fund. The debt service paid by the solid waste fund is funded entirely by the Morristown/Hamblen County Solid Waste Authority. The City receives an amount equal to the annual debt service expenditures each year. The debt was issued by the City and ultimately the

City is responsible for its repayment should the Morristown/Hamblen County Solid Waste Authority be unable to meet the obligation. The City also borrowed \$162,919 in FY 2010 for the Public Works facility purchase and upgrades.

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 City's sewer fund suffered a decrease in net assets of \$233,831 for FY 2010. This was due primarily to sewer improvements ordered by TDEC but was not originally funded. Several large industrial users reduced their usage during the year due to the effect the unfavorable economic conditions have had on their businesses. The sewer fund purchased an additional wastewater treatment in the Lowland community on June 30, 2009. The purchase price was \$750,000 which was funded by a capital outlay note, plus a minimum payment of \$182,500 per year for the next 25 years. Since this agreement, the City has entered into renegotiations with the owners for the possible purchase of this facility.

The storm water system had operating loss of \$13,281 for the fiscal year. This was due to unexpected maintenance on the Storm Water System.

Unrestricted net assets of the Morristown Utility Commission, which operates electric, water, and telecom service for the City, at the end of the year, amounted to \$12,928,036, an increase of \$2,292,269. The Morristown Utility Commission debt increased by \$6,624,523. For a more thorough discussion of the Morristown Utility Commission's finances readers should consult the Comprehensive Annual Financial Report issued by the Commission for FY 2010.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for FY 2010 can be briefly summarized as follows:

- \$176,229 in increases allocated to the Police Department for equipment funded by grants.
- \$150,000 in increases allocated to the Narcotics Fund.
- \$900,000 in increases allocated to airport improvements and Terminal Building.

The increases were funded from grants and grant sources, fund balance, and debt proceeds.

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, 2010, amounts to \$ 54 million and \$ 137.8 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

City of Morristown's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	7,658,184	7,919,279	-	-	7,658,184	7,919,279
Buildings	11,384,910	10,915,441	-	-	11,384,910	10,915,441
Improvements other than buildings	2,286,138	2,377,858	-	-	2,286,138	2,377,858
Machinery & equipment	3,281,410	3,696,716	-	-	3,281,410	3,696,716
Infrastructure	28,633,648	30,415,938	-	-	28,633,648	30,415,938
Utility plant and equipment	-	-	130,938,526	132,262,985	130,938,526	132,262,985
Construction in progress	840,210	-	6,892,534	2,385,362	7,732,744	2,385,362
Total	54,084,500	55,325,232	137,831,060	134,648,347	191,915,560	189,973,579

Additional information on the City of Morristown's capital assets can be found on page 56 of this report.

Long-term debt. At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$ 92.6 million; of this amount \$21.5 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.

The City continues to rely heavily on variable rate debt, with \$62.9 million of the total outstanding debt in a fully variable rated product. The telecom system's outstanding debt of \$4,928,039 consists entirely of a variable rate product.

In FY 2010 the City issued debt to refinance Series A-1-G and borrow additional funds for Public Works and Sewer Projects. The amount of the offering was \$5 million. Also a capital outlay note was due for \$750,000 for the Lowland property. The following is a brief summary of the City's long-term debt by fund:

	July 1, 2009	Additions	Reductions	June 30, 2010
Governmental activities				
General fund	\$ 22,521,414	\$ 2,848,203	\$ 3,855,614	\$ 21,514,003
Solid waste fund	665,000	162,919	215,000	612,919
Total governmental activities	23,186,414	3,011,122	4,070,614	22,126,922
Business-type activities				
Sewer system	29,616,433	3,308,173	2,137,395	30,787,211
Storm water system	-	81,459	-	81,459
Electric system	2,272,618	15,626,700	215,505	17,683,813
Water system	10,628,263	7,500,000	1,072,296	17,055,967
Telecom system	20,115,000	-	15,186,961	4,928,039
Total business-type activities	62,632,314	26,516,332	18,612,157	70,536,489
Total Debt	\$ 85,818,728	\$ 29,527,454	\$ 22,682,771	\$ 92,663,411

Additional information on the City of Morristown's long-term debt can be found on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Morristown was 11.2% for July 2010, which is an increase from a rate of 7.8% a year ago. This compares to the state's average unemployment rate of 10.3% and the national rate of 10.0%.
- Inflationary trends in the region compare favorably to national indices.
- Taxable sales were down over 7% in FY 2009 when compared to FY 2008. In addition to the decline of taxable sales, the local option sales tax rate for the City's general fund went from 1.5% in FY 2009 to 1.375% for FY 2010. As a result the City was forced to cut over \$1 million of personnel costs in the FY 2010 budget.
- Sewer revenues dropped over eight percent in FY 2009 when compared to FY 2008. Sewer rates were increased by 8% for FY 2010.

In November 2009 management informed City Council of a projected shortfall of over \$900,000 in the general fund. As a result management recommended to City Council about \$940,000 in mid-year reductions in order to avoid a negative change in fund balance for the year. Some of the reductions involved reducing employees' hours, eliminating vacant positions and making cuts to general operations. Council approved the recommendations and management is continuing to closely monitor the current fiscal year.

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, Finance Department Director, P.O. Box 1499, Morristown, Tennessee 37816-1499. The Comprehensive

Annual Financial Report and other information about the City may be found on the City's website www.mymorristown.com, as part of our continuing usage of advancing technology and e-commerce.

City of Morristown, Tennessee
Statement of Net Assets
June 30, 2010

	Government Activities	Primary Government Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,633,112	\$ 19,708,937	\$ 21,342,049
Receivables (net of allowance for uncollectibles)	13,744,349	8,343,698	22,088,047
Inventories	30,050	1,300,094	1,330,144
Accrual for unbilled revenue		2,471,485	2,471,485
Internal balances	495,000	7,382,134	7,382,134
Discounted energy units		117,115	117,115
Other current assets	-	42,707	42,707
Restricted assets:			
Temporarily restricted:			
Investments	-	312,267	312,267
Capital assets (net of accumulated depreciation):			
Land	7,658,184	2,272,839	9,931,023
Buildings	11,384,910		11,384,910
Improvements	2,286,138		2,286,138
Equipment	3,281,410		3,281,410
Infrastructure	28,633,648		28,633,648
Utility plant and equipment		128,665,686	128,665,686
Construction in progress	840,210	6,892,534	7,732,744
Real estate-non-operating	11,729,522		11,729,522
Accounts receivable - long-term		180,121	180,121
Discounted energy units less current portion		1,097,629	1,164,877
Other assets	67,248	897,530	897,530
Plant acquisition adjustments			
Total assets	\$ 81,783,781	\$ 179,684,776	\$ 260,973,557
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$ 882,853	\$ 6,417,339	\$ 7,300,192
Accrued expenditures and other current liabilities	694,042	2,694,357	3,388,399
Due to others - bonds and deposits	37,598		37,598
Internal balances	-	7,630,566	7,630,566
Customer deposits		2,433,724	2,433,724
Unearned revenue	9,709,746	256,656	9,966,402
Advances		785	785
General bonded debt			
Due within one year	925,589	3,494,396	4,259,985
Due in more than one year	20,751,333	67,042,092	87,458,425
Capital lease obligation			
Due within one year		31,014	31,014
Due in more than one year		14,869	14,869
Compensated absences:			
Estimated to be paid within one year	270,272		270,272
Estimated to be paid after one year	810,816	86,188	897,004
Total liabilities	34,082,249	90,101,986	123,689,235
Net assets			
Invested in operating capital assets net of related debt	32,407,578	73,214,568	105,622,146
Restricted for:			
Uncompleted contracts and encumbrances		585,465	585,465
State street aid	353,457		353,457
Assigned by City Council	445,000		445,000
Assigned for Interfund Advance	495,000		495,000
Assigned for Narcotics	25,473		25,473
Assigned for Encumbrances	125,688		125,688
Assigned for Land Inventory	11,729,522		11,729,522
Unrestricted(deficit)	2,119,815	15,782,758	17,902,573
Total net assets	\$ 47,701,533	\$ 89,582,791	\$ 137,284,324

Amounts in the "Total" column have been adjusted to reflect the eliminations of internal balances.

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

Net (Expense) Revenue and
Changes in Net Assets

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

City of Morristown, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	General	Solid Waste Fund	NonMajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,493,092	\$ 49,779	\$ 90,241	\$ 1,633,112
Receivables (net of allowance for uncollectibles)	13,652,544	32,252	59,553	13,744,349
Interfund loans receivable -current	160,000	-	-	160,000
Inventories	30,050	-	-	30,050
Investments	-	-	-	-
Prepaid expenditures	-	-	-	-
Interfund loans receivable -long term	335,000	-	-	335,000
Total assets	\$ 15,670,686	\$ 82,031	\$ 149,794	\$ 15,902,511
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 676,581	\$ 69,219	\$ 137,053	\$ 882,853
Due to others-bonds	37,599	-	-	37,599
Accrued expenditures	575,467	16,518	9,886	601,871
Payroll withholdings	92,171	-	-	92,171
Unearned revenue	9,709,746	-	-	9,709,746
Total liabilities	11,091,564	85,737	146,939	11,324,240
Fund balances:				
Reserved for:				
State Street Aid	353,457	-	-	353,457
Narcotics	-	-	25,473	25,473
Community Development	-	-	(22,617)	(22,617)
Fund balance - assigned for encumbrances	125,688	-	-	125,688
Assigned by City Council	445,000	-	-	445,000
Assigned-interfund advance	495,000	-	-	495,000
Unreserved fund balance(deficit)	3,159,977	(3,706)	-	3,156,271
Total equity	4,579,122	(3,706)	2,856	4,578,272
Total liabilities and fund equity	\$ 15,670,686	\$ 82,031	\$ 149,795	
Amounts reported for governmental activities in the statement of net assets are different because:				
Assets not used in operations	-	-	-	11,729,522
Capital assets used in governmental activities are not financial resources and, therefore are not reported in funds	-	-	-	54,151,749
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds	-	-	-	(22,758,010)
Net assets of governmental activities				\$ 47,701,533

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

City of Morristown, Tennessee
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 9,180,026	\$ -	\$ -	\$ 9,180,026
Franchise	644,358	-	-	644,358
Local sales tax	9,454,955	-	-	9,454,955
Alcoholic beverages	1,190,044	-	-	1,190,044
Business and gross receipts	663,824	-	-	663,824
Hotel/motel tax	361,096	-	-	361,096
Total taxes	21,494,303	-	-	21,494,303
Licenses, permits and fines	1,302,412	-	170,414	1,472,826
Other revenue	1,014,717	-	-	1,014,717
Service charges and fees	151,239	154	-	151,393
Intergovernmental	5,043,392	239,544	537,969	5,820,905
Total revenues	29,006,063	239,698	708,383	29,954,144
Expenditures				
Current:				
General Government:				
Mayor and Council	130,848	-	-	130,848
City Administrator	538,808	-	-	538,808
Elections	-	-	-	-
Finance	524,682	-	-	524,682
Purchasing	68,238	-	-	68,238
Computer operations	186,135	-	-	186,135
Human resources	211,464	-	-	211,464
Legal services	114,485	-	-	114,485
Community and economic affairs	274,425	-	-	274,425
Codes enforcement	57,973	-	-	57,973
Community development	165,504	-	533,953	699,457
Engineering	255,858	-	-	255,858
Inspections	348,026	-	-	348,026
Clean and Green	-	-	-	-
Main Street	-	-	-	-
Total general government	2,876,446	-	533,953	3,410,399
Public safety:				
Police	6,652,816	-	450,672	7,103,488
Fire	5,897,963	-	-	5,897,963
Emergency Communications & Civil Service	26,296	-	-	26,296
Total public safety	12,577,075	-	450,672	13,027,747

City of Morristown, Tennessee
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Public works	4,726,662	1,626,737		6,353,399
Parks and recreation	1,656,613	-	-	1,656,613
Civic support	262,000	-	-	262,000
Library	228,500	-	-	228,500
Economic development	1,167,663	-	-	1,167,663
Transportation	642,427	-	-	642,427
Retiree health insurance	394,866	-	-	394,866
Contracts with other Agencies	133,532	-	-	133,532
Debt service:				
Bond principal	3,843,614	215,000	-	4,058,614
Bond interest	315,536	25,635	-	341,171
Bond Expense	68,620	-	-	68,620
Total debt service	4,227,770	240,635	-	
Total expenditures	28,893,555	1,867,372	984,625	31,745,552
Deficiency of revenue over expenditures	112,508	(1,627,674)	(276,242)	(1,791,408)
Other financing sources (uses):				
Bond Proceeds	2,849,536	162,919	-	3,012,455
Transfers in	734,958	1,461,049	275,898	2,471,905
Transfers out	(1,736,947)	-	-	(1,736,947)
Total other financing sources and uses	1,847,547	1,623,968	275,898	3,747,413
Net change in fund balance	1,960,055	(3,706)	(344)	1,956,005
Fund balance- beginning	2,619,067	-	3,199	2,622,266
Fund balance-ending	\$ 4,579,122	\$ (3,706)	\$ 2,855	\$ 4,578,271

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

City of Morristown, Tennessee
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2010

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

Net change in fund balances--total governmental funds	\$ 1,956,005
Governmental funds report capital outlays as expenditures. In the government-wide financial statements, capital asset additions are reported as additions to capital assets.	2,174,265
In the government-wide financial statements, certain capital assets are depreciated. In the governmental basis financial statements, capital assets are charged to expenditures, therefore, depreciation is not taken.	(3,121,712)
The issuance of long-term debt (e. g., bonds, leases) provides current financial resources to government funds under the governmental fund basis, but is considered an increase in debt in the government-wide financial statements.	(3,012,455)
The payment of long-term debt is reported as an expenditure in the governmental funds financial statements but is considered as a reduction in debt in the city-wide financial statements.	4,058,614
The payment of bond issue expense is considered an expenditure in the governmental financial statements, whereas in the city-wide financial statements are considered assets and are amortized.	65,228
Compensated absences are considered expenditures when paid on the governmental fund basis, but in the government-wide financial statements are considered expenses as incurred.	(130,456)
Government funds financial statements report property taxes collected within 60 days after the close of the fiscal year as revenue under the modified accrual basis, whereas the government-wide financial statements reported these revenues on the accrual basis.	-
Changes in net assets of governmental activities	<u>\$ 1,989,489</u>

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

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Local Taxes:				
Property taxes-current	\$ 8,725,000	\$ 8,725,000	\$ 8,619,938	\$ (105,062)
Property taxes-prior	245,000	341,398	282,038	(59,360)
Penalty and Interest	90,000	90,000	103,020	13,020
Property taxes-delinquent	75,000	75,000	136,541	61,541
In lieu/tax equivalent			38,490	38,490
Cable franchise tax	270,000	270,000	278,718	8,718
Gas franchise tax	560,000	560,000	365,640	(194,360)
Local option sales tax	9,562,900	9,562,900	9,454,955	(107,945)
Wholesale beer tax	870,000	870,000	885,998	(14,002)
Wholesale liquor tax	300,000	300,000	304,046	4,046
Business & gross receipts tax	815,000	815,000	663,824	(181,176)
Hotel and Motel tax	350,000	350,000	361,096	11,096
Total local taxes	21,862,900	21,959,298	21,494,303	(524,994)
Licenses and permits:				
Beer permits	14,000	14,000	12,100	(1,900)
Building permits	125,000	127,500	106,966	(18,034)
Development fees	7,000	7,000	8,933	1,933
Farmers Market Permit	-	-	2,000	2,000
Server permits	6,500	6,500	7,000	500
Total licenses and permits	152,500	155,000	136,999	(15,501)
Intergovernmental Revenue:				
USDA Summer Feeding Program	90,000	90,000	76,403	(13,597)
Other federal revenue	50,000	50,000	-	(50,000)
ARRA Grants	-	-	-	(4,418)
TVA Gross Receipts Tax	254,900	254,900	283,813	28,913
State Sales Tax	1,685,500	1,685,500	1,642,702	(42,798)
Telecommunication Sales Tax	3,300	3,300	2,239	(1,061)
State Income Tax	150,000	150,000	117,875	(32,125)
State Beer Tax	14,500	14,500	12,785	(1,715)
State Gasoline Tax	675,000	675,000	685,735	10,735
State PTS Tax	64,000	64,000	55,399	(8,601)
Dept. of Transportation Airport Grants	-	144,238	877,790	733,552
State Excise Tax	56,000	56,000	47,788	(8,212)
Airport maintenance grant	13,500	13,500	-	(13,500)
MTPO	1,269,090	1,167,901	527,482	(640,419)
Fire Department Grants	-	-	56,426	56,426
Dept. of Justice Grants	-	176,229	187,942	11,713
Project Safe neighborhoods	-	-	12,821	12,821
Police Dept. Grants & Reimbursements	-	-	108,486	108,486
Community Development Block Grant	354,440	-	-	-
Other State Revenue	-	-	147,706	152,124
Other County Revenue	240,000	240,000	200,000	(40,000)
Total intergovernmental revenue	4,920,230	4,785,068	5,043,392	258,324
Fines and users fees:				
Recreational fees	130,000	130,000	151,239	21,239
City court fines and costs	1,149,575	1,149,575	1,073,275	(76,300)
Sex offender registry	1,300	1,300	3,450	2,150
DUI fines	80,000	80,000	88,688	8,688
Totals fines and users fees	1,360,875	1,360,875	1,316,652	(44,223)
Other revenue:				
Event donations	-	-	3,066	3,066
Other reimbursements and refunds	-	-	18,182	18,182
Donations	-	-	5,040	5,040
Donations-Police	-	-	11,125	11,125
MHA Cost Sharing	-	-	57	57

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Legacy Trees	-	-	893	893
Fire Department Donations	-	-	500	500
Other revenues	-	-	56,284	56,284
Interest on investments	35,000	35,000	16,110	(18,890)
Rental of City property	160,000	160,000	139,162	(20,838)
Gas franchise tax	-	-	18,363	18,363
Sale of City property	10,000	10,000	364,775	354,775
Miscellaneous	30,000	30,000	13,260	(12,169)
Other reimbursements and refunds	-	-	345,976	345,976
Insurance reimbursements	-	-	7,826	7,826
Workers Comp. refunds & reimbursements	-	-	1,674	1,674
Debt service reimbursements	260,000	260,000	12,424	12,424
Total other revenue	235,000	235,000	1,014,717	784,288
Total Revenue	28,791,505	28,202,868	29,006,063	275,713
Expenditures:				
General government:				
Mayor and City Council:				
Wages & salaries	37,200	37,200	37,115	85
Christmas bonus & longevity	925	925	850	75
FICA	2,917	2,917	2,284	633
Health and Life insurance	58,290	58,290	59,917	(1,627)
Mailing	200	200	164	36
Reproduction and printing	2,500	2,500	2,246	254
Publications	200	200	75	125
Memberships and fees	13,000	13,000	12,822	178
Advertising & publicity	1,500	1,500	1,184	316
Professional & consulting	-	-	-	-
Travel	5,500	5,500	2,909	2,591
Other contractual	-	-	954	(954)
Rental and maintenance contracts	3,700	3,700	4,040	(340)
Office supplies	1,000	1,000	1,109	(109)
Other supplies	2,000	2,000	407	1,593
Insurance	4,000	4,000	4,772	(772)
Total Mayor and City Council	132,932	132,932	130,848	2,084
City Administrator:				
Wages & salaries	196,231	316,231	300,596	15,635
Overtime	-	-	288	(288)
Wages & Salaries-Temporary Employees	26,000	26,000	24,403	1,597
Christmas Bonus & Longevity	1,461	1,461	1,355	106
FICA	17,112	17,112	16,862	250
Health and Life Insurance	18,037	18,037	13,703	4,334
Retirement	27,281	27,281	18,073	9,208
Worker's Compensation	3,050	3,050	2,804	246
Unemployment	-	-	4,400	(4,400)
Employment Education & Training	750	750	-	750
Mailing	150	150	110	40
Reproduction and Printing	-	-	35	(35)
Publications	800	800	821	(21)
Memberships & Fees	1,000	1,000	1,379	(379)
Advertising & Publicity	500	500	1,684	(1,184)
Professional & Consulting	1,000	1,000	-	1,000
Travel	3,750	3,750	20,321	(16,571)
Rental and Maint. Contracts	4,500	4,500	3,558	942
Office Supplies	1,000	1,000	914	86
Small Tools & Minor Equipment	-	-	50	(50)
Other Supplies	2,200	2,200	900	1,300
Office equipment	-	-	1,834	(1,834)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total City Administrator	304,822	424,822	414,090	10,732
Assistant City Administrator:				
Wages & Salaries-Permanent Employees	92,622	92,622	91,643	979
Christmas Bonus & Longevity	816	816	831	(15)
FICA	7,148	7,148	6,933	215
Health & Life Insurance	8,964	8,964	8,605	359
Retirement	12,894	12,894	12,659	235
Worker's Compensation	1,525	1,525	1,402	123
Mailing	30	30	28	2
Memberships & Fees	750	750	131	619
Travel	1,450	1,450	1,166	284
Rental and Maintenance Contracts	800	800	625	175
Office Supplies	250	250	93	157
Gasoline/Fuels/Lubricants	-	-	35	(35)
Automotive Parts and Accessories	-	-	120	(120)
Other Supplies	250	250	-	250
Insurance	375	375	447	(72)
Total Assistant City Administrator	127,874	127,874	124,718	3,156
Finance Department:				
Wages & Salaries-Permanent Employees	262,182	262,182	252,549	9,633
Wages & Salaries-Temporary Employees	-	-	2,634	(2,634)
Christmas Bonus & Longevity	1,798	1,798	1,860	(62)
FICA	20,194	20,194	18,855	1,339
Health and Life Insurance	51,770	51,770	52,688	(918)
Retirement	36,429	36,429	34,943	1,486
Worker's Compensation	9,150	9,150	8,412	738
Employee Education & Training	3,000	2,800	1,927	873
Mailing	6,000	6,000	2,843	3,157
Reproduction and Printing	1,500	1,500	698	802
Publications	250	250	50	200
Memberships & Fees	1,000	1,000	6,738	(5,738)
Advertising and Publicity	1,800	1,800	1,004	796
Professional & Consulting	91,000	119,000	114,165	4,835
Travel	4,000	4,200	4,170	30
Other Contractual	3,000	3,000	7,075	(4,075)
Rental and Maintenance Contracts	5,780	5,780	-	5,780
Contracts With Other Agencies	5,000	5,000	6,985	(1,985)
Office Supplies	3,900	3,900	5,435	(1,535)
Small Tools & Minor Equipment	-	-	1	(1)
Other Supplies	500	200	80	120
Insurance	1,100	1,100	1,500	(400)
Bonds	-	-	70	(70)
Total Finance Department	509,353	537,053	524,682	12,371
Purchasing Department:				
Wages & Salaries-Permanent Employees	44,391	44,391	43,842	549
Christmas Bonus & Longevity	100	100	103	(3)
FICA	3,404	3,404	3,212	192
Health and Life Insurance	8,633	8,633	8,763	(130)
Retirement	6,140	6,140	6,014	126
Worker's Compensation	1,525	1,525	1,402	123
Mailing	200	200	92	108
Memberships & Fees	750	750	-	750
Professional & Consulting	500	500	118	382
Travel	-	-	518	(518)
Other Contractual	-	-	44	(44)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
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for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Rental and Maintenance Contracts	2,025	2,025	2,040	(15)
Contracts With Other Agencies	-	-	-	-
Office Supplies	650	650	806	(156)
Small Tools & Minor Equipment	100	100	111	(11)
Other Supplies	250	250	40	210
Insurance	950	950	1,133	(183)
Bonds	100	100	-	100
Total Purchasing Department	69,718	69,718	68,238	1,480
Computer Operations:				
Wages & Salaries-Permanent Employees	117,358	117,358	116,558	800
Overtime	-	-	943	(943)
Christmas Bonus & Longevity	374	374	392	(18)
FICA	9,007	9,007	8,701	306
Health and Life Insurance	17,468	17,468	16,718	750
Retirement	16,247	16,247	16,141	106
Worker's Compensation	3,050	3,050	2,804	246
Employee Education & Training	3,000	3,000	524	2,476
Mailing	-	-	2	(2)
Publications	100	100	18	82
Memberships & Fees	-	-	349	(349)
Professional & Consulting	600	600	-	600
Repairs and Maintenance	250	250	-	250
Travel	1,000	1,000	1,334	(334)
Rental and Maintenance Contracts	22,000	22,000	15,245	6,755
Office Supplies	400	400	161	239
Small Tools & Minor Equipment	400	400	66	334
Uniforms	-	-	255	(255)
Gasoline/Fuels/Lubricants	250	250	122	128
Other Supplies	500	500	792	(292)
Insurance	4,200	4,200	5,010	(810)
Total Computer Operations	196,204	196,204	186,135	10,069
Human Resources				
Wages & Salaries-Permanent Employees	111,195	111,195	109,339	1,856
Christmas Bonus & Longevity	548	548	567	(19)
FICA	8,548	8,548	8,224	324
Health and Life Insurance	17,406	17,406	16,755	651
Retirement	15,421	15,421	14,907	514
Worker's Compensation	3,050	3,050	2,804	246
Unemployment	-	-	4,105	(4,105)
Employee Education & Training	18,000	35,000	36,886	(1,886)
Mailing	250	250	338	(88)
Employee Education & Training	750	750	704	46
Reproduction and Printing	3,000	3,000	1,104	1,896
Publications	250	250	53	197
Memberships & fees	550	550	938	(388)
Advertising and Publicity	200	200	974	(774)
Professional & Consulting	2,000	2,000	3,188	(1,188)
Travel	1,250	1,250	2,407	(1,157)
Rental and Maintenance Contracts	3,300	3,300	1,606	1,694
Office Supplies	750	750	1,254	(504)
Small Tools & Minor Equipment	-	-	10	(10)
Other Supplies	8,000	8,000	887	7,113
Insurance	3,700	3,700	4,414	(714)
Total Human Resources	198,168	215,168	211,464	3,704
Legal Services:				

City of Morristown, Tennessee
General Fund
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	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Wages & Salaries-Permanent Employees	10,395	10,395	11,145	(750)
Christmas Bonus & Longevity	345	345	287	58
FICA	822	822	32	790
Health and Life Insurance	16,653	16,653	8,391	8,262
Judgment/Fees/Court Costs	500	500	42	458
Publications	500	500	3,095	(2,595)
Memberships & Fees	2,000	2,000	-	2,000
Professional & consulting	81,482	81,482	90,300	(8,818)
Insurance	1,000	1,000	1,193	(193)
Total Legal Services	113,697	113,697	114,485	(788)
Community and Economic Affairs:				
Wages & Salaries Permanent Employees	235,512	235,512	187,585	47,927
Christmas Bonus & Longevity	1,572	1,572	1,131	441
FICA	18,137	18,137	13,959	4,178
Health and Life Insurance	33,279	33,279	25,257	8,022
Retirement	32,582	32,582	25,572	7,010
Worker's Compensation	5,795	5,795	5,328	467
Employee Education & Training	3,000	3,000	269	2,731
Mailing	1,000	1,000	867	133
Reproduction and printing	500	500	20	480
Publications	500	425	109	316
Memberships & Fees	1,250	1,250	2,000	(750)
Advertising and Publicity	3,000	3,000	1,602	1,398
Professional & Consulting	100	100	561	(461)
Travel	3,000	3,000	3,244	(244)
Other Contractual	200	200	-	200
Rental and Maintenance Agreements	2,200	2,200	639	1,561
Contracts With Other Agencies	1,000	1,000	852	148
Office Supplies	2,000	2,000	1,095	905
Small Tools & minor Equipment	500	500	-	500
Gasoline/Fuels/Lubricants	1,500	1,500	1,219	281
Automotive Parts and Accessories	500	500	293	207
Other Supplies	2,500	2,500	732	1,768
Insurance	950	950	1,133	(183)
Grants & Subsidies	1,000	1,000	958	42
Total Community and Economic Affairs	351,577	351,502	274,425	77,077
Codes Enforcement:				
Wages & Salaries-Permanent Employees	36,015	36,015	35,608	407
Christmas Bonus & Longevity	269	269	278	(9)
FICA	2,776	2,776	2,697	79
Health and Life Insurance	8,571	8,571	9,313	(742)
Retirement	5,007	5,007	4,906	101
Workers Compensation	1,525	1,525	1,402	123
Employee Education & Training	500	500	-	500
Mailing	50	50	93	(43)
Memberships & Fees	100	100	-	100
Travel	1,000	1,000	848	152
Other Contractual	500	700	-	700
Rental and Maintenance Contracts	500	500	423	77
Contracts With Other Agencies	500	500	652	(152)
Office Supplies	150	150	-	150
Small Tools & Minor Equipment	50	50	17	33
Gasoline/Fuels/Lubricants	500	500	1,076	(576)
Automotive Parts and Accessories	500	500	339	161
Vehicle Expense	200	-	-	-
Other Supplies	250	250	321	(71)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
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for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Codes Enforcement	58,963	58,963	57,973	990
Metropolitan Transportation Planning:				
Wages & Salaries Permanent Employees	100,292	2,061	-	2,061
Wages & Salaries Temporary Employees	4,500	-	-	-
Christmas Bonus & Longevity	359	-	-	-
FICA	8,044	158	-	158
Health and Life Insurance	17,353	-	-	-
Retirement	13,890	250	-	250
Worker's Compensation	3,050	-	-	-
Mailing	2,000	650	-	650
Reproduction and Printing	2,000	205	-	205
Memberships & Fees	2,000	-	-	-
Advertising and Publicity	6,000	4,175	-	4,175
Professional & Consulting	10,000	8,200	-	8,200
Travel	5,000	-	-	-
Rental and Maintenance Contracts	200	-	-	-
Contracts With Other Agencies	200,000	-	-	-
Office Supplies	5,000	2,775	-	2,775
Other Supplies	4,000	2,100	-	2,100
Grants & Subsidies	856,521	566,073	-	566,073
Office Equipment	30,000	30,000	-	30,000
Total Metropolitan Transportation Planning	1,270,209	616,647	-	616,647
Transportation Planning Administration:				
Wages & Salaries Permanent Employees	-	53,721	54,571	(850)
Wages & Salaries Temporary Employees	-	4,500	3,130	1,370
Christmas Bonus & Longevity	-	279	289	(10)
FICA	-	4,472	4,230	242
Health and Life Insurance	-	16,195	10,163	6,032
Retirement	-	-	7,460	(7,460)
Worker's Compensation	-	1,525	1,402	123
Mailing	-	600	690	(90)
Reproduction and Printing	-	250	-	250
Memberships & Fees	-	2,200	2,175	25
Advertising and Publicity	-	1,000	1,715	(715)
Professional & Consulting	-	1,000	-	1,000
Travel	-	2,500	2,350	150
Rental and Maintenance Contracts	-	100	-	100
Contracts With Other Agencies	-	4,000	31,782	(27,782)
Office Supplies	-	1,400	1,422	(22)
Other Supplies	-	1,000	570	430
Office Equipment	-	-	3,885	(3,885)
Total Transportation Planning Administration	-	94,742	125,834	(31,092)
Transportation Planning Programs:				
Contracts With Other Agencies	-	86,448	52,645	33,803
Grants & Subsidies	-	-	6,210	(6,210)
Total Transportation Planning Programs	-	86,448	58,855	27,593
Section 5307 Administration:				
Wages & Salaries Permanent Employees	-	44,510	44,213	297
Christmas Bonus & Longevity	-	80	87	(7)
FICA	-	3,414	3,355	59
Health and Life Insurance	-	14,798	10,030	4,768
Retirement	-	-	6,042	(6,042)
Worker's Compensation	-	1,525	1,402	123
Mailing	-	750	-	750

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
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for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Reproduction and Printing	-	520	-	520
Memberships & Fees	-	825	270	555
Advertising and Publicity	-	825	-	825
Professional & Consulting	-	800	-	800
Travel	-	2,500	3,100	(600)
Rental and Maintenance Contracts	-	100	-	100
Office Supplies	-	825	293	532
Other Supplies	-	900	-	900
Office Equipment	-	-	3,850	(3,850)
Total Section 5307 Administration	-	72,372	72,642	(270)
Section 5307 Programs:				
Contracts With Other Agencies	-	400,000	385,097	14,903
Community Development:				
Wages & Salaries Permanent Employees	45,444	-	-	-
Christmas Bonus & longevity	95	-	-	-
FICA	3,484	-	-	-
Health and Life Insurance	8,641	-	-	-
Retirement	6,284	-	-	-
Worker's Compensation	1,525	-	-	-
Employee Education & Training	2,000	-	-	-
Mailing	500	-	-	-
Reproduction and Printing	-	-	-	-
Memberships & Fees	1,000	-	-	-
Advertising and Publicity	1,500	-	-	-
Professional & Consulting	5,000	-	-	-
Travel	4,000	-	-	-
Other Contractual	50,000	-	-	-
Rental and Maintenance Contracts	600	-	-	-
Contracts With Other Agencies	-	-	-	-
Office Supplies	2,000	-	-	-
Other Supplies	500	-	-	-
Insurance	500	-	-	-
Grants & Subsidies	216,926	98,955	98,955	-
Office Equipment	5,000	-	-	-
Total Community Development	354,999	98,955	98,955	-
Morristown Community Development Corp.:				
Wages & Salaries Permanent Employees	27,424	27,424	27,424	-
Christmas Bonus & Longevity	48	48	51	(3)
FICA	2,102	2,102	2,119	(17)
Health and Life Insurance	4,356	4,356	5,019	(663)
Retirement	3,759	3,759	3,836	(77)
Worker's Compensation	763	763	701	62
Employee Education & Training	-	-	100	(100)
Mailing	-	-	45	(45)
Memberships & Fees	-	-	637	(637)
Travel	1,750	1,750	1,545	205
Other Contractual	-	-	13,902	(13,902)
Contracts With Other Agencies	13,000	13,000	11,170	1,830
Total Morristown Community Dev. Corp.	53,202	53,202	66,549	(13,347)
Engineering:				
Wages & Salaries Permanent Employees	170,280	170,280	163,564	6,716
Christmas Bonus & longevity	1,108	1,108	626	482
FICA	13,111	13,111	12,268	843
Health and Life Insurance	27,009	27,009	26,429	580

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
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for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Retirement	23,483	23,483	22,477	1,006
Worker's Compensation	4,728	4,728	4,346	382
Mailing	-	-	406	(406)
Publications	1,200	1,200	-	1,200
Memberships & fees	2,200	2,200	1,649	551
Advertising and Publicity	2,000	2,000	808	1,192
Professional & Consulting	500	500	561	(61)
Repairs and Maintenance	500	500	-	500
Travel	1,500	1,500	704	796
Other Contractual	250	250	-	250
Rental and Maintenance Contracts	5,900	5,900	6,655	(755)
Contracts With Other Agencies	900	900	1,168	(268)
Office Supplies	1,250	1,250	1,815	(565)
Small Tools & Minor Equipment	2,500	2,500	3,034	(534)
Uniforms	500	500	-	500
Gasoline/Fuel/Lubricants	3,800	3,800	5,339	(1,539)
Automotive Parts and Accessories	-	-	1,149	(1,149)
Vehicle Expense	500	500	-	500
Other Supplies	4,000	4,000	659	3,341
Construction Materials	1,000	1,000	-	1,000
Insurance	1,845	1,845	2,201	(356)
Other machinery and Equipment	-	2,500	-	2,500
Total Engineering	270,064	272,564	255,858	16,706
Police Supervision:				
Wages and Salaries permanent Employees	260,487	260,487	260,604	(117)
Overtime	2,500	2,500	-	2,500
Christmas Bonus & longevity	1,791	1,791	2,232	(441)
FICA	20,255	20,255	19,437	818
Health and Life Insurance	51,741	51,741	62,887	(11,146)
Retirement	36,532	36,532	35,953	579
Worker's Compensation	9,150	9,150	8,412	738
Unemployment	-	-	5,995	(5,995)
Employee Education and Training	3,000	3,000	1,736	1,264
Judgment /Fees/Court Costs	5,000	5,000	-	5,000
Mailing	1,200	1,700	1,727	(27)
Reproduction and Printing	700	700	-	700
Publications	850	850	526	324
Memberships & fees	1,200	1,200	928	272
Advertising & Publicity	400	400	-	400
Professional and Consulting	3,000	3,000	743	2,257
Repairs and Maintenance	50	50	-	50
Travel	6,000	7,500	7,685	(185)
Other Contractual	1,800	1,800	1,401	399
Rental and Maintenance Contracts	21,957	21,957	19,483	2,474
Contracts With Other Agencies	4,768	22,768	27,720	(4,952)
Office Supplies	1,700	1,700	894	806
Small Tools & Minor Equipment	500	500	75	425
Janitorial Supplies	500	500	-	500
Uniforms	950	950	734	216
Gasoline/Fuels/Lubricants	5,000	5,000	3,899	1,101
Automotive Parts and Accessories	500	500	253	247
Vehicle Expense	150	150	273	(123)
Other Supplies	1,600	1,100	-	1,100
Insurance	5,400	5,400	6,442	(1,042)
Grants & Subsidies	-	-	1,281	(1,281)
Office Equipment	-	-	-	-
Total Police Supervision	448,681	468,181	471,320	(3,139)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
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for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Patrol and Traffic:				
Wages and Salaries Permanent Employees	2,572,439	2,570,939	2,606,585	(35,646)
Overtime	138,912	125,012	44,614	80,398
Wages & Salaries Temporary Employees	-	-	3,734	(3,734)
Holiday Pay	45,000	45,000	10,655	34,345
Christmas Bonus & Longevity	18,198	18,198	21,246	(3,048)
FICA	213,018	213,018	197,959	15,059
Health and Life Insurance	541,954	541,954	524,126	17,828
Retirement	383,716	383,716	361,116	22,600
Worker's Compensation	96,075	96,075	94,827	1,248
Employee Education and training	40,000	36,800	18,955	17,845
Judgment /Fees/Court Costs	5,000	5,000	1,693	3,307
Mailing	300	300	389	(89)
Reproduction and Printing	4,000	4,000	275	3,725
Publications	100	100	-	100
Memberships & Fees	2,750	2,750	1,063	1,687
Advertising & Publicity	500	500	384	116
Professional and Consulting	7,000	7,000	6,475	525
Repairs and Maintenance	1,500	1,500	1,378	122
Travel	21,100	21,100	19,548	1,552
Other Contractual	15,000	15,000	6,713	8,287
Rental and Maintenance Contracts	16,893	16,893	17,255	(362)
Office Supplies	12,000	12,000	9,651	2,349
Small Tools & Minor Equipment	23,900	23,900	23,463	437
Janitorial Supplies	100	100	-	100
Uniforms	33,700	33,634	22,774	10,860
Gasoline/Fuels/Lubricants	200,500	200,500	185,885	14,615
Automotive Parts and Accessories	59,000	62,480	65,795	(3,295)
Electrical, Plumbing & Hardware	1,000	1,000	508	492
Vehicle Expense	13,000	9,500	8,019	1,481
Other Supplies	3,793	3,793	8,422	(4,629)
Construction Materials	1,000	1,000	498	502
Insurance	91,000	91,000	108,558	(17,558)
Grants & Subsidies	-	179,145	178,830	315
Office Equipment	-	-	1,010	(1,010)
Other Machinery & Equipment	-	17,025	19,000	(1,900)
Total Patrol and Traffic	4,562,448	4,739,932	4,571,403	168,624
Police Investigation:				
Wages & Salaries Permanent Employees	769,992	769,992	776,945	(6,953)
Overtime	34,319	34,319	18,198	16,121
Christmas Bonus & Longevity	9,044	9,044	9,414	(370)
FICA	62,222	62,222	57,115	5,107
Health and Life Insurance	130,193	130,193	130,973	(780)
Retirement	112,140	112,140	112,809	(669)
Worker's Compensation	22,875	22,875	21,089	1,786
Employee Education and Training	4,500	4,500	520	3,980
Judgment/Fees/Court Costs	5,000	5,000	-	5,000
Mailing	500	500	475	25
Reproduction and Printing	200	200	98	102
Publications	400	400	35	365
Memberships & Fees	625	625	583	42
Professional & Consulting	300	300	248	52
Repairs and maintenance	200	200	-	200
Travel	4,500	4,500	3,222	1,278
Other Contractual	1,500	1,500	643	857
Rental and Maintenance Contracts	19,108	18,606	13,522	5,084
Office Supplies	8,000	8,000	9,707	(1,707)
Small Tools & Minor Equipment	2,000	2,000	690	1,310
Janitorial Supplies	100	100	-	100

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
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for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Uniforms	9,900	9,900	6,707	3,193
Gasoline/Fuels/Lubricants	16,500	16,500	17,164	(664)
Automotive Parts and Accessories	6,800	6,800	4,246	2,554
Electrical, Plumbing, & Hdwe.	100	100	-	100
Vehicle Expense	700	131	778	(647)
Other Supplies	1,500	1,500	66	1,434
Insurance	21,000	21,000	25,052	(4,052)
Other Machinery and Equipment	-	-	-	-
Total Police Investigation	1,244,216	1,243,147	1,210,299	32,848
Traffic Signal:				
Memberships & Fees	-	-	180	(180)
Utilities	40,000	40,000	24,047	15,953
Professional & Consulting	-	-	24,397	(24,397)
Traffic Signal Maintenance	120,000	120,000	80,499	39,501
Total Traffic Signal	160,000	160,000	129,123	30,877
Central Communications:				
Health and Life Insurance	-	-	-	-
Contracts With other Agencies	187,250	187,250	185,103	2,147
Total Central Communications	187,250	187,250	185,103	2,147
Vice:				
Wages & Salaries permanent Employees	54,575	54,575	54,542	33
Overtime	5,000	5,000	2,039	2,961
Christmas Bonus & Longevity	463	463	475	(12)
FICA	4,593	4,593	4,274	319
Health and Life Insurance	8,702	8,702	8,377	325
Retirement	8,270	8,270	7,811	459
Worker's Compensation	1,525	1,525	1,402	123
Employee Education & training	650	650	100	550
Judgement/Fees/Court Costs	50	50	-	50
Mailing	50	50	-	50
Memberships & Fees	30	30	-	30
Professional & Consulting	400	400	-	400
Travel	125	125	65	60
Other Contractual	100	100	-	100
Rental and Maintenance Contracts	950	893	797	96
Office Supplies	650	781	631	150
Small Tools & Minor Equipment	250	176	176	-
Uniforms	750	750	650	100
Gasoline/Fuels/Lubricants	1,500	1,500	1,242	258
Automotive Parts and Access.	500	500	432	68
Vehicle Expense	400	400	128	272
Other Supplies	155	155	160	(5)
Insurance	1,900	1,900	2,267	(367)
Total Vice	91,588	91,588	85,568	6,020
Fire Supervision:				
Wages & Salaries Permanent Employees	388,922	388,922	367,419	21,503
Overtime	-	-	130	(130)
Christmas Bonus & longevity	3,833	3,833	5,422	(1,589)
FICA	30,046	30,046	27,566	2,480
Health and Life Insurance	52,637	52,637	62,365	(9,728)
Retirement	54,200	54,200	50,522	3,678
Worker's Compensation	9,150	9,150	8,412	738
Mailing	100	100	15	85

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Reproduction and Printing	100	100	-	100
Publications	600	600	189	411
Memberships & Fees	700	700	464	236
Travel			53	(53)
Rental and Maintenance Agreements	7,920	7,920	7,163	757
Office Supplies	1,900	1,900	1,710	190
Uniforms	300	300	292	8
Gasoline/Fuels/Lubricants	7,500	7,500	3,631	3,869
Automotive Parts and Accessories	1,500	1,500	1,173	327
Other Supplies	200	200	-	200
Insurance	2,100	2,100	2,505	(405)
Total Fire Supervision	561,708	561,708	539,031	22,677
Fire Inspection:				
Wages & Salaries Permanent Employees	55,375	55,375	59,826	(4,451)
Christmas Bonus & Longevity	651	651	1,322	(671)
FICA	4,286	4,286	4,502	(216)
Health and Life Insurance	8,702	8,702	8,792	(90)
Retirement	7,732	7,732	8,197	(465)
Worker's Compensation	1,525	1,525	1,402	123
Public Education and Training	2,500	2,500	2,298	202
Mailing	100	100	10	90
Publications	1,000	1,000	170	830
Memberships & Fees	400	400	350	50
Professional & Consulting		-	28	(28)
Travel	4,500	4,500	4,466	34
Other Contractual	250	250	-	250
Rental and Maintenance Agreements	500	500	458	42
Contracts With Other Agencies	200	200	279	(79)
Office Supplies	300	300	112	188
Small Tools & Minor Equipment	500	500	-	500
Uniforms	600	600	515	85
Gasoline/Fuels/Lubricants	6,250	6,250	3,391	2,859
Automotive Parts and Accessories	1,000	1,000	59	941
Vehicle Expense	125	125	-	125
Other Supplies	300	300	187	113
Insurance	2,100	2,100	2,505	(405)
Bonds	250	250	125	125
Total Fire Inspection	99,146	99,146	98,994	152
Fire Stations:				
Mailing	-	-	7	(7)
Repairs & Maintenance	28,000	27,218	24,585	2,633
Other Contractual	3,000	3,000	2,147	853
Rental and Maintenance Contracts	3,000	3,000	1,487	1,513
Office Supplies	500	500	21	479
Small Tools and Minor Equipment	5,000	5,000	2,392	2,608
Janitorial Supplies	18,000	18,000	13,563	4,437
Gasoline/Fuels/Lubricants	300	300	28	272
Electrical, Plumbing & Hdw.	2,000	2,000	1,200	800
Other Supplies	5,000	5,000	3,339	1,661
Insurance	7,500	7,500	8,947	(1,447)
Total Fire Stations	72,300	71,518	57,716	13,802
Fire fighting:				
Wages & Salaries Permanent Employees	3,205,756	3,205,756	3,083,559	122,197
Overtime	219,500	219,500	203,472	16,028

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Wages & salaries Temporary Employees	-	-	991	(991)
Holiday Pay	62,500	62,500	78,762	(16,262)
Christmas Bonus & Longevity	30,723	30,723	33,503	(2,780)
FICA	269,164	269,164	248,253	20,911
Health and Life Insurance	695,305	695,305	672,500	22,805
Retirement	484,704	484,704	456,204	28,500
Worker's Compensation	123,525	123,525	118,170	5,355
Unemployment	-	-	-	-
Employee Education & Training	1,000	1,000	1,935	(935)
Mailing	200	200	184	16
Reproduction & Printing	-	-	130	(130)
Publications	1,500	5,000	1,544	3,456
Memberships & Fees	1,500	1,500	427	1,073
Utilities	5,000	5,000	1,421	3,579
Professional & Consulting	35,000	31,500	7,991	23,509
Repairs and Maintenance	2,000	2,000	1,833	167
Travel	20,000	22,400	22,119	281
Other Contractual	4,000	4,000	3,060	940
Rental and Maintenance Contracts	17,000	17,000	3,684	13,316
Office Supplies	2,000	2,000	409	1,591
Small Tools & Minor Equipment	12,000	12,000	8,867	3,133
Uniforms	49,900	49,361	24,558	24,967
Gasoline/Fuels/Lubricants	70,000	67,600	42,709	24,891
Automotive Parts and Accessories	55,000	54,705	37,600	17,105
Electrical, Plumbing, and Hardware	2,400	2,400	128	2,272
Vehicle Expense	500	500	310	190
Other Supplies	3,000	3,000	3,248	(248)
Insurance	100,000	100,000	119,295	(19,295)
Other Machinery and Equipment	-	25,356	25,356	-
Total Fire Fighting	5,473,177	5,497,699	5,202,222	295,641
Civil Service:				
Wages & Salaries Permanent Employees	7,200	7,200	7,200	-
Mailing	-	-	15	(15)
Professional & Consulting	-	-	5,467	(5,467)
Rental and Maintenance Contracts	6,000	6,000	817	5,183
Office Supplies	100	100	-	100
Other Supplies	-	-	573	(573)
Total Civil Service	13,300	13,300	14,072	(772)
Fire & Medical Response:				
Employee Education & Training	5,000	5,000	848	4,152
Reproduction and Printing	250	250	284	(34)
Memberships & Fees	100	100	-	100
Office Supplies	200	200	-	200
Small Tools & Minor Equipment	3,750	3,750	4,131	(381)
Uniforms	2,500	2,500	2,263	237
Electrical, Plumbing & Hardware	1,500	1,500	1,935	(435)
Other Supplies	500	500	258	242
Insurance	2,100	2,100	2,505	(405)
Total Fire and Medical Response	15,900	15,900	12,224	3,676
Inspections:				
Wages & Salaries Permanent Employees	234,077	234,077	230,701	3,376
Wages & Salaries Temporary Employees	-	2,900	2,859	41
Christmas Bonus & Longevity	3,302	3,302	4,285	(983)
FICA	18,159	18,159	17,836	323
Health and Life Insurance	34,929	34,929	35,072	(143)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Retirement	32,758	32,758	32,238	520
Worker's Compensation	6,100	6,100	5,608	492
Employee Education and Training	2,200	2,200	861	1,339
Mailing	280	280	65	215
Reproduction and Printing	300	300	35	265
Memberships & Fees	700	700	372	328
Advertising and Publicity	50	50	48	2
Professional & Consulting	600	600	617	(17)
Travel	1,100	1,100	830	270
Other Contractual	-	-	-	-
Rental and Maintenance Contracts	1,920	1,920	5,238	(3,318)
Contracts With Other Agencies	-	-	852	(852)
Office Supplies	600	600	173	427
Uniforms	800	800	766	34
Gasoline/Fuels/Lubricants	5,000	5,000	5,692	(692)
Automotive Parts and Accessories	1,800	1,800	1,611	189
Vehicle Expense	500	500	-	500
Other Supplies	400	400	-	400
Insurance	1,900	1,900	2,267	(367)
Total Inspections	347,475	350,375	348,026	2,349
Public Works Supervision:				
Wages & Salaries Permanent Employees	68,140	68,140	66,842	1,298
Christmas Bonus & Longevity	1,406	1,406	1,542	(136)
FICA	5,320	5,320	5,138	182
Health and Life Insurance	12,958	12,958	12,578	380
Retirement	9,524	9,524	9,384	140
Worker's Compensation	2,288	2,288	2,103	185
Employee Education and Training	1,500	1,500	-	1,500
Mailing	25	25	11	14
Reproduction and Printing	100	100	-	100
Publications	50	50	-	50
Memberships & Fees	100	100	25	75
Professional & Consulting	-	-	56	(56)
Travel	650	650	215	435
Other Contractual	650	650	210	440
Rental and Maintenance Contracts	2,250	2,250	2,405	(155)
Office Supplies	1,500	1,500	1,115	385
Small Tools and Minor Equipment	200	200	9	191
Janitorial Supplies	100	100	-	100
Uniforms	34,000	34,000	24,731	9,269
Gasoline/Fuels/Lubricants	3,500	3,500	1,282	2,218
Automotive parts and Accessories	1,500	1,500	260	1,240
Electrical, Plumbing, and Hardware	100	100	-	100
Vehicle Expense	200	200	35	165
Other Supplies	100	100	-	100
Insurance	3,150	3,150	3,758	(608)
Total Public Works Supervision	149,311	149,311	131,699	17,612
Buildings and Grounds:				
Wages and Salaries Permanent Employees	74,264	74,264	74,672	(408)
Overtime	6,000	3,500	1,638	1,862
Wages and Salaries Temporary Employees	30,000	30,760	21,685	9,075
Christmas Bonus & Longevity	911	911	961	(50)
FICA	8,505	8,505	7,046	1,459
Health and Life Insurance	17,156	17,156	17,577	(421)
Retirement	11,184	11,184	10,906	278
Worker's Compensation	3,050	3,050	3,074	(24)
Unemployment	-	-	2,775	(2,775)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Mailing	25	25	4	21
Memberships and Fees	510	510	500	10
Advertising and Publicity	-	-	161	(161)
Utilities	600,000	600,000	552,500	47,500
Professional and Consulting	1,000	-	33,792	(33,792)
Repairs and Maintenance	25,000	26,784	25,891	893
Other Contractual	5,000	2,500	8,264	(5,764)
Rental and Maintenance Contracts	13,000	13,000	38,429	(25,429)
Contracts With Other Agencies	81,000	82,000	64,906	17,094
Office Supplies	100	100	14	86
Small Tools & Minor Equipment	4,000	2,900	2,050	850
Janitorial Supplies	10,500	10,500	10,084	416
Uniforms	200	200	49	151
Gasoline/Fuels/Lubricants	3,500	3,500	3,350	150
Automotive Parts & Accessories	3,000	3,000	1,366	1,634
Electrical, Plumbing and Hardware	12,000	12,000	12,307	(307)
Landscaping	10,000	10,000	9,326	674
Vehicle Expense	1,000	240	-	240
Other Supplies	1,000	7,100	8,061	(961)
Insurance	10,000	10,000	11,930	(1,930)
Land	-	-	958,152	(958,152)
Buildings	2,500,000	700,000	-	700,000
Total Buildings and Grounds	3,431,905	1,633,689	1,881,470	(247,781)
Equipment Shop:				
Wages and Salaries Permanent Employees	275,548	275,548	270,204	5,344
Overtime	10,000	10,000	3,321	6,679
Christmas Bonus and Longevity	3,542	3,542	3,691	(149)
FICA	22,115	22,115	20,403	1,712
Health and Life Insurance	60,159	60,159	57,910	2,249
Retirement	39,864	39,864	36,745	3,119
Worker's Compensation	10,675	10,675	9,915	760
Employee Education & Training	1,500	1,500	630	870
Mailing	100	100	-	100
Reproduction & Printing	100	100	-	100
Professional & Consulting	200	200	84	116
Repairs and Maintenance	-	-	-	-
Travel	300	300	-	300
Other Contractual	-	-	-	-
Rental and Maintenance Contracts	800	800	1,132	(332)
Office Supplies	100	100	94	6
Small Tools & Minor Equipment	6,000	6,000	4,992	1,008
Janitorial Supplies	1,500	1,500	1,659	(159)
Uniforms	500	500	416	84
Gasoline/Fuels/Lubricants	1,500	1,500	1,822	(322)
Automotive Parts and Accessories	2,000	2,000	1,091	909
Electrical, Plumbing, & Hardware	500	500	747	(247)
Vehicle Expense	1,000	1,000	2,265	(1,265)
Other Supplies	500	500	561	(61)
Insurance	2,100	2,100	2,505	(405)
Total Equipment Shop	440,603	440,603	420,187	20,416
Street Repairs & Maintenance:				
Wages & Salaries Permanent Employees	315,616	315,616	233,121	82,495
Overtime	5,000	5,000	8,398	(3,398)
Christmas & Longevity	4,139	4,139	4,566	(427)
FICA	24,844	24,844	17,987	6,857
Health and Life Insurance	77,062	77,062	48,876	28,186
Retirement	44,801	44,801	33,437	11,364

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Worker's Compensation	13,725	13,725	14,715	(990)
Employee Education & Training	500	500	405	95
Memberships & Fees	150	150	-	150
Professional & Consulting	-	-	1,318	(1,318)
Travel	250	250	240	10
Rental and Maintenance Contracts	500	500	396	104
Contracts With Other Agencies	-	-	13,833	(13,833)
Office Supplies	150	150	2	148
Small Tools & Minor Equipment	3,000	3,000	3,491	(491)
Janitorial Supplies	100	100	68	32
Uniforms	1,000	1,000	993	7
Gasoline/Fuels/Lubricants	50,000	50,000	31,010	18,990
Automotive Parts & Accessories	36,000	36,000	18,458	17,542
Electrical, Plumbing and hardware	300	300	67	233
Vehicle Expense	1,000	1,000	230	770
Other Supplies	1,000	1,000	619	381
Construction Materials	50,000	50,000	44,390	5,610
Insurance	10,500	10,500	12,526	(2,026)
Total Street Repairs and Maintenance	639,637	639,637	489,146	150,491
Street Lighting and Signs:				
Wages & Salaries Permanent Employees	64,943	64,943	31,960	32,983
Overtime	2,500	2,500	687	1,813
Christmas Bonus & longevity	523	523	459	64
FICA	5,199	5,199	2,414	2,785
Health and Life Insurance	17,083	17,083	8,191	8,892
Retirement	9,372	9,372	4,567	4,805
Worker's Compensation	3,050	3,050	2,804	246
Employee Education and Training	400	400	45	355
Mailing	50	50	-	50
Reproduction and Printing	50	50	-	50
Publications	300	300	-	300
Advertising and Publicity	50	50	-	50
Utilities	550,000	550,000	569,280	(19,280)
Professional & Consulting	-	-	25	(25)
Rental and Maintenance Contracts	3,000	3,000	62	2,938
Office Supplies	100	100	117	(17)
Small Tools & Minor Equipment	2,000	2,000	505	1,495
Janitorial Supplies	100	100	45	55
Uniforms	600	600	318	282
Gasoline/Fuels/Lubricants	6,500	6,500	6,003	497
Automotive Parts and Accessories	3,500	3,500	1,937	1,563
Electrical, Plumbing & Hardware	30,000	28,216	18,290	9,926
Vehicle Expense	500	500	140	360
Other Supplies	700	700	454	246
Construction Materials	6,000	6,000	-	6,000
Insurance	400	400	477	(77)
Total Street Lighting and Signs	706,920	705,136	648,780	56,356
Brush Pick-up & Snow Removal:				
Wages & Salaries Permanent Employments	298,209	298,209	309,857	(11,648)
Overtime	17,500	17,500	12,231	5,269
Wages & Salaries Temporary Employees	37,000	37,000	33,189	3,811
Christmas Bonus & Longevity	3,930	3,930	4,467	(537)
FICA	27,283	27,283	26,054	1,229
Health and Life Insurance	76,928	106,928	79,381	27,547
Retirement	44,058	44,058	43,905	153
Worker's Compensation	13,725	13,725	15,016	(1,291)
Unemployment	-	-	8,003	(8,003)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Employee Education & Training	200	200	62	138
Mailing	50	50	7	43
Memberships & Fees	50	50	-	50
Advertising and Publicity	200	200	53	147
Professional & Consulting	200	200	684	(484)
Travel	500	500	124	376
Rental and Maintenance Contracts	450	450	1,240	(790)
Office Supplies	100	100	-	100
Small Tools & Minor Equipment	6,000	6,000	5,214	786
Janitorial Supplies	100	100	89	11
Uniforms	500	500	260	240
Gasoline/Fuels/Lubricants	72,500	72,500	54,945	17,555
Automotive parts and Accessories	50,000	50,000	48,203	1,797
Electrical, Plumbing and Hardware	19,000	19,000	18,008	992
Vehicle Expense	500	500	375	125
Other Supplies	600	600	799	(199)
Construction Materials	200	200	-	200
Insurance	9,150	9,150	10,915	(1,765)
Total Brush Pick-up & Snow Removal	678,933	708,933	673,081	35,852
Sidewalks:				
Small Tools & Minor Equipment	5,200	5,200	134	5,066
Automotive Parts and Accessories	400	400	-	400
Other Supplies	1,000	1,000	-	1,000
Construction Materials	20,000	20,000	12,354	7,646
Total Sidewalks	26,600	26,600	12,488	14,112
Street Cleaning:				
Gasoline/Fuels/Lubricants	-	-	879	(879)
Communication Shop:				
Wages & Salaries Permanent Employees	74,731	74,731	76,470	(1,739)
Overtime	1,500	1,500	737	763
Christmas Bonus & longevity	364	364	381	(17)
FICA	5,860	5,860	5,742	118
Health and Life Insurance	17,159	17,159	17,548	(389)
Retirement	10,566	10,566	10,616	(50)
Worker's Compensation	3,050	3,050	2,804	246
Employee Education and Training	1,500	1,500	1,300	200
Mailing	100	100	-	100
Professional & Consulting	200	200	28	172
Travel	-	-	352	(352)
Rental and maintenance Contracts	300	300	389	(89)
Office Supplies	200	200	-	200
Small Tools & Minor Equipment	500	500	40	460
Janitorial Supplies	100	100	-	100
Uniforms	100	100	-	100
Gasoline/Fuels/Lubricants	1,200	1,200	977	223
Automotive Parts and Accessories	500	500	315	185
Electrical, Plumbing and Hardware	200	200	304	(104)
Vehicle Expense	300	300	-	300
Other Supplies	100	100	-	100
Construction Materials	200	200	-	200
Insurance	2,200	2,200	2,624	(424)
Total Communication Shop	120,930	120,930	120,627	303
Pavement Management System:				
Professional and Consulting	-	-	-	-

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Contracts With Other Agencies	675,000	675,000	332,278	342,722
Total Pavement Management System	675,000	675,000	332,278	342,722
Health Inspection & Welfare:				
Wages & Salaries Permanent Employees	-	-	-	-
Wages & Salaries Temporary Employees	10,000	4,200	5,325	(1,125)
FICA	-	5,800	407	5,393
Unemployment	-	-	594	(594)
Employment Education & Training	200	200	-	200
Professional & Consulting	-	-	56	(56)
Travel	250	250	-	250
Small Tools & Minor Equipment	250	250	-	250
Gasoline/Fuels/Lubricants	4,000	4,000	3,294	706
Automotive Parts and Accessories	1,500	1,500	458	1,042
Electrical, Plumbing & Hardware	11,000	11,000	200	10,800
Other Supplies	5,000	5,000	4,500	500
Insurance	1,000	1,000	1,193	(193)
Total Health Inspection & Welfare	33,200	33,200	16,027	17,173
Humane Society:				
Contracts With Other Agencies	133,532	133,532	133,532	-
Parks & Recreation Supervision:				
Wages & Salaries Permanent Employees	251,777	251,777	248,648	3,129
Christmas Bonus & Longevity	1,925	1,925	2,140	(215)
FICA	19,408	19,408	18,754	654
Health and Life Insurance	43,294	43,294	45,266	(1,972)
Retirement	35,011	35,011	34,307	704
Worker's Compensation	7,625	7,625	7,184	441
Mailing	3,600	3,600	3,310	290
Reproduction & Printing	250	250	-	250
Publications	100	100	-	100
Memberships & Fees	5,000	5,000	10,762	(5,762)
Advertising & Publicity	200	200	36	164
Professional & Consulting	-	-	28	(28)
Repairs and Maintenance	-	-	653	(653)
Travel	3,000	3,000	1,785	1,215
Rental and Maintenance Contracts	2,400	2,400	3,864	(1,464)
Office Supplies	3,200	3,200	2,035	1,165
Other Supplies	-	-	50	(50)
Insurance	1,100	1,100	1,312	(212)
Total Parks & Recreation Supervision	377,890	377,890	380,134	(2,244)
Playgrounds & Programs:				
Wages & Salaries Permanent Employees	97,770	97,770	102,300	(4,530)
Overtime	-	-	221	(221)
Wages & Salaries Temporary Employees	72,600	72,600	69,004	3,596
Christmas Bonus & Longevity	275	275	487	(212)
FICA	13,054	13,054	12,919	135
Health and Life Insurance	25,612	25,612	26,707	(1,095)
Retirement	13,530	13,530	14,092	(562)
Worker's Compensation	4,575	4,575	4,374	201
Unemployment	-	-	1,124	(1,124)
Memberships and Fees	-	-	1,940	(1,940)
Advertising and Publicity	-	-	101	(101)
Professional and Consulting	500	500	549	(49)
Repairs and Maintenance	500	155	648	(493)
Travel	-	-	103	(103)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Other Contractual	98,551	98,551	100,786	(2,235)
Rental and Maintenance contracts	3,550	3,550	247	3,303
Contracts With Other Agencies	-	-	-	-
Small Tools & Minor Equipment	66,000	66,000	39,469	26,531
Other Supplies	100	100	101	(1)
Insurance	12,000	12,000	16,321	(4,321)
Total Playgrounds & Programs	408,617	408,272	391,493	16,779
Parks & Maintenance:				
Wages and Salaries Permanent Employees	344,008	344,008	309,321	34,687
Overtime	2,000	2,000	1,244	756
Wages & Salaries Temporary Employees	136,000	136,000	139,645	(3,645)
Christmas Bonus & Longevity	3,302	3,302	3,940	(638)
FICA	37,126	37,126	33,844	3,282
Health and Life Insurance	85,586	85,586	76,155	9,431
Retirement	48,199	48,199	42,598	5,601
Worker's Compensation	15,250	15,250	14,380	870
Unemployment	5,000	5,000	21,279	(16,279)
Mailing	-	-	8	(8)
Advertising and Publicity	250	250	105	145
Professional & Consulting	-	-	1,800	(1,800)
Repairs and Maintenance	32,800	32,800	19,070	13,730
Travel	-	-	103	(103)
Other contractual	35,000	24,173	40,961	(16,788)
Rental and Maintenance Contracts	11,600	11,600	2,634	8,966
Small Tools & Minor Equipment	8,000	8,000	5,701	2,299
Janitorial Supplies	10,800	10,800	9,804	996
Gasoline/Fuels/Lubricants	25,000	25,000	23,365	1,635
Automotive Parts and Accessories	10,000	9,793	12,892	(3,099)
Electrical, Plumbing, & Hardware	10,000	9,775	4,762	5,013
Vehicle Expense	500	500	-	500
Other Supplies	500	500	399	101
Construction Materials	25,000	23,270	4,810	18,460
Insurance	15,800	15,800	18,849	(3,049)
Grants & Subsidies	-	-	6,000	(6,000)
Improvements Other Than Buildings	-	-	251	(251)
Total Parks and Maintenance	861,721	848,732	793,920	54,812
Summer Feeding Program:				
Advertising and Publicity	-	-	111	(111)
Professional and Consulting	-	-	1,400	(1,400)
Contracts With Other Agencies	90,000	90,000	89,555	445
Total Summer Feeding Program	90,000	90,000	91,066	(1,066)
Social Services:				
Grants & Subsidies	262,000	269,500	262,000	7,500
Public Library:				
Grants & Subsidies	228,500	228,500	228,500	-
Economic Development:				
Grants & Subsidies	185,500	235,500	225,571	9,429
Economic Development:				
Professional & Consulting	-	-	-	-
Contracts With Other Agencies	25,000	25,000	12,882	12,118
Total Economic Development	25,000	25,000	12,882	12,118

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Fixed Base Operations:				
Mailing	100	100	51	49
Memberships & Fees	-	-	40	(40)
Advertising and Publicity	400	400	-	400
Professional & Consulting	1,000	901,000	865,570	35,430
Repairs and Maintenance	7,500	7,500	6,732	768
Other Contractual	16,500	16,500	19,060	(2,560)
Contracts With Other Agencies	55,500	55,500	28,158	27,342
Small Tools & Minor Equipment	-	-	61	(61)
Uniforms	2,000	2,000	1,581	419
Automotive Parts and Accessories	1,000	1,000	3,139	(2,139)
Electrical, Plumbing & Hardware	5,000	5,000	2,744	2,256
Other Supplies	600	600	-	600
Construction Materials	3,000	3,000	2,074	926
Grants & Subsidies	20,000	20,000	-	20,000
Total Fixed Base Operations	112,600	1,012,600	929,210	83,390
Bond Principal:				
Debt Principal	1,868,616	3,968,616	3,843,614	125,002
Bond Interest:				
Debt Interest	1,066,570	366,570	315,537	51,033
Bond Expense:				
Professional & Consulting	25,000	75,000	68,620	6,380
Postemployment Benefits:				
Health and Life Insurance	478,050	478,050	394,866	83,184
Total Expenditures	30,315,606	31,073,408	28,893,555	2,179,852
Excess of revenues over(under) expenditures	(1,524,101)	(2,318,167)	112,507	2,430,674
Other Financing Sources (Uses):				
Operating Transfers In	810,000	810,000	734,958	(75,042)
Operating transfers Out	(1,785,899)	(1,935,899)	(1,736,947)	198,952
Proceeds From Issuance of Bonds	2,500,000	3,359,891	2,849,536	(510,455)
Total Other Financing Sources-net	1,524,101	2,234,092	1,847,547	(386,545)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	(84,075)	1,960,054	2,044,129
Fund Balance July 1, 2009	2,619,067	2,619,067	2,619,067	-
Fund Balance June 30, 2010	\$ 2,619,067	\$ 2,534,992	\$ 4,579,121	\$ 2,057,886

City of Morristown, Tennessee
Solid Waste Fund Fund
Statement of Revenue, Expenditures, and
Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue:				
Other Local Revenue:				
Other County Revenue	\$ 239,550	\$ 239,550	\$ 239,544	\$ 6
Insurance Reimbursements	-	-	154	(154)
Total Other Local Revenue	<u>239,550</u>	<u>239,550</u>	<u>239,698</u>	<u>(148)</u>
Expenditures:				
Sanitation Department:				
Wages & Salaries Permanent Employees	390,200	355,200	359,601	(4,401)
Overtime	13,000	13,000	3,159	9,841
Christmas Bonus & Longevity	4,661	4,661	4,833	(172)
FICA	31,201	31,201	26,714	4,487
Health and Life Insurance	94,219	94,219	90,477	3,742
Retirement	56,246	56,246	50,145	6,101
Worker's Compensation	16,776	16,776	15,360	1,416
Unemployment	-	-	10,435	(10,435)
Employee Education and Training	200	200	-	200
Mailing	50	50	11	39
Reproduction and Printing	300	300	-	300
Publications	50	50	-	50
Memberships & Fees	50	50	-	50
Advertising and Publicity	1,500	1,500	1,792	(292)
Professional and Consulting	500	500	885	(385)
Travel	500	500	186	314
Rental and Maintenance Contracts	250	250	439	(189)
Office Supplies	200	200	30	170
Small Tools & Equipment	500	500	592	(92)
Janitorial Supplies	300	300	268	32
Uniforms	600	600	403	197
Gasoline/Fuel/Lubricants	65,000	65,000	58,508	6,492
Automotive Parts and Accessories	50,000	50,000	45,030	4,970
Vehicle Expense	2,000	2,000	220	1,780
Other Supplies	39,000	39,000	39,681	(681)
Construction Supplies	-	-	-	-
Construction Materials	500	500	-	500
Insurance	10,500	10,500	12,526	(2,026)
Total Sanitation Department	<u>778,303</u>	<u>743,303</u>	<u>721,295</u>	<u>22,008</u>
Landfill:				
Health and Life Insurance	-	-	(2,797)	2,797
Mailing	-	-	1	(1)
Contracts With Other Agencies	656,000	676,000	680,328	(4,328)
Total Landfill	<u>656,000</u>	<u>676,000</u>	<u>677,532</u>	<u>(1,532)</u>
Curbside Recycle:				
Wages & salaries Permanent Employees	75,752	75,752	71,695	4,057
Overtime	2,000	2,000	1,302	698
Christmas Bonus & Longevity	2,186	2,186	1,662	524

City of Morristown, Tennessee
Solid Waste Fund Fund
Statement of Revenue, Expenditures, and
Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
FICA	5,962	5,962	5,432	530
Health and Life Insurance	17,169	17,169	16,739	430
Retirement	10,179	10,179	10,034	145
Worker's Compensation	3,050	3,050	2,804	246
Employee Education and Training	500	500	-	500
Mailing	-	-	-	-
Reproduction and Printing	500	500	-	500
Professional & Consulting	-	-	84	(84)
Travel	500	500	186	314
Other Contractual	85,000	100,000	100,568	(568)
Rental and Maintenance Contracts	-	-	30	(30)
Office Supplies	300	300	-	300
Small Tools & Minor Equipment	300	300	204	96
Janitorial Supplies	300	300	238	62
Uniforms	150	150	285	(135)
Gasoline/Fuel/Lubricants	11,000	11,000	7,708	3,292
Automotive parts & Accessories	8,000	8,000	4,332	3,668
Insurance	1,850	1,850	2,207	(357)
Total Curbside Recycle	224,698	239,698	225,510	14,188
Debt Service:				
Principal	215,000	215,000	215,000	-
Interest	24,550	24,550	25,635	(1,085)
Total Debt Service	239,550	239,550	240,635	(1,085)
Bond Expense				
Professional & Consulting	-	-	2,398	(2,398)
Total Expenditures	1,898,551	1,898,551	1,867,370	31,181
Excess of revenue over (under) Expenditures	(1,659,001)	(1,659,001)	(1,627,672)	(31,329)
Other Financing Sources:				
Bond Proceeds	-	-	162,919	162,919
Operating Transfers In	1,660,001	1,660,001	1,461,049	(198,852)
Total other financing sources	1,660,001	1,660,001	1,623,968	(35,933)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	1,000	1,000	(3,706)	(4,706)
Fund Balance July 1, 2009	290,644	1,000	-	(1,000)
Fund Balance June 30, 2010	\$ 291,644	\$ 2,000	\$ (3,706)	\$ (4,706)

City of Morristown, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities				
	Enterprise Funds				Total
	Sewer System	Storm Water System	Power System	Water System	Broadband
Assets					
Unrestricted current assets:					
Cash and cash equivalents	\$ 1,773,268	\$ 3,744	\$ 9,007,216	\$ 8,358,381	\$ 566,328
Accounts receivable:					
Trade, net of allowances		77,755	6,878,134	-	-
Interfund receivables	1,367,809	-	-	337,332	-
Due from others	649,477	-	318,320	-	-
Accrual for unbilled revenue	427,682	24,763	1,770,079	248,961	-
Interfund Loan Receivable	-	-	-	-	-
Due from others	-	-	-	-	-
Current portion of discounted energy units	-	-	117,115	-	-
Other current assets	-	-	-	-	42,707
Advances from Tennessee Valley Program, net of advances to customers	-	-	-	-	-
Materials and supplies inventory	37,576	-	817,375	445,143	-
Total unrestricted current assets	4,275,812	106,262	18,908,239	9,389,817	609,035
Total current assets	4,275,812	106,262	18,908,239	9,389,817	609,035
Restricted investments	-	-	-	312,267	-
Capital assets:					
Plant and equipment in service	76,249,897	4,688,178	79,956,087	52,376,791	7,030,702
Less accumulated depreciation	(32,590,685)	(2,554,840)	(32,214,065)	(19,509,991)	(2,493,458)
	43,659,212	2,133,238	47,742,032	32,866,800	4,537,244
Construction in progress	1,577,534	62,254	2,167,106	2,688,354	387,286
Net capital assets	45,236,746	2,195,492	49,909,138	35,555,154	4,934,530
Due from Other Funds	-	-	6,077,005	-	-
Plant acquisition adjustments, net of accumulated depreciation	-	-	805,592	91,938	-
Discounted energy units, less current portion	-	-	180,121	-	-
Other assets	23,242	153,966	623,750	103,892	192,779
Total assets	\$ 49,535,800	\$ 2,455,720	\$ 76,503,845	\$ 45,453,068	\$ 5,736,344
					\$ 179,684,777

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

City of Morristown, Tennessee
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Business-type Activities Enterprise Funds				
	Sewer System	Storm Water System	Power System	Water System	Telecom System
					Total
Liabilities and Net Assets					
Current liabilities:					
Accounts payable:					
Trade	\$ 869,771	\$ 3,928	\$ 5,254,894	\$ 99,766	\$ 188,980
Interfund payables		649,477	337,332		6,077,005
City of Morristown			566,752		
Deferred revenues					256,556
Customer deposits			2,365,724		68,000
Accrued payroll related liabilities	50,964	9,369	1,446,559	454,334	136,871
Other accrued liabilities	34,376	487	458,193	35,832	67,372
Current portion of capital lease obligation					31,014
Current portion of long-term debt	1,676,879	2,135	588,501	1,123,984	102,897
Loans from General Fund					
Program, net of advances to customers					
Total current liabilities	2,631,990	665,396	11,018,740	1,713,916	6,928,795
			785		785
					22,958,837
Noncurrent liabilities:					
Capital lease obligation, less current portion					14,869
Long-term debt - less current portion	29,110,331	79,324	17,095,312	15,931,983	4,825,142
Loans from General Fund					
Compensated absences	72,423	13,765			86,188
Total non-current liabilities	29,182,754	93,089	17,095,312	15,931,983	67,143,149
Total liabilities	31,814,744	758,485	28,114,052	17,645,899	90,101,986
Net assets (deficit):					
Invested in capital assets, net of related debt	14,449,536	2,114,033	32,756,158	24,597,135	73,214,569
Restricted				585,465	585,465
Unrestricted net assets (deficit)	3,271,520	(416,798)	15,633,635	2,624,569	15,782,758
Total net assets (deficit)	17,721,056	1,697,235	48,389,793	27,807,169	89,582,791
Total liabilities and net assets	\$ 49,535,800	\$ 2,455,720	\$ 76,503,845	\$ 45,453,068	\$ 179,684,777

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

City of Morristown, Tennessee
Statement of Revenue, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010

	Business-type Activities Enterprise Funds				
	Sewer System	Storm Water System	Power System	Water System	Broadband
					Total
Operating Revenues:					
Metered sales	\$ 6,181,282	\$ 563,562	\$ 65,948,260	\$ 6,703,814	\$ -
Broadband sales	-	-	-	-	6,014,072
Interfund Services Provided	420,410	-	558,246	-	342,368
Other operating revenues	6,601,692	563,562	1,174,566	65,644	145,562
Total operating revenues			67,681,072	8,769,458	6,502,002
					88,117,786
Operating expenses:					
Power purchases	-	-	54,288,026	-	-
Operations	4,763,692	393,071	4,652,605	2,931,296	4,843,905
Maintenance	122,784	45,875	1,737,424	517,491	211,972
Interfund Services Used	-	-	342,368	-	558,246
Depreciation and amortization	2,393,978	136,682	2,661,471	1,403,361	1,281,622
Taxes	-	-	204,101	-	36,715
Bad Debts	63,149	-	-	-	-
Miscellaneous	-	-	11,494	45,222	-
Total operating expenses	7,343,603	575,628	63,997,489	4,897,370	6,931,460
					83,645,550
Operating income (loss)	(741,911)	(12,066)	3,783,583	1,872,088	(429,458)
					4,472,236
Other income (expense):					
Investment income	1,595	-	71,414	21,132	1,161
Interest expense	(500,642)	(1,215)	(59,981)	(408,267)	(98,859)
Net other income (expense)	(499,047)	(1,215)	11,433	(387,135)	(973,662)
					95,302
Income (loss) before contributions and transfers	(1,240,958)	(13,281)	3,795,016	1,484,953	(527,156)
					3,498,574
Contributions from developers	-	-	-	28,200	-
Capital contributions - tap fees	56,431	-	-	-	-
Transfers out (tax equivalent payments to City of Morristown)	-	-	(702,938)	(32,020)	-
Changes in net assets	(1,184,527)	(13,281)	3,092,078	1,481,133	(527,158)
					2,848,247
Net assets (deficit) at beginning of year, as previously stated	17,954,887	1,710,516	45,297,715	26,326,038	(5,505,306)
					85,763,848
Prior period adjustment	950,696	-	-	-	-
					950,696
Net assets (deficit) at beginning of year, as restated	18,905,583	1,710,516	45,297,715	26,326,038	(5,505,306)
					86,734,544
Net assets - ending	\$ 17,721,056	\$ 1,697,235	\$ 48,389,793	\$ 27,807,169	\$ (6,032,462)
					\$ 89,582,791

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

City of Morristown, Tennessee
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010

	Business-Type Activities					
	Enterprise Funds					
	Sewer System	Storm Sewer System	Power System	Water System	Broadband System	Total
Cash flows from operating activities:						
Cash received from customers	\$ 7,837,311	\$ 552,097	\$ 65,778,411	\$ 6,713,058	\$ 6,513,186	\$ 87,394,063
Cash received from City of Morristown			1,225,070			1,225,070
Cash paid to suppliers	(4,194,632)	(217,035)	(56,519,251)	(2,275,541)	(4,766,361)	(67,972,820)
Cash paid to employees	(497,860)	(217,264)	(3,783,733)	(1,189,832)	(811,264)	(6,499,953)
Net cash provided by operating activities	3,144,819	117,798	6,700,497	3,247,685	935,561	14,146,360
Cash flows from noncapital financing activities:						
Transfers to City of Morristown (tax equivalent payments			(702,938)	(32,020)		(734,958)
Long-term portion of compensated absences	21,620	13,765				
Interfund advances	-	-				-
Net cash flows from noncapital financing activities	21,620	13,765	(702,938)	(32,020)		(734,958)
Cash flows from investing activities:						
Interest received on investments	1,595		71,414	21,132	1,161	95,302
Sale (purchase) of investments				(3,765)		(3,765)
Net cash flows from investing activities	1,595	-	71,414	17,367	1,161	91,537
Cash flows from capital and related financing activities:						
Bond proceeds	1,900,000	100,000		-	(27,415)	2,000,000
Payments on capital lease obligations						
Net additions to plant acquisition adjustments						
Net additions to capital assets	(2,197,652)	(208,550)	(3,469,106)	(2,953,595)	(783,354)	(9,612,257)
Interfund (repayments) advances			484,491	(289,185)	(195,306)	-
Contributions from developers		-		28,200		28,200
Capital contributions - tap fees	56,431					56,431
Principal payments on long term debt	(729,233)	(18,541)	(215,505)	(1,072,296)		(2,035,575)
Interest paid on long term debt	(466,266)	(728)	(59,981)	(408,267)	(98,859)	(1,034,101)
Proceeds from long term borrowings				7,500,000	-	7,500,000
Net cash flows from financing activities	(1,436,720)	(127,819)	(3,260,101)	2,804,857	(1,104,934)	(3,124,717)
Increase (decrease) in cash and cash equivalents	1,731,314	3,744	2,808,872	6,037,889	(168,212)	10,413,607
Cash and cash equivalents, beginning	41,954	-	6,198,344	2,320,492	734,540	9,295,330
Cash and cash equivalents, ending	\$ 1,773,268	\$ 3,744	\$ 9,007,216	\$ 8,358,381	\$ 566,328	\$ 19,708,937

**Business-Type Activities
Enterprise Funds**

	Sewer System	Storm Sewer System	Power System	Water System	Broadband System	Total
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ (1,184,527)	\$ (13,281)	\$ 3,783,583	\$ 1,872,088	\$ (429,458)	\$ 4,028,405
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation and amortization	2,393,978	136,682	2,661,471	1,403,360	1,281,622	7,877,113
Provision for losses on accounts receivable	63,149		271,422	-	-	334,571
Redemption of discounted energy units			110,303	-	-	110,303
Changes in operating assets and liabilities:						
Accounts receivable	60,756	(10,704)	(591,442)	-	-	(541,390)
Loans receivable	1,241,512					
Accrual of unbilled revenue	(159,607)	(761)	(413,669)	(56,400)	-	(630,437)
Materials and supplies inventory			(54,551)	27,701	-	(26,850)
Other assets			(205,890)	(36,198)	30,601	(211,487)
Trade accounts payable	691,844	(1,074)	656,812	36,700	52,867	1,437,149
Customer deposits and prepayments			255,950	-	2,498	258,448
Other liabilities	37,714	6,936	226,508	434	(2,569)	269,023
Net cash provided by operating activities	\$ 3,144,819	\$ 117,798	\$ 6,700,497	\$ 3,247,685	\$ 935,561	\$ 14,146,360

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Morristown, Tennessee is a municipal corporation operating under the Council-Administrator form of government. The City's major operations include police and fire protection, parks and recreation, public works, sewer and general administrative services. In addition, the City owns and operates water, electric, and broadband systems. The water, electric, and broadband systems are operated by a separate board appointed by the Mayor and approved by City Council.

During 2010 the commission changed the name of the Telecom System to the Broadband System. The Broadband System provides internet, cable, and telephone (collectively referred to as "broadband") services to residents of the city.

The City's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments. Certain of the significant changes in the statement include the following.

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City elected to implement both the general provisions and infrastructure provisions.

A. Reporting Entity

These financial statements present the City (the primary government). There are no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary governments. For the most part, the effect of inter-fund 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 requirement 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 funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from these estimates.

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 eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. Compensated absences, consisting of unused vacation pay and others compensated absences, are not included in the governmental basis financial statements, but are shown as a reconciling item and included in the city-wide financial statements. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Property taxes, franchise taxes, licenses, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue during the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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 for those required to be accounted for in another fund.

The *Solid Waste Fund* is the fund used to pay for all solid waste expenditures. Transfers are made from the General Fund to meet these expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major proprietary funds:

- The power system fund accounts for the activities of the government's electric distribution activities.
- The water system fund accounts for the activities of the government's water distribution activities.
- The broadband fund accounts for the activities of the government's cable and telephone services.
- The sewer system fund accounts for the activities of the government's sewage treatment operations.
- The storm water system fund accounts for the activities of the government's storm water management activities.

Additionally, the government reports the following fund types:

The *Narcotics Fund* is required by State of Tennessee.

The CDBG Fund has been established to account for expenditure of CDBG grant funds.

Special revenue funds receive revenue from designated sources and transfers from the General Fund and are expended for designated purposes.

Standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the *Government Accounting Standards*. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidelines.

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 enterprise 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.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements and other activities that are outstanding at the end of the year are referred to as either "due to/from other funds" or "advances to/from other funds." These have been eliminated in the government-wide statement of net assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All trade receivables were considered collectible at June 30, 2010. Based on experience, an allowance for uncollected property taxes of .1% of the tax levies for the past ten years is maintained.

Property taxes are levied as of January 1 on property values assessed as of the same date. Bills for those taxes are usually mailed the first of July. A 2% discount is offered for payment within thirty days after the bills are mailed. On December 1st, any unpaid taxes become delinquent and a penalty of 4½% is assessed with an additional 1% per month for additional delinquency. After one year and eleven months, any unpaid taxes are sent to the County Clerk and Master for collection.

3. *Inventories*

All inventories are valued at the lower of cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. *Restricted Assets*

This represents constraints placed on the use of assets through external restraints imposed by creditors (such as through debt covenants) or by grants, contributors, or laws and regulations of other governments or constraints imposed by law or enabling legislation.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets used in the government-wide financial statements are defined as those having an individual cost of more than \$5,000 and an estimated life in excess of two years. Estimated useful lives for the major classes of equipment were as follows:

Infrastructure (roads and streets)	20 years
Automotive	6 years
Other mobile equipment	12-15 years
Computer equipment	5 - 7 years
Buildings	15-50 years

6. *Compensated Absences*

It is the government's policy to permit employees to accumulate earned but not unused 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.

Morristown Utilities Commission 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 thirty days. Employees are reimbursed for accumulated sick leave upon retirement or termination at an equivalent salary rate of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

100%, 50% or 33-1/3% depending on the date earned. Sick leave accumulation is limited to ninety days effective January 2008.

7. Long-Term Obligations

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

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

9. Net Assets of Morristown Utilities Commission

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

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and the government-wide statement of net assets.

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont)

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

NOTE 3 -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.

Around the first of March, the budget process begins, with the City Administrator giving direction to department heads. Toward the end of March, Department heads submit their proposed budgets, and these are reviewed by the City Administrator, who makes the final decisions before submission to City Council. City Council has work sessions and makes their revisions and publishes the proposed budget in the local newspaper. Before June 30, City Council adopts the budget ordinance with two readings.

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 amended the original budget, and the original and final amounts are presented in the financial statements included in this report.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year-end, deposits and short-term investments were as follows:

	<u>Cash and Equivalents</u>	<u>Short-term Investments</u>
Government type funds	\$ 1,633,112	\$ -
Enterprise type funds	19,708,937	312,267
Totals	<u>\$ 21,342,049</u>	<u>\$ 312,267</u>

As of June 30, 2010, all of Morristown Utility Commission's deposits were covered by the bank collateral pool administered by the Treasurer of the State of Tennessee. A portion of the City's deposits as of June 30, 2010, were not covered by the bank collateral pool administered by the Treasurer of the State of Tennessee. Banks participating in the pool report the aggregate balance of their public funds to the State. Collateral to secure those deposits must be pledged to protect the State of Tennessee in the Local Government Investment Pool.

The City has a repurchase agreement with GreenBank whereby City funds are invested overnight in securities of the U.S. Treasury Department. At June 30, 2010, the City had \$ 1,033,921 invested in these securities and has included these in cash and cash equivalents.

Short-term investments represent un-drawn bond proceeds.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Receivables as of year end for the government's individual major funds and nonmajor in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Solid Waste	Non-Major and Other Funds	Enterprise	Totals
Receivables:					
Taxes	\$ 9,709,546	\$ -	\$ -	\$ -	\$ 9,709,546
Accounts	4,100,005	32,252	7,552	8,343,698	12,483,507
Grants	-	-	516,162	-	516,162
Gross receivables	13,809,551	32,252	523,714	8,343,698	22,709,215
Less: Allowance for bad debt	(621,168)	-	-	-	(621,168)
Net receivables	\$ 13,188,383	\$ 32,252	\$ 523,714	\$ 8,343,698	\$ 22,088,047

Included in taxes receivable of the General Fund is property taxes of \$9,243,667 that were assessed as of January 1, 2010, but will not be billed until after June 30, 2010. There is an offsetting deferred income for the above balance.

B. Capital Assets

Capital assets of the City of Morristown primary government were as follows:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,919,279	\$ 32,190	\$ (293,285)	\$ 7,658,184
Construction in progress	-	840,210	-	840,210
Total capital assets not being depreciated	7,919,279	872,400	(293,285)	8,498,394
Capital assets being depreciated:				
Buildings	17,111,268	1,033,056	-	18,144,324
Improvements other than buildings	11,813,543	15,009	-	11,828,552
Machinery and equipment	10,657,720	253,800	-	10,911,520
Infrastructure	42,071,484	-	-	42,071,484
Total capital assets being depreciated	81,654,015	1,301,865	-	82,955,880
Less: accumulated depreciation:				
Buildings	(6,195,827)	(563,587)	-	(6,759,414)
Improvements other than buildings	(9,435,685)	(106,729)	-	(9,542,414)
Machinery and equipment	(6,961,004)	(669,106)	-	(7,630,110)
Infrastructure	(11,655,546)	(1,782,290)	-	(13,437,836)
Total accumulated depreciation	(34,248,062)	(3,121,712)	-	(37,369,774)
Net capital assets being depreciated	47,405,953	(1,819,847)	-	45,586,106
Total capital assets-government activities	\$ 55,325,232	\$ (947,447)	\$ (293,285)	\$ 54,084,500

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,979,555	\$ 293,284	\$ -	\$ 2,272,839
Construction in progress	2,385,362	9,372,702	4,865,529	6,892,535
Total assets not being depreciated	4,364,917	9,665,986	4,865,529	9,165,374
Capital assets being depreciated:				
Building and improvements	19,174,530	118,601	-	19,293,131
Transmission and distribution	184,551,489	5,356,563	18,020,898	172,871,779
Furniture, fixtures and equipment	7,865,006	18,121,514	122,603	25,863,917
Total capital assets being depreciated	211,591,025	23,596,678	18,143,501	218,028,827
Less accumulated depreciation:				
Building and improvements	(3,770,014)	(590,326)	-	(4,360,340)
Transmission and distribution	(70,943,470)	(6,655,129)	3,231,050	(74,367,549)
Furniture, fixtures and equipment	(6,594,111)	(4,113,882)	2,926,955	(10,635,252)
Total accumulated depreciation	(81,307,595)	(11,359,337)	6,158,005	(89,363,141)
Net capital assets being depreciated	130,283,430	12,237,341	11,985,496	128,665,686
Total net capital assets - business type activities	134,648,347	21,903,327	16,851,025	137,831,060
Total net capital assets	\$ 189,973,579	\$ 20,955,880	\$ 16,557,740	\$ 191,915,560

Depreciation expense was charged to government activities as follows:

General government	\$ 139,902
Public safety	656,451
Public works	2,074,407
Parks and recreation	131,779
Airport	110,515
Transportation	8,658
Total	\$ 3,121,712
Sewer	\$ 2,393,978
Storm Water Fund	\$ 136,682
Water and Electric Power	7,099,896
Broadband	1,339,531
Total	\$ 9,630,556

C. Accounts payable and other current liabilities:

	Governmental	Business Type	Total
Accounts payable	\$ 882,853	\$ 6,417,339	\$ 7,300,192
Accrued payroll and other liabilities	694,041	2,694,357	3,388,398
Total	\$ 1,576,894	\$ 9,111,696	\$ 10,688,590

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, advances, payables, and transfers

The interfund receivables and payables as of June 30, 2010, were as follows:

The first two items represent temporary operating cash advances between the Power System, Water System and Broadband System.

The next two items, Sewer Fund's receivables from Storm Water System, resulted from Storm Water System overdrawing their share of the common operating bank account used by all City Funds. The General Fund's receivable from Power System is the balance of a loan made in a prior year.

The interfund advances were on a longer-term basis and represent proceeds of General Obligation bond issues that were funneled to Morristown Utility System.

<u>Receivable From</u>	<u>Payable to</u>	<u>Purpose</u>	<u>Amount</u>
Broadband System	Power System	Operating and Maint. Costs	\$ 6,077,005
Power System	Water System	Operating Cash Advance	337,332
Storm Water Fund	Sewer Fund	Operating Cash Advance	649,477
Power System	General Fund	Interfund Loan	495,000
			<u>\$ 7,558,814</u>

The interfund transfers were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Solid Waste Fund	Operating Transfer	\$ 1,461,049
General Fund	Narcotics Fund	Operating Transfer	275,898
Power Fund	General Fund	Operating Transfer	702,938
Water Fund	General Fund	Operating Transfer	32,020

All items represent duly appropriated operating transfers. The transfers from the Power Fund and Water fund to the General Fund are for in lieu of tax payments that are required to be accounted for as transfers by the Governmental Accounting Standards Board.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Post-Retirement Healthcare Benefits

City of Morristown – excluding Water, Electric, and Broadband Systems

An actuarial evaluation made as of November 1, 2007, is presented as follows:

1) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL, DENTAL AND VISION INSURANCE PLAN:

Type of Coverage:

- | | |
|-------------------------------------|--|
| a. Plan Types: | Self-funded Medical and Dental; Fully-insured Vision |
| b. Eligibility: | Age 55 and 10 years of service or 30 years of service until Medicare eligible |
| c. Benefit/Cost Sharing: | Employer pays 85% of medical premium and 100% of dental and vision premiums |
| d. Spouse Benefit: | Yes, while retiree is eligible |
| e. Surviving Spouse Benefit: | None |
| f. Annual Premiums: | Average Medical: Retiree \$4,200; Spouse \$4,200
Average Dental: Retiree \$276; Spouse \$508
Average Vision: Retiree \$90; Spouse \$51 |

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

2) GASB 45 DISCLOSURE REQUIREMENTS – ESTIMATED

A. Annual OPEB Cost and Net OPEB Obligation

	7/1/2009 6/30/2010
1. Annual Required Contribution ARC)	\$ 473,774
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (expense) (1 + 2 + 3)	473,774
5. Contributions made (assumed end of year)	473,774
6. Increase in net OPEB Obligation (4 - 5)	-
7. Net OPEB Obligation - beginning of year	-
8. Net OPEB Obligation - end of year (6 + 7)	\$ -

*Contributions made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan and the Net OPEB obligation for fiscal year 2010 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation
6/30/2010	\$ 473,774	100.0%	\$ -

B. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a)/c)
7/1/2009	\$ 42,923	\$ 60,117	\$ 17,194	71.40%	\$ 13,532	127.07%
07/01/07	41,850	56,723	14,873	73.78%	13,034	114.11%
07/01/05	37,471	44,061	6,590	85.04%	11,194	58.87%
07/01/03	35,814	42,539	6,725	84.19%	9,748	68.99%
06/30/01	34,504	36,125	1,621	95.51%	9,032	17.95%

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Methods and Assumptions

Funding interest rate	7.00%
2007 Medical Trend Rate	10.00%
Ultimate Trend Rate	5.00%
Year Ultimate Trend Rate Reached	2012
Actuarial Cost Method	Entry Age Normal
Annual Payroll Growth Rate	3.50%
The Remaining Amortization Period at June 30, 2008	29 years

E. Morristown Utility System (Water, Electric, and Broadband Systems)

The Systems provide medical, dental and life insurance benefits to retirees. Employees who retire at age 55 with 10 years of service or at age 65 with five years of service are eligible to participate. The Systems pay 100% of the retiree's medical, dental and life insurance premiums. In addition, the Systems pay 60% of the retiree's dependent's medical premiums. This was a 5% increase from prior year. 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. The average annual medical and dental premium is \$4,800 and \$319, respectively.

During the year ended June 30, 2010, the Systems implemented the Provisions of GASB Statement No. 45, ("GASB 45) *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension*. GASB 45 requires the accrual of liabilities for OPEB generally over the employment of participants rather than as premiums are paid. The total expense recognized under these new requirements during 2010 totaled \$141,047, \$14,106 and \$45,110 for the Power, Water and Telecom Systems, respectively.

The Systems' OPEB is a single employee defined benefit plan and is not required to issue a separate financial report.

F. Deferred Items

Deferred items consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Taxes due after June 30, 2010	\$ 9,707,746	\$ -	\$ 9,707,746
Broadband	-	256,656	256,656
Total	<u>\$ 9,707,746</u>	<u>\$ 256,656</u>	<u>\$ 9,964,402</u>

Also, included in non-current liabilities is a liability for compensated absences in the sewer system of \$85,340, storm water system of \$9,856 and in the general fund of \$1,081,088. In addition, there is included in the non-current liabilities \$8,805,467 proceeds from a revolving loan agreement with the State of Tennessee, wherein the Morristown Utility System has borrowed \$9,247,763 to improve the water system. In addition, Morristown Utility System has a capital leases payable of \$45,883, \$14,869 of which is included in long-term liabilities.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

	Governmental Activities	Business Activities
Balance-July 1, 2009	\$ 1,038,083	\$ 50,803
Increases	43,005	35,385
Decreases	-	-
Balance-June 30, 2010	<u>\$ 1,081,088</u>	<u>\$ 86,188</u>

As an other long-term liability, compensated absences for the Governmental Activities is expected to be liquidated with expendable available financial resources of the General, Narcotics, and Solid Waste funds.

G: Capital Debt

The State of Tennessee has questioned the legality of debt recorded for the purchase of a sewer plant from MPLG, LLC in 2009. It is expected that the transaction and debt will be restructured to comply with the requirements of the Division of Local Finance. At June 30, 2010 the balance of this debt was \$2,783,453

Power System

During 2003 the Power System Entered into a promissory note with the City in the principal amount of \$2,500,000. The note was issued to the Commission with proceeds from the City's loan agreement with the Public Building Authority of Sevier County Bonds. Principal is payable in annual installments ranging from \$125,000 to \$250,000 through 2018. Interest is payable quarterly at variable rates for 30 day commercial paper with a "AA" bond rating as determined by standard and Poor(0.54% per annual as of June 30,2010).

The Power System has a line of credit agreement with a local bank which provides for advances of up to \$1,000,000 at an annual interest rate of 4% and matures in January 2011. There are no amounts outstanding under this arrangement as of June 30, 2010.

Water System

During 2010 the Water System entered into a loan agreement ("2009 promissory note") with the public Building Authority of the City of Clarksville in the principal amount of \$7,500,000. Interest is payable quarterly at a fixed rate of 3.38%. Principal is payable in varying amounts from \$255,000 in December 2010 to \$505,000 December 2029.

The Notes are payable from revenue derived from the operation of the Water System and is secondary to the prior pledge of such revenues derived from the operation of the Water System and is secondary to the prior pledge of such revenues in favor of the Water System Revenue Bonds, Series 1996 and all bonds, notes or other obligations issued on a parity with such bonds.

During 2010 the Water System entered into a \$2,000,000 low interest loan agreement between the City of Morristown and the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority. These Funds will be used to purchase remote-read water meters for the Water System. Of the proceeds \$800,000 will be provided as a grant via loan forgiveness through the State of Tennessee. As of June 30, 2010 no amounts had been drawn on the loan and no expenditures have been incurred.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Broadband System

In October 2008 the City entered into a loan agreement between the City and the Public Building Authority of the City of Clarksville, Tennessee, for an initial amount of \$20,115,000 at a variable interest rate as defined in the agreement payable annually through May 2035. The proceeds of the loan were applied as follows: (a) prepayment of the City's outstanding indebtedness of the Series D-1-A Bond and the Series D-10-C Bond of \$18,000,000 and \$1,500,000, respectively; (b) termination of the City's swap agreement referred to above in the amount of \$480,000; and (c) \$135,000 to be deposited into a fund to pay issuance costs.

The new loan agreement carries a variable rate which is determined by the Remarketing Agent for the securities. In its sole discretion, the Remarketing Agent resets the minimum rate of interest that is necessary to remarket all of the outstanding bonds at par plus accrued interest if settled on a non-interest payment date, based on market conditions. Many factors are considered when determining the interest rates, and there is no standard formula used to determine them.

Future Debt Maturities:

Year Ending	<u>Governmental Type</u>		<u>Business Type</u>	
	Principal	Interest	Principal	Interest
2011	\$ 925,589	\$ 945,749	\$ 3,494,486	\$ 1,833,032
2012	1,378,978	846,288	3,587,632	1,820,360
2013	1,341,183	799,038	3,151,688	1,838,154
2014	801,324	767,576	2,662,477	1,641,872
2015	838,879	740,196	2,569,746	1,568,567
2016-2020	4,711,586	3,152,047	13,723,584	6,828,641
2021-2025	5,917,504	2,270,942	15,439,409	4,700,455
2026-2030	4,658,604	1,158,774	14,651,623	2,249,180
2031-2035	1,103,275	395,546	11,255,843	692,629
2036-2040	-	-	-	-
Totals	<u>\$ 21,676,922</u>	<u>\$ 11,076,156</u>	<u>\$ 70,536,488</u>	<u>\$ 23,172,890</u>

Following are debt requirements for capital leases:

2011	\$ 31,014
2012	15,764
2013	1,198
Total future minimum lease payments	47,976
Less amounts representing interest	(2,093)
Present value of future minimum lease payments	
(including \$27,415 classified as current)	<u>\$ 45,883</u>

City of Morristown, Tennessee
Changes in Long-Term Debt
June 30, 2010

The following is a summary of the changes in long-term debt for the year ended June 30, 2010.

<u>Description and Purpose</u>	<u>Amount of Original Issue (Bonds Only)</u>	<u>Range of Final Maturity Dates</u>	<u>Interest Rates (%)</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>
<u>Primary Government</u>							
<u>General long-term debt</u>							
2001 Public Improvement (A-1-G)	2,082,000	2006-2017	Variable	\$ 2,082,000	\$ -	\$ 2,082,000	\$ -
2001 Refunding	5,085,000	2003-2012	Variable	800,000	-	680,000	120,000
2003 Refunding Industrial Park (B-2-B)	4,855,000	2003-2013	Variable	2,155,000	-	505,000	1,650,000
2008 Public Improvement (\$8M)	4,000,000	2009-2028	Variable	3,879,000	-	127,000	3,752,000
2008 Public Improvement (\$3M)	1,290,000	2009-2029	Variable	1,290,000	-	39,130	1,250,870
2008 Public Improvement (\$20M)	8,193,665	2009-2035	Variable	7,949,494	-	260,149	7,689,345
2008 Public Improvement (\$20M)(Water)	1,011,200	2009-2035	Variable	981,066	-	32,106	948,960
Local Government Energy Loan	183,604	2010-2016	0	183,604	-	26,229	157,375
2008 Public Improvement (\$5M)	3,272,750	2009-2028	Variable	3,201,250	2,848,203	104,000	3,097,250
2009 Public Improvement and Refunding(\$5M)	2,848,203	2009-2034	2.91	-	2,848,203	-	2,848,203
Total general bonds and notes				<u>22,521,414</u>	<u>2,848,203</u>	<u>3,855,614</u>	<u>21,514,003</u>

<u>Solid Waste Fund</u>							
2009 Public Improvement and Refunding(\$5M)	162,919	2009-2034	2.91	-	162,919	-	162,919

<u>Enterprise Funds</u>							
<u>Sewer bonds:</u>							
2001 Public Improvement Series (A-1-G)	918,000	2006-2017	Variable	918,000	-	918,000	-
2001 Refunding	4,455,000	2002-2013	Variable	1,750,000	-	415,000	1,335,000
2003 Refunding (B-2-A)	1,360,000	2006-2014	Variable	910,000	-	160,000	750,000
2008 Public Improvement (\$8M)	4,000,000	2009-2028	Variable	3,879,000	-	127,000	3,752,000
2008 Public Improvement (\$3M)	1,710,000	2009-2029	Variable	1,710,000	-	51,870	1,658,130
2008 Public Improvement (\$20M)	10,795,135	2009-2035	Variable	10,473,440	-	342,745	10,130,695
MPLG, LLC (Wastewater Treatment Plant)	3,601,030	2009-2034	Variable	2,850,233	-	66,780	2,783,453
State Revolving Fund 07-203	6,052,764	Various	2.06	5,402,010	650,754	-	6,052,764
2008 Public Improvement (\$5M)	1,762,250	2009-2028	Variable	1,723,750	-	56,000	1,667,750
2009 Public Improvement and Refunding(\$5M)	1,907,419	2009-2034	2.91	-	1,907,419	-	1,907,419
Capital Outlay Note	750,000	2009-2011	3.1	-	750,000	-	750,000
<u>Electric system</u>							
Holston Electric notes		2009-2018	None	199,917	-	22,222	177,695
Appalachian Electric notes		2003-2020	None	247,701	439,739	68,283	619,157
Series V-A-2 Bonds	2,500,000	2004-2018	Variable	1,825,000	-	125,000	1,700,000
2008 TML Bonds	15,186,961	2011-2035	Variable	-	15,186,961	-	15,186,961
<u>Water system</u>							
Water system bonds series 1996	2,800,000	2000-2011	Variable	730,000	-	475,000	255,000
Water Department promissory note	1,011,200	2001-2012	Variable	390,500	-	95,000	295,500

<u>Description and Purpose</u>	<u>Amount of Original Issue (Bonds Only)</u>	<u>Range of Final Maturity Dates</u>	<u>Range of Interest Rates (%)</u>	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2010</u>
Water Department promissory note	600,000	2004-2012	Variable	260,000	-	60,000	200,000
DWSRF promissory note	10,492,582	2007-2026	2.61	9,247,763	-	442,296	8,805,467
Water system bonds series 2010	7,500,000	2010-2029	3.38	-	7,500,000	-	7,500,000
<u>Telecom System</u>							
Telecom System 2008 TML Bonds	20,115,000	2016-2030	Variable	20,115,000	-	15,186,961	4,928,039
Total revenue bonds and notes							
Storm Water Bonds	81,459	2009-2034	2.91	-	81,459	-	81,459
2009 Public Improvement and Refunding(\$5M)				62,632,314	26,516,332	18,612,157	70,536,489
<u>Other</u>							
Solid Waste Bonds (Joint Venture)				665,000	-	215,000	450,000
Solid Waste Refunding (Joint Venture)	1,649,400	2005-2012	2.0-5	665,000	-	215,000	450,000
Total Other				85,818,728	29,364,535	22,662,771	92,663,411
Total							
<u>Capital Leases:</u>							
Telecom				\$ 73,298	\$ 1,198	\$ 26,520	\$ 47,976
Total				\$ 73,298	\$ 1,198	\$ 26,520	\$ 47,976

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Prior period adjustment

Prior to the current year, the Sewer Fund should have recorded transactions to reflect contributions of utility plant by developers that were accepted by the City during the year ended June 30, 2009. The net effect to net assets was a \$950,696 increase.

I. State street aid activities:

The following is a summary of State Street Aid activity within the General Fund for the year ended June 30, 2010:

Reserve fund balance, July 1, 2009	\$ -
Add – state gasoline tax revenues	685,735
Less – state expenditures: Paving	<u>332,278</u>
Reserve fund balance, June 30, 2010	<u>\$ 353,457</u>

J. Other Disclosures:

A. Commitments and Contingencies:

At June 30, 2010, the City of Morristown had the following commitments:

Sewer Operating Contract (approximate annual cost)	\$ 1,000,000
--	--------------

Contingent liabilities:

The government is the defendant in various lawsuits. Although the outcome of these lawsuits is 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.

B. Concentration of Credit Risk

The City of Morristown and Morristown Utility Commission provide electric, water and sewer service to customers in the City of Morristown and Hamblen County. Loss experience has not been significant for these services.

J. Segment Information

The following Enterprise Funds have been created to provide various services to the general public:

Power Fund – established to account for the operation of the MUS Electric Department
Broadband Fund – established to account for the operation of the MUS broadband, internet and broadband
Water Fund – established to account for the operation of the MUS Water Department
Sewer Fund – established to account for the operation of the City of Morristown Sewer Fund
Storm Water Fund – established to account for storm water mitigation activities of the City of Morristown

The Electric System has a power contract with Tennessee Valley Authority (TVA) whereby the electric system

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

J. Segment Information (continued)

Segment information for these Enterprise Funds is summarized as follows for the year ended June 30, 2010.

Condensed Statement of Net Assets	Power Dept.	Water Dept.	Broadband Dept.	Sewer Fund	Storm Water
Assets:					
Current assets	\$ 18,908,239	\$ 9,389,817	\$ 609,035	\$ 4,725,812	\$ 106,262
Other assets	6,880,876	103,892	192,779	23,242	153,966
Restricted assets		312,267			
Capital assets	50,714,730	35,647,092	4,934,530	45,236,746	2,195,492
Total assets	<u>\$ 76,503,845</u>	<u>\$ 45,453,068</u>	<u>\$ 5,736,344</u>	<u>\$ 49,985,800</u>	<u>\$ 2,455,720</u>
Liabilities:					
Current liabilities	\$ 11,018,740	\$ 1,713,916	\$ 6,928,795	\$ 2,631,990	\$ 665,396
Current liabilities payable from restricted assets		-			
Noncurrent liabilities	28,114,052	15,931,983	4,840,011	29,182,754	93,089
Total liabilities	<u>\$ 39,132,792</u>	<u>\$ 17,645,899</u>	<u>\$ 11,768,806</u>	<u>\$ 31,814,744</u>	<u>\$ 758,485</u>
Net assets:					
Invested in capital assets	\$ 32,756,158	\$ 24,597,135	\$ (702,294)	\$ 14,449,536	\$ 2,114,033
Restricted		585,465			
Unrestricted	15,633,635	2,624,569	(6,032,462)	3,271,520	(416,798)
Total net assets	<u>\$ 48,389,793</u>	<u>\$ 27,807,169</u>	<u>\$ 10,093,736</u>	<u>\$ 17,721,056</u>	<u>\$ 1,697,235</u>

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

K. Segment Information (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets	Power Dept.	Water Dept.	Broadband Dept.	Sewer Fund	Storm Water
Customer charges	\$ 67,681,072	\$ 6,789,458	\$ 6,502,002	\$ 6,601,692	\$ 563,562
Depreciation expense	2,661,471	1,403,361	1,281,622	2,393,978	136,682
Other operating expenses	61,236,018	3,494,009	5,649,838	4,949,625	438,946
Operating income(loss)	3,783,583	1,872,088	(429,458)	(741,911)	(12,066)
Non-operating revenues (expenses):					
Investment earnings	71,414	21,132	1,161	1,595	
Interest expense	(59,981)	(408,267)	(98,859)	(500,642)	(1,215)
Transfers out	(702,938)	(32,020)	-	-	
Change in net assets	3,092,078	1,452,933	(527,156)	(1,184,527)	(13,281)
Capital contributions		28,200		950,696	
Beginning net assets	45,297,715	26,326,036	(5,505,306)	17,954,887	1,710,516
Ending net assets	\$ 48,389,793	\$ 27,807,169	\$ (6,032,462)	\$ 17,721,056	\$ 1,697,235
Cash Flows	Dept.	Dept.	Dept.	Fund	Water
Net cash provided(used) by:					
Operating activities	\$ 6,700,497	\$ 3,247,685	\$ 935,561	\$ 3,144,819	\$ 117,798
Noncapital Financing Activities	(702,938)	(32,020)		21,620	13,765
Capital and related financing activities	(3,260,101)	2,804,857	(1,104,934)	(1,436,720)	(127,819)
Investing activities:	71,414	17,367	1,161	1,595	
Net increase (decrease)	2,808,872	6,037,889	(168,212)	1,731,314	3,744
Beginning cash and cash equivalents	6,198,344	2,320,492	734,540	41,954	-
Ending cash and cash equivalents	\$ 9,007,216	\$ 8,358,381	\$ 566,328	\$ 1,773,268	\$ 3,744

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

C. 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 by directors. The City contributed \$228,500 for the library operation during the fiscal year ended June 30, 2010.

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, 2010, the City was charged \$680,328.

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

D. Pension Plan Information

CITY OF MORRISTOWN

Plan Description

Employees of Morristown are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after ten years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as City of Morristown participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Funding Policy

MORRISTOWN requires employees to contribute 5.0% of earnable compensation.

MORRISTOWN is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009, was 13.69% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for MORRISTOWN is established and may be amended by the TCRS Board of Trustees

Annual Pension Cost

For the year ended June 30, 2010, MORRISTOWN's annual pension cost of \$1,748,148 to TCRS was equal to MORRISTOWN's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5% annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. MORRISTOWN's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 26 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

TREND INFORMATION

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 71.40% percent funded. The actuarial liability for benefits was \$60.12 million, and the actuarial value of assets was \$42.92 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$17.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$13.53 million, and the ratio of the UAAL to the covered payroll was 127.07 percent.

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

The annual required contributions (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2010

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2010	\$1,748,148	100.00%	\$0.00
June 30, 2009	\$1,909,337	100.00%	\$0.00
June 30, 2008	\$1,794,218	100.00%	\$0.00

(Dollar amounts in thousands)

Required Supplementary Information

Schedule of Funding Progress for MORRISTOWN

<u>Actuarial Valuation Date 7/1/2009</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage Payroll (b-a)/(c)</u>
7/1/09	\$42,923	\$60,117	\$17,194	71.40%	\$13,532	127.07%
7/1/07	\$41,850	\$56,722	\$14,872	73.78%	\$13,034	114.10%

(Dollar amounts in thousands)

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial method was a change made during the year and therefore only the most current year is presented.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Morristown Utility System's Retirement Plan

The Systems' share in a defined contribution retirement plan, Morristown Power and Water System Employees' Restated 401(k) Asset Accumulation Plan (the "Plan"), covering substantially all employees. The Commission is the administrator of the Plan and is responsible for establishing or amending the Plan provisions and contribution requirement

Power System:

	<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>
2010	\$ 3,859,074	\$ 3,803,784	\$ 569,167	15%	\$ 276,691	7%
2009	\$ 3,801,445	\$ 3,683,446	\$ 559,884	15%	\$ 260,598	7%

Water System:

	<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>
2010	\$ 1,190,266	\$ 1,162,362	\$ 171,675	15%	\$ 73,953	6%
2009	\$ 1,289,929	\$ 1,156,596	\$ 171,201	15%	\$ 100,004	9%

Telecom System:

	<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>
2010	\$ 826,101	\$ 780,272	\$ 117,041	15%	\$ 49,476	6%
2009	\$ 773,425	\$ 650,033	\$ 97,504	15%	\$ 41,008	6%

Under the Plan terms, the Systems 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 2010 and 2009, 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 one year of service as defined by the Plan and who have attained the age of 21 are eligible to participate in the Plan. Participants are 100% vested in the employer contributions when they are made.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries of employees for which the City carries commercial insurance purchased from independent third parties. The City has not experienced an insurance settlement in excess of insurance coverage in any of the past three fiscal years. The City bears the risk of loss up to the deductible amounts that are disclosed in the accompanying Statistical Section.

NOTE 5 – TRANSFER OF ASSETS (MORRISTOWN UTILITIES COMMISSION)

As of January 1, 2010, the Commission approved the transfer of \$14,726,417 in Broadband System's net plant assets to the Power System as part of the Power System's infrastructure. These assets will ultimately be used primarily for Power System management, monitoring and outage control in addition to the transmission of broadband services for which the Broadband System will reimburse the Power System an allocated portion of its cost and operating expenses thereof. In connection with the transfer of net plant assets, the Power System has also assumed the following related debt from the Broadband System.

Third-party long-term debt assumed	
less related assets:	\$ 15,186,961
Unamortized bond cost	92,976
Swap termination fee	449,924
Assumption of third-party debt	<u>14,644,061</u>
Interfund debt associated with assets transferred	82,356
Total assumed liabilities	<u><u>\$ 14,726,417</u></u>

NOTE 6 – SUBSEQUENT EVENTS

Subsequent to June 30, 2010 the Division of Local Finance within the Tennessee Comptroller's Office expressed concerns about the purchase of sewer plant in the Lowland area of Hamblen County. These concerns deal with the legality of the financing method used to facilitate the purchase of the plant. As a result of this situation the City is currently unable to issue and debt. This situation is of great concern as the City is currently under sanctions issued by the Tennessee Department of Environmental and Conservation and needs to borrow money to meet their requirement.

City of Morristown, Tennessee
Required Supplementary Information
June 30, 2010

Schedule of Funding Progress for Morristown, Tennessee (Excluding Morristown Utility Commission)

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a)/c)
7/1/2009	\$ 42,923	\$ 60,117	\$ 17,194	71.40%	\$ 13,532	127.07%
07/01/07	41,850	56,723	14,873	73.78%	13,034	114.11%
07/01/05	37,471	44,061	6,590	85.04%	11,194	58.87%
07/01/03	35,814	42,539	6,725	84.19%	9,748	68.99%
06/30/01	34,504	36,125	1,621	95.51%	9,032	17.95%

City of Morristown, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<u>Narcotics</u>	<u>Community Development</u>	<u>Total NonMajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 28,256	\$ 61,985	\$ 90,241
Receivables (net of allowance for uncollectibles)	<u>7,553</u>	<u>52,000</u>	<u>59,553</u>
Total assets	<u>\$ 35,809</u>	<u>\$ 113,985</u>	<u>\$ 149,794</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,134	\$ 134,919	\$ 137,053
Interfund payable	-	-	-
Accrued expenditures	8,202	1,684	9,886
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>10,336</u>	<u>136,603</u>	<u>146,939</u>
Fund balances:			
Reserved	-	-	-
Unreserved fund balance(deficit)	<u>25,473</u>	<u>(22,618)</u>	<u>2,855</u>
Total equity	<u>25,473</u>	<u>(22,618)</u>	<u>2,855</u>
Total liabilities and fund equity	<u>\$ 35,809</u>	<u>\$ 113,985</u>	<u>\$ 149,794</u>

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

City of Morristown, Tennessee
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2010

	Narcotics	Community Development	Total NonMajor Governmental Funds
Revenues			
Licenses, permits and fines	\$ 170,414	\$ -	\$ 170,414
Use of money and property	-	-	-
Service charges and fees	-	-	-
Intergovernmental	26,634	511,335	537,969
Total revenues	197,048	511,335	708,383
Expenditures			
Current:			
Administration	-	81,016	81,016
Programs	-	452,937	452,937
Contracts with other agencies	-	-	-
Total general government	-	533,953	533,953
Public safety:			
Police	450,672	-	450,672
Total public safety	450,672	-	450,672
Total expenditures	450,672	533,953	984,625
Deficiency of revenue over expenditures	(253,624)	(22,618)	(276,242)
Other financing sources (uses):			
Bond Proceeds	-	-	-
Transfers in	275,898	-	275,898
Transfers out	-	-	-
Total other financing sources and uses	275,898	-	275,898
Net change in fund balance	22,274	(22,618)	(344)
Fund balance- beginning, as previously stated	3,199	-	3,199
Fund balance- beginning, as restated	3,199		3,199
Fund balance-ending	<u>\$ 25,473</u>	<u>\$ (22,618)</u>	<u>\$ 2,855</u>

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

City of Morristown, Tennessee
Community Development Fund
Statement of Revenue, Expenditures, and
Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
CDBG Reimbursements	\$ -	\$ 354,440	\$ 459,336	\$ 104,896
Other State Revenues	-	-	52,000	52,000
Total Revenues	-	354,440	511,336	156,896
Expenditures:				
CDBG Administration:				
Wages & Salaries Permanent Employees	-	44,515	46,778	(2,263)
Christmas Bonus & Longevity	-	95	103	(8)
FICA	-	3,413	3,440	(27)
Health and Life Insurance	-	8,641	2,852	5,789
Retirement	-	6,159	6,417	(258)
Worker's Compensation	-	1,525	1,402	123
Employee Education & Training	-	2,000	1,937	63
Mailing	-	500	325	175
Reproduction and Printing	-	1,000	35	965
Memberships & Fees	-	1,000	725	275
Advertising and Publicity	-	1,500	1,388	112
Professional & Consulting	-	3,494	2,131	1,363
Travel	-	10,000	9,435	565
Other Contractual	-	1,231	-	1,231
Rental and Maintenance Contracts	-	-	304	(304)
Contracts With Other Agencies	-	-	852	(852)
Office Supplies	-	2,000	1,734	266
Other Supplies	-	500	232	268
Insurance	-	500	596	(96)
Office Equipment	-	-	328	(328)
Total CDBG Administration	-	88,073	81,014	7,059
CDBG Programs & Activities:				
Mailing	-	-	16	(16)
Advertising and Publicity	-	-	132	(132)
Professional & Consulting	-	-	129,066	(129,066)
Other Contractual	-	50,000	165,536	(115,536)
Contracts With Other Agencies	-	216,926	-	216,926
Grants & Subsidies	-	-	37,968	(37,968)
Improvements Other Than Buildings	-	-	55,220	(55,220)
Total CDBG Programs & Activities	-	266,926	387,938	(121,012)
Total Expenditures	-	354,999	468,952	(113,953)
Net change in fund balance	-	(559)	42,384	42,943
Fund balance, July 1, 2009	-	-	-	-
Fund balance, June 30, 2010	\$ -	\$ (559)	\$ 42,384	\$ 42,943

City of Morristown, Tennessee
Narcotics Fund
Statement of Revenue, Expenditures, and
Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
Federal Reimbursements and Refunds	\$ -	\$ -	\$ 23,694	\$ 23,694
State Reimbursements and Refunds	-	-	2,940	2,940
Program Income	325,000	235,000	170,414	(64,586)
Total Revenue	325,000	235,000	197,048	(37,952)
Narcotics:				
Wages & Salaries Permanent Employees	224,283	224,283	222,828	1,455
Overtime	8,000	8,000	11,973	(3,973)
Christmas Bonus & Longevity	1,915	1,915	2,288	(373)
FICA	17,916	17,916	17,857	59
Health and Life Insurance	43,158	43,158	43,009	149
Retirement	32,295	32,640	32,780	(140)
Worker's Compensation	7,625	7,625	7,669	(44)
Employee Education & Training	2,600	2,600	125	2,475
Judgements/Fees/Court Costs	1,500	1,500		1,500
Mailing	800	800	55	745
Reproduction and Printing	100	100		100
Publications	200	200	168	32
Memberships and Fees	365	365	141	224
Advertising and Publicity	1,500	1,500	445	1,055
Professional & Consulting	250	250	403	(153)
Repairs and Maintenance	100	100		100
Travel	2,000	2,000	903	1,097
Other Contractual	5,500	14,500	3,315	11,185
Rental and Maintenance Contracts	7,537	7,537	3,565	3,972
Contracts With Other Agencies	10,000	10,000	17,674	(7,674)
Office Supplies	1,800	1,800	2,052	(252)
Small Tools & Minor Equipment	1,000	1,000	542	458
Uniforms	3,000	3,000	2,600	400
Gasoline/Fuels/Lubricants	10,000	10,000	11,332	(1,332)
Automotive Parts and Accessories	3,000	3,000	2,839	161
Electrical, Plumbing, and Hardware	500	500	-	500
Vehicle Expense	500	1,500	1,427	75
Other Supplies	3,250	3,250	2,426	824
Narcotics Enforcement	115,714	105,714	50,923	54,791
Insurance	9,500	9,500	11,333	(1,833)
Total Expenditures	515,908	516,253	450,672	65,583
Net change in fund balance	(190,908)	(281,253)	(253,624)	27,629
Other Sources of Funds:				
Operating Transfers In	125,898	275,898	275,898	-
Net change in fund balance	(65,010)	(5,355)	22,274	27,629
Fund balance, July 1, 2009	-	-	3,199	-
Fund balance, June 30, 2010	\$ (65,010)	\$ (5,355)	\$ 25,473	\$ 27,629

City of Morristown, Tennessee
Schedule of Federal Grant Activity
June 30, 2010

Grantor/Passthrough Entity/ Federal Program	CFDA No.	Program Name	Contract Number	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2010
US Dept. of Agriculture/ Tennessee Dept. of Community Services	10.599	Summer Feeding	DO0924269	\$ (22,337)	\$ 22,337	\$ -	\$ -
		Summer Feeding	DO0924269	-	23,279	54,066	(30,787)
Total US Dept. of Agriculture				(22,337)	45,616	54,066	(30,787)
US Dept. of Housing and Urban Development	14.218	Community Development Block Grant	B09MC470013	-	458,391	458,391	-
	14.231	Emergency Shelter Grant	ESG-08	-	46,517	46,517	-
	14.231	Emergency Shelter Grant	ESG-09	-	34,995	34,995	-
Total Emergency Shelter Grant				-	81,512	81,512	-
Total US Dept. of Housing and Urban Development				-	539,903	539,903	
US Dept. of Justice	16.579	Edward Byrne Justice Assistance	2009-SB-B9-1714	-	135,640	135,640	-
			2009-DJ-BX-0900	-	40,683	40,683	-
Total US Department of Justice				-	176,323	176,323	-

(Continued)

City of Morristown, Tennessee
Schedule of Federal Grant Activity (Continued)
June 30, 2010

Grantor/Passthrough Entity/ Federal Program	CFDA No.	Program Name	Contract Number	Balance July 1, 2009	Receipts	Disbursements	Balance June 30, 2010
US Dept. of Transportation/							
Tennessee Department of Transportation	20.205	Highway Planning and Construction	32LPLM-F0-012	\$ -	\$ 11,511	\$ 11,511	
Tennessee Department of Transportation	20.205	Highway Planning and Construction	32LPLM-F0-014	-	13,156	13,156	
Tennessee Department of Transportation	20.205	Highway Planning and Construction	32LPLM-F0-016	-	14,515	14,515	
Tennessee Department of Transportation	20.205	Highway Planning and Construction	32LPLM-F3-013	-	245	1,420	(1,175)
Tennessee Department of Transportation	20.205	Highway Planning and Construction	32LPLM-F3-017	-	1,091	3,370	(2,279)
Tennessee Department of Transportation	20.205	Highway Planning and Construction	32LPLM-F3-015	-	358	2,497	(2,139)
Total Highway Planning and Construction				-	40,876	46,469	(5,593)
Tennessee Department of Transportation	20.505	MTPO	Z-036298-00	-	75,414	151,570	(76,156)
US Department of Transportation	20.509	Section 5307		-	54,256	54,256	
Total US Department of Transportation				-	170,546	252,295	(81,749)
Total Federal Awards				\$ (22,337)	\$ 932,288	\$ 1,022,587	\$ (112,636)

City of Morristown, Tennessee
Schedule of State Grant Activity
For The Year Ended June 30, 2010

<u>Grantor Agency</u>	<u>Contract Number</u>	<u>Amount of Award</u>	<u>Balance 7/1/2009</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2010</u>
Tennessee Dept. of Transportation	Z07036298					
Tennessee Dept. of Transportation	Z-08-20-0724-00	90,000 \$	-	90,000 \$	90,000 \$	-
Tennessee Dept. of Transportation	Z-08-20-0721A		-	506,813	506,813	-
Tennessee Dept. of Transportation			-	-	95,140	(95,140)
Tennessee Dept. of Transportation			-	-	17,804	(17,804)
Tennessee Dept. of Transportation		52,000	-	-	52,000	(52,000)
Tennessee Dept. of Transportation	Z09214054		-	17,673	17,673	-
Tennessee Dept. of Transportation	SIA Colgate		(948,141)	948,141	-	-
Tennessee Dept. of Econ. Devel			-	-	13,902	(13,902)
			<u>\$ (948,141)</u>	<u>\$ 1,562,627</u>	<u>\$ 793,332</u>	<u>\$ (178,846)</u>

Notes to schedule of State grant activity:

- 1) This schedule reflects only the grantors' portion of expenditures
- 2) This schedule has been prepared on the same basis as the financial statements

City of Morristown, Tennessee
Statistical Information
June 30, 2010

This part of the City of Morristown's comprehensive annual financial report 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 government's overall financial health.

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

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

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

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

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City of Morristown, Tennessee
Net Assets by Component
Last Ten Fiscal Years
Eighth Year of Implementation
June 30, 2010

	Fiscal Year Ended					
	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008
Governmental activities:						
Invested in capital assets, net of related debt	\$ 20,792,188	\$ 33,486,759	\$ 32,485,958	\$ 32,367,332	\$ 20,828,489	\$ 41,772,807
Restricted	5,564,620	1,434,155	3,256,311	3,481,659	153,828	2,748,754
Assigned						
Unrestricted	4,542,774	4,911,741	3,918,333	2,407,332	12,742,735	-
Total governmental activities net assets	\$ 30,899,583	\$ 39,732,654	\$ 39,660,602	\$ 38,236,323	\$ 33,726,053	\$ 44,518,361
						\$ 45,712,044
						\$ 47,701,533
Business-type activities:						
Invested in capital assets, net of related debt	\$ 62,632,218	\$ 81,867,885	\$ 63,008,050	\$ 65,995,213	\$ 85,684,278	\$ 68,057,045
Restricted	859,847	554,347	3,522,421	531,903	557,111	-
Unrestricted	10,174,885	13,008,096	11,713,846	13,638,484	12,868,565	13,775,143
Total business-type net assets	\$ 73,666,950	\$ 75,528,428	\$ 78,244,317	\$ 80,135,580	\$ 79,109,952	\$ 81,832,188
						\$ 85,783,848
						\$ 85,582,791
Primary government:						
Invested in capital assets, net of related debt	\$ 83,424,407	\$ 82,780,174	\$ 85,494,008	\$ 96,332,545	\$ 86,523,765	\$ 109,828,652
Restricted	6,424,487	2,032,088	6,778,732	3,993,562	710,940	2,341,875
Assigned						
Unrestricted	14,717,439	30,488,820	15,632,179	16,045,796	25,601,300	14,179,822
Total Primary government	\$ 104,566,313	\$ 115,261,082	\$ 117,904,919	\$ 118,371,803	\$ 112,836,005	\$ 126,351,549
						\$ 131,495,992
						\$ 137,284,324

City of Morristown, Tennessee
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
Eighth Year of Implementation
June 30, 2010

	Fiscal Year Ended							
	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010
Revenues:								
Taxes	\$ 17,538,836	\$ 17,983,749	\$ 18,788,835	\$ 19,509,714	\$ 19,819,597	\$ 22,261,063	\$ 23,228,793	\$ 21,494,303
Licenses, permits and fines	1,720,054	759,770	939,037	904,316	1,093,488	1,045,551	1,497,081	1,472,828
Use of money and property	469,234	736,195	680,408	807,576	329,777	470,219	248,632	1,014,717
Service charges and fees	124,335	319,659	131,988	155,179	137,584	141,703	132,712	151,393
Intergovernmental	5,380,157	4,566,023	5,294,295	7,894,424	6,141,091	6,299,398	5,340,445	5,620,505
Total revenues	25,242,616	24,342,366	25,651,573	28,841,209	27,521,537	30,187,874	30,446,863	28,954,144
Expenditures:								
General government	2,432,599	2,903,517	3,322,466	3,654,202	4,378,805	4,579,048	3,823,150	3,410,399
Public safety	10,988,947	10,846,337	11,946,235	12,010,039	14,328,759	14,563,542	13,950,739	13,027,747
Public works	5,585,244	6,215,255	6,897,308	9,055,173	10,391,286	11,038,209	6,931,598	6,353,399
Parks and recreation	1,597,215	1,766,941	1,568,247	1,957,729	3,228,978	2,338,137	2,070,840	1,668,613
Airport	1,270,308	590,071	292,552	275,700	190,240	132,719	302,588	490,500
Civic support	505,273	569,689	544,386	532,178	866,174	558,723	1,338,282	1,167,863
Economic development	1,731,781	1,379,815	1,448,415	4,355,672	2,224,061	1,117,549	464,284	642,427
Transportation	-	408,347	434,580	262,873	-	-	-	394,866
Retiree benefits	164,255	229,795	39,351	20,531	-	-	-	133,532
Miscellaneous	-	-	-	-	-	-	-	-
Debt service:								
Principal	815,000	748,600	1,224,800	1,285,000	1,105,000	3,150,000	1,588,805	4,058,614
Interest	382,892	380,380	176,333	178,432	449,487	722,878	538,250	341,172
Debt expense	34,098	4,903	4,870	289,340	155,077	62,159	53,404	69,520
Total expenditures	25,388,613	25,842,630	27,901,355	33,998,969	37,266,887	39,248,959	31,059,950	31,745,552
Deficiency of revenue over expenditures	(155,997)	(1,500,264)	(2,048,782)	(5,055,760)	(9,775,330)	(8,062,085)	(613,287)	(1,761,408)
Other financing sources (uses):								
Transfers in	2,632,114	4,290,237	2,550,083	2,371,218	2,421,324	2,443,018	1,925,865	2,471,905
Transfers out	(2,832,114)	(5,005,138)	(1,725,917)	(1,717,820)	(1,733,493)	(1,712,003)	(1,876,147)	(1,796,947)
Bonds issued	-	-	1,992,464	10,000,000	4,750,000	5,870,000	1,473,604	3,012,455
Total other financing sources (uses)	-	(714,901)	2,816,740	10,853,299	5,437,841	6,701,015	1,523,322	3,747,413
Net change in fund balance	\$ (155,997)	\$ (2,215,135)	\$ 766,868	\$ 5,587,539	\$ (4,337,489)	\$ (1,361,070)	\$ 910,035	1,956,005
Debt service as a percentage of total governmental expenditures	4.85%	4.37%	5.05%	5.14%	4.58%	10.29%	7.01%	14.10%

City of Morristown, Tennessee
Changes in Net Assets
 Last Ten Fiscal Years
 Eighth Year of Implementation
 (Accrual Basis)
 June 30, 2010

	Fiscal Year Ended							
	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010
Expenses:								
Governmental activities:								
General government	\$ 2,467,777	\$ 2,790,124	\$ 3,532,804	\$ 3,732,690	\$ 4,427,912	\$ 4,729,356	\$ 3,536,036	\$ 3,536,036
Public safety	10,236,334	10,287,565	11,553,257	12,011,748	14,783,116	14,938,433	13,510,787	13,510,787
Public works	5,570,400	6,537,761	5,024,791	7,884,650	8,936,753	12,760,354	7,208,206	7,208,206
Parks and recreation	1,685,313	1,534,531	1,469,315	1,884,017	3,107,468	2,404,471	1,767,692	1,767,692
Civic support	506,273	576,028	544,398	532,176	856,949	558,723	624,033	553,177
Economic development	590,147	365,068	1,448,415	3,879,932	126,444	1,117,549	553,177	624,033
Retiree benefits	-	406,347	434,580	292,973	-	-	0	394,866
Airport	1,633,100	477,425	704,585	554,398	631,368	573,847		
Transportation								767,273
Long-term debt expense	164,256	396,490	217,831	337,239	582,295	785,032	342,543	342,543
Other	416,990	81,574	-	-	-	-	-	-
Total governmental activities expenses	23,250,590	23,474,933	24,929,976	31,089,623	33,452,305	37,867,765	27,542,474	28,704,613
Business-type activities:								
Water	3,847,335	4,089,405	3,765,578	4,241,596	4,486,115	5,056,029	5,305,637	5,305,637
Sewer	4,207,882	4,579,513	4,696,065	5,170,188	5,882,688	6,760,588	7,844,245	7,844,245
Electric	46,767,798	47,365,032	47,493,148	53,341,801	56,600,708	61,105,278	63,957,470	63,957,470
Telecom System			4,176	714,677	4,449,839	6,907,540	7,030,319	7,030,319
Storm Water						436,016	576,843	576,843
Total business-type expenses	54,823,015	56,033,950	55,958,967	63,466,262	71,419,350	80,265,455	84,714,514	84,714,514
Total primary government expenses	78,073,605	79,508,883	80,888,943	94,556,085	104,871,635	118,133,220	112,256,988	113,419,127
Program Revenues:								
Governmental activities:								
Charges for services:								
General government	202,898	165,575	231,440	223,537	557,097	409,037	280,238	280,238
Public safety	545,293	794,845	936,037	904,316	414,861	778,216	1,343,981	1,343,981
Public works	124,335	703,164	-	258,709	-	-	-	-
Parks and recreation	-	139,562	131,998	155,179	137,584	-	-	-
Civic support	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Retiree benefits	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-
Long-term expense	-	-	-	-	-	-	-	-
Operating grants and contributions	1,713,655	352,717	-	505,818	448,864	888,336	975,928	975,928
Capital grants and contributions	2,617,657	1,361,550	-	3,234,328	1,702,895	1,546,886	860,995	660,995
Total governmental activities program revenues	5,203,936	3,517,213	1,269,475	5,281,667	3,261,321	3,622,475	3,261,142	3,261,142
Business-type activities:								
Charge for services:								
Water	4,495,715	4,406,024	4,943,461	5,339,101	5,335,578	5,572,994	6,789,458	6,769,458
Sewer	4,540,720	4,492,542	4,589,153	4,749,533	5,556,473	8,766,896	8,801,692	6,601,692
Electric	47,511,195	49,414,204	49,466,518	55,821,500	58,631,933	83,351,409	67,881,072	67,681,072
Telecom system	-	-	-	102,690	2,548,590	4,503,672	6,502,002	6,502,002
Storm Water	-	-	-	-	-	69,383	563,562	563,562
Operating grants and contributions	-	378,438	-	-	-	-	-	-
Capital grants and contributions	272,320	1,640,300	-	-	-	55,500	64,831	84,631
Total business-type activities program revenues	58,819,950	60,331,508	58,999,132	66,012,624	72,072,574	82,339,854	88,202,417	88,202,417
Total primary government program revenue	\$ 62,023,886	\$ 63,848,721	\$ 60,268,607	\$ 71,294,711	\$ 75,333,895	\$ 85,962,329	\$ 91,463,559	\$ 91,463,559
Net (expense) revenue:								
Governmental activities	\$ (16,046,654)	\$ (19,957,720)	\$ (23,630,501)	\$ (25,807,936)	\$ (30,190,984)	\$ (34,245,290)	\$ (25,443,471)	\$ (25,443,471)
Business-type activities	1,906,935	2,583,291	3,040,165	2,544,562	653,244	2,074,399	3,487,903	3,487,903
Total primary government net expense	\$ (16,049,719)	\$ (17,374,429)	\$ (20,590,336)	\$ (23,263,374)	\$ (29,537,740)	\$ (32,170,891)	\$ (21,955,568)	\$ (21,955,568)

City of Morristown, Tennessee
Changes in Net Assets
 Last Ten Fiscal Years
 Seventh Year of Implementation
 (Accrual Basis)
 June 30, 2010

	Fiscal Year Ended							
	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010
General Governmental and Other Changes in Net Assets								
Governmental activities:								
Property taxes	\$ 6,154,751	\$ 6,268,159	\$ 6,544,269	\$ 6,959,567	\$ 6,744,789	\$ 9,521,787	\$ 8,766,697	\$ 9,180,026
In-lieu taxes	662,748	59,275	72,748	92,448	65,529	35,536	-	-
Franchise taxes	813,588	820,658	853,208	1,006,887	732,339	826,802	784,365	644,358
Local sales tax	8,053,275	8,618,515	9,196,618	9,491,687	9,594,019	9,448,110	10,389,929	9,454,955
Alcohol beverage tax	934,567	1,009,528	1,032,668	1,078,180	1,107,005	1,138,908	1,178,366	1,190,044
Business and gross receipts tax	681,903	681,388	784,119	881,441	943,210	868,833	947,659	663,824
Hotel/motel tax	238,004	312,707	350,931	384,387	417,120	425,087	367,704	361,096
Use of money and property	1,291,563	712,843	96,134	807,578	451,307	470,219	246,832	1,014,717
Intergovernmental	1,208,281	2,148,591	4,097,107	3,405,260	3,989,312	3,834,117	2,148,284	4,188,982
Transfers	-	721,591	824,276	653,299	687,841	731,014	1,530,560	734,958
Total governmental activities	20,038,680	21,553,253	23,852,078	24,558,730	24,732,471	27,296,413	28,380,196	27,432,980
Business-type activities:								
Investment earnings	254,859	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	387,820	161,484	95,302
Transfers	-	(721,591)	(824,276)	(653,299)	(687,841)	(731,014)	(1,530,560)	(734,958)
Total business-type activities	254,859	(721,591)	(824,276)	(653,299)	(687,841)	(343,194)	(1,369,076)	(839,656)
Total primary government	\$ 20,293,539	\$ 20,831,662	\$ 23,027,802	\$ 23,905,431	\$ 24,044,630	\$ 26,953,219	\$ 24,991,120	\$ 28,793,304
Changes in Net Assets								
Governmental activities	1,992,026	1,595,533	221,577	(1,219,206)	(5,458,513)	(6,948,877)	2,693,183	1,989,489
Business-type activities	2,251,794	1,861,700	2,125,889	1,891,263	(34,597)	1,731,208	2,236,653	2,848,247
Total primary government	\$ 4,243,820	\$ 3,457,233	\$ 2,347,466	\$ 872,057	\$ (5,493,110)	\$ (5,217,671)	\$ 4,929,836	\$ 4,837,736
General fund								
Reserved	2,273,995	1,281,222	1,923,010	8,551,478	4,669,443	-	2,619,067	353,457
Assigned	-	-	-	-	-	-	-	1,091,161
Unreserved	3,114,420	5,032,750	5,254,556	4,060,987	-	2,705,279	-	2,234,879
Total general fund	\$ 5,388,415	\$ 6,313,972	\$ 7,177,566	\$ 12,612,463	\$ 4,669,443	\$ 2,705,279	\$ 2,619,067	\$ 3,679,497
All other governmental funds								
Unreserved	-	-	-	-	-	-	-	(26,323)
Reserved	3,290,625	149,933	53,301	9,883	163,857	41,475	3,199	25,473
Total all other governmental funds	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 9,883	\$ 163,857	\$ 41,475	\$ 3,199	\$ (850)

City of Morristown, Tennessee
Fund Balance of Governmental Funds
 Last Ten Fiscal Years
 Eighth Year of Implementation
 (Modified Accrual Basis of Accounting)
 June 30, 2010

	2003	2004	2005	Fiscal Year 2006	2007	2008	2009	2010
General Fund								
Reserved	\$ 2,273,995	\$ 1,281,222	\$ 1,923,010	\$ 8,551,476	\$ 4,669,443	\$ 3,431,536	\$ 2,619,067	\$ 353,457
Assigned				4,060,987	-	-	-	1,065,688
Unreserved	3,114,420	5,032,750	5,254,556	\$ 12,612,463	\$ 4,669,443	\$ 3,431,536	\$ 2,619,067	3,159,977
Total general fund	\$ 5,388,415	\$ 6,313,972	\$ 7,177,566					\$ 4,579,122
All other governmental funds								
Reserved	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 9,883	\$ 163,657	\$ 41,475	\$ 3,189	\$ 25,473
Unreserved, reported in:				984	984	984	-	(26,323)
Special revenue funds				\$ 10,867	\$ 164,641	\$ 42,459	\$ 3,199	\$ (850)
Total all other governmental funds	\$ 3,290,625	\$ 149,933	\$ 53,301					

City of Morristown, Tennessee
Government Activities Revenue by Source
 Last Ten Fiscal Years (8th Year of Implementation)
 (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	Use of Money and Property	Inter-Governmental	Transfers	Total
2003	\$ 6,154,751	\$ 662,748	\$ 813,588	\$ 8,053,275	\$ 934,567	\$ 681,903	\$ -	\$ 238,004	\$ 1,291,563	\$ 1,208,281	\$ -	\$ 20,038,680
2004	6,288,159	59,275	820,658	8,616,515	1,009,528	861,386		312,707	712,843	2,148,591	721,591	21,553,253
2005	6,544,269	72,748	853,208	9,196,818	1,032,868	784,119		350,931	86,134	4,097,107	824,276	23,852,078
2006	6,989,567	92,446	1,006,887	9,491,687	1,076,180	881,441		384,387	607,576	3,405,260	653,299	24,588,730
2007	6,960,375	65,529	732,339	9,594,019	1,107,005	943,210		417,120	1,276,070	5,899,091	687,841	27,692,589
2008	9,521,787	35,536	826,802	9,446,110	1,136,908	866,833		425,087	1,421,389	6,027,338	731,015	30,440,805
2009	8,768,697	-	784,365	10,389,929	1,178,386	947,659		367,704	1,876,425	5,340,445	795,053	30,446,663
2010	9,180,026	-	644,358	9,454,955	1,190,044	663,824	1,472,826	361,096	1,166,110	5,820,905	734,958	30,689,102

City of Morristown, Tennessee
Table of General Bonded Debt with Total Assessment
and Expenditure Ratio
Ten tax years ended 2010
June 30, 2010

<u>Tax Year</u>	<u>General Bonded Debt</u>	<u>Total Assessment</u>	<u>Ratio of Bonded Debt to Total Assessment</u>	<u>Total Expenditures</u>	<u>Ratio of Bonded Debt to Total Expenditures</u>
2001	14,020,286	454,515,175	.030 to 1	23,249,722	.603 to 1
2002	13,155,286	569,848,349	.023 to 1	25,398,613	.518 to 1
2003	11,042,686	576,534,587	.019 to 1	25,842,630	.427 to 1
2004	12,202,286	570,401,429	.021 to 1	27,901,352	.437 to 1
2005	20,922,286	614,747,798	.034 to 1	33,896,969	.617 to 1
2006	22,538,317	704,667,216	.032 to 1	37,296,867	.604 to 1
2007	24,008,317	693,683,310	.034 to 1	38,249,959	.628 to 1
2008	24,259,209	735,127,536	.033 to 1	26,991,342	.834 to 1
2009	24,008,317	734,794,794	.033 to 1	31,320,230	.766 to 1
2010	22,521,414	880,290,913	.026 to 1	31,217,154	.721 to 1

City of Morristown, Tennessee
Property Tax Levies and Collections
For the Ten Years Ended 2009
June 30, 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed value	\$ 448,639,120	\$ 454,515,176	\$ 569,648,349	\$ 576,534,587	\$ 586,387,768	\$ 614,747,768	\$ 704,687,216	\$ 893,683,310	\$ 735,127,536	\$ 734,764,784	\$ 880,290,913
Rate per \$100	1.25	1.25	1.02	1.09	1.02	1.09	0.97	1.37	1.22	1.22	1.05
Total tax levy	5,585,489	5,681,440	6,211,347	6,284,227	6,381,300	6,700,751	6,835,272	9,503,463	8,903,661	8,968,580	\$ 9,243,057
Collections/reductions:											
Initial tax year	5,368,261	5,436,677	5,908,338	5,986,563	6,085,471	6,421,637	6,648,642	8,787,049	8,367,645	8,502,700	
Additional through June 30, 2010	186,204	219,923	299,596	210,338	221,104	171,013	212,881	598,570	280,217		
Total collections/reductions	5,554,465	5,656,600	6,167,874	6,196,899	6,306,575	6,592,650	6,759,523	9,385,619	8,657,862	8,502,700.00	
Taxes receivable, June 30, 2010	14,539	17,524	17,524	11,523	14,484	37,827	55,371	142,844	246,819	465,879	
Percent of levy collected initial tax year	88.11%	95.69%	95.12%	95.26%	98.67%	98.39%	95.78%	92.25%	93.88%	94.81%	
Percent of levy outstanding June 30, 2010	0.26%	0.31%	0.26%	0.18%	0.23%	4.17%	1.11%	1.50%	2.77%	5.19%	

City of Morristown, Tennessee
Principal Employers
Current Year and Ten Years Ago

	2010			Ten Years Ago		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Department of Education	1,350	1	5%			
Koch Foods	882	2	3%			
Berkline Corporation	818	3	3%	1,639	1	6%
MAHLE, Inc.	794	4	3%	1,500	2	6%
Walters State Community College	766	5	3%			
Morristown Hamblen Healthcare	691	6	2%			
Lakeway Regional Hospital	501	7	2%			
Howmet Corporation	480	8	2%	600	6	2%
JTEKT Automotive	470	9	2%			
Wal-Mart	443	10	2%			
Universal Furniture Industries Lear Corporation				1,100	3	3%
Shelby Williams Industries, Inc.				840	4	3%
Moll Industries, Anchor Brush Div.				800	5	3%
Lea Industries				600	7	2%
Toyota TRW Auto, Inc.				550	8	2%
Lenzing Fibers Corporation				485	9	2%
				406	10	2%
Total	5,845		27%	4,281		31%

City of Morristown, Tennessee
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Tax Years
June 30, 2010

Tax Year	Residential Property	Commercial Property	Public Utility Property	Other	Commercial Property	Public Utility Property	Total Assessment Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2000	151,735,700	241,152,880	1,918,125	1,339,675	146,310,970	-	542,457,350	1.25	1,637,704,995	33.12%
2001	153,493,650	244,658,040	493,845	1,763,125	151,200,316	4,147	551,613,123	1.25	1,668,996,219	33.05%
2002	154,997,800	257,138,640	493,845	1,765,775	135,684,289	2,368	550,082,517	1.09	1,653,214,110	33.27%
2003	157,210,650	268,536,960	493,845	1,783,150	133,871,424	2,165	561,898,214	1.09	1,683,016,247	33.39%
2004	160,143,125	274,685,480	493,845	1,776,850	133,299,257	2,872	570,401,429	1.09	1,706,865,190	33.42%
2005	197,382,450	311,856,480	581,570	2,358,850	161,308,861	2,770	673,488,281	0.97	2,030,459,639	33.17%
2006	208,319,300	320,294,680	577,060	2,554,275	172,813,509	2,770	704,561,094	0.97	2,130,508,894	33.07%
2007	214,131,050	323,243,200	577,060	3,551,000	152,179,019	1,981	693,683,310	1.37	2,257,282,643	30.73%
2008	222,757,250	335,363,800	557,095	4,638,175	165,505,013	2,837	728,824,170	1.22	2,377,490,324	30.66%
2009	224,697,525	340,950,480	557,095	4,567,200	164,020,824	1,870	734,794,794	1.22	2,429,789,052	30.24%

City of Morristown
Operating Indicators by Function
 Last Ten Fiscal Years (8th Year of Implementation)

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010		
Police:										
Physical arrests	5,216	5,226	5,250	5,266	7,572	6,487	5,620	2,097		
Parking violations	8,629	8,636	8,645	8,652	7,179	14,809	15,211	10,071		
Fire										
Number of calls answered	2,976	2,979	2,985	3,211	3,390	3,337	3,232	4,271		
Inspections	1,800	1,808	1,815	1,827	2,376	2,361	948	659		
Highway and streets:										
Street maintenance/resurfacing (miles)	3	0.11	8.11	4.73	0.4	6.18	2.39	-		
Sanitation:										
Brush collected (annual)	2,428.6	2,585.3	2,606.2	2,792.5	3,411.5	2,711.2	3,327.04	3,238.19		
Refuse collected	14,106.8	14,247.6	14,928.6	15,008.8	9,944.0	8,555.7	9,770.21	9,416.08		

**City of Morristown, Tennessee
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level In Years of Formal Schooling	School Enrollment	Unemployment Rate
2000	24,966	564,930,648	22,628	36.1	13.6	10,225	4.2
2001	24,977	589,107,522	23,586	36.3	13.8	10,225	6.3
2002	25,137	603,137,178	23,994	36.5	13.9	10,439	6.1
2003	25,023	625,875,276	25,012	36.6	14.0	10,440	6.5
2004	25,055	649,175,050	25,910	36.7	14.2	10,439	6.1
2005	25,402	661,950,718	26,059	36.9	14.3	10,519	6.4
2006	25,716	674,119,224	26,214	40.0	14.1	10,513	4.6
2007	25,686	673,075,944	26,204	41.2	14.0	10,613	5.7
2008	26,419	695,823,622	26,338	36.0	13.4	10,398	7.2
2009	25,800	696,780,600	27,007	36.8	13.3	10,079	13.48
2010	28,054	896,633,894	31,961	37.3	13	9,532	11.2

City of Morristown
Operating Indicators by Function
Last Ten Fiscal Years (8th Year of Implementation)

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Function								
Public Safety								
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48
Fire stations	5	4	5	5	6	6	6	6
Sanitation								
Collection trucks	5	5	5	5	4	4	4	4
Highways and streets								
Street (miles)	228	237	240	241	263	263	320	320
Culture and recreation								
Parks acreage	249	257	232	257	259	259	264	264
Parks	14	14	15	15	16	16	16	16

City of Morristown, Tennessee
Schedule of Utility Rates and Number of Customers
June 30, 2010

Sewer Rates

Inside - \$4.59 per 1,000 gallons of water used—minimum bill of \$9.18 per month.

Outside - \$9.18 per 1,000 gallons of water used—minimum bill of \$27.54 per month.

Customers:

Inside City	11,523
Outside City	<u>109</u>
Total	<u>11,632</u>

City of Morristown, Tennessee
Schedule of Utility Rates and Number of Customers
June 30, 2010

Residential

Customer charge per month	\$ 16.71
Energy charge:	
First 2,000 kilowatt hours	8.175¢
Additional kilowatt hours per month	7.968¢

Commercial, Industrial, Governmental and Institutional:

Demand of up to 50 kilowatt hours:	
Customer charge per month	\$ 26.00
Energy charge per kilowatt hour per month	9.137¢
Demand of 51 to 1,000 kilowatt hours	\$ 133.00
Excess over 50 kilowatts per month	\$ 13.78
Energy charge:	
First 15,000 kilowatt hours per month	8.570¢
Demand of 1,001 to 5,000 kilowatt hours:	
Customer charge per month	\$ 270.00
Demand charge:	
First 1,000 kilowatts per month	\$ 13.88
Excess over 1,000 kilowatts per month	\$ 15.44
Energy charge:	
Per kilowatt hours per month	\$ 4.903¢
Demand of 5,001 to 15,000 kilowatts:	
Customer charge per month	\$1,500.00
Demand charge:	
Per kilowatt	\$ 13.27
First 620 kilowatt hours per kilowatt per month	3.740¢
Additional kilowatt hour per month	3.074¢
Non-manufacturing demand of 15,001 to 25,000 kilowatts:	
Customer charge per month	\$1,500.00
Demand charge:	
Per kilowatt hour per month	\$ 14.89
Energy charge:	
First 620 kilowatt hours per month	4.132¢
Additional kilowatt hours per month	3.372¢

Number of customers	14,270
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City of Morristown, Tennessee
Schedule of Water Rates and Number of Customers
June 30, 2010

Inside City Rate

Customer charge per month	\$	4.65
First 50,000 gallons		2.05
Next 50,000 gallons		1.80
Over 100,000		1.60

Minimum bill:

5/8" meter	8.75
3/4" meter	9.25
1" meter	10.00
1 1/2" meter	11.50
2" meter	16.00
3" meter	61.00
4" meter	71.00
6" meter	101.00

Outside City rates:

Customer charges per month	4.65
First 50,000 gallons	4.10
Next 50,000 gallons	3.60
Over 100,000 gallons	3.20

Minimum bill:

5/8" meter	12.85
3/4" meter	13.35
1" meter	14.10
1 1/2" meter	15.60
2" meter	20.10
3" meter	65.10
4" meter	75.10
6" meter	105.10

Monthly fire protection charges

4"	25.00
6"	40.00
8"	50.00
10"	100.00
12"	125.00

Number of Customers

12,567

City of Morristown, Tennessee
Schedule of Monthly Broadband Rates
June 30, 2010

Standard Cable:

Expanded basic	\$ 46.95
Digital basic	54.95
Digital bronze	63.95
Digital silver	71.95
Digital gold	84.95
Premium channels	9.95-12.95

Internet:

Residential	
Tier 1	34.95
Tier 2	39.95
Tier 3	59.95
Tier 4	99.95
Tier 5	159.95

Commercial

Tier 1	44.95
Tier 2	74.95
Tier 3	99.95
Tier 4	149.95
Tier 5	199.95

Telephone:

Residential	
Basic pick	22.95
Preferred Pack	25.00
Additional services	3.75-8.95
Long distance per minute	0.05

Commercial

Access line	25.95
Busines local telephone service	36.95
Additional services	6.95-25.95
Long distance rate per minute	0.05

Note: The Telecom System began operations in 2006

City of Morristown, Tennessee
Principal Property Taxpayers, Current Year
June 30, 2010

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
MAHLE	27,131,467	1	3.72%
TOYODA-TRW	18,342,406	2	2.52%
TUFF TORQ CORP	11,481,568	3	1.58%
BERKLINE/TBC	9,578,503	4	1.31%
VIFAN	9,845,432	5	1.35%
CBL MORRISTOWN LTD	9,581,600	6	1.31%
OTICS USA INC	8,983,079	7	1.23%
BELLSOUTH	6,623,222	8	0.91%
LEAR OPERATION	6,582,434	9	0.90%
MERITOR/ROCKWELL	4,842,003	10	0.66%

City of Morristown, Tennessee
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
June 30, 2010

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			
2000	24,966	22,628	10,901,300	12,315,603	23,216,903	0.10%	\$ 929.94
2001	24,977	23,586	18,242,200	12,075,966	30,318,166	0.08%	\$ 1,213.84
2002	25,137	23,994	14,020,286	13,817,661	27,837,947	0.09%	\$ 1,107.45
2003	25,023	25,012	13,155,286	15,204,305	28,359,591	0.09%	\$ 1,133.34
2004	25,055	25,910	11,042,686	15,201,571	26,244,257	0.10%	\$ 1,047.47
2005	25,402	26,059	12,202,286	35,023,408	47,225,694	0.06%	\$ 1,859.13
2006	25,716	26,214	20,922,286	48,548,085	69,470,371	0.04%	\$ 2,701.45
2007	25,686	26,204	22,538,317	48,583,584	71,121,901	0.04%	\$ 2,768.90
2008	26,419	26,338	24,008,317	57,350,826	81,359,143	0.03%	\$ 3,079.57
2009	25,800	27,007	22,521,414	62,632,314	85,153,728	0.03%	\$ 3,300.53
2010	25,800	27,007	21,676,922	70,536,488	92,213,410	0.03%	\$ 3,574.16

City of Morristown, Tennessee

Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years

June 30, 2010

<u>Fiscal Year</u>	<u>Population</u>	<u>Actual Value of Taxable Property</u>	<u>General Bonded Debt</u>	<u>Percent of General Obligation Debt to Actual Value</u>	<u>Net Bonded Debt Per Capita</u>
2000	24,966	1,225,572,257	10,901,300	0.89%	437
2001	24,977	1,637,704,995	18,242,200	1.11%	730
2002	25,137	1,668,996,219	14,020,286	0.84%	558
2003	25,023	1,653,214,110	13,155,286	0.80%	526
2004	25,055	1,683,016,247	11,042,686	0.66%	441
2005	25,402	1,706,865,190	12,202,286	0.71%	480
2006	25,716	2,030,459,639	20,922,286	1.03%	814
2007	25,686	2,130,508,894	22,538,317	1.06%	877
2008	26,419	2,257,282,643	24,008,317	1.06%	909
2009	25,800	2,377,490,324	22,521,414	0.95%	873
2010	25,800	2,776,600,762	21,676,922	0.78%	840

City of Morristown, Tennessee
City Government Employees by Function/Program
 June 30, 2010

Function/Program	Employees as of June 30			
	2010	2009	2008	2007
<u>General government</u>				
Mayor and Council	7	7	7	7
City Administration & Staff	3	3	3	4
Finance	5	7	7	7
Purchasing	1	1	1	1
Information Technology	2	2	2	2
Human Resources	2	2	2	2
Legal Services	2	2	2	2
Planning	7.3	7.3	8.4	8.4
Engineering	3.3	3.3	3.9	3.4
Inspections	5	5	5	5
<u>Police</u>				
Supervision	5	5	5	5
Patrol	67	67	70	63
Investigations	15	15	13	13
Vice	1	1	1	1
Narcotics	5	5	4	4
<u>Fire</u>				
Supervision	6	6	6	4
Firefighting	84	84	84	87
Prevention & Inspection	2	2	2	1
<u>Public Works</u>				
Supervision	1.5	1.5	1.5	1.5
Buildings & Grounds	2	2	2	6
Equipment Shop	7	7	7	7
Repairs & Maintenance	10	10	10	10
Street Lights & Signs	2	2	2	2
Brush & Snow	13	13	13	14
Communication Shop	2	2	2	2
Storms Drains & Ways	0	0	0	4
Street Cleaning	0	0	0	2
Parks and Recreation	20	20	20	21
Sewer	25.9	25.9	25.7	22.7
Storm Water	7	7	6.5	0
Solid Waste	13	13	13	13
Total	<u>326</u>	<u>328</u>	<u>329</u>	<u>325</u>

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CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MORRISTOWN, TENNESSEE 37816-1779

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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

Honorable Board of Mayor and Aldermen
City of Morristown, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morristown, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City of Morristown, Tennessee's basic financial statements and have issued our report thereon dated December 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Morristown, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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 of Morristown, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Morristown, Tennessee's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Morristown, Tennessee's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the City of Morristown, Tennessee's financial statements that is more than inconsequential will not be prevented or detected by the City of Morristown, Tennessee's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The findings are numbered 10-1 through 10-6 and are considered to be material weaknesses.

Honorable Board of Mayor and Aldermen

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Morristown, Tennessee's internal control.

Compliance and Other Matters

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

We noted certain matters that we reported to management of City of Morristown, Tennessee, in a separate letter dated December 15, 2010.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Craige, Thompson + Jones P.C.

Morristown, Tennessee
December 15, 2010

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE WITH REQUIREMENT APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Morristown, Tennessee

Compliance

We have audited the compliance of City of Morristown, Tennessee with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. City of Morristown, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Morristown's management. Our responsibility is to express an opinion on City of Morristown's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Morristown, Tennessee's compliance with those requirements and performing such other procedure as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Morristown, Tennessee's compliance with those requirements.

In our opinion, City of Morristown, Tennessee complied, in all material effects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of City of Morristown, Tennessee's is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Morristown, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City of Morristown, Tennessee's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operations of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Craine, Thompson + Jones P.C.". The signature is written in a cursive, flowing style.

Morristown, Tennessee
December 15, 2010

City of Morristown, Tennessee
Schedule of Findings and Questioned Costs
June 30, 2010

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unqualified
Material weaknesses identified?	Yes
Significant deficiency identified that is not considered to be Material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified	no
Reportable conditions identified not considered	none reported
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a):	no
Identification of major programs:	
CDBG	14.218
Dollar threshold used to distinguish between Type A and B programs	\$300,000
Auditee qualified as low-risk auditee	no

Section II – Financial Statement Findings:
Finding No. 10-1

CONDITION: As part of the audit, we prepared the financial statements, including the government-wide presentation and related notes from information provided by the City. Under current professional standards, the City is responsible for the internal control process which includes the preparation of year-end financial statements in accordance with generally accepted accounting principles and the modified accrual basis of accounting. Some adjustments were necessary to properly record and adjust transactions. These included investments, receivables, payables, revenue, and expenditures and government-wide adjustments.

CRITERIA: To enhance internal controls and to increase proper oversight and independent review, all adjustments and transfers should be appropriately documented and approved. General ledger accounts should be timely reviewed, reconciled to the corresponding subsidiary reports and adjusted.

CAUSE OF CONDITION: The effect of this weakness creates the possibility that misstatements may not be timely noted or corrected to report in accordance with *Government Auditing Standards*.

EFFECT OF CONDITION: The City's system of internal control is not sufficient to meet its responsibility under government accounting standards.

RECOMMENDATION: The City should put into place the necessary resources so that it can meet its responsibility for an effective system of internal control. These resources should be sufficient to allow its Finance Department to adequately fulfill the duties and responsibilities inherent in an organization the size of the City of Morristown.

Section II – Financial Statement Findings: (cont)

Management Response

Management agrees with finding that we are responsible for the processes of preparing financial statements in accordance to accounting standards. Procedures are being implemented to ensure that financial statements will be accurately prepared in the future.

Finding No. 10-2

CONDITION: The City does not have sufficient staff in its finance department to achieve a complete segregation of duties.

CRITERIA: A proper segregation of duties requires that the personnel recording accounting transactions not be involved in the processing or recording of the transactions.

CAUSE OF CONDITION: The City's Finance Director is involved in the processing, accounting, and reporting of most financial transactions of the City.

EFFECT OF CONDITION: The City has a major weakness in its internal control structure. Without the adequate segregation of duties, there is the potential for the override of accounting controls.

RECOMMENDATION: We recommend that the City evaluate its Finance Department and begin the process of making improvements in the segregation of duties in this department. This evaluation should consider the size and organization of finance departments in cities comparable to Morristown.

Management Response

Management understands the importance of internal control and the segregation of duties. Staff size was reduced to help meet budgetary shortfall concerns with the economic downturn. Until revenue begins to recover, management will review current duties and procedures to improve controls on the processes in the Finance Department.

Finding No. 10-3

CONDITION: The Solid Waste Disposal Fund had deficit fund balance in the amounts of \$3,706 at June 30, 2010.

CRITERIA: Proper financial management dictates that expenditures be limited to the extent that revenue and fund balance is available.

CAUSE OF CONDITION: Insufficient funds were transferred from the General Fund to the Solid Waste Disposal Fund to meet its accounts payable at year-end.

EFFECT OF CONDITION: The above conditions caused the Solid Waste Fund to be in a deficit position at June 30, 2010.

RECOMMENDATION: The City should consider all potential obligations that might exist at year-end when considering final budget amendments for its funds' budgets.

Management Response

Management agrees with finding. During the 2010 fiscal year, fees were approved by Council and implemented to fund the solid waste fund. Staff will review financial statements to determine appropriate amounts to transfer from General Fund (if necessary) prior to the end of the fiscal year.

Section II – Financial Statement Findings: (cont)

Finding No. 10-4

CONDITION: The CDBG Fund of the City of Morristown over spent its legally adopted budget for the year ended June 30, 2010.

CRITERIA: The level of expenditures in a fund is limited by its appropriation for a fiscal year.

CAUSE OF CONDITION: The City received more funds for this fund than had been anticipated. These funds were expended without amending the budget for the fund.

EFFECT OF CONDITION: This situation constitutes a technical violation of state law (TCA-6-56-203).

RECOMMENDATION: The City should review the budgetary operations of all funds when contemplating amendments to any budget.

Management Response

Management agrees with finding. Staff will routinely review financial statements to determine when budget amendments (if necessary) will be produced and presented to Council for approval.

Finding No. 10-5

CONDITION: The City of Morristown does not have formal written policies and procedures in place to document its accounting system, internal control structure, and the assignment of employee responsibilities to effectively capture and report the City's financial information

CRITERIA: An effective system for internal control requires that formal policies be in place for an organization's accounting system and internal control structure.

CAUSE OF CONDITION: Policies and procedures used by the City have never been formalized and put into written form.

EFFECT OF CONDITION: A situation such as this is a material weakness in internal control. The City has no means to document its accounting practices and internal control structure. Should something happen to a key official or employee, his or her successor could have difficulty in understanding the extent of their responsibility. The ability to gather information is affected because departments are sometimes unclear as to their responsibility for either providing or gathering the information required to support the recording and reporting of transactions.

RECOMMENDATION: The City should formally adopt the accounting practices and internal control policies that effectively address accounting, legal, state, and federal grantor requirements. Such a document should address the role and responsibility of each department in the accounting process and internal structure.

Management Response

Management agrees with finding and will begin developing "Standard Operating Procedures" which will be incorporated with current job duties. These procedures will be in written form and will be disseminated to staff.

Section II – Financial Statement Findings: (cont)

Finding No. 10-6

CONDITION: The Sewer Fund and the Storm Water Fund operated at losses of \$1,201,922 and \$13,281 respectively for the year ended June 30, 2010.

CRITERIA: State law requires that public utilities operate in a manner that makes them self supporting entities.

CAUSE OF CONDITION: Revenue was insufficient to cover operations of these utilities.

EFFECT OF CONDITION: These utilities operated at a loss and this situation constitutes a violation of state law.

RECOMMENDATION: The City should review the operation of these funds and consider what adjustments might need to be made in rate structures and if other sources of revenue might be able to remedy this situation.

Management Response

Management agrees with finding. A rate structure has been approved by Council to help resolve the deficit situation in both funds. The Sewer Fund also had additional costs associated with a customer that is currently being resolved.

City of Morristown, Tennessee
Disposition of Prior Year Findings
June 30, 2010

FYE 6/30/2009

Finding 1: Loan from Sewer Fund to Storm Water Fund.

This condition still existed at June 30, 2010.