

CITY OF MORRISTOWN, TENNESSEE

AUDIT REPORT

June 30, 2012

City of Morristown, Tennessee
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June 30, 2012

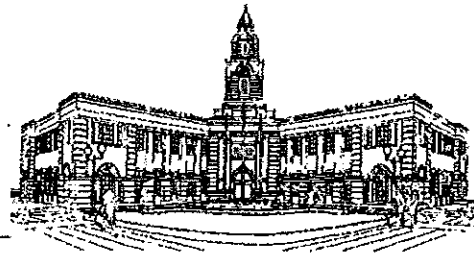
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City of Morristown

Incorporated 1855



December 17, 2012

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, 2012.

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, 2012, 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, 2012, 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 Council members consisting of the mayor and six other members. The Council is responsible, among other things, for passing ordinances, resolutions, adopting the budget, appointing committees, and hiring the City Administrator, City Attorney, Police Chief, and Fire Chief. The City's Administrator is responsible for carrying out the policies and ordinances of the Council, for overseeing the day-to-day operations of the City and for appointing the heads of various departments.

The City of Morristown provides a full range of services, including police, fire, street construction and maintenance, planning and zoning, parks and recreation, cultural events and general administrative services. In addition, water, electric 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

As with last year, the overall economic health of the City of Morristown reflects the slow growth with the nationwide economy. In FY 2012 the city experienced a 6.5% increase in the local option sales tax.

Major Initiatives

Two years ago, three of our manufacturers announced plans of expanding and adding additional 100 jobs to the local economy. These projects are still on schedule and are nearing completion.

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 for business recruiting.


Acknowledgment

The preparation of the CAFR could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to the Finance staff and other personnel from various departments, agencies, and authorities that assisted in the preparation. Also, we would like to thank the Mayor and Council for their guidance and support.

Respectfully submitted,



Tony Cox
City Administrator



Larry Clark
Administrative Services Director

*CITY OF MORRISTOWN
CITY OFFICIALS
June 30, 2012*

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 Administrative Services
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
Alan Hartman
Roger Overholt
William Honeycutt
Jay Moore
Ralph Fielder
Jeff Branham
Craig Price*

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET

P.O. BOX 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

423-586-7650

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morristown, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Morristown, Tennessee's, management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Morristown Utility Commission, which represent 62 percent, 79 percent, and 88 percent, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Morristown Utility Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morristown, Tennessee, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and solid waste fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

Honorable Mayor and Board of Aldermen

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morristown, Tennessee's financial statements. The introductory section, combining and individual nonmajor fund financial statements, statistical section, and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Craine, Thompson & Jones, P.C.
Morristown, Tennessee
November 25, 2012

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, 2012. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on page 1 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 \$149.9 million (net assets), an increase of nearly \$4.4 million during FY 2012. Of this amount, \$45.7 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 \$23.1 million. An increase of almost \$15.6 million from the prior year.
- The City of Morristown's total long-term debt increased by a net amount of \$32,156,168 during the current fiscal year. The General Fund's long-term debt increased by a net amount of \$2,409,630. The Sewer Fund's debt increased by a net amount of \$25,955,072. The Storm Water Fund's debt increased by a net amount of \$4,995,710. The Sanitation Fund's debt increased by a net amount of \$15,710.
- Prior period adjustments were necessary to correct assets that were presented due to the implementation of a fixed assets program.
- The City of Morristown's General Fund reported a fund balance of \$23,104,583 on June 30, 2012.

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, broadband and sewer systems. Of the business-type activities, the Morristown Utilities Commission is responsible for water, electric and broadband. The Morristown Utilities Commission is an administrative unit of the City and therefore has been included as a business-type activity of the primary government. The Morristown Utilities Commission issues a separate 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 16 of this report.

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

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

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

The City of Morristown maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the solid waste fund, both of which are considered to be major funds. Data from the other governmental fund are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found beginning on page 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, broadband 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 broadband systems, all of which are considered to be major funds of the City of Morristown. The storm water system is not considered to be a major fund, however it is presented separately in the proprietary fund financial statements because it is the only other proprietary fund.

The basic proprietary fund financial statements can be found on page 44 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 50 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 \$149.9 million at the close of the most recent fiscal year. Net assets increased by \$4.4 million for the period.

	Governmental activities		Business-type activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$34,861,172	\$29,932,825	\$ 82,446,911	\$44,088,521	\$117,308,083	\$ 74,021,346
Capital assets	49,106,084	51,990,173	148,372,402	143,783,077	197,478,486	195,773,250
Total assets	83,967,256	81,922,998	230,819,313	187,871,598	314,786,569	269,794,596
Long-term liabilities outstanding	22,151,588	19,711,659	96,378,773	67,213,159	118,530,361	86,924,818
Other liabilities	12,186,316	11,908,968	34,122,468	25,443,270	46,308,784	37,352,238
Total liabilities	34,337,904	31,620,627	130,501,241	92,656,429	164,839,145	124,277,056
Net assets:						
Invested in capital assets, net of related debt	26,055,799	31,753,875	76,792,135	72,923,445	102,847,934	104,677,320
Restricted	1,369,307	3,002			1,369,307	3,002
Assigned	0	12,641,353				
Unrestricted	22,204,246	5,904,141	23,525,937	22,291,724	45,730,183	28,195,865
Total Net assets	\$49,629,352	\$50,302,371	\$100,318,072	\$95,215,169	\$149,947,424	\$145,517,540

By far the largest portion of the City of Morristown's net assets (71%) 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.

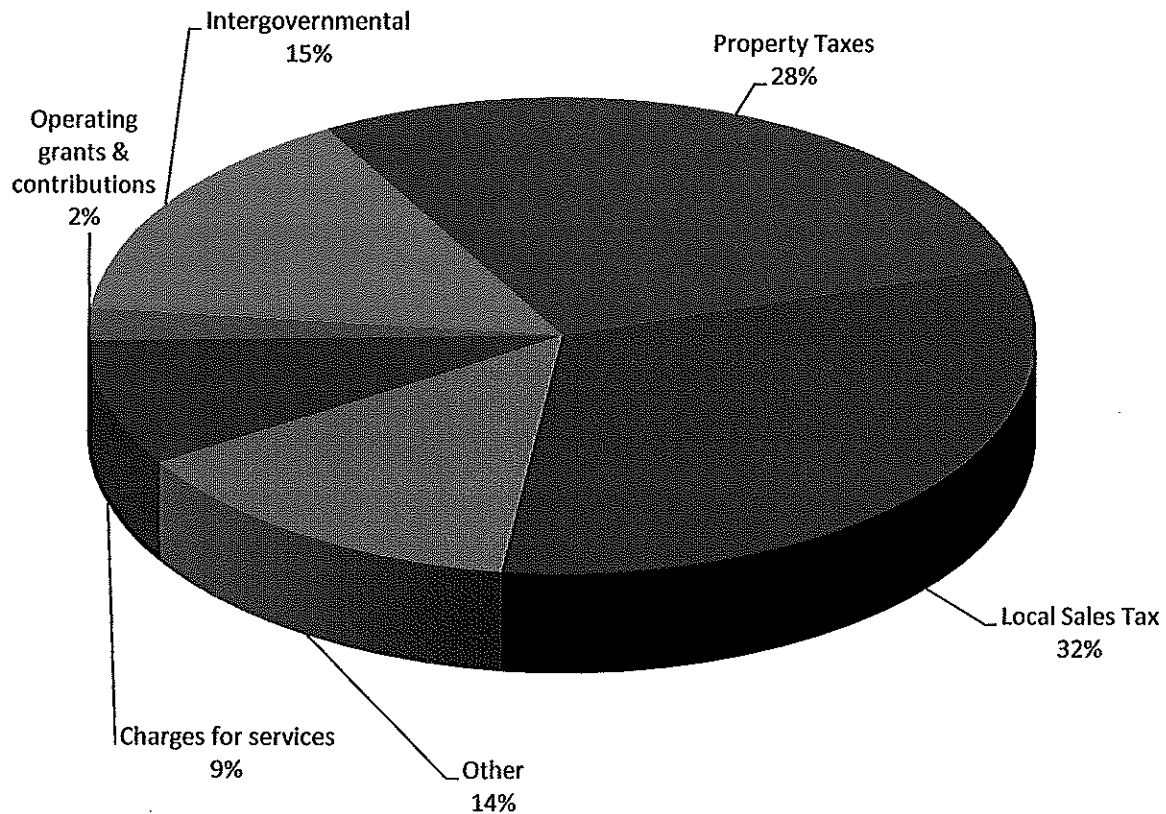
An additional portion of the City of Morristown's net assets (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$45,730,183) may be used to meet Morristown's ongoing obligations to citizens and creditors.

The general fund had an unassigned fund balance of \$10,069,059 on June 30, 2012.

City of Morristown's Changes in Net Assets						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 2,751,255	\$ 2,736,480	\$ 99,419,215	\$ 100,274,450	\$ 102,170,470	\$ 103,010,930
Operating grants & contributions	700,118	1,091,876	2,067,523	-	2,767,641	1,091,876
Capital grants & contributions	-	-	165,384	847,793	165,384	847,793
General revenues:						
Property taxes	9,135,643	9,138,037	-	-	9,135,643	9,138,037
Sales tax	10,236,619	9,611,440	-	-	10,236,619	9,611,440
Intergovernmental	4,777,887	5,112,921	-	-	4,777,887	5,112,921
Other	4,476,612	3,643,308	304,325	86,495	4,780,937	3,729,803
Total revenues	32,078,134	31,334,062	101,956,447	101,208,738	134,034,581	132,542,800
Expenses:						
General government	4,267,622	3,518,056	-	-	4,267,622	3,518,056
Public safety	13,775,987	13,528,045	-	-	13,775,987	13,528,045
Public works	9,939,809	8,161,772	-	-	9,939,809	8,161,772
Economic development	392,784	1,805,109	-	-	392,784	1,805,109
Parks & recreation	1,793,705	1,904,129	-	-	1,793,705	1,904,129
Civic support	1,638,926	663,498	-	-	1,638,926	663,498
Transportation	-	-	-	-	-	-
Retiree Health Insurance	309,530	439,304	-	-	309,530	439,304
Interest on long-term debt	289,717	283,153	-	-	289,717	283,153
Water	-	-	5,854,982	5,840,612	5,854,982	5,840,612
Sewer	-	-	9,632,557	8,439,027	9,632,557	8,439,027
Storm water	-	-	658,713	562,423	658,713	562,423
Electric	-	-	71,977,895	73,073,525	71,977,895	73,073,525
Telecom	-	-	6,963,308	6,321,905	6,963,308	6,321,905
Total expenses	32,408,080	30,303,066	95,087,455	94,237,492	127,495,535	124,540,558
Increase (decrease) in net assets before transfers	(329,946)	1,030,996	6,868,992	6,971,246	6,539,046	8,002,242
Transfers	1,532,378	1,454,897	(1,532,378)	(1,454,587)	-	310
Increase (decrease) in net assets	1,202,432	2,485,893	5,336,614	5,516,659	6,539,046	8,002,552
Net assets - July 1, 2010	50,302,371	47,701,533	95,215,326	89,582,791	145,517,697	137,284,324
Prior period adjustment	(1,875,451)	114,945	(233,868)	115,719	(2,109,319)	230,664
Net assets - June 30, 2011	\$ 49,629,352	\$ 50,302,371	\$ 100,318,072	\$ 95,215,169	\$ 149,947,424	\$ 145,517,540

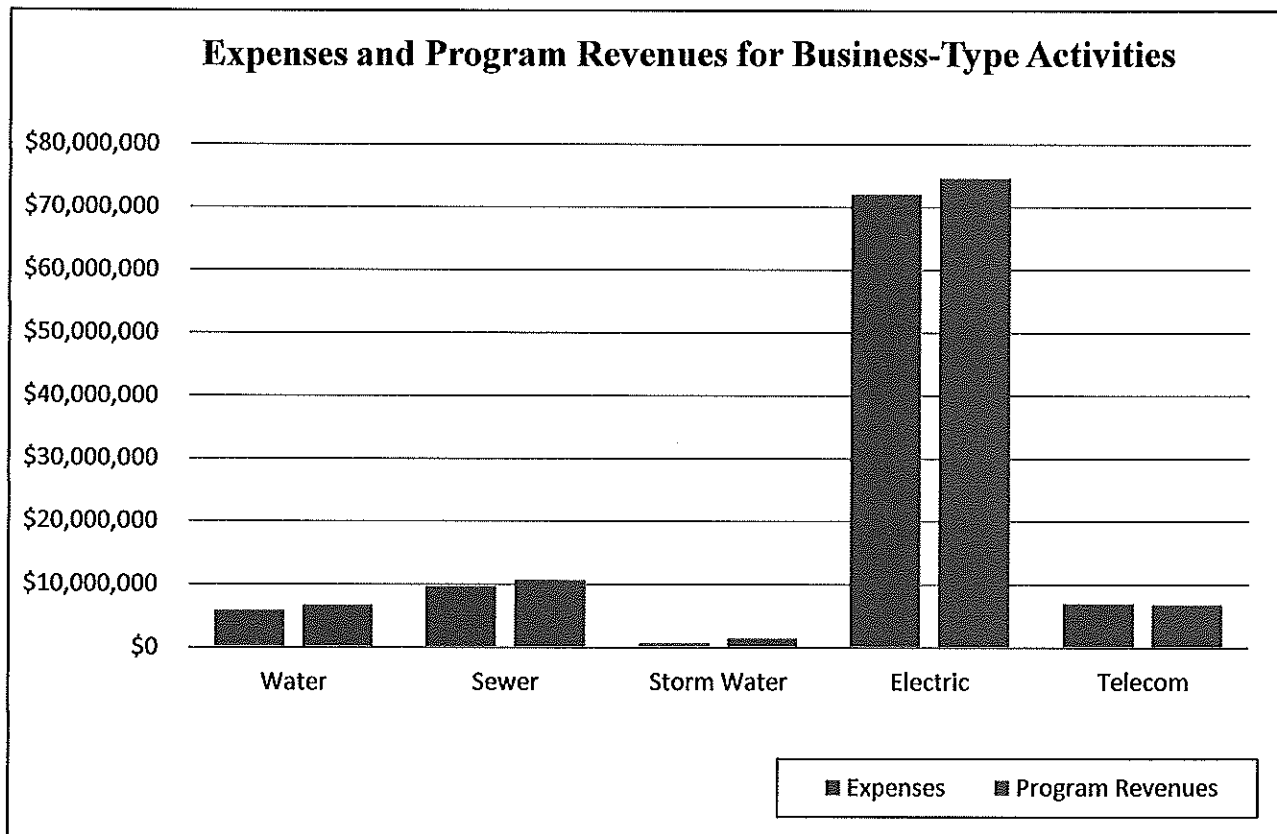
The graph below presents the major sources of revenue for governmental activities.

Revenues by Source-Governmental Activities



The property tax continues to be a stable revenue source for the City. For FY 2012 collections decreased \$2,394 from FY 2011.

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 \$23,752,521 an increase of \$15,847,322.

The general fund's fund balance increased \$15,660,504. The increase was due to a \$3.75 million capital outlay note that was issued for general fund and sanitation fund. The general fund's portion was \$3.5 million which was used for street paving.

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 and an allocation from the general fund. The debt service paid by the solid waste fund is funded entirely by the Morristown/Hamblen County Solid Waste Authority. The City receives an amount equal to the annual debt service expenditures each year which 2012 was the final payment. The debt was issued by the City and ultimately the City is responsible for its repayment should the Morristown/Hamblen County Solid Waste Authority unable to meet the obligation. The City also borrowed \$250,000 in FY 2012 for the purchase of two sanitation trucks.

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 decreased \$626,802 million for FY 2012. This was due primarily to sewer improvements and investment in capital assets. The storm water system net assets gain of \$937,407. This was due to positive income and investment in net assets. The majority of the investment of capital assets was due a bond issue of \$31,000,000 during 2012. The breakdown is \$26 million for Sewer and \$5 million for Storm Water. Both will be used to make repairs and enhance the infrastructure for both utilities. The Sewer portion also is in response to the TDEC commissioner's order that was discussed in last year's audit. The funding of the debt issue is from the current rate structure for both utilities.

Unrestricted net assets of the Morristown Utility Commission, which operates electric, water, and Broadband service for the City, at the end of the year, amounted to \$19,039,619, an increase of \$977,269. The Morristown Utility Commission debt decreased by \$1,629,838. 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 2012.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for FY 2012 can be briefly summarized as follows:

- \$215,095 in increases allocated to the Police Department for equipment funded by grants.
- \$134,349 in increases allocated to the Fire Department for equipment funded by grants and various operation needs.
- \$175,000 in increases allocated to Street Repairs & Maintenance.
- \$461,000 in increases allocated for Fast Track Grants issued by the State of Tennessee.

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, 2012, amounts to \$ 49.1 million and \$ 148.3 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure and construction in progress.

City of Morristown's Capital Assets (net of depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	7,658,184	7,658,184	2,284,839	2,272,839	9,943,023	9,931,023
Buildings	11,914,940	12,321,007	-	-	11,914,940	12,321,007
Improvements other than buildings	1,280,954	1,771,213	-	-	1,280,954	1,771,213
Machinery & equipment	1,810,081	2,763,558	-	-	1,810,081	2,763,558
Infrastructure	26,441,925	27,476,211	-	-	26,441,925	27,476,211
Utility plant and equipment	-	-	140,348,069	133,221,994	140,348,069	133,221,994
Construction in progress	-	-	5,739,494	8,288,244	5,739,494	8,288,244
Total	49,106,084	51,990,173	148,372,402	143,783,077	197,478,486	195,773,250

Additional information on the City of Morristown's capital assets can be found on page 59 of this report.

Long-term debt. At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$ 97.8 million; of this amount \$22.6 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 \$63.3 of the total outstanding debt in a fully variable rated product. The Broadband system's outstanding debt of \$4,717,345 consists entirely of a variable rate product.

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, 2011	Additions	Reductions	Balance June 30, 2012
Governmental activities				
General fund	\$ 20,236,326	\$ -	\$ 1,340,370	\$ 18,895,956
Solid waste fund	388,619	-	234,290	154,329
Total governmental activities	20,624,945	-	1,574,660	19,050,285
Business-type activities				
Sewer system	29,338,781	27,869,365	1,914,313	55,293,833
Storm water system	78,939	5,000,000	2,860	5,076,079
Electric system	16,973,914	-	482,203	16,491,711
Water system	16,852,374	393,291	924,655	16,321,010
Telecom system	4,825,142	-	107,797	4,717,345
Total business-type activities	68,069,150	33,262,656	3,431,828	97,899,978
Total Debt	\$ 88,694,095	\$ 33,262,656	\$ 5,006,488	\$ 116,950,263

Additional information on the City of Morristown's long-term debt can be found on page 70 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Morristown was 13.53% for June 2012, which is an increase from a rate of 1.43% a year ago. The state's average unemployment rate was 8.1% and the national rate was 8.2%.
- Inflationary trends in the region compare favorably to national indices.
- Taxable sales increased \$625,179 in FY 2012 when compared to FY 2011.
- Sewer revenues increased 1,324,741 in FY 2012 when compared to FY 2011.

All of these factors were considered in the preparation and continual monitoring of the City of Morristown's budget for the FY 2013.

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, Administrative Services Director, P.O. Box 1499, Morristown, Tennessee 37816-1499. The Comprehensive Annual Financial Report and other information about the City may be found on the City's website www.mymorristown.com, as part of our continuing usage of advancing technology and e-commerce.

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City of Morristown, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 10,121,884	\$ 24,982,759	\$ 35,104,643
Receivables (net of allowance for uncollectibles)	11,752,111	10,156,610	21,908,721
Inventories	36,124	1,546,592	1,582,716
Accrual for unbilled revenue	56,012	2,496,967	2,552,979
Internal balances	1,165,519	7,818,754	-
Discounted energy units		57,737	57,737
Other current assets		33,182	33,182
Restricted cash and cash equivalents		34,170,448	34,170,448
Capital assets (net of accumulated depreciation):			
Land	7,658,184	2,284,839	9,943,023
Buildings	11,914,940		11,914,940
Improvements	1,280,954		1,280,954
Equipment	1,810,081		1,810,081
Infrastructure	26,441,925		26,441,925
Utility plant and equipment	-	140,348,069	140,348,069
Construction in progress	-	5,739,494	5,739,494
Real estate-non-operating	11,729,522		11,729,522
Other assets	-	594,388	594,388
Plant acquisition adjustments		589,474	589,474
Total assets	83,967,256	230,819,313	305,802,296
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	247,389	12,908,202	13,155,591
Accrued expenditures and other current liabilities	100,405	2,773,672	2,874,077
Due to others - bonds and deposits	41,295		41,295
Internal balances	-	8,984,273	-
Customer deposits		3,429,112	3,429,112
Unearned revenue	9,862,266	482,042	10,344,308
General bonded debt			
Due within one year	1,675,895	3,601,165	5,277,060
Due in more than one year	21,374,390	94,198,813	115,573,203
Premium on bonds payable		1,547,714	1,547,714
Capital lease obligation			
Due within one year		3,759	3,759
Due in more than one year			-
Contractual liability		2,120,233	2,120,233
Accrued post retirement benefit obligation		392,529	392,529
Compensated absences:			
Estimated to be paid within one year	259,066		259,066
Estimated to be paid after one year	777,198	59,727	836,925
Total liabilities	34,337,904	130,501,241	155,854,872
Net assets			
Invested in operating capital assets net of related debt	26,055,799	76,792,135	102,847,934
Restricted for:			
Community Development	95,059		95,059
Narcotics	11,294		11,294
Gas Tax	1,262,954		1,262,954
Unrestricted(deficit)	22,204,246	23,525,937	45,730,183
Total net assets	\$ 49,629,352	\$ 100,318,072	\$ 149,947,424

Amounts in the "Total" column have been adjusted to reflect the eliminations of internal balances and will not cross-foot.

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

City of Morristown, Tennessee
Statement of Activities
Year Ended June 30, 2012

Functions/Program	Net (Expense) Revenue and Changes in Net Assets			
	Program revenues		Primary Government	
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
General government	\$ 4,267,622	\$ 130,440	\$ -	\$ -
Public safety	13,775,987	1,319,940	405,040	-
Public works	9,939,809	1,300,875	75,647	-
Parks and recreation	1,793,705	-	19,635	-
Economic development	392,784	-	104,545	-
Civic Support	1,638,926	-	95,251	-
Retiree health insurance	309,530	-	-	-
Long-term debt expense	289,717	-	-	-
Total governmental activities	32,408,080	2,751,255	700,118	-
Business-type activities:				
Water	5,854,982	6,602,966	45,167	165,384
Sewer	9,632,557	10,049,655	583,178	-
Storm Water	658,713	1,375,723	-	-
Electric	71,977,895	74,575,366	1,214,383	-
Broadband	6,963,308	6,815,505	224,795	-
Total business-type activities	95,087,455	99,419,215	2,067,523	165,384
Total primary government	\$ 127,495,535	\$ 102,170,470	\$ 2,767,641	\$ 165,384
			\$ (28,956,707)	\$ (22,392,040)
			\$ 9,135,643	\$ 9,135,643
			598,668	598,668
			10,236,619	10,236,619
			1,364,148	1,364,148
			1,000,937	1,000,937
			533,149	533,149
			979,709	1,070,700
			4,777,887	4,991,221
			28,626,761	28,931,086
			1,532,378	-
			30,159,139	28,931,086
			1,202,432	6,539,046
			50,302,371	145,517,697
			(1,875,451)	(2,109,319)
			48,426,920	143,408,378
			\$ 49,629,352	\$ 149,947,424
			\$ 9,135,643	\$ 9,135,643
			598,668	598,668
			10,236,619	10,236,619
			1,364,148	1,364,148
			1,000,937	1,000,937
			533,149	533,149
			979,709	1,070,700
			4,777,887	4,991,221
			28,626,761	28,931,086
			1,532,378	-
			30,159,139	28,931,086
			1,202,432	6,539,046
			50,302,371	145,517,697
			(1,875,451)	(2,109,319)
			48,426,920	143,408,378
			\$ 49,629,352	\$ 149,947,424
			\$ 9,135,643	\$ 9,135,643
			598,668	598,668
			10,236,619	10,236,619
			1,364,148	1,364,148
			1,000,937	1,000,937
			533,149	533,149
			979,709	1,070,700
			4,777,887	4,991,221
			28,626,761	28,931,086
			1,532,378	-
			30,159,139	28,931,086
			1,202,432	6,539,046
			50,302,371	145,517,697
			(1,875,451)	(2,109,319)
			48,426,920	143,408,378
			\$ 49,629,352	\$ 149,947,424

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

City of Morristown, Tennessee
Balance Sheet
Governmental Funds
June 30, 2012

	General	Solid Waste Fund	NonMajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,793,892	\$ 413,841	\$ 60,775	\$ 9,268,508
Receivables (net of allowance for uncollectibles)	12,550,105	107,310	81,132	12,738,547
Interfund loans receivable -current	175,163	-	-	175,163
Inventories	36,124	-	-	36,124
Real estate - non-operating	11,729,522			11,729,522
Accrued Unbilled Revenue		56,012		56,012
Total assets	<u>\$ 33,284,806</u>	<u>\$ 577,163</u>	<u>\$ 141,907</u>	<u>\$ 34,003,876</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 211,811	\$ 35,578	\$ -	\$ 247,389
Due to others-bonds	41,295	-	-	41,295
Accrued expenditures and other current liabilities	100,405	-	-	100,405
Unearned revenue	9,826,712	-	35,554	9,862,266
Total liabilities	<u>10,180,223</u>	<u>35,578</u>	<u>35,554</u>	<u>10,251,355</u>
Fund balances:				
Nonspendable	11,765,646			11,765,646
Restricted				
Narcotics	-	-	11,294	11,294
Community Development	-		95,059	95,059
Gas Tax	1,262,954			1,262,954
Committed				
Encumbrances	3,072			3,072
Assigned				
Diversity Task Force	2,852	-		2,852
Sidewalks	1,000	-		1,000
Solid Waste		541,585		541,585
Unassigned	10,069,059	-	-	10,069,059
Total equity	<u>23,104,583</u>	<u>541,585</u>	<u>106,353</u>	<u>23,752,521</u>
Total liabilities and fund equity	<u>\$ 33,284,806</u>	<u>\$ 577,163</u>	<u>\$ 141,907</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.

49,106,084

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

(24,086,549)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

857,296

Net assets of governmental activities

\$ 49,629,352

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, 2012

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 9,135,642	\$ -	\$ -	\$ 9,135,642
Franchise	598,668	-	-	598,668
Local sales tax	10,236,619	-	-	10,236,619
Alcoholic beverages	1,364,148	-	-	1,364,148
Business and gross receipts	1,000,937	-	-	1,000,937
Hotel/motel tax	533,149	-	-	533,149
Total taxes	22,869,163	-	-	22,869,163
Licenses, permits and fines	1,210,490	-	109,450	1,319,940
Other revenue	394,800	241,586	-	636,386
Service charges and fees	130,440	1,300,875	-	1,431,315
Intergovernmental	4,827,228	-	650,777	5,478,005
Total revenues	29,432,121	1,542,461	760,227	31,734,809
Expenditures				
Current:				
General Government:				
Mayor and Council	167,992	-	-	167,992
City Administrator	435,612	-	-	435,612
Finance	684,676	-	-	684,676
Purchasing	74,376	-	-	74,376
Computer operations	244,088	-	-	244,088
Human resources	176,906	-	-	176,906
Legal services	281,012	-	-	281,012
Community and economic affairs	377,190	-	-	377,190
Codes enforcement	75,580	-	-	75,580
Community development	49,698	-	714,107	763,805
Engineering	381,279	-	-	381,279
Inspections	399,626	-	-	399,626
Total general government	3,348,034	-	714,107	4,062,141
Public safety:				
Police	6,770,712	-	465,464	7,236,176
Fire	6,264,802	-	-	6,264,802
Emergency Communications & Civil Service	21,393	-	-	21,393
Total public safety	13,056,906	-	465,464	13,522,370

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

(Continued)

City of Morristown, Tennessee
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Public works	7,258,436	1,604,311		8,862,747
Parks and recreation	1,746,676	-	-	1,746,676
Civic support	1,395,326	-	-	1,395,326
Library	243,600	-	-	243,600
Economic development	356,373	-	-	356,373
Retiree health insurance	309,530	-	-	309,530
Debt service:				
Bond principal	1,340,339	234,290	-	1,574,629
Bond interest	214,623	17,757	-	232,380
Bond expense	56,821	516	-	57,337
Total debt service	1,611,784	252,563	-	1,864,347
Total expenditures	29,326,664	1,866,875	1,179,571	32,363,110
Deficiency of revenue over expenditures	105,457	(314,414)	(419,344)	(628,301)
Other financing sources (uses):				
Bond proceeds	3,750,000	250,000	-	4,000,000
Transfers in	1,532,378	219,835	450,741	2,202,954
Transfers out	(1,184,908)	-	-	(1,184,908)
Total other financing sources and uses	4,097,470	469,835	450,741	5,018,046
Net change in fund balance	4,202,927	155,421	31,397	4,389,745
Fund balance - beginning	7,444,079	386,165	74,956	7,905,200
Prior period adjustment	11,457,576			11,457,576
Fund balance - beginning, as adjusted	18,901,655	386,165	74,956	19,362,776
Fund balance-ending	\$ 23,104,582	\$ 541,586	\$ 106,353	\$ 23,752,521

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, 2012

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

Net change in fund balances--total governmental funds	\$ 4,389,745
Governmental funds report capital outlays as expenditures. In the government-wide financial statements, capital asset additions are reported as additions to capital assets.	1,361,433
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.	(2,981,392)
Issuance of long-term debt	(4,000,000)
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.	1,574,629
The payment of bond issue expense is considered an expenditure in the governmental financial statements, whereas, in the city-wide financial statements, it is considered an asset and is amortized.	57,337
Compensated absences are considered expenditures when paid on the governmental fund basis, but in the government-wide financial statements are considered expenses as incurred.	(56,617)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	857,296
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.	-
Change in net assets of governmental activities	<u>\$ 1,202,432</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, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Local Taxes:				
Property taxes-current	\$ 8,650,000	\$ 8,648,351	\$ 8,486,059	\$ (162,292)
Property taxes-prior	220,000	220,000	198,464	(21,536)
Penalty and interest	85,000	201,340	201,340	-
Property taxes-delinquent	120,000	225,000	224,953	(47)
In lieu/tax equivalent	880,000	880,000	24,826	(855,174)
Cable franchise tax	200,000	315,400	315,360	(40)
Gas franchise tax	400,000	400,000	283,308	(116,692)
Local option sales tax	9,301,450	9,743,105	10,236,619	493,514
Wholesale beer tax	800,000	925,000	1,008,693	81,693
Wholesale liquor tax	240,000	357,500	357,455	(45)
Business & gross receipts tax	750,000	749,998	1,000,937	250,939
Hotel and Motel tax	380,000	380,000	533,149	153,149
Total local taxes	22,026,450	23,045,694	22,869,163	(176,531)
Licenses and permits:				
Beer permits	15,000	2,310	14,574	12,264
Bldg, Elec, & Plumbing Permit	-	-	3,265	3,265
Building permits	-	30,000	116,074	86,074
Electrical permits	125,000	35,000	15,343	(19,657)
Plumbing permits	-	30,000	14,366	(15,635)
Gas permits	-	30,000	2,985	(27,015)
Development fees	5,000	5,000	3,515	(1,485)
Sidewalks	-	-	3,500	3,500
Sign Permits	-	-	2,425	2,425
Farmers Market Permit	1,000	1,000	3,300	2,300
Server permits	8,000	7,750	11,875	4,125
Total licenses and permits	154,000	141,060	191,221	50,161
Intergovernmental Revenue:				
USDA Summer Feeding Program	90,000	95,300	95,251	(49)
ARRA Grants	-	165,100	165,087	(13)
TVA Gross Receipts Tax	165,840	165,840	336,637	170,797
State Sales Tax	1,668,200	1,945,600	1,966,037	20,437
Telecommunication Sales Tax	2,300	2,300	1,627	(673)
State Income Tax	155,000	155,000	160,710	5,710
State Beer Tax	12,000	12,000	14,303	2,303
State Gasoline Tax	565,000	565,000	750,936	185,936
State PTS Tax	55,400	55,400	59,442	4,042
Dept of Transportation Proj Rev	-	-	75,389	75,389
Dept. of Transportation Airport Grants	776,000	776,000	7,200	(768,800)
Other state revenue	-	-	60,368	60,368
C.O.P.S. Grant	187,434	187,434	96,647	(90,787)
State Excise Tax	50,000	50,000	6,855	(43,145)
C.O.P.S. More Grant	-	53,800	53,701	(99)
Airport maintenance grant	-	12,200	12,108	(92)
Public Safety Inservice	-	-	96,321	96,321
Fire Department Grants	-	15,570	-	(15,570)
Dept. of Justice Grants	-	102,120	102,113	(7)
Project Safe neighborhoods	-	2,192	5,040	2,848
Police Dept. Grants & Reimbursements	-	23,140	23,135	(5)
Public Works Reimbursements	-	-	258	258
TIIP Grants	-	-	-	-
Fast track grant	-	83,800	380,163	296,363
Tiger Grant	-	90,000	-	(90,000)
Governor Highway Safety Grant	-	26,004	25,946	(58)
Community Dev Block Grant	-	-	-	-
Greenway grant and reimbursement	-	85,300	85,237	(63)
OCEDTF Reimbursement	-	1,484	177	(1,307)
Event Donations	-	-	6,541	6,541
Other County Revenue	280,000	286,000	240,000	(56,000)
Other Reimbursements	-	365,000	-	(365,000)
Total intergovernmental revenue	4,007,174	5,331,584	4,827,228	(504,356)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
In Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Fines and users fees:				
Recreational fees	145,000	145,000	130,440	(14,560)
City court fines and costs	1,100,000	1,099,570	947,370	(152,200)
Sex offender registry	3,000	3,000	3,780	780
DUI fines	84,000	84,000	68,119	(15,881)
Totals fines and users fees	<u>1,332,000</u>	<u>1,331,570</u>	<u>1,149,709</u>	<u>(181,861)</u>
Other revenue:				
Donations to parks and rec	-	11,400	19,634	8,234
Donations	-	-	3,418	3,418
Donations - Police	-	-	1,284	1,284
Legacy Trees	-	-	210	210
Fire Department Donations	-	-	853	853
Police Reports	-	-	2,038	2,038
Docview Reports	-	-	531	531
Police Dept Vehicle Storage	-	-	380	380
Fire Dept. Charge for Services	-	-	3,665	3,665
Interest on investments	5,293	18,053	27,311	9,258
Inventory gain or loss	-	-	5	5
Driver License Verification	-	-	33	33
Rental of City property	112,000	112,000	176,518	64,518
Insurance Reimbursements	-	-	110,072	110,072
Workers Compensation Refunds	-	-	11,710	11,710
Debt Service Reimbursements	-	-	4,846	4,846
Sale of City property	-	-	4,701	4,701
Miscellaneous	38,000	38,000	27,591	(10,409)
Fund Balance	500,000	500,000	-	(500,000)
Prior Year Encumbrance	-	42,409	-	(42,409)
Total other revenue	<u>655,293</u>	<u>721,882</u>	<u>394,800</u>	<u>(327,082)</u>
Total Revenue	<u>28,174,917</u>	<u>30,571,770</u>	<u>29,432,121</u>	<u>(1,139,649)</u>
Expenditures:				
General government:				
Mayor and City Council:				
Wages & salaries	37,200	37,700	37,627	73
Christmas bonus & longevity	1,022	1,022	641	381
FICA	-	-	2,615	(2,615)
Medicare	-	-	421	(421)
Employee Health Insurance	-	72,854	66,173	6,681
Workers Compensation Insurance	-	-	5,719	(5,719)
Employee education and training	72,854	-	-	-
Education Seminars & Training	-	-	40	(40)
Mailing	2,924	-	-	-
Postal service	200	3,124	173	2,951
Printing Services	2,500	2,500	1,089	1,411
Legal Notices	-	-	2,465	(2,465)
Automotive parts	1,500	-	-	-
Memberships and fees	18,000	18,000	14,502	3,498
Advertising	-	1,500	-	1,500
Vehicle Expense	-	-	100	(100)
Telephone Services	-	-	51	(51)
Subscriptions & Books	200	200	327	(127)
Travel	15,000	15,000	8,375	6,625
Other Contracted Services	10,000	10,000	14,073	(4,073)
Office supplies & Materials	1,000	1,000	817	183
Other supplies & materials	1,000	1,000	954	46
Insurance	4,096	4,096	4,590	(494)
Equipment rental/lease	-	3,000	2,492	508
Council contingency	100,000	25,815	4,750	21,065
Total Mayor and City Council	<u>267,496</u>	<u>196,811</u>	<u>167,992</u>	<u>28,819</u>
City Administrator:				
Wages & salaries	292,194	292,194	283,080	9,114

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Overtime	200	500	428	72
Wages & Salaries-Temporary Employees	26,000	26,000	20,800	5,200
Bonus-One Time	-	2,000	1,991	9
Christmas Bonus & Longevity	2,116	2,116	1,067	1,049
FICA	24,519	24,519	16,241	8,278
TCRS Contribution	42,999	42,999	41,521	1,478
Medicare	-	-	4,094	(4,094)
Employee Health Insurance	33,254	33,254	34,197	(943)
Worker's Compensation Insurance	4,575	4,575	3,431	1,144
Printing Services	100	100	-	100
Memberships & Fees	2,000	2,000	3,371	(1,371)
Advertising & Publicity	1,500	1,500	-	1,500
Telephone Services	-	1,200	1,841	(641)
Medical Services	1,200	-	-	-
Subscriptions & Books	718	718	1,064	(346)
Education Seminars & Training	2,000	2,000	105	1,895
Travel	23,464	23,464	6,178	17,286
Other Contracted Services	-	-	4,181	(4,181)
Postal Service	110	110	258	(148)
Legal Notices	-	-	925	(925)
Office Supplies	500	500	316	184
General Operating Supplies	800	800	288	512
Gasoline & Diesel Fuel	50	50	-	50
Veh Parts/Oil/Fluid/Tires	150	150	-	150
Insurance general liability	384	384	430	(46)
Equipment Rental/Lease	3,500	3,500	3,329	171
Grants & Other Subsidies	30,000	28,680	6,475	22,205
Total City Administrator	492,333	493,313	435,612	57,701
Finance Department:				
Wages & Salaries-Permanent Employees	306,382	321,382	321,174	208
Overtime	500	600	507	93
Bonus-One Time	-	3,200	3,180	20
Christmas Bonus & Longevity	2,238	2,238	2,226	12
FICA	23,648	23,648	19,658	3,990
Medicare	-	-	4,412	(4,412)
TCRS Contribution	45,038	45,038	47,065	(2,027)
Employee Health Insurance	69,774	69,774	59,457	10,317
Worker's Compensation	9,913	9,913	7,434	2,479
Postal Service	7,500	7,500	11,894	(4,394)
Printing Services	750	750	110	640
Legal Notices	1,000	1,000	2,460	(1,460)
Accounting & Audit Services	55,000	55,000	47,415	7,585
Repair & Maint. Office Equip.	500	500	2,049	(1,549)
Subscriptions & Books	250	250	450	(200)
Memberships & Dues	1,750	1,750	653	1,097
Education Seminars & Training	3,000	3,000	3,082	(82)
Other Professional Services	75,000	110,000	105,800	4,200
Travel	6,000	6,000	4,995	1,005
Other Contracted Services	1,000	21,000	20,515	485
Office Supplies & Materials	4,500	4,500	5,345	(845)
Office Equipment	-	-	186	(186)
Office Supplies	-	-	12	(12)
General Operating Supplies	500	500	60	440
Insurance	1,126	1,126	1,262	(136)
Equipment Rental/Lease	5,750	5,750	3,437	2,313
Office equipment	-	4,862	3,900	962
Office Equipment	-	-	4,755	(4,755)
Computers/Software	-	-	1,183	(1,183)
Total Finance Department	621,119	699,281	684,676	14,605
Purchasing Department:				

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Wages & Salaries-Permanent Employees	44,391	46,391	46,365	26
Bonus-One Time	-	530	530	0
Christmas Bonus & Longevity	273	273	270	3
FICA	3,436	3,436	2,825	611
Medicare	-	-	632	(632)
TCRS Contribution	6,525	6,525	6,798	(273)
Employee Health Insurance	10,714	10,714	11,059	(345)
Worker's Compensation	1,525	1,525	1,144	381
Postal Service	250	250	439	(189)
Other Professional Services	300	300	-	300
Education Seminars & Training	500	500	-	500
Travel	300	2,300	580	1,720
Other Contracted Services	-	-	299	(299)
Office Supplies & Materials	550	550	546	4
Other Supplies & Materials	50	50	33	17
Insurance	973	973	1,090	(117)
Equipment Rental/Lease	2,025	2,025	1,765	260
Total Purchasing Department	71,812	76,342	74,376	1,966
Retiree Benefits-General Fund:				
Health Insurance/Retiree	500,000	500,000	309,530	190,470
Total Retiree Benefits-General Fund	500,000	500,000	309,530	190,470
Computer Operations:				
Wages & Salaries-Permanent Employees	117,608	120,608	120,282	326
Overtime	500	500	34	466
Bonus-One Time	-	1,060	1,060	-
Christmas Bonus & Longevity	720	720	726	(6)
FICA	9,052	9,052	7,365	1,687
Medicare	-	-	1,646	(1,646)
TCRS Contribution	17,288	17,288	17,651	(363)
Employee Health Insurance	21,629	21,629	22,467	(838)
Worker's Compensation	3,050	3,050	2,288	762
Telephone Services	2,568	2,568	1,257	1,311
Clothing/Uniform/Shoes	-	-	176	(176)
Other Professional Services	1,000	1,000	53	947
Repair & Maint. Office Equip.	250	250	-	250
Subscriptions & Books	50	50	18	32
Education Seminars & Training	4,000	4,000	1,136	2,864
Travel	4,000	4,000	429	3,571
Other Contracted Services	4,000	4,000	5,722	(1,722)
Office Supplies & Materials	200	200	130	70
ADP Parts & Components	12,500	2,500	34	2,466
General Operating Supplies	1,000	1,000	765	235
Gasoline/Diesel Fuel	400	400	221	179
Office Equipment	55,400	65,400	45,884	19,516
Equipment Rental/Lease	17,000	17,000	9,925	7,075
Insurance	4,301	4,301	4,819	(518)
Total Computer Operations	276,516	280,576	244,088	36,488
Human Resources				
Wages & Salaries-Permanent Employees	89,105	96,105	95,883	222
Overtime	-	1,000	763	237
Bonus-One Time	-	530	530	-
Christmas Bonus & Longevity	486	486	450	36
FICA	6,892	6,892	5,416	1,476
Medicare	-	-	1,212	(1,212)
TCRS Contribution	11,986	11,986	13,072	(1,086)
Employee Health Insurance	16,186	16,186	19,568	(3,382)
Worker's Compensation	2,288	2,288	1,711	577
Employee Education & Training	-	7,000	-	7,000
Tuition Reimbursement	-	-	8,711	(8,711)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
In Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Postal Service	170	170	470	(300)
Office Supplies	-	-	125	(125)
Printing Services	1,000	1,000	1,699	(699)
Legal Notices	750	750	1,478	(728)
Subscriptions & Books	500	500	-	500
Education Seminars & Training	15,768	4,768	2,670	2,098
Memberships & dues	550	550	1,284	(734)
Travel	3,000	4,000	4,065	(65)
Other Contracted Services	6,000	8,000	7,766	234
Office Supplies & Materials	800	800	1,642	(842)
General Operating Supplies	3,000	2,000	451	1,549
Other Supplies & Materials	-	-	340	(340)
Insurance	79,120	17,120	4,152	12,968
Office Equipment	-	2,000	895	1,105
Equipment Rental/Lease	2,000	2,000	2,552	(552)
Total Human Resources	239,601	186,131	176,906	9,226
Legal Services:				
Wages & Salaries-Permanent Employees	10,395	10,395	9,789	606
Christmas Bonus & Longevity	1,645	1,645	291	1,354
FICA	921	921	24	897
Employee Health Insurance	20,814	20,814	7,163	13,651
Medicare	-	-	6	(6)
Workers Compensation Insurance	-	-	2,288	(2,288)
Judgment/Fees/Court Costs	-	180,000	180,000	-
Professional & consulting	-	31,600	31,585	15
Attorney Consult Fees	64,000	64,000	45,450	18,550
Subscriptions & Books	2,500	2,500	3,269	(769)
Insurance	1,024	1,024	1,147	(123)
Total Legal Services	101,299	312,899	281,012	31,887
Community and Economic Affairs:				
Wages & Salaries Permanent Employees	190,068	192,068	191,604	464
Bonus-One Time	-	1,100	1,060	40
Christmas Bonus & longevity	1,221	1,221	1,102	119
FICA	14,644	14,644	11,713	2,931
Medicare	-	-	2,639	(2,639)
TCRS Contribution	27,849	27,849	28,040	(191)
Employee Health Insurance	30,463	30,463	31,451	(988)
Worker's Compensation	4,270	4,270	3,203	1,067
Postal Service	1,000	1,000	637	363
Printing Services	500	500	35	465
Legal Notices	3,000	1,500	391	1,109
Medical Services	-	-	28	(28)
Other Professional Services	500	500	-	500
Subscriptions & Books	500	500	114	386
Memberships & Dues	2,000	2,000	1,873	127
Repair & Maint Office Equip.	-	-	65	(65)
Education Seminars & Training	2,000	2,000	867	1,133
Travel	3,500	3,500	2,093	1,407
Other Contracted Services	27,500	26,000	25,130	871
Office Supplies & Materials	-	3,000	1,336	1,664
Office Equipment	10,000	10,500	10,186	314
General Operating Supplies	-	-	5	(5)
Gasoline & Diesel Fuel	1,500	1,500	765	735
Veh Parts/Oil/Fluid/Tires	300	300	38	262
Other Supplies & Materials	1,200	1,200	215	985
Insurance	973	973	1,090	(117)
Equipment Rental/Lease	1,000	1,000	1,776	(776)
Other Misc Expenses	-	1,500	224	1,276
Building & Improvements	-	-	59,185	(59,185)
Grants	-	-	324	(324)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
In Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Community and Economic Affairs	323,988	329,088	377,190	(48,102)
Codes Enforcement:				
Wages & Salaries-Permanent Employees	36,015	40,015	39,950	65
Overtime	-	100	24	76
Bonus-One Time	-	535	530	5
Christmas Bonus & Longevity	283	283	286	(3)
FICA	2,777	2,777	2,480	317
Medicare	-	-	556	(556)
TCRS Contribution	5,303	5,303	5,411	(108)
Employee Health Insurance	10,651	10,651	10,994	(343)
Workers Compensation	1,525	1,525	2,144	(619)
Reproduction and Printing	-	-	1,650	(1,650)
Clothing/Uniform/Shoes	400	400	-	400
Postal Service	50	50	466	(416)
Legal Notices	200	200	-	200
Telephone Services	400	400	452	(52)
Computer/Data Processing	250	250	-	250
Memberships & dues	75	75	-	75
Education Seminars & Training	500	500	149	351
Travel	800	800	674	126
Other Contracted Services	200	30,800	7,485	23,315
Office Supplies & Materials	100	100	35	65
Office Equipment	100	100	-	100
General Operating Supplies	100	100	-	100
Gasoline & Diesel Fuel	2,000	2,000	1,429	571
Veh Parts/Oil/Fluid/Tires	700	700	125	575
Insurance	-	-	574	(574)
Equipment Rental/Lease	100	100	186	(86)
Total Codes Enforcement	62,529	97,764	75,580	22,184
Community Development:				
Grants	-	(4,350)	-	(4,350)
Total Community Development	-	(4,350)	-	(4,350)
Morristown Community Development Corp.:				
Wages & Salaries Permanent Employees	27,424	29,424	28,950	474
Christmas Bonus & Longevity	134	134	80	55
FICA	2,108	2,108	1,795	313
Medicare	-	-	401	(401)
TCRS Contribution	3,986	3,986	4,195	(209)
Employee Health Insurance	5,396	5,396	5,529	(133)
Worker's Compensation	763	763	572	191
Postal Service	50	99	98	1
Legal Notices	400	750	542	208
Subscriptions & Books	250	250	267	(17)
Memberships & Dues	700	720	1,065	(345)
Education Seminars & Training	800	1,300	1,272	28
Travel	2,000	2,380	2,197	183
Other Contracted Services	-	2,000	1,000	1,000
Office supplies & Materials	1,200	2,002	203	1,799
General Operating Supplies	300	1,519	1,533	(14)
Total Morristown Community Dev. Corp.	45,511	52,831	49,698	3,133
Engineering:				
Wages & Salaries Permanent Employees	177,025	187,025	186,166	859
Christmas Bonus & Longevity	752	752	413	339
FICA	13,676	13,676	11,419	2,257
Medicare	-	-	2,553	(2,553)
TCRS Contribution	25,841	25,841	26,973	(1,132)
Employee Health Insurance	33,509	33,509	34,017	(508)
Worker's Compensation	4,728	4,728	3,546	1,182

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Clothing/Uniform/Shoes	250	250	221	29
Postal Service	200	200	75	125
Printing Services	-	-	35	(35)
Legal Notices	750	750	196	554
Telephone Notices	993	993	1,191	(198)
Medical Services	-	-	28	(28)
Other Professional Services	1,500	1,500	-	1,500
Subscriptions & Books	250	250	-	250
Memberships & dues	2,565	2,565	2,163	402
Education Seminars & Training	-	-	325	(325)
Travel	3,000	3,000	1,759	1,241
Other Contracted Services	300	300	2,708	(2,408)
Office Supplies & Materials	5,700	5,700	5,577	123
General Operating Supplies	6,111	6,111	20	6,091
Gasoline & Diesel Fuel	3,800	3,800	4,274	(474)
Veh Parts/Oil/Fluid/Tires	1,800	1,800	259	1,541
Other Supplies & Materials	500	500	-	500
Insurance	1,889	1,889	2,117	(228)
Equipment Rental/Lease	6,247	6,247	5,242	1,005
TIGER Grant	-	90,000	90,000	-
Total Engineering	291,386	391,386	381,279	10,107
Police Supervision:				
Wages and Salaries permanent Employees	265,554	265,554	219,003	46,551
Overtime	1,000	1,100	1,046	54
Bonus-One Time	-	2,200	2,120	80
Christmas Bonus & longevity	2,497	2,497	2,406	91
FICA	22,342	22,342	13,482	8,860
Medicare	-	-	3,139	(3,139)
TCRS Contribution	39,075	39,075	32,418	6,657
Employee Health Insurance	64,262	64,262	60,873	3,389
Worker's Compensation	9,150	9,150	6,863	2,287
Clothing/Uniform/Shoes	950	950	808	142
Travel	-	-	52	(52)
Postal Service	1,200	1,200	1,103	98
Mailing	-	-	356	(356)
Printing Services	300	300	-	300
Legal Notices	200	200	-	200
Telephone Services	750	750	879	(129)
Computer/Data Processing	30,108	30,108	34,133	(4,025)
Other Professional Services	1,000	1,000	955	45
Repair & Maint. Vehicles	150	150	325	(175)
Repair & Maint. Other	50	50	-	50
Repair & Maint. Office Equip	-	-	1,605	(1,605)
Subscriptions & Books	850	850	200	650
Memberships & dues	900	900	2,422	(1,522)
Education Seminars & Training	2,300	2,300	235	2,065
Travel Business Expenses	7,000	7,000	5,969	1,031
Other contracted services	45,000	45,000	81,905	(36,905)
Office Supplies	-	108	108	-
Office Supplies & Materials	1,200	1,200	1,120	80
Office Equipment	2,500	2,500	-	2,500
Janitorial Supplies	150	150	-	150
General Operating Supplies	800	800	940	(140)
Gasoline & Diesel Fuel	5,000	5,000	4,543	457
Veh Parts/Oil/Fluid/Tires	500	500	488	12
Insurance	5,530	5,530	6,196	(666)
Equipment Rental/Lease	500	500	2,325	(1,825)
Sex Offenders Administration	-	-	1,150	(1,150)
Other Misc Expenses	-	-	5,000	(5,000)
DOJ JAG Grant	-	20,120	-	20,120
Total Police Supervision	510,818	533,346	494,166	39,180

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
In Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Patrol and Traffic:				
Wages and Salaries Permanent Employees	2,653,217	2,606,017	2,521,811	84,206
Overtime	85,000	106,480	105,527	953
Wages & Salaries Temporary Employees	-	2,000	1,703	298
Holiday Pay	76,236	76,236	76,369	(133)
Bonus-One Time	-	36,000	33,916	2,084
Christmas Bonus & Longevity	23,950	23,950	23,977	(27)
FICA	204,887	204,887	167,544	37,343
Medicare	-	39,000	38,904	96
TCRS Contribution	396,662	396,662	396,402	260
Employee Health Insurance	683,614	683,614	686,471	(2,857)
Worker's Compensation	97,600	97,600	80,104	17,496
Clothing/Uniform/Shoes	40,000	40,000	32,293	7,707
Other Contractual	-	1,736	1,336	400
Postal Service	300	300	512	(212)
Printing Services	2,500	2,500	1,270	1,230
Memberships & Dues	1,750	1,750	1,238	513
Advertising	500	500	-	500
Small Tools & Minor Equipment	-	-	17	(17)
Janitorial Supplies	-	-	73	(73)
Janitorial Supplies	100	100	-	100
Gasoline & Diesel Fuel	190,000	242,000	241,733	267
Automotive Parts	-	20	-	20
Veh Parts/Oil/Fluid/Tires	59,000	59,000	63,451	(4,451)
Vehicle Expense	-	1,915	1,915	-
Other Supplies	-	-	25	(25)
Telephone Services	12,250	12,250	12,226	24
Medical Services	-	2,000	1,171	829
Other Professional Services	7,000	7,000	5,248	1,752
Repairs & Maint. Communications	1,500	1,500	418	1,082
Repair & Maint. Vehicles	9,000	9,000	9,914	(914)
Repair & Maint Bldg/Grounds	1,500	1,500	603	897
Education Seminars & Training	24,000	33,200	15,726	17,474
Travel Business Expenses	21,100	21,100	12,026	9,074
Other Contracted Services	10,500	8,500	6,101	2,399
Office Supplies & Materials	10,000	10,000	10,711	(711)
Munitions	19,000	29,000	28,133	2,867
Defensive Driver Class Supply	10,000	10,000	2,184	7,816
General Operating Supplies	-	-	921	(921)
Insurance	93,184	93,184	104,414	(11,230)
Automotive Equipment	-	75	-	75
Office Equipment	4,900	8,900	8,784	116
Equipment Rental/Lease	4,643	4,643	3,597	1,046
Other Misc Expenses	-	-	53	(53)
Grants	-	20,200	19,872	328
Motor Equipment	72,500	72,500	72,496	4
Other Capital Outlay	48,000	48,000	35,856	12,144
Other Machinery & Equipment	-	64,669	1,716	62,953
Total Patrol and Traffic	4,864,393	5,079,488	4,826,757	252,731
Police Investigation:				
Wages & Salaries Permanent Employees	784,307	784,307	773,575	10,732
Overtime	28,000	38,456	37,535	921
Bonus-One Time	-	9,000	7,949	1,051
Christmas Bonus & Longevity	10,363	10,363	10,632	(269)
FICA	60,831	60,831	50,003	10,828
Medicare	-	-	11,656	(11,656)
TCRS Contribution	114,874	119,574	119,692	(118)
Employee Health Insurance	161,399	161,399	154,699	6,700
Worker's Compensation	22,875	22,875	17,157	5,718
Postal Service	500	500	618	(118)
Printing Services	200	200	-	200
Telephone Services	4,500	4,500	4,707	(207)
Other Professional Services	300	300	72	228

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Medical Services	-	-	140	(140)
Subscriptions & Books	300	300	-	300
Memberships & Dues	500	500	408	92
Repairs and maint. Vehicles	700	700	-	700
Clothing/Uniform/Shoes	9,750	9,750	8,740	1,010
Travel	-	200	-	200
Education Seminars & Training	3,000	1,000	841	159
Travel Business Expenses	5,000	7,000	6,700	300
Other Contracted Services	1,000	1,000	823	177
Office Equipment	1,500	640	518	122
Office Supplies	6,100	6,100	6,154	(54)
Small Tools & Minor Equipment	-	15	15	1
Computers/Software	-	880	858	2
General Operating Supplies	1,100	1,100	195	905
Gasoline & Diesel Fuel	16,500	16,500	19,132	(2,632)
Veh Parts/Oil/Fluid/Tires	6,800	6,800	1,519	5,281
Insurance	21,504	21,504	24,095	(2,591)
Equipment Rental/Lease	9,500	9,500	4,463	5,037
Total Police Investigation	1,271,403	1,295,774	1,262,897	32,877
 Central Communications:				
Employee Health Insurance	-	100	198	(98)
Total Central Communications	-	100	198	(98)
 Vice:				
Wages & Salaries permanent Employees	55,825	55,825	55,538	287
Overtime	3,500	4,984	3,847	1,137
Bonus-One Time	-	630	530	100
Christmas Bonus & Longevity	636	636	641	(5)
FICA	4,319	4,319	3,687	632
Medicare	-	-	859	(859)
TCRS Contribution	8,161	8,161	8,755	(594)
Employee Health Insurance	10,783	10,783	11,207	(424)
Worker's Compensation	1,525	1,525	1,257	268
Telephone Services	-	-	912	(912)
Medical Services	-	-	28	(28)
Other Professional Services	800	800	-	800
Repair & Maint. Office Equip.	200	200	-	200
Education Seminars & Training	400	400	296	104
Travel Business Expenses	325	325	325	-
Office Supplies & Materials	400	400	399	1
Office Equipment	250	250	-	250
Clothing/Uniforms/Shoes	650	650	650	-
Gasoline & Diesel Fuel	2,000	2,000	1,736	264
Veh Parts/Oil/Fluid/Tires	500	500	173	327
Insurance	1,946	1,946	2,180	(234)
Total Vice	92,220	94,334	93,021	1,313
 Fire Supervision:				
Wages & Salaries Permanent Employees	381,204	396,204	395,789	415
Bonus-One Time	-	3,600	3,180	420
Christmas Bonus & Longevity	5,292	5,292	5,342	(50)
FICA	29,567	29,567	24,513	5,054
Medicare	-	-	5,501	(5,501)
TCRS Contribution	56,029	56,029	58,088	(2,059)
Employee Health Insurance	65,032	65,032	67,050	(2,018)
Worker's Compensation	9,150	9,150	6,063	3,087
Clothing/Uniform/Shoes	300	300	478	(178)
Postal Service	50	50	49	1
Legal Notices	-	-	237	(237)
Medical Services	-	-	58	(58)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Telephone Services	2,200	2,200	2,228	(28)
Subscriptions & Books	300	300	260	40
Memberships & Fees	700	700	591	109
Education Seminars & Training	200	200	345	(145)
Travel Business Expenses	400	400	518	(118)
Other Contracted Services	1,500	1,500	171	1,329
Office Supplies & Materials	1,900	1,900	491	1,409
Office Equipment	-	2,000	1,059	941
Gasoline & Diesel Fuel	5,500	5,500	5,274	226
Veh Parts/Oil/Fluid/Tires	1,500	1,500	98	1,402
General Operating Supplies	300	300	200	100
Insurance	2,150	2,150	2,410	(260)
Equipment Rental/Lease	4,850	4,850	3,340	1,510
Total Fire Supervision	568,124	588,724	583,331	5,393
Fire Inspection:				
Wages & Salaries Permanent Employees	60,789	63,789	62,847	942
Bonus-One Time	-	630	530	100
Christmas Bonus & Longevity	825	825	832	(7)
FICA	-	4,713	3,733	980
Medicare	-	-	873	(873)
TCRS Contribution	8,914	8,914	8,921	(7)
Employee Health Insurance	10,823	10,823	11,151	(328)
Worker's Compensation	1,525	1,525	6,863	(5,338)
Mailing	4,713	-	-	-
Postal Service	100	100	4	96
Telephone Services	400	400	376	24
Subscriptions & Books	1,000	1,000	206	794
Memberships & Dues	400	400	280	120
Education Seminars & Training	1,700	1,700	100	1,600
Travel Business Expenses	3,500	3,500	2,491	1,009
Public Relations Expenses	2,500	2,500	2,490	10
Other Contracted Services	11,900	11,900	2,087	9,813
Office Supplies & Materials	300	300	331	(31)
General Operating Supplies	300	300	93	207
Clothing/Uniforms/Shoes	300	300	162	138
Gasoline & Diesel Fuel	5,000	5,000	4,811	189
Veh Parts/Oil/Fluid/Tires	1,000	1,000	165	835
Insurance	2,150	2,150	2,410	(260)
Equipment Rental/Lease	-	2,000	1,962	38
Environ. Review Project Costs	150	150	-	150
Total Fire Inspection	118,289	123,919	113,717	10,202
Fire Stations:				
Repair/Maint Operations Equip.	3,000	3,000	-	3,000
Repair/Maint Bldg/Grounds	26,000	37,755	33,679	4,076
Repair & Maint. Other	3,000	3,000	3,558	(558)
Other Contracted Services	700	700	1,872	(1,172)
Office Supplies & Materials	300	300	327	(27)
Small Tools and Minor Equipment	-	-	116	(116)
Janitorial Supplies	18,000	18,000	14,159	3,841
General Operating Supplies	6,100	6,100	5,684	416
Gasoline & Diesel Fuel	300	300	72	228
Veh Parts/Oil/Fluid/Tires	-	-	100	(100)
Building & Improvements	25,000	25,000	2,413	22,587
Furniture	13,350	13,350	11,223	2,127
Insurance	7,680	7,680	8,606	(926)
Total Fire Stations	103,430	115,185	81,809	33,376
Fire fighting:				
Wages & Salaries Permanent Employees	3,156,067	3,132,067	3,063,098	68,969

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Overtime	209,500	222,500	221,737	763
Holiday Pay	62,704	62,704	78,335	(15,631)
Holiday Pay	-	-	19,328	(19,328)
Bonus-One Time	-	47,000	40,805	6,195
Christmas Bonus & Longevity	34,902	34,902	35,297	(395)
FICA	244,109	244,109	206,371	37,738
Medicare	-	46,600	46,564	36
TCRS Contribution	468,524	468,524	490,191	(21,667)
Employee Health Insurance	831,935	831,935	828,127	3,808
Worker's Compensation	118,950	118,950	93,388	25,562
Unemployment	-	-	1,405	(1,405)
Tuition Reimbursement	-	-	3,238	(3,238)
Water & Sewer	2,000	2,000	1,840	160
Telephone Services	400	400	-	400
Medical Services	-	-	820	(820)
Other Professional Services	29,000	29,000	23,364	5,636
Repair & Maint. Vehicles	500	500	122	378
Repair/Maint. Operations Equip.	8,000	8,000	6,280	1,720
Repair & Maint Bldg/Grounds	-	-	12	(12)
Subscriptions & Books	500	500	2,520	(2,020)
Employee Seminars & Training	6,500	6,500	1,540	4,960
Clothing/Uniform/Shoes	30,000	30,000	18,016	11,984
Postal Service	200	200	110	90
Mailing	-	-	23	(23)
Legal Notices	-	-	128	(128)
Automotive Parts	-	-	247	(247)
Memberships & Dues	500	500	901	(401)
Travel Business Expenses	20,000	20,000	22,781	(2,781)
Other Contracted Services	-	-	948	(948)
Office Supplies & Materials	1,000	1,000	421	579
General Operating Supplies	14,000	14,000	20,982	(6,982)
Small Tools & Minor Equipment	-	-	4,324	(4,324)
Uniforms	-	164	94	70
Gasoline & Diesel Fuel	60,000	60,000	46,607	13,393
Veh Parts/Oil/Fluid/Tires	55,500	76,500	74,861	1,639
Insurance	102,400	114,800	114,740	60
Equipment Rental/Lease	2,500	2,500	3,321	(821)
Other Misc Expenses	-	-	75	(75)
Federal Grant	-	17,300	-	17,300
Office Equipment	-	885	885	-
Machinery & Equipment	11,195	11,195	12,095	(900)
Total Fire Fighting	5,470,886	5,605,235	5,485,944	119,291
Fire & Medical Response:				
Education Seminars & Training	5,000	5,000	1,474	3,526
Repair/Maint Operations Equip.	2,000	2,000	1,300	700
Memberships & Dues	150	150	-	150
Small Tools & Equipment	4,000	10,000	9,147	853
Clothing/Uniforms/Shoes	3,000	3,000	3,324	(324)
Printing Services	300	300	560	(260)
Medical Services	-	-	136	(136)
General Operating Supplies	3,500	3,500	3,043	457
Insurance	2,150	2,150	2,410	(260)
Total Fire and Medical Response	20,100	28,100	21,393	4,707
Inspections:				
Wages & Salaries Permanent Employees	234,077	240,077	240,030	47
Bonus-One Time	-	2,200	2,120	80
Christmas Bonus & Longevity	3,682	3,682	3,715	(33)
FICA	18,189	18,189	15,062	3,127
Medicare	-	-	3,379	(3,379)
TCRS Contribution	34,737	34,737	35,684	(947)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
In Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Employee Health Insurance	43,250	43,250	44,754	(1,504)
Worker's Compensation	6,100	6,100	4,575	1,525
Clothing/Uniform/Shoes	-	-	852	(852)
Education Seminars & Training	3,500	3,500	1,276	2,224
Postal Service	300	300	102	198
Printing Services	300	300	-	300
Legal Notices	200	200	138	62
Telephone Services	4,000	4,000	1,493	2,507
Other Professional Services	600	600	-	600
Subscriptions & Books	5,000	3,500	-	3,500
Memberships & Dues	800	800	689	111
Travel Business Expenses	2,500	2,500	1,498	1,002
Other Contracted Services	1,300	38,800	27,162	11,638
Office Equipment	-	-	2,043	(2,043)
Office Supplies & Materials	250	250	209	41
Gasoline & Diesel Fuel	6,000	6,000	5,301	699
Veh Parts/Oil/Fluid/Tires	2,200	2,200	1,536	664
Other Supplies & Materials	400	400	330	70
Equipment Rental/Lease	1,000	1,000	5,497	(4,497)
Insurance	1,900	1,900	2,180	(280)
Total Inspections	370,285	414,485	399,626	14,859
Public Works Supervision:				
Wages & Salaries Permanent Employees	95,710	95,710	72,174	23,536
Bonus-One Time	-	630	530	100
Christmas Bonus & Longevity	3,700	3,700	1,452	2,248
FICA	7,457	7,457	4,616	2,841
Medicare	-	-	1,042	(1,042)
TCRS Contribution	14,092	14,092	10,882	3,210
Employee Health Insurance	19,711	19,711	16,668	3,043
Worker's Compensation	2,791	2,791	2,093	698
Clothing/Uniform/Shoes	3,100	3,234	1,201	2,033
Postal Service	25	25	-	25
Printing Service	100	100	-	100
Legal Notices	-	1,384	1,383	1
Telephone Services	400	400	377	23
Medical Services	-	56	56	-
Subscriptions & Books	50	50	-	50
Memberships & Dues	100	100	-	100
Education Seminars & Training	1,500	659	145	514
Travel Business Expenses	650	902	901	1
Other Contracted Services	350	350	262	88
Office Supplies & Materials	1,900	1,900	715	1,185
Office Equipment	200	210	210	-
Janitorial Supplies	100	100	-	100
General Operating Supplies	100	100	9	91
Gasoline & Diesel Fuel	3,500	1,787	921	866
Veh Parts/Oil/Fluid/Tires	1,700	1,700	171	1,529
Concrete Products	200	200	-	200
Equipment Rental/Lease	2,750	3,079	3,487	(408)
Judgement, Fees & Court Costs	-	-	4,000	(4,000)
Other Misc Expenses	100	100	100	-
Insurance	3,226	3,615	3,614	1
Total Public Works Supervision	163,512	164,142	127,009	37,133
Buildings and Grounds:				
Wages and Salaries Permanent Employees	76,105	79,105	78,673	432
Overtime	6,000	6,000	4,927	1,073
Wages and Salaries Temporary Employees	-	25,000	25,122	(122)
Bonus-One Time	-	1,500	1,272	228
Christmas Bonus & Longevity	1,098	1,098	1,108	(10)
FICA	5,906	7,906	6,757	1,149
Medicare	-	-	1,508	(1,508)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
TCRS Contribution	11,279	11,279	12,245	(966)
Employee Health Insurance	21,329	21,329	22,343	(1,014)
Worker's Compensation	3,050	3,050	2,448	602
Reproducing and Printing	-	-	418	(418)
Unemployment Insurance	-	4,000	2,822	1,178
Clothing/Uniform/Shoes	1,500	270	1,807	(1,537)
Postal Service	25	25	0	25
Legal Notices	100	5,100	1,652	3,448
Landscaping	-	1,153	1,153	-
Electricity	-	365,000	390,646	(25,646)
Water & Sewer	579,000	17,450	2,527	14,923
Natural Gas & Propane	-	72,000	49,563	22,437
Telephone Services	-	95,000	87,851	7,149
Medical Services	-	200	112	88
Other Professional Services	1,000	1,000	982	18
Repair & Maint. Vehicles	1,000	1,000	17	983
Repair & Maint. Operations Equip.	-	3,500	10,958	(7,458)
Repair & Maint Bldg/Grounds	35,000	47,000	42,113	4,887
Memberships and Dues	500	500	500	-
Repairs and Maintenance	-	614	-	614
Other Contracted Services	60,500	55,085	56,494	(1,409)
Office Supplies & Materials	100	400	280	120
Small Tools & Equipment	4,000	9,000	5,101	3,899
Janitorial Supplies	-	-	701	(701)
Janitorial Supplies	10,500	15,000	12,587	2,413
General Operating Supplies	19,800	14,800	13,765	1,035
Gasoline & Diesel Fuel	3,500	7,250	4,486	2,764
Veh Parts/Oil/Fluid/Tires	4,000	4,000	782	3,218
Insurance	10,240	11,540	11,474	66
Buildings/Office-Rentals	-	1,000	600	400
Land-Rental/Lease	-	-	305	(305)
Equipment Rental/Lease	1,200	1,200	800	400
Other Misc Expenses	1,000	1,000	-	1,000
Building & Improvements	-	-	30,982	(30,982)
Improvements other than Bldgs	-	5,015	4,668	347
Machinery & Equipment	8,000	6,500	6,070	430
Other capital outlay	500,000	500,000	312,439	187,561
Total Buildings and Grounds	1,365,732	1,401,869	1,211,056	190,813
Equipment Shop:				
Wages and Salaries Permanent Employees	265,047	277,047	276,559	489
Overtime	10,000	16,000	15,981	19
Bonus-One Time	-	4,300	3,710	590
Christmas Bonus and Longevity	3,372	3,372	3,222	150
FICA	20,534	20,534	17,970	2,565
Medicare	-	-	4,055	(4,055)
TCRS Contribution	39,216	39,216	42,815	(3,599)
Employee Health Insurance	74,632	74,632	76,448	(1,816)
Worker's Compensation	10,675	10,675	8,712	1,963
Reproduction and Printing	-	-	75	(75)
Unemployment Insurance	-	-	50	(50)
Clothing/Uniform/Shoes	4,800	4,800	3,922	878
Postal Service	-	-	91	(91)
Small Tools & Minor	-	-	50	(50)
Legal Notices	-	-	140	(140)
Gasoline/Fuels/Lub	-	-	437	(437)
Automotive Parts	-	-	30	(30)
Natural Gas & Propane	600	600	116	484
Telephone Services	-	1,000	749	251
Medical Services	-	5,000	473	4,527
Other Professional Services	500	-	-	-
Repairs and Maint. Vehicles	500	500	159	341
Repair & Main Bldg/Grounds	-	500	211	289
Education Seminars & Training	2,000	1,000	1,040	(40)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Travel Business Expenses	300	300	-	300
Office Supplies & Materials	500	500	260	240
Office Equipment	2,000	1,500	1,188	312
Small Tools & Equipment	8,000	9,000	7,589	1,411
Janitorial Supplies	2,000	5,000	3,708	1,292
General Operating Supplies	1,000	16,500	1,376	15,124
Gasoline & Diesel Fuel	2,800	2,800	2,999	(199)
Veh Parts/Oil/Fluid/Tires	1,900	1,900	1,192	708
Electrical, Plumbing, & Hardware	-	-	5	(5)
Equipment Rental/Lease	1,200	200	-	200
Other Misc Expenses	-	-	18	(18)
Motor Equipment	29,500	28,500	27,044	1,456
Insurance	2,150	2,150	2,410	(260)
Total Equipment Shop	481,226	527,526	504,804	22,722
Street Repairs & Maintenance:				
Wages & Salaries Permanent Employees	317,264	317,264	312,393	4,871
Overtime	8,500	8,500	3,943	4,557
Bonus-One Time	-	5,400	4,769	631
Christmas & Longevity	5,220	5,220	5,268	(48)
FICA	25,320	25,320	19,477	5,843
Medicare	-	-	4,266	(4,266)
TCRS Contribution	47,115	47,115	46,779	336
Employee Health Insurance	95,795	95,795	93,174	2,621
Worker's Compensation	13,725	13,725	10,619	3,106
Clothing/Uniform/Shoes	5,100	5,100	5,323	(223)
Legal Notices	-	-	30	(30)
Telephone Services	-	-	373	(373)
Medical Services	-	-	747	(747)
Education Seminars & Training	750	750	900	(150)
Other Professional Services	400	400	2,375	(1,975)
Repair & Maint. Vehicles	1,000	1,000	-	1,000
Repair/Maint Operations Equip.	-	14,500	14,487	13
Repair & Maint. Bldg/Grounds	-	-	1,400	(1,400)
Travel Business Expenses	300	300	-	300
Other Contracted Services	-	-	1,715	(1,715)
Construction Materials	-	4,964	4,984	-
Office Supplies & Materials	100	100	176	(76)
Office Equipment	-	-	269	(269)
Small Tools & Equipment	-	-	2,431	(2,431)
Janitorial Supplies	170	170	3	167
Uniforms	-	144	137	7
General Operating Supplies	-	-	11,901	(11,901)
Gasoline & Diesel Fuel	50,000	50,000	38,882	11,118
Veh Parts/Oil/Fluid/Tires	24,500	24,500	19,254	5,246
Concrete Products	8,000	8,000	4,699	3,301
Crushed Stone & Sand	15,500	65,500	52,906	12,594
Salt/Sodium Chloride	400	400	-	400
Asphalt	36,500	136,500	128,884	7,616
Equipment Rental/Lease	500	500	1,400	(900)
Other Misc Expenses	800	800	-	800
Motor Equipment	20,000	20,000	14,588	5,412
Other Capital Outlay	-	-	40,056	(40,056)
Insurance	10,752	10,752	12,048	(1,296)
Total Street Repairs and Maintenance	687,711	862,719	860,636	2,083
Street Lighting and Signs:				
Wages & Salaries Permanent Employees	32,346	64,346	63,760	586
Overtime	2,000	2,000	61	1,939
Bonus-One Time	-	610	530	80
Christmas Bonus & longevity	462	462	117	345
FICA	2,510	2,510	3,788	(1,278)
Medicare	-	-	857	(857)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
TCRS Contribution	4,793	4,793	9,328	(4,535)
Employee Health Insurance	10,622	10,622	16,127	(5,505)
Worker's Compensation	1,525	1,525	2,144	(619)
Clothing/Uniform/Shoes	755	755	562	193
Electricity	600,000	600,000	566,231	33,769
Repair & Maint. Vehicles	500	500	198	302
Subscriptions & Books	200	200	-	200
Education Seminars & Training	400	400	100	300
Postal Service	-	-	12	(12)
Small Tools & Minor	-	-	29	(29)
Natural Gas & Propane	-	-	532	(532)
Medical Services	-	-	109	(109)
Other Contracted Services	-	-	563	(563)
Office Supplies & Materials	50	50	174	(124)
Small Tools & Equipment	1,000	1,000	869	131
Office Equipment	-	300	1,081	(781)
Janitorial Supplies	200	200	-	200
Uniforms	-	33	33	-
General Operating Supplies	35,000	35,000	35,989	(989)
Gasoline & Diesel Fuel	6,500	6,500	6,616	(116)
Veh Parts/Oil/Fluid/Tires	5,700	5,700	2,401	3,299
Electrical, Plumbing & Hardware	-	3,222	3,222	-
Equipment Rental/Lease	409	409	-	409
Other Misc Expenses	600	300	48	252
Machinery & Equipment	22,500	22,500	23,302	(802)
Insurance	410	410	459	(49)
Total Street Lighting and Signs	728,482	764,347	739,242	25,106
Brush Pick-up & Snow Removal:				
Wages & Salaries Permanent Employments	334,475	334,475	328,183	6,292
Overtime	17,500	23,500	23,400	100
Wages & Salaries Temporary Employees	-	35,000	34,945	55
Bonus-One Time	-	6,600	5,723	877
Christmas Bonus & Longevity	4,080	4,080	3,803	277
FICA	25,900	25,900	23,532	2,368
Medicare	-	-	5,271	(5,271)
TCRS Contribution	49,346	49,346	51,729	(2,383)
Employee Health Insurance	113,557	113,557	110,933	2,624
Worker's Compensation	16,318	16,318	12,012	4,306
Reproduction and Printing	-	-	1,040	(1,040)
Unemployment	-	-	100	(100)
Clothing/Uniform/Shoes	6,350	8,850	5,931	2,919
Postal Service	50	50	41	9
Legal Notices	200	200	1,463	(1,263)
Telephone Services	-	1,000	1,165	(165)
Medical Services	-	1,000	731	269
Other Professional Services	700	700	-	700
Repair/Maint Operations Equip.	-	14,200	14,713	(513)
Education Seminars & Training	400	400	135	265
Travel Business Expenses	500	500	-	500
Other Contracted Services	250,000	500	475	25
Office Supplies & Materials	100	100	-	100
Small Tools & Equipment	-	4,500	2,718	1,782
Janitorial Supplies	150	150	-	150
General Operating Supplies	-	2,000	695	1,305
Gasoline & Diesel Fuel	65,000	65,000	78,960	(13,960)
Veh Parts/Oil/Fluid/Tires	66,100	66,100	61,576	4,524
Concrete Products	6,500	-	-	-
Salt/Sodium Chloride	60,000	60,000	10,122	49,878
Landfill Fee/Disposition Chgs	-	245,000	244,157	843
Other Misc Expenses	600	600	18	583
Motor Equipment	120,000	120,000	110,159	9,841
Insurance	9,370	9,370	10,499	(1,129)

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Total Brush Pick-up & Snow Removal	1,147,196	1,208,996	1,144,230	64,766
Sidewalks:				-
Small Tools & Minor Equipment	250	250	-	250
Gasoline & Diesel Fuel	100	100	-	100
Veh Parts/Oil/Fluid/Tires	100	100	-	100
Concrete Products	20,500	20,500	1,783	18,717
Crushed Stone & Sand	2,650	2,650	2,089	561
Total Sidewalks	23,600	23,600	3,872	19,728
Traffic Devices:				
Wages & Salaries Permanent Emp	-	2,000	1,310	690
Overtime	-	3,000	2,768	232
F.I.C.A.			244	(244)
Medicare			57	(57)
TCRS Contribution			596	(596)
Employee Health Insurance	-	-	749	(749)
Postal Service			29	(29)
Electricity	30,000	30,000	33,809	(3,809)
Natural Gas & Propane	-	500		500
Other Professional Services	-	2,000		2,000
Repairs & Maint Communications	-	5,000		5,000
Repair & Maint. Vehicles	-	1,000		1,000
Repair & Maint Traffic Signals	100,000	53,750	39,662	14,088
Subscriptions & Books	-	250		250
Membership & Dues	-	1,000	210	790
Education Seminars & Training	-	1,000		1,000
Travel Business Expenses	-	500	1,272	(772)
Other Contracted Services			30	(30)
Offices Supplies & Materials	-	500		500
Office Equipment	-	500		500
General Operating Supplies	-	5,000	3,804	1,196
Gasoline & Diesel Fuel	-	2,500		2,500
Veh Parts/Oil/Fluid/Tires	-	7,000	589	6,411
Parts, Traffic Signals	-	15,000	8,545	6,455
Other Supplies & Materials	-	4,500		4,500
Total Traffic Devices	130,000	135,000	93,672	41,328
Communication Shop:				
Wages & Salaries Permanent Emp	76,502	78,502	77,788	714
Overtime	1,000	1,100	1,030	70
Bonus-One Time	-	1,300	1,060	240
Christmas Bonus & Longevity	710	710	715	(5)
F.I.C.A.	5,907	5,907	4,843	1,064
Medicare			1,092	(1,092)
TCRS Contribution	11,281	11,281	11,587	(306)
Employee Health Insurance	21,330	21,330	21,344	(14)
Worker's Compensation	3,050	3,050	2,288	762
Education Seminars & Training	1,500	1,500		1,500
Clothing/Uniform/Shoes	1,300	1,300	815	485
Postal Service	50	50	38	12
Telephone Services	400	400	376	24
Medical Services			45	(45)
Other Professional Services	200	200		200
Repair & Maint. Vehicles	300	300		300
Repair /Maint Operations Equip.			19	(19)
Repair & Maint Bldg/Grounds	500	500		500
Travel Business Expenses	500	500		500
Office Supplies & Materials	200	200	44	156
General Operating Supplies	60	60	48	12
Janitorial Supplies			7	(7)
Gasoline & Diesel Fuel	1,300	1,300	2,665	(1,365)
Veh Parts/Oil/Fluid/Tires	2,000	2,000	169	1,831

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
In Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Insurance	2,253	2,253	2,524	(271)
Total Communication Shop	130,343	133,743	128,498	5,245
Pavement Management System:				
Professional and Consulting				-
Legal Notices	-	3,200	2,581	619
Street Infrastructure Imp	3,950,000	3,950,000	2,409,088	1,540,912
Total Pavement Management System	3,950,000	3,953,200	2,411,669	1,541,531
Health Inspection & Welfare (43400):				
Education Seminars & Training	200	200		200
Travel Business Expenses	250	250		250
Small Tools & Equipment	600	600	601	(1)
Janitorial Supplies	300	300		300
General Operating Supplies	5,000	5,000	3,556	1,444
Gasoline & Diesel Fuel	3,750	5,750	4,789	961
Veh Parts/Oil/Fluid/Tires	1,500	1,500	941	559
Insurance			1,147	(1,147)
Total Health Inspection & Welfare	11,600	13,600	11,034	2,566
Health Inspection & Welfare (44110):				
Other Supplies	-	296	296	-
Total Health Inspection & Welfare:	-	296	296	-
Parks & Recreation Supervision:				
Wages & Salaries Permanent Employees	251,777	262,777	261,978	799
Overtime	150	150		150
Bonus-One Time	-	3,000	2,650	350
Christmas Bonus & Longevity	2,473	2,473	2,496	(23)
FICA	19,450	19,450	16,298	3,152
Medicare			3,658	(3,658)
TCRS Contribution	37,146	37,146	38,537	(1,391)
Employee Health Insurance	53,696	58,696	57,925	771
Worker's Compensation	7,625	7,625	3,431	4,194
Postal Service	3,600	3,600	3,139	461
Printing Services	300	300	383	(83)
Legal Notices			504	(504)
Medical Services			56	(56)
Subscriptions & Books			242	(242)
Memberships & Dues	1,300	1,300	1,235	65
Education Seminars & Training	1,000	1,000	483	517
Travel Business Expenses	2,000	2,000	1,942	58
Other Contracted Services	450	450	434	16
Office Supplies & Materials	4,200	4,200	3,055	1,145
General Operating Supplies	300	300	96	204
Equipment Rental/Lease	5,364	5,364	2,358	3,006
Insurance	1,126	1,126	1,262	(136)
Total Parks & Recreation Supervision	391,957	410,957	402,162	8,795
Playgrounds & Programs:				
Wages & Salaries Permanent Employees	97,770	101,770	101,494	276
Overtime	200	1,200	633	567
Wages & Salaries Temporary Employees	72,600	72,600	77,843	(5,243)
Bonus-One Time	-	2,600	2,226	374
Christmas Bonus & Longevity	793	793	1,012	(219)
FICA	13,094	13,094	11,483	1,611
Medicare			2,555	(2,555)
TCRS Contribution	14,400	14,400	15,136	(736)
Employee Health Insurance	31,854	31,854	30,478	1,376

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Worker's Compensation	4,575	4,575	10,294	(5,719)
Unemployment			1,664	(1,664)
Reproduction and Printing			39	(39)
Legal Services			66	(66)
Telephone Services	800	800	373	427
Other Professional Services	500	500	56	444
Memberships and Dues	7,700	15,200	14,732	468
Education Seminars & Training	250	250		250
Repair & Maint Bldg/Grounds	1,500	1,500	704	796
Other Contractual	-	39		39
Other Contracted Services	98,551	98,551	91,520	7,031
Small Tools & Equipment	-	800		800
Other Supplies			143	(143)
General Operating Supplies	58,200	58,200	36,316	21,884
Equipment Rental/Lease	4,000	4,000	1,950	2,050
Motor Equipment	29,500	29,500	32,397	(2,897)
Insurance	14,268	14,268	13,560	708
Total Playgrounds & Programs	450,555	466,494	446,673	19,821
Parks & Maintenance:				
Wages and Salaries Permanent Employees	317,642	322,642	322,293	349
Overtime	2,000	2,000	1,798	202
Wages & Salaries Temporary Employees	145,000	145,000	146,170	(1,170)
Bonus-One Time	-	5,500	4,769	731
Christmas Bonus & Longevity	3,594	3,594	3,630	(36)
FICA	36,540	36,540	29,143	7,397
Medicare			6,503	(6,503)
TCRS Contribution	46,933	46,933	47,958	(1,025)
Employee Health Insurance	53,696	98,696	98,281	415
Worker's Compensation	13,725	19,445		19,445
Reproduction and Printing			509	(509)
Unemployment	14,000	36,625	26,605	10,020
Repairs and Maintenance	-	63		63
Postal Service			18	(18)
Legal Notices			267	(267)
Telephone Services	1,500	1,500	1,875	(375)
Medical Services			557	(557)
Other Professional Services	1,000	1,000		1,000
Repair & Maint. Vehicles	2,000	2,000	142	1,858
Repair/Maint Operations Equip.	-	9,000	13,431	(4,431)
Repair & Maint. Bldg/Grounds	32,800	32,800	26,014	6,786
Education Seminars & Training	100	100		100
Other contracted services	36,520	36,520	38,388	(1,868)
Small Tools & Minor	-	44		44
Small Tools & Equipment	8,000	8,000	4,079	3,921
Janitorial Supplies	11,800	11,800	10,154	1,646
General Operating Supplies	33,500	33,500	8,447	25,053
Gasoline & Diesel Fuel	28,000	28,000	29,633	(1,633)
Veh Parts/Oil/Fluid/Tires	13,000	4,000	3,967	33
Concrete Products	4,000	4,000	1,940	2,060
Crushed Stone & Sand	6,000	6,000	2,151	3,849
Electrical, Plumbing, & Hardware	-	528	453	75
Other Supplies	-	34	34	-
Construction Materials	-	3,536	3,536	-
Splash pad supplies	2,000	2,000	1,009	991
Equipment Rental/Lease	2,000	2,000	2,052	(52)
Landfill Fee/Disposition Chgs			3,762	(3,762)
Other Misc Expenses			33	(33)
Building Structures	-	11,400	10,190	1,210
Motor Equipment	20,000	20,000	18,080	1,920
Other Capital Outlay	-	5,000	11,841	(6,841)
Insurance	16,179	16,179	18,129	(1,950)
Total Parks and Maintenance	851,529	955,979	897,841	58,138

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Social Services:				
ALPS	9,500	9,500	9,500	-
Boys & Girls Club, Inc	15,675	15,675	15,675	-
CEASE	16,625	16,625	16,625	-
Central Services	5,000	5,000	5,000	-
Child Advocacy	950	950	950	-
Daily Bread	4,750	4,750	4,750	-
Girls, Inc.	11,400	11,400	11,400	-
Helping Hands	7,125	7,125	7,125	-
Keep America Beautiful	19,950	19,950	19,950	-
MATS	16,625	16,625	16,625	-
M H Child Care Centers	22,800	22,800	22,800	-
New Hope Recovery	4,750	4,750	4,750	-
Rose Center	11,875	11,875	11,875	-
Senior Citizens Center	47,500	47,500	47,500	-
Senior Citizen Hope Assistance	4,750	4,750	4,750	-
Stepping Out	1,425	1,425	1,425	-
Youth Emergency Shelter	30,875	30,875	30,875	-
Boys & Girls Club Swim Team	10,000	10,000	10,000	-
Tennessee Achieves	9,000	9,000	4,500	4,500
Crockett Tavern Association	-	9,000	8,125	875
Total Social Services	250,575	259,575	254,200	5,375
Fixed Base Operations:				
Memberships & Dues	40	40	80	(40)
Clothing/Uniform/Shoes	2,500	2,500	2,832	(332)
Postal Service	100	100	66	34
Legal Notices	400	400	507	(107)
Other Professional Services	90,000	90,000	13,641	76,359
Repair /Maint Operations Equip.			1,502	(1,502)
Repair & Maint Bldg/Grounds	34,500	34,500	10,192	24,308
Other Contractual			88	(88)
Education Seminars & Training			150	(150)
Other Contracted Services			21,302	(21,302)
Contracts With Other Agencies			40	(40)
General Operations Supplies	8,000	8,000	866	7,134
Gasoline & Diesel Fuel	25	25	-	25
Veh Parts/Oil/Fluid/Tires	1,500	1,500	148	1,352
Electrical, Plumbing & Hardware			125	(125)
Office supplies and materials			18	(18)
Motor Equipment	72,000	72,000	58,358	13,642
Other Capital Outlay	885,000	885,000	3,675	881,325
Grants & Subsidies			2,500	(2,500)
Total Fixed Base Operations	1,094,065	1,094,065	116,090	977,975
Bond Principal:				
Bond Interest	934,391	934,391	214,623	719,768
Paying Agent Fees	40,000	40,000	58,821	(16,821)
Debt Principal	1,440,317	1,440,317	1,340,339	99,978
Total Bond Principal	2,414,708	2,414,708	1,611,784	802,924
Miscellaneous expenditures				
Health and Life Insurance	-	771	-	771
Special Appropriations:				
Animal Control	133,532	133,532	133,532	-
E-911 District	187,250	187,250	175,257	11,993
Summer Feeding Program	90,000	90,000	47,233	42,767
Public Library	243,600	243,600	243,600	-

City of Morristown, Tennessee
General Fund
Statement of Revenue, Expenditures, and Changes
in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (unfavorable)</u>
Economic Development	185,500	356,500	356,373	127
Industrial Parks	350,000	350,000	325,000	25,000
Fast Track Grants	-	461,000	460,104	896
Total Special Appropriations	<u>1,189,882</u>	<u>1,821,882</u>	<u>1,741,099</u>	<u>80,783</u>
 Total Revenues	<u>28,174,917</u>	<u>30,571,770</u>	<u>29,432,121</u>	<u>(1,139,649)</u>
Total Expenditures	<u>32,146,211</u>	<u>34,102,231</u>	<u>29,326,664</u>	<u>3,635,918</u>
Excess of revenues over(under) expenditures	(3,971,294)	(3,530,461)	105,457	2,496,270
Other Financing Sources (Uses):				
Operating Transfers In	600,370	600,370	1,532,378	932,008
Operating transfers Out	(663,077)	(838,077)	(1,184,908)	(346,831)
Proceeds From Issuance of Bonds	<u>4,034,000</u>	<u>3,769,000</u>	<u>3,750,000</u>	<u>(19,000)</u>
Total Other Financing Sources-net	<u>3,971,293</u>	<u>3,531,293</u>	<u>4,097,470</u>	<u>566,177</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1)	832	4,202,927	3,062,447
Fund Balance July 1, 2011	7,444,079	7,444,079	7,444,079	2,044,130
Prior period adjustment	-	-	<u>11,457,576</u>	<u>11,457,576</u>
Fund Balance July 1, 2011 - as adjusted	<u>7,444,079</u>	<u>7,444,079</u>	<u>18,901,655</u>	<u>13,501,706</u>
Fund Balance June 30, 2012	<u>\$ 7,444,078</u>	<u>\$ 7,444,911</u>	<u>\$ 23,104,582</u>	<u>\$ 16,564,153</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, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenue:				
Other Local Revenue:				
Other County Revenue	\$ 241,500	\$ 241,500	\$ 241,492	\$ (8)
Interest on Investments	-	-	94	94
Solid Waste Fees	<u>1,261,984</u>	<u>1,321,184</u>	<u>1,300,875</u>	<u>(20,309)</u>
Total Other Local Revenue	<u>1,503,484</u>	<u>1,562,684</u>	<u>1,542,461</u>	<u>(20,223)</u>
Expenditures:				
Sanitation Department:				
Wages & Salaries Permanent Employees	346,060	386,060	384,746	1,314
Overtime	6,000	6,000	2,131	3,869
Bonus-One Time	-	6,000	5,299	701
Christmas Bonus & Longevity	4,727	4,727	4,823	(96)
FICA	26,854	26,854	23,678	3,176
Medicare	-	5,400	5,331	69
TCRS Contribution	51,250	51,250	57,233	(5,983)
Employee Health Insurance	106,381	106,381	109,925	(3,544)
Worker's Compensation	15,250	15,250	11,435	3,815
Unemployment	-	-	359	(359)
Clothing/Uniform/Shoes	5,500	6,000	4,436	1,564
Postal Service	50	50	21	29
Printing Services	-	1,000	156	844
Legal Notices	1,481	1,481	780	701
Telephone Services	400	900	378	522
Medical Services	-	1,000	496	504
Other Professional Services	1,000	1,000	946	54
Other Contracted Services			210	(210)
Education Seminars & Training	100	100		100
Office Supplies & Materials	200	200		200
Office Equipment	200	200		200
General Operating Supplies	-	1,000	400	600
Gasoline/Fuels/Lub			150	(150)
Gasoline & Diesel Fuel	62,000	75,000	74,207	793
Veh Parts/Oil/Fluid/Tires	51,000	51,000	56,432	(5,432)
Solid Waster Containers	33,000	33,000	26,418	6,582
Insurance	10,752	10,752	12,048	(1,296)
Landfill Fee/Disposition Chgs	400,000	377,500	392,163	(14,663)
Other Misc Expenses	1,185	1,185	35	1,150
Motor Equipment	<u>250,000</u>	<u>250,000</u>	<u>247,363</u>	<u>2,637</u>
Total Sanitation Department	<u>1,373,390</u>	<u>1,419,290</u>	<u>1,421,598</u>	<u>(2,308)</u>
Landfill:				
Employee Health Insurance	<u>-</u>	<u>100</u>	<u>376</u>	<u>(276)</u>
Total Landfill	<u>-</u>	<u>100</u>	<u>376</u>	<u>(276)</u>
Curbside Recycle:				
Wages & Salaries Permanent Employees	74,116	80,116	79,832	284
Overtime	750	750	833	(83)
Bonus-One Time	-	1,200	1,060	140
Christmas Bonus & Longevity	1,660	1,660	1,675	(15)
FICA	12,578	12,578	4,977	7,601
Medicare			1,122	(1,122)
TCRS Contribution	11,071	11,071	11,197	(126)
Employee Health Insurance	21,316	21,316	21,850	(534)

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, 2012

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Worker's Compensation	3,050	3,050	2,288	762
Clothing/Uniform/Shoes	1,300	1,300	1,180	120
Medical Services			84	(84)
Legal Notices	100	100		100
Telephone Services	50	50		50
Other Professional Services	100	100		100
Travel Business Expenses	500	500		500
Other Contracted Services	70,000	70,000	32,059	37,941
Office Supplies & Materials	300	300	353	(53)
Small Tools & Equipment	250	250	405	(155)
Janitorial Supplies	300	300		300
Gasoline/Fuels/Lub			60	(60)
Gasoline & Diesel Fuel	9,000	12,000	11,273	727
Veh Parts/Oil/Fluid/Tires	9,000	9,000	4,983	4,017
Solid Waste Containers	2,500	5,500	4,986	514
Insurance	1,894	1,894	2,123	(229)
Total Curbside Recycle	219,835	233,035	182,337	50,698
Bond Principal:				
Paying Agent Fees			516	(516)
Principal	259,659	259,659	234,290	25,369
Interest	16,049	16,049	17,757	(1,708)
Total Bond Principal	275,708	275,708	252,563	23,145
Depreciation				
Depreciation Motor Vehicles	104,386	104,386		104,386
Total Expenditures	1,973,319	2,032,519	1,856,875	175,644
Excess of revenue over (under) Expenditures	(469,835)	(469,835)	(314,414)	155,421
Other Financing Sources:				
Bond Proceeds	250,000	250,000	250,000	-
Operating Transfers In	219,835	219,835	219,835	-
Total other financing sources	469,835	469,835	469,835	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	155,421	(195,868)
Fund Balance July 1, 2011	386,165	386,165	386,165	-
Fund Balance June 30, 2012	\$ 386,165	\$ 386,165	\$ 541,586	\$ (195,868)

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City of Morristown, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2012

	Business-type Activities Enterprise Funds					Total	Governmental Activities - Internal Service Fund - Health Insurance
	Sewer System	Storm Water System	Power System	Water System	Broadband		
Assets							
Unrestricted current assets:							
Cash and cash equivalents	\$ 3,709,319	\$ 526,874	\$ 16,622,064	\$ 4,099,765	\$ 24,737	\$ 24,982,759	\$ 853,376
Accounts receivable:							
Trade, net of allowances	1,050,497	199,828	8,452,742	-	-	9,703,067	-
Interfund receivables	442,174	-	-	626,883	-	1,069,057	-
Due from others	-	-	292,783	11,417	149,343	453,543	-
Other accounts receivable	-	-	-	-	-	-	3,920
Accrual for unbilled revenue	557,636	60,678	1,673,130	205,523	-	2,496,967	-
Current portion of discounted energy units	-	-	57,737	-	-	57,737	-
Other current assets	-	-	5,050	-	28,132	33,182	-
Materials and supplies inventory	120,455	182,856	882,404	380,877	-	1,546,592	-
Total unrestricted current assets	5,880,081	970,236	27,965,910	5,324,465	202,212	40,342,904	857,296
Total current assets	5,880,081	970,236	27,965,910	5,324,465	202,212	40,342,904	857,296
Restricted cash and cash equivalents	26,098,950	5,167,266	-	2,904,232	-	34,170,448	-
Capital assets:							
Plant and equipment in service	79,613,945	5,010,852	91,237,749	61,230,163	9,966,590	247,059,299	-
Less accumulated depreciation	(37,298,793)	(2,772,876)	(37,847,399)	(22,355,661)	(4,151,862)	(104,428,391)	-
	42,315,152	2,238,176	53,390,350	38,874,502	5,814,728	142,632,908	-
Construction in progress	4,100,032	82,755	1,014,673	476,603	65,431	5,739,494	-
Net capital assets	46,415,184	2,320,931	54,405,023	39,351,105	5,880,159	148,372,402	-
Due from Other Funds	-	-	6,749,697	-	-	6,749,697	-
Plant acquisition adjustments, net of accumulated depreciation	-	-	554,114	35,360	-	589,474	-
Unamortized debt expense	349,403	64,600	-	-	-	414,003	-
Other assets	-	136,859	19,183	-	24,343	180,385	-
Total assets	\$ 78,743,618	\$ 8,659,892	\$ 89,693,927	\$ 47,615,162	\$ 6,106,714	\$ 230,819,313	\$ 857,296

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

City of Morristown, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2012

	Business-type Activities					Governmental Activities - Internal Service Fund - Health Insurance
	Enterprise Funds					
	Sewer System	Storm Water System	Power System	Water System	Broadband	Total
Liabilities and Net Position						
Current liabilities:						
Accounts payable:						
Trade	\$ 1,067,062	\$ 51,233	\$ 11,242,474	\$ 372,884	\$ 174,549	\$ 12,908,202
Interfund payables		447,337	626,883		-	1,074,220
City of Morristown			1,160,356			1,160,356
Deferred revenues			320,000		162,042	482,042
Customer deposits			3,345,212		83,900	3,429,112
Accrued payroll related liabilities	45,083	10,353	1,445,300	465,191	181,256	2,147,183
Other accrued liabilities	216,877	487	319,837	19,848	69,440	626,489
Current portion of capital lease obligation					3,759	3,759
Current portion of long-term debt	1,899,727	2,395	606,061	979,080	113,922	3,601,165
Total current liabilities	3,228,749	511,805	19,066,123	1,836,983	788,868	25,432,528
Noncurrent liabilities:						
Accrued post retirement benefit obligation			268,594	36,395	87,540	392,529
Due to other funds					6,749,697	6,749,697
Long-term debt - less current portion	53,393,844	5,074,144	15,885,650	15,241,951	4,603,424	94,198,813
Contractual liability	2,120,233					2,120,233
Premium on bonds payable	1,298,068	249,646				1,547,714
Compensated absences	37,492	22,235				59,727
Total non-current liabilities	56,849,437	5,346,025	16,154,244	15,278,346	11,440,661	105,068,713
Total liabilities	60,078,186	5,857,830	35,220,367	17,115,329	12,229,529	130,501,241
Net position:						
Invested in capital assets, net of related debt	14,819,079	2,162,097	37,913,312	26,034,326	(4,136,679)	76,792,135
Restricted	-	-	-	-	-	-
Unrestricted net assets (deficit)	3,846,353	639,965	16,560,248	4,465,507	(1,986,136)	23,525,937
Total net assets (deficit)	18,665,432	2,802,062	54,473,560	30,499,833	(6,122,815)	100,318,072
Total liabilities and net position	\$ 78,743,618	\$ 8,659,892	\$ 89,693,927	\$ 47,615,162	\$ 6,106,714	\$ 230,819,313
						\$ 857,296

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 Position
Proprietary Funds
Year Ended June 30, 2012

	Business-type Activities Enterprise Funds					Governmental Activities - Internal Service Fund - Health Insurance
	Sewer System	Storm Water System	Power System	Water System	Broadband	Total
Operating Revenues:						
Metered sales	\$ 10,049,655	\$ 1,375,723	\$ 74,575,366	\$ 6,602,966	\$ -	\$ 92,603,710
Broadband sales	-	-	-	-	6,815,505	6,815,505
Interfund Services Provided	-	-	213,334	-	-	213,334
Charges for services	-	-	-	-	-	-
Other operating revenues	583,178	-	1,214,383	45,167	224,795	2,067,523
Total operating revenues	10,632,833	1,375,723	76,003,083	6,648,133	7,040,300	101,700,072
Operating expenses:						
Power purchased	-	-	61,323,731	-	-	61,323,731
Operations	6,722,152	413,840	5,008,180	3,143,680	5,579,205	20,867,057
Maintenance	62,726	94,145	1,804,382	541,010	207,425	2,709,688
Interfund Services Used	-	-	-	-	213,334	213,334
Depreciation and amortization	2,451,204	141,536	3,484,567	1,679,888	860,141	8,617,336
Taxes	-	-	260,097	-	52,014	312,111
Insurance claims and expenses	-	-	-	-	-	-
Miscellaneous	-	-	-	8,460	-	8,460
Total operating expenses	9,236,082	649,521	71,880,957	5,373,038	6,912,119	94,051,717
Operating income (loss)	1,396,751	726,202	4,122,126	1,275,095	128,181	7,648,355
Other income (expense):						
Investment income	21,401	-	50,841	17,062	1,687	90,991
Interest expense	(396,475)	(9,192)	(96,938)	(481,944)	(51,189)	(1,035,738)
Net other income (expense)	(375,074)	(9,192)	(46,097)	(464,882)	(49,502)	(944,747)
Income (loss) before contributions and transfers	1,021,677	717,010	4,076,029	810,213	78,679	6,703,608
Contributions from developers	-	-	-	-	-	-
Grant Income	-	-	-	51,697	-	51,697
Transfers In	-	-	-	113,687	-	113,687
Transfers out (tax equivalent payments to City of Morristown)	(571,181)	(29,187)	(395,890)	(36,120)	-	(1,032,378)
Changes in net assets	450,496	687,823	3,180,139	939,477	78,679	5,336,614
Net position at beginning of year, as previously stated	18,039,787	1,751,131	51,820,939	29,634,738	(6,031,269)	95,215,326
Prior period adjustment	175,149	363,108	(527,518)	(74,382)	(170,225)	(233,868)
Net position at beginning of year, as restated	18,214,936	2,114,239	51,293,421	29,560,356	(6,201,494)	94,981,458
Net position - ending	\$ 18,665,432	\$ 2,802,062	\$ 54,473,560	\$ 30,499,833	\$ (6,122,815)	\$ 100,318,072
						\$ 857,296

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

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City of Morristown, Tennessee
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-Type Activities					Governmental Activities - Internal Service Fund - Health Insurance
	Sewer System	Storm Water System	Power System	Water System	Broadband System	Total
Cash flows from operating activities:						
Cash received from customers	\$ 11,057,831	\$ 1,228,191	\$ 76,228,624	\$ 6,701,896	\$ 6,929,000	\$ 102,145,542
Cash received from City of Morristown	125,000	(154,187)	1,197,702			1,168,515
Cash paid to suppliers	(5,503,896)	(268,462)	(58,773,894)	(2,425,444)	(4,871,564)	(71,843,250)
Claims and premiums paid	-	-	-	-	-	-
Cash paid to employees	(779,533)	(188,462)	(4,382,915)	(1,250,232)	(1,191,157)	(7,792,299)
Net cash provided by operating activities	4,899,412	617,080	14,269,517	3,026,220	866,279	23,678,508
Cash flows from noncapital financing activities:						
Transfers to City of Morristown (tax equivalent payments)			(895,890)	(36,120)		(932,010)
Long-term portion of compensated absences	(24,070)	4,982				(19,088)
Net cash flows from noncapital financing activities	(24,070)	4,982	(895,890)	(36,120)	-	(951,098)
Cash flows from investing activities:						
Interest received on investments	21,401		50,841	17,062	1,687	90,991
Sale (purchase) of investments				-		-
Net cash flows from investing activities	21,401	-	50,841	17,062	1,687	90,991
Cash flows from capital and related financing activities:						
Bond proceeds	26,000,000	5,000,000				31,000,000
Payments on capital lease obligations					(15,183)	(15,183)
Unamortized bond premium	1,298,068	249,646				1,547,714
Debt issuance cost expense	(336,314)					(336,314)
Net additions to capital assets	(3,723,588)	(195,732)	(6,600,730)	(1,328,126)	(1,293,512)	(13,141,688)
Interfund (repayments) advances	(571,181)		11,219	(267,100)	255,881	(571,181)
State of Tennessee grant funds				113,887		113,887
Contributions from developers				51,897		51,897
Principal payments on long term debt	(1,914,430)	(4,431)	(603,601)	(1,024,655)	(107,796)	(3,654,913)
Interest paid on long term debt	(396,475)	(9,192)	(96,938)	(481,944)	(51,189)	(1,035,738)
Proceeds from long term borrowings	1,869,365			393,291	-	2,262,656
Net cash flows from financing activities	22,225,445	5,040,291	(7,290,050)	(2,543,150)	(1,211,799)	16,220,737
Increase (decrease) in cash and cash equivalents	27,122,188	5,662,353	6,134,418	464,012	(343,833)	39,039,138
Cash and cash equivalents, beginning	2,686,081	31,787	10,487,646	6,539,885	988,570	20,114,069
Cash and cash equivalents, ending	\$ 29,808,269	\$ 5,694,140	\$ 16,622,064	\$ 7,003,997	\$ 24,737	\$ 59,153,207
						\$ 339,044

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

City of Morristown, Tennessee
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds					Governmental Activities - Internal Service Fund - Health Insurance
	Sewer System	Storm Water System	Power System	Water System	Broadband System	Total
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 1,396,751	\$ 728,202	\$ 4,122,126	\$ 1,275,095	\$ 128,181	\$ 7,648,355
Adjustments to reconcile operating income to net cash flows from operating activities:						
Depreciation and amortization	2,451,204	125,221	3,484,567	1,708,176	860,141	8,629,309
Provision for losses on accounts receivable			(206,449)	-	-	(206,449)
Redemption of discounted energy units			122,921	-	-	122,921
Changes in operating assets and liabilities:						
Accounts receivable	541,969	(111,104)	(374,918)	-	-	55,947
Loans receivable	125,000					125,000
Accrual of unbilled revenue	(116,971)	(36,428)	(82,796)	(7,542)	-	(243,737)
Materials and supplies inventory	30,071		3,667	(29,410)	-	4,328
Other assets			750,133	6,448	(162,582)	593,999
Trade accounts payable	506,355	44,849	5,267,456	(4,333)	49,884	5,864,211
Loans payable		(125,000)				(125,000)
Customer deposits and prepayments			790,128	61,305	10,900	862,333
Other liabilities	(34,967)	(6,660)	392,682	16,481	(20,245)	347,291
Net cash provided by operating activities	\$ 4,899,412	\$ 617,080	\$ 14,269,517	\$ 3,026,220	\$ 866,279	\$ 23,678,508
						\$ 339,044

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, 2012

	<u>LAMPTO Agency Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 203,659
Grants receivable	<u>113,083</u>
 Total Assets	 <u><u>316,742</u></u>
 <u>Liabilities</u>	
Accounts payable	111,886
Funds held for LAMPTO	<u>204,856</u>
 Total Liabilities	 <u><u>\$ 316,742</u></u>

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

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

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.

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.

- 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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from the government-wide statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are funded to a significant extent by user fees and charges for support.

Direct expenses are those that are clearly identifiable with a specific function or segment. The statement of activities demonstrates the extent to which the direct expenses of each function or segment are offset by program revenues. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided or given by the function or segment and 2) grants and contributions that are restricted for meeting the operational or capital requirements of a particular function or segment.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Although they are excluded from the government-wide financial statements, separate financial statements are also provided for the fiduciary funds. Each major governmental enterprise fund is reported in a separate column in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those 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 reported 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 other restricted revenues are recognized as revenue when all eligible requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Similar to the accrual basis of accounting, expenditures generally are recorded when a liability is incurred. 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 other 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 have been recognized as revenue during the current fiscal year. 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.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

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* and *Solid Waste Fund* are required by the 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.

The Insurance fund is an internal service fund used to account for the City's health insurance services.

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 revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The City also recognizes as revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the 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 and 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.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All trade receivables were considered collectible at June 30, 2012. 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 1st on property values assessed as of the same date. Bills for those taxes are usually mailed on July 1st. A 2% discount is offered for payment within thirty days after the bills are mailed. On December 1st, any unpaid taxes become delinquent and a penalty of 4.5% 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. *Income Taxes*

The Power and Water Systems, as well as the Sewer and Storm Water funds, are exempt from federal and state income taxes since they are comprised of funds of the City, a nontaxable entity. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements. The Broadband System is exempt from federal income taxes; however, it is required by TCA 7-52-606 to pay franchise and excise tax to the State of Tennessee.

6. *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
Transmission equipment, fixtures and devices	25 – 50 years
Distribution transformers, meters, fixtures and devices	15 – 50 years
Furniture, fixtures and equipment	5 – 25 years

Plant acquisition adjustments represent the excess of cost over net book value of utilities properties acquired from other utilities districts. Such excess is amortized over the estimated useful life of the related property (periods of up to 20 years).

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *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.

9. *Fund Equity*

The City's fund balance is classified into the following categories:

Non-spendable Fund Balance – Fund balances reported as non-spendable in the accompanying financial statements represent amounts for permanent fund principal restrictions, inventory, prepaid expenditures, advances to other funds, and noncurrent notes receivable.

Restricted Fund Balance – Fund balances reported as restricted are the result of externally imposed restrictions placed upon current resources by state statutes, creditors, bond covenants, donors, or grantors.

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

Committed Fund Balance – Fund balances reported as committed are self-imposed restrictions placed upon certain resources by the City Council and cannot be used for any other purpose unless formal action is approved by the City Council.

Assigned Fund Balance – Fund balances reported as assigned are intended for certain purposes as approved by City Council, or management. City Council has a fund balance policy that allows assigned amounts to be re-assigned by City Council, or management.

Unassigned Fund Balance – In accordance with GAAP, the general fund is the only governmental fund that reports an unassigned fund balance. The unassigned fund balance has not been restricted, committed, or assigned to a specific purpose within the general fund.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When committed, assigned or unassigned fund balance amounts are available for use, it is the City's policy to use the committed fund balance first; the assigned fund balance second; and then the unassigned fund balance as needed.

10. Net Position of Morristown Utilities Commission

- Net investment in capital assets – This component of net position consists of 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 or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted – This component of net position is the net amount of the assets, deferred outflows or resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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.

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.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

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	\$ 10,121,884
Enterprise type funds	<u>24,982,759</u>
Totals	<u>\$ 35,104,643</u>

As of June 30, 2012, all of Morristown Utility Commission's deposits were covered by the bank collateral pool administered by the State Treasurer. Banks participating in the pool report the aggregate balance of their public fund accounts to the State. Collateral to secure these deposits must be pledged to the State Treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in aggregate rather than against each individual account. Public fund accounts covered by the pool are considered entirely insured or collateralized.

As of June 30, 2012, the Water System had cash in a bank account totaling \$2,904,232 consisting of unspent bond proceeds from the 2011 DWSRF Promissory Note described in Note 4J.

A portion of the City's deposits as of June 30, 2012, were not covered by the bank collateral pool administered by the Treasurer of the State of Tennessee.

The City has repurchase agreements with Capital Bank and First Tennessee Bank whereby City funds are invested overnight in securities of the U.S. Treasury Department. At June 30, 2012, the City had \$345,536 at Capital Bank and \$6,767,931 at First Tennessee Bank invested in these securities and has included these in cash and cash equivalents.

Short-term investments represent un-drawn bond proceeds.

City of Morristown's investments are invested in the following investment types which have been aggregated into the following categories due to their similar nature.

Investment Type	Par
Certificate of Deposit	4,500,000
Taxable Muni (Non-Callable) Securities	300,000
Taxfree Muni (Non-Callable) Securities	7,000,000
Treasury Securities	<u>19,200,000</u>
Total	<u>31,000,000</u>

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Morristown manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Information about the sensitivity of the fair values of the City of Morristown's investments (including investments held by the bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Par	Remaining Maturity (in months)			
		12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Certificate of Deposit	4,500,000	3,000,000	1,500,000	-	-
Taxable Muni (Non-Callable) Securities	300,000	300,000	-	-	-
Taxfree Muni (Non-Callable) Securities	7,000,000	6,325,000	675,000	-	-
Treasury Securities	19,200,000	19,200,000	-	-	-
Total	31,000,000	28,825,000	2,175,000	-	-

The following table represents the interest rate risk of the investment portfolio of individual fixed income securities. Using a simulation model, the portfolio was subjected to an immediate interest rate shock of +/-300bp. The results in weighted average total is presented below which details the average maturity, average market price, total unrealized gain (loss) and percentage price change from the current interest rate environment.

Total Portfolio Shock Table							
Securities Count: 38	Total Par: 31,000,000			Coupon: .908			
Data Category	Dn300	Dn200	Dn100	BaseCase	Up100	Up200	Up300
Mkt Value	31,150,969	31,150,969	31,150,065	31,107,931	31,018,125	30,929,379	30,841,672
Pct Change	.14	.14	.14	-	-.29	-.57	-.86
Mkt Price	100.4869	100.4869	100.484	100.3481	100.0584	99.7721	99.4892
Avg Life / Duration	.33 / .33	.33 / .33	.33 / .33	.33 / .33	.33 / .33	.33 / .33	.33 / .33
Mkt Yld	.16	.16	.16	.16	1.08	2.01	2.93
Gain (Loss) \$	\$46,518	\$46,518	\$45,614	\$3,480	-\$86,327	-\$175,072	-\$262,779

The City of Morristown's fixed income investments included no investments that are highly sensitive to interest rate fluctuations (to a greater degree than a comparable 5yr Fixed Rate Treasury Security) that are not included in the interest rate disclosure.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is the measure by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the governing code, City of Morristown's investment policy, or debt agreements, and the actual rating as of the year end for each investment type:

Investment Type	Par	Minimum Legal Rating	Not Required To Be Rated	Rating As of Year End					
				Moody's			S&P		Other
				AAA	AA(1-3)	A	AAA	AA	A
Certificate of Deposit	4,500,000	-	-	-	-	-	-	-	-
Taxable Muni (Non-Callable) Securities	300,000	-	-	-	300,000	-	-	-	-
Taxfree Muni (Non-Callable) Securities	7,000,000	-	-	250,000	4,165,000	-	1,450,000	4,645,000	-
Treasury Securities	19,200,000	-	-	19,200,000	-	-	-	19,200,000	-
Total	31,000,000	-	-	19,450,000	4,465,000	-	1,450,000	23,845,000	-

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the City of Morristown's total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Report Amount</u>	<u>% of Portfolio</u>
U. S. Treasury	U. S. Treasuries	19,200,000	61.94 %

B. Receivables

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:

	<u>General</u>	<u>Solid Waste</u>	<u>Non-Major and Other Funds</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
Receivables:						
Taxes	\$ 9,073,036	\$ -	\$ -	\$ -	\$ -	\$ 9,073,036
Accounts	2,820,380	107,310	8,410	10,156,610	-	13,092,710
Grants	-	-	72,722	-	-	72,722
Other	287,501	-	-	-	3,920	291,421
Gross receivables	12,180,917	107,310	81,132	10,156,610	3,920	22,529,889
Less: Allowance for bad debt	(621,168)	-	-	-	-	(621,168)
Net receivables	<u>\$ 11,559,749</u>	<u>\$ 107,310</u>	<u>\$ 81,132</u>	<u>\$ 10,156,610</u>	<u>\$ 3,920</u>	<u>\$ 21,908,721</u>

Included in taxes receivable of the General Fund is property taxes of \$9,073,036 that were assessed as of January 1, 2012, but will not be billed until after June 30, 2012. There is an offsetting deferred income for the above balance.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

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

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,658,184	\$ -	\$ -	\$ 7,658,184
Construction in progress	-	-	-	-
Total capital assets not being depreciated	7,658,184	-	-	7,658,184
Capital assets being depreciated:				
Buildings	18,716,233	61,743	(115,334)	18,662,642
Improvements other than buildings	11,842,751	262,600	-	12,105,351
Machinery and equipment	10,180,725	395,603	(676,033)	9,900,295
Infrastructure	42,858,357	641,487	-	43,499,844
Total capital assets being depreciated	83,598,066	1,361,433	(791,367)	84,168,132
Less: accumulated depreciation:				
Buildings	(6,438,951)	(308,751)	-	(6,747,702)
Improvements other than buildings	(10,726,322)	(98,075)	-	(10,824,397)
Machinery and equipment	(8,300,744)	(465,503)	676,033	(8,090,214)
Infrastructure	(14,948,856)	(2,109,063)	-	(17,057,919)
Total accumulated depreciation	(40,414,873)	(2,981,392)	676,033	(42,720,232)
Net capital assets being depreciated	43,183,193	(1,619,959)	(115,334)	41,447,900
Total capital assets-government activities	\$ 50,841,377	\$ (1,619,959)	\$ (115,334)	\$ 49,106,084
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,272,839	\$ 12,000	\$ -	\$ 2,284,839
Construction in progress	10,270,878	9,709,163	14,240,547	5,739,494
Total assets not being depreciated	12,543,717	9,721,163	14,240,547	8,024,333
Capital assets being depreciated:				
Building and improvements	19,847,266	76,001	-	19,923,267
Transmission and distribution	180,070,229	12,629,570	495,680	192,204,119
Furniture, fixtures and equipment	27,707,810	5,025,480	86,216	32,647,074
Total capital assets being depreciated	227,625,305	17,731,051	581,896	244,774,460
Less accumulated depreciation:				
Building and improvements	(4,953,785)	(655,675)	-	(5,609,460)
Transmission and distribution	(79,046,118)	(6,066,826)	663,104	(84,449,840)
Furniture, fixtures and equipment	(12,511,002)	(1,942,307)	86,218	(14,367,091)
Total accumulated depreciation	(96,510,905)	(8,664,808)	749,322	(104,426,391)
Net capital assets being depreciated	131,114,400	9,066,243	(167,426)	140,348,069
Total net capital assets - business type activities	143,658,117	18,787,406	14,073,121	148,372,402
Total net capital assets	\$ 194,499,494	\$ 17,167,447	\$ 13,957,787	\$ 197,478,486

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 2,441,052
Storm Water Fund	141,535
Water and Electric Power	5,222,080
Broadband	860,141
Total	<u>\$ 8,664,808</u>

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operations expenses and are included in the Statements of Revenues, Expenses and Changes in Net Position. The cost of maintenance and repairs is charged to expense as incurred. The depreciation on transportation equipment not included in depreciation expense previously noted was \$23,404 for the Power System, \$46,563 for the Water System, and \$71,099 for the Broadband System.

D. Accounts payable and other current liabilities:

	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Accounts payable	\$ 247,389	\$ 12,908,202	\$ 13,155,591
Accrued payroll and other liabilities	100,405	2,773,672	2,874,077
Total	<u>\$ 347,794</u>	<u>\$ 15,681,874</u>	<u>\$ 16,029,668</u>

E. Interfund receivables, advances, payables, and transfers

The interfund receivables and payables as of June 30, 2012, 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 represent the Sewer Fund's receivables from the Storm Water System which resulted from the 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.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

<u>Receivable From</u>	<u>Payable to</u>	<u>Purpose</u>	<u>Amount</u>
Broadband System	Power System	Operating and Maint. Costs	\$ 6,749,697
Power System	Water System	Interfund Loan	626,883
Storm Water System	Sewer System	Operating Costs	442,174
Storm Water System	General Fund	Operating Costs	5,163
Power System	General Fund	Interfund Advance	<u>1,160,356</u>
			<u><u>\$ 8,984,273</u></u>

The interfund transfers were as follows:

<u>Fund</u>	<u>Purpose</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental:			
General Fund	Operating Transfer	\$ 1,532,378	\$ 1,302,409
Other Funds	Operating Transfer	670,576	
Agency Fund:			
LAMPTO	Operating Transfer	117,501	
Enterprise Funds:			
Power System	In lieu of tax		895,890
Water System	In lieu of tax		36,120
Storm Water	In lieu of tax		14,187
Sewer	In lieu of tax		296,183
Storm Water	Administrative Expenses		15,000
Sewer	Administrative Expenses		274,998
Internal Service Fund:			
Insurance	Operating Transfer	<u>514,332</u>	
		<u><u>\$ 2,834,787</u></u>	<u><u>\$ 2,834,787</u></u>

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 the Sewer and Storm Water Funds were for in lieu of tax payments and reimbursement of administrative costs.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

F. Post-Retirement Healthcare Benefits

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

An actuarial valuation made as of July 1, 2010, is presented as follows:

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

Type of Coverage:

- | | |
|-------------------------------------|---|
| a. Plan Types: | Self-funded Medical, Dental and Vision |
| b. Eligibility: | Age 55 and 10 years of service or 30 years of service until Medicare eligible |
| c. Benefit/Cost Sharing: | Employer pays 85% of medical premium and 100% of dental and vision premiums. For employees retiring after June 30, 2010, the employer will pay 2.84% of medical premiums for each year of service up to a maximum of 85%. |
| d. Spouse Benefit: | Yes, while retiree is eligible |
| e. Surviving Spouse Benefit: | None |
| f. Annual Premiums: | Average Medical: Retiree \$4,399; Spouse \$4,573
Average Dental: Retiree \$220; Spouse \$548
Average Vision: Retiree \$75; Spouse \$34 |

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

2) GASB 45 DISCLOSURE REQUIREMENTS – ESTIMATED

Annual OPEB Cost and Net OPEB Obligation	7/1/2011 - 6/30/2012
1. Annual Required Contribution ARC)	\$ 468,493
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (expense) (1 + 2 + 3)	468,493
5. Contributions made (assumed middle of year)	468,493
6. Increase in net OPEB Obligation (4 - 5)	-
7. Net OPEB Obligation - beginning of year	-
8. Net OPEB Obligation - end of year (6 + 7)	\$ -

*Contribution 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 years ending 2011 and 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation
6/30/2012	\$ 468,493	100.0%	\$ -
6/30/2011	\$ 455,797	100.0%	\$ -
6/30/2010	\$ 473,774	100.0%	\$ -
6/30/2009	\$ 518,360	100.0%	\$ -

Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a)/c)
1/1/2007	\$ -	\$5,333,339	\$5,333,339	0.0%	N/A	N/A
07/01/10	212,913	5,093,035	4,880,122	4.2%	N/A	N/A

Methods and Assumptions

Funding Interest Rate	7.00%
2010 Medical/Rx Trend Rates	8.00%
Ultimate Medical/Rx Trend Rates	5.00%
Year Ultimate Trend Rates Reached	2013
Actuarial Cost Method	Entry Age Normal
Annual Payroll Increase	2.50%
The Remaining Amortization Period at June 30, 2012	27.74 years

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

G. Morristown Utility System (Water, Electric, and Broadband Systems) Post-Employment Benefits

The Systems provide post-employment benefits (OPEB), in accordance with its employee benefits plan, to all eligible retirees.

Generally accepted accounting principles require that the accruals of liabilities for OPEB over the employment of participants rather than as premiums are paid. The total expense recognized totaled \$85,157, \$17,891, and \$25,112 for the Power Water, and Broadband Systems, respectively.

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

Plan Description

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. 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.

Funding Policy

The Systems fund the Plan on a pay-as-you-go basis and do not intend to contribute in excess of the annual premiums. The annual required contribution (ARC) is an actuarially determined amount that represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Annual OPEB and Net OPEB Obligation

	<u>Power</u>	<u>Water</u>	<u>Broadband</u>
1. Annual Required Contribution (ARC)	\$ 104,704	\$ 30,197	\$ 25,491
2. Interest on net OPEB Obligation	7,337	740	2,497
3. Adjustment to ARC	<u>(8,449)</u>	<u>(853)</u>	<u>(2,876)</u>
4. Annual OPEB Cost (expense) (1 + 2 + 3)	103,592	30,084	25,112
5. Contributions made (assumed middle of year)	<u>(18,435)</u>	<u>(12,193)</u>	<u>-</u>
6. Increase in net OPEB Obligation (4 - 5)	85,157	17,891	25,112
7. Net OPEB Obligation - beginning of year	<u>183,437</u>	<u>18,504</u>	<u>62,428</u>
8. Net OPEB Obligation - end of year (6 + 7)	<u>\$ 268,594</u>	<u>\$ 36,395</u>	<u>\$ 87,540</u>

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is as follows:

<u>Fund</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligations</u>
2012:			
Power System	\$ 103,592	18.0%	\$ 268,594
Water System	30,084	41.0%	36,395
Broadband System	25,112	0.0%	87,450
2011:			
Power System	75,695	44.0%	183,437
Water System	22,920	81.0%	18,504
Broadband System	17,318	0.0%	62,428
2010:			
Power System	72,291	34.0%	141,047
Water System	22,191	75.0%	14,106
Broadband System	16,271	0.0%	45,110

Funding Status and Funding Progress

<u>System</u>	<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>
Power	7/1/2011	\$ -	\$ 927,036	\$ 927,036	0.0%	\$ 4,210,185	22%
Water	7/1/2011	-	288,818	288,818	0.0%	1,137,002	25%
Broadband	7/1/2011	-	64,160	64,160	0.0%	927,632	7%

Actuarial Methods and Assumptions

The actuarial methods and assumptions used were applied consistently for the Power, Water and Broadband Systems and were as follows:

Funding Interest Rate	4.00%
2009 Medical Trend Rates	9.00%
Ultimate Trend Rate	5.00%
Year Ultimate Trend Rate Reached	2015
Actuarial Cost Method	Entry Age Normal
Annual Payroll Growth Rate	2.50%
Remaining Amortization Period at June 30, 2012 (closed)	26.12 years

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about the change in actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

The mortality rates are from the RP-2000 Combined Mortality Table projected to 2010 with projection scale AA. It was assumed that the following percentages of eligible employees would retire each year:

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

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

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

It was assumed that health care cost would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>	<u>Vision and Dental Rates</u>
2012	8.0%	5.0%
2013	7.0%	5.0%
2014	6.0%	5.0%
2015	5.0%	5.1%

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

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

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Deferred Items

Deferred items consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Taxes due after June 30, 2012	\$ 9,862,266	\$ -	\$ 9,862,266
Broadband	-	482,042	482,042
Total	<u>\$ 9,862,266</u>	<u>\$ 482,042</u>	<u>\$ 10,344,308</u>

I. Other Liabilities

Included in non-current liabilities is a liability for compensated absences in the sewer system of \$37,492, storm water system of \$22,234, and in the general fund of \$1,036,264. In addition, Morristown Utility System has a capital lease payable of \$3,759 which is included in current liabilities.

	<u>Governmental Activities</u>	<u>Business Activities</u>
Balance-July 1, 2011	\$ 1,086,225	\$ 95,990
Increases	-	19,174
Decreases	<u>(49,961)</u>	<u>-</u>
Balance-June 30, 2012	<u>\$ 1,036,264</u>	<u>\$ 115,164</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.

J. Capital Debt

Power System

During 2003, the Power System entered into a promissory note (2003 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 \$175,000 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 (0.35% per annum as of June 30, 2012).

The City has an outstanding promissory note (2008 Promissory Note) with the Public Building Authority of the City of Clarksville, Tennessee, at a variable interest rate as defined in the agreement, payable annually through May 2035. The note provides for a variable interest 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. The City has allocated the responsibility of the 2008 Promissory Note between the Power System and the Broadband System based upon their proportionate assets acquired with proceeds from the note.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Periodically, the Power System acquires additional service areas from local elective cooperatives servicing Hamblen County residents. As a result of the acquisitions of service areas, the Power System pays the cooperatives a calculated fee (Cooperative Notes) over a ten-year period based on lost revenues of the cooperatives.

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 2013. There are no amounts outstanding under this arrangement as of June 30, 2012.

Water System

The Water System has outstanding a promissory note (2001 Promissory Note) with the City. The note was issued to the Water System with proceeds from the City's loan agreement with the Public Building Authority of Sevier County, Tennessee. Interest is payable semi-annually at a variable rate (0.49% as of June 30, 2012) as determined by the City. Final principle payment of \$100,500 is due on June 1, 2013.

The City has outstanding a revolving fund loan agreement (2002 DWSRF Promissory Note) with the State for the repayment of a principal amount up to \$10.5 million for the purpose of expanding an existing water treatment facility of the Water System. The Water System drew a total of \$10,492,582 before closing out the project during 2007. Interest is payable monthly at an annual percentage rate of 2.61% on the outstanding balance. Principal is also payable monthly in varying amounts from \$39,857 in July 2012 to \$55,815 in April 2026. The note is payable from revenue derived from the operations of the Water System.

The Water System has outstanding a promissory note (2004 Promissory Note) with the City. The note was issued to the Commission with proceeds from the City's loan agreement with the Public Building Authority of Blount County, Tennessee. Interest is payable semi-annually at variable rates (2.91% as of June 30, 2012) as determined by the City. Final principal payment of \$70,000 is due on June 1, 2013.

During 2010, the City 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. Proceeds from the loan agreement were used for various capital projects of the Water System. Interest is payable quarterly at a fixed rate of 3.38%. Principal is payable in varying amounts from \$285,000 in December 2012 to \$505,000 in December 2029.

During 2011, the City entered into a \$2,000,000 promissory note (2011 DWSRF Promissory Note) between the Tennessee Department of Environment and Conservation and the Tennessee Local Development Authority to fund a remote-read water meter project. Of the proceeds, \$800,000 will be provided as a grant via loan forgiveness through the State. As of June 30, 2012, \$1,200,000 had been drawn on the loan, net of forgiveness of \$800,000.

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

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Broadband System

The Broadband System was allocated a portion of the 2008 Promissory Note based on the assets acquired from the proceeds of the note. In addition, the Broadband System has an interfund note payable to the Power System. In accordance with Tennessee Code Annotated 7-52-603(b), a line of credit was executed allowing the Broadband System to borrow up to \$7,000,000 from the Power System at an interest rate equal to the highest rate earned on Power System investments (0.25% at June 30, 2012). Interest incurred on the loan amounted to \$21,789. The agreement was approved by TVA as required by the Power Contract and provides for the repayment of all advances along with accumulated interest by September 2024.

Future Debt Maturities:

<u>Year Ending</u>	<u>Governmental Type</u>		<u>Business Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,675,895	\$ 951,763	\$ 3,577,114	\$ 3,428,073
2014	1,136,023	885,812	4,352,357	3,444,479
2015	1,173,563	842,588	4,262,347	3,304,733
2016	1,211,533	797,562	4,358,450	3,160,704
2017	1,225,614	750,684	4,467,775	3,006,071
2018-2022	6,808,375	2,977,362	22,775,866	12,624,501
2023-2027	7,155,404	1,495,469	24,868,240	8,271,345
2028-2032	2,177,591	195,439	18,449,307	3,764,864
2033-2037	486,287	20,328	10,688,522	944,950
2038-2042	-	-	-	-
Totals	<u>\$ 23,050,285</u>	<u>\$ 8,917,007</u>	<u>\$ 97,799,978</u>	<u>\$ 41,949,720</u>

Following are debt requirements for capital leases:

2013	<u>3,759</u>
Total future minimum lease payments	<u>3,759</u>
Less amounts representing interest	<u>-</u>
Present value of future minimum lease payments (including \$3,759 classified as current)	<u>\$ 3,759</u>

City of Morristown, Tennessee
Changes in Long-Term Debt
June 30, 2012

The following is a summary of the changes in long-term debt for the year ended June 30, 2012.

<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, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>
<u>Primary Government</u>							
<u>General long-term debt</u>							
2001 Refunding	5,085,000	2003-2012	Variable	60,000	-	60,000	-
2003 Refunding Industrial Park (B-2-B)	4,855,000	2003-2013	Variable	1,125,000		550,000	575,000
2008 Public Improvement (\$8M)	4,000,000	2009-2028	Variable	3,618,500		140,000	3,478,500
2008 Public Improvement (\$3M)	1,290,000	2009-2029	Variable	1,210,020		43,000	1,167,020
2008 Public Improvement (\$20M)	8,193,665	2009-2035	Variable	7,416,086		287,188	7,128,898
2008 Public Improvement (\$20M)(Water)	1,011,200	2009-2035	Variable	915,236		35,443	879,793
Local Government Energy Loan	183,604	2010-2016	0	131,146		26,229	104,917
2008 Public Improvement (\$5M)	3,272,750	2009-2028	Variable	2,986,750		117,000	2,869,750
2009 Public Improvement and Refunding(\$5M)	2,848,203	2009-2034	2.91	2,773,588		81,510	2,692,078
Capital Outlay Note	3,750,000	2011-2024	2.06	-	3,750,000	-	3,750,000
Total general bonds and notes				<u>20,236,326</u>	<u>3,750,000</u>	<u>1,340,370</u>	<u>22,645,956</u>
<u>Enterprise Funds</u>							
<u>Sewer Bonds:</u>							
2001 Refunding	4,455,000	2002-2013	Variable	910,000	-	445,000	465,000
2003 Refunding (B-2-A)	1,360,000	2006-2014	Variable	585,000	-	185,000	400,000
2008 Public Improvement (\$8M)	4,000,000	2009-2028	Variable	3,618,500	-	140,000	3,478,500
2008 Public Improvement (\$3M)	1,710,000	2009-2029	Variable	1,603,980	-	57,000	1,546,980
2008 Public Improvement (\$20M)	10,795,135	2009-2035	Variable	9,771,022	-	378,370	9,392,652
State Revolving Fund 07-203	12,500,000	Various	2.06	9,004,390	1,012,168	211,390	9,805,168
State Revolving Fund 09-229	857,197	Various	2.73	-	857,197	-	857,197
2008 Public Improvement (\$5M)	1,762,250	2009-2028	Variable	1,608,250	-	63,000	1,545,250
2009 Public Improvement and Refunding(\$5M)	1,907,419	2009-2034	2.91	1,857,639	-	54,553	1,803,086
Capital Outlay Note	750,000	2009-2011	3.1	380,000	-	380,000	-
General Obligation Bonds	26,000,000	2012-2037	Variable	-	26,000,000	-	26,000,000

City of Morristown, Tennessee
Changes in Long-Term Debt
June 30, 2012

The following is a summary of the changes in long-term debt for the year ended June 30, 2012.

<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, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>
<u>Electric System</u>							
Holston Electric Notes		2009-2018	None	133,251	-	-	133,251
Appalachian Electric Notes		2003-2020	None	420,805	-	-	420,805
Series V-A-2 Bonds	2,500,000	2004-2018	Variable	1,550,000	-	150,000	1,400,000
2008 TML Bonds	15,186,961	2011-2035	Variable	14,869,858	-	332,203	14,537,655
<u>Water System</u>							
Water System Bonds Series 1996	2,800,000	2000-2011	Variable	-	-	-	-
Water Department Promissory Note	1,011,200	2001-2012	Variable	200,500	-	100,000	100,500
Water Department Promissory Note	600,000	2004-2012	Variable	135,000	-	65,000	70,000
DWSRF Promissory Note	10,492,582	2007-2026	2.61	8,351,482	-	465,972	7,885,510
Water System Bonds Series 2010	7,500,000	2010-2029	3.38	7,245,000	-	280,000	6,965,000
2011 DWSRF Note				920,392	393,291	113,683	1,200,000
<u>Broadband System</u>							
Telecom System 2008 TML Bonds	20,115,000	2016-2030	Variable	4,825,142	-	107,797	4,717,345
<u>Storm Water Bonds</u>							
2009 Public Improvement and Refunding (\$5M)	81,459	2009-2034	2.91	78,939,000	-	2,860	76,079
General Obligation Bonds	5,000,000	2012-2037	Variable	-	5,000,000	-	5,000,000
				<u>68,069,150</u>	<u>33,262,656</u>	<u>3,531,828</u>	<u>97,799,978</u>
<u>Other</u>							
Solid Waste Bonds (Joint Venture)							
2009 Public Improvement and Refunding (\$5M)	162,919	2009-2034	2.91	158,619	-	4,290	154,329
Solid Waste Refunding (Joint Venture)	1,649,400	2005-2012	2.0-5	230,000	-	230,000	-
Capital Outlay Note	250,000	2011-2024	.5	-	250,000	-	250,000
Total Other				<u>388,619</u>	<u>250,000</u>	<u>234,290</u>	<u>404,329</u>
Total				<u>88,694,095</u>	<u>37,262,656</u>	<u>5,106,488</u>	<u>120,850,263</u>
Capital Leases:							
Broadband				\$ 18,942	\$ -	\$ 15,183	\$ 3,759
Total				<u>\$ 18,942</u>	<u>\$ -</u>	<u>\$ 15,183</u>	<u>\$ 3,759</u>

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

K. Prior period adjustment:

Prior period adjustments were necessary to correct capital assets presented on the government-wide statement of net assets and sewer and storm water funds in the business-type activities due to an analysis of capital asset items upon implementation of a new software program. The general fund had not shown the real estate – non-operating as an asset item in the past. However, real estate – non-operating has been shown correctly on the government-wide statement of net assets. A correction for an amount due to the general fund from the sewer fund was made. Net assets were transferred out of the governmental activities to create an internal service fund for insurance. Morristown Utility Commission has corrections to net position of power, water, and broadband due to the early implementation of GASB 65. Details of the effect on beginning net assets/net position is as follows:

	Government-wide		Fund Statements	
	Governmental Activities	Business-type Activities	General Fund	Internal Service Insurance
Net Assets - June 30, 2011	\$ 50,302,371	\$ 95,215,326	\$ 7,444,079	\$ -
Prior period adjustment:				
Present real estate - non-operating			11,729,522	
Correction - due to general fund	(271,946)	271,946	(271,946)	
Correction - capital assets	(1,089,173)	83,455		
Transfer - internal service fund	(514,332)			514,332
Recognition of inventory - storm water fund		182,856		
Business-type activities - early implementation of GASB 65		(772,125)		
Total prior period adjustment	(1,875,451)	(233,868)	11,457,576	514,332
Net Assets - June 30, 2011, as adjusted	\$ 48,426,920	\$ 94,981,458	\$ 18,901,655	\$ 514,332

L. State street aid activities:

The following is a summary of State Street Aid activity within the General Fund for the year ended June 30, 2012:

Reserve fund balance, July 1, 2011	\$ 636,961
Add – state gasoline tax revenues	750,936
Less – state expenditures: Paving	124,943
Reserve fund balance, June 30, 2012	<u>\$1,262,954</u>

M. Other Disclosures:

A. Commitments and Contingencies:

At June 30, 2012, the City of Morristown had the following commitments:

The sewer treatment contract with Veolia is for treatment services rendered for the Turkey Creek Treatment Plant, pump stations, Lowland Treatment Plant, and administration of the City's pretreatment program. The contract expired on June 30, 2012, but was extended for ninety days.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

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 and the Morristown Utility Commission provide electric, water, broadband, and sewer service to customers in the City of Morristown and Hamblen County. Customers include residential, commercial, and heavy industrial users. Residential customers for the Power and Broadband Systems are required to place deposits that approximate one month's account balance. Loss experience has not been significant to the operations for these services.

N. Enterprise Funds

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 telecom.

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.

Power Contract

The Power System has a power contract with the Tennessee Valley Authority (TVA) whereby the Power System purchases all of its electric power from TVA and is subject to certain restrictions and conditions as provided in the contract. The contract with TVA expires in 2014.

Tennessee Valley Authority Home Insulation Program

The Power System participates in the TVA *energy right*® Residential Program which provides interest-bearing loans to the Power System's customers for energy-efficient equipment and other weatherization measures. Under the program, the Power System collects payments on new and previously existing loans and forwards payments to a financial institution pursuant to guidelines established by TVA.

Data Transport Agreement

During July 2010, the Broadband System entered into a 60 month data transport service agreement with Education Networks of America to provide internet services at \$11,500 per month. In July 2011 the agreement was amended which resulted in an additional service fee of \$3,000 per month; however, no other terms of the contract were modified.

O. Early Implementation of GASB 65

In 2012, the Systems adopted GASB 65 which requires debt issuance costs to be recognized as an expense in the period incurred. The cumulative effect of this change was to decrease net position by \$527, 518 for the Power System, \$74,382 for the Water System, and \$170,225 for the Broadband System and is shown as a reduction of net position as of July 1, 2011.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

P. Net Position

Net position for the Power, Water, and Broadband Systems consist of the following as of June 30, 2012:

	Power System	Water System	Broadband System
Net investment in capital assets consists of the following:			
Net capital assets	54,405,023	39,351,105	5,880,159
Restricted unspent bond funds	-	2,904,232	-
Less related liabilities:			
Due to other fund - for capital	-	-	5,295,733
Current portion of capital lease obligations	-	-	3,759
Current portion of long-term debt	606,061	979,060	113,922
Long-term debt, less current portion	15,885,650	15,241,951	4,603,424
Total related liabilities	<u>16,491,711</u>	<u>16,221,011</u>	<u>10,016,838</u>
Net investment in capital assets	<u>37,913,312</u>	<u>26,034,326</u>	<u>(4,136,679)</u>

Unrestricted net position consists of all other items in the balance sheets not reflected above.

Q. Joint Ventures

Morristown-Hamblen County Library – The City of Morristown and Hamblen County jointly own the Morristown-Hamblen Library. Each appoints an equal number of members to its board of directors. The City contributed \$243,600 for the library operation during the fiscal year ended June 30, 2012.

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, 2012, the City was charged \$219,835.

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

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

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

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

R. 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 Morristown participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

MORRISTOWN requires employees to contribute 5.0 percent of earnable compensation.

MORRISTOWN is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012, 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 ending June 30, 2012, MORRISTOWN's annual pension cost of \$1,848,357 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 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent 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 ten-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, 2011, which established contribution rates effective July 1, 2012.

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 1,848,357	100.00%	\$ -
June 30, 2011	\$ 1,874,073	100.00%	\$ -
June 30, 2010	\$ 1,748,148	100.00%	\$ -

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 79.31 percent funded. The actuarial accrued liability for benefits was \$63.09 million, and the actuarial value of assets was \$50.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$13.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$12.55 million, and the ratio of the UAAL to the covered payroll was 103.97 percent.

The schedules 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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b) - (a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b - a)/c</u>
07/01/11	\$ 50,041	\$ 63,093	\$ 13,052	79.31%	\$ 12,554	103.97%
07/01/09	42,923	51,271	8,348	83.72%	13,532	61.69%
07/01/07	41,850	50,438	8,588	82.97%	13,034	65.89%

(Dollar amounts in thousands)

City of Morristown, Tennessee
Notes to Financial Statements
June 30, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Morristown Utility System's Retirement Plan

The Systems share in a defined contribution retirement plan, Morristown Utilities Commission Employee Retirement 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 requirements.

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>
2012	\$ 4,367,221	\$ 4,207,127	\$ 631,069	15%	\$ 309,463	7%
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>
2012	\$ 1,266,713	\$ 1,248,179	\$ 183,889	15%	\$ 80,157	6%
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%

Broadband 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>
2012	\$ 1,194,775	\$ 915,333	\$ 136,152	15%	\$ 48,741	5%
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 2012, 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, 2012

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

S. 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 which are disclosed in the accompanying Statistical Section.

NOTE 5 – SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the sewer treatment contract with Veolia ended on June 30, 2012, but was extended for ninety days. The new contract is effective October 1, 2012, and is separated into two parts. Part one is a three-year agreement for the Turkey Creek Treatment Plant, Lowland Treatment Plant, and industrial pretreatment. Part two is a one-year agreement for the pump station. Morristown Utility Commission has been approved to take over the part of the contract for the pump station effective February 1, 2013.

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City of Morristown, Tennessee
Required Supplementary Information
June 30, 2012

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a)/c
07/01/11	\$ 50,041	\$ 63,093	\$ 13,052	79.31%	\$ 12,554	103.97%
07/01/09	42,923	51,271	8,348	83.72%	13,532	61.69%
07/01/07	41,850	50,438	8,588	82.97%	13,034	65.89%

(Dollar amounts in thousands)

City of Morristown, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

	Narcotics	Community Development	Total NonMajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 38,438	\$ 22,337	\$ 60,775
Receivables (net of allowance for uncollectibles)	8,410	72,722	81,132
Total assets	<u>\$ 46,848</u>	<u>\$ 95,059</u>	<u>\$ 141,907</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Unearned revenue	35,554	-	35,554
Total liabilities	<u>35,554</u>	<u>-</u>	<u>35,554</u>
Fund balances:			
Reserved	-	-	-
Unreserved fund balance(deficit)	11,294	95,059	106,353
Total equity	<u>11,294</u>	<u>95,059</u>	<u>106,353</u>
Total liabilities and fund equity	<u>\$ 46,848</u>	<u>\$ 95,059</u>	<u>\$ 141,907</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, 2012

	<u>Narcotics</u>	<u>Community Development</u>	<u>Total NonMajor Governmental Funds</u>
Revenues			
Licenses, permits and fines	\$ 109,450	\$ -	\$ 109,450
Intergovernmental	9,497	641,280	650,777
Total revenues	<u>118,947</u>	<u>641,280</u>	<u>760,227</u>
Expenditures			
Current:			
Administration	-	100,104	100,104
Programs	-	582,626	582,626
Contracts with other agencies	-	31,377	31,377
Total general government	-	714,107	714,107
Public safety:			
Police	465,464	-	465,464
Total public safety	465,464	-	465,464
Total expenditures	<u>465,464</u>	<u>714,107</u>	<u>1,179,571</u>
Deficiency of revenue over expenditures	<u>(346,517)</u>	<u>(72,827)</u>	<u>(419,344)</u>
Other financing sources (uses):			
Transfers in	353,096	97,645	450,741
Transfers out	-	-	-
Total other financing sources and uses	<u>353,096</u>	<u>97,645</u>	<u>450,741</u>
Net change in fund balance	<u>6,579</u>	<u>24,818</u>	<u>31,397</u>
Fund balance- beginning, as previously stated	4,715	70,241	74,956
Fund balance- beginning, as restated	4,715	70,241	74,956
Fund balance-ending	<u>\$ 11,294</u>	<u>\$ 95,059</u>	<u>\$ 106,353</u>

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

City of Morristown, Tennessee
Community Development Fund
Schedule of Revenue, Expenditures, and
Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
CDBG Reimbursements	\$ 266,552	\$ 274,562	\$ 565,991	\$ 291,429
Transfer from general fund	47,645	97,645	97,645	-
ESG Grant	-	23,600	23,591	(9)
Other State Revenues	357,221	357,221	51,698	(305,523)
Total Revenues	671,418	753,028	738,925	(14,103)
Expenditures:				
CDBG Administration:				
Wages & Salaries Permanent Employees	45,444	56,444	55,577	867
Bonus-One Time	-	610	530	80
Christmas Bonus & Longevity	268	268	270	(2)
FICA	3,497	3,497	3,407	90
Medicare			746	(746)
TORS Contribution	6,679	6,679	8,144	(1,465)
Employee Health Insurance	10,722	10,722	11,257	(535)
Worker's Compensation	1,525	1,525		1,525
Postal Service	550	550	230	320
Printing Services	220	220		220
Legal Notices	-	1,650	695	955
Gasoline/Fuels/Lub	1,650	-		-
Other Professional Services	5,500	5,500	980	4,520
Memberships & Dues	1,500	1,500	1,525	(25)
Education Seminars & Training	6,600	6,600	7,129	(529)
Travel Business Expenses	8,800	8,800	5,189	3,611
Other Contracted Services	10,000	10,000		10,000
Office Supplies & Materials			1,236	(1,236)
Insurance			94	(94)
Equipment Rental/Lease	10,000	10,000	1,776	8,224
Office Equipment	5,000	5,000	1,319	3,681
Total CDBG Administration	117,955	129,565	100,104	29,461
CDBG Programs & Activities:				
Postal Service			33	(33)
Legal Notices			2,400	(2,400)
Admin. Charges/General Gov.			33	(33)
CEASE			6,724	(6,724)
Central Services			4,482	(4,482)
Helping Hands			8,965	(8,965)
MATS			6,723	(6,723)
Youth Emergency Shelter			4,482	(4,482)
THDA Neighborhood Stabilization	340,221	340,221	237,339	102,882
Grants & Subsidies	213,242	283,242	342,821	(59,579)
Total CDBG Programs & Activities	553,463	623,463	614,003	9,460
Total Expenditures	671,418	753,028	714,107	38,921
Net change in fund balance	-	-	24,818	24,818
Fund balance, July 1, 2011	70,241	70,241	70,241	-
Fund balance, June 30, 2012	\$ 70,241	\$ 70,241	\$ 95,059	\$ 24,818

City of Morristown, Tennessee
Narcotics Fund
Schedule of Revenue, Expenditures, and
Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
Federal Reimbursements and Refunds	\$ -	\$ -	\$ -	\$ -
Governor Highway Safety Grant	-	1,152	-	(1,152)
OCEDTF Reimbursement		7,638	6,973	(665)
TN Meth Task Force	-	375	375	(0)
State Reimbursements and Refunds			427	427
Other reimbursements and refunds			1,722	1,722
Program Income	200,609	137,609	109,451	(28,158)
Total Revenue	200,609	146,774	118,947	(27,827)
Narcotics:				
Wages & Salaries Permanent Employees	228,783	228,783	222,869	5,914
Overtime	10,000	21,165	20,866	299
Bonus-One Time	-	3,000	2,650	350
Christmas Bonus & Longevity	2,304	2,304	2,311	(7)
FICA	17,678	17,678	15,060	2,618
Medicare	-	4,000	3,509	491
TCRS Contribution	33,411	36,411	35,877	534
Employee Health Insurance	53,560	53,560	55,477	(1,917)
Worker's Compensation	7,625	7,625	6,821	804
Clothing/Uniform/Shoes	2,800	2,800	2,600	200
Postal Service	200	200	135	65
Printing Services	100	100		100
Legal Notices	700	700	275	425
Medical Services			112	(112)
Telephone Services	3,550	3,550	3,436	114
Other Professional Services	250	250	70	180
Repair & Maint. Vehicles	500	500	247	253
Repair & Maint. Office Equip.	100	100		100
Subscriptions & Books	200	200		200
Memberships and Dues	265	265		265
Education Seminars & Training	1,100	1,100	700	400
Travel Business Expenses	2,000	2,000	2,095	(95)
Other Contracted Services	8,400	8,400	5,022	3,378
Office Supplies & Materials	1,800	1,800	1,816	(16)
General Operating Supplies	3,046	3,046	1,277	1,769
Gasoline & Diesel Fuel	10,000	10,000	8,599	1,401
Veh Parts/Oil/Fluid/Tires	3,618	3,618	3,287	331
Narcotics Enforcement	-	3,557	3,010	547
Insurance	9,728	9,728	10,900	(1,172)
Equip Rental/Lease	1,987	1,987		1,987
Undercover Expenses	72,000	72,000	51,057	20,943
Office equipment 413	3,000	3,000	340	2,660
Office equipment 947	-	5,048	5,048	0
Total Expenditures	478,705	508,475	465,464	43,011
Net change in fund balance	(278,096)	(361,701)	(346,517)	15,184
Other Sources of Funds:				
Operating Transfers In	278,096	353,096	353,096	-
Net change in fund balance	-	(8,605)	6,579	15,184
Fund balance, July 1, 2011	4,715	4,715	4,715	-
Fund balance, June 30, 2012	\$ 4,715	\$ (3,890)	\$ 11,294	\$ 15,184

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City of Morristown, Tennessee
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

CFDA Number	Grantor Agency/Program	Contract Number	(A) Balance July 1, 2011 Receivable	(B) Receipts	(C) Federal Expenditures	(D) Balance June 30, 2012 Receivable
10.558	USDA/ Summer Feeding Program		\$ -	\$ 95,251	\$ 95,251	\$ -
14.218	U. S. Department of Housing and Urban Development/CDBG		-	522,268	565,991	(43,723)
16	U. S. Department of Justice/ OCDETF		-	2,802	2,802	-
16.607	BVD		-	3,096	3,096	-
16.609	Safe Neighborhoods		-	5,040	5,040	-
17	COPS	2010UJMWV0393	-	190,299	237,708	(47,409)
20.205	U. S. Department of Transportation/ Highway Planning Grants		-	201,237	248,646	(47,409)
		32LPLMF3013	-	73,524	73,524	-
		32LPLMF3015	-	1,054	1,054	-
		32LPLMF3017	-	49,695	49,695	-
		45LPLMF3008	-	564	564	-
		45LPLMF3012	-	1,099	1,099	-
			-	125,936	125,936	-
			\$ -	\$ 944,692	\$ 1,035,824	\$ (91,132)

Total

- A) Receivable at June 30, 2011
- B) Cash receipts
- C) Federal expenditures
- D) Receivable at June 30, 2012
- E) Major Federal Program

City of Morristown, Tennessee
Schedule of State Financial Assistance
Year Ended June 30, 2012

Grantor Agency/Program	Contract Number	(A) Balance July 1, 2011 Receivable	(B) Receipts	(C) Disbursements	(D) Balance June 30, 2012 Balance
Fast Track Grants		\$ -	\$ -	\$ 380,163	\$ (380,163)
Airport Grant		-	7,200	7,200	-
Airport Maintenance Grant		-	12,108	12,108	-
Public Safety Insurance		-	96,321	96,321	-
Governor's Highway Safety		-	25,946	25,946	-
Greenway Grant		-	85,238	85,238	-
Total		\$ -	\$ 226,813	\$ 606,976	\$ (380,163)

- A) Receivable at June 30, 2011
B) Cash receipts
C) State expenditures
D) Receivable at June 30, 2012

City of Morristown, Tennessee
Statistical Information
June 30, 2012

This part of the City of Morristown's comprehensive annual 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 provides and the activities it performs.

City of Morristown, Tennessee
Net Assets by Component
Last Ten Fiscal Years
June 30, 2012

	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	Fiscal Year Ended		6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Governmental activities:												
Invested in capital assets, net of related debt	\$ 20,792,189	\$ 33,486,758	\$ 32,485,958	\$ 32,367,332	\$ 20,829,489	\$ 41,772,607	\$	43,089,778	\$	44,137,100	31,753,875	26,055,799
Restricted	5,564,620	1,434,155	3,256,311	3,461,659	153,829	2,746,754		2,622,266		353,457	644,679	1,369,307
Unrestricted	4,542,774	4,811,741	3,918,333	2,407,332	12,742,735	-		-		3,210,976	17,903,817	22,204,246
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	49,629,352
Business-type activities:												
Invested in capital assets, net of restated debt	\$ 62,632,218	\$ 61,967,965	\$ 63,008,050	\$ 65,965,213	\$ 65,694,276	\$ 68,057,045	\$	73,440,732	\$	73,214,568	\$ 72,398,653	\$ 76,792,135
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	13,638,484	12,858,565	13,775,143		11,011,165		15,762,758	22,815,516	23,525,937
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	\$	89,562,791	\$ 95,214,169	\$ 100,318,072
Primary government:												
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	\$ 104,152,528	\$ 102,847,934
Restricted	6,424,467	2,032,098	6,778,732	3,993,562	710,940	2,341,975		3,954,217		938,922	644,679	1,369,307
Unrestricted	14,717,439	30,468,820	15,632,179	16,045,796	25,601,300	14,179,922		11,011,165		18,993,734	40,719,333	45,730,183
Total Primary government	\$ 104,566,313	\$ 115,261,092	\$ 117,904,919	\$ 118,371,903	\$ 112,836,005	\$ 126,351,549	\$	131,495,892	\$	137,284,324	\$ 145,516,540	\$ 149,947,424

City of Morristown, Tennessee
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
June 30, 2012

	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	6/30/2012
Revenues:										
Taxes	\$ 17,338,836	\$ 17,983,749	\$ 18,798,835	\$ 19,509,714	\$ 19,819,597	\$ 22,261,063	\$ 23,229,793	\$ 21,494,303	\$ 22,480,586	\$ 22,969,163
Licenses, permits and fines	1,720,054	766,770	936,037	904,316	1,093,488	1,045,551	1,497,081	1,472,826	1,510,750	1,319,940
Use of money and property	469,234	736,195	680,408	607,576	329,777	470,219	246,632	1,014,717	870,195	636,386
Service charges and fees	124,335	319,659	131,998	155,179	137,594	141,703	132,712	151,393	1,225,730	1,431,315
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	5,476,005
Total revenues	25,242,616	24,342,386	25,851,573	28,841,209	27,521,537	30,187,874	30,446,663	29,954,144	32,292,058	31,734,809
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	4,062,142
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	13,522,370
Public works	5,895,244	6,215,255	6,897,308	9,053,173	10,391,288	11,036,209	6,931,598	6,353,389	6,619,663	8,862,747
Parks and recreation	1,597,215	1,766,941	1,568,247	1,957,729	3,229,978	2,338,137	2,070,840	1,656,613	1,706,724	1,746,676
Airport	1,270,308	590,071	292,552	275,700	190,240	132,719	302,588	-	-	-
Civic support	506,273	589,689	544,398	532,178	856,174	558,723	1,338,282	490,500	279,866	1,395,326
Library	-	-	-	-	-	-	-	-	250,000	243,900
Economic development	1,731,781	1,379,815	1,448,415	4,355,672	2,224,061	1,117,549	464,294	1,167,863	1,868,472	356,373
Transportation	-	408,347	434,580	292,973	-	-	-	642,427	-	-
Retiree benefits	164,256	228,795	39,351	20,531	-	-	-	394,866	439,304	309,530
Miscellaneous	-	-	-	-	-	-	-	133,532	133,532	-
Debt service:										
Principal	815,000	746,600	1,224,800	1,265,000	1,105,000	3,150,000	1,596,805	4,058,614	1,501,662	1,574,629
Interest	382,892	360,360	178,333	178,432	449,487	722,876	538,250	341,172	237,224	232,380
Debt expense	34,098	4,903	4,670	299,340	155,077	62,156	53,404	68,620	45,929	57,337
Total expenditures	25,398,613	25,842,630	27,901,355	33,866,969	37,296,867	38,249,959	31,059,950	31,745,552	29,439,896	32,363,110
Deficiency of revenue over expenditures	(155,997)	(1,500,234)	(2,049,782)	(5,055,760)	(9,775,330)	(8,062,085)	(613,287)	(1,791,408)	2,852,363	2,852,363
Other financing sources (uses):										
Transfers in	2,632,114	4,290,237	2,500,093	2,371,219	2,421,324	2,443,018	1,925,865	2,471,905	1,998,007	2,202,954
Transfers out	(2,632,114)	(5,005,138)	(1,725,817)	(1,717,920)	(1,733,493)	(1,712,003)	(1,876,147)	(1,736,947)	(1,538,388)	(1,184,908)
Bonds issued	-	-	1,992,464	10,000,000	4,750,000	5,970,000	1,473,604	3,012,455	-	4,000,000
Total other financing sources (uses)	-	(714,901)	2,816,740	10,653,299	5,437,841	6,701,015	1,523,322	3,747,413	359,619	5,018,046
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	3,211,982	4,389,745
Debt service as a percentage of total governmental expenditures	4.85%	4.37%	5.05%	5.14%	4.58%	10.28%	7.01%	14.10%	6.06%	5.76%

City of Morristown, Tennessee
Changes in Net Assets
 Last Ten Fiscal Years
 (Accrual Basis)
 June 30, 2012

	<u>Fiscal Year Ended</u>									
	<u>6/30/2003</u>	<u>6/30/2004</u>	<u>6/30/2005</u>	<u>6/30/2006</u>	<u>6/30/2007</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2010</u>	<u>6/30/2011</u>	<u>6/30/2012</u>
Expenses:										
Governmental activities:										
General government	\$ 2,467,777	\$ 2,790,124	\$ 3,532,804	\$ 3,732,690	\$ 4,427,912	\$ 4,729,356	\$ 4,267,622	\$ 3,536,036	\$ 3,518,056	\$ 4,267,622
Public safety	10,236,334	10,287,565	11,553,257	12,011,746	14,783,116	14,938,433	13,775,987	13,510,787	13,528,045	13,775,987
Public works	5,570,400	6,537,761	5,024,791	7,884,650	8,936,753	12,760,354	9,939,809	7,208,206	8,372,617	9,939,809
Parks and recreation	1,665,313	1,534,531	1,469,315	1,854,017	3,107,468	2,404,471	1,793,705	1,767,692	1,805,109	1,793,705
Civic support	506,273	576,028	544,398	532,178	856,949	558,723	1,638,926	553,177	663,498	1,638,926
Economic development	590,147	385,088	1,448,415	3,879,932	126,444	1,117,549	392,784	624,033	1,904,129	392,784
Retiree benefits	-	408,347	434,580	292,973	-	-	-	394,866	439,304	309,530
Airport	1,633,100	477,425	704,585	554,398	631,368	573,847	-	-	-	-
Transportation	-	-	-	-	-	-	-	767,273	-	-
Long-term debt expense	164,258	396,490	217,831	337,239	582,295	785,032	289,717	342,543	283,153	289,717
Other	416,990	81,574	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>23,250,590</u>	<u>23,474,933</u>	<u>24,929,976</u>	<u>31,089,823</u>	<u>33,452,305</u>	<u>37,687,765</u>	<u>32,096,550</u>	<u>28,704,613</u>	<u>30,513,911</u>	<u>32,408,080</u>
Business-type activities:										
Water	3,847,335	4,089,405	3,765,578	4,241,596	4,486,115	5,058,029	5,854,982	5,305,637	5,840,954	5,854,982
Sewer	4,207,882	4,579,513	4,696,065	5,170,188	5,682,688	6,760,588	9,632,557	7,844,245	9,210,878	9,632,557
Electric	48,767,798	47,365,032	47,493,148	53,341,801	56,800,708	61,105,276	71,977,895	63,957,470	73,019,022	71,977,895
Broadband System	-	-	4,176	714,677	4,449,839	6,907,546	6,963,308	7,030,319	6,321,905	6,963,308
Storm Water	-	-	-	-	-	436,016	658,713	576,843	592,574	658,713
Total business-type expenses	<u>54,823,015</u>	<u>56,033,950</u>	<u>55,958,967</u>	<u>63,468,262</u>	<u>71,419,350</u>	<u>80,265,455</u>	<u>95,087,455</u>	<u>84,714,514</u>	<u>94,985,333</u>	<u>95,087,455</u>
Total primary government expenses	<u>78,073,605</u>	<u>79,508,883</u>	<u>80,888,943</u>	<u>94,558,085</u>	<u>104,871,635</u>	<u>118,133,220</u>	<u>127,186,005</u>	<u>113,419,127</u>	<u>125,499,244</u>	<u>127,495,535</u>
Program Revenues:										
Governmental activities:										
Charges for services:										
General government	202,996	165,576	231,440	223,537	557,097	409,037	130,440	280,238	134,066	130,440
Public safety	545,293	794,645	936,037	904,316	414,861	778,216	1,319,940	1,343,981	1,510,750	1,319,940
Public works	124,335	703,164	-	258,709	-	-	-	-	1,091,684	1,300,875
Parks and recreation	-	139,562	131,998	155,179	137,584	-	-	-	-	-
Civic support	-	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-	-
Retiree benefits	-	-	-	-	-	-	-	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Long-term expense	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,713,655	352,717	-	505,818	448,884	888,336	700,116	975,928	1,091,876	700,116
Capital grants and contributions	2,617,657	1,361,550	-	3,234,328	1,702,695	1,548,886	-	660,995	-	-
Total governmental activities program revenues	<u>5,203,936</u>	<u>3,517,213</u>	<u>1,299,475</u>	<u>5,281,887</u>	<u>3,261,321</u>	<u>3,622,475</u>	<u>2,150,498</u>	<u>3,261,142</u>	<u>3,828,356</u>	<u>3,451,373</u>
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	6,602,966	6,769,458	6,939,381	6,602,966
Sewer	4,540,720	4,492,542	4,589,153	4,749,533	5,556,473	8,766,896	6,601,692	6,601,692	9,308,092	10,049,655
Electric	47,511,195	49,414,204	49,468,518	55,821,500	58,631,933	63,351,409	74,575,366	67,681,072	77,167,026	74,575,366
Broadband system	-	-	-	102,690	2,548,590	4,503,872	6,815,505	6,502,002	6,321,898	6,815,505
Storm Water	-	-	-	-	-	89,383	1,375,723	563,562	541,053	1,375,723
Operating grants and contributions	-	378,438	-	-	-	-	-	-	-	2,067,523
Capital grants and contributions	272,320	1,640,300	-	-	-	55,500	84,631	84,631	847,793	165,384
Total business-type activities program revenue	<u>56,819,950</u>	<u>60,331,508</u>	<u>58,999,132</u>	<u>66,012,824</u>	<u>72,072,574</u>	<u>82,339,854</u>	<u>96,055,883</u>	<u>88,202,417</u>	<u>101,122,243</u>	<u>101,652,122</u>
Total primary government program revenue	<u>\$ 62,023,886</u>	<u>\$ 63,848,721</u>	<u>\$ 60,298,607</u>	<u>\$ 71,294,711</u>	<u>\$ 75,333,895</u>	<u>\$ 85,962,329</u>	<u>\$ 98,206,381</u>	<u>\$ 91,463,559</u>	<u>\$ 104,950,599</u>	<u>\$ 105,103,495</u>
Net (expense) revenue:										
Governmental activities	\$ (18,048,654)	\$ (19,957,720)	\$ (23,630,501)	\$ (25,807,936)	\$ (30,190,984)	\$ (34,245,290)	\$ (28,956,707)	\$ (25,443,471)	\$ (26,685,555)	\$ (28,956,707)
Business-type activities	<u>1,996,935</u>	<u>2,583,291</u>	<u>3,040,165</u>	<u>2,544,562</u>	<u>653,244</u>	<u>2,074,399</u>	<u>6,584,667</u>	<u>\$ 3,487,903</u>	<u>\$ 6,136,910</u>	<u>\$ 6,564,667</u>
Total primary government net expense	<u>\$ (16,049,719)</u>	<u>\$ (17,374,429)</u>	<u>\$ (20,590,336)</u>	<u>\$ (23,263,374)</u>	<u>\$ (29,537,740)</u>	<u>\$ (32,170,891)</u>	<u>\$ (22,392,040)</u>	<u>\$ (21,955,568)</u>	<u>\$ (20,548,645)</u>	<u>\$ (22,392,040)</u>

City of Morristown, Tennessee
Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis)
June 30, 2012

	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	6/30/2012
General Governmental and Other Changes										
In Net Assets										
Governmental activities:										
Property taxes	\$ 6,154,751	\$ 6,288,159	\$ 6,544,269	\$ 6,959,567	\$ 6,744,789	\$ 9,521,787	\$ 8,766,697	\$ 9,180,026	\$ 9,885,189	\$ 9,135,643
In-lieu taxes	662,748	59,275	72,748	92,446	65,529	35,538	-	-	-	-
Franchise taxes	813,588	820,658	853,208	1,006,887	732,339	829,802	784,365	644,358	400,815	598,668
Local sales tax	8,053,275	8,618,515	9,196,618	9,491,687	9,594,019	9,446,110	10,389,929	9,454,955	9,611,440	10,236,619
Alcohol beverage tax	934,567	1,009,528	1,032,668	1,076,180	1,107,005	1,138,808	1,178,386	1,190,044	1,140,739	1,364,148
Business and gross receipts tax	681,903	861,386	784,119	881,441	943,210	866,833	947,659	663,824	882,131	1,000,937
Hotel/motel tax	238,004	312,707	350,931	384,387	417,120	425,087	387,704	361,096	454,855	533,149
Use of money and property	1,291,563	712,843	96,134	607,576	451,307	470,219	246,632	1,014,717	870,195	979,709
Intergovernmental	1,208,281	2,148,591	4,097,107	3,405,260	3,969,312	3,834,117	2,148,264	4,168,982	5,112,921	4,777,887
Transfers	-	721,591	824,276	653,299	687,841	731,014	1,530,560	734,958	813,163	1,532,378
Total governmental activities	20,038,680	21,553,253	23,852,078	24,558,730	24,732,471	27,296,413	26,360,196	27,432,960	29,171,448	30,159,138
Business-type activities:										
Investment earnings	254,859	-	-	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	387,820	161,484	95,302	86,495	304,325
Transfers	-	(721,591)	(824,276)	(653,299)	(687,841)	(731,014)	(1,530,560)	(734,958)	(813,163)	(1,532,378)
Total business-type activities	254,859	(721,591)	(824,276)	(653,299)	(687,841)	(343,194)	(1,369,076)	(639,656)	(726,668)	(1,228,053)
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	\$ 28,931,085
Changes in Net Assets										
Governmental activities	1,892,026	1,595,533	221,577	(1,219,206)	(5,458,513)	(6,948,877)	2,693,183	1,969,489	2,485,893	1,202,432
Business-type activities	2,251,794	1,861,700	2,125,889	1,891,263	(34,597)	1,731,208	2,236,653	2,848,247	5,410,242	5,336,614
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	\$ 7,896,135	\$ 6,539,046
General fund										
Reserved	2,273,995	1,281,222	1,923,010	8,551,476	4,669,443	-	2,619,067	353,457	639,964	13,028,600
Unreserved	3,114,420	5,032,750	5,254,556	4,060,987	-	2,705,279	-	3,326,040	6,804,115	10,075,983
Total general fund	\$ 5,388,415	\$ 6,313,972	\$ 7,177,566	\$ 12,612,463	\$ 4,669,443	\$ 2,705,279	\$ 2,619,067	\$ 3,678,497	\$ 7,444,079	\$ 23,104,583
All other governmental funds										
Unreserved	-	-	-	-	-	-	-	(26,323)	387,277	541,585
Reserved	3,290,625	149,933	53,301	9,883	163,657	41,475	3,199	25,473	73,843	108,353
Total all other governmental funds	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 9,883	\$ 163,657	\$ 41,475	\$ 3,199	\$ (650)	\$ 461,120	\$ 649,938

City of Morristown, Tennessee
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
June 30, 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$ -	\$ -
Nonspendable										11,765,646
Restricted										1,262,954
Committed										3,072
Assigned										3,852
Unassigned								1,065,688	1,170,837	10,069,059
Unreserved	3,114,420	5,032,750	5,254,556	4,060,987	-	-	-	3,159,977	6,656,404	-
Total general fund	\$ 5,388,415	\$ 6,313,972	\$ 7,177,566	\$ 12,612,463	\$ 4,669,443	\$ 3,431,536	\$ 2,619,067	\$ 4,579,122	\$ 7,827,241	\$ 23,104,583
All other governmental funds										
Reserved	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 9,883	\$ 163,657	\$ 41,475	\$ 3,199	\$ 25,473	\$ 77,958	\$ -
Nonspendable										-
Restricted										106,353
Committed										-
Assigned										541,585
Unassigned										-
Unreserved, reported in:										
Special revenue funds				984	984	984	-	(26,323)		-
Total all other governmental funds	\$ 3,290,625	\$ 149,933	\$ 53,301	\$ 10,867	\$ 164,641	\$ 42,459	\$ 3,199	\$ (850)	\$ 77,958	\$ 647,938

City of Morristown, Tennessee
Governmental Activities Revenue by Source
Last Ten Fiscal Years
(Accrual Basis of Accounting)

Fiscal Year	Property Tax	In-lieu Tax	Franchise Tax	Local Sales Tax	Business and Gross Receipts		Licenses, Permits, and Fines	Hotel/Motel Tax	Use of Money and Property		Inter-Governmental	Transfers	Total
					Alcohol Beverage Tax	Tax							
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	721,591	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	824,276	4,097,107	824,276	23,852,078
2006	6,969,567	92,446	1,006,887	9,491,687	1,076,180	881,441	-	384,387	607,576	653,299	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	687,841	5,899,091	687,841	27,682,599
2008	9,521,787	35,536	826,802	9,448,110	1,138,908	866,833	-	425,087	1,421,389	731,015	6,027,338	731,015	30,440,805
2009	8,766,697	-	784,365	10,369,929	1,178,386	947,659	-	367,704	1,876,425	795,053	5,340,445	795,053	30,446,663
2010	9,180,026	-	644,358	9,454,955	1,190,044	863,824	1,472,826	361,096	1,166,110	734,958	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	848,566	6,204,787	848,566	33,149,654
2012	9,135,642	-	598,668	10,236,519	1,364,148	1,000,937	1,319,940	533,149	2,067,701	1,018,046	5,478,005	1,018,046	32,752,855

City of Morristown, Tennessee
Table of General Bonded Debt with Total Assessment
and Expenditure Ratio
Ten Tax Years Ended 2012
June 30, 2012

<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>
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
2012	19,054,360	864,098,668	.022 to 1	32,363,110	.589 to 1

City of Morristown, Tennessee
Property Tax Levies and Collections
For the Ten Years Ended 2012
June 30, 2012

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed value	\$ 576,534,387	\$ 586,357,798	\$ 614,747,798	\$ 704,687,216	\$ 693,683,310	\$ 735,127,536	\$ 734,794,794	\$ 880,290,913	\$ 885,879,073	\$ 864,098,668
Rate per \$100	1.09	1.09	1.09	9.97	1.37	1.22	1.22	1.05	1.05	1.05
Total tax levy	6,284,227	6,391,300	6,700,751	6,935,272	9,503,463	8,903,661	8,968,580	9,243,067	9,091,730	9,073,036
Collections/reductions:										
Initial tax year	5,986,563	6,085,471	6,421,637	6,546,642	8,767,049	8,367,645	8,502,700	8,755,460	8,590,172	
Additional through June 30, 2012	284,669	292,706	242,811	249,136	624,059	370,226	264,014	-	-	
Total collections/reductions	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	8,590,172	
Taxes receivable, June 30, 2012	12,995	13,123	36,303	39,494	112,355	165,790	201,866	487,607	501,558	
Percent of levy collected Initial tax year	95.26%	95.21%	95.83%	95.78%	92.25%	93.98%	94.81%	94.72%	94.48%	
Percent of levy outstanding June 30, 2012	0.21%	0.21%	0.54%	0.58%	1.18%	1.86%	2.25%	5.28%	5.52%	

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

	2012			Nine Years Ago		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Department of Education	1,284	1	7%	1225	3	3%
Koch Foods	1,087	2	6%	650	7	2%
MAHLE, Inc.	965	3	5%	1,550	1	4%
Walters State Community College	766	4	4%	790	4	2%
Morristown Hamblen Healthcare	716	5	4%	765	5	2%
JTEKT Automotive	600	6	3%			
Howmet Corporation	560	7	3%	528		1%
Lakeway Regional Hospital	501	8	3%			
Wal-Mart	443	9	2%	486	9	1%
Rich Products	438	10	2%			
Lea Industries				475	10	1%
Shelby Williams Industries, Inc.				750	6	2%
Toyoda TRW Automotive				550	8	2%
Berkline				1,408	2	4%
Total	7,360		39%	7,952		24%

City of Morristown, Tennessee
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Tax Years
June 30, 2012

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
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	2,388,850	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	5,657,900	201,304,793	2,270	860,290,913	1.05	2,776,600,762	31.70%
2011	266,864,625	404,414,480	707,025	5,658,932	188,231,174	2,837	865,879,073	1.05	2,729,853,556	31.70%
2012	267,600,800	406,290,680	707,025	5,674,505	183,822,111	3,547	864,098,668	1.05	2,722,855,361	31.74%

City of Morristown
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Physical arrests	5,216	5,226	5,250	5,266	7,572	6,487	5,620	2,097	4,844	4,872
Parking violations	8,629	8,636	8,645	8,652	7,179	14,809	15,211	10,071	357	288
Fire										
Number of calls answered	2,976	2,979	2,985	3,211	3,390	3,337	3,232	4,271	3,914	2,975
Inspections	1,800	1,808	1,815	1,827	2,376	2,361	948	659	741	2,781
Highway and streets:										
Street maintenance/resurfacing (miles)	3	0.11	8.11	4.73	0.4	6.18	2.39	-	209.30	224.60
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	6,094.32
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	9,313.31

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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level In Years of Formal Schooling	School Enrollment	Unemployment Rate
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
2012	29,369	579,097,942	19,718	35.88	13.74	9,852	13.53

City of Morristown
Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function										
Public Safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48	48	48
Fire stations	5	4	5	5	6	6	6	6	6	6
Sanitation										
Collection trucks	5	5	5	5	4	4	4	4	4	4
Highways and streets										
Street (miles)	228	237	240	241	263	263	320	320	320	320
Culture and recreation										
Parks acreage	249	257	232	257	259	259	264	264	264	264
Parks	14	14	15	15	16	16	16	16	16	16

City of Morristown, Tennessee
Schedule of Sewer Utility Rates and Number of Customers
Year Ended June 30, 2012

	<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>	<u>2012</u>
<u>Sewer Rate</u>										
Inside	\$ 2.90	\$ 2.95	\$ 3.00	\$ 3.00	\$ 3.65	\$ 4.20	\$ 4.59	\$ 4.59	\$ 4.96	8.11
Outside	5.80	5.90	6.00	6.00	7.30	8.40	9.18	9.18	9.92	16.22
<u>Customers</u>										
Inside	10,067	10,144	10,230	10,230	10,578	10,578	11,523	11,523	11,627	11,618
Outside	318	391	438	438	438	438	109	109	104	105

City of Morristown, Tennessee
Schedule of Electric Rates (Last Ten Years)
Year Ended June 30, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Residential										
Customer charge per month	16.71	16.71	16.71	13.21	11.50	8.40	8.40	8.27	8.27	5.50
Energy charge:										
First 2,000 kWh	0.09242	0.08934	0.08175	0.07582	0.07943	0.07189	0.06735	0.05961	0.05961	0.05663
Additional kWh per month	0.09242	0.08934	0.07968	0.07375	0.00736	0.07002	0.06548	0.05777	0.05777	0.05479
Commercial, Industrial, Governmental and Institutional:										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	26.00	26.00	26.00	21.50	21.50	15.25	15.25	15.00	15.00	12.00
Energy charge per kWh per month	0.10219	0.09899	0.09137	0.08463	0.08787	0.07902	0.07453	0.06576	0.06576	0.06162
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	133.00	133.00	133.00	127.00	127.00	127.00	127.00	125.00	125.00	135.00
Demand charge:										
First 50 kW per month	11.86	13.78	13.78	12.86	12.52	11.48	11.48	10.26	10.26	9.55
Excess over 50 kW per month										
Energy charge:										
First 15,000 kWh per month	0.09702	0.09381	0.0857	0.07896	0.0822	0.07404	0.06955	0.06086	0.06086	0.05672
Additional kWh per month	0.06491	0.06262	0.04861	0.0448	0.04904	0.04378	0.03935	0.03445	0.03445	0.03211
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	270.00	270.00	270.00	266.00	266.00	205.00	205.00	200.00	200.00	200.00
Demand charge:										
First 1,000 kW per month	11.98	11.68	13.88	12.90	12.54	11.49	11.49	10.22	10.22	9.56
Excess over 1,000 kW per month	13.67	13.31	15.44	14.29	13.87	12.64	12.64	11.15	11.15	10.11
Energy charge:										
Per kWh per month	0.06489	0.06262	0.04903	0.04522	0.04946	0.0438	0.03937	0.03477	0.03477	0.03213
TDGSB (Demand > 5,001 kW)										
Demand charge:										
On peak	16.45	-	-	-	-	-	-	-	-	-
Excess off peak	4.00	-	-	-	-	-	-	-	-	-
Excess over contract	16.45	-	-	-	-	-	-	-	-	-
Energy charge:										
On peak	0.09694	0	0	0	0	0	0	0	0	0
Off peak (first 425 kWh)	0.06226	0	0	0	0	0	0	0	0	0
Off peak (next 195 kWh)	0.0436	0	0	0	0	0	0	0	0	0
Off peak (additional kWh)	0.02775	0	0	0	0	0	0	0	0	0

City of Morristown, Tennessee
Schedule of Electric Rates (Last Ten Years)
Year Ended June 30, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
GSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	-	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	19.92	13.27	11.63	11.89	10.61	10.61	11.58	11.58	10.85
Energy charge:										
First 620 kWh per Kw per month	0	0.10427	0.0374	0.03899	0.0307	0.03216	0.02771	0.03035	0.03035	0.02825
Additional kWh per month	0	0.02771	0.03074	0.03337	0.03113	0.02707	0.02262	0.02477	0.02477	0.02306
GSB (non-manufacturing)										
(demand of 15,001 to 25,000 kW)										
Customer charge per month	-	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	19.92	14.89	14.21	13.78	12.95	12.95	11.07	11.07	10.34
Energy charge:										
First 620 kWh per Kw per month	0	0.10427	0.04132	0.04625	0.04234	0.03872	0.03427	0.03035	0.03035	0.02825
Additional kWh per month	0	0.02771	0.03372	0.03928	0.03559	0.03241	0.02796	0.02477	0.02477	0.02306
Part F (demand greater than 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	1,500.00	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	13.50	13.50	12.60
Energy charge:										
Per kWh per month	0	0	0	0	0	0	0	0.02433	0.02433	0.02265
Active Service (number of customers)										
Residential	11,752	11,683	11,819	11,545	11,687	11,191	11,098	11,070	11,056	10,978
Commercial	2,105	2,085	2,109	2,166	2,210	2,707	2,619	2,551	2,511	2,494
Industrial	447	467	464	455	465	462	464	461	455	459
Street and athletic	71	69	69	69	70	69	67	64	64	66
Outdoor lighting	31	32	35	35	37	36	37	36	36	37
Total active service	14,406	14,336	14,496	14,270	14,469	14,465	14,285	14,182	14,122	14,034

City of Morristown Tennessee
Schedule of Water Rates and Number of Customers
Year Ended June 30, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Inside City Rate										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	-	-
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	-	-	1.25	1.25
Over 25,000 gallons	-	-	-	-	-	-	-	-	1.10	1.10
First 50,000 gallons	2.05	2.05	2.05	1.90	1.55	1.55	1.55	1.55	n/a	n/a
Next 50,000 gallons	1.80	1.80	1.80	1.65	1.30	1.30	1.30	1.30	n/a	n/a
Over 100,000	1.60	1.60	1.60	1.45	1.10	1.10	1.10	1.10	n/a	n/a
Minimum bill:										
5/8" meter	8.75	8.75	8.75	8.45	7.75	7.75	7.75	7.75	6.50	6.50
3/4" meter	9.25	9.25	9.25	8.95	8.25	8.25	8.25	8.25	7.00	7.00
1" meter	10.00	10.00	10.00	9.70	9.25	9.25	9.25	9.25	8.00	8.00
1 1/2" meter	11.50	11.50	11.50	11.20	10.75	10.75	10.75	10.75	9.50	9.50
2" meter	16.00	16.00	16.00	15.70	15.25	15.25	15.25	15.25	14.00	14.00
3" meter	61.00	61.00	61.00	60.70	52.00	52.00	52.00	52.00	49.50	49.50
4" meter	71.00	71.00	71.00	70.70	70.00	70.00	70.00	70.00	63.00	63.00
6" meter	101.00	101.00	101.00	100.70	100.00	100.00	100.00	100.00	94.50	94.50
8" meter	114.30	114.30	114.30	-	-	-	-	-	-	-
Outside City rates:										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	-	-	2.50	2.50
Over 25,000 gallons	-	-	-	-	-	-	-	-	2.20	2.20
First 50,000 gallons	4.10	4.10	4.10	3.80	3.10	3.10	3.10	3.10	n/a	n/a
Next 50,000 gallons	3.60	3.60	3.60	3.30	2.60	2.60	2.60	2.60	n/a	n/a
Over 100,000 gallons	3.20	3.20	3.20	2.90	2.20	2.20	2.20	2.20	n/a	n/a
Minimum bill:										
5/8" meter	12.85	12.85	12.85	12.25	10.85	10.85	10.85	10.85	9.00	9.00
3/4" meter	13.35	13.35	13.35	12.75	11.35	11.35	11.35	11.35	9.50	9.50
1" meter	14.10	14.10	14.10	13.50	12.10	12.10	12.10	12.10	10.50	10.50
1 1/2" meter	15.60	15.60	15.60	15.00	13.60	13.60	13.60	13.60	12.00	12.00
2" meter	20.10	20.10	20.10	19.50	18.10	18.10	18.10	18.10	16.50	16.50
3" meter	65.10	65.10	65.10	64.50	63.10	63.10	63.10	63.10	52.00	52.00
4" meter	75.10	75.10	75.10	74.50	73.10	73.10	73.10	73.10	65.50	65.50
6" meter	105.10	105.10	105.10	104.50	103.10	103.10	103.10	103.10	97.00	97.00
8" meter	118.40	118.40	118.40	-	-	-	-	-	-	-
Monthly fire protection service charge:										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
6"	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
8"	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
10"	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Number of Customers										
	12,553	12,501	12,567	12,506	12,937	12,684	12,517	12,453	12,363	12,164

City of Morristown Tennessee
Schedule of Monthly Broadband Rates (Last Seven Years)
Year Ended June 30, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Standard Cable:							
Expanded basic	46.95	46.95	46.95	41.95	41.95	41.95	41.95
Digital basic	54.95	54.95	54.95	49.95	49.95	49.95	49.95
Digital basic + 1	63.95	63.95	63.95	59.95	59.95	59.95	59.95
Digital basic + 2	71.95	71.95	71.95	67.95	67.95	67.95	67.95
Digital basic + 4	84.95	84.95	84.95	80.95	80.95	80.95	80.95
Premium channels	9.95-12.95	9.95-12.95	9.95-12.95	9.95-11.95	9.95-11.95	9.95-11.95	9.95-11.95
Internet:							
Residential							
Tier 1	34.95	34.95	34.95	29.95	29.95	29.95	29.95
Tier 2	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	44.95	59.95	59.95	59.95	59.95	59.95	59.95
Tier 4	74.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 5	99.95-199.95	159.95	159.95	-	-	-	-
Commercial							
Tier 1	44.95	44.95	44.95	39.95	39.95	39.95	39.95
Tier 2	74.95	74.95	74.95	74.95	74.95	74.95	74.95
Tier 3	99.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 4	149.95	149.95	149.95	149.95	149.95	149.95	149.95
Tier 5	199.95	199.95	199.95	199.95	199.95	-	-
Telephone:							
Residential							
Basic Pack	22.95	22.95	22.95	22.95	22.95	22.95	22.95
Preferred Pack	25.00	25.00	25.00	25.00	25.00	25.00	27.95
Additional services	3.75-11.95	3.75-8.95	3.75-8.95	3.75-8.95	3.75-8.95	3.75-8.95	6.95-8.95
Long distance per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial							
Access line	25.95	25.95	25.95	25.95	25.95	25.95	26.95
Business local telephone service	36.95	36.95	36.95	36.95	36.95	36.95	39.95
Additional services	7.95-27.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-7.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Note: The Broadband System began operations in 2006.

City of Morristown Tennessee
Schedule of Unaccounted For Water
Year Ended June 30, 2012

(all amounts in gallons)

A	Water Treated and Produced		
B	Water Pumped (potable)	3,211,089,000	
C	Water Purchased	0	
D	Total Water Treated and Purchased (Sum Lines B and C)		3,211,089,000
E	Accounted For Water		
F	Water Sold	2,858,683,200	
G	Metered for Consumption (in house usage)	33,981,500	
H	Fire Department Usage	0	
I	Flushing	0	
J	Tank Cleaning/Filling	0	
K	Street Cleaning	0	
L	Bulk Sales	0	
M	Water Bill Adjustments	0	
N	Total Accounted For Water (Sum Lines F through M)		2,892,664,700
O	Unaccounted For Water (Line D minus Line N)		318,424,300
P	Percent Unaccounted For Water (Line O divided by Line D times 100)		9.92%
Q	Other (explain)		n/a

All amounts included in this schedule are supported by documentation on file at the Water System. If no support is on file for a line item or if the line item is not applicable, a "0" is shown.

City of Morristown, Tennessee
Principal Property Taxpayers, Current Year and Nine Years Ago
June 30, 2012

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mahle	33,855,435	1	3.85%	24,158,164	1	4.30%
CBL Morristown Ltd	26,549,500	2	3.02%	9,687,200	3	1.72%
Vifan	25,373,341	3	2.88%	9,179,021	5	1.63%
Otics USA, Inc.	19,480,348	4	2.21%			
Tuff Torq Corp	16,225,718	5	1.84%	8,069,669	6	1.44%
Toyoda-TRW/JTEKT	15,201,476	6	1.73%	17,171,255	2	3.06%
M-H Hospital	14,801,900	7	1.68%			
Lear Corporation	11,519,987	8	1.31%	5,962,063	9	1.06%
Team Technologies	11,095,226	9	1.26%			
Meritor/Rockwell	6,444,992	10	0.73%	6,524,363	8	1.16%
Berkline/TBC				9,365,517	4	1.67%
Bellsouth				7,969,642	7	1.42%
Shelby Williams				4,932,541	10	0.88%

City of Morristown, Tennessee
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
June 30, 2012

Fiscal Year	Population	Per Capita Income	Governmental Activities	Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
			General Obligation Bonds	Revenue Bonded Debt			
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
2012	29,369	19,718	19,054,360	66,678,349	85,732,709	0.02%	\$ 2,919.16

City of Morristown, Tennessee
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years
June 30, 2012

<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>
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
2012	29,369	2,722,855,361	19,054,360	0.70%	649

City of Morristown, Tennessee
City Government Employees by Function/Program
June 30, 2012

Function/Program	Employees as of June 30						
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General government							
Mayor and Council	7	7	7	7	7	7	7
City Administration & Staff	3	3	3	3	3	4	4
Finance	6	6	5	7	7	7	7
Purchasing	1	1	1	1	1	1	1
Information Technology	2	2	2	2	2	2	2
Human Resources	2	2	2	2	2	2	2
Legal Services	2	2	2	2	2	2	2
Planning	6.3	6.3	7.3	7.3	8.4	8.4	7.5
Engineering	3.1	3.1	3.3	3.3	3.9	3.4	3.375
Inspections	4	4	5	5	5	5	5
Police							
Supervision	6	6	5	5	5	5	5
Patrol	64	63	67	67	70	63	62
Investigations	15	15	15	15	13	13	14
Codes Enforcement	1	1	1	1	1	1	1
Vice	1	1	1	1	1	1	1
Narcotics	5	5	5	5	4	4	4
Fire							
Supervision	6	6	6	6	6	4	4
Firefighting	79	81	84	84	84	87	86
Prevention & Inspection	1	1	2	2	2	1	1
Public Works							
Supervision	1.83	1.5	1.5	1.5	1.5	1.5	1.5
Buildings & Grounds	2	2	2	2	2	6	6
Equipment Shop	7	7	7	7	7	7	7
Repairs & Maintenance	9	9	10	10	10	10	10
Street Lights & Signs	1	1	2	2	2	2	2
Brush & Snow	10.7	9	13	13	13	14	13
Communication Shop	1.65	2	2	2	2	2	2
Storms Drains & Ways	0	0	0	0	0	4	4
Street Cleaning	0	0	0	0	0	2	2
Parks and Recreation	17	17	20	20	20	21	20
Sewer	17.98	26.9	25.9	25.9	25.7	22.7	22.625
Storm Water	5.44	7.2	7	7	6.5	0	0
Solid Waste	12	12	13	13	13	13	13
Total	<u>300</u>	<u>310</u>	<u>327</u>	<u>329</u>	<u>330</u>	<u>326</u>	<u>322</u>

Note: This information was not available for years prior to 2006.

CRAINE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

225 WEST FIRST NORTH STREET

P.O. BOX 1779

SUITE 300, MILLENNIUM SQUARE

MORRISTOWN, TENNESSEE 37816-1779

423-586-7650

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

To the Honorable Mayor and Board of 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, 2012, which collectively comprise the City of Morristown, Tennessee's basic financial statements and have issued our report thereon dated November 25, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Morristown Utility Commission as described in our report on City of Morristown, Tennessee's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of City of Morristown, Tennessee, is responsible for establishing and maintaining effective 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 City of Morristown, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Morristown, Tennessee's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. The findings are numbered 12-1 through 12-4. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Honorable Mayor and Board of 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 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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Morristown, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Morristown, Tennessee's response and, accordingly, we express no opinion on it.

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.

Craine, Thompson & Jones, P.C.
Morristown, Tennessee
November 25, 2012

CRANE, THOMPSON, & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited City of Morristown, Tennessee's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Morristown, Tennessee's major federal programs for the year ended June 30, 2012. City of Morristown, Tennessee's major federal program is 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 its major federal program is the responsibility of City of Morristown, Tennessee's management. Our responsibility is to express an opinion on City of Morristown, Tennessee'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 procedures 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 respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

Management of City of Morristown, Tennessee, 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Morristown, Tennessee's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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, 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.

Craine, Thompson & Jones, P.C.
Morristown, Tennessee
November 25, 2012

City of Morristown, Tennessee
Schedule of Findings and Questioned Costs
June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued:	unqualified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiency identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	no
Identification of major programs:	
US Department of Housing and Urban Development – CDBG	14.218
Dollar threshold used to distinguish between Type A and B programs	\$300,000
Auditee qualified as low-risk auditee	no

Section II – Financial Statement Findings:

Finding 12-1

Condition: The City of Morristown should use a uniform system of accounting for its capital assets that is designed specifically for this purpose.

Criteria: Capital assets represent a significant investment of taxpayer funds by the City and every effort should be made to fully account for and protect this investment.

Cause of condition: The City did implement the use of software designed specifically to account for its property and equipment capital assets. A substantial portion of infrastructure assets was still being accounted for through the use of an excel spreadsheet at June 30, 2012.

Recommendation: The City should transfer the assets being accounted for on the spreadsheet to the software being used to account for the rest of capital assets.

Management's response: Management agrees with the finding. As stated, a new software program was implemented to account for fixed assets and depreciation to address a prior year finding. During the conversion of spreadsheets to the new program, assets in use that have not been on our financial statements previously were included. Going forward, this new program should resolve this issue and procedures will be developed to ensure all future assets will be accounted for correctly.

Section II – Financial Statement Findings: (cont)

Finding 12-2

Condition: A significant portion of the City's supplies inventories is not being adequately protected from weather and secured against theft.

Criteria: In order to adequately store and protect inventory, a facility that is under roof and securely locked should be in use.

Cause of condition: The facility being used for the storage of a significant portion of the City's supplies inventory is open air and behind a chain link fence secured with a gate.

Recommendation: The City should evaluate its inventory storage space and make a determination as to the improvements that need to be made to improve the space. This will assist in the organization of inventory as well.

Management's response: Management addressed the supplies inventory finding last year which dealt with organization and labeling supplies. We understand the importance of protecting assets that are sensitive to weather conditions and will address this finding before the close of 2013.

Finding 12-3

Condition: All relevant documents that are necessary to evaluate payment requests are not being submitted to the finance department for review.

Criteria: In order to document the following of purchasing, all relevant documentation should be presented to the finance department for its review and approval of transactions.

Cause of condition: During our testing of travel expenditures we noted that several statements from hotels did not accompany travel authorizations and reimbursements for travel. We also noted that other types of documentation had been omitted.

Recommendation: The City should change its procedures to require that copies of all invoices and other documents should be presented to the finance department for their review and payment.

Management's response: Management agrees with the finding and are developing procedures for proper document retention. Once developed, staff will be trained on implementing those procedures.

Finding 12-4

Condition: The City of Morristown does not have a formal system of accounting and administrative controls in place to govern its operations.

Criteria: In order for the City to operate efficiently and adequately safeguard its assets, it should have in place a formal system of administrative and accounting controls.

Cause of condition: Although the City does operate under some controls, there is no documentation of exactly what the City's control structure is and what its administrative controls are.

Recommendation: The City should evaluate its control structure, determine the adequacy of its policies and procedures, make any necessary improvements, and document exactly what the policies and procedures actually are.

Management's response: Management agrees with the finding. Adding additional personnel at the end of 2012 will allow segregation of duties that could not have been done before. Written procedures will be developed for various processes in the Finance Department.

**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 was resolved at June 30, 2012.

FYE 6/30/2010

Finding 1: The auditor prepared the financial statements.

This condition still existed at June 30, 2012.

Finding 2: Insufficient segregation of duties exists.

This condition still existed at June 30, 2012.

Finding 5: There are no formal written accounting policies and procedures.

This condition still existed at June 30, 2012.

FYE 6/30/2011

Finding 1: The storage of physical inventories of supplies and materials is inadequate.

This condition was resolved at June 30, 2012.

Finding 2: Travel policies are not consistent across all of the departments of the City.

This condition was resolved at June 30, 2012.

Finding 3: Procedures for the issuance of purchase orders need to be improved.

This condition still existed at June 30, 2012.

Finding 4: The City's accounting system for its capital assets is not sufficient for the size of the organization it has become.

This condition still existed at June 30, 2012.