

***CITY OF MORRISTOWN, TENNESSEE***

***AUDIT REPORT***

***June 30, 2011***

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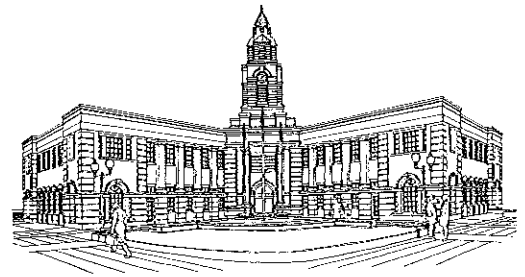
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# City of Morristown

*Incorporated 1855*



DANNY THOMAS  
Mayor

December 29, 2011

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, 2011.

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, 2011, 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, 2011, 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 24 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**

Last year saw our local economy showing signs of recovery like the rest of sales in the nation. In FY 2011 the City experienced a 5.9% increase in the local option sales tax. When compared to the original budget the actual was over \$1 million.

### **Major Initiatives**

Last year, three of our industries have announced plans for expansion. All expansions are still on course, which will employ approximately 100 additional people.


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 and one plant announcement was made. The new facility will employ approximately 600 people.

### **Acknowledgement**

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 of 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, 2011*

***MAYOR***

*Danny Thomas*

***COUNCIL***

*Kay Senter  
Claude Jinks  
Chris Bivens  
Paul Lebel  
Gene Brooks  
Bob Garrett*

*City Administrator  
Assistant City Administrator  
City Attorney  
Director of Internal Services  
Director of Finance  
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  
Larry Clark  
Dynise Robertson  
Alan Hartman  
Roger Overholt  
William Honeycutt  
Jay Moore  
Ralph Fielder  
Jeff Branham  
Craig Price*



# CRANE, THOMPSON, & JONES, P.C.

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## 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, 2011, 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 \$134,319,335 as of June 30, 2011, and total revenue of \$90,507,728 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, 2011, 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 5, 2011, 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.

Morristown, Tennessee  
December 5, 2011

## 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, 2011. 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 pages 1 to 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 \$145.5 million (net assets), an increase of nearly \$8.2 million during FY 2011. Of this amount, \$28.7 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 \$5.9 million, an increase of almost \$3.8 million from the prior year.
- The City of Morristown's total long-term debt decreased by about \$4,768,440 during the current fiscal year. The General Fund's long-term debt decreased by \$1,277,732.
- The City of Morristown's General Fund reported a fund balance of \$6,603,089 on June 30, 2011.

### 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 non-major 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 18 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 51 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 \$145.5 million at the close of the most recent fiscal year. Net assets increased by \$8.2 million for the period.

	Governmental activities		Business-type activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$29,932,825	\$27,699,281	\$ 46,029,922	\$41,853,717	\$ 75,962,747	\$ 69,552,998
Capital assets	51,990,173	54,084,500	141,510,238	137,831,060	193,500,411	191,915,560
Total assets	81,922,998	81,783,781	187,540,160	179,684,777	269,463,158	261,468,558
Long-term liabilities outstanding	19,711,659	21,562,149	67,737,951	67,143,149	87,449,610	88,705,298
Other liabilities	11,908,968	12,520,099	24,588,527	22,958,837	36,497,495	35,478,936
Total liabilities	31,620,627	34,082,248	92,326,478	90,101,986	123,947,105	124,184,234
Net assets:						
Invested in capital assets, net of related debt	31,753,875	32,407,578	72,398,653	73,214,568	104,152,528	105,622,146
Restricted	3,002	353,457		585,465	3,002	938,922
Assigned	12,641,353	12,820,683				
Unrestricted	5,904,141	2,119,815	22,815,516	15,782,758	28,719,657	17,902,573
Total Net assets	\$ 50,302,371	\$ 47,701,533	\$ 95,214,169	\$ 89,582,791	\$ 145,516,540	\$ 137,284,324

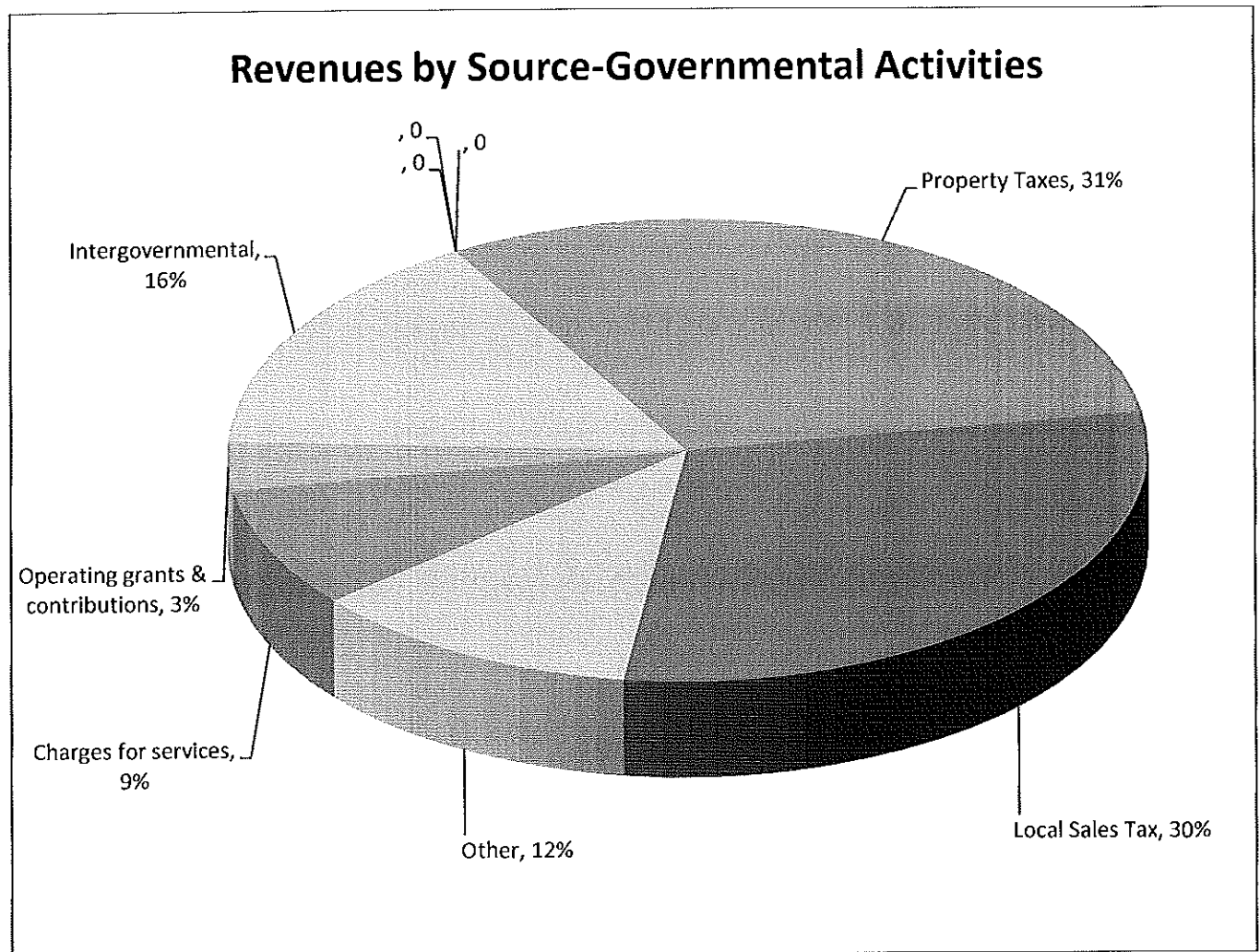
By far the largest portion of the City of Morristown's net assets (72%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Morristown uses these capital assets to provide 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 (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$28,719,657) 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 an unrestricted fund balance of \$6,603,089 on June 30, 2011.

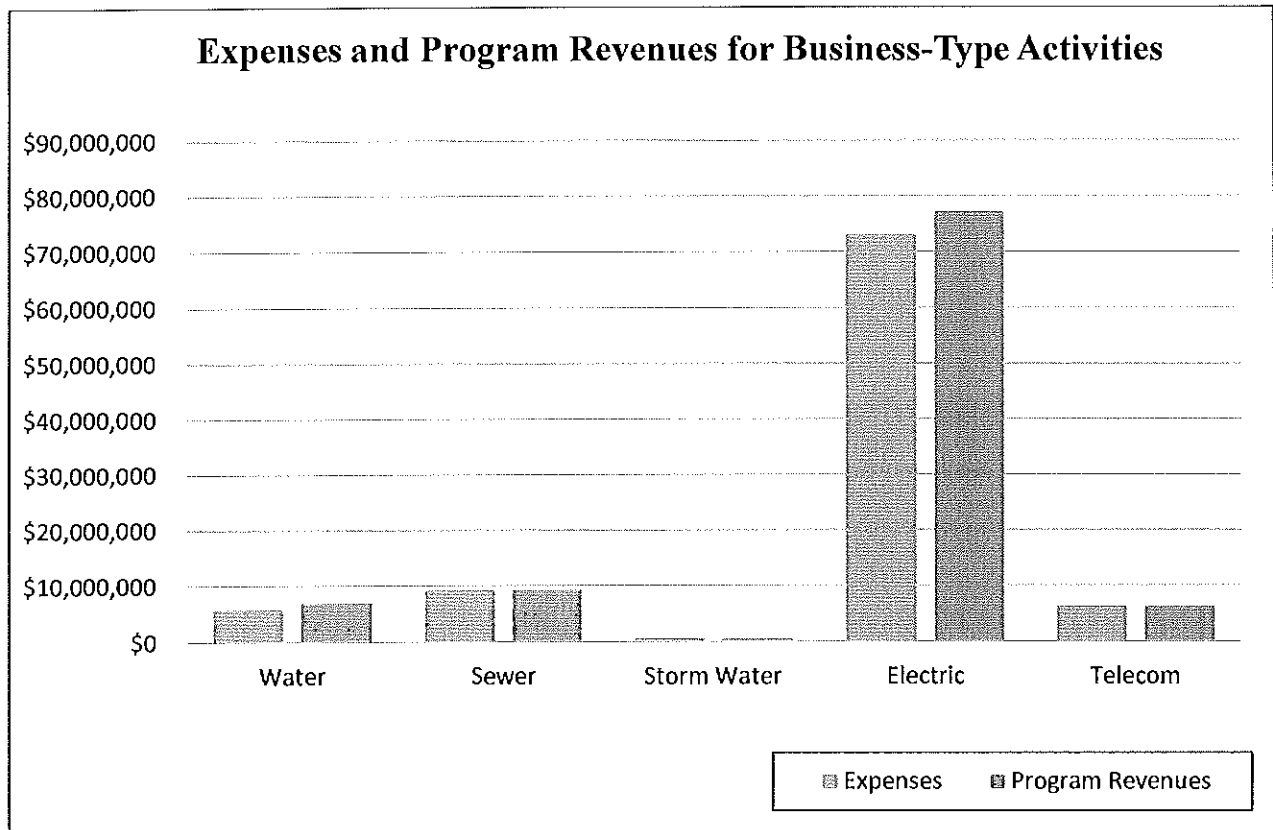
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 2,736,480	\$ 1,624,219	\$ 100,274,450	\$ 88,117,786	\$ 103,010,930	\$ 89,742,00
Operating grants & contributions	1,091,876	975,928	-	-	1,091,876	975,92
Capital grants & contributions	-	660,995	847,793	84,631	847,793	745,62
General revenues:						
Property taxes	9,885,189	9,180,026	-	-	9,885,189	9,180,02
Sales tax	9,611,440	9,454,955	-	-	9,611,440	9,454,95
Intergovernmental	5,112,921	4,188,982	-	-	5,112,921	4,188,98
Other	3,748,735	3,874,039	86,495	95,302	3,835,230	3,969,34
Total revenues	<u>32,186,641</u>	<u>29,959,144</u>	<u>101,208,738</u>	<u>88,297,719</u>	<u>133,395,379</u>	<u>118,256,86</u>
Expenses:						
General government	3,518,056	3,536,036	-	-	3,518,056	3,536,03
Public safety	13,528,045	13,510,787	-	-	13,528,045	13,510,78
Public works	8,372,617	7,208,206	-	-	8,372,617	7,208,20
Economic development	1,805,109	553,177	-	-	1,805,109	553,17
Parks & recreation	1,805,109	1,767,692	-	-	1,805,109	1,767,69
Civic support	663,498	624,033	-	-	663,498	624,03
Transportation	-	767,273	-	-	-	767,27
Retiree Health Insurance	439,304	394,866	-	-	439,304	394,86
Interest on long-term debt	283,153	342,543	-	-	283,153	342,54
Water	-	-	5,840,954	5,305,637	5,840,954	5,305,63
Sewer	-	-	9,210,878	7,844,245	9,210,878	7,844,24
Storm water	-	-	592,574	576,843	592,574	576,84
Electric	-	-	73,019,022	63,957,470	73,019,022	63,957,47
Telecom	-	-	6,321,905	7,030,319	6,321,905	7,030,31
Total expenses	<u>30,414,891</u>	<u>28,704,613</u>	<u>94,985,333</u>	<u>84,714,514</u>	<u>125,400,224</u>	<u>113,419,12</u>
Increase (decrease) in net assets before transfers	1,771,750	1,254,531	6,223,405	3,583,205	7,995,155	4,837,73
Transfers	813,163	734,958	(813,163)	(734,958)	-	-
Increase (decrease) in net assets	2,584,913	1,989,489	5,410,242	2,848,247	7,995,155	4,837,73
Net assets - July 1, 2010	47,701,533	45,712,044	89,582,791	85,783,848	137,284,324	131,495,89
Prior period adjustment	114,945	-	115,719	950,696	230,664	950,69
Net assets - June 30, 2011	<u>\$ 50,401,391</u>	<u>\$ 47,701,533</u>	<u>\$ 95,108,752</u>	<u>\$ 89,582,791</u>	<u>\$ 145,510,143</u>	<u>\$ 137,284,32</u>

The graph below presents the major sources of revenue for governmental activities.



The property tax continues to be a stable revenue source for the City. For FY 2011 collections from all tax periods increased \$810,580 from FY 2010.

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 \$6,990,366 an increase of \$3,834,095.

The general fund's fund balance increased \$3,443,112. This was mainly due to budget controls implemented on the expenditure side. The general fund's unreserved fund balance is \$6,603,089.

The solid waste fund is used to account for the City's sanitation and recycling operations. The solid waste fund's operations are funded by user fees for sanitation operations and General Fund for recycling operations. 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 is unable to meet the obligation.



**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 net assets of the City's sewer fund increased \$5.6 million for FY 2011. This was due primarily to sewer improvements completed in 2011. One improvement was rehab to a major collection line for our system (Cumberland). The City is currently evaluating other projects for completion to comply with an order by TDEC.

The storm water system had operating gain of \$53,897 for the fiscal year. This was due to implementation of a storm water fee.

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 \$18,062,340, an increase of \$5,134,304. The Morristown Utility Commission debt decreased by \$1,815,383. 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 2011.

## **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for FY 2011 can be briefly summarized as follows:

- \$1,200,000 ARRA Grants for paving projects
- \$598,803 Purchase of Industrial Development Land
- \$628,000 Morristown Airport Terminal

The increases were funded from grants and grant sources, fund balance, and bond 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, 2011, amounts to \$ 51.9 million and \$ 143.7 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements other than buildings, equipment, infrastructure and construction in progress.

<b>City of Morristown's Capital Assets</b> (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	7,658,184	7,658,184	2,272,839	2,272,839	9,931,023	9,931,023
Buildings	12,321,007	11,384,910	-	-	12,321,007	11,384,910
Improvements other than buildings	1,771,213	2,286,138	-	-	1,771,213	2,286,138
Machinery & equipment	2,763,558	3,281,410	-	-	2,763,558	3,281,410
Infrastructure	27,476,211	28,633,648	-	-	27,476,211	28,633,648
Utility plant and equipment	-	-	133,221,994	128,665,686	133,221,994	128,665,686
Construction in progress	-	840,210	8,288,244	6,892,534	8,288,244	7,732,744
<b>Total</b>	<b>51,990,173</b>	<b>54,084,500</b>	<b>143,783,077</b>	<b>137,831,059</b>	<b>195,773,250</b>	<b>191,915,559</b>

Additional information on the City of Morristown's capital assets can be found on page 57 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$87.8 million; of this amount \$20.2 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 \$57.0 of the total outstanding debt in a fully variable rated product. The telecom system's outstanding debt of \$4,825,142 consists entirely of a variable rate product.

In FY 2010 the City issued debt to refinance Series A-I-G and borrow additional funds for Public Works and Sewer Projects. The amount of the offering was \$5 million. The following is a brief summary of the City's long-term debt by fund:

### City of Morristown's Long-Term Debt

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011
Governmental activities				
General fund	\$ 21,514,003	\$ -	\$ 1,277,732	\$ 20,236,271
Solid waste fund	612,919	-	223,930	\$ 388,989
Total governmental activities	22,126,922	-	1,501,662	20,625,260
Business-type activities				
Sewer system	30,787,211	2,951,626	4,400,401	29,338,436
Storm water system	81,459	-	2,620	78,839
Electric system	17,683,813	-	588,501	17,095,312
Water system	17,055,967	-	1,123,985	15,931,982
Telecom system	4,928,039	-	102,897	4,825,142
Total business-type activities	70,536,489	2,951,626	6,218,404	67,269,711
Total Debt	\$ 92,663,411	\$ 2,951,626	\$ 7,720,066	\$ 87,894,971

Additional information on the City of Morristown's long-term debt can be found on page 63 of this report.

#### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Morristown was 12.1% for June 2011, which is an increase from a rate of 0.9% a year ago. This compares to the state's average unemployment rate of 9.8% and the national rate of 9.2%.
- Inflationary trends in the region compare favorably to national indices.
- Taxable sales were up over 8% in FY 2011 when compared to FY 2010.
- Sewer revenues increased over 43% in FY 2011 when compared to FY 2010. Part of the increase was due to a rate increase of 35% implemented in 2011. The difference is due to an increase in volume being treated from our industrial users.

In budget preparations for 2012, the close monitoring procedures that were enacted in 2011 continued. Staff then approached the 2012 budget looking to fund capital needs that had not been funded in the previous years. Various factors lead to this direction. First was the increase in sales tax collections from the previous year. Also three manufacturers are going to expand their operations and we had an announcement of a new manufacturer coming to our area. This will offset the loss of a furniture company that occurred this summer.

All of these factors were considered in the preparation and continual monitoring of the City of Morristown's budget for the FY 2011.

## **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](http://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, 2011

	Primary Government		
	Government Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 5,441,837	\$ 20,114,069	\$ 25,555,906
Receivables (net of allowance for uncollectibles)	12,093,866	10,973,412	23,067,278
Inventories	-	1,368,064	1,368,064
Accrual for unbilled revenue	55,491	2,253,230	2,308,721
Internal balances	335,000	7,420,764	7,755,764
Discounted energy units		123,777	123,777
Other current assets	277,109	37,726	314,835
Capital assets (net of accumulated depreciation):			
Land	7,658,184	2,272,839	9,931,023
Buildings	12,321,007		12,321,007
Improvements	1,771,213		1,771,213
Equipment	2,763,558		2,763,558
Infrastructure	27,476,211		27,476,211
Utility plant and equipment	-	133,221,994	133,221,994
Construction in progress	-	8,288,244	8,288,244
Real estate-non-operating	11,729,522		11,729,522
Discounted energy units less current portion		56,881	56,881
Other assets	-	1,000,697	1,000,697
Plant acquisition adjustments		739,901	739,901
<b>Total assets</b>	<b>\$ 81,922,998</b>	<b>\$ 187,871,598</b>	<b>\$ 269,794,596</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 142,655	\$ 7,869,711	\$ 8,012,366
Accrued expenditures and other current liabilities	407,105	3,342,718	3,749,823
Due to others - bonds and deposits	38,539		38,539
Internal balances	-	7,755,764	7,755,764
Customer deposits		2,628,084	2,628,084
Unearned revenue	9,709,805	284,242	9,994,047
Advances		-	-
General bonded debt			
Due within one year	1,340,592	3,545,601	4,886,193
Due in more than one year	18,895,706	64,829,819	83,725,525
Capital lease obligation			
Due within one year		17,150	17,150
Due in more than one year		1,792	1,792
Contractual liability		2,302,733	2,302,733
Compensated absences:			
Estimated to be paid within one year	270,272		270,272
Estimated to be paid after one year	815,953	78,815	894,768
<b>Total liabilities</b>	<b>31,620,627</b>	<b>92,656,429</b>	<b>124,277,056</b>
<b>Net assets</b>			
Invested in operating capital assets net of related debt	31,753,875	72,923,445	104,677,320
Restricted for:			
Diversity Task Force	3,002		3,002
Narcotics	4,715		4,715
Gas Tax	636,962		636,962
Assigned for Encumbrances	18,543		18,543
Assigned for health clinic	514,332		514,332
Assigned for Community Development	70,241		70,241
Assigned for Sidewalks	1,000		1,000
Assigned for Land Inventory	11,729,522		11,729,522
Unrestricted(deficit)	5,570,179	22,291,724	27,861,903
<b>Total net assets</b>	<b>\$ 50,302,371</b>	<b>\$ 95,215,169</b>	<b>\$ 145,517,540</b>

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.

City of Morristown, Tennessee  
Statement of Activities  
Year Ended June 30, 2011

Functions/Program	Program revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service		Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Functions/Program</b>							
<b>Primary government</b>							
General government	\$ 3,518,056	\$ 134,066	\$ -	\$ -	\$ (3,383,990)	\$ -	\$ (3,383,990)
Public safety	13,528,045	1,510,750	371,880	-	(11,645,415)	-	(11,645,415)
Public works	8,161,772	1,091,664	2,076	-	(7,068,032)	-	(7,068,032)
Parks and recreation	1,805,109	-	54,379	-	(1,750,730)	-	(1,750,730)
Economic development	1,904,129	-	566,309	-	(1,337,820)	-	(1,337,820)
Civic Support	663,498	-	97,232	-	(566,266)	-	(566,266)
Retiree health insurance	439,304	-	-	-	(439,304)	-	(439,304)
Long-term debt expense	263,153	-	-	-	(263,153)	-	(263,153)
Total governmental activities	30,303,066	2,736,480	1,091,876	-	(26,474,710)	-	(26,474,710)
<b>Business-type activities:</b>							
Water	5,840,612	6,936,381	-	747,224	-	1,842,993	1,842,993
Sewer	8,439,027	9,308,092	-	100,569	-	969,634	969,634
Storm Water	562,423	541,053	-	-	-	(21,370)	(21,370)
Electric	73,073,525	77,167,026	-	-	-	4,093,501	4,093,501
Telecom system	6,321,905	6,321,898	-	-	-	(7)	(7)
Total business-type activities	94,237,492	100,274,450	-	847,793	-	6,884,751	6,884,751
<b>Total primary government</b>	\$ 124,540,558	\$ 103,010,930	\$ 1,091,876	\$ 847,793	\$ (26,474,710)	\$ 6,884,751	\$ (19,589,959)
<b>Property taxes</b>					\$ 9,138,037	\$ -	\$ 9,138,037
<b>Franchise taxes</b>					400,815	-	400,815
<b>Local sales tax</b>					9,611,440	-	9,611,440
<b>Alcohol beverage tax</b>					1,140,739	-	1,140,739
<b>Business and gross receipts tax</b>					882,131	-	882,131
<b>Hotel/motel tax</b>					454,855	-	454,855
<b>Other revenue</b>					764,768	86,495	851,263
<b>Intergovernmental (unrestricted)</b>					5,112,921	-	5,112,921
<b>Total governmental fund revenue</b>					27,505,706	86,495	27,592,201
<b>Transfers</b>					1,454,897	(1,454,587)	310
<b>Total general revenues and transfers</b>					28,960,603	(1,368,092)	27,592,511
<b>Change in net assets</b>					2,485,893	5,516,659	8,002,552
<b>Net assets - beginning</b>					47,701,533	89,582,791	137,284,324
<b>Prior period adjustment</b>					114,945	115,719	230,664
<b>Net assets as adjusted - beginning</b>					47,816,478	89,698,510	137,514,988
<b>Net assets - ending</b>					\$ 50,302,371	\$ 95,215,169	\$ 145,517,540

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

**City of Morristown, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	<b>General</b>	<b>Solid Waste Fund</b>	<b>NonMajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,200,290	\$ 203,266	\$ 38,281	\$ 5,441,837
Receivables (net of allowance for uncollectibles)	11,895,702	129,474	68,690	12,093,866
Interfund loans receivable -current	442,109	-	-	442,109
Inventories	-	-	-	-
Completed Projects and EQ	-	-	-	-
Accumulated Depreciation	-	-	-	-
Accrued Unbilled Revenue	-	55,491	-	55,491
Interfund loans receivable -long term	170,000	-	-	170,000
<b>Total assets</b>	<b>\$ 17,708,101</b>	<b>\$ 388,231</b>	<b>\$ 106,971</b>	<b>\$ 18,203,303</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 142,655	\$ -	\$ -	\$ 142,655
Due to others-bonds	38,539	-	-	38,539
Accrued expenditures	343,931	2,067	9,937	355,935
Payroll withholdings	51,170	-	-	51,170
Unearned revenue	9,687,727	-	22,078	9,709,805
<b>Total liabilities</b>	<b>10,264,022</b>	<b>2,067</b>	<b>32,015</b>	<b>10,298,104</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
State Street Aid	636,962	-	-	636,962
Narcotics	-	-	4,715	4,715
Diversity Task Force	3,002	-	-	3,002
<b>Fund balance - assigned for</b>				
Encumbrances	19,656	(1,113)	-	18,543
Health savings	514,332	-	-	514,332
Sidewalks	1,000	-	-	1,000
Community Development	-	-	70,241	70,241
Assigned-interfund advance	-	-	-	-
Unreserved fund balance(deficit)	6,269,127	387,277	-	6,656,404
<b>Total equity</b>	<b>7,444,079</b>	<b>386,164</b>	<b>74,956</b>	<b>7,905,199</b>
<b>Total liabilities and fund equity</b>	<b>\$ 17,708,101</b>	<b>\$ 388,231</b>	<b>\$ 106,971</b>	
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>				
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	-	-	-	51,990,173
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds	-	-	-	(21,322,523)
<b>Net assets of governmental activities</b>				<b>\$ 50,302,371</b>

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, 2011**

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes:				
Property	\$ 9,233,857	\$ -	\$ -	\$ 9,233,857
Franchise	400,815	-	-	400,815
Local sales tax	9,611,440	-	-	9,611,440
Alcoholic beverages	1,140,739	-	-	1,140,739
Business and gross receipts	882,131	-	-	882,131
Hotel/motel tax	454,855	-	-	454,855
Total taxes	21,723,837	-	-	21,723,837
Licenses, permits and fines	1,414,419	-	96,331	1,510,750
Other revenue	863,570	6,625	-	870,195
Service charges and fees	134,066	1,091,664	-	1,225,730
Intergovernmental	5,659,432	238,100	307,265	6,204,797
<b>Total revenues</b>	<b>29,795,324</b>	<b>1,336,389</b>	<b>403,596</b>	<b>31,535,309</b>
<b>Expenditures</b>				
Current:				
General Government:				
Mayor and Council	160,634	-	-	160,634
City Administrator	429,998	-	-	429,998
Elections	-	-	-	-
Finance	711,971	-	-	711,971
Purchasing	69,067	-	-	69,067
Computer operations	199,595	-	-	199,595
Human resources	171,849	-	-	171,849
Legal services	118,691	-	-	118,691
Community and economic affairs	352,719	-	-	352,719
Codes enforcement	60,756	-	-	60,756
Community development	61,166	-	374,655	435,821
Engineering	260,128	-	-	260,128
Inspections	346,272	-	-	346,272
Clean and Green	-	-	-	-
Main Street	-	-	-	-
Total general government	2,942,847	-	374,655	3,317,502
Public safety:				
Police	6,744,650	-	445,753	7,190,403
Fire	5,819,038	-	-	5,819,038
Emergency Communications & Civil Service	30,277	-	-	30,277
Total public safety	12,593,965	-	445,753	13,039,718



City of Morristown, Tennessee  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2011**

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Public works	5,358,954	1,260,709		6,619,663
Parks and recreation	1,706,724	-	-	1,706,724
Civic support	279,966	-	-	279,966
Library	250,000	-	-	250,000
Economic development	1,868,472	-	-	1,868,472
Transportation	-	-	-	-
Retiree health insurance	439,304	-	-	439,304
Contracts with other Agencies	133,532	-	-	133,532
Debt service:				
Bond principal	1,277,732	223,930	-	1,501,662
Bond interest	214,815	22,409	-	237,224
Bond Expense	45,929	-	-	45,929
Total debt service	1,538,476	246,339	-	
Total expenditures	27,112,239	1,507,048	820,408	29,439,695
Deficiency of revenue over expenditures	2,683,085	(170,659)	(416,812)	2,095,614
<b>Other financing sources (uses):</b>				
Bond Proceeds	-	-	-	-
Transfers in	1,605,315	560,529	488,912	2,654,756
Transfers out	(1,538,388)	-	-	(1,538,388)
Total other financing sources and uses	66,927	560,529	488,912	1,116,368
Net change in fund balance	2,750,012	389,870	72,100	3,211,982
Fund balance- beginning	4,579,122	(3,706)	2,856	4,578,272
Prior period adjustment	114,945			114,945
Fund balance - beginning, as adjusted	4,694,067	(3,706)	2,856	4,693,217
Fund balance-ending	\$ 7,444,079	\$ 386,164	\$ 74,956	\$ 7,905,199

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, 2011

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

Net change in fund balances--total governmental funds	\$ 3,211,895
Governmental funds report capital outlays as expenditures. In the government-wide financial statements, capital asset additions are reported as additions to capital assets.	1,208,943
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.	(3,487,673)
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.	1,501,662
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.	45,929
Compensated absences are considered expenditures when paid on the governmental fund basis, but in the government-wide financial statements are considered expenses as incurred.	5,137
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>\$ 2,485,893</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Local Taxes:				
Property taxes-current	\$ 8,650,000	\$ 8,650,000	\$ 8,707,345	\$ 57,345
Property taxes-prior	225,000	248,250	234,814	(13,436)
Penalty and Interest	85,000	85,000	119,332	34,332
Property taxes-delinquent	80,000	103,250	149,521	46,271
In lieu/tax equivalent	23,000	23,000	22,845	(155)
Cable franchise tax	265,000	265,000	207,450	(57,550)
Gas franchise tax	450,000	450,000	193,365	(256,635)
Local option sales tax	8,721,600	9,381,600	9,611,440	229,840
Wholesale beer tax	850,000	850,000	866,796	16,796
Wholesale liquor tax	220,000	220,000	273,943	53,943
Business & gross receipts tax	860,000	860,000	882,131	22,131
Hotel and Motel tax	462,000	462,000	454,855	(7,145)
Total local taxes	20,891,600	21,598,100	21,723,837	125,737
Licenses and permits:				
Beer permits	12,000	12,000	15,292	3,292
Building permits	125,000	125,000	144,555	19,555
Development fees	3,000	3,000	5,330	2,330
Sign Permits	-	-	45	
Farmers Market Permit	-	-	5,645	5,645
Server permits	6,500	6,500	18,030	11,530
Total licenses and permits	146,500	146,500	188,897	42,352
Intergovernmental Revenue:				
USDA Summer Feeding Program	90,000	90,000	97,232	7,232
Other federal revenue	-	-	-	-
ARRA Grants	-	1,200,000	1,122,608	(77,392)
TVA Gross Receipts Tax	284,000	284,000	290,348	6,348
State Sales Tax	1,603,200	1,603,200	1,717,203	114,003
Telecommunication Sales Tax	2,300	2,300	1,801	(499)
State Income Tax	175,000	175,000	114,582	(60,418)
State Beer Tax	13,800	13,800	13,460	(340)
State Gasoline Tax	625,000	625,000	703,166	78,166
State PTS Tax	55,400	55,400	50,760	(4,640)
Dept. of Transportation Airport Grants	-	442,000	441,823	(177)
Other state revenue	106,800	106,800	50,277	(56,523)
C.O.P.S. Grant	-	97,434	55,771	(41,663)
State Excise Tax	47,800	47,800	9,094	(38,706)
Airport maintenance grant	-	-	17,804	17,804
Law enforcement mini grant	-	21,185	-	(21,185)
Fire department reimbursement	-	-	51,853	51,853
Fire Department Grants	-	41,432	33,706	(7,726)
Dept. of Justice Grants	40,000	108,449	42,421	(66,028)
Project Safe neighborhoods	13,000	23,291	-	(23,291)
Police Dept. Grants & Reimbursements	-	92,000	136,850	44,850
Public works grants and reimbursement	-	-	2,076	2,076
Park & rec grants and reimbursement	-	55,000	54,379	(621)
TIIP Grants	-	52,000	51,279	(721)
Fast track grant	-	388,995	202,678	(186,317)
Greenway grant and reimbursement	-	93,000	92,780	(220)
Mainstreet Program	-	-	13,902	13,902
Event donations	-	7,983	11,185	3,202
Other County Revenue	280,000	280,000	280,000	-
Other Reimbursements	-	-	394	394
Total intergovernmental revenue	3,336,300	5,906,069	5,659,432	(246,637)
Fines and users fees:				
Recreational fees	145,000	145,000	134,066	(10,934)
City court fines and costs	1,200,000	1,200,000	1,123,094	(76,906)

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Sex offender registry	3,000	3,000	3,900	900
DUI fines	84,000	84,000	98,528	14,528
Totals fines and users fees	1,432,000	1,432,000	1,359,588	(72,412)
Other revenue:				
Donations to parks and rec	-	7,500	12,038	4,538
Donations	-	-	4,857	4,857
Donations-fast track	-	298,008	149,103	(148,905)
Donations - Police	-	-	743	743
MHA Cost Sharing	40,000	40,000	-	(40,000)
Legacy Trees	-	-	300	300
Interest on investments	15,000	15,000	22,483	7,483
Inventory gain or loss	-	-	6	6
Other revenues	-	85,629	110,000	24,371
Rental of City property	115,000	115,000	100,741	(14,259)
Insurance Reimbursements	-	-	28,352	28,352
Workers Compensation Refunds	-	-	17,513	17,513
Debt Service Reimbursements	-	-	7,346	7,346
Sale of City property	-	340,000	355,283	15,283
Miscellaneous	10,000	10,000	54,805	44,805
Total other revenue	180,000	911,137	863,570	(47,567)
Total Revenue	25,986,400	29,993,806	29,795,324	(198,482)
Expenditures:				
General government:				
Mayor and City Council:				
Wages & salaries	37,200	37,200	37,980	(780)
Christmas bonus & longevity	987	987	730	257
FICA	2,921	2,921	2,376	545
Health and Life insurance	64,207	64,207	69,821	(5,614)
Employee education and training	-	-	931	(931)
Mailing	200	200	85	115
Reproduction and printing	2,500	2,500	3,888	(1,388)
Publications	200	200	75	125
Memberships and fees	18,000	18,000	18,047	(47)
Advertising & publicity	1,500	1,500	2,401	(901)
Professional & consulting	-	-	-	-
Travel	15,000	15,000	10,513	4,487
Other contractual	-	-	123	(123)
Rental and maintenance contracts	3,700	3,700	3,152	548
Contracts with other agencies	-	-	397	(397)
Office supplies	1,000	1,000	1,019	(19)
Small tools and equipment	-	-	33	(33)
Gasoline/ fuels / lubricants	-	-	56	(56)
Other supplies	1,500	1,500	539	961
Insurance	5,000	5,000	4,830	170
Grants	100,000	35,673	3,500	32,173
Office equipment	-	-	138	(138)
Total Mayor and City Council	253,915	189,588	160,634	28,954
City Administrator:				
Wages & salaries	199,572	199,572	201,517	(1,945)
Overtime	346	346	-	346
Wages & Salaries-Temporary Employees	26,000	26,000	19,745	6,255
Christmas Bonus & Longevity	1,277	1,277	1,826	(549)
FICA	15,365	15,365	15,683	(318)
Health and Life Insurance	19,738	19,738	20,637	(899)
Retirement	29,344	29,344	29,436	(92)

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Worker's Compensation	3,050	3,050	3,171	(121)
Unemployment	5,280	5,280	-	5,280
Employment Education & Training	2,000	2,000	840	1,160
Mailing	81	81	137	(56)
Reproduction and Printing	42	42	470	(428)
Publications	806	806	406	400
Memberships & Fees	2,000	2,000	2,581	(581)
Advertising & Publicity	2,020	2,020	708	1,312
Professional & Consulting	-	-	-	-
Travel	22,064	22,064	3,838	18,226
Rental and Maint. Contracts	3,500	3,500	2,619	881
Postal Service	-	-	22	(22)
Office Supplies	764	764	171	593
Small Tools & Minor Equipment	60	60	24	36
Other Supplies	840	840	989	(149)
Insurance general liability	-	-	69	(69)
Grants	30,000	30,000	-	30,000
Office equipment	1,834	1,950	610	1,340
<b>Total City Administrator</b>	<b>365,983</b>	<b>366,099</b>	<b>305,499</b>	<b>60,600</b>
Assistant City Administrator:				
Wages & Salaries-Permanent Employees	92,622	92,622	89,833	2,789
Christmas Bonus & Longevity	825	825	836	(11)
FICA	7,149	7,149	6,809	340
Health & Life Insurance	9,808	9,808	10,064	(256)
Retirement	13,653	13,653	13,225	428
Worker's Compensation	1,525	1,525	1,585	(60)
Mailing	28	28	137	(109)
Memberships & Fees	157	157	134	23
Travel	1,399	1,399	147	1,252
Rental and Maintenance Contracts	700	700	617	83
Office Supplies	111	111	49	62
Small tools and minor equipment	-	-	2	(2)
Gasoline/Fuels/Lubricants	42	42	126	(84)
Automotive Parts and Accessories	144	144	551	(407)
Other Supplies	-	-	-	-
Insurance	485	485	384	101
<b>Total Assistant City Administrator</b>	<b>128,648</b>	<b>128,648</b>	<b>124,499</b>	<b>4,149</b>
Finance Department:				
Wages & Salaries-Permanent Employees	262,182	262,182	253,961	8,221
Overtime	-	-	445	(445)
Christmas Bonus & Longevity	2,010	2,010	2,052	(42)
FICA	20,211	20,211	18,754	1,457
Health and Life Insurance	56,841	56,841	50,300	6,541
Retirement	38,598	38,598	37,354	1,244
Worker's Compensation	9,150	9,150	9,541	(391)
Employee Education & Training	3,000	2,000	1,095	905
Mailing	6,000	6,000	7,343	(1,343)
Reproduction and Printing	750	750	622	128
Publications	250	250	50	200
Memberships & Fees	1,750	1,750	12,274	(10,524)
Advertising and Publicity	1,000	1,000	923	77
Professional & Consulting	93,800	285,188	281,912	3,276
Travel	6,000	7,000	6,767	233
Other Contractual	3,000	712	-	712
Rental and Maintenance Contracts	5,780	5,780	6,171	(391)
Contracts With Other Agencies	-	10,000	10,713	(713)
Office Supplies	4,500	4,629	7,705	(3,076)

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Small Tools & Minor Equipment	-	-	9	(9)
Other Supplies	500	500	40	460
Insurance	1,650	1,650	1,328	322
Office equipment	12,239	8,139	934	7,205
Other machinery and equipment	-	-	1,678	(1,678)
<b>Total Finance Department</b>	<b>529,211</b>	<b>724,340</b>	<b>711,971</b>	<b>12,369</b>
<b>Purchasing Department:</b>				
Wages & Salaries-Permanent Employees	44,391	44,391	43,126	1,265
Christmas Bonus & Longevity	268	268	267	1
FICA	3,416	3,416	3,180	236
Health and Life Insurance	9,478	9,478	10,130	(652)
Retirement	6,525	6,525	6,324	201
Worker's Compensation	1,525	1,525	1,585	(60)
Mailing	200	200	629	(429)
Memberships & Fees	350	350	-	350
Advertising and publicity	-	-	6	(6)
Professional & Consulting	500	500	-	500
Travel	-	2,000	716	1,284
Other Contractual	-	-	-	-
Rental and Maintenance Contracts	2,025	2,025	1,533	492
Contracts With Other Agencies	-	-	-	-
Office Supplies	650	650	423	227
Small Tools & Minor Equipment	100	100	1	99
Other Supplies	50	50	-	50
Insurance	950	950	1,147	(197)
Bonds	-	-	-	-
<b>Total Purchasing Department</b>	<b>70,428</b>	<b>72,428</b>	<b>69,067</b>	<b>3,361</b>
<b>Computer Operations:</b>				
Wages & Salaries-Permanent Employees	117,358	117,358	114,084	3,274
Overtime	-	-	940	(940)
Christmas Bonus & Longevity	710	710	721	(11)
FICA	9,032	9,032	8,553	479
Health and Life Insurance	19,158	19,158	19,652	(494)
Retirement	17,250	17,250	16,875	375
Worker's Compensation	3,050	3,050	3,171	(121)
Employee Education & Training	4,000	4,000	164	3,836
Mailing	-	-	-	-
Publications	50	50	-	50
Memberships & Fees	-	-	675	(675)
Professional & Consulting	1,000	1,000	-	1,000
Repairs and Maintenance	250	250	-	250
Travel	2,000	2,000	1,457	543
Rental and Maintenance Contracts	20,000	20,000	16,732	3,268
Office Supplies	200	200	144	56
Small Tools & Minor Equipment	200	200	190	10
Uniforms	250	250	233	17
Gasoline/Fuels/Lubricants	400	400	305	95
Other Supplies	12,500	12,500	10,627	1,873
Insurance	5,400	5,400	5,072	328
<b>Total Computer Operations</b>	<b>212,808</b>	<b>212,808</b>	<b>199,595</b>	<b>13,213</b>
<b>Human Resources</b>				
Wages & Salaries-Permanent Employees	111,195	111,195	100,304	10,891
Christmas Bonus & Longevity	566	566	370	196
FICA	8,550	8,550	7,467	1,083
Health and Life Insurance	19,096	19,096	17,675	1,421

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Retirement	16,328	16,328	13,325	3,003
Worker's Compensation	3,050	3,050	3,171	(121)
Unemployment	-	-	-	-
Employee Education & Training	18,000	18,000	13,967	4,033
Mailing	150	150	541	(391)
Employee Education & Training	750	750	-	750
Reproduction and Printing	1,000	1,000	364	636
Publications	50	450	1,014	(564)
Memberships & fees	550	550	510	40
Advertising and Publicity	1,000	1,300	1,488	(188)
Professional & Consulting	-	-	-	-
Travel	3,000	2,000	803	1,197
Rental and Maintenance Contracts	2,000	2,000	1,235	765
Office Supplies	800	1,800	2,139	(339)
Small Tools & Minor Equipment	-	-	13	(13)
Other Supplies	4,000	900	266	634
Insurance	4,900	4,900	5,024	(124)
Office equipment	-	2,400	2,173	227
<b>Total Human Resources</b>	<b>194,985</b>	<b>194,985</b>	<b>171,849</b>	<b>23,136</b>
Legal Services:				
Wages & Salaries-Permanent Employees	10,395	10,395	11,045	(650)
Christmas Bonus & Longevity	1,476	1,476	292	1,184
FICA	908	908	32	876
Health and Life Insurance	18,343	18,343	9,527	8,816
Judgment/Fees/Court Costs	500	500	168	332
Publications	2,500	2,500	3,392	(892)
Memberships & Fees	-	-	-	-
Professional & consulting	70,000	84,000	93,027	(9,027)
Insurance	1,350	1,350	1,208	142
<b>Total Legal Services</b>	<b>105,472</b>	<b>119,472</b>	<b>118,691</b>	<b>781</b>
Community and Economic Affairs:				
Wages & Salaries Permanent Employees	190,068	190,068	172,715	17,353
Wages & Salaries Temporary Employees	-	-	280	(280)
Christmas Bonus & longevity	1,955	1,955	1,226	729
FICA	14,690	14,690	12,908	1,782
Health and Life Insurance	27,003	27,003	28,173	(1,170)
Retirement	27,883	27,883	25,357	2,526
Worker's Compensation	4,270	4,270	4,439	(169)
Employee Education & Training	2,000	2,000	1,845	155
Mailing	1,000	1,000	656	344
Reproduction and printing	500	500	121	379
Publications	500	500	216	284
Memberships & Fees	1,250	1,250	1,175	75
Advertising and Publicity	3,000	3,000	931	2,069
Professional & Consulting	-	-	28	(28)
Travel	3,000	3,000	2,072	928
Other Contractual	200	200	-	200
Rental and Maintenance Agreements	-	-	913	(913)
Contracts With Other Agencies	2,000	2,000	204	1,796
Office Supplies	3,000	3,000	3,037	(37)
Small Tools & minor Equipment	-	-	1	(1)
Gasoline/Fuels/Lubricants	1,500	1,500	916	584
Automotive Parts and Accessories	300	300	-	300
Other Supplies	1,200	1,200	1,169	31
Insurance	1,200	1,200	1,147	53
Grants & Subsidies	-	95,000	93,190	1,810

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Community and Economic Affairs	286,519	381,519	352,719	28,800
Codes Enforcement:				
Wages & Salaries-Permanent Employees	36,015	36,015	35,277	738
Christmas Bonus & Longevity	278	278	284	(6)
FICA	2,776	2,776	2,675	101
Health and Life Insurance	9,416	9,416	10,569	(1,153)
Retirement	5,302	5,302	5,177	125
Workers Compensation	1,525	1,525	1,585	(60)
Employee Education & Training	500	500	-	500
Mailing	50	50	42	8
Memberships & Fees	75	75	422	(347)
Professional and consulting	-	-	28	(28)
Repairs and maintenance	-	-	162	(162)
Travel	1,000	1,000	270	730
Other Contractual	500	500	-	500
Rental and Maintenance Contracts	400	400	1,508	(1,108)
Contracts With Other Agencies	-	-	-	-
Office Supplies	100	100	26	74
Small Tools & Minor Equipment	100	100	-	100
Gasoline/Fuels/Lubricants	500	2,500	1,838	662
Automotive Parts and Accessories	500	500	526	(26)
Insurance	1,000	1,000	-	1,000
Other Supplies	100	100	367	(267)
Total Codes Enforcement	60,137	62,137	60,756	1,381
Community Development:				
Grants	-	(4,350)	-	-
Total Community Development	-	(4,350)	-	-
Morristown Community Development Corp.:				
Wages & Salaries Permanent Employees	27,424	27,424	26,634	790
Christmas Bonus & Longevity	211	211	134	77
FICA	2,114	2,114	2,025	89
Health and Life Insurance	4,778	4,778	5,324	(546)
Retirement	3,992	3,992	3,903	89
Worker's Compensation	763	763	794	(31)
Employee Education & Training	500	500	500	-
Mailing	50	50	40	10
Memberships & Fees	595	595	640	(45)
Advertising and publicity	200	200	-	200
Travel	1,850	1,850	1,825	25
Contracts With Other Agencies	10,000	16,248	14,350	1,898
Office supplies	1,200	1,217	1,217	-
Other supplies	300	4,018	3,780	238
Total Morristown Community Dev. Corp.	53,977	63,960	61,166	2,794
Engineering:				
Wages & Salaries Permanent Employees	172,506	172,506	166,338	6,168
Christmas Bonus & longevity	1,454	1,454	758	696
FICA	13,308	13,308	12,504	804
Health and Life Insurance	29,645	29,645	31,552	(1,907)
Retirement	25,215	25,215	24,362	853
Worker's Compensation	4,728	4,728	4,915	(187)
Unemployment	-	-	550	(550)
Employee education and training	-	-	70	(70)
Mailing	-	-	109	(109)
Reproduction and printing	-	-	70	(70)



City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Publications	500	500	-	500
Memberships & fees	2,200	2,200	2,252	(52)
Advertising and Publicity	1,000	1,000	457	543
Professional & Consulting	250	250	322	(72)
Repairs and Maintenance	-	-	-	-
Travel	3,000	3,000	1,005	1,995
Other Contractual	100	100	-	100
Rental and Maintenance Contracts	5,800	5,800	7,117	(1,317)
Contracts With Other Agencies	500	500	-	500
Office Supplies	2,000	2,000	2,165	(165)
Small Tools & Minor Equipment	-	-	-	-
Uniforms	250	250	-	250
Gasoline/Fuel/Lubricants	3,800	3,800	1,802	1,998
Automotive Parts and Accessories	500	500	978	(478)
Vehicle Expense	-	-	-	-
Other Supplies	3,400	3,400	272	3,128
Construction Materials	500	500	302	198
Insurance	3,620	3,620	2,228	1,392
Other machinery and Equipment	-	-	-	-
<b>Total Engineering</b>	<b>274,276</b>	<b>274,276</b>	<b>260,128</b>	<b>14,148</b>
Police Supervision:				
Wages and Salaries permanent Employees	265,949	265,949	248,427	17,522
Overtime	1,000	1,000	1,266	(266)
Christmas Bonus & longevity	2,641	2,641	2,265	376
FICA	20,624	20,624	18,623	2,001
Health and Life Insurance	56,851	56,851	61,125	(4,274)
Retirement	39,299	39,299	36,696	2,603
Worker's Compensation	9,150	9,150	9,513	(363)
Unemployment	-	-	-	-
Employee Education and Training	2,300	2,300	1,229	1,071
Judgment /Fees/Court Costs	-	-	-	-
Mailing	1,200	1,200	1,424	(224)
Reproduction and Printing	300	300	377	(77)
Publications	850	850	272	578
Memberships & fees	900	900	780	120
Advertising & Publicity	200	200	164	36
Professional and Consulting	1,500	1,500	1,290	210
Repairs and Maintenance	50	50	-	50
Travel	6,000	6,000	5,125	875
Other Contractual	1,800	1,800	1,195	605
Rental and Maintenance Contracts	21,957	21,957	14,310	7,647
Contracts With Other Agencies	54,768	54,768	30,014	24,754
Postal Service	-	-	68	(68)
Office Supplies	1,200	1,200	1,030	170
Small Tools & Minor Equipment	500	500	393	107
Janitorial Supplies	250	250	-	250
Uniforms	950	950	650	300
Gasoline/Fuels/Lubricants	5,000	5,000	3,632	1,368
Automotive Parts and Accessories	500	500	630	(130)
Vehicle Expense	150	150	-	150
Other Supplies	1,100	1,100	1,089	11
Other contracted services	-	-	1,401	(1,401)
Construction materials	-	-	2,498	(2,498)
Insurance	6,750	6,750	6,521	229
Grants & Subsidies	-	-	2,247	(2,247)
Office Equipment	-	-	-	-
<b>Total Police Supervision</b>	<b>503,739</b>	<b>503,739</b>	<b>454,254</b>	<b>49,485</b>

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Patrol and Traffic:				
Wages and Salaries Permanent Employees	2,521,450	2,563,475	2,465,738	97,737
Overtime	84,000	109,989	86,097	23,892
Wages & Salaries Temporary Employees	-	-	1,757	(1,757)
Holiday Pay	72,756	72,756	67,860	4,896
Christmas Bonus & Longevity	21,442	21,442	23,343	(1,901)
FICA	201,027	205,975	198,118	7,857
Health and Life Insurance	567,082	583,058	603,188	(20,130)
Retirement	389,292	398,086	382,603	15,483
Worker's Compensation	91,500	94,550	97,883	(3,333)
Unemployment	-	-	3,243	(3,243)
Employee Education and training	24,000	24,000	12,465	11,535
Judgment /Fees/Court Costs	-	-	-	-
Mailing	300	300	286	14
Reproduction and Printing	2,500	3,360	3,515	(155)
Publications	-	-	-	-
Memberships & Fees	1,750	1,750	1,592	158
Advertising & Publicity	500	500	455	45
Professional and Consulting	7,000	7,000	7,482	(482)
Repairs and Maintenance	1,500	640	44	596
Travel	21,100	21,228	18,404	2,824
Other Contractual	10,500	28,198	19,187	9,011
Rental and Maintenance Contracts	16,893	16,893	16,193	700
Office Supplies	10,000	10,000	9,988	12
Small Tools & Minor Equipment	23,900	53,015	25,188	27,827
Janitorial Supplies	100	100	-	100
Uniforms	37,900	37,948	33,730	4,218
Gasoline/Fuels/Lubricants	190,000	190,000	177,738	12,262
Automotive Parts and Accessories	59,000	59,020	70,293	(11,273)
Electrical, Plumbing & Hardware	1,000	1,000	507	493
Vehicle Expense	9,000	16,825	9,127	7,698
Other Supplies	2,293	2,293	6,373	(4,080)
Construction Materials	500	500	517	(17)
Insurance	118,500	118,500	109,888	8,612
Grants & Subsidies	-	92,000	71,295	20,705
Automotive Equipment	-	75	-	75
Office Equipment	-	8,000	5,338	2,662
Other Machinery & Equipment	-	10,728	5,500	5,228
Total Patrol and Traffic	4,486,785	4,753,204	4,534,935	218,269
Police Investigation:				
Wages & Salaries Permanent Employees	784,957	784,957	776,557	8,400
Overtime	25,319	30,806	32,304	(1,498)
Christmas Bonus & Longevity	10,288	10,288	10,449	(161)
FICA	62,773	62,773	61,000	1,773
Health and Life Insurance	155,920	155,920	136,401	19,519
Retirement	118,657	118,657	119,314	(657)
Worker's Compensation	22,875	22,875	24,351	(1,476)
Employee Education and Training	3,000	3,000	2,801	399
Judgment/Fees/Court Costs	-	-	-	-
Mailing	500	500	351	149
Reproduction and Printing	200	200	175	25
Publications	400	400	35	365
Memberships & Fees	625	625	558	67
Advertising and publicity	-	-	6	(6)
Professional & Consulting	300	300	140	160
Repairs and maintenance	-	-	-	-
Travel	4,000	5,000	4,343	657
Other Contractual	1,500	700	578	122
Rental and Maintenance Contracts	14,000	14,000	9,618	4,382

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Office Supplies	7,000	7,000	7,090	(90)
Small Tools & Minor Equipment	1,500	1,500	1,468	32
Janitorial Supplies	100	100	-	100
Uniforms	500	500	8,410	(7,910)
Gasoline/Fuels/Lubricants	16,500	16,500	16,197	303
Automotive Parts and Accessories	6,800	6,800	1,825	4,975
Electrical, Plumbing, & Hdwe.	-	-	-	-
Vehicle Expense	700	700	150	550
Other Supplies	1,000	1,000	762	238
Insurance	26,500	26,500	25,359	1,141
Other Machinery and Equipment	-	-	1,069	(1,069)
<b>Total Police Investigation</b>	<b>1,265,914</b>	<b>1,271,601</b>	<b>1,241,111</b>	<b>30,490</b>
<b>Traffic Signal:</b>				
Memberships & Fees	-	-	180	(180)
Utilities	30,000	30,000	21,933	8,067
Professional & Consulting	-	-	24,177	(24,177)
Traffic Signal Maintenance	120,000	120,000	66,619	
Contracts with other agencies	-	114,000	113,723	277
<b>Total Traffic Signal</b>	<b>150,000</b>	<b>264,000</b>	<b>226,632</b>	<b>(16,013)</b>
<b>Central Communications:</b>				
Health and Life Insurance	-	12,000	10,057	12,000
Contracts With other Agencies	187,250	187,250	187,278	(28)
<b>Total Central Communications</b>	<b>187,250</b>	<b>199,250</b>	<b>197,335</b>	<b>11,972</b>
<b>Vice:</b>				
Wages & Salaries permanent Employees	55,825	55,825	54,885	940
Overtime	3,500	3,500	3,330	170
Christmas Bonus & Longevity	631	631	639	(8)
FICA	4,587	4,587	4,449	138
Health and Life Insurance	9,547	9,547	9,836	(289)
Retirement	8,672	8,672	8,646	26
Worker's Compensation	1,525	1,525	1,585	(60)
Employee Education & training	400	400	291	109
Judgement/Fees/Court Costs	-	-	-	-
Mailing	-	-	-	-
Memberships & Fees	-	-	-	-
Professional & Consulting	200	200	-	200
Travel	125	125	150	(25)
Other Contractual	-	-	-	-
Rental and Maintenance Contracts	800	800	865	(65)
Office Supplies	500	500	341	159
Small Tools & Minor Equipment	250	250	248	2
Uniforms	650	650	650	-
Gasoline/Fuels/Lubricants	1,500	1,500	1,917	(417)
Automotive Parts and Access.	500	500	257	243
Vehicle Expense	400	400	-	400
Other Supplies	-	-	-	-
Insurance	2,400	2,400	2,294	106
<b>Total Vice</b>	<b>92,012</b>	<b>92,012</b>	<b>90,383</b>	<b>1,629</b>
<b>Fire Supervision:</b>				
Wages & Salaries Permanent Employees	381,421	381,421	369,515	11,906
Overtime	-	-	-	-
Christmas Bonus & longevity	4,944	4,944	5,018	(74)
FICA	29,557	29,557	27,754	1,803

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Health and Life Insurance	57,620	57,620	61,139	(3,519)
Retirement	56,010	56,010	54,193	1,817
Worker's Compensation	9,150	9,150	10,692	(1,542)
Mailing	50	50	7	43
Reproduction and Printing	-	-	-	-
Publications	300	300	214	86
Memberships & Fees	700	700	464	236
Advertising and publicity	-	-	6	(6)
Professional and consulting	-	-	84	(84)
Travel	600	600	423	177
Rental and Maintenance Agreements	7,000	7,000	5,800	1,200
Office Supplies	1,900	1,900	1,860	40
Uniforms	300	300	-	300
Gasoline/Fuels/Lubricants	5,500	5,500	3,224	2,276
Automotive Parts and Accessories	1,500	1,500	-	1,500
Other Supplies	200	200	387	(187)
Insurance	2,650	2,650	2,536	114
Bonds	125	125	-	125
<b>Total Fire Supervision</b>	<b>559,527</b>	<b>559,527</b>	<b>543,316</b>	<b>16,211</b>
<b>Fire Inspection:</b>				
Wages & Salaries Permanent Employees	61,289	61,289	59,360	1,929
Christmas Bonus & Longevity	820	820	831	(11)
FICA	4,751	4,751	4,443	308
Health and Life Insurance	9,588	9,588	10,302	(714)
Retirement	8,986	8,986	8,678	308
Worker's Compensation	1,525	1,525	1,585	(60)
Public Education and Training	2,500	2,500	2,519	(19)
Mailing	100	100	44	56
Publications	1,000	1,000	1,000	-
Memberships & Fees	400	400	260	140
Professional & Consulting	-	-	-	-
Travel	5,000	5,000	3,979	1,021
Other Contractual	-	-	-	-
Rental and Maintenance Agreements	500	500	1,489	(989)
Contracts With Other Agencies	350	350	-	350
Office Supplies	300	300	327	(27)
Small Tools & Minor Equipment	-	-	-	-
Uniforms	600	600	-	600
Gasoline/Fuels/Lubricants	5,000	5,000	3,593	1,407
Automotive Parts and Accessories	1,000	1,000	-	1,000
Vehicle Expense	-	-	-	-
Other Supplies	300	300	196	104
Insurance	2,650	2,650	2,536	114
Bonds	250	250	125	125
<b>Total Fire Inspection</b>	<b>106,909</b>	<b>106,909</b>	<b>101,267</b>	<b>5,642</b>
<b>Fire Stations:</b>				
Mailing	30,000	32,500	-	32,500
Repairs & Maintenance	-	-	25,831	(25,831)
Other Contractual	1,000	1,000	2,828	(1,828)
Rental and Maintenance Contracts	2,000	9,000	8,683	317
Office Supplies	300	300	205	95
Small Tools and Minor Equipment	3,000	3,000	3,119	(119)
Janitorial Supplies	16,000	16,320	14,383	1,937
Gasoline/Fuels/Lubricants	300	300	-	300
Electrical, Plumbing & Hdwe.	2,000	2,120	1,572	548
Other Supplies	3,000	3,000	3,183	(183)
Insurance	9,300	9,300	9,057	243

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Fire Stations	66,900	76,840	68,861	7,979
Fire fighting:				
Wages & Salaries Permanent Employees	3,153,627	3,153,627	2,883,543	270,084
Overtime	-	200,000	199,510	490
Wages & salaries Temporary Employees	209,500	9,500	-	9,500
Holiday Pay	74,736	74,736	90,649	(15,913)
Christmas Bonus & Longevity	33,270	33,270	33,197	73
FICA	259,824	259,824	234,512	25,312
Health and Life Insurance	735,600	735,600	740,972	(5,372)
Retirement	498,542	498,542	459,795	38,747
Worker's Compensation	118,950	118,950	128,120	(9,170)
Unemployment	-	-	-	-
Employee Education & Training	6,500	6,500	3,121	3,379
Public education and training	1,000	1,000	-	1,000
Mailing	200	200	202	(2)
Reproduction & Printing	-	-	146	(146)
Publications	500	500	2,045	(1,545)
Memberships & Fees	500	500	597	(97)
Advertising and publicity	-	-	6	(6)
Utilities	2,000	2,000	1,563	437
Professional & Consulting	28,000	28,000	27,935	65
Repairs and Maintenance	2,000	2,000	569	1,431
Travel	20,000	20,000	10,619	9,381
Other Contractual	3,000	3,000	-	3,000
Rental and Maintenance Contracts	9,000	9,000	3,282	5,718
Office Supplies	1,000	1,000	350	650
Small Tools & Minor Equipment	11,000	15,172	13,496	1,676
Uniforms	30,000	67,424	61,691	5,733
Gasoline/Fuels/Lubricants	60,000	48,000	36,561	11,439
Automotive Parts and Accessories	55,000	55,002	38,437	16,565
Electrical, Plumbing, and Hardware	2,400	2,400	274	2,126
Vehicle Expense	500	500	480	20
Other Supplies	3,000	3,000	2,153	847
Vehicle parts/oil/fluid/tires	-	-	1,300	(1,300)
Insurance	125,000	125,000	120,756	4,244
Automotive equipment	-	-	9,713	(9,713)
Total Fire Fighting	5,444,649	5,474,247	5,105,594	368,653
Civil Service:				
Wages & Salaries Permanent Employees	7,200	7,200	7,200	-
Mailing	-	-	49	(49)
Advertising and publicity	-	-	517	-
Professional & Consulting	-	4,000	4,932	(932)
Rental and Maintenance Contracts	6,000	6,000	2,492	3,508
Office Supplies	100	100	-	100
Total Civil Service	13,300	17,300	15,190	2,627
Fire & Medical Response:				
Employee Education & Training	5,000	5,000	2,253	2,747
Reproduction and Printing	250	250	422	(172)
Memberships & Fees	100	100	-	100
Small Tools & Minor Equipment	4,000	4,000	4,924	(924)
Uniforms	2,500	2,500	3,177	(677)
Electrical, Plumbing & Hardware	2,000	2,000	1,751	249
Other Supplies	500	500	24	476
Insurance	2,650	2,650	2,536	114

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Fire and Medical Response	17,000	17,000	15,087	1,913
Inspections:				
Wages & Salaries Permanent Employees	234,077	234,077	227,215	6,862
Wages & Salaries Temporary Employees	-	-	-	-
Christmas Bonus & Longevity	3,662	3,662	3,712	(50)
FICA	18,187	18,187	17,340	847
Health and Life Insurance	38,309	38,309	40,629	(2,320)
Retirement	34,734	34,734	33,831	903
Worker's Compensation	6,100	6,100	6,342	(242)
Employee Education and Training	2,400	2,400	1,049	1,351
Mailing	300	300	175	125
Reproduction and Printing	300	300	93	207
Publications	400	400	-	400
Memberships & Fees	600	600	931	(331)
Advertising and Publicity	50	50	324	(274)
Professional & Consulting	400	400	28	372
Travel	350	350	242	108
Other Contractual	-	6,500	-	6,500
Rental and Maintenance Contracts	1,600	1,600	5,169	(3,569)
Contracts With Other Agencies	-	-	-	-
Office Supplies	250	250	256	(6)
Small tools and minor equipment	-	-	5	(5)
Uniforms	800	800	1,264	(464)
Gasoline/Fuels/Lubricants	5,000	5,000	4,535	465
Automotive Parts and Accessories	1,800	1,800	568	1,232
Vehicle Expense	400	400	25	375
Other Supplies	400	400	245	155
Insurance	1,900	1,900	2,294	(394)
Total Inspections	352,019	358,519	346,272	12,247
Public Works Supervision:				
Wages & Salaries Permanent Employees	68,140	68,140	67,009	1,131
Christmas Bonus & Longevity	1,580	1,580	1,550	30
FICA	5,334	5,334	5,182	152
Health and Life Insurance	14,225	14,225	15,460	(1,235)
Retirement	10,097	10,097	10,068	29
Worker's Compensation	2,288	2,288	2,378	(90)
Employee Education and Training	1,500	1,500	45	1,455
Mailing	25	25	-	25
Reproduction and Printing	100	100	-	100
Publications	50	50	-	50
Memberships & Fees	100	100	-	100
Advertising and publicity	-	-	33	-
Professional & Consulting	-	-	79	(79)
Travel	650	650	22	628
Other Contractual	650	650	-	650
Rental and Maintenance Contracts	2,500	2,500	2,116	384
Office Supplies	1,500	1,500	1,146	354
Small Tools and Minor Equipment	200	200	21	179
Janitorial Supplies	100	100	-	100
Uniforms	34,000	34,000	28,114	5,886
Gasoline/Fuels/Lubricants	3,500	3,500	1,435	2,065
Automotive parts and Accessories	1,500	1,500	1,911	(411)
Electrical, Plumbing, and Hardware	100	100	-	100
Vehicle Expense	200	200	25	175
Other Supplies	100	100	-	100
Insurance	3,150	3,150	3,804	(654)

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Public Works Supervision	151,589	151,589	140,398	11,224
Buildings and Grounds:				
Wages and Salaries Permanent Employees	75,855	75,855	73,923	1,932
Overtime	6,000	6,000	3,642	2,358
Wages and Salaries Temporary Employees	30,000	30,000	26,548	3,452
Christmas Bonus & Longevity	929	929	945	(16)
FICA	8,628	8,628	7,835	793
Health and Life Insurance	18,858	18,858	20,306	(1,448)
Retirement	12,095	12,095	11,572	523
Worker's Compensation	3,050	3,050	3,464	(414)
Unemployment	-	-	2,684	(2,684)
Mailing	25	25	-	25
Memberships and Fees	10	10	500	(490)
Advertising and Publicity	-	-	99	(99)
Utilities	575,000	570,000	566,197	3,803
Professional and Consulting	1,000	139,000	138,095	905
Repairs and Maintenance	35,000	35,000	26,344	8,656
Other Contractual	6,000	9,200	2,105	7,095
Rental and Maintenance Contracts	15,000	15,000	9,689	5,311
Contracts With Other Agencies	81,000	81,000	56,690	24,310
Office Supplies	100	100	60	40
Small Tools & Minor Equipment	4,000	4,000	3,464	536
Janitorial Supplies	10,500	10,500	9,615	885
Uniforms	200	200	364	(164)
Gasoline/Fuels/Lubricants	3,500	3,500	3,595	(95)
Automotive Parts & Accessories	3,000	3,000	3,809	(809)
Electrical, Plumbing and Hardware	12,000	12,578	8,201	4,377
Landscaping	10,000	10,000	9,255	745
Vehicle Expense	1,000	1,000	150	850
Other Supplies	1,000	1,000	1,465	(465)
Insurance	13,000	13,000	12,076	924
Buildings	-	-	1,865	(1,865)
Other improvements	-	-	15,055	(15,055)
Total Buildings and Grounds	926,750	1,063,528	1,019,612	43,916
Equipment Shop:				
Wages and Salaries Permanent Employees	265,776	265,776	257,364	8,412
Overtime	10,000	10,000	7,360	2,640
Christmas Bonus and Longevity	2,860	2,860	2,915	(55)
FICA	21,316	21,316	19,747	1,569
Health and Life Insurance	66,001	66,001	70,629	(4,628)
Retirement	40,709	40,709	38,678	2,031
Worker's Compensation	10,675	10,675	12,401	(1,726)
Employee Education & Training	1,500	1,500	1,250	250
Mailing	-	-	-	-
Reproduction & Printing	-	-	-	-
Professional & Consulting	500	500	268	232
Repairs and Maintenance	-	-	-	-
Travel	300	300	156	144
Other Contractual	-	-	210	(210)
Rental and Maintenance Contracts	1,200	5,200	711	4,489
Office Supplies	200	200	277	(77)
Small Tools & Minor Equipment	6,000	6,000	6,522	(522)
Janitorial Supplies	1,500	1,500	2,829	(1,329)
Uniforms	800	800	972	(172)
Gasoline/Fuels/Lubricants	2,000	2,000	2,411	(411)
Automotive Parts and Accessories	2,000	2,000	1,736	264
Electrical, Plumbing, & Hardware	800	800	1,036	(236)
Vehicle Expense	500	500	-	500

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Other Supplies	800	800	105	695
Insurance	2,100	2,100	2,536	(436)
Total Equipment Shop	437,537	441,537	430,113	11,424
Street Repairs & Maintenance:				
Wages & Salaries Permanent Employees	316,889	316,889	199,267	117,622
Overtime	5,000	5,000	8,105	(3,105)
Christmas & Longevity	5,016	5,016	5,092	(76)
FICA	25,008	25,008	15,789	9,219
Health and Life Insurance	84,679	84,679	87,612	(2,933)
Retirement	47,761	47,761	30,860	16,901
Worker's Compensation	13,725	13,725	16,454	(2,729)
Employee Education & Training	750	750	639	111
Memberships & Fees	150	150	-	150
Professional & Consulting	-	-	433	(433)
Travel	250	250	294	(44)
Rental and Maintenance Contracts	500	500	4,597	(4,097)
Contracts With Other Agencies	-	-	7,500	(7,500)
Office Supplies	150	150	37	113
Small Tools & Minor Equipment	3,000	3,000	5,459	(2,459)
Janitorial Supplies	100	100	229	(129)
Uniforms	100	100	1,176	(1,076)
Gasoline/Fuels/Lubricants	40,000	40,000	48,606	(8,606)
Automotive Parts & Accessories	36,000	36,000	21,118	14,882
Electrical, Plumbing and hardware	300	300	125	175
Vehicle Expense	1,000	1,000	528	472
Other Supplies	1,000	1,000	600	400
Construction Materials	60,000	90,000	151,207	(61,207)
Operating supplies	-	-	400	(400)
Insurance	12,750	12,750	12,679	71
Total Street Repairs and Maintenance	654,128	684,128	618,806	65,322
Street Lighting and Signs:				
Wages & Salaries Permanent Employees	32,471	32,471	35,051	(2,580)
Overtime	2,500	2,500	788	1,712
Christmas Bonus & longevity	457	457	464	(7)
FICA	2,710	2,710	2,651	59
Health and Life Insurance	9,387	9,387	9,753	(366)
Retirement	5,176	5,176	5,340	(164)
Worker's Compensation	1,525	1,525	1,585	(60)
Employee Education and Training	400	400	45	355
Mailing	-	-	-	-
Reproduction and Printing	-	-	-	-
Publications	150	150	-	150
Advertising and Publicity	-	-	-	-
Utilities	588,000	588,000	570,040	17,960
Professional & Consulting	-	-	28	(28)
Rental and Maintenance Contracts	500	500	-	500
Office Supplies	100	100	4	96
Small Tools & Minor Equipment	2,000	2,000	464	1,536
Janitorial Supplies	100	100	105	(5)
Uniforms	300	300	243	57
Gasoline/Fuels/Lubricants	8,000	6,000	6,845	(645)
Automotive Parts and Accessories	3,500	3,500	3,748	(248)
Electrical, Plumbing & Hardware	30,000	31,814	14,598	17,216
Vehicle Expense	500	500	25	475
Other Supplies	700	700	646	54
Construction Materials	6,000	6,000	6,979	(979)
Insurance	-	-	483	(483)



City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Street Lighting and Signs	692,476	694,290	659,685	34,605
Brush Pick-up & Snow Removal:				
Wages & Salaries Permanent Employments	314,063	314,063	305,306	8,757
Overtime	17,500	17,500	21,019	(3,519)
Wages & Salaries Temporary Employees	41,600	41,600	33,380	8,220
Christmas Bonus & Longevity	3,280	3,280	3,453	(173)
FICA	25,615	25,615	26,419	(804)
Health and Life Insurance	93,799	93,799	98,294	(4,495)
Retirement	48,921	48,921	47,962	959
Worker's Compensation	15,250	15,250	19,772	(4,522)
Unemployment	-	-	-	-
Employee Education & Training	200	200	-	200
Mailing	-	-	10	(10)
Memberships & Fees	-	-	-	-
Advertising and Publicity	200	200	511	(311)
Professional & Consulting	500	500	789	(289)
Travel	500	500	44	456
Rental and Maintenance Contracts	1,100	1,100	1,342	(242)
Contracts with other agencies	275,000	275,000	193,710	81,290
Office Supplies	100	100	89	11
Small Tools & Minor Equipment	6,000	6,000	5,654	346
Janitorial Supplies	-	-	-	-
Uniforms	500	500	1,051	(551)
Gasoline/Fuels/Lubricants	65,000	65,000	57,777	7,223
Automotive parts and Accessories	52,000	52,000	63,830	(11,830)
Electrical, Plumbing and Hardware	53,300	53,300	68,252	(14,952)
Vehicle Expense	500	500	-	500
Other Supplies	600	600	243	357
Construction Materials	200	200	-	200
Insurance	-	-	11,049	(11,049)
Total Brush Pick-up & Snow Removal	1,015,728	1,015,728	959,956	55,772
Sidewalks:				-
Small Tools & Minor Equipment	5,200	5,200	-	5,200
Automotive Parts and Accessories	400	400	-	400
Other Supplies	-	-	-	-
Construction Materials	20,000	20,000	2,549	17,451
Total Sidewalks	25,600	25,600	2,549	23,051
Street Cleaning:				
Gasoline/Fuels/Lubricants	-	-	-	-
Communication Shop:				
Wages & Salaries Permanent Employees	76,127	76,127	74,478	1,649
Overtime	1,500	1,500	560	940
Christmas Bonus & longevity	382	382	392	(10)
FICA	5,853	5,853	5,544	309
Health and Life Insurance	18,859	18,859	19,808	(949)
Retirement	11,178	11,178	10,983	195
Worker's Compensation	3,050	3,050	3,171	(121)
Employee Education and Training	1,500	1,500	-	1,500
Mailing	50	50	-	50
Professional & Consulting	200	200	56	144
Travel	500	500	-	500
Rental and maintenance Contracts	400	400	354	46
Office Supplies	200	200	34	166
Small Tools & Minor Equipment	1,000	1,000	2	998

City of Morristown, Tennessee  
General Fund  
Statement of Revenue, Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Janitorial Supplies	-	-	-	-
Uniforms	-	-	170	(170)
Gasoline/Fuels/Lubricants	1,200	1,200	1,237	(37)
Automotive Parts and Accessories	500	500	24	476
Electrical, Plumbing and Hardware	300	300	286	14
Vehicle Expense	300	300	-	300
Other Supplies	-	-	69	(69)
Construction Materials	-	-	-	-
Insurance	2,500	2,500	2,657	(157)
<b>Total Communication Shop</b>	<b>125,599</b>	<b>125,599</b>	<b>119,825</b>	<b>5,774</b>
<b>Pavement Management System:</b>				
Professional and Consulting	-	-	122,818	(122,818)
Contracts With Other Agencies	625,000	1,825,000	1,265,324	559,676
<b>Total Pavement Management System</b>	<b>625,000</b>	<b>1,825,000</b>	<b>1,388,142</b>	<b>436,858</b>
<b>Health Inspection &amp; Welfare:</b>				
Wages & Salaries Permanent Employees	-	-	1,680	(1,680)
Wages & Salaries Temporary Employees	-	-	-	-
FICA	-	-	129	(129)
Unemployment	-	-	-	-
Employment Education & Training	200	200	-	200
Professional & Consulting	-	-	-	-
Travel	250	250	77	173
Small Tools & Minor Equipment	500	500	-	500
Gasoline/Fuels/Lubricants	3,500	3,500	3,772	(272)
Automotive Parts and Accessories	1,500	1,500	1,008	492
Electrical, Plumbing & Hardware	11,000	11,000	10,933	67
Other Supplies	3,500	3,500	1,061	2,439
Insurance	-	1,300	1,208	92
<b>Total Health Inspection &amp; Welfare</b>	<b>20,450</b>	<b>21,750</b>	<b>19,868</b>	<b>1,882</b>
<b>Humane Society:</b>				
Contracts With Other Agencies	133,532	133,532	133,532	-
<b>Parks &amp; Recreation Supervision:</b>				
Wages & Salaries Permanent Employees	251,777	251,777	244,497	7,280
Overtime	-	-	420	(420)
Christmas Bonus & Longevity	2,448	2,448	2,485	(37)
FICA	19,448	19,448	18,513	935
Health and Life Insurance	47,521	47,521	51,877	(4,356)
Retirement	37,142	37,142	36,007	1,135
Worker's Compensation	7,625	7,625	8,927	(1,302)
Mailing	3,600	3,600	3,607	(7)
Reproduction & Printing	150	150	156	(6)
Publications	-	-	-	-
Memberships & Fees	7,000	13,000	12,986	14
Advertising & Publicity	200	200	1,777	(1,577)
Professional & Consulting	-	-	56	(56)
Repairs and Maintenance	-	-	-	-
Travel	3,000	3,000	1,779	1,221
Rental and Maintenance Contracts	3,750	3,750	2,785	965
Office Supplies	4,200	4,200	2,619	1,581
Automotive parts and accessories	-	-	160	(160)
Other Supplies	-	-	2,010	(2,010)
Insurance	1,500	1,500	1,328	172
<b>Total Parks &amp; Recreation Supervision</b>	<b>389,361</b>	<b>395,361</b>	<b>391,989</b>	<b>3,372</b>

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Playgrounds & Programs:				
Wages & Salaries Permanent Employees	97,770	97,770	93,287	4,483
Overtime	-	-	21	(21)
Wages & Salaries Temporary Employees	72,600	72,600	70,211	2,389
Christmas Bonus & longevity	460	460	663	(203)
FICA	13,069	13,069	12,345	724
Health and Life Insurance	28,148	28,148	30,688	(2,540)
Retirement	14,352	14,352	13,750	602
Worker's Compensation	4,575	4,575	5,739	(1,164)
Unemployment	-	-	1,696	(1,696)
Memberships and Fees	-	-	-	-
Advertising and Publicity	-	-	-	-
Professional and Consulting	500	500	168	332
Repairs and Maintenance	1,500	1,500	1,388	112
Travel	-	-	-	-
Other Contractual	98,551	98,590	91,777	6,813
Rental and Maintenance contracts	500	500	310	190
Contracts With Other Agencies	-	-	-	-
Small Tools & Minor Equipment	62,000	59,843	59,844	(1)
Other Supplies	200	200	32	168
Insurance	18,000	18,000	16,470	1,530
Total Playgrounds & Programs	412,225	410,107	398,389	11,718
Parks & Maintenance:				
Wages and Salaries Permanent Employees	307,063	307,063	295,546	11,517
Overtime	4,000	4,000	2,208	1,792
Wages & Salaries Temporary Employees	137,200	137,200	131,178	6,022
Christmas Bonus & Longevity	3,360	3,360	3,609	(249)
FICA	34,626	34,626	32,209	2,417
Health and Life Insurance	84,615	84,615	86,910	(2,295)
Retirement	46,083	46,063	44,075	2,008
Worker's Compensation	13,725	13,725	14,353	(628)
Unemployment	18,000	18,000	27,448	(9,448)
Mailing	-	-	-	-
Advertising and Publicity	-	-	-	-
Professional & Consulting	1,000	1,000	607	393
Repairs and Maintenance	32,800	33,106	26,143	6,963
Travel	-	-	-	-
Other contractual	35,000	36,085	32,500	3,585
Rental and Maintenance Contracts	3,000	3,000	2,835	165
Small Tools & Minor Equipment	8,000	8,000	6,786	1,214
Janitorial Supplies	10,800	10,800	11,221	(421)
Uniforms	-	-	6	(6)
Gasoline/Fuels/Lubricants	23,000	23,000	19,688	3,312
Automotive Parts and Accessories	13,000	13,000	18,575	(5,575)
Electrical, Plumbing, & Hardware	13,000	13,225	6,621	6,604
Vehicle Expense	-	-	500	(500)
Other Supplies	500	500	369	131
Construction Materials	30,000	30,000	16,322	13,678
Splash pad supplies	-	-	45	(45)
Insurance	19,800	19,800	19,079	721
Grants & Subsidies	-	7,250	1,250	6,000
Improvements Other Than Buildings	-	12,500	-	12,500
Total Parks and Maintenance	838,572	859,938	800,083	59,855
Summer Feeding Program:				
Advertising and Publicity	-	-	200	(200)
Professional and Consulting	-	-	1,080	(1,080)

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Contracts With Other Agencies	90,000	120,000	114,983	5,017
Total Summer Feeding Program	90,000	120,000	116,263	3,737
Social Services:				
Grants & Subsidies	248,900	263,100	263,075	25
Elections				
Other contractual	15,000	17,000	16,891	109
Public Library:				
Grants & Subsidies	250,000	250,000	250,000	-
Economic Development:				
Grants & Subsidies	185,500	221,000	215,130	5,870
Economic Development:				
Professional & Consulting	-	622,003	448,526	173,477
Land	-	439,912	467,885	(47,973)
Contracts With Other Agencies	25,000	25,000	26,303	(1,303)
Total Economic Development	25,000	1,086,915	962,714	124,201
Fixed Base Operations:				
Mailing	100	100	-	100
Memberships & Fees	-	-	40	(40)
Advertising and Publicity	400	400	-	400
Professional & Consulting	1,000	629,000	627,657	1,343
Repairs and Maintenance	7,500	7,500	7,492	8
Other Contractual	16,500	16,500	18,508	(2,008)
Contracts With Other Agencies	55,500	55,500	20,737	34,763
Office supplies	-	-	119	(119)
Small Tools & Minor Equipment	-	-	4,414	(4,414)
Uniforms	2,000	2,000	-	2,000
Gasoline/fuels/lubricants	-	-	23	(23)
Automotive Parts and Accessories	1,000	1,000	1,166	(166)
Electrical, Plumbing & Hardware	5,000	5,000	6,901	(1,901)
Other Supplies	600	600	784	(184)
Construction Materials	3,000	3,000	2,574	426
Office supplies and materials	-	-	213	(213)
Grants & Subsidies	20,000	20,000	-	20,000
Total Fixed Base Operations	112,600	740,600	690,628	49,972
Bond Principal:				
Debt Principal	1,282,243	1,282,243	1,277,732	4,511
Bond Interest:				
Debt Interest	993,339	993,339	214,815	778,524
Bond Expense:				
Professional & Consulting	60,000	60,000	45,929	14,071
Postemployment Benefits:				
Health and Life Insurance	550,000	550,000	439,304	110,696
Miscellaneous expenditures				
Health and Life Insurance	-	771	-	771
Total Expenditures	26,043,492	29,912,713	27,112,239	2,762,050

City of Morristown, Tennessee  
General Fund  
Statement of Revenue , Expenditures, and Changes  
in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Excess of revenues over(under) expenditures	(57,092)	81,093	2,683,085	2,601,992
Other Financing Sources (Uses):				
Operating Transfers In	-	1,363,183	1,605,315	242,132
Operating transfers Out	(457,601)	(1,552,971)	(1,538,388)	14,583
Proceeds From Issuance of Bonds	-	-	-	-
Total Other Financing Sources-net	(457,601)	(189,788)	66,927	256,715
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(514,693)	(108,695)	2,750,012	2,858,707
Fund Balance July 1, 2010	2,619,067	2,534,992	4,579,122	2,044,130
Prior period adjustment	-	-	114,945	114,945
Fund Balance July 1, 2010 - as adjusted	2,619,067	2,534,992	4,694,067	2,159,075
Fund Balance June 30, 2011	<u>\$ 2,104,374</u>	<u>\$ 2,426,297</u>	<u>\$ 7,444,079</u>	<u>\$ 5,017,782</u>

City of Morristown, Tennessee  
Solid Waste Fund  
Statement of Revenue, Expenditures, and  
Changes in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenue:				
Other Local Revenue:				
Other County Revenue	\$ 238,100	\$ 238,100	\$ 238,100	\$ -
Miscellaneous	-	-	6,625	6,625
Solid Waste Fees	1,000,000	1,030,000	1,091,664	61,664
	<u>1,238,100</u>	<u>1,268,100</u>	<u>1,336,389</u>	<u>68,289</u>
Total Other Local Revenue				
	<u>1,238,100</u>	<u>1,268,100</u>	<u>1,336,389</u>	<u>68,289</u>
Expenditures:				
Sanitation Department:				
Wages & Salaries Permanent Employees	360,795	360,795	322,275	38,520
Overtime	13,000	13,000	4,491	8,509
Christmas Bonus & Longevity	5,279	5,279	5,031	248
FICA	28,999	28,999	24,149	4,850
Health and Life Insurance	94,151	94,151	93,590	561
Retirement	55,383	55,383	48,297	7,086
Worker's Compensation	15,250	15,250	15,984	(734)
Unemployment	-	-	4,475	(4,475)
Employee Education and Training	200	200	-	200
Mailing	50	50	43	7
Advertising and Publicity	1,500	1,500	1,763	(263)
Professional and Consulting	1,000	30,200	30,280	(80)
Rental and Maintenance Contracts	450	450	550	(100)
Office Supplies	200	200	205	(5)
Small Tools & Equipment	500	500	119	381
Janitorial Supplies	100	100	-	100
Uniforms	100	100	741	(641)
Gasoline/Fuel/Lubricants	60,000	60,000	62,475	(2,475)
Automotive Parts and Accessories	60,000	60,000	48,807	11,193
Electrical, plumbing & hardware	-	-	13	(13)
Vehicle Expense	500	500	-	500
Other Supplies	30,000	30,000	29,930	70
Construction Materials	200	200	-	200
Insurance	13,000	13,000	12,679	321
Automotive equipment	120,000	120,000	-	120,000
	<u>860,657</u>	<u>889,857</u>	<u>705,897</u>	<u>183,960</u>
Total Sanitation Department				
	<u>860,657</u>	<u>889,857</u>	<u>705,897</u>	<u>183,960</u>
Landfill:				
Health and Life Insurance	-	-	3,313	(3,313)
Mailing	-	-	-	-
Contracts With Other Agencies	400,000	400,000	348,939	51,061
	<u>400,000</u>	<u>400,000</u>	<u>352,252</u>	<u>47,748</u>
Total Landfill				
	<u>400,000</u>	<u>400,000</u>	<u>352,252</u>	<u>47,748</u>
Superfund Site Remediation				
Professional & Consulting	1,000	1,000	-	1,000
	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Curbside Recycle:				
Wages & salaries Permanent Employees	72,203	72,403	73,046	(643)
Overtime	1,000	1,000	672	328

City of Morristown, Tennessee  
Solid Waste Fund  
Statement of Revenue, Expenditures, and  
Changes in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Christmas Bonus & Longevity	1,650	1,650	1,673	(23)
FICA	5,650	5,650	5,495	155
Health and Life Insurance	18,832	18,832	19,765	(933)
Retirement	10,790	10,790	10,955	(165)
Worker's Compensation	3,050	3,050	1,585	1,465
Reproduction and Printing	100	100	27	73
Professional & Consulting	100	100	79	21
Other Contractual	115,000	115,000	73,191	41,809
Office Supplies	300	300	213	87
Small Tools & Minor Equipment	300	300	199	101
Janitorial Supplies	300	300	-	300
Uniforms	150	150	190	(40)
Gasoline/Fuel/Lubricants	10,000	10,000	8,432	1,568
Automotive parts & Accessories	8,000	9,113	4,287	4,826
Insurance	2,500	2,500	2,234	266
Total Curbside Recycle	249,925	251,238	202,043	49,195
Debt Service:				
Principal	224,268	224,268	223,930	338
Interest	22,779	22,779	22,409	370
Total Debt Service	247,047	247,047	246,339	708
Bond Expense				
Professional & Consulting	-	600	516	84
Total Expenditures	1,758,629	1,789,742	1,507,047	282,695
Excess of revenue over (under)				
Expenditures	(520,529)	(521,642)	(170,658)	(214,406)
Other Financing Sources:				
Bond Proceeds	-	-	-	-
Operating Transfers In	560,529	520,529	560,529	40,000
Total other financing sources	560,529	520,529	560,529	40,000
Excess of revenues and other financing sources over (under) expenditures and other financing uses	40,000	(1,113)	389,871	(174,406)
Fund Balance July 1, 2010	-	-	(3,706)	(3,706)
Fund Balance June 30, 2011	\$ 40,000	\$ (1,113)	\$ 386,165	\$ (178,112)

City of Morristown, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Business-type Activities Enterprise Funds				
	Sewer System	Storm Water System	Power System	Water System	Broadband
					Total
<b>Assets</b>					
Unrestricted current assets:					
Cash and cash equivalents	\$ 2,686,081	\$ 31,787	\$ 10,487,646	\$ 6,539,985	\$ 368,570
Accounts receivable:					
Trade, net of allowances	1,592,466	88,724	7,871,375	-	-
Interfund receivables	567,175	-	-	359,783	-
Due from others	-	-	1,016,678	72,722	-
Accrual for unbilled revenue	440,665	24,250	1,590,334	197,981	-
Interfund Loan Receivable	-	-	-	-	-
Due from others	-	-	-	-	-
Current portion of discounted energy units	-	-	123,777	-	123,777
Other current assets	-	-	2,741	-	34,985
Advances from Tennessee Valley Program, net of advances to customers	-	-	-	-	-
Materials and supplies inventory	150,526	-	866,071	351,467	1,368,064
Total unrestricted current assets	5,436,912	144,761	21,958,622	7,521,938	403,555
Total current assets	5,436,912	144,761	21,958,622	7,521,938	403,555
Restricted investments	-	-	-	-	-
Capital assets:					
Plant and equipment in service	78,458,866	4,815,120	82,949,275	58,116,761	7,911,881
Less accumulated depreciation	(35,012,362)	(2,684,892)	(34,945,014)	(20,853,677)	(3,261,125)
	43,446,504	2,130,228	48,004,261	37,263,084	4,650,756
Construction in progress	1,889,969	-	3,162,461	2,439,782	796,032
Net capital assets	45,336,473	2,130,228	51,166,722	39,702,866	5,446,788
Due from Other Funds	-	-	6,493,816	-	6,493,816
Plant acquisition adjustments, net of accumulated depreciation	-	-	676,252	63,649	-
Discounted energy units, less current portion	-	-	56,881	-	-
Other assets	23,242	149,209	572,939	80,830	174,477
Total assets	\$ 50,796,627	\$ 2,424,198	\$ 80,925,232	\$ 47,369,283	\$ 6,024,820
					\$ 187,540,160

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



City of Morristown, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Business-type Activities Enterprise Funds					Total
	Sewer System	Storm Water System	Power System	Water System	Telecom System	
<b>Liabilities and Net Assets</b>						
Current liabilities:						
Accounts payable:						
Trade	\$ 560,707	\$ 6,747	\$ 6,800,374	\$ 377,217	\$ 124,666	\$ 7,869,711
Interfund payables		567,165	359,783		6,493,816	7,420,764
City of Morristown			335,000			335,000
Deferred revenues					284,242	284,242
Customer deposits			2,555,084		73,000	2,628,084
Accrued payroll related liabilities	4,738	247	1,460,994	465,823	177,638	2,109,440
Other accrued liabilities	305,321		497,746	39,130	58,643	901,840
Current portion of capital lease obligation					17,150	17,150
Current portion of long-term debt	1,885,595	2,331	603,601	946,277	107,797	3,545,601
Loans from General Fund						-
Program, net of advances to customers						-
Total current liabilities	2,757,361	576,490	12,612,582	1,828,447	7,336,952	25,111,832
Noncurrent liabilities:						
Capital lease obligation, less current portion					1,792	1,792
Long-term debt - less current portion	27,635,341	79,324	16,491,711	15,906,098	4,717,345	64,829,819
Contractual liability	2,302,733					
Loans from General Fund						-
Compensated absences	61,562	17,253				78,815
Total non-current liabilities	29,999,636	96,577	16,491,711	15,906,098	4,719,137	67,213,159
Total liabilities	32,756,997	673,067	29,104,293	17,734,545	12,056,089	92,324,991
Net assets (deficit):						
Invested in capital assets, net of related debt	13,512,804	2,048,573	34,585,451	25,840,576	(3,063,959)	72,923,445
Restricted						-
Unrestricted net assets (deficit)	4,526,826	(297,442)	17,235,488	3,794,162	(2,967,310)	22,281,724
Total net assets (deficit)	18,039,630	1,751,131	51,820,939	29,634,738	(6,031,269)	95,215,169
Total liabilities and net assets	\$ 50,796,627	\$ 2,424,198	\$ 80,925,232	\$ 47,369,283	\$ 6,024,820	\$ 187,540,160

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, 2011

	Business-type Activities Enterprise Funds					Total
	Sewer System	Storm Water System	Power System	Water System	Broadband	
Operating Revenues:						
Metered sales	\$ 8,881,822	\$ 541,053	\$ 75,438,473	\$ 6,866,882	\$ -	\$ 91,728,230
Broadband sales	-	-	-	-	6,191,581	6,191,581
Interfund Services Provided	426,270	-	546,438	-	-	546,438
Other operating revenues	9,308,092	541,053	1,182,114	69,499	130,317	1,808,200
Total operating revenues			<u>77,167,025</u>	<u>6,936,381</u>	<u>6,321,898</u>	<u>100,274,449</u>
Operating expenses:						
Power purchased	-	-	62,799,071	-	-	62,799,071
Operations	5,596,974	382,583	4,936,835	3,186,243	4,873,560	18,976,195
Maintenance	18,523	54,619	1,764,132	588,611	135,106	2,560,991
Interfund Services Used	-	-	-	79,101	467,337	546,438
Depreciation and amortization	2,494,962	125,221	3,211,053	1,467,529	757,287	7,996,052
Taxes	-	-	225,693	-	40,721	266,414
Bad Debts	-	-	-	-	-	-
Miscellaneous	-	-	29,283	11,708	-	40,991
Total operating expenses	<u>8,050,459</u>	<u>562,423</u>	<u>72,966,067</u>	<u>5,333,192</u>	<u>6,274,011</u>	<u>93,186,152</u>
Operating income (loss)	<u>1,257,633</u>	<u>(21,370)</u>	<u>4,200,958</u>	<u>1,603,189</u>	<u>47,887</u>	<u>7,088,297</u>
Other income (expense):						
Investment income	4,071	-	60,528	20,696	1,200	86,495
Interest expense	(386,041)	(3,217)	(107,458)	(507,420)	(47,894)	(1,052,030)
Net other income (expense)	<u>(381,970)</u>	<u>(3,217)</u>	<u>(46,930)</u>	<u>(486,724)</u>	<u>(46,694)</u>	<u>(965,535)</u>
Income (loss) before contributions and transfers	<u>875,663</u>	<u>(24,587)</u>	<u>4,154,028</u>	<u>1,116,465</u>	<u>1,193</u>	<u>6,122,762</u>
Contributions from developers	-	-	-	133,629	-	133,629
Capital contributions - tap fees	100,569	-	-	-	-	100,569
Grant income	-	-	-	613,595	-	613,595
Transfers in	-	105,417	-	-	-	105,417
Transfers out (tax equivalent payments to City of Morristown)	(774,378)	(26,934)	(722,882)	(36,120)	-	(1,560,314)
Changes in net assets	<u>201,854</u>	<u>53,896</u>	<u>3,431,146</u>	<u>1,827,569</u>	<u>1,193</u>	<u>5,515,658</u>
Net assets (deficit) at beginning of year, as previously stated	<u>17,721,056</u>	<u>1,697,235</u>	<u>48,389,793</u>	<u>27,807,169</u>	<u>(6,032,462)</u>	<u>89,582,791</u>
Prior period adjustment	<u>115,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>115,719</u>
Net assets (deficit) at beginning of year, as restated	<u>17,836,776</u>	<u>1,697,235</u>	<u>48,389,793</u>	<u>27,807,169</u>	<u>(6,032,462)</u>	<u>89,698,510</u>
Net assets - ending	<u>\$ 18,038,630</u>	<u>\$ 1,751,131</u>	<u>\$ 51,820,939</u>	<u>\$ 29,634,738</u>	<u>\$ (6,031,269)</u>	<u>\$ 95,214,169</u>

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, 2011

	Business-Type Activities Enterprise Funds				
	Sewer System	Storm Sewer System	Power System	Water System	Broadband System
					Total
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 9,026,430	\$ 530,587	\$ 74,587,829	\$ 6,987,361	\$ 97,486,691
Cash received from City of Morristown		105,417	1,673,972		1,779,389
Cash paid to suppliers	(6,333,434)	(255,160)	(64,419,052)	(2,255,511)	(77,871,926)
Cash paid to employees	(655,284)	(228,234)	(4,215,846)	(1,201,518)	(7,215,089)
Net cash provided by operating activities	2,037,712	152,610	7,626,903	3,530,332	14,179,065
<b>Cash flows from noncapital financing activities:</b>					
Transfers to City of Morristown (tax equivalent payments)			(777,385)	(35,778)	(813,163)
Long-term portion of compensated absences	(10,861)	17,253			82,303
Interfund advances	82,303	-			(730,860)
Net cash flows from noncapital financing activities	71,442	17,253	(777,385)	(35,778)	
<b>Cash flows from investing activities:</b>					
Interest received on investments	3,912		60,528	20,696	86,336
Sale (purchase) of investments				312,267	312,267
Net cash flows from investing activities	3,912	-	60,528	332,963	398,603
<b>Cash flows from capital and related financing activities:</b>					
Bond proceeds	2,951,624	-		-	2,951,624
Payments on capital lease obligations				(26,941)	(26,941)
Net additions to plant acquisition adjustments					-
Net additions to capital assets	(2,521,404)	(126,942)	(4,339,297)	(5,586,952)	(13,844,140)
Interfund (repayments) advances	271,946		(394,360)	(22,451)	271,946
State of Tennessee grant funds				541,278	
Contributions from developers				133,224	133,224
Capital contributions - tap fees	100,569				100,569
Principal payments on long term debt	(1,616,947)	(1,632)	(588,501)	(203,592)	(2,513,569)
Interest paid on long term debt	(386,041)	(2,276)	(107,458)	(507,420)	(1,051,089)
Proceeds from long term borrowings				-	-
Net cash flows from financing activities	(1,200,253)	(130,850)	(5,429,616)	(5,645,913)	(13,978,376)
Increase (decrease) in cash and cash equivalents	912,813	39,013	1,480,430	(1,818,396)	416,102
Cash and cash equivalents, beginning	1,773,268	81,498	9,007,216	8,358,381	19,786,691
Cash and cash equivalents, ending	\$ 2,686,081	\$ 120,511	\$ 10,487,646	\$ 6,539,985	\$ 20,202,793

	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)	\$ 351,624	\$ 52,919	\$ 4,255,461	\$ 1,602,847	\$ 47,887	\$ 6,310,738
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation and amortization	2,434,962	125,221	3,211,053	1,467,529	757,287	7,996,052
Provision for losses on accounts receivable			(10,732)	-	-	(10,732)
Redemption of discounted energy units			116,577	-	-	116,577
Changes in operating assets and liabilities:						
Accounts receivable	(204,657)	(10,969)	(982,509)	-	-	(1,198,135)
Loans receivable						
Accrual of unbilled revenue	(12,983)	513	179,745	50,980	-	218,255
Materials and supplies inventory	(112,950)		(48,696)	93,676	-	(67,970)
Other assets			(647,547)	23,062	26,024	(598,461)
Trade accounts payable	(372,059)	(6,150)	1,313,728	277,451	(64,314)	1,148,656
Customer deposits and prepayments			189,360	-	5,000	194,360
Other liabilities	(46,225)	(8,924)	50,463	14,787	59,624	69,725
Net cash provided by operating activities	\$ 2,037,712	\$ 152,610	\$ 7,626,903	\$ 3,530,332	\$ 831,508	\$ 14,179,065

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

City of Morristown, Tennessee  
Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 June 30, 2011

	<b>LAMPTO Agency Fund</b>
<b><u>Assets</u></b>	
Cash and cash equivalents	\$ 40,389
Grants receivable	<u>273,680</u>
Total Assets	<u><u>314,069</u></u>
<b><u>Liabilities</u></b>	
Accounts payable	21
Accrued salaries	254
Funds held for LAMPTO	<u>313,794</u>
Total Liabilities	<u><u>\$ 314,069</u></u>

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.

The Fiduciary fund is an agency fund to account for the City's role as the fiscal agent for LAMPTO.

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, 2011. 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 1<sup>st</sup>, 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>
Government type funds	\$ 5,441,837
Enterprise type funds	<u>20,114,069</u>
Totals	<u>\$ 25,555,906</u>

As of June 30, 2011, 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, 2011, 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, 2011, the City had \$ 2,436,511 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, 2011

**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	\$ 9,091,730	\$ -	\$ -	\$ -	\$ 9,091,730
Accounts	3,194,750	129,474	5,249	9,552,565	12,882,038
Grants	-	-	63,441	-	63,441
Gross receivables	12,286,480	129,474	68,690	9,552,565	22,037,209
Less: Allowance for bad debt	(621,168)	-	-	-	(621,168)
Net receivables	<u>\$ 11,665,312</u>	<u>\$ 129,474</u>	<u>\$ 68,690</u>	<u>\$ 9,552,565</u>	<u>\$ 21,416,041</u>

Included in taxes receivable of the General Fund is property taxes of \$9,091,718 that were assessed as of January 1, 2011, but will not be billed until after June 30, 2011. 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, 2010	Increases	Decreases	Balance June 30, 2011
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,658,184	\$ -	\$ -	\$ 7,658,184
Construction in progress	840,210	-	(840,210)	-
Total capital assets not being depreciated	<u>8,498,394</u>	<u>-</u>	<u>(840,210)</u>	<u>7,658,184</u>
Capital assets being depreciated:				
Buildings	18,144,324	1,244,963	(673,054)	18,716,233
Improvements other than buildings	11,828,552	8,133	-	11,836,685
Machinery and equipment	10,911,520	191,201	-	11,102,721
Infrastructure	42,071,484	789,269	-	42,860,753
Total capital assets being depreciated	<u>82,955,880</u>	<u>2,233,566</u>	<u>(673,054)</u>	<u>84,516,392</u>
Less: accumulated depreciation:				
Buildings	(6,759,414)	(308,866)	673,054	(6,395,226)
Improvements other than buildings	(9,542,414)	(523,058)	-	(10,065,472)
Machinery and equipment	(7,630,110)	(709,053)	-	(8,339,163)
Infrastructure	(13,437,836)	(1,946,706)	-	(15,384,542)
Total accumulated depreciation	<u>(37,369,774)</u>	<u>(3,487,683)</u>	<u>673,054</u>	<u>(40,184,403)</u>
Net capital assets being depreciated	<u>45,586,106</u>	<u>(1,254,117)</u>	<u>-</u>	<u>44,331,989</u>
Total capital assets-government activities	<u>\$ 54,084,500</u>	<u>\$ (1,254,117)</u>	<u>\$ (840,210)</u>	<u>\$ 51,990,173</u>

City of Morristown, Tennessee  
Notes to Financial Statements  
June 30, 2011

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,272,839	\$ -	\$ -	\$ 2,272,839
Construction in progress	6,892,535	16,095,425	12,717,082	10,270,878
Total assets not being depreciated	9,165,374	16,095,425	12,717,082	12,543,717
Capital assets being depreciated:				
Building and improvements	19,293,131	554,135	-	19,847,266
Transmission and distribution	172,871,779	8,684,024	1,369,210	180,186,593
Furniture, fixtures and equipment	25,863,917	1,955,783	111,890	27,707,810
Total capital assets being depreciated	218,028,827	11,193,942	1,481,100	227,741,669
Less accumulated depreciation:				
Building and improvements	(4,360,340)	(593,445)		(4,953,785)
Transmission and distribution	(74,367,549)	(5,361,688)	683,119	(79,046,118)
Furniture, fixtures and equipment	(10,635,252)	(1,793,694)	82,056	(12,511,002)
Total accumulated depreciation	(89,363,141)	(7,748,827)	765,175	(96,510,905)
Net capital assets being depreciated	128,665,686	3,445,115	715,925	131,230,764
Total net capital assets - business type activities	137,831,060	19,540,539	13,433,007	143,774,480
Total net capital assets	\$ 191,915,560	\$ 18,286,422	\$ 12,592,797	\$ 195,764,653

Depreciation expense was charged to government activities as follows:

General government	\$ 221,705
Public safety	586,334
Public works	2,118,781
Parks and recreation	120,443
Airport	440,410
Total	<u>\$ 3,487,673</u>
Sewer	\$ 2,434,862
Storm Water Fund	116,667
Water and Electric Power	4,783,027
Broadband	824,450
Total	<u>\$ 8,159,006</u>

**C. Accounts payable and other current liabilities:**

	Governmental	Business Type	Total
Accounts payable	\$ 142,655	\$ 7,266,327	\$ 7,408,982
Accrued payroll and other liabilities	407,105	2,740,019	3,147,124
Total	<u>\$ 549,760</u>	<u>\$ 10,006,346</u>	<u>\$ 10,556,106</u>

City of Morristown, Tennessee  
Notes to Financial Statements  
June 30, 2011

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Interfund receivables, advances, payables, and transfers**

The interfund receivables and payables as of June 30, 2011, 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	\$ 6,493,816
Storm Water Fund	Sewer Fund	Interfund Loan	\$ 524,477
Power System	Water System	Operating Cash Advance	359,783
Power System	General Fund	Interfund Loan	335,000
			<u>\$ 7,713,076</u>

The interfund transfers were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Storm Water	Operating Transfer	\$ 105,417
General Fund	Soild Waste Fund	Operating Transfer	560,529
General Fund	LAMPTO	Operating Transfer	133,530
General Fund	Narcotics	Operating Transfer	293,912
MUS Electric	General Fund	In lieu of tax	722,882
MUS WATER	General Fund	In lieu of tax	36,120
Storm Water	General Fund	In lieu of tax	14,187
Storm Water	General Fund	Reimbursement of Administrative Expenses	12,747
Sewer Fund	General Fund	In lieu of tax	296,183
Sewer Fund	General Fund	Reimbursement of Administrative Expenses	478,196
Community Development	General Fund	Operating Transfer	45,000

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. Transfers from Sewer and Storm Water funds were for in lieu of tax payments and reimbursement of administrative costs.

**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:**

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

City of Morristown, Tennessee  
Notes to Financial Statements  
June 30, 2011

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

**2) GASB 45 DISCLOSURE REQUIREMENTS – ESTIMATED**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<b>7/1/2010 6/30/2011</b>
1. Annual Required Contribution ARC)	\$ 455,797
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (expense) (1 + 2 + 3)	455,797
5. Contributions made (assumed end of year)	455,797
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 2011 are as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributions</b>	<b>Net OPEB Obligation</b>
6/30/2011	\$ 455,797	100.0%	\$ -
6/30/2010	\$ 473,774	100.0%	\$ -

**B. Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll (AAL) (b - a)/c)</b>
07/01/09	\$ 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%



**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, 2011	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, 2011, 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 \$183,437, \$18,504 and \$62,428 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:

	Governmental	Business-Type	Total
Taxes due after June 30, 2011	\$ 9,709,805	\$ -	\$ 9,709,805
Broadband	-	284,242	284,242
Total	<u>\$ 9,709,805</u>	<u>\$ 284,242</u>	<u>\$ 9,994,047</u>

Also, included in non-current liabilities is a liability for compensated absences in the sewer system of \$39,114, storm water system of \$932 and in the general fund of \$1,086,225. In addition, there is included in the non-current liabilities \$9,004,390 proceeds from a revolving loan agreement with the State of Tennessee, wherein the Morristown Utility System has borrowed \$10,492,582 to improve the water system. In addition, Morristown Utility System has a capital leases payable of \$38,831, \$14,869 of which is included in long-term liabilities.

**City of Morristown, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

	Governmental Activities	Business Activities
Balance-July 1, 2010	\$ 1,081,088	\$ 86,188
Increases	5,137	9,802
Decreases	-	-
Balance-June 30, 2011	<u>\$ 1,086,225</u>	<u>\$ 95,990</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**

**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 \$150,000 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(0.19% per annual as of June 30,2011).

During 2010 the Power System assumed \$14,644,061 of third party debt ("2008 Promissory Note") from the Broadband System related to the transfer of assets.

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 2012. There are no amounts outstanding under this arrangement as of June 30, 2011.

**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 2011, 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, 2011, \$920,392 had been drawn on the loan, net of forgiveness of \$613,595.

**City of Morristown, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2011**

**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.

During 2010, \$15,186,961 of this loan was assumed by the Power System.

**Future Debt Maturities:**

Year Ending	<b><u>Governmental Type</u></b>		<b><u>Business Type</u></b>	
	Principal	Interest	Principal	Interest
2012	\$ 1,340,592	\$ 888,969	\$ 3,096,243	\$ 1,381,665
2013	1,336,391	843,093	2,635,754	1,356,299
2014	796,401	783,070	2,264,414	1,170,465
2015	817,803	759,169	5,362,470	1,357,914
2016	871,674	705,174	1,178,917	803,490
2017-2021	4,881,206	2,912,997	7,851,375	4,210,740
2022-2026	6,167,461	1,693,070	14,109,565	2,389,879
2027-2031	3,421,797	341,102	10,683,184	467,916
2032-2036	602,973	36,286	1,815,965	31,418
2037-2041	-	-	-	-
Totals	<u>\$ 20,236,298</u>	<u>\$ 8,962,930</u>	<u>\$ 48,997,887</u>	<u>\$ 13,169,786</u>

Following are debt requirements for capital leases:

2012	17,150
2013	2,379
Total future minimum lease payments	19,529
Less amounts representing interest	587
Present value of future minimum lease payments (including \$17,150 classified as current)	<u>\$ 18,942</u>

**City of Morristown, Tennessee**  
**Changes in Long-Term Debt**  
**June 30, 2011**

The following is a summary of the changes in long-term debt for the year ended June 30, 2011.

<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, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
<b><u>Primary Government</u></b>							
<b><u>General long-term debt</u></b>							
2001 Refunding	5,085,000	2003-2012	Variable	120,000	-	60,000	60,000
2003 Refunding Industrial Park (B-2-B)	4,855,000	2003-2013	Variable	1,650,000	-	525,000	1,125,000
2008 Public Improvement (\$8M)	4,000,000	2009-2028	Variable	3,752,000	-	133,500	3,618,500
2008 Public Improvement (\$3M)	1,290,000	2009-2029	Variable	1,250,870	-	40,850	1,210,020
2008 Public Improvement (\$20M)	8,193,665	2009-2035	Variable	7,689,345	-	273,259	7,416,086
2008 Public Improvement (\$20M)(Water)	1,011,200	2009-2035	Variable	948,960	-	33,724	915,236
Local Government Energy Loan	183,604	2010-2016	0	157,375	-	26,229	131,146
2008 Public Improvement (\$5M)	3,272,750	2009-2028	Variable	3,097,250	-	110,500	2,986,750
2009 Public Improvement and Refunding(\$5M)	2,848,203	2009-2034	2.91	2,848,203	-	74,670	2,773,533
Total general bonds and notes				<u>21,514,003</u>	<u>-</u>	<u>1,277,732</u>	<u>20,236,271</u>
<b><u>Enterprise Funds</u></b>							
<b><u>Sewer bonds:</u></b>							
2001 Refunding	4,455,000	2002-2013	Variable	1,335,000	-	425,000	910,000
2003 Refunding (B-2-A)	1,360,000	2006-2014	Variable	750,000	-	165,000	585,000
2008 Public Improvement (\$8M)	4,000,000	2009-2028	Variable	3,752,000	-	133,500	3,618,500
2008 Public Improvement (\$3M)	1,710,000	2009-2029	Variable	1,658,130	-	54,150	1,603,980
2008 Public Improvement (\$20M)	10,795,135	2009-2035	Variable	10,130,695	-	360,018	9,770,677
MPLG, LLC (Waste Water Treatment Plant)	3,601,030	2009-2034	Variable	2,783,453	-	2,783,453	-
State Revolving Fund 07-203	6,052,764	Various	2.06	6,052,764	2,951,626	-	9,004,390
2008 Public Improvement (\$5M)	1,762,250	2009-2028	Variable	1,667,750	-	59,500	1,608,250
2009 Public Improvement and Refunding(\$5M)	1,907,419	2009-2034	2.91	1,907,419	-	49,780	1,857,639
Capital Outlay Note	750,000	2009-2011	3.1	750,000	-	370,000	380,000
<b><u>Electric system</u></b>							
Holston Electric notes		2009-2018	None	177,695	-	22,222	155,473
Appalachian Electric notes		2003-2020	None	619,157	-	99,176	519,981
Series V-A-2 Bonds	2,500,000	2004-2018	Variable	1,700,000	-	150,000	1,550,000
2008 TML Bonds	15,186,961	2011-2035	Variable	15,186,961	-	317,103	14,869,858
Water system					-	-	-
Water system bonds series 1996	2,800,000	2000-2011	Variable	255,000	-	255,000	-
Water Department promissory note	1,011,200	2001-2012	Variable	295,500	-	95,000	200,500
Water Department promissory note	600,000	2004-2012	Variable	200,000	-	65,000	135,000

**City of Morristown, Tennessee**  
**Changes in Long-Term Debt**  
**June 30, 2011**

The following is a summary of the changes in long-term debt for the year ended June 30, 2011.

<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, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
DWSRF promissory note	10,492,582	2007-2026	2.61	8,805,467	-	453,985	8,351,482
Water system bonds series 2010	7,500,000	2010-2029	3.38	7,500,000	-	255,000	7,245,000
2011 DWSRF Note				-	920,393	-	920,393
Broadband System							
Telecom System 2008 TML Bonds	20,115,000	2016-2030	Variable	4,928,039	-	102,897	4,825,142
Total revenue bonds and notes							
Storm Water Bonds	81,459	2009-2034	2.91	81,459.00	-	2,620	78,839
2009 Public Improvement and Refunding(\$5M)				70,536,489	3,872,019	6,218,404	68,190,104
<b>Other</b>							
Solid Waste Bonds (Joint Venture)							
2009 Public Improvement and Refunding(\$5M)	162,919	2009-2034	2.91	162,919	-	3,930	158,989
Solid Waste Refunding (Joint Venture)	1,649,400	2005-2012	2.0-5	450,000	-	220,000	230,000
Total Other				612,919	-	223,930	388,989
				92,663,411	3,872,019	7,720,066	88,815,364
<b>Capital Leases:</b>							
Telecom				\$ 46,964	\$ -	\$ 26,941	\$ 20,023
Total				\$ 46,964	\$ -	\$ 26,941	\$ 20,023

City of Morristown, Tennessee  
Notes to Financial Statements  
June 30, 2011

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Prior period adjustment:**

The prior period adjustment to the beginning fund balance of the general fund in the amount of \$114,945 reflects the establishment of an agency fund to account for the City's role as fiscal agent for LAMPTO. A prior period adjustment in the amount of \$115,719 was made to the sewer fund to reflect the change in accounting treatment of the sewer plant in the Lowland area of Hamblen County from a capital acquisition to a long-term agreement for the right of the City to use the plant. This transaction resulted in a long-term contractual liability which is reflected on the statement of net assets of the sewer fund. This transaction was recorded in this manner after consultations with personnel in the Comptroller's office.

**H. State street aid activities:**

The following is a summary of State Street Aid activity within the General Fund for the year ended June 30, 2011:

Reserve fund balance, July 1, 2010	\$ 353,457
Add – state gasoline tax revenues	703,166
Less – state expenditures: Paving	<u>419,662</u>
Reserve fund balance, June 30, 2011	<u>\$ 636,961</u>

**I. Other Disclosures:**

**A. Commitments and Contingencies:**

At June 30, 2011, 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, 2011**

**J. Segment Information (continued)**

Segment information for these Enterprise Funds is summarized as follows for the year ended June 30, 2011.

<b>Condensed Statement of Net Assets</b>	<b>Power Dept.</b>	<b>Water Dept.</b>	<b>Broadband Dept.</b>	<b>Sewer Fund</b>	<b>Storm Water</b>
<b>Assets:</b>					
Current assets	\$ 21,958,622	\$ 7,521,938	\$ 403,555	\$ 5,436,912	\$ 144,761
Other assets	7,799,888	144,479	174,477	23,242	149,209
Restricted assets		-			
Capital assets	51,166,722	39,702,866	5,446,788	45,336,473	2,130,228
Total assets	<u>\$ 80,925,232</u>	<u>\$ 47,369,283</u>	<u>\$ 6,024,820</u>	<u>\$ 50,796,627</u>	<u>\$ 2,424,198</u>
<b>Liabilities:</b>					
Current liabilities	\$ 12,612,582	\$ 1,828,447	\$ 7,336,952	\$ 2,757,361	\$ 52,698
Current liabilities payable from restricted assets		-			
Noncurrent liabilities	16,491,711	15,906,098	4,719,137	30,000,636	620,369
Total liabilities	<u>\$ 29,104,293</u>	<u>\$ 17,734,545</u>	<u>\$ 12,056,089</u>	<u>\$ 32,757,997</u>	<u>\$ 673,067</u>
<b>Net assets:</b>					
Invested in capital assets	\$ 34,585,451	\$ 25,840,576	\$ (3,063,959)	\$ 13,511,804	\$ 1,524,781
Restricted		-			
Unrestricted	17,235,488	3,794,162	(2,967,310)	4,526,826	226,350
Total net assets	<u>\$ 51,820,939</u>	<u>\$ 29,634,738</u>	<u>\$ (6,031,269)</u>	<u>\$ 18,038,630</u>	<u>\$ 1,751,131</u>

**City of Morristown, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2011**

**K. Segment Information (continued)**

<b>Condensed Statement of Revenues, Expenses and Changes in Net Assets</b>	<b>Power Dept.</b>	<b>Water Dept.</b>	<b>Broadband Dept.</b>	<b>Sewer Fund</b>	<b>Storm Water</b>
Customer charges	\$ 77,167,025	\$ 6,936,381	\$ 6,321,898	\$ 9,308,092	\$ 541,053
Depreciation expense	3,211,053	1,467,529	757,287	2,434,962	125,221
Other operating expenses	69,700,511	3,866,005	5,516,724	6,389,875	464,136
Operating income(loss)	4,255,461	1,602,847	47,887	483,255	(48,304)
Non-operating reveues (expenses):					
Investment earnings	60,528	20,696	1,200	4,071	
Interest expense	(107,458)	(507,420)	(47,894)	(386,041)	(3,217)
Transfers in/out	(777,385)	(35,778)	-	-	105,417
Change in net assets	3,431,146	1,080,345	1,193	101,285	53,896
Capital contributions		133,629		100,569	
Grant Income		613,595			
Beginning net assets	48,389,793	27,807,169	(6,032,462)	17,836,776	1,697,235
Ending net assets	\$ 51,820,939	\$ 29,634,738	\$ (6,031,269)	\$ 18,038,630	\$ 1,751,131

<b>Condensed Statement of Cash Flows</b>	<b>Power Dept.</b>	<b>Water Dept.</b>	<b>Broadband Dept.</b>	<b>Sewer Fund</b>	<b>Storm Water</b>
Net cash provided(used) by:					
Operating activities	\$ 7,626,903	\$ 3,530,332	\$ 831,508	\$ 2,037,712	\$ 152,610
Noncapital Financing Activities	(777,385)	(35,778)	-	71,442	17,253
Capital and related financing activities	(5,429,616)	(5,645,913)	(1,030,466)	(1,200,253)	(130,850)
Investing activities:	60,528	332,963	1,200	3,912	-
Net increase (decrease)	1,480,430	(1,818,396)	(197,758)	912,813	39,013
Beginning cash and cash equivalents	9,007,216	8,358,381	566,328	1,773,268	81,498
Ending cash and cash equivalents	\$ 10,487,646	\$ 6,539,985	\$ 368,570	\$ 2,686,081	\$ 120,511



**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

**K. 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

**L. 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, 10<sup>th</sup> Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <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, 2011, was 14.61% 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, 2011, MORRISTOWN's annual pension cost of \$1,874,073 to TCRS was equal to MORRISTOWN's required and actual contributions. The required contribution was determined as part of the July 1, 2009 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 2.5% 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, 2009 was 24 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, 2011

**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, 2011	\$1,874,073	100.00%	\$0.00
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</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll ( c )</u>	<u>UAAL as a Percentage of Covered Payroll (AAL) ((b - a)/c)</u>
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%

(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>
2011	\$ 4,230,281	\$ 4,024,616	\$ 603,622	15%	\$ 290,525	7%
2010	\$ 3,859,074	\$ 3,803,784	\$ 569,167	15%	\$ 276,691	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>
2011	\$ 1,216,305	\$ 1,180,455	\$ 173,905	15%	\$ 78,757	7%
2010	\$ 1,190,266	\$ 1,162,362	\$ 171,675	15%	\$ 73,953	6%

**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>
2011	\$ 954,974	\$ 749,847	\$ 112,477	15%	\$ 44,351	6%
2010	\$ 826,101	\$ 780,272	\$ 117,041	15%	\$ 49,476	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 2011 and 2010, 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.

**City of Morristown, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2011**

**NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)**

**M. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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>\$ 14,726,417</u>

**NOTE 6 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2011, the Federal District Judge in Greeneville, Tennessee issued a court order to compel the City of Morristown to address problems with its sewer system in the Witt community of Hamblen. The Judge set a date for the City to comply with his order to complete the repairs or face a severe fine. The City has appealed the Judge's ruling.

**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, 2011

	<u>Narcotics</u>	<u>Community Development</u>	<u>Total NonMajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 31,271	\$ 7,010	\$ 38,281
Receivables (net of allowance for uncollectibles)	<u>5,249</u>	<u>63,441</u>	<u>68,690</u>
Total assets	<u>\$ 36,520</u>	<u>\$ 70,451</u>	<u>\$ 106,971</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	-	-	-
Accrued expenditures	9,727	210	9,937
Unearned revenue	<u>22,078</u>	<u>-</u>	<u>22,078</u>
Total liabilities	<u>31,805</u>	<u>210</u>	<u>32,015</u>
Fund balances:			
Reserved	-	-	-
Unreserved fund balance(deficit)	<u>4,715</u>	<u>70,241</u>	<u>74,956</u>
Total equity	<u>4,715</u>	<u>70,241</u>	<u>74,956</u>
Total liabilities and fund equity	<u>\$ 36,520</u>	<u>\$ 70,451</u>	<u>\$ 106,971</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, 2011

	<u>Narcotics</u>	<u>Community Development</u>	<u>Total NonMajor Governmental Funds</u>
<b>Revenues</b>			
Licenses, permits and fines	\$ 96,331	\$ -	\$ 96,331
Use of money and property	-	-	-
Service charges and fees	-	-	-
Intergovernmental	14,752	292,513	307,265
<b>Total revenues</b>	<u>111,083</u>	<u>292,513</u>	<u>403,596</u>
<b>Expenditures</b>			
Current:			
Administration	-	101,700	101,700
Programs	-	272,955	272,955
Contracts with other agencies	-	-	-
Total general government	<u>-</u>	<u>374,655</u>	<u>374,655</u>
Public safety:			
Police	445,753	-	445,753
Total public safety	<u>445,753</u>	<u>-</u>	<u>445,753</u>
Total expenditures	<u>445,753</u>	<u>374,655</u>	<u>820,408</u>
Deficiency of revenue over expenditures	<u>(334,670)</u>	<u>(82,142)</u>	<u>(416,812)</u>
<b>Other financing sources (uses):</b>			
Bond Proceeds	-	-	-
Transfers in	313,912	175,000	488,912
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>313,912</u>	<u>175,000</u>	<u>488,912</u>
Net change in fund balance	<u>(20,758)</u>	<u>92,858</u>	<u>72,100</u>
Fund balance- beginning, as previously stated	25,473	-	25,473
Fund balance- beginning, as restated	<u>25,473</u>	<u>(22,617)</u>	<u>2,856</u>
Fund balance-ending	<u>\$ 4,715</u>	<u>\$ 70,241</u>	<u>\$ 74,956</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, 2011**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Revenue:				
CDBG Reimbursements	\$ 927,434	\$ 927,434	\$ 280,799	\$ (646,635)
Transfer from general fund	-	250,000	175,000	(75,000)
Other State Revenues	-	-	11,714	11,714
<b>Total Revenues</b>	<b>927,434</b>	<b>1,177,434</b>	<b>467,513</b>	<b>(709,921)</b>
Expenditures:				
CDBG Administration:				
Wages & Salaries Permanent Employees	45,444	65,444	58,874	6,570
Christmas Bonus & Longevity	263	263	267	(4)
FICA	3,497	3,497	4,351	(854)
Health and Life Insurance	9,486	9,486	9,883	(397)
Retirement	6,678	6,678	8,625	(1,947)
Worker's Compensation	1,525	1,525	-	1,525
Employee Education & Training	6,000	6,000	3,587	2,413
Mailing	500	500	250	250
Reproduction and Printing	200	200	-	200
Memberships & Fees	1,000	1,000	905	95
Advertising and Publicity	1,500	1,500	1,154	346
Professional & Consulting	5,000	5,000	-	5,000
Travel	8,000	8,000	6,595	1,405
Other Contractual	80,000	60,000	999	59,001
Rental and Maintenance Contracts	10,000	10,000	913	9,087
Contracts With Other Agencies	-	-	-	-
Office Supplies	2,000	2,000	102	1,898
Insurance	-	-	512	(512)
Grants	-	250,000	4,683	245,317
Office Equipment	5,000	5,000	2,276	2,724
<b>Total CDBG Administration</b>	<b>186,093</b>	<b>436,093</b>	<b>103,976</b>	<b>332,117</b>
CDBG Programs & Activities:				
Advertising and Publicity	-	-	398	(398)
Other Contractual	-	-	225,281	(225,281)
Grants & Subsidies	696,341	696,341	-	696,341
Transfers out	45,000	45,000	45,000	-
<b>Total CDBG Programs &amp; Activities</b>	<b>741,341</b>	<b>741,341</b>	<b>270,679</b>	<b>470,662</b>
<b>Total Expenditures</b>	<b>927,434</b>	<b>1,177,434</b>	<b>374,655</b>	<b>802,779</b>
Net change in fund balance	-	-	92,858	92,858
Fund balance, July 1, 2010	-	3,028	(22,617)	(25,645)
<b>Fund balance, June 30, 2011</b>	<b>\$ -</b>	<b>\$ 3,028</b>	<b>\$ 70,241</b>	<b>\$ 67,213</b>

City of Morristown, Tennessee  
Narcotics Fund  
Statement of Revenue, Expenditures, and  
Changes in Fund Balance-Budget and Actual  
for the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
Federal Reimbursements and Refunds	\$ -	\$ -	\$ 7,208	\$ 7,208
State Reimbursements and Refunds	-	-	6,734	6,734
Other reimbursements and refunds	-	-	810	810
Program Income	200,000	200,000	96,331	(103,669)
Total Revenue	200,000	200,000	111,083	(88,917)
Narcotics:				
Wages & Salaries Permanent Employees	229,283	229,283	221,020	8,263
Overtime	12,000	14,500	15,422	(922)
Christmas Bonus & Longevity	2,279	2,279	2,316	(37)
FICA	18,632	18,632	17,884	748
Health and Life Insurance	47,385	50,385	49,973	412
Retirement	35,234	35,234	34,894	340
Worker's Compensation	7,625	7,625	7,955	(330)
Employee Education & Training	1,100	1,100	903	197
Judgements/Fees/Court Costs	258	258	-	258
Mailing	300	300	10	290
Reproduction and Printing	100	100	-	100
Publications	200	200	-	200
Memberships and Fees	265	265	205	60
Advertising and Publicity	1,000	1,000	709	291
Professional & Consulting	250	250	28	222
Repairs and Maintenance	100	100	-	100
Travel	1,500	1,500	2,504	(1,004)
Other Contractual	5,500	7,000	4,669	2,331
Rental and Maintenance Contracts	7,537	7,537	3,843	3,694
Contracts With Other Agencies	10,000	10,000	9,859	141
Office Supplies	1,800	1,800	1,512	288
Small Tools & Minor Equipment	1,000	1,000	909	91
Uniforms	2,600	2,600	2,600	-
Gasoline/Fuels/Lubricants	10,000	10,000	7,292	2,708
Automotive Parts and Accessories	3,000	4,000	3,691	309
Electrical, Plumbing, and Hardware	500	500	-	500
Vehicle Expense	500	500	495	5
Other Supplies	2,750	1,592	785	807
Narcotics Enforcement	79,214	59,514	37,987	21,527
Construction materials	-	-	200	(200)
Insurance	12,000	12,000	11,472	528
Office equipment	-	8,358	2,359	5,999
Other machinery and equipment	-	4,500	4,257	243
Total Expenditures	493,912	493,912	445,753	48,159
Net change in fund balance	(293,912)	(293,912)	(334,670)	(40,758)
Other Sources of Funds:				
Operating Transfers In	293,912	293,912	313,912	20,000
Net change in fund balance	-	-	(20,758)	(20,758)
Fund balance, July 1, 2010	(65,010)	(5,355)	25,473	30,828
Fund balance, June 30, 2011	\$ (65,010)	\$ (5,355)	\$ 4,715	\$ 10,070

City of Morristown, Tennessee  
Schedule of Federal Grant Activity  
For the Year Ended June 30, 2011

<u>Grantor/Passthrough Entity/ Federal Program</u>	<u>CFDA No.</u>	<u>Program Name</u>	<u>Contract Number</u>	3)		4)	
				<u>Balance July 1, 2010</u>	<u>Receipts</u>	<u>Federal Disbursements</u>	<u>Balance June 30, 2011</u>
U. S. Dept. of Agriculture/ Tennessee Dept. of Community Services	10.599	Summer Feeding Summer Feeding	D00924269 D00924269	\$ (27,667) \$	27,667 \$	- \$	-
Total U. S. Dept. of Agriculture				(27,667)	55,839	69,712	(41,540)
U.S. Dept. of Housing and Urban Development	14.218	Community Development Block Grant		-	259,599	280,799	(21,200)
	14.231	Emergency Shelter Emergency Shelter	ESG-09 ESG-10	- -	11,664 -	11,664 23,427	- (23,427)
Total Emergency Shelter				-	11,664	35,091	(23,427)
	14.264	Neighborhood Stabilization	NSP-09-027	-	-	18,814	(18,814)
Total U.S. Department of Housing and Urban Development				-	271,263	334,704	(63,441)
U.S. Department of Justice	16.710	Community Policing	2009-DJ-BX-0900	-	-	55,771	(55,771)
	16.59	Police grants		-	42,421	42,421	-
Total U.S. Department of Justice					42,421	98,192	(55,771)

City of Morristown, Tennessee  
Schedule of Federal Grant Activity  
For the Year Ended June 30, 2011

<u>Grantor/Passthrough Entity/ Federal Program</u>	<u>CFDA No.</u>	<u>Program Name</u>	<u>Contract Number</u>	<u>Balance July 1, 2010</u>	<u>Receipts</u>	<u>Federal Disbursements</u>	<u>Balance June 30, 2011</u>
U. S. Department of Transportation/ Tennessee Dept. of Transportation	20.106	Airport Improvement	3-47-SBGP-26	-	536,965	536,965	- 5)
	20.505	Highway Planning and Construction-ARRA	ILPLMF3017090149	(2,280)	409,847	457,262	(49,695)
	20.505	Highway Planning and Construction-ARRA	ILPLMF3015090110	(2,139)	298,708	297,268	(699)
	20.505	Highway Planning and Construction-ARRA	ILPLMF3013090108	(1,175)	139,075	137,900	-
	20.505	Highway Planning and Construction-ARRA	ILPLMF3013090150	-	64,319	64,319	-
	20.505	Highway Planning and Construction-ARRA	ILPLMF3012090150	-	201,809	202,453	(644)
	20.505	Highway Planning and Construction-ARRA	ILPLMF3014090150	-	31,535	31,535	-
	20.505	Highway Planning and Construction-ARRA	ILPLMF3008090151	-	51,899	52,079	(180)
Total Highway Planning-ARRA				(5,594)	1,197,192	1,242,816	(51,218) 5)
Total Department of Transportation				(5,594)	1,734,157	1,779,781	(51,218)

City of Morristown, Tennessee  
Schedule of Federal Grant Activity  
For the Year Ended June 30, 2011

<u>Grantor/Passthrough Entity/ Federal Program</u>	<u>CFDA No.</u>	<u>Program Name</u>	<u>Contract Number</u>	<u>Balance July 1, 2010</u>	<u>Receipts</u>	<u>Federal Disbursements</u>	<u>Balance June 30, 2011</u>
Environmental Protection Agency/ Tenn. Revolving Loan Fund	66.468	Capitalization Grants-ARRA		-	766,994	766,994	-
Total Environmental Protection Agency	66.468	Capitalization Grants- Non-ARRA		-	434,880	434,880	-
				-	1,201,874	1,201,874	- 5)
Department of Homeland Security/ TEMA	97.044	Assistance to Firefighters Assistance to Firefighters	EMW2009FO09474 EMW2010FO06991	- -	8,100 21,060	8,100 21,060	- -
Total Assistance to Firefighters				-	29,160	29,160	-
Total Department of Homeland Security				-	29,160	29,160	-
Total Federal Financial Assistance				\$ (33,261)	\$ 3,334,714	\$ 3,513,423	\$ (211,970)

Notes to Schedule of Federal Financial Assistance:

- 1) This schedule has been prepared on the same basis as the financial statements.
- 2) The amounts reported represents the grantors' portion of expenditures.
- 3) Receivable at June 30, 2010
- 4) Receivable at June 30, 2011
- 5) Major Federal Program

City of Morristown, Tennessee  
Schedule of State Grant Activity  
For The Year Ended June 30, 2011

<u>Grantor Agency</u>	<u>Contract Number</u>	<u>Amount of Award</u>	<u>Balance 7/1/2010</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance 6/30/2011</u>
Tennessee Dept. of Transportation	Z-08-20-0724-00		\$ -	\$ 17,803	\$ 17,803	\$ -
Tennessee Dept. of Transportation			-	202,677	202,677	-
Tennessee Dept. of Transportation			-	92,781	92,781	-
Tennessee Dept. of Transportation			(95,140)	95,140		-
Tennessee Dept. of Transportation			(17,804)	17,804		-
Tennessee Dept. of Transportation			(52,000)	52,000		-
Tennessee Dept. of Transportation			-	51,280	51,280	-
Tennessee Dept. of Econ. Devel	GG-103150-00		-	202,678	202,678	-
Tennessee Dept. of Econ. Devel			(13,902)	13,902	-	-
			<u>\$ (178,846)</u>	<u>\$ 746,065</u>	<u>\$ 567,219</u>	<u>\$ -</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, 2011**

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.

City of Morristown, Tennessee  
Net Assets by Component  
 Last Ten Fiscal Years  
 Ninth Year of Implementation  
 June 30, 2011

	8/30/2003	6/30/2004	6/30/2005	6/30/2006	Fiscal Year Ended 6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011
<b>Governmental activities:</b>									
Invested in capital assets, net of related debt	\$ 20,792,189	\$ 33,486,758	\$ 32,483,958	\$ 32,367,332	\$ 20,829,489	\$ 41,772,607	\$ 43,089,778	\$ 44,137,100	\$ 31,753,875
Restricted	5,564,620	1,434,155	3,256,311	3,461,859	153,829	2,746,754	2,622,266	353,457	644,679
Assigned								1,091,161	12,333,638
Unrestricted	4,542,774	4,811,741	3,913,333	2,407,332	12,742,735	-	-	2,119,815	5,570,179
Total governmental activities net assets	\$ 30,899,583	\$ 39,732,654	\$ 39,660,602	\$ 38,236,323	\$ 33,726,053	\$ 44,519,361	\$ 45,712,044	\$ 47,701,533	\$ 50,302,371
<b>Business-type activities:</b>									
Invested in capital assets, net of restricted debt	\$ 62,632,218	\$ 61,967,985	\$ 63,008,050	\$ 65,965,213	\$ 65,694,276	\$ 68,057,045	\$ 73,440,732	\$ 73,214,568	\$ 72,398,653
Restricted	859,847	554,347	3,522,421	531,903	557,111	-	1,331,951	585,465	-
Unrestricted	10,174,665	13,006,096	11,713,846	13,638,464	12,858,565	13,775,143	11,011,165	15,782,758	22,815,516
Total business-type net assets	\$ 73,666,730	\$ 75,528,428	\$ 78,244,317	\$ 80,135,580	\$ 79,109,952	\$ 81,832,188	\$ 85,783,848	\$ 89,582,791	\$ 95,214,169
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 83,424,407	\$ 82,760,174	\$ 95,494,008	\$ 98,332,545	\$ 86,523,765	\$ 109,829,652	\$ 116,530,510	\$ 117,351,668	\$ 104,677,320
Restricted	6,424,467	2,032,088	6,778,732	3,993,562	710,940	2,341,975	3,954,217	938,922	644,679
Assigned								1,091,161	12,333,638
Unrestricted	14,717,439	30,468,820	15,632,179	16,045,796	25,601,300	14,179,922	11,011,165	17,902,573	27,951,903
Total Primary government	\$ 104,566,313	\$ 115,261,082	\$ 117,904,919	\$ 118,371,903	\$ 112,836,005	\$ 126,351,549	\$ 131,495,892	\$ 137,284,324	\$ 145,517,540



City of Morristown, Tennessee  
Changes in Fund Balance of Governmental Funds

Last Ten Fiscal Years  
Ninth Year of Implementation  
June 30, 2011

	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	6/30/2011
Revenues:									
Taxes	\$ 17,538,836	\$ 17,963,749	\$ 18,798,835	\$ 19,508,714	\$ 19,819,597	\$ 22,261,063	\$ 23,229,793	\$ 21,494,303	\$ 22,480,586
Licenses, permits and fines	1,720,054	756,770	936,037	904,316	1,093,488	1,045,551	1,497,081	1,472,826	1,510,750
Use of money and property	489,234	736,195	690,408	607,576	329,777	470,219	246,632	1,014,717	870,195
Service charges and fees	124,335	318,659	131,998	165,179	137,584	141,703	132,712	151,393	1,225,730
Intergovernmental	5,390,157	4,566,023	5,294,295	7,664,424	6,141,091	6,269,338	5,340,445	5,820,905	6,204,797
Total revenues	25,242,616	24,342,396	25,851,573	28,841,209	27,521,537	30,187,874	30,446,663	29,954,144	32,292,058
Expenditures:									
General government	2,432,599	2,603,517	3,322,466	3,654,202	4,378,805	4,578,048	3,823,150	3,410,399	3,317,502
Public safety	10,868,947	10,949,337	11,946,235	12,010,039	14,326,759	14,553,542	13,950,739	13,027,747	13,039,718
Public works	5,595,244	6,215,255	6,897,308	9,055,173	10,381,286	11,036,209	6,991,598	6,353,399	6,619,663
Parks and recreation	1,567,215	1,766,941	1,568,247	1,957,729	3,229,978	2,338,137	2,070,940	1,656,613	1,706,724
Airport	1,270,308	590,071	292,552	275,700	190,240	132,719	302,588	-	-
Civic support	506,273	569,689	544,398	532,178	856,174	558,723	1,338,282	490,500	279,966
Library	-	-	-	-	-	-	-	-	250,000
Economic development	1,731,781	1,379,815	1,448,415	4,355,672	2,224,061	1,117,549	464,294	1,167,653	1,868,472
Transportation	-	408,347	434,590	292,973	-	-	642,427	-	-
Retiree benefits	-	-	-	-	-	-	-	394,866	439,304
Miscellaneous	164,256	229,795	39,351	20,531	-	-	-	133,532	133,532
Debt service:									
Principal	815,000	746,600	1,224,800	1,265,000	1,105,000	3,150,000	1,586,805	4,058,614	1,501,662
Interest	382,892	360,360	178,333	178,432	449,487	722,876	538,250	341,172	237,224
Debt expense	34,098	4,903	4,670	299,340	155,077	62,156	53,404	68,620	45,929
Total expenditures	25,398,613	25,842,630	27,901,355	33,896,969	37,296,967	38,249,959	31,069,950	31,745,552	29,439,696
Deficiency of revenue over expenditures	(155,997)	(1,500,234)	(2,049,782)	(5,055,760)	(9,775,330)	(8,062,085)	(613,287)	(1,751,408)	2,852,363
Other financing sources (uses):									
Transfers in	2,632,114	4,290,237	2,550,093	2,371,219	2,421,324	2,443,018	1,925,865	2,471,905	1,898,007
Transfers out	(2,632,114)	(5,005,138)	(1,725,817)	(1,717,920)	(1,733,483)	(1,712,003)	(1,876,147)	(1,796,947)	(1,538,388)
Bonds issued	-	-	1,992,464	10,000,000	4,750,000	5,970,000	1,473,604	3,012,455	-
Total other financing sources (uses)	-	(714,901)	2,816,740	10,653,299	5,437,841	5,701,015	1,523,322	3,747,413	359,619
Net change in fund balance	\$ (155,997)	\$ (2,215,135)	\$ 766,958	\$ 5,597,539	\$ (4,337,489)	\$ (1,361,070)	\$ 910,035	1,956,005	3,211,932
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%	6.06%

City of Morristown, Tennessee  
**Changes in Net Assets**  
 Last Ten Fiscal Years  
 Ninth Year of Implementation  
 (Accrual Basis)  
 June 30, 2011

	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	6/30/2011
<b>Expenses:</b>									
Governmental activities:									
General government	\$ 2,467,777	\$ 2,790,124	\$ 3,532,804	\$ 3,732,690	\$ 4,427,912	\$ 4,729,358	\$ 3,518,058	\$ 3,538,038	\$ 3,518,056
Public safety	10,236,334	10,287,585	11,553,257	12,011,746	14,783,116	14,938,433	13,528,045	13,510,787	13,528,045
Public works	5,570,400	6,537,781	5,024,791	7,884,650	8,938,753	12,760,354	8,372,617	7,208,208	8,372,617
Parks and recreation	1,685,313	1,534,531	1,489,315	1,864,017	3,107,488	2,404,471	1,805,109	1,787,692	1,805,109
Civic support	506,273	576,028	544,398	532,178	856,949	558,723	663,498	553,177	663,498
Economic development	590,147	385,088	1,448,415	3,879,932	128,444	1,117,549	1,904,129	624,033	1,904,129
Retiree benefits	-	408,347	434,580	292,973	-	-	-	394,866	439,304
Airport	1,633,100	477,425	704,585	554,398	631,368	573,847	-	-	-
Transportation	-	-	-	-	-	-	-	787,273	-
Long-term debt expense	164,256	390,490	217,831	337,239	582,295	785,032	283,153	342,543	283,153
Other	416,990	81,574	-	-	-	-	-	-	-
Total governmental activities expenses	23,250,590	23,474,933	24,929,978	31,089,823	33,452,305	37,667,765	30,074,607	28,704,813	30,513,911
Business-type activities:									
Water	3,847,335	4,089,405	3,765,578	4,241,596	4,466,115	5,056,029	5,840,954	5,305,837	5,840,954
Sewer	4,207,892	4,579,513	4,696,065	5,170,188	5,682,688	6,760,588	8,385,242	7,844,245	9,210,878
Electric	46,767,798	47,395,032	47,493,148	53,341,801	56,800,708	61,105,276	73,019,022	63,957,470	73,019,022
Telecom System	-	-	4,176	714,877	4,449,839	6,907,548	6,321,905	7,030,319	8,321,905
Storm Water	-	-	-	-	-	436,016	565,841	576,843	592,574
Total business-type expenses	54,823,015	56,033,950	55,958,967	63,468,262	71,419,350	80,265,455	94,132,784	84,714,514	94,985,333
Total primary government expenses	78,073,605	79,508,883	80,888,943	94,558,085	104,871,635	118,133,220	124,207,371	113,419,127	125,499,244
<b>Program Revenues:</b>									
Governmental activities:									
Charges for services:									
General government	202,996	185,575	231,440	223,537	557,097	409,037	134,066	280,238	134,068
Public safety	545,293	794,845	936,037	904,316	414,661	778,216	1,510,750	1,343,981	1,510,760
Public works	124,335	703,184	-	258,709	-	-	-	-	1,091,684
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	1,713,855	352,717	-	505,618	448,884	888,336	1,091,878	975,928	1,091,876
Capital grants and contributions	2,817,657	1,361,550	-	3,234,328	1,702,895	1,546,886	-	660,995	-
Total governmental activities program revenues	5,203,938	3,517,213	1,299,475	5,281,887	3,281,321	3,622,475	2,736,692	3,261,142	3,828,356
Business-type activities:									
Charge for services:									
Water	4,495,715	4,408,024	4,943,461	5,339,101	5,335,578	5,572,994	6,936,381	6,769,458	6,938,361
Sewer	4,540,720	4,492,542	4,569,153	4,749,533	5,556,473	6,766,896	6,601,692	6,801,692	9,308,092
Electric	47,511,185	49,414,204	49,466,518	55,821,500	58,831,933	63,351,409	77,167,028	67,681,072	77,167,026
Telecom system	-	-	-	102,690	2,548,590	4,503,672	6,321,898	6,502,002	6,321,898
Storm Water	-	-	-	-	-	69,383	541,053	563,562	541,053
Operating grants and contributions	-	378,438	-	-	-	-	-	-	-
Capital grants and contributions	272,320	1,640,300	-	-	-	55,500	84,631	84,631	847,793
Total business-type activities program revenue	58,819,950	60,331,508	58,999,132	66,012,824	72,072,574	82,339,854	97,652,681	88,202,417	101,122,243
Total primary government program revenue	\$ 62,023,886	\$ 63,848,721	\$ 60,298,607	\$ 71,294,711	\$ 75,333,895	\$ 85,962,329	\$ 100,389,373	\$ 91,463,559	\$ 104,950,599
<b>Net (expense) revenue:</b>									
Governmental activities	\$ (18,046,654)	\$ (19,957,720)	\$ (23,630,501)	\$ (25,807,936)	\$ (30,190,984)	\$ (34,245,290)	\$ (26,885,555)	\$ (25,443,471)	\$ (26,685,555)
Business-type activities	1,998,935	2,583,291	3,040,165	2,544,562	653,244	2,074,399	6,889,479	3,487,903	6,136,910
Total primary government net expense	\$ (18,049,719)	\$ (17,374,429)	\$ (20,590,336)	\$ (23,263,374)	\$ (29,537,740)	\$ (32,170,891)	\$ (19,696,076)	\$ (21,955,568)	\$ (20,548,645)

City of Morristown, Tennessee  
**Changes in Net Assets**  
 Last Ten Fiscal Years  
 Ninth Year of Implementation  
 (Accrual Basis)  
 June 30, 2011

	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	6/30/2011
<b>General Governmental and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes	\$ 6,154,751	\$ 6,288,159	\$ 6,544,269	\$ 6,959,587	\$ 6,744,789	\$ 9,521,787	\$ 8,766,697	\$ 9,160,026	\$ 9,885,169
In-lieu taxes	682,748	59,275	72,748	92,446	65,529	35,536	-	-	-
Franchise taxes	813,588	820,658	853,208	1,006,887	732,339	826,802	784,365	644,358	400,815
Local sales tax	8,053,276	8,618,515	9,196,618	9,491,687	9,594,019	9,448,110	10,389,929	9,454,955	9,611,440
Alcohol beverage tax	934,587	1,009,528	1,032,668	1,078,180	1,107,005	1,138,908	1,178,388	1,190,044	1,140,739
Business and gross receipts tax	681,903	861,368	784,119	881,441	943,210	868,833	947,659	663,824	682,131
Hotel/motel tax	238,004	312,707	350,931	384,387	417,120	425,087	387,704	361,098	454,855
Use of money and property	1,291,583	712,843	96,134	607,576	451,307	470,219	248,832	1,014,717	870,195
Intergovernmental	1,208,281	2,148,591	4,097,107	3,405,260	3,989,312	3,834,117	2,148,264	4,188,982	5,112,921
Transfers	-	721,591	824,276	653,299	887,841	731,014	1,530,560	734,958	813,163
Total governmental activities	20,038,680	21,553,253	23,852,078	24,558,730	24,732,471	27,298,413	28,360,196	27,432,960	29,171,448
Business-type activities:									
Investment earnings	254,859	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	387,820	181,464	95,302	66,495
Transfers	-	(721,591)	(824,276)	(653,299)	(887,841)	(731,014)	(1,530,560)	(734,958)	(813,163)
Total business-type activities	254,859	(721,591)	(824,276)	(653,299)	(887,841)	(343,194)	(1,369,076)	(639,656)	(728,668)
Total primary government	\$ 20,293,539	\$ 20,831,662	\$ 23,027,802	\$ 23,905,431	\$ 24,044,630	\$ 26,953,219	\$ 24,991,120	\$ 26,793,304	\$ 28,444,780
<b>Changes in Net Assets</b>									
Governmental activities	1,992,026	1,595,533	221,577	(1,219,206)	(5,456,513)	(8,948,877)	2,693,163	1,869,489	2,485,693
Business-type activities	2,251,794	1,861,700	2,125,889	1,891,263	(34,597)	1,731,206	2,236,653	2,848,247	5,410,242
Total primary government	\$ 4,243,820	\$ 3,457,233	\$ 2,347,466	\$ 672,057	\$ (5,493,110)	\$ (5,217,671)	\$ 4,929,836	\$ 4,837,736	\$ 7,895,935
General fund									
Reserved	2,273,995	1,281,222	1,923,010	8,551,478	4,669,443	-	2,619,067	353,457	639,984
Assigned								1,091,161	534,986
Unreserved	3,114,420	5,032,750	5,254,556	4,060,987	-	2,705,279		2,234,879	6,269,127
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	\$ 7,444,079
All other governmental funds									
Unreserved								(28,323)	387,277
Assigned								-	69,128
Reserved	3,290,625	149,933	53,301	9,883	183,657	41,475	3,199	25,473	4,715
Total all other governmental funds	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 9,883	\$ 183,657	\$ 41,475	\$ 3,199	\$ (850)	\$ 461,120

City of Morristown, Tennessee  
Fund Balance of Governmental Funds  
 Last Ten Fiscal Years  
 Ninth Year of Implementation  
 (Modified Accrual Basis of Accounting)  
 June 30, 2011

	2003	2004	2005	2006	Fiscal Year 2007	2008	2009	2010	2011
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								1,065,688	1,170,837
Unreserved	3,114,420	5,032,750	5,254,556	4,060,987	-	-	-	3,159,977	6,656,404
Total general fund	<u>\$ 5,388,415</u>	<u>\$ 6,313,972</u>	<u>\$ 7,177,566</u>	<u>\$ 12,612,463</u>	<u>\$ 4,669,443</u>	<u>\$ 3,431,536</u>	<u>\$ 2,619,067</u>	<u>\$ 4,579,122</u>	<u>\$ 7,827,241</u>
All other governmental funds									
Reserved	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 9,883	\$ 163,657	\$ 41,475	\$ 3,199	\$ 25,473	\$ 77,958
Unreserved, reported in:									
Special revenue funds				984	984	984	-	(26,323)	
Total all other governmental funds	<u>\$ 3,290,625</u>	<u>\$ 149,933</u>	<u>\$ 53,301</u>	<u>\$ 10,867</u>	<u>\$ 164,641</u>	<u>\$ 42,459</u>	<u>\$ 3,199</u>	<u>\$ (850)</u>	<u>\$ 77,958</u>

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	8,618,515	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	9,196,618	1,032,668	784,119		350,931	96,134	4,097,107	824,276	23,852,078
2006	6,989,567	92,446	1,006,887	9,491,887	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	27,682,599
2008	9,521,787	35,536	826,802	9,446,110	1,138,908	866,833		425,087	1,421,389	6,027,338	731,015	30,440,805
2009	8,766,697	-	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
2011	9,999,606	-	400,815	9,611,440	1,140,739	882,131	1,510,750	454,885	2,095,925	6,204,797	848,566	33,149,654

**City of Morristown, Tennessee**  
**Table of General Bonded Debt with Total Assessment**  
**and Expenditure Ratio**  
**Ten Tax Years Ended 2011**  
**June 30, 2011**

<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>
2002	14,020,286	551,613,123	.025 to 1	25,398,613	.552 to 1
2003	13,155,286	550,062,517	.024 to 1	25,842,630	.509 to 1
2004	11,042,686	561,898,214	.020 to 1	27,901,352	.396 to 1
2005	12,202,286	570,401,429	.021 to 1	33,896,969	.360 to 1
2006	20,922,286	673,488,281	.031 to 1	37,296,867	.561 to 1
2007	22,538,317	704,561,094	.032 to 1	38,249,959	.589 to 1
2008	24,008,317	693,683,310	.034 to 1	26,991,342	.889 to 1
2009	22,521,414	728,824,170	.031 to 1	31,320,230	.719 to 1
2010	21,676,922	734,794,794	.030 to 1	31,217,154	.694 to 1
2011	20,395,260	880,290,913	.023 to 1	29,439,695	.692 to 1

City of Morristown, Tennessee  
Property Tax Levies and Collections  
For the Ten Years Ended 2011  
June 30, 2011

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Assessed value	\$ 454,515,175	\$ 569,848,249	\$ 576,594,587	\$ 586,357,798	\$ 614,747,798	\$ 704,667,216	\$ 693,683,310	\$ 735,127,536	\$ 734,794,794	\$ 880,290,913	\$ 885,877,941
Rate per \$100	1.25	1.09	1.09	1.09	1.09	0.97	1.37	1.22	1.22	1.05	1.05
Total tax levy	5,681,440	6,211,347	6,284,227	6,391,300	6,700,751	6,835,272	9,503,463	8,903,661	8,968,580	9,243,067	9,091,718
Collections/reductions:											
Initial tax year	5,436,677	5,908,398	5,986,563	6,085,471	6,421,637	6,546,642	8,767,049	8,367,645	8,502,700	8,755,460	
Additional through June 30, 2011	227,104	287,430	284,669	292,708	242,811	249,135	624,059	370,228	264,014	-	
Total collections/reductions	5,663,781	6,195,768	6,271,232	6,378,177	6,664,448	6,795,778	9,391,108	8,737,871	8,766,714.00	8,755,460	
Taxes receivable, June 30, 2011	17,659	15,579	12,995	13,123	36,303	39,494	112,355	163,790	201,866	487,607	
Percent of levy collected Initial tax year	95.69%	95.12%	95.26%	95.21%	95.63%	95.76%	92.25%	93.99%	94.81%	94.72%	
Percent of levy outstanding June 30, 2011	0.31%	0.25%	0.21%	0.21%	0.54%	0.58%	1.18%	1.86%	2.25%	5.28%	

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

	2011			Ten Years Ago		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Department of Education	1,284	1	4%	1205	3	4%
Koch Foods	1,087	2	4%	690	8	2%
MAHLE, Inc.	965	3	3%	1,500	2	5%
Walters State Community College	766	4	3%	790	4	3%
Morristown Hamblen Healthcare	716	5	2%	765	5	3%
JTEKT Automotive	600	6	2%			
Howmet Corporation	560	7	2%	600	9	2%
Lakeway Regional Hospital	501	8	2%			
Wal-Mart	443	9	1%			
Rich Products	438	10	1%			
Berkline Corporation	818			1,590	1	5%
Universal Furniture Industries				-		
Lear Corporation				750	6	3%
Toyota TRW Auto, Inc.				750	7	3%
Shelby Williams Industries, Inc.				550	10	2%
Total	8,178		24%	6,485		26%



City of Morristown, Tennessee  
Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Tax Years  
June 30, 2011

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
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	154,997,600	257,138,640	493,845	1,765,775	135,664,289	2,368	550,062,517	1.09	1,653,214,110	33.27%
2003	157,210,650	268,536,960	493,845	1,783,150	133,871,424	2,185	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	161,306,661	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	164,020,624	1,870	734,794,794	1.22	2,429,789,052	30.24%
2010	266,744,425	405,874,600	707,025	5,657,800	201,304,793	2,270	880,290,913	1.05	2,776,600,762	31.70%

**City of Morristown**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years (9th Year of Implementation)**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Police:										
Physical arrests	5,216	5,226	5,250	5,266	7,572	6,487	5,620	2,097	4,844	
Parking violations	8,629	8,636	8,645	8,652	7,179	14,809	15,211	10,071	357	
Fire										
Number of calls answered	2,976	2,979	2,985	3,211	3,390	3,337	3,232	4,271	3,914	
Inspections	1,800	1,808	1,815	1,827	2,376	2,361	948	659	741	
Highway and streets:										
Street maintenance/resurfacing (miles)	3	0.11	8.11	4.73	0.4	6.18	2.39	-	209.30	
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	2,870.70	
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	4,209.62	

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

<b>Fiscal Year</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age</b>	<b>Education Level In Years of Formal Schooling</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
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
2011	29,137	548,154,381	18,813	36.2	12	10,972	11.8

City of Morristown  
Operating Indicators by Function  
 Last Ten Fiscal Years (9th 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>	<u>2011</u>
<b>Function</b>									
Public Safety									
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48	48
Fire stations	5	4	5	5	6	6	6	6	6
Sanitation									
Collection trucks	5	5	5	5	4	4	4	4	4
Highways and streets									
Street (miles)	228	237	240	241	263	263	320	320	320
Culture and recreation									
Parks acreage	249	257	232	257	259	259	264	264	264
Parks	14	14	15	15	16	16	16	16	16

**City of Morristown, Tennessee**  
**Schedule of Utility Rates and Number of Customers**  
**June 30, 2011**

**Sewer Rates**

Inside - \$4.96 per 1,000 gallons of water used—minimum bill of \$9.18 per month.

Outside - \$9.92 per 1,000 gallons of water used—minimum bill of \$29.76 per month.

**Customers:**

Inside City	11,627
Outside City	<u>104</u>
Total	<u>11,731</u>

**City of Morristown, Tennessee**  
**Schedule of Utility Rates and Number of Customers**  
**June 30, 2011**

**Residential**

Customer charge per month	\$ 16.71
Energy charge:	
First 2,000 kilowatt hours	8.934¢
Additional kilowatt hours per month	8.934¢

**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	9.899¢
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	9.3810¢
Demand of 1,001 to 5,000 kilowatt hours:	
Customer charge per month	\$ 270.00
Demand charge:	
First 1,000 kilowatts per month	\$ 11.68
Excess over 1,000 kilowatts per month	\$ 13.31
Energy charge:	
Per kilowatt hours per month	\$ 6.262¢

Demand of 5,001 to 15,000 kilowatts:	
Customer charge per month	\$1,500.00
Demand charge:	
Per kilowatt	\$ 19.92
First 620 kilowatt hours per kilowatt per month	10.427¢
Additional kilowatt hour per month	2.771¢

Non-manufacturing demand of 15,001 to 25,000 kilowatts:	
Customer charge per month	\$1,500.00
Demand charge:	
Per kilowatt hour per month	\$ 19.92
Energy charge:	
First 620 kilowatt hours per month	10.427¢
Additional kilowatt hours per month	2.771¢

Number of customers	14,336
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**City of Morristown, Tennessee**  
**Schedule of Water Rates and Number of Customers**  
**June 30, 2011**

**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**

12,501

**City of Morristown, Tennessee**  
**Schedule of Monthly Broadband Rates**  
**June 30, 2011**

**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, 2011**

<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
MAHLE	27,457,838	1	3.12%
VIFAN	23,631,785	2	2.68%
TOYODA-TRW/JTEKT	22,657,953	3	2.57%
LEAR OPERATION	13,343,212	4	1.52%
TUFF TORQ CORP	13,214,518	5	1.50%
OTICS USA INC	12,807,288	6	1.45%
CBL MORRISTOWN LTD	10,633,280	7	1.21%
TEAM TECHNOLOGIES	9,397,897	8	1.07%
BERKLINE/TBC	8,647,286	9	0.98%
MERITOR/ROCKWELL	6,819,871	10	0.77%

**City of Morristown, Tennessee**  
**Ratios of Outstanding Debt by Type, Last Ten Fiscal Years**  
**June 30, 2011**

<u>Fiscal Year</u>	<u>Population</u>	<u>Per Capita Income</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonded Debt</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
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
2011	29,137	18,813	20,395,260	67,736,119	88,131,379	0.02%	\$3,024.72

**City of Morristown, Tennessee**  
**Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years**  
**June 30, 2011**

<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>
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
2011	29,137	2,729,853,556	20,395,260	0.75%	700

**City of Morristown, Tennessee**  
**City Government Employees by Function/Program**  
**June 30, 2011**

Function/Program	Employees as of June 30				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>General government</b>					
Mayor and Council	7	7	7	7	7
City Administration & Staff	3	3	3	3	4
Finance	6	5	7	7	7
Purchasing	1	1	1	1	1
Information Technology	2	2	2	2	2
Human Resources	2	2	2	2	2
Legal Services	2	2	2	2	2
Planning	6.3	7.3	7.3	8.4	8.4
Engineering	3.1	3.3	3.3	3.9	3.4
Inspections	4	5	5	5	5
<b>Police</b>					
Supervision	6	5	5	5	5
Patrol	63	67	67	70	63
Investigations	15	15	15	13	13
Codes Enforcement	1	0	0	0	0
Vice	1	1	1	1	1
Narcotics	5	5	5	4	4
<b>Fire</b>					
Supervision	6	6	6	6	4
Firefighting	81	84	84	84	87
Prevention & Inspection	1	2	2	2	1
<b>Public Works</b>					
Supervision	1.5	1.5	1.5	1.5	1.5
Buildings & Grounds	2	2	2	2	6
Equipment Shop	7	7	7	7	7
Repairs & Maintenance	9	10	10	10	10
Street Lights & Signs	1	2	2	2	2
Brush & Snow	9	13	13	13	14
Communication Shop	2	2	2	2	2
Storms Drains & Ways	0	0	0	0	4
Street Cleaning	0	0	0	0	2
Parks and Recreation	17	20	20	20	21
Sewer	26.9	25.9	25.9	25.7	22.7
Storm Water	7.2	7	7	6.5	0
Solid Waste	12	13	13	13	13
<b>Total</b>	<u><u>310</u></u>	<u><u>326</u></u>	<u><u>328</u></u>	<u><u>329</u></u>	<u><u>325</u></u>

# CRAINE, THOMPSON, & JONES, P.C.

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## CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET

P.O. BOX 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

423-586-7650

### **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, 2011, which collectively comprise the City of Morristown, Tennessee's basic financial statements and have issued our report thereon dated December 5, 2011. 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 11-1 through 11-4 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 5, 2011.

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.

Morristown, Tennessee  
December 5, 2011

# 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

423-586-7850

### **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, 2011. 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, 2011.

#### **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.

JAMES W. CRAINE, CPA  
GLENN B. THOMPSON, CPA, CFP, PFS  
MIRA J. CRAINE, CPA

THOMAS M. JONES, CPA  
HIRAM H. JONES, CPA

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.

Morristown, Tennessee  
December 5, 2011



**City of Morristown, Tennessee**  
**Schedule of Findings and Questioned Costs**  
**June 30, 2011**

**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 identified
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified	no
Reportable conditions identified not considered	none identified
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:	
Airport Improvement	20.106
Highway Planning and Construction	20.505
Capitalization Grants	66.468
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. 11-1**

CONDITION: The storage of physical inventories of supplies and materials is inadequate.

CRITERIA: In order to maintain adequate control over inventory, it should be stored and maintained in an organized and orderly fashion.

CAUSE OF CONDITION: Inventories are being maintained in a disorderly fashion. Similar items were often stored in locations within the same facility.

EFFECT OF CONDITION: This condition creates difficulty in conducting a physical inventory in that it can be difficult to determine whether or not all items are being counted. Items could be unnecessarily re-ordered because City personnel are unable to locate items needed.

RECOMMENDATION: The City should make every to properly organize and store its inventories.

**Management Response**

Management understands this finding. We will implement procedures and policies for storage of assets..

## **Section II – Financial Statement Findings: (cont)**

### **Finding No. 11-2**

**CONDITION:** Travel policies are not consistent across all of the departments of the City.

**CRITERIA:** City policies should be consistent across the organization.

**CAUSE OF CONDITION:** Each department has developed its own travel policy independent of the other City departments.

**EFFECT OF CONDITION:** Reimbursement policies differ across City government

**RECOMMENDATION:** The City should develop a comprehensive travel policy that is consistent across the organization.

#### **Management Response**

Management agrees with this finding and will develop a travel policy encompassing all employees.

### **Finding No. 11-3**

**CONDITION:** Procedures for the issuance of purchase orders need to be improved.

**CRITERIA:** The issuance of purchase orders is an important part of the City's purchasing process and internal control.

**CAUSE OF CONDITION:** In some instances, purchases orders were being issued after the end of the fiscal year for invoices prior to the end of the year. Blanket purchase were being issued for as little \$1.00, when the actual purchases were for amounts that greatly exceeded that amount.

**EFFECT OF CONDITION:** For purchase orders made after the fact, the effect is that purchases are being made with the required purchase order. Blanket purchase orders issued for \$1.00 does not give sufficient authorization for that larger purchases that will be made.

**RECOMMENDATION:** City management should instruct purchasing personnel as to the proper procedures to be followed in issuing purchase orders with particular instruction in the concept of achieving a proper cut-off and the treatment of blanket purchase orders.

#### **Management Response**

Management agrees with this finding. Purchasing/Finance staff will develop procedures on the year-end purchase order process to eliminate purchase orders being issued in the new year with the actual expenditure/expenses occurring in the previous year. Also open purchase orders will be discussed with the appropriate department on what amounts should be used.

## **Section II – Financial Statement Findings: (cont)**

### **Finding No. 11-4**

**CONDITION:** The City's accounting system for its capital assets is not sufficient for the size of the organization it has become.

**CRITERIA:** In order to exercise proper internal control over its capital assets, the City should utilize an accounting system for its capital assets that is adequate for an organization of its. Size.

**CONDITION:** The City is currently accounting for its capital assets by using a series of excel spreadsheets. This is an ineffective method as it does not automatically update formulas or roll totals forward to the next accounting period.

**EFFECT OF CONDITION:** The system being used by the City is inefficient and could lead to errors in the accounting for capital assets.

**RECOMMENDATION:** The City should invest the necessary funds to provide the accounting system necessary for its capital assets.

### **Management Response**

Management agrees with the finding and is in the process to developing software to account for the City's Fixed Assets. This software will automatically accrue depreciation expenses for each asset ad by each fund.

**City of Morristown, Tennessee  
Disposition of Prior Year Findings  
June 30, 2011**

**FYE 6/30/2009**

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

This condition still existed at June 30, 2011.

**FYE 6/30/2010**

Finding 1: Auditor prepared the financial statements

This condition still existed at June 30, 2011.

Finding 2: Insufficient segregation of duties

This condition still existed at June 30, 2011.

Finding 3: Deficit in Solid Waste Fund

This condition had been corrected at June 30, 2011.

Finding 4: Over-expenditure of the CDBG budget.

This condition had been corrected at June 30, 2011

Finding 5: No formal written accounting policies and procedures

This condition still existed at June 30, 2011.

Finding 6: Operating losses in the Sewer and Storm Water Funds

This condition had been corrected at June 30, 2011.