CITY OF MORRISTOWN
ANNUAL AUDIT

FISCAL YEAR 2013
BEGINNING JULY 1, 2012 AND ENDING JUNE 30, 2013

COMPREHENSIVE ANNUAL FINANCIAL STATEMENTS
PREPARED BY
FINANCE DEPT.

CITY OF MORRISTOWN, TENNESSEE

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year 2013
Beginning July 1, 2012 and Ending June 30, 2013

Finance Department

City of Morristown
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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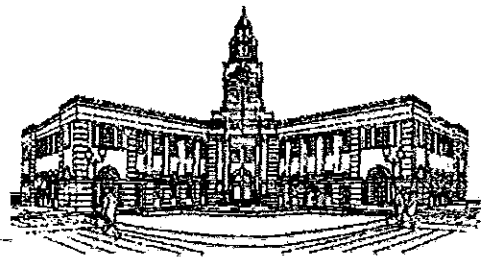
City of Morristown

Incorporated 1855



November 30, 2013

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, 2013.

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, 2013, 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 statues 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 68% and 32% respectively.

Sales Tax

Morristown did not see the improvement in local sales tax as we had the previous two years. Sales tax dropped 4% from the previous year. The majority of the decrease can be attributed to a road project on a major route in the City. This project is projected to be completed by the summer of 2014.

Major Initiatives

Morristown's industry continues to see improvement and plans for expansion. Two additional expansions have been scheduled to go with the expansions of three plants in the previous year. Also we have been successful in recruiting two new franchise restaurants which will continue to allow our citizens more dining choices. 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, 2013

MAYOR

Danny Thomas

COUNCIL

Kay Senter
Dennis Alvis
Chris Bivens
Paul Lebel
Gary Chesney
Bob Garrett

City Administrator	Tony Cox
Assistant City Administrator	Ralph Fielder
City Attorney	Richard Jessee
Director of Administrative Services	Larry Clark
Director of Planning	Alan Hartman
Police Chief	Roger Overholt
Fire Chief	William Honeycutt
Chief Building Official	Jay Moore
Director of Public Works	Paul Brown
City Engineer	Jeff Branham
Director of Parks and Recreation	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 Mayor and City Council
City of Morristown, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morristown, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Morristown Utility Commission, which represent 63 percent, 78 percent, and 89 percent, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Morristown Utility Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Morristown, Tennessee, as of June 30, 2013, 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 accordance with accounting principles generally accepted in the United States of America.

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension schedule of funding progress, and OPEB schedule of funding progress and schedule of employer contributions on pages 7-15 and 81 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Morristown, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, nonmajor fund budgetary schedules, schedule of state financial assistance, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2013, on our consideration of the City of Morristown, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Morristown, Tennessee's internal control over financial reporting and compliance.

Craine, Thompson & Jones, P.C.

Morristown, Tennessee
November 30, 2013

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, 2013. Readers are encouraged to consider the information presented here in conjunction with additional information that is furnished in the letter of transmittal, which can be found on pages 1-3 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 $161 million (net position), an increase of nearly $11 million during FY 2013. Of this amount, $50 million (unrestricted net position) 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 $24.9 million, an increase of almost $1.8 million from the prior year.
- The City of Morristown's total long-term debt decreased by $4,693,756 during the current fiscal year. The General Fund's long-term debt decreased by $1,651,061.
- The City of Morristown's General Fund reported a fund balance of $24,425,304 on June 30, 2013.

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

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

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

power 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 power 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, power and broadband systems, all of which are considered to be major funds of the City of Morristown. The storm water system is not considered to be a major fund; however, it is presented separately in the proprietary fund financial statements because it is the only other proprietary fund.

The basic proprietary fund financial statements can be found on page 43 of this report.

Fiduciary funds. The City of Morristown maintains two types of fiduciary funds. An agency fund is used to report resources held in a custodial capacity only. The City of Morristown uses an agency fund to account for LAMPTO funding. LAMPTO is the metropolitan planning organization for Morristown's region encompassing two counties and four cities. LAMPTO's board consists of members from these localities consisting of Mayors and City Administrators. The City also maintains a trust fund for the OPEB obligation. The administration of the fund assets is contracted out to USI Advisors, Inc. In this audit year the City fully funded its annual required contribution.

The basic fiduciary fund financial statements can be found on page 48 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 as well as other post-employment benefits.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Morristown, assets exceeded liabilities by almost $161.0 million at the close of the most recent fiscal year. Net position increased by $11.0 million for the period.

City of Morristown's Net Position

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 36,234,256	$ 34,861,172	$ 64,067,089	$ 82,446,911	$ 100,301,345	$ 117,308,083
Capital assets	51,021,973	49,106,084	156,140,762	148,372,402	207,162,735	197,478,486
Total assets	87,256,229	83,967,256	220,207,851	230,819,313	307,464,080	314,786,569
Long-term liabilities outstanding	21,021,354	22,151,588	90,062,004	96,378,773	111,083,358	118,530,361
Other liabilities	11,547,965	12,186,316	24,140,806	34,122,468	35,688,771	46,308,784
Total liabilities	32,569,319	34,337,904	114,202,810	130,501,241	146,772,129	164,839,145
Net position:						
Invested in capital assets, net of related debt	29,647,943	26,055,799	79,424,880	76,792,135	109,072,823	102,847,934
Restricted	1,607,753	1,369,307			1,607,753	1,369,307
Assigned	0	0				
Unrestricted	23,431,214	22,204,246	26,580,161	23,525,937	50,011,375	45,730,183
Total net position	$ 54,686,910	$ 49,629,352	$ 106,005,041	$ 100,318,072	$ 160,691,951	$ 149,947,424

Note: The total column includes internal balances that have been eliminated for reported in the government-wide statement of net assets.

By far the largest portion of the City of Morristown's net position (67%) 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 position (less than 1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($50,011,375) may be used to meet Morristown's ongoing obligations to citizens and creditors.

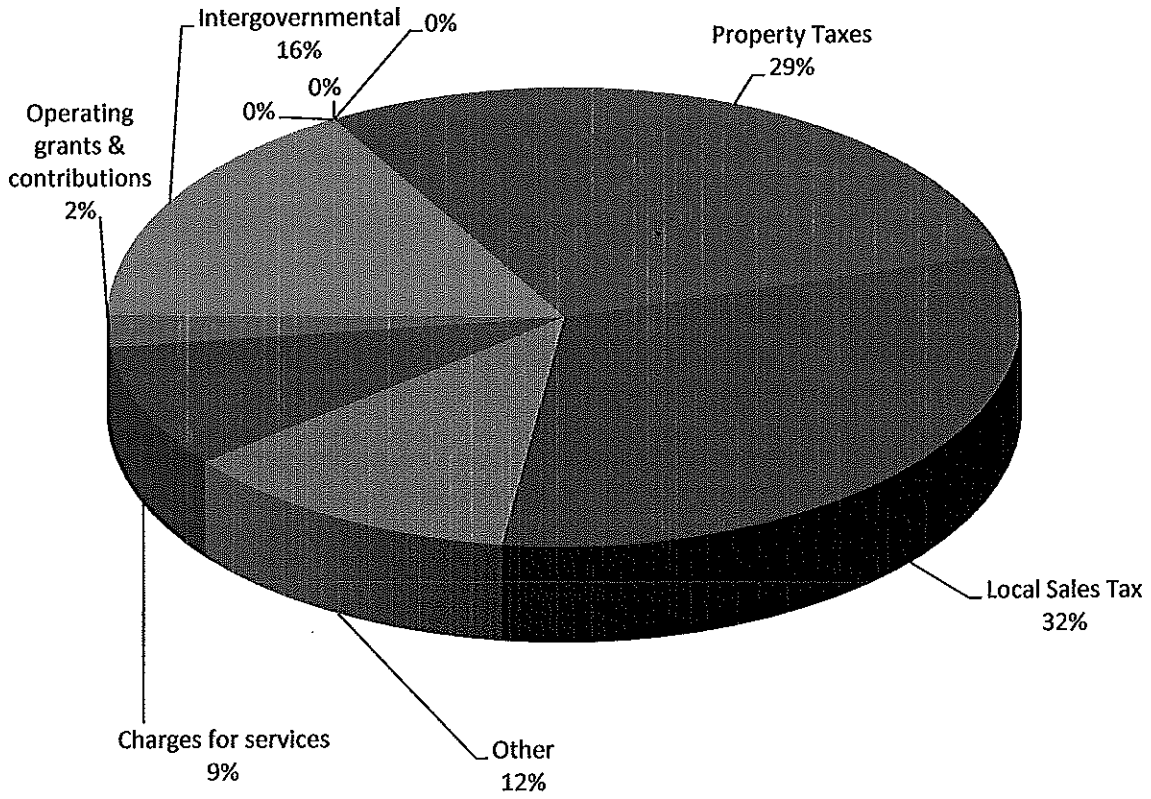
At the end of the current fiscal year, the City of Morristown is able to report positive balances in two of the three categories of net position for governmental activities, and all three categories of net position for business-type activities. The general fund had an unassigned fund balance of $11,118,191 on June 30, 2013.

City of Morristown's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 2,754,046	$ 2,751,255	$ 101,066,384	$ 99,419,215	$ 103,820,430	$ 102,170,470
Operating grants & contributions	710,156	700,118	2,219,003	2,067,523	2,929,159	2,767,641
Capital grants & contributions	-	-	1,602,948	165,384	1,602,948	165,384
General revenues:					-	-
Property taxes	9,083,552	9,135,643	-	-	9,083,552	9,135,643
Sales tax	9,923,645	10,236,619	-	-	9,923,645	10,236,619
Intergovernmental	5,146,051	4,777,887	-	-	5,146,051	4,777,887
Other	3,783,230	4,476,612	81,739	304,325	3,864,969	4,780,937
Total revenues	31,400,680	32,078,134	104,970,074	101,956,447	136,370,754	134,034,581
Expenses:						
General government	3,593,414	4,267,622	-	-	3,593,414	4,267,622
Public safety	14,016,226	13,775,987	-	-	14,016,226	13,775,987
Public works	6,665,204	9,939,809	-	-	6,665,204	9,939,809
Economic development	147,547	392,784	-	-	147,547	392,784
Parks & recreation	1,773,943	1,793,705	-	-	1,773,943	1,793,705
Civic support	1,098,472	1,638,926	-	-	1,098,472	1,638,926
Transportation	-	-	-	-	-	-
Retiree Health Insurance	401,695	309,530	-	-	401,695	309,530
Interest on long-term debt	327,064	289,717	-	-	327,064	289,717
Water	-	-	5,689,323	5,854,982	5,689,323	5,854,982
Sewer	-	-	9,489,262	9,632,557	9,489,262	9,632,557
Storm water	-	-	810,198	658,713	810,198	658,713
Electic	-	-	73,724,566	71,977,895	73,724,566	71,977,895
Telecom	-	-	7,256,552	6,963,308	7,256,552	6,963,308
Total expenses	28,023,565	32,408,080	96,969,901	95,087,455	124,993,466	127,495,535
Increase (decrease) in net position before transfers	3,377,115	(329,946)	8,000,173	6,868,992	11,377,288	6,539,046
Transfers	1,667,528	1,532,378	(1,667,528)	(1,532,378)	-	-
Increase (decrease) in net position	5,044,643	1,202,432	6,332,645	5,336,614	11,377,288	6,539,046
Net position - beginning	49,629,352	50,302,371	100,318,072	95,215,326	149,947,424	145,517,697
Prior period adjustment	12,915	(1,875,451)	(645,676)	(233,868)	(632,761)	(2,109,319)
Net position - ending	$ 54,686,910	$ 49,629,352	$ 106,005,041	$ 100,318,072	$ 160,691,951	$ 149,947,424

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

Revenues by Source-Governmental Activities



Property taxes continue to be a stable revenue source for the City. For FY 2013 collections decreased $52,120 from FY 2012.

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 $24,983,092, an increase of $1,230,571.

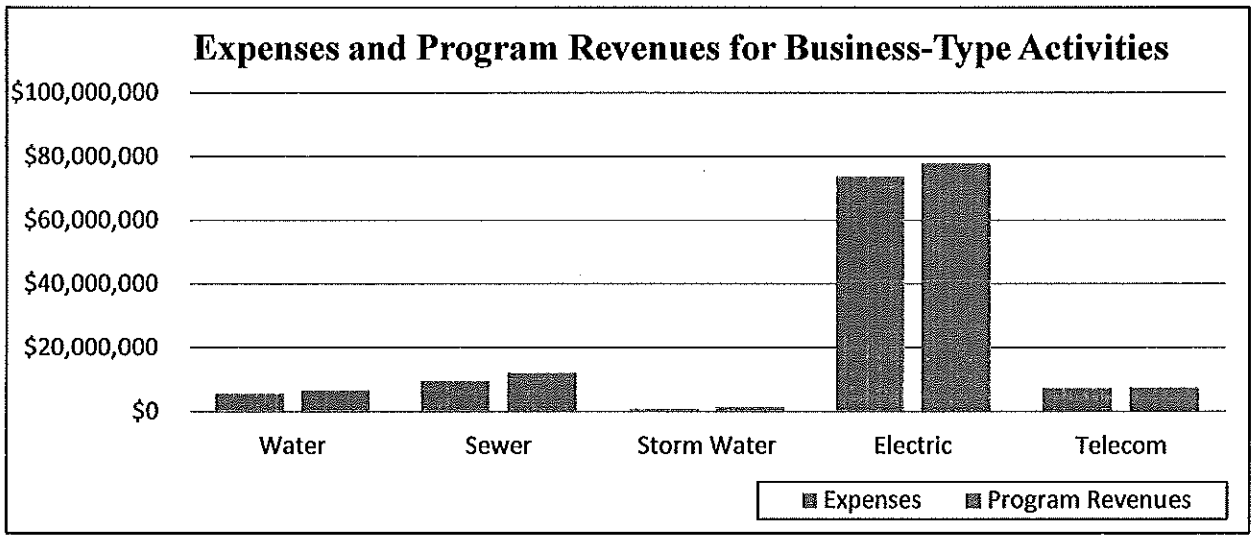
The general fund's fund balance increased $1,307,807.

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, if needed, an allocation from the general fund. The purpose for the current outstanding debt was for the purchase of 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 unrestricted net position of the City's Business Type Activities increased $3,015,811. The unrestricted net position of the City's sewer fund increased $4,294,358 for FY 2013. The reason for the increase is because of the large number of infrastructure projects that were ongoing at year end. These projects are to address the Commissioner's Order that requires the City to correct issues within the Sewer system by February 1, 2017. The City is on schedule in meeting the requirement.

Unrestricted net position of the Morristown Utility Commission, which operates power, water, and broadband service for the City, amounted to $15,312,246 at the end of the year, a decrease of $3,727,373. The Morristown Utility Commission's debt decreased by $373,774. 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 2013.



General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for FY 2013 can be briefly summarized as follows:

- $102,530 in increases allocated to the Police Department for COPS grant.
- $156,000 in increases for Building & Grounds building repair.
- $339,765 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, 2013, amounts to $51 million and $156.5 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress.

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	7,830,929	7,658,184	2,448,205	2,284,839	10,279,134	9,943,023
Buildings	11,661,128	11,914,940	-	-	11,661,128	11,914,940
Improvements other than buildings	1,215,343	1,280,954	-	-	1,215,343	1,280,954
Machinery & equipment	2,480,211	1,810,081	-	-	2,480,211	1,810,081
Infrastructure	27,834,362	26,441,925	-	-	27,834,362	26,441,925
Utility plant and equipment	-	-	142,897,429	140,348,069	142,897,429	140,348,069
Construction in progress	-	-	10,795,128	5,739,494	10,795,128	5,739,494
Total	51,021,973	49,106,084	156,140,762	148,372,402	207,162,735	197,478,486

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 $ 94.7 million; of this amount $21.3 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's breakdown of variable and fixed rate debt is 47% and 53% respectively. The broadband system's outstanding debt of $4,603,422 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, 2012	Additions	Reductions	Balance June 30, 2013
Governmental activities				
General fund	$ 22,645,956	$ -	$ 1,651,061	$ 20,994,895
Solid waste fund	404,329	-	25,228	$ 379,101
Total governmental activities	23,050,285	-	1,676,289	21,373,996
Business-type activities				
Sewer system	55,293,833	264,037	1,856,644	53,701,226
Storm water system	5,076,079	-	1,479	5,074,600
Electic system	16,491,711	275,662	606,060	16,161,313
Water system	16,221,010	-	979,060	15,241,950
Telecom system	4,717,345	-	113,923	4,603,422
Total business-type activities	97,799,978	539,699	3,557,166	94,782,511
Total Debt	$ 120,850,263	$ 539,699	$ 5,233,455	$ 116,156,507

Additional information on the City of Morristown's long-term debt can be found on page 72 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Morristown was 10.00% for June 2013, which is a decrease from a rate of 10.20% a year ago. The state's average unemployment rate was 8.5% and the national rate was 7.3%.
- Inflationary trends in the region compare favorably to national indices.
- Sales tax decreased $363,242 in FY 2013 when compared to FY 2012.

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 of 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 Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 11,707,204	$ 26,686,245	$ 38,393,449
Receivables (net of allowance for uncollectibles)	11,497,463	10,366,800	21,864,263
Inventories	50,799	1,516,665	1,567,464
Internal balances	1,192,757	-	-
Discounted energy units	-	-	-
Other current assets	-	140,049	140,049
Restricted cash and cash equivalents	-	22,206,747	22,206,747
Capital assets (net of accumulated depreciation):			
Land	7,830,929	2,448,205	10,279,134
Buildings	11,661,128	-	11,661,128
Improvements	1,215,343	-	1,215,343
Equipment	2,480,211	-	2,480,211
Infrastructure	27,834,362	-	27,834,362
Utility plant and equipment	-	142,897,429	142,897,429
Construction in progress	-	10,795,128	10,795,128
Real estate-non-operating	11,729,522	-	11,729,522
Other assets	-	232,439	232,439
Plant acquisition adjustments		492,099	492,099
Total assets	87,199,718	217,781,806	303,788,767
DEFERRED OUTFLOWS OF RESOURCES			
Accrual for unbilled revenue	56,511	2,426,045	2,482,556
LIABILITIES			
Accounts payable	257,006	6,992,407	7,249,413
Accrued expenditures and other current liabilities	97,478	2,818,226	2,915,704
Due to others - bonds and deposits	43,825	-	43,825
Internal balances	-	1,192,757	-
Customer deposits	-	3,536,144	3,536,144
General bonded debt			
Due within one year	1,136,020	4,830,285	5,966,305
Due in more than one year	20,238,010	89,952,226	110,190,236
Premium on bonds payable		1,482,811	1,482,811
Capital lease obligation			
Due within one year		18,877	18,877
Due in more than one year		72,547	72,547
Contractual liability		2,565,883	2,565,883
Accrued post retirement benefit obligation		529,512	529,512
Compensated absences:			
Estimated to be paid within one year	261,114	-	261,114
Estimated to be paid after one year	783,344	37,231	820,575
Total liabilities	22,816,797	114,028,906	135,652,946
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	9,752,522	173,904	9,926,426
NET POSITION			
Invested in operating capital assets net of related debt	29,647,943	79,424,880	109,072,823
Restricted for:			
Community development	155,845	-	155,845
Narcotics	3,326	-	3,326
Gas tax	1,448,582	-	1,448,582
Unrestricted (deficit)	23,431,214	26,580,161	50,011,375
Total net position	$ 54,686,910	$ 106,005,041	$ 160,691,951

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, 2013

Functions/Program	Expenses	Program revenues: Charges for Service	Program revenues: Operating Grants and Contributions	Program revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position – Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Business-type Activities	Net (Expense) Revenue and Changes in Net Position – Primary Government: Total
Primary government							
Governmental activities:							
General government	$ 3,593,414	$ 232,242	$ -	$ -	$ (3,361,172)	$ -	$ (3,361,172)
Public safety	14,016,226	1,178,045	458,947	-	(12,379,234)	-	(12,379,234)
Public works	6,665,204	1,343,759	77	-	(5,321,368)	-	(5,321,368)
Parks and recreation	1,773,943	-	3,738	-	(1,770,205)	-	(1,770,205)
Economic development	147,547	-	159,444	-	11,897	-	11,897
Civic support	1,098,472	-	87,950	-	(1,010,522)	-	(1,010,522)
Retiree health insurance	401,695	-	-	-	(401,695)	-	(401,695)
Long-term debt expense	327,064	-	-	-	(327,064)	-	(327,064)
Total governmental activities	28,023,565	2,754,046	710,156	-	(24,559,363)	-	(24,559,363)
Business-type activities:							
Water	5,689,323	6,450,217	20,456	43,601	-	824,951	824,951
Sewer	9,489,262	11,227,579	658,472	58,097	-	2,454,886	2,454,886
Storm water	810,198	1,342,550	203	-	-	532,555	532,555
Electric	73,724,566	74,850,804	1,323,058	1,501,250	-	3,950,546	3,950,546
Broadband	7,256,552	7,195,234	216,814	-	-	155,496	155,496
Total business-type activities	96,969,901	101,066,384	2,219,003	1,602,948	-	7,918,434	7,918,434
Total primary government	$ 124,993,466	$ 103,820,430	$ 2,929,159	$ 1,602,948	(24,559,363)	7,918,434	(16,640,929)
		Property taxes			9,083,552	-	9,083,552
		Franchise taxes			632,723	-	632,723
		Local sales tax			9,923,645	-	9,923,645
		Alcohol beverage tax			1,397,959	-	1,397,959
		Business and gross receipts tax			936,935	-	936,935
		Hotel/motel tax			561,930	-	561,930
		Other revenue			253,683	81,739	335,422
		Intergovernmental (unrestricted)			5,146,051	-	5,146,051
		Total governmental fund revenue			27,936,478	81,739	28,018,217
		Transfers			1,667,528	(1,667,528)	-
		Total general revenues and transfers			29,604,006	(1,585,789)	28,018,217
		Change in net position			5,044,643	6,332,645	11,377,288
		Net position - beginning			49,629,352	100,318,072	149,947,424
		Prior period adjustment			12,915	(645,676)	(632,761)
		Net position as adjusted - beginning			49,642,267	99,672,396	149,314,663
		Net position - ending			$ 54,686,910	$ 106,005,041	$ 160,691,951

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

City of Morristown, Tennessee
Balance Sheet
Governmental Funds
June 30, 2013

	General	Solid Waste Fund	NonMajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 10,138,215	$ 220,032	$ 126,794	$ 10,485,041
Receivables (net of allowance for uncollectibles)	12,496,674	123,187	58,771	12,678,632
Interfund loans receivable -current	5,163	-	-	5,163
Inventories	50,799	-	-	50,799
Real estate - non-operating	11,729,522	-	-	11,729,522
Total assets	34,420,373	343,219	185,565	34,949,157
DEFERRED OUTFLOWS OF RESOURCES				
Accrued unbilled revenue		56,511		56,511
Total assets and deferred outflows of resources	$ 34,420,373	$ 399,730	$ 185,565	$ 35,005,668
LIABILITIES				
Accounts payable	$ 127,638	$ 1,113	$ -	$ 128,751
Due to others-bonds	43,825	-	-	43,825
Accrued expenditures and other current liabilities	97,478	-	-	97,478
Total liabilities	268,941	1,113	-	270,054
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	9,726,128	-	26,394	9,752,522
FUND BALANCES				
Nonspendable				
Inventories	50,799			50,799
Real estate - non-operating	11,729,522			11,729,522
Restricted				
Narcotics	-	-	3,326	3,326
Community development	-		155,845	155,845
Gas tax	1,448,582			1,448,582
Assigned				
Sidewalks	8,500	-		8,500
Solid waste		398,617		398,617
Public safety	53,800			53,800
Public works	12,578			12,578
Parks and recreation	3,017			3,017
Civic support	315			315
Unassigned	11,118,191	-	-	11,118,191
Total fund balances	24,425,304	398,617	159,171	24,983,092
Total liabilities, deferred inflows of resources, and fund balances	$ 34,420,373	$ 399,730	$ 185,565	
Amounts reported for *governmental activities* in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				51,021,973
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(22,418,488)
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 position.				1,100,333
Net position of governmental activities				$ 54,686,910

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

City of Morristown, Tennessee
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	$ 9,083,552	$ -	$ -	$ 9,083,552
Franchise	632,723	-	-	632,723
Local sales tax	9,923,645	-	-	9,923,645
Alcoholic beverages	1,397,959	-	-	1,397,959
Business and gross receipts	936,935	-	-	936,935
Hotel/motel tax	561,930	-	-	561,930
Total taxes	22,536,744	-	-	22,536,744
Licenses, permits and fines	1,105,353	-	72,692	1,178,045
Other revenue	253,683	-	-	253,683
Service charges and fees	232,242	1,343,759	-	1,576,001
Intergovernmental	5,358,672	-	497,535	5,856,207
Total revenues	29,486,694	1,343,759	570,227	31,400,680
Expenditures				
Current:				
General government:				
Mayor and council	124,422	-	-	124,422
Council elections	15,356	-	-	15,356
City administrator	442,203	-	-	442,203
Finance	632,533	-	-	632,533
Purchasing	74,375	-	-	74,375
Computer operations	256,910	-	-	256,910
Human resources	286,449	-	-	286,449
Legal services	140,532	-	-	140,532
Community and economic affairs	438,313	-	-	438,313
Codes enforcement	69,312	-	-	69,312
Community development	37,135	-	436,267	473,402
Engineering	262,817	-	-	262,817
Inspections	412,418	-	-	412,418
Total general government	3,192,775	-	436,267	3,629,042
Public safety:				
Police	7,141,181	-	472,768	7,613,949
Fire	6,339,556	-	-	6,339,556
Emergency communications and civil service	18,909	-	-	18,909
Total public safety	13,499,646	-	472,768	13,972,414

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

City of Morristown, Tennessee
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General	Solid Waste Fund	Total Non Major Funds	Total Governmental Funds
Public works	7,344,925	1,453,315		8,798,240
Parks and recreation	1,768,165	-	-	1,768,165
Civic support	841,472	-	-	841,472
Library	257,000	-		257,000
Economic development	179,891	-	-	179,891
Retiree health insurance	401,695	-		401,695
Debt service:				
Bond principal	1,651,058	24,510	-	1,675,568
Bond interest	230,838	8,902	-	239,740
Bond expense	87,324	-	-	87,324
Total debt service	1,969,220	33,412	-	2,002,632
Total expenditures	29,454,789	1,486,727	909,035	31,850,551
Excess (deficiency) of revenues over expenditures	31,905	(142,968)	(338,808)	(449,871)
Other financing sources (uses):				
Transfers in	1,667,528	-	391,626	2,059,154
Transfers out	(391,626)	-	-	(391,626)
Total other financing sources and uses	1,275,902	-	391,626	1,667,528
Net change in fund balances	1,307,807	(142,968)	52,818	1,217,657
Fund balances - beginning	23,104,582	541,585	106,353	23,752,520
Prior period adjustment	12,915			12,915
Fund balances - beginning, as adjusted	23,117,497	541,585	106,353	23,765,435
Fund balances - ending	$ 24,425,304	$ 398,617	$ 159,171	$ 24,983,092

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
For the Year Ended June 30, 2013

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

Net change in fund balances--total governmental funds	$ 1,217,657
Governmental funds report capital outlays as expenditures. In the government-wide financial statements, capital asset additions are reported as additions to capital assets.	3,738,861
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.	(1,995,717)
Issuance of long-term debt	-
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.	1,675,568
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.	87,324
Compensated absences are considered expenditures when paid on the governmental fund basis, but in the government-wide financial statements are considered expenses as incurred.	8,203
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.	243,037
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	69,710
Change in net assets of governmental activities	$ 5,044,643

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Local taxes:				
Property taxes-current	$ 8,650,000	$ 8,650,000	$ 8,468,831	$ (181,169)
Property taxes-prior	220,000	220,000	221,379	1,379
Penalty and interest	85,000	85,000	167,433	82,433
Property taxes-delinquent	120,000	120,000	207,125	87,125
In lieu/tax equivalent	880,000	880,000	18,784	(861,216)
Cable franchise tax	200,000	200,000	287,159	87,159
Gas franchise tax	400,000	400,000	345,564	(54,436)
Local option sales tax	10,076,076	10,076,076	9,923,645	(152,431)
Wholesale beer tax	904,358	1,015,358	1,018,715	3,357
Wholesale liquor tax	240,000	240,000	379,244	139,244
Business and gross receipts tax	921,027	921,027	936,935	15,908
Hotel and Motel tax	440,000	440,000	561,930	121,930
Total local taxes	23,136,461	23,247,461	22,536,744	(710,717)
Licenses and permits:				
Beer permits	15,000	15,000	15,550	550
Bldg, elec, and plumbing permit	-	4,800	4,272	(528)
Building permits	-	102,200	121,854	19,654
Electrical permits	125,000	-	19,173	19,173
Plumbing permits	-	14,000	13,689	(311)
Gas permits	-	4,000	3,638	(362)
Development fees	5,000	5,000	4,804	(196)
Sidewalks	-	-	4,000	4,000
Developer agreements	-	-	6,094	6,094
Bid document fees	-	-	200	200
Farmers market permit	1,000	1,000	-	(1,000)
Server permits	8,000	8,000	10,525	2,525
Total licenses and permits	154,000	154,000	203,799	49,799
Intergovernmental Revenue:				
USDA summer feeding program	90,000	90,000	87,950	(2,050)
ARRA grants	-	-	685,830	685,830
TVA gross receipts tax	165,840	165,840	332,273	166,433
State sales tax	1,800,000	1,800,000	2,002,210	202,210
Telecommunication sales tax	2,300	2,300	2,371	71
State income tax	135,000	135,000	166,976	31,976
State beer tax	12,000	12,000	14,405	2,405
State gasoline tax	625,000	625,000	748,496	123,496
State PTS tax	55,400	55,400	59,715	4,315
Dept. of transportation airport grants	776,000	776,000	134,192	(641,808)
TDOT streets	2,775,151	2,775,151	-	(2,775,151)
Other state revenue	-	16,500	35,667	19,167
C.O.P.S. grant	187,434	187,434	-	(187,434)
State excise tax	50,000	50,000	4,985	(45,015)
C.O.P.S. more grant	-	102,530	255,094	152,564
Airport maintenance grant	-	-	24,398	24,398
Public safety inservice	-	-	99,369	99,369
Dept. of justice grants	-	-	22,559	22,559
Police department grants and reimbursements	-	20,000	20,399	399
Public works reimbursements	-	-	77	77
Parks and recreation grants and reimbursements	-	-	459	459
Fast track grant	-	339,765	335,761	(4,004)
Governor highway safety grant	-	-	20,898	20,898
ICAC grant	-	-	39,171	39,171
Greenway grant and reimbursement	-	-	854	854
TML grants	-	-	2,372	2,372
Other county revenue	280,000	280,000	262,191	(17,809)
Total intergovernmental revenue	6,954,125	7,432,920	5,358,672	(2,074,248)
Fines and users fees:				
Local match - private business	-	-	37,193	37,193
Recreational fees	145,000	145,000	232,242	87,242
City court fines and costs	900,000	900,000	758,160	(141,840)
Sex offender registry	3,000	3,000	4,845	1,845
DUI fines	84,000	84,000	101,356	17,356

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Totals fines and users fees	1,132,000	1,132,000	1,133,796	1,796
Other revenue:				
Donations to parks and recreation	10,000	10,000	3,279	(6,721)
Donations	-	-	282	282
Donations - police	-	300	1,457	1,157
Legacy trees	-	-	1,550	1,550
Fire department donations	-	2,642	-	(2,642)
Police reports	-	-	1,596	1,596
Docview reports	-	-	696	696
Fire department charge for services	-	-	2,642	2,642
Interest on investments	5,293	5,293	40,725	35,432
Inventory gain or loss	-	-	(475)	(475)
Driver license verification	-	-	57	57
Rental of city property	130,000	130,000	129,432	(568)
Program income - Kabita	-	-	24,376	24,376
Insurance reimbursements	-	5,000	16,056	11,056
Workers compensation refunds	-	-	1,354	1,354
Debt service reimbursements	-	-	7,943	7,943
Sale of city property	-	-	8,427	8,427
Miscellaneous	38,000	38,100	17,586	(20,514)
Fund balance	556,248	712,288	-	(712,288)
Total other revenue	739,541	902,323	253,683	(648,640)
Total revenue	32,116,167	32,869,004	29,486,694	(3,382,310)
Expenditures:				
General government:				
Mayor and city council:				
Wages and salaries	37,200	37,200	36,780	420
Christmas bonus and longevity	807	807	721	86
FICA	2,356	2,356	1,992	364
Medicare	551	551	466	85
Employee health insurance	78,045	78,045	46,372	31,673
Workers compensation insurance	152	652	515	137
Education seminars and training	-	400	575	(175)
Postal service	150	150	228	(78)
Printing services	1,500	1,500	1,642	(142)
Legal notices	2,000	2,000	3,993	(1,993)
Memberships and fees	17,000	17,000	13,263	3,737
Telephone services	100	100	594	(494)
Subscriptions and books	400	400	367	33
Travel	12,000	12,000	6,556	5,444
Other contracted services	2,000	2,000	(1,285)	3,285
Office supplies and materials	1,000	1,000	804	196
Other supplies and materials	1,000	1,000	909	91
Insurance	4,590	4,590	3,304	1,286
Other miscellaneous expenses	-	-	35	(35)
Property (contents) insurance	-	700	690	10
Equipment rental/lease	1,500	2,625	1,901	724
Council contingency	100,000	58,000	4,000	54,000
Total Mayor and city council	262,351	223,076	124,422	98,654
Council elections:				
Other contracted services	15,000	16,000	15,356	644
City administrator:				
Wages and salaries	286,154	286,154	286,935	(781)
Overtime	1,040	1,040	884	156
Wages and salaries - temporary employees	26,000	26,000	19,930	6,070
Christmas bonus and longevity	1,040	1,140	1,085	55
FICA	19,483	19,483	17,053	2,430
TCRS contribution	46,130	46,130	42,403	3,727
Medicare	4,556	4,556	4,269	287
Employee health insurance	22,299	22,299	35,391	(13,092)
Workers compensation insurance	3,500	4,600	4,565	35

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Employee life insurance	42	42	-	42
Memberships and dues	2,000	2,000	5,497	(3,497)
Advertising and publicity	1,500	1,500	-	1,500
Telephone services	1,300	1,500	1,187	313
Subscriptions and books	1,000	1,800	1,613	187
Education seminars and training	1,500	1,500	926	574
Travel	18,000	18,000	3,742	14,258
Other contracted services	4,000	4,000	3,427	573
Postal service	200	200	238	(38)
Legal notices	-	-	625	(625)
Office supplies	500	500	22	478
Office equipment	3,500	3,500	2,701	799
Office equipment	-	250	-	250
General operating supplies	500	500	65	435
Insurance general liability	430	430	353	77
Property (contents) insurance	821	821	74	747
Other miscellaneous expenses	-	-	7,129	(7,129)
Equipment rental/lease	3,000	3,000	1,901	1,099
Grants and other subsidies	26,330	26,330	188	26,142
Total city administrator	474,825	477,275	442,203	35,072
Finance department:				
Wages and salaries permanent employees	297,985	297,985	261,845	36,140
Overtime	500	500	5	495
Christmas bonus and longevity	2,467	2,467	1,648	819
FICA	18,659	18,659	15,828	2,831
Medicare	4,364	4,364	3,702	662
TCRS contribution	44,180	44,180	38,682	5,498
Employee health insurance	73,391	73,391	56,479	16,912
Employee life insurance	1,240	1,240	-	1,240
Workers compensation	7,583	10,083	9,936	147
Postal service	9,000	9,000	9,797	(797)
Printing services	500	500	202	298
Legal notices	1,000	1,500	1,155	345
Accounting and audit services	45,000	45,000	48,990	(3,990)
Cashier over/short	-	20	10	10
Repair and maintenance Office equipment	500	500	-	500
Subscriptions and books	250	250	-	250
Memberships and dues	1,750	1,750	300	1,450
Education seminars and training	3,000	3,000	6,731	(3,731)
Other professional services	75,000	110,000	135,100	(25,100)
Travel	6,000	6,000	6,943	(943)
Other supplies	-	45	-	45
Other contracted services	22,500	22,500	18,075	4,425
Office supplies and materials	5,000	6,000	7,214	(1,214)
Office equipment	4,000	4,000	-	4,000
Office supplies	-	-	90	(90)
General operating supplies	250	250	105	145
Insurance	1,056	1,056	1,035	21
OPEB funding	23,281	23,281	-	23,281
Property (contents) insurance	207	307	217	90
Equipment rental/lease	8,950	8,950	8,445	505
Cash variances	-	20	(1)	21
Total finance department	657,613	696,798	632,533	64,265
Purchasing department:				
Wages and salaries permanent employees	45,673	45,673	45,793	(120)
Overtime	250	250	-	250
Christmas bonus and longevity	283	283	275	8
FICA	2,865	2,865	2,739	126
Medicare	670	670	640	30
TCRS contribution	6,783	6,783	6,763	20
Employee health insurance	11,281	11,281	11,417	(136)

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

City of Morristown, Tennessee
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Employee life insurance	178	178	-	178
Workers compensation	1,167	1,667	1,642	25
Postal service	250	250	198	52
Other professional services	300	300	-	300
Education seminars and training	500	500	415	85
Travel	500	500	1,583	(1,083)
Other contracted services	-	100	70	30
Office supplies and materials	600	600	566	34
Other supplies and materials	50	50	-	50
Insurance	912	912	894	18
Property (contents) insurance	178	278	187	91
Equipment rental/lease	2,025	2,025	1,193	832
Total purchasing department	74,465	75,165	74,375	790
Retiree benefits - general fund:				
Health insurance/retiree	500,000	500,000	401,695	98,305
Total retiree benefits - general fund	500,000	500,000	401,695	98,305
Computer operations:				
Wages and salaries permanent employees	118,887	118,887	87,943	30,944
Christmas bonus and longevity	741	741	594	147
FICA	7,417	7,417	5,299	2,118
Medicare	1,735	1,735	1,239	496
TCRS contribution	17,561	17,561	12,227	5,334
Employee health insurance	22,645	22,645	16,390	6,255
Employee life insurance	464	464	-	464
Workers compensation	2,334	3,634	3,624	10
Telephone services	2,600	2,600	2,900	(300)
Clothing/uniforms/shoes	-	200	153	47
Publications	-	-	(20)	20
Other professional services	1,000	1,000	320	680
Repair and maintenance Office equipment	1,000	1,000	76	924
Subscriptions and books	50	850	713	137
Memberships and dues	600	600	100	500
Education seminars and training	6,000	6,000	1,881	4,119
Travel	4,000	4,000	1,448	2,552
Other contracted services	4,000	4,000	5,900	(1,900)
Office supplies and materials	200	400	362	38
Office equipment	-	5,500	5,392	108
ADP parts and components	5,000	31,000	35,574	(4,574)
General operating supplies	1,000	1,000	224	776
Gasoline/diesel fuel	400	400	129	271
Office equipment	80,000	88,000	69,661	18,339
Property (contents) insurance	789	889	828	61
Insurance	4,031	4,031	3,953	78
Total computer operations	282,454	324,554	256,910	67,644
Human resources:				
Wages and salaries permanent employees	140,471	140,471	142,892	(2,421)
Overtime	500	500	-	500
Christmas bonus and longevity	501	1,111	1,102	9
FICA	8,771	8,771	8,144	627
Medicare	2,051	2,051	1,905	146
TCRS contribution	20,695	20,695	20,082	613
Employee health insurance	27,253	27,253	28,824	(1,571)
Workers compensation	1,745	2,845	2,798	47
Employee life insurance	338	338	-	338
Tuition reimbursement	5,000	5,000	4,584	416
Postal service	200	400	405	(5)
Printing services	1,000	1,000	556	444
Legal notices	750	750	1,020	(270)
Telephone services	-	1,500	1,564	(64)
Subscriptions and books	500	500	354	146

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Education seminars and training	11,877	11,877	9,369	2,508
Memberships and dues	1,100	1,100	1,038	62
Travel	4,000	4,000	2,444	1,556
Other contracted services	36,750	57,250	48,472	8,778
Office supplies and materials	500	2,500	3,039	(539)
General operating supplies	1,500	1,500	18	1,482
Other supplies and materials	300	300	859	(559)
Insurance	3,551	3,551	3,482	69
Property (contents) insurance	601	751	730	21
Office equipment	500	500	160	340
Equipment rental/lease	2,000	2,800	2,608	192
Total human resources	272,454	299,314	286,449	12,865
Legal services:				
Wages and salaries permanent employees	10,655	10,655	12,738	(2,083)
Christmas bonus and longevity	1,676	1,676	376	1,300
FICA	765	765	463	302
Employee health insurance	22.299	22,299	11,939	10,360
Employee life insurance	42	42	-	42
Medicare	179	179	108	71
TCRS contribution	1,810	1,810	-	1,810
Workers compensation insurance	2,334	3,234	3,153	81
Professional and consulting	-	-	612	(612)
Attorney consult fees	59,000	59,000	53,468	5,532
Legal services	-	54,000	53,443	557
Subscriptions and books	2,800	3,800	4,035	(235)
Insurance	960	960	-	960
Property (contents) insurance	188	288	197	91
Total Legal services	102,708	158,708	140,532	18,176
Community and economic affairs:				
Wages and salaries permanent employees	195,542	195,542	190,526	5,016
Overtime	134	134	-	134
Christmas bonus and longevity	1,254	1,254	1,113	141
FICA	12,210	12,210	11,485	725
Medicare	2,855	2,855	2,686	169
TCRS contribution	28,909	28,909	27,339	1,570
Employee health insurance	31,776	31,776	30,714	1,062
Employee life insurance	748	748	-	748
Workers compensation	3,267	4,367	4,349	18
Postal service	1,000	1,000	280	720
Printing services	500	500	113	387
Legal notices	3,000	3,000	2,899	101
Other professional services	500	500	-	500
Subscriptions and books	500	500	193	307
Memberships and dues	2,000	2,000	868	1,132
Education seminars and training	2,500	2,500	6,425	(3,925)
Travel	4,000	4,000	3,942	58
Other contracted services	11,500	22,500	22,317	183
Office supplies and materials	3,000	3,000	1,393	1,607
Office equipment	3,800	5,800	3,945	1,855
General operating supplies	1,500	1,500	-	1,500
Gasoline and diesel fuel	1,500	1,500	938	562
Veh parts/oil/fluid/tires	300	300	1,196	(896)
Other supplies and materials	2,000	2,000	1,981	19
Insurance	912	912	894	18
Property (contents) insurance	178	278	187	91
Equipment rental/lease	1,000	1,000	355	645
Building and improvements	-	33,100	40,053	(6,953)
LAMPTO local match	-	-	82,122	(82,122)
Total community and economic affairs	316,385	363,685	438,313	(74,628)
Codes enforcement:				

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Wages and salaries permanent employees	76,095	76,095	32,436	43,659
Overtime	-	125	737	(612)
Christmas bonus and longevity	927	927	-	927
FICA	4,775	4,775	1,925	2,850
Medicare	1,117	1,117	450	667
TCRS contribution	11,307	11,307	4,415	6,892
Employee health insurance	22,360	22,360	9,464	12,896
Employee life insurance	293	293	-	293
Workers compensation	1,167	7,167	2,541	4,626
Unemployment insurance	-	2,750	2,730	20
Clothing/uniforms/shoes	500	500	387	113
Postal service	50	300	388	(88)
Legal notices	200	200	102	98
Telephone services	400	400	594	(194)
Computer/data processing	250	250	-	250
Memberships and dues	75	75	-	75
Education seminars and training	1,000	1,000	-	1,000
Travel	1,000	1,000	-	1,000
Other contracted services	30,000	24,100	10,069	14,031
Office supplies and materials	100	100	35	65
Office equipment	100	100	-	100
General operating supplies	100	6,100	812	5,288
Gasoline and diesel fuel	3,000	3,000	1,435	1,565
Veh parts/oil/fluid/tires	500	500	-	500
Insurance	480	480	470	10
Property (contents) insurance	94	194	99	95
Equipment rental/lease	100	100	223	(123)
Total codes enforcement	155,990	165,315	69,312	96,003
Morristown community development corporation:				
Wages and salaries permanent employees	28,216	28,216	23,651	4,565
Christmas bonus and longevity	139	139	80	59
FICA	1,758	1,758	1,459	299
Medicare	411	411	341	70
TCRS contribution	4,163	4,163	2,738	1,425
Employee health insurance	5,657	5,657	3,741	1,916
Employee life insurance	110	110	-	110
Workers compensation	583	783	752	31
Postal service	100	100	19	81
Legal notices	100	100	-	100
Subscriptions and books	270	470	225	245
Memberships and dues	750	750	250	500
Education seminars and training	1,400	1,400	1,369	31
Travel	2,400	2,400	2,263	137
Property (contents) insurance	-	100	99	1
Office supplies and materials	250	250	69	181
General operating supplies	200	200	79	121
Total morristown community development corporation	46,507	47,007	37,135	9,872
Engineering:				
Wages and salaries permanent employees	182,163	182,163	163,923	18,240
Overtime	1,000	1,000	-	1,000
Christmas bonus and longevity	813	813	445	368
FICA	11,407	11,407	9,981	1,426
Medicare	2,668	2,668	2,334	334
TCRS contribution	27,008	27,008	24,129	2,879
Employee health insurance	35,093	35,093	31,422	3,671
Employee life insurance	711	711	-	711
Workers compensation	3,617	5,017	4,931	86
Clothing/uniforms/shoes	250	250	-	250
Postal service	200	200	70	130
Legal notices	750	750	-	750
Telephone services	993	2,593	1,384	1,209
Other professional services	1,500	1,500	-	1,500

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Subscriptions and books	250	250	-	250
Memberships and dues	2,565	2,565	2,492	73
Education seminars and training	-	500	1,425	(925)
Travel	3,000	3,000	1,094	1,906
Office supplies and materials	5,700	5,700	3,662	2,038
Computer software	900	900	-	900
Office equipment	-	-	254	(254)
General operating supplies	6,111	6,111	2,916	3,195
Gasoline and diesel fuel	6,300	6,300	1,891	4,409
Veh parts/oil/fluid/tires	1,800	1,800	1,440	360
Other supplies and materials	900	900	-	900
Insurance	1,771	1,771	1,736	35
Property (contents) insurance	346	446	364	82
Equipment rental/lease	6,247	8,247	7,702	545
TIGER grant	-	-	(778)	778
Total engineering	301,053	309,563	262,817	46,846
Police supervision:				
Wages and salaries permanent employees	240,200	240,200	254,320	(14,120)
Overtime	1,000	1,000	862	138
Supplemental training pay	4,364	4,364	-	4,364
Christmas bonus and longevity	2,459	2,519	2,512	7
FICA	15,377	15,377	15,516	(139)
Medicare	3,596	3,596	3,629	(33)
TCRS contribution	36,410	36,410	37,837	(1,427)
Employee health insurance	56,433	56,433	57,419	(986)
Employee life insurance	928	928	-	928
Workers compensation	7,000	7,000	6,222	778
Clothing/uniforms/shoes	950	950	877	73
Travel	-	-	(108)	108
Postal service	1,200	1,200	1,546	(346)
Printing services	300	300	-	300
Legal notices	200	200	-	200
Telephone services	750	750	707	43
Computer/data processing	30,108	30,108	29,622	486
Other professional services	1,000	1,000	1,058	(58)
Repair and maintenance vehicles	150	150	120	30
Subscriptions and books	850	850	597	253
Memberships and dues	900	900	882	18
Education seminars and training	2,300	2,600	1,741	859
Travel business expenses	8,140	8,140	6,705	1,435
Other contracted services	45,000	45,000	22,833	22,167
Office supplies and materials	1,200	1,200	1,172	28
Office equipment	5,000	5,000	4,595	405
Janitorial supplies	150	150	-	150
General operating supplies	800	800	732	68
Gasoline and diesel fuel	6,650	6,650	5,076	1,574
Veh parts/oil/fluid/tires	500	500	381	119
Insurance	5,182	5,182	5,082	100
Property (contents) insurance	1,014	1,114	1,065	49
Equipment rental/lease	2,000	3,700	2,698	1,002
Sex offenders administration	1,800	2,200	3,615	(1,415)
Other misc expenses	-	-	6,855	(6,855)
Total police supervision	483,911	486,471	476,168	10,303
Patrol and traffic:				
Wages and salaries permanent employees	2,681,665	2,675,386	2,651,002	24,384
Overtime	85,000	85,000	106,984	(21,984)
Wages and salaries temporary employees	2,000	4,100	5,910	(1,810)
Holiday pay	78,610	78,610	88,092	(9,482)
Christmas bonus and longevity	24,930	24,930	25,116	(186)
FICA	178,077	178,077	174,464	3,613
Medicare	39,647	39,647	40,803	(1,156)
TCRS contribution	421,640	421,640	419,081	2,559

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Employee health insurance	732,185	732,185	711,815	20,370
Employee life insurance	10,126	10,126	-	10,126
Workers compensation	74,665	74,665	80,251	(5,586)
Unemployment insurance	-	1,500	2,256	(756)
Clothing/uniforms/shoes	40,000	40,000	49,886	(9,886)
Postal service	500	500	409	91
Printing services	2,500	2,500	2,184	316
Memberships and dues	1,750	1,750	1,708	42
Advertising	500	500	-	500
Legal notices	-	300	280	20
Janitorial supplies	100	100	-	100
Gasoline and diesel fuel	252,700	252,700	226,822	25,878
Veh parts/oil/fluid/tires	59,000	69,800	73,129	(3,329)
Other supplies	-	1,650	2,173	(523)
Telephone services	12,250	12,250	12,552	(302)
Medical services	100	5,100	4,928	172
Other professional services	7,000	5,000	4,774	226
Repairs and maintenance communications	1,500	1,500	1,070	430
Repairs and maintenance vehicles	36,000	33,000	32,912	88
Repairs and maintenance bldg/grounds	1,500	1,500	343	1,157
Education seminars and training	28,000	39,000	30,019	8,981
Travel business expenses	33,450	13,450	5,659	7,791
Other contracted services	10,500	10,500	8,057	2,443
Office supplies and materials	10,000	10,000	9,392	608
Munitions	19,000	19,000	12,015	6,985
Defensive driver class supply	10,000	10,000	2,165	7,835
General operating supplies	-	800	1,176	(376)
Insurance	87,328	87,328	86,103	1,225
Property (contents) insurance	17,985	17,985	17,947	38
Office equipment	8,000	3,000	2,745	255
Equipment rental/lease	4,643	4,643	2,700	1,943
Other misc expenses	-	140	150	(10)
Grants	-	16,555	18,739	(2,184)
Motor equipment	156,243	199,022	198,892	130
Machinery and equipment	20,000	20,000	21,940	(1,940)
Other capital outlay	37,100	47,100	35,467	11,633
Other machinery and equipment	-	9,900	9,813	87
Total patrol and traffic	5,179,294	5,263,439	5,182,923	80,516
Police investigation.				
Wages and salaries permanent employees	809,327	809,327	796,432	12,895
Overtime	28,000	28,000	34,744	(6,744)
Christmas bonus and longevity	11,062	11,062	10,648	414
FICA	52,600	52,600	50,855	1,745
Medicare	12,302	12,302	11,894	408
TCRS contribution	124,544	124,544	123,682	862
Employee health insurance	169,508	169,508	162,486	7,022
Employee life insurance	3,055	3,055	-	3,055
Workers compensation	17,500	17,500	21,661	(4,161)
Postal service	500	500	629	(129)
Printing services	200	200	105	95
Telephone services	4,500	4,500	4,785	(285)
Other professional services	300	300	315	(15)
Medical services	-	-	112	(112)
Subscriptions and books	300	300	35	265
Memberships and dues	500	500	613	(113)
Repairs and maintenance vehicles	700	700	390	310
Clothing/uniforms/shoes	9,750	9,750	9,671	79
Education seminars and training	3,000	3,000	1,939	1,061
Travel business expenses	7,470	7,470	4,082	3,388
Other contracted services	1,000	1,000	425	575
Office supplies and materials	6,100	6,100	5,961	139
General operating supplies	1,100	1,100	947	153
Gasoline and diesel fuel	28,200	28,200	18,016	10,184
Veh parts/oil/fluid/tires	6,800	6,800	4,143	2,657

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
In Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Insurance	20,153	20,153	19,764	389
Property (contents) insurance	3,943	4,143	4,142	1
Equipment rental/lease	9,500	9,500	5,661	3,839
Total police investigation	1,331,914	1,332,114	1,294,137	37,977
Vice:				
Wages and salaries permanent employees	57,429	57,429	57,222	207
Overtime	3,500	3,500	1,404	2,096
Christmas bonus and longevity	649	649	646	3
FICA	3,818	3,818	3,574	244
Medicare	893	893	836	57
TCRS contribution	9,040	9,040	8,709	331
Employee health insurance	21,928	21,928	11,568	10,360
Employee life insurance	1,525	1,525	-	1,525
Workers compensation	1,167	1,187	1,182	5
Telephone services	600	800	714	86
Other professional services	800	800	-	800
Repair and maintenance office equipment	200	200	-	200
Education seminars and training	400	400	545	(145)
Travel business expenses	515	515	554	(39)
Office supplies and materials	400	400	334	66
General operating supplies	-	-	607	(607)
Clothing/uniforms/shoes	650	650	650	-
Gasoline and diesel fuel	2,660	2,660	2,053	607
Veh parts/oil/fluid/tires	500	500	457	43
Property (contents) insurance	357	457	375	82
Insurance	1,823	1,823	1,788	35
Total vice	108,854	109,174	93,218	15,956
Fire supervision:				
Wages and salaries permanent employees	393,053	393,053	394,029	(976)
Supplemental training pay	1,900	1,900	-	1,900
Christmas bonus and longevity	5,388	5,388	5,374	14
FICA	24,821	24,821	24,052	769
Medicare	5,805	5,805	5,625	180
TCRS contribution	58,770	58,770	58,280	490
Employee health insurance	67,991	67,991	69,267	(1,276)
Employee life insurance	1,471	1,471	-	1,471
Workers compensation	5,833	5,833	3,811	2,022
Clothing/uniforms/shoes	500	500	60	440
Postal service	50	50	94	(44)
Medical services	-	-	84	(84)
Telephone services	2,500	2,500	2,136	364
Subscriptions and books	300	300	254	46
Memberships and fees	700	700	529	171
Education seminars and training	500	500	-	500
Travel business expenses	700	700	435	265
Office supplies and materials	1,900	1,900	1,401	499
Gasoline and diesel fuel	6,500	6,500	4,538	1,962
Veh parts/oil/fluid/tires	1,500	1,500	576	924
General operating supplies	300	300	150	150
Insurance	2,016	2,016	1,977	39
Property (contents) insurance	394	494	414	80
Equipment rental/lease	4,850	6,150	4,805	1,345
Total fire supervision	587,742	589,142	577,891	11,251
Fire inspection:				
Wages and salaries permanent employees	62,537	62,537	62,490	47
Overtime	-	2,642	-	2,642
Supplemental training pay	1,900	1,900	-	1,900
Christmas bonus and longevity	841	1,681	837	844
FICA	4,047	4,047	3,792	255
Medicare	947	947	887	60

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
In Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
TCRS contribution	9,583	9,583	9,209	374
Employee health insurance	11,325	11,325	11,523	(198)
Employee life insurance	237	237	-	237
Workers compensation	7,000	7,000	4,512	2,488
Postal service	100	100	23	77
Telephone services	400	400	404	(4)
Medical services	-	100	28	72
Subscriptions and books	1,000	1,000	228	772
Memberships and dues	400	400	35	365
Education seminars and training	1,700	1,700	1,230	470
Travel business expenses	4,000	5,000	4,908	92
Public relations expenses	3,000	3,000	2,827	173
Other contracted services	-	25	25	-
Office supplies and materials	300	300	115	185
General operating supplies	300	300	53	247
Clothing/uniforms/shoes	300	300	154	146
Gasoline and diesel fuel	6,000	6,000	5,062	938
Veh parts/oil/fluid/tires	1,000	1,000	-	1,000
Insurance	2,015	2,015	1,976	39
Bonds	-	125	125	-
Property (contents) insurance	394	419	414	5
Equipment rental/lease	1,500	1,500	578	922
Total fire inspection	120,826	125,583	111,435	14,148
Fire stations:				
Workers compensation insurance	-	1,900	1,803	97
Repair/maintenance operations equipment	3,000	3,000	2,249	751
Repair/maintenance office equipment	-	-	170	(170)
Repair/maintenance bldg/grounds	36,000	46,000	39,544	6,456
Repair and maintenance other	3,000	3,000	4,198	(1,198)
Other contracted services	12,700	12,700	11,632	1,068
Office supplies and materials	300	300	259	41
Electricity	-	-	468	(468)
Water and sewer	-	-	111	(111)
Natural gas and propane	-	-	94	(94)
Telephone services	-	-	37	(37)
Janitorial supplies	18,500	18,500	15,873	2,627
General operating supplies	6,100	7,400	7,879	(479)
Gasoline and diesel fuel	300	300	-	300
Veh parts/oil/fluid/tires	100	100	-	100
Building and improvements	-	-	3,887	(3,887)
Property (contents) insurance	1,408	1,508	1,479	29
Insurance	7,197	7,197	7,058	139
Total fire stations	88,605	101,905	96,741	5,164
Fire fighting:				
Wages and salaries permanent employees	3,245,623	3,245,623	3,049,132	196,491
Overtime	209,500	209,500	216,950	(7,450)
Holiday pay	66,090	-	-	-
Holiday pay	-	66,090	126,014	(59,924)
Christmas bonus and longevity	36,826	36,826	35,986	840
FICA	220,598	220,598	203,128	17,470
Medicare	51,592	51,592	47,506	4,086
TCRS contribution	522,320	522,320	496,636	25,684
Employee health insurance	878,343	878,343	862,746	15,597
Employee life insurance	11,783	11,783	-	11,783
Workers compensation	90,998	90,998	77,433	13,565
Unemployment	-	6,900	8,725	(1,825)
Water and sewer	2,000	2,000	-	2,000
Telephone services	400	400	-	400
Medical services	-	2,000	1,853	147
Other professional services	29,000	29,000	21,202	7,798
Repair and maintenance vehicles	500	1,000	1,464	(464)

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Repair/maintenance operations equipment	8,000	8,000	8,058	(58)
Repair and maintenance bldg/grounds	-	-	127	(127)
Subscriptions and books	2,500	2,500	1,262	1,238
Education seminars and training	4,000	8,000	7,780	220
Clothing/uniforms/shoes	30,000	30,000	24,469	5,531
Postal service	200	200	275	(75)
Legal notices	-	100	213	(113)
Memberships and dues	1,000	1,000	1,435	(435)
Travel business expenses	20,000	20,000	7,958	12,042
Other contracted services	700	700	650	50
Office supplies and materials	1,000	1,000	472	528
General operating supplies	15,000	15,000	9,979	5,021
Small tools and equipment	-	-	15,229	(15,229)
Gasoline and diesel fuel	65,000	65,000	43,865	21,135
Veh parts/oil/fluid/tires	70,000	70,000	75,364	(5,364)
Insurance	95,965	95,965	94,113	1,852
Property (contents) insurance	18,775	20,175	20,136	39
Equipment rental/lease	4,000	4,000	2,311	1,689
Other misc expenses	-	20	18	2
Motor equipment	100,000	100,000	91,000	9,000
Machinery and equipment	10,000	10,000	-	10,000
				-
Total fire fighting	5,811,713	5,826,633	5,553,489	273,144
Fire and medical response:				
Education seminars and training	5,000	5,000	4,001	999
Workers compensation insurance	-	400	307	93
Repair/maintenance operations equipment	2,000	2,000	-	2,000
Memberships and dues	150	150	-	150
Small tools and equipment	6,000	6,000	5,008	992
Clothing/uniforms/shoes	3,500	3,500	4,162	(662)
Printing services	300	300	256	44
General operating supplies	3,500	3,500	3,199	301
Property (contents) insurance	394	394	-	394
Insurance	2,015	2,015	1,976	39
Total fire and medical response	22,859	23,259	18,909	4,350
Inspections:				
Wages and salaries permanent employees	273,228	273,228	250,103	23,125
Christmas bonus and longevity	3,990	3,990	3,895	95
FICA	17,188	17,188	15,357	1,831
Medicare	4,020	4,020	3,592	428
TCRS contribution	40,696	40,696	37,287	3,409
Employee health insurance	56,527	56,527	49,969	6,558
Employee life insurance	1,051	1,051	-	1,051
Workers compensation	4,667	6,367	6,294	73
Clothing/uniforms/shoes	1,000	1,000	793	207
Education seminars and training	2,400	2,400	1,856	544
Postal service	250	250	149	101
Printing services	150	150	212	(62)
Legal notices	350	350	203	147
Telephone services	-	1,600	1,445	155
Other professional services	3,200	3,200	-	3,200
Subscriptions and dues	400	400	736	(336)
Memberships and dues	800	800	347	453
Travel business expenses	850	850	55	795
Other contracted services	36,300	36,300	26,902	9,398
Office equipment	1,200	1,200	254	946
Office supplies and materials	300	300	265	35
Gasoline and diesel fuel	6,000	6,000	4,501	1,499
Veh parts/oil/fluid/tires	2,200	2,200	251	1,949
Other supplies and materials	400	400	72	328
Equipment rental/lease	3,600	7,000	5,717	1,283
Property (contents) insurance	357	457	375	82

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
In Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Insurance	1,823	1,823	1,788	35
Total Inspections	462,947	469,747	412,418	57,329
Public works supervision:				
Wages and salaries permanent employees	98,523	98,523	100,372	(1,849)
Wages and salaries temp employees	-	-	102	(102)
Christmas bonus and longevity	1,720	1,720	1,881	(161)
FICA	6,215	6,215	6,176	39
Medicare	1,454	1,454	1,444	10
TCRS contribution	14,716	14,716	15,044	(328)
Employee health insurance	20,688	20,688	20,745	(57)
Employee life insurance	383	383	-	383
Workers compensation	2,135	2,435	2,347	88
Clothing/uniforms/shoes	3,100	3,100	1,831	1,269
Postal service	25	25	-	25
Printing service	100	100	-	100
Legal notices	200	200	-	200
Telephone services	400	400	500	(100)
Medical services	-	-	25	(25)
Repair and maintenance office equipment	100	100	-	100
Subscriptions and books	50	50	-	50
Memberships and dues	100	100	157	(57)
Education seminars and training	1,500	1,500	748	752
Travel business expenses	650	900	940	(40)
Other contracted services	350	350	70	280
Office supplies and materials	1,900	1,900	2,152	(252)
Office equipment	-	10,000	2,024	7,976
Janitorial supplies	100	100	-	100
General operating supplies	100	100	270	(170)
Gasoline and diesel fuel	3,500	3,500	213	3,287
Veh parts/oil/fluid/tires	1,700	1,700	1,066	634
Concrete products	200	200	-	200
Equipment rental/lease	2,750	3,150	3,412	(262)
Automotive equipment	-	24,500	23,813	687
Other misc expenses	-	-	639	(639)
Property (contents) insurance	591	691	621	70
Insurance	3,023	3,023	3,015	8
Total public works supervision	166,273	201,823	189,667	12,156
Buildings and grounds:				
Wages and salaries permanent employees	78,356	78,356	89,449	(11,093)
Overtime	6,000	6,000	5,841	159
Wages and salaries temporary employees	25,000	25,000	27,195	(2,195)
Christmas bonus and longevity	1,282	1,307	1,304	3
FICA	6,860	6,860	7,420	(560)
Medicare	1,604	1,604	1,735	(131)
TCRS contribution	12,572	12,572	14,005	(1,433)
Employee health insurance	22,524	22,524	27,419	(4,895)
Employee life insurance	304	304	-	304
Workers compensation	2,334	6,034	6,147	(113)
Unemployment insurance	-	-	2,717	(2,717)
Clothing/uniforms/shoes	2,500	2,500	2,052	448
Postal service	25	25	-	25
Landscaping	-	-	100	(100)
Electricity	365,000	365,000	312,184	52,816
Water and sewer	10,000	45,000	86,591	(41,591)
Natural gas and propane	65,000	30,000	58,585	(28,585)
Telephone services	87,000	87,000	98,111	(11,111)
Medical services	-	-	193	(193)
Other professional services	1,000	1,000	-	1,000
Repair and maintenance vehicles	1,000	1,000	-	1,000
Repair and maintenance operations equipment	2,500	13,500	7,682	5,818
Repair and maintenance bldg/grounds	38,000	53,000	48,830	4,170
Memberships and dues	500	500	500	-

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Education seminars and training	1,500	1,500	1,029	471
Travel business expenses	1,000	1,000	839	161
Other contracted services	54,408	54,408	38,542	15,866
Office supplies and materials	200	200	40	160
Office equipment	200	200	8	192
Small tools and equipment	4,000	4,000	3,052	948
Janitorial supplies	12,000	12,000	13,731	(1,731)
General operating supplies	20,000	20,000	19,106	894
Gasoline and diesel fuel	5,000	5,000	4,246	754
Veh parts/oil/fluid/tires	4,000	4,000	1,400	2,600
Insurance	9,597	9,597	9,411	186
Property (contents) insurance	1,877	1,977	1,972	5
Land-rental/lease	-	-	309	(309)
Equipment rental/lease	1,200	1,200	135	1,065
Other misc expenses	1,000	1,000	332	668
Building and improvements	-	156,000	155,365	635
Other capital outlay	210,000	210,000	57,548	152,452
Total buildings and grounds	1,055,343	1,241,168	1,105,125	136,043
Equipment shop:				
Wages and salaries permanent employees	270,947	270,947	281,102	(10,155)
Overtime	10,000	10,000	13,385	(3,385)
Christmas bonus and longevity	3,583	3,733	3,731	2
FICA	17,641	17,641	17,879	(238)
Medicare	4,126	4,126	4,182	(56)
TCRS contribution	41,769	41,769	43,806	(2,037)
Employee health insurance	78,816	78,816	78,248	568
Employee life insurance	1,044	1,044	-	1,044
Workers compensation	8,166	8,166	8,040	126
Unemployment insurance	-	-	168	(168)
Clothing/uniforms/shoes	6,816	6,816	3,903	2,913
Natural gas and propane	600	600	58	542
Telephone services	-	800	728	72
Medical services	-	800	783	17
Other professional services	500	500	150	350
Repairs and maintenance vehicles	500	500	-	500
Education seminars and training	2,000	2,000	498	1,502
Other contracted services	-	140	70	70
Travel business expenses	300	300	-	300
Office supplies and materials	500	500	258	242
Office equipment	2,000	2,000	30	1,970
Small tools and equipment	7,500	10,700	13,527	(2,827)
Janitorial supplies	2,000	2,100	2,375	(275)
General operating supplies	1,000	1,000	478	522
Gasoline and diesel fuel	2,800	2,800	4,375	(1,575)
Veh parts/oil/fluid/tires	1,900	11,900	1,735	10,165
Equipment rental/lease	1,200	1,200	510	690
Machinery and equipment	2,800	2,800	-	2,800
Property (contents) insurance	394	419	414	5
Insurance	2,015	2,015	1,976	39
Total equipment shop	470,917	486,132	482,409	3,723
Street repairs and maintenance:				
Wages and salaries permanent employees	326,671	326,671	281,053	45,618
Overtime	8,500	8,500	3,405	5,095
Christmas bonus and longevity	5,816	5,816	5,793	23
FICA	21,141	21,141	17,062	4,079
Medicare	4,944	4,944	3,989	955
TCRS contribution	50,057	50,057	42,359	7,698
Employee health insurance	101,279	101,279	86,289	14,990
Employee life insurance	1,268	1,268	-	1,268
Workers compensation	10,500	11,000	11,089	(89)
Clothing/uniforms/shoes	5,500	5,500	4,985	515
Legal notices	-	200	121	79

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
In Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Automotive parts and accessories	-	-	(24)	24
Telephone services	800	800	481	319
Medical services	252	2,052	1,429	623
Education seminars and training	400	400	1,164	(764)
Other professional services	-	200	125	75
Repair and maintenance vehicles	1,000	1,000	1,283	(283)
Repair/maintenance operations equipment	17,150	17,150	21,357	(4,207)
Travel business expenses	400	400	-	400
Other contracted services	1,500	1,500	3,122	(1,622)
Office supplies and materials	300	300	270	30
Office equipment	1,200	1,200	1,650	(450)
Small tools and equipment	4,000	4,000	3,793	207
Janitorial supplies	250	250	-	250
General operating supplies	15,000	15,000	7,010	7,990
Gasoline and diesel fuel	50,000	50,000	31,105	18,895
Veh parts/oil/fluid/tires	7,350	7,350	10,130	(2,780)
Concrete products	8,000	8,000	380	7,620
Crushed stone and sand	21,500	21,500	9,420	12,080
Asphalt	100,000	151,458	150,018	(8,560)
Equipment rental/lease	500	1,500	700	800
Other misc expenses	500	500	15	485
Motor equipment	190,000	200,600	200,598	2
Property (contents) insurance	1,971	2,071	2,071	-
Insurance	10,076	10,076	9,882	194
Total street repairs and maintenance	967,825	1,023,683	912,124	111,559
Street lighting and signs:				
Wages and salaries permanent employees	31,371	61,371	76,210	(14,839)
Overtime	2,000	2,000	89	1,911
Christmas bonus and longevity	283	283	122	161
FICA	2,087	4,087	4,492	(405)
Medicare	488	988	1,051	(63)
TCRS contribution	4,940	10,940	11,219	(279)
Employee health insurance	11,237	24,237	26,510	(2,273)
Employee life insurance	120	120	-	120
Workers compensation	1,167	1,167	1,087	80
Clothing/uniforms/shoes	755	755	534	221
Electricity	600,000	600,000	556,018	43,982
Repair and maintenance vehicles	500	500	333	167
Subscriptions and books	350	350	-	350
Education seminars and training	400	400	130	270
Travel business expenses	400	400	-	400
Postal service	-	-	7	(7)
Natural gas and propane	-	60	82	(22)
Telephone services	-	-	69	(69)
Medical services	28	28	56	(28)
Repairs and maintenance communications	-	-	450	(450)
Office supplies and materials	100	100	102	(2)
Small tools and equipment	4,300	4,300	20,274	(15,974)
Computers/software	4,500	4,500	1,108	3,392
Office equipment	3,000	3,000	-	3,000
Janitorial supplies	200	200	-	200
General operating supplies	37,000	37,000	33,647	3,353
Gasoline and diesel fuel	7,500	7,500	5,514	1,986
Veh parts/oil/fluid/tires	5,700	5,700	4,114	1,586
Machinery and equipment	19,400	19,400	-	19,400
Property (contents) insurance	75	175	79	96
Insurance	384	384	376	8
Total street lighting and signs	738,285	789,945	743,673	46,272
Brush pick-up and snow removal:				
Wages and salaries permanent employees	343,407	343,407	344,058	(651)
Overtime	17,500	38,500	29,125	9,375
Wages and salaries temporary employees	40,000	40,000	36,510	3,490

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
In Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Christmas bonus and longevity	4,689	4,689	4,969	(280)
FICA	25,147	25,147	24,571	576
Medicare	5,881	5,881	5,747	134
TCRS contribution	53,669	53,669	53,961	(292)
Employee health insurance	131,489	131,489	118,122	13,367
Employee life insurance	1,420	1,420	-	1,420
Workers compensation	11,317	11,342	11,340	2
Unemployment	-	-	4,621	(4,621)
Clothing/uniforms/shoes	6,350	6,350	5,115	1,235
Postal service	50	50	6	44
Legal notices	200	200	317	(117)
Natural gas and propane	-	30	29	1
Telephone services	-	1,200	844	356
Medical services	-	1,000	746	254
Other professional services	700	700	-	700
Repair/maintenance operations equipment	-	18,000	21,642	(3,642)
Education seminars and training	400	400	150	250
Travel business expenses	500	500	261	239
Office supplies and materials	100	100	70	30
Small tools and equipment	6,500	6,500	17,646	(11,146)
Janitorial supplies	150	150	126	24
General operating supplies	1,500	1,500	1,227	273
Gasoline and diesel fuel	85,000	85,000	78,498	6,502
Veh parts/oil/fluid/tires	66,100	66,100	61,224	4,876
Salt/sodium chloride	60,000	51,000	24,704	26,296
Landfill fee/disposition charges	245,000	245,000	205,609	39,391
Other misc expenses	-	-	450	(450)
Other machinery and equipment	-	9,000	-	9,000
Property (contents) insurance	1,718	1,818	1,804	14
Insurance	8,781	8,781	8,611	170
Total brush pick-up and snow removal	1,117,568	1,158,923	1,062,103	96,820
Sidewalks:				
Gasoline and diesel fuel	100	100	-	100
Veh parts/oil/fluid/tires	100	100	-	100
General operating supplies	-	200	82	118
Concrete products	20,500	24,500	23,559	941
Crushed stone and sand	2,000	2,000	1,680	320
Total sidewalks	22,700	26,900	25,321	1,579
Traffic devices:				
Wages and salaries permanent employees	-	2,200	1,067	1,133
Overtime	-	10,000	10,154	(154)
F.I.C.A.	-	800	673	127
Medicare	-	200	157	43
TCRS contribution	-	1,800	1,647	153
Employee health insurance	-	2,000	2,332	(332)
Postal service	-	200	43	157
Electricity	34,000	34,000	23,749	10,251
Natural gas and propane	500	500	34	466
Other professional services	1,500	1,500	-	1,500
Repairs and maintenance communications	5,000	5,000	2,025	2,975
Repair and maintenance vehicles	1,000	1,000	-	1,000
Repair and maintenance traffic signals	53,750	50,050	37,871	12,179
Subscriptions and books	250	250	-	250
Memberships and dues	680	680	350	330
Education seminars and training	2,400	2,400	1,950	450
Small tools and equipment	-	3,700	3,700	-
Office supplies and materials	200	200	-	200
General operating supplies	5,000	5,000	1,391	3,609
Gasoline and diesel fuel	2,500	2,500	155	2,345
Veh parts/oil/fluid/tires	3,100	3,100	409	2,691
Insurance - general liability	2,111	2,111	-	2,111
Property (contents) insurance	413	413	-	413

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Parts, traffic signals	15,000	15,000	6,563	8,437
Other supplies and materials	4,200	4,200	465	3,735
Total traffic devices	131,604	148,804	94,735	54,069
Communication shop:				
Wages and salaries permanent employees	67,460	67,460	78,930	(11,470)
Overtime	1,000	3,600	2,413	1,187
Christmas bonus and longevity	730	730	726	4
F.I.C.A.	4,290	4,290	4,918	(628)
Medicare	1,003	1,003	1,150	(147)
TCRS contribution	10,157	10,157	12,048	(1,891)
Employee health insurance	22,524	22,524	20,538	1,986
Employee life insurance	304	304	-	304
Workers compensation	2,334	2,384	2,383	1
Education seminars and training	1,500	1,500	-	1,500
Clothing/uniforms/shoes	50	1,050	796	254
Telephone services	400	400	382	18
Medical services	-	-	28	(28)
Other professional services	200	200	-	200
Repair and maintenance vehicles	300	700	315	385
Repair and maintenance operations equipment	2,000	2,000	73	1,927
Repair and maintenance bldg/grounds	1,000	1,000	354	646
Travel business expenses	500	500	-	500
Office supplies and materials	200	200	-	200
General operating supplies	60	27,560	18	27,542
Gasoline and diesel fuel	2,000	12,000	2,342	9,658
Veh parts/oil/fluid/tires	2,000	2,000	194	1,806
Property (contents) insurance	413	413	-	413
Insurance	2,111	2,111	2,071	40
Total communication shop	122,536	164,086	129,679	34,407
Pavement management system:				
Legal notices	-	2,000	1,271	729
Street infrastructure improvements	3,166,439	3,166,439	2,465,267	701,172
Total pavement management system	3,166,439	3,168,439	2,466,538	701,901
Health inspection and welfare (43400):				
Overtime	5,000	5,000	-	5,000
FICA	310	310	-	310
Medicare	73	73	-	73
TCRS contribution	734	734	-	734
Education seminars and training	500	500	-	500
Travel business expenses	250	250	-	250
Workers compensation insurance	-	1,700	1,612	88
Small tools and equipment	600	600	-	600
Janitorial supplies	300	300	130	170
General operating supplies	5,000	5,000	4,890	110
Gasoline and diesel fuel	8,000	8,000	4,513	3,487
Veh parts/oil/fluid/tires	1,500	1,500	-	1,500
Insurance	-	1,000	941	59
Total health inspection and welfare	22,267	24,967	12,086	12,881
Parks and recreation supervision:				
Wages and salaries permanent employees	259,137	259,137	259,156	(19)
Overtime	150	150	-	150
Christmas bonus and longevity	2,694	2,694	2,682	12
FICA	16,243	16,243	15,868	375
Medicare	3,799	3,799	3,711	88
TCRS contribution	38,459	38,459	38,438	21
Employee health insurance	56,458	56,458	57,105	(647)
Employee life insurance	960	960	-	960
Workers compensation	5,833	5,833	1,273	4,560

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Postal service	3,600	3,600	3,155	445
Printing services	300	300	443	(143)
Medical services	-	-	84	(84)
Subscriptions and books	-	-	40	(40)
Memberships and dues	1,300	1,300	1,120	180
Education seminars and training	1,000	1,000	-	1,000
Travel business expenses	2,000	2,000	1,369	631
Other contracted services	450	450	175	275
Office supplies and materials	4,200	4,200	1,903	2,297
Office equipment	1,000	1,000	-	1,000
General operating supplies	300	300	142	158
Equipment rental/lease	7,450	7,450	4,728	2,722
Property (contents) insurance	207	307	217	90
Insurance	1,056	2,056	1,976	80
Total parks and recreation supervision	406,596	407,696	393,585	14,111
Playgrounds and programs:				
Wages and salaries permanent employees	100,665	100,665	98,885	1,780
Overtime	200	1,200	794	406
Wages and salaries temporary employees	72,600	72,600	79,625	(7,025)
Christmas bonus and longevity	821	981	975	6
FICA	10,806	10,806	10,982	(176)
Medicare	2,527	2,527	2,569	(42)
TCRS contribution	14,807	14,807	14,714	93
Employee health insurance	33,728	33,728	34,187	(459)
Employee life insurance	381	381	-	381
Workers compensation	3,500	5,000	4,934	66
Unemployment	-	-	1,649	(1,649)
Legal services	-	-	84	(84)
Telephone services	800	800	361	439
Medical services	-	800	453	347
Other professional services	500	500	2,947	(2,447)
Memberships and dues	11,000	11,000	15,201	(4,201)
Education seminars and training	250	250	-	250
Repair and maintenance bldg/grounds	1,500	1,500	726	774
Other contractual	-	-	(21)	21
Other contracted services	98,551	98,551	87,020	11,531
General operating supplies	58,200	58,200	51,437	6,763
Equipment rental/lease	5,000	5,000	4,100	900
Motor equipment	9,000	9,000	7,135	1,865
Property (contents) insurance	2,253	2,378	2,367	11
Insurance	11,516	11,616	11,594	22
Total playgrounds and programs	438,605	442,290	432,718	9,572
Parks and maintenance:				
Wages and salaries permanent employees	316,810	316,810	320,310	(3,500)
Overtime	2,000	2,000	1,195	805
Wages and salaries temporary employees	145,000	145,000	135,020	9,980
Christmas bonus and longevity	3,618	3,618	3,599	19
FICA	28,981	28,981	27,697	1,284
Medicare	6,778	6,778	6,477	301
TCRS contribution	47,332	47,332	47,577	(245)
Employee health insurance	101,255	101,255	102,340	(1,085)
Employee life insurance	1,236	1,236	-	1,236
Workers compensation	10,500	10,500	3,690	6,810
Unemployment	14,000	25,000	24,867	133
Postal service	-	50	17	33
Legal notices	-	-	83	(83)
Electricity	-	-	83	(83)
Water and sewer	-	-	9	(9)
Telephone services	1,500	2,000	1,941	59
Medical services	-	1,000	1,217	(217)
Other professional services	1,000	1,000	28	972
Repair and maintenance vehicles	-	-	40	(40)

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

City of Morristown, Tennessee
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Repair/maintenance operations equipment	9,000	9,000	11,465	(2,465)
Repair and maintenance bldg/grounds	32,500	32,500	22,654	9,846
Education seminars and training	100	100	-	100
Other contracted services	38,240	38,240	20,799	17,441
Small tools and equipment	8,000	8,000	3,549	4,451
Janitorial supplies	11,800	11,800	10,629	1,171
General operating supplies	33,500	33,500	16,564	16,936
Gasoline and diesel fuel	28,000	28,000	27,593	407
Veh parts/oil/fluid/tires	5,000	5,000	6,375	(1,375)
Concrete products	4,000	4,000	3,034	966
Crushed stone and sand	6,000	6,000	3,131	2,869
Asphalt	-	5,000	4,968	32
Other supplies and materials	-	-	25	(25)
Splash pad supplies	2,000	2,000	981	1,019
Equipment rental/lease	2,000	4,000	2,414	1,586
Landfill fee/disposition charges	-	100	27	73
Land	-	42,000	42,000	-
Motor equipment	9,000	9,300	9,210	90
Other capital outlay	60,000	62,000	62,268	(268)
Property (contents) insurance	3,626	3,126	3,116	10
Insurance	15,163	15,163	14,870	293
Total parks and maintenance	947,339	1,011,389	941,862	69,527
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	-
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	30,876	(1)
Boys & Girls Club Swim Team	10,000	10,000	10,000	-
Tennessee Achieves	5,000	5,000	6,250	(1,250)
Diversity Task Force	7,000	7,000	7,000	-
Crockett Tavern Association	8,125	8,125	8,125	-
Total social services	256,700	256,700	253,201	3,499
Fixed base operations:				
Memberships and dues	100	600	370	230
Clothing/uniforms/shoes	2,500	2,500	1,455	1,045
Postal service	100	400	164	236
Legal notices	1,000	1,000	2,234	(1,234)
Other professional services	50,000	50,000	63,680	(13,680)
Repair and maintenance operations equipment	-	800	912	(112)
Repair and maintenance bldg/grounds	30,000	30,000	23,571	6,429
Education seminars and training	150	150	-	150
Other contracted services	18,490	18,490	15,341	3,149
Construction materials	-	-	(10)	10
Contracts with other agencies	-	300	120	180
General operations supplies	6,000	6,000	1,233	4,767
Gasoline and diesel fuel	100	100	-	100
Veh parts/oil/fluid/tires	1,500	1,500	-	1,500
Asphalt	-	-	270	(270)

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

City of Morristown, Tennessee
General Fund
Statement of Revenues , Expenditures, and Changes
In Fund Balance-Budget and Actual
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (unfavorable)
Electricity	-	-	24	(24)
Office equipment	-	-	254	(254)
Other capital outlay	885,000	885,000	103,730	781,270
Grants and subsidies	-	-	2,852	(2,852)
Total fixed base operations	994,940	996,840	216,200	780,640
Bond principal:				
Bond interest	956,705	710,547	230,838	479,709
Paying agent fees	40,000	40,000	87,324	(47,324)
Debt principal	1,651,003	1,651,003	1,651,058	(55)
Total bond principal	2,647,708	2,401,550	1,969,220	432,330
Special appropriations:				
Animal control	137,890	137,890	137,890	-
E-911 district	187,278	187,278	187,372	(94)
Summer feeding program	90,000	90,000	87,613	2,387
Public library	257,000	257,000	257,000	-
Economic development	200,000	200,000	179,891	20,109
Industrial parks	-	-	3,250	(3,250)
Fast track grants	-	154,600	172,146	(17,546)
Total special appropriations	872,168	1,026,768	1,025,162	1,606
Total revenues	32,116,167	32,869,004	29,486,694	(3,382,310)
Total expenditures	32,209,293	32,962,130	29,454,789	3,507,341
Excess of revenues over (under) expenditures	(93,126)	(93,126)	31,905	125,031
Other financing sources (uses):				
Operating transfers in	566,874	566,874	1,667,528	1,100,654
Operating transfers out	(473,748)	(473,748)	(391,626)	82,122
Proceeds from issuance of bonds	-	-	-	-
Total other financing sources - net	93,126	93,126	1,275,902	1,182,776
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	1,307,807	1,307,807
Fund balance - July 1, 2012	23,104,582	23,104,582	23,104,582	-
Prior period adjustment	-	-	12,915	12,915
Fund balance - July 1, 2012 - as adjusted	23,104,582	23,104,582	23,117,497	12,915
Fund balance - June 30, 2013	$23,104,582	$23,104,582	$24,425,304	$ 1,320,722

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

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, 2013

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Revenue:				
Other local revenue:				
Non-rev - fund balance appropriated	$ 240,069	$ 240,069	$ -	$ (240,069)
Solid waste fees	1,261,984	1,291,984	1,343,759	51,775
Total other local revenue	1,502,053	1,532,053	1,343,759	(188,294)
Expenditures:				
Sanitation department:				
Wages and salaries permanent employees	365,897	365,897	400,994	(35,097)
Overtime	6,000	6,000	4,757	1,243
Christmas bonus and longevity	5,285	5,285	5,581	(296)
FICA	23,385	23,385	24,377	(992)
Medicare	5,469	5,469	5,701	(232)
TCRS contribution	55,370	55,370	60,119	(4,749)
Employee health insurance	101,317	101,317	121,535	(20,218)
Employee Life Insurance	1,318	1,318	-	1,318
Workers compensation	11,667	17,867	17,836	31
Clothing/uniform/shoes	6,000	6,000	4,906	1,094
Postal service	50	50	15	35
Legal notices	1,200	1,200	1,293	(93)
Telephone services	400	400	362	38
Medical services	1,000	1,000	406	594
Other contracted services	-	1,200	1,200	-
Education seminars and training	200	200	-	200
Office supplies and materials	200	200	246	(46)
General operating supplies	1,500	1,500	666	834
Gasoline and diesel fuel	75,000	105,000	75,498	29,502
Veh parts/oil/fluid/tires	60,000	60,000	56,155	3,845
Solid waste containers	33,000	33,000	26,092	6,908
Insurance	10,076	10,076	9,882	194
Property (contents) insurance	1,971	1,971	2,505	(534)
Landfill fee/disposition chgs	375,000	365,000	336,235	28,765
Other misc expenses	-	-	241	(241)
Motor equipment	140,000	140,000	128,935	11,065
Total sanitation department	1,281,305	1,308,705	1,285,537	23,168
Curbside recycle:				
Wages and salaries permanent employees	76,311	76,311	66,893	9,418
Overtime	750	750	1,374	(624)
Christmas bonus and longevity	1,851	1,851	742	1,109
FICA	4,893	4,893	4,110	783
Medicare	1,144	1,144	961	183
TCRS contribution	11,584	11,584	10,130	1,454
Employee health insurance	22,518	22,518	21,792	726
Employee life insurance	297	297	-	297

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

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, 2013

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Workers compensation	2,334	3,534	3,529	5
Clothing/uniform/shoes	1,100	1,100	878	222
Medical services	-	-	322	(322)
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	35,000	35,000	31,563	3,437
Office supplies and materials	300	300	-	300
Small tools and equipment	250	250	-	250
Janitorial supplies	300	300	-	300
Gasoline and diesel fuel	11,000	11,000	11,578	(578)
Veh parts/oil/fluid/tires	9,000	9,000	4,645	4,355
Solid waste containers	5,000	5,000	4,986	14
Property (contents) insurance	347	1,747	2,534	(787)
Insurance	1,775	1,775	1,741	34
Total curbside recycle	186,504	189,104	167,778	21,326
Bond principal:				
Principal	24,890	24,890	24,510	380
Interest	9,354	9,354	8,902	452
Total bond principal	34,244	34,244	33,412	832
Total expenditures	1,502,053	1,532,053	1,486,727	45,326
Excess of revenue over (under) expenditures	-	-	(142,968)	(142,968)
Excess of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(142,968)	(233,620)
Fund balance - July 1, 2012	541,585	541,585	541,585	-
Fund balance - June 30, 2013	$ 541,585	$ 541,585	$ 398,617	$ (233,620)

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

City of Morristown, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities Enterprise Funds						Governmental Activities - Internal Service Fund -
	Sewer System	Storm Water System	Power System	Water System	Broadband	Total	Health Insurance
Assets							
Current assets:							
Cash and cash equivalents	$ 6,180,668	$ 3,139,242	$ 12,974,263	$ 4,355,038	$ 37,034	$ 26,686,245	$ 1,222,163
Accounts receivable:							
Trade, net of allowances	1,207,229	244,061	8,428,163	-	-	9,879,453	
Interfund receivables	317,174	-	559,241	13,151	-	-	
Due from others	-	-	363,651	121,909	1,787	487,347	
Other accounts receivable	-	-	-	-	-	-	6,425
Current portion of discounted energy units	-	-	-	-	-	-	
Other current assets	-	-	-	16,841	123,208	140,049	
Materials and supplies inventory	121,720	135,059	867,630	392,256	-	1,516,665	
Total current assets	7,826,791	3,518,362	23,192,948	4,899,195	162,029	38,709,759	1,228,588
Noncurrent assets:							
Restricted cash and cash equivalents	16,701,842	2,596,798	-	2,908,107	-	22,206,747	-
Capital assets:							
Plant and equipment in service	83,326,493	5,012,561	96,112,294	62,704,126	10,842,356	257,997,840	-
Less accumulated depreciation	(39,895,632)	(2,925,368)	(41,156,235)	(23,775,082)	(4,899,889)	(112,652,206)	-
	43,430,861	2,087,193	54,956,059	38,929,044	5,942,477	145,345,634	-
Construction in progress	9,230,072	776,707	625,728	135,193	27,428	10,795,128	-
Net capital assets	52,660,933	2,863,900	55,581,787	39,064,237	5,969,905	156,140,762	-
Due from Other Funds	-	-	5,813,551	-	-	-	-
Plant acquisition adjustments, net of accumulated depreciation	-	-	485,027	7,072	-	492,099	-
Unamortized debt expense	-	-	-	-	-	-	-
Other assets	-	128,305	82,321	-	21,813	232,439	-
Total noncurrent assets	69,362,775	5,589,003	61,962,686	41,979,416	5,991,718	179,072,047	-
Total assets	77,189,566	9,107,365	85,155,634	46,878,611	6,153,747	217,781,806	1,228,588
Deferred outflows of resources							
Accrual for unbilled revenue	548,944	59,773	1,616,618	200,710	-	2,426,045	-
Total assets and deferred outflows of resources	$ 77,738,510	$ 9,167,138	$ 86,772,252	$ 47,079,321	$ 6,153,747	$ 220,207,851	$ 1,228,588

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 Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities Enterprise Funds						Governmental Activities - Internal Service Fund -
	Sewer System	Storm Water System	Power System	Water System	Broadband	Total	Health Insurance
Liabilities							
Current liabilities:							
Accounts payable:							
Trade	$ (10,641)	$ 194,106	$ 6,347,740	$ 164,658	$ 296,544	$ 6,992,407	$ 128,255
Interfund payables	-	317,174	13,151	-	559,241	-	-
City of Morristown	-	5,163	1,187,594	-	-	1,192,757	-
Customer deposits	-	-	3,456,099	-	80,045	3,536,144	-
Accrued payroll related liabilities	15,808	5,812	1,434,903	465,596	208,666	2,130,785	-
Other accrued liabilities	207,515	42,092	320,792	30,871	86,171	687,441	-
Current portion of capital lease obligation	-	-	-	-	18,877	18,877	-
Current portion of long-term debt	2,589,700	337,460	950,598	832,480	120,047	4,830,285	-
Total current liabilities	2,802,382	901,807	13,710,877	1,493,605	1,369,591	19,388,696	128,255
Noncurrent liabilities:							
Accrued post retirement benefit obligation	-	-	353,931	61,272	114,309	529,512	-
Due to other funds	-	-	-	-	5,813,551	-	-
Capital lease obligation, less current portion	-	-	-	-	72,547	72,547	-
Long-term debt - less current portion	51,111,526	4,737,140	15,210,713	14,409,471	4,483,376	89,952,226	-
Contractual liability	2,565,883	-	-	-	-	2,565,883	-
Premium on bonds payable	1,233,165	249,646	-	-	-	1,482,811	-
Compensated absences	22,342	14,889	-	-	-	37,231	-
Total non-current liabilities	54,932,916	5,001,675	15,564,644	14,470,743	10,483,783	94,640,210	-
Total liabilities	57,735,298	5,903,482	29,275,521	15,964,348	11,853,374	114,028,906	128,255
Deferred inflows of resources							
Deferred revenues	-	-	-	-	173,904	173,904	-
Net position							
Invested in capital assets, net of related debt	11,862,501	136,452	39,420,476	26,730,393	1,275,058	79,424,880	-
Restricted	-	-	-	-	-	-	-
Unrestricted net position (deficit)	8,140,711	3,127,204	18,076,255	4,384,580	(7,148,589)	26,580,161	1,100,333
Total net position (deficit)	20,003,212	3,263,656	57,496,731	31,114,973	(5,873,531)	106,005,041	1,100,333
Total liabilities, deferred inflows of resources, and net position	$ 77,738,510	$ 9,167,138	$ 86,772,252	$ 47,079,321	$ 6,153,747	$ 220,207,851	$ 1,228,588

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.

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City of Morristown, Tennessee
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	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	$ 11,227,579	$ 1,342,550	$ 74,850,804	$ 6,450,217	$ -	$ 93,871,150	$ -
Broadband sales	-	-	-	-	7,195,234	7,195,234	-
Interfund services provided			962,992		937,215	-	-
Charges for services	-	-	-	-	-	-	4,266,240
Other operating revenues	658,472	203	1,323,058	20,456	216,814	2,219,003	-
Total operating revenues	11,886,051	1,342,753	77,136,854	6,470,673	8,349,263	103,285,387	4,266,240
Operating expenses:							
Power purchased	-	-	62,088,085	-	-	62,088,085	-
Operations	5,586,019	340,922	4,941,487	3,176,004	6,120,738	20,165,170	-
Maintenance	89,608	124,921	1,999,737	594,082	199,213	3,007,561	-
Interfund services used	-	-	866,307	188,961	844,939	-	-
Depreciation and amortization	2,528,342	161,209	4,189,907	1,415,718	820,560	9,115,736	-
Taxes	-	-	318,266	-	53,156	371,422	-
Insurance claims and expenses	-	-	-	-	-	-	4,023,203
Miscellaneous	-	-	42,230	26,123	-	68,353	-
Total operating expenses	8,203,969	627,052	74,446,019	5,400,888	8,038,606	94,816,327	4,023,203
Operating income (loss)	3,682,082	715,701	2,690,835	1,069,785	310,657	8,469,060	243,037
Other income (expense):							
Investment income	27,986	384	36,587	15,270	1,512	81,739	-
Interest expense	(1,285,293)	(183,146)	(144,854)	(477,396)	(62,885)	(2,153,574)	-
Net other income (expense)	(1,257,307)	(182,762)	(108,267)	(462,126)	(61,373)	(2,071,835)	-
Income (loss) before contributions and transfers	2,424,775	532,939	2,582,568	607,659	249,284	6,397,225	243,037
Contributions	-	-	-	43,601	-	43,601	-
TVA capacity reimbursements			1,501,250	-	-		
Grant income	58,097	-	-	-	-	58,097	-
Transfers in		-	-	-	-	-	
Transfers out (tax equivalent payments to City of Morristown)	(541,574)	(29,187)	(1,060,647)	(36,120)	-	(1,667,528)	-
Changes in net position	1,941,298	503,752	3,023,171	615,140	249,284	4,831,395	243,037
Net position at beginning of year, as previously stated	18,665,432	2,802,062	54,473,560	30,499,833	(6,122,815)	100,318,072	857,296
Prior period adjustment	(603,518)	(42,158)	-	-	-	(645,676)	-
Net position at beginning of year, as restated	18,061,914	2,759,904	54,473,560	30,499,833	(6,122,815)	99,672,396	857,296
Net position - ending	$ 20,003,212	$ 3,263,656	$ 57,496,731	$ 31,114,973	$ (5,873,531)	$ 106,005,041	$ 1,100,333

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 Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds						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	$ 11,738,010	$ 1,299,425	$ 75,284,901	$ 6,364,994	$ 8,504,826	$ 103,192,156	$ 4,263,735
Cash received from City of Morristown	125,000	(125,000)	1,617,163			1,617,163	-
Cash paid to suppliers	(5,690,437)	(47,922)	(70,484,522)	(2,767,446)	(5,742,699)	(84,753,028)	-
Claims and premiums paid	-	-	-	-	-	-	(3,894,948)
Cash paid to employees	(703,443)	(166,707)	(4,532,868)	(1,369,575)	(1,374,988)	(8,147,581)	-
Net cash provided by operating activities	5,469,130	959,796	1,884,674	2,207,971	1,387,139	11,908,710	368,787
Cash flows from noncapital financing activities:							
Transfers to City of Morristown (tax equivalent payments)			(1,060,647)	(36,120)	-	(1,096,767)	-
TVA capacity reimbursement			1,501,250	-	-		
Long-term portion of compensated absences	(15,151)	(7,346)	-	-	-	(22,497)	-
Net cash flows from noncapital financing activities	(15,151)	(7,346)	440,603	(36,120)	-	(1,119,264)	-
Cash flows from investing activities:							
Interest received on investments	27,986	384	36,587	15,[illegible]	1,512	81,739	-
Sale (purchase) of investments	-	-	-		-	-	-
Net cash flows from investing activities	27,986	384	36,587	15,270	1,512	81,739	-
Cash flows from capital and related financing activities:							
Bond proceeds	-	-	-	-	-	-	-
Payments on capital lease obligations				-	(10,447)	(10,447)	-
Unamortized bond premium	(64,903)	-	-	-	-	(64,903)	-
Debt issuance cost expense	-		-	-	-	-	-
Net additions to capital assets	(9,047,826)	(695,661)	(5,297,584)	(1,128,850)	(812,194)	(16,982,115)	-
Interfund (repayments) advances	(541,574)	(29,187)	(236,827)	613,732	(376,905)	(570,761)	-
State of Tennessee grant funds	58,097	-	-	-	-	58,097	-
Contributions	-	-	-	43,601	-	43,601	-
Payments on long-term contract	(182,500)	-	-	-			
Principal payments on long term debt	(1,714,737)	(2,940)	(606,062)	(979,000)	(113,923)	(3,416,722)	-
Interest paid on long term debt	(1,178,318)	(183,146)	(144,854)	(477,396)	(62,885)	(2,046,599)	-
Proceeds from long term borrowings	264,037	-	275,662	-	-	539,699	-
Net cash flows from financing activities	(12,407,724)	(910,934)	(6,009,665)	(1,927,973)	(1,376,354)	(22,450,150)	-
Increase (decrease) in cash and cash equivalents	(6,925,759)	41,900	(3,647,801)	259,148	12,297	(10,260,215)	368,787
Cash and cash equivalents, beginning	29,808,269	5,694,140	16,622,064	7,003,997	24,737	59,153,207	853,376
Cash and cash equivalents, ending	$ 22,882,510	$ 5,736,040	$ 12,974,263	$ 7,263,145	$ 37,034	$ 48,892,992	$ 1,222,163

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)	$ 3,682,082	$ 715,701	$ 2,690,835	$ 1,069,785	$ 310,657	$ 8,469,060	$ 243,037
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation and amortization	2,528,342	161,209	4,189,907	1,415,718	820,560	9,115,736	-
Provision for losses on accounts receivable			78,140	-	-	78,140	-
Redemption of discounted energy units			57,737	-	-	57,737	-
Changes in operating assets and liabilities:							
Accounts receivable	(156,732)	(44,233)	(53,561)	-	-	(254,526)	(2,505)
Loans receivable	125,000	-	-			125,000	-
Accrual of unbilled revenue	8,692	905	56,512	4,813	-	70,922	-
Materials and supplies inventory	(1,265)	47,797	(5,226)	(11,379)	-	29,927	-
Other assets			(134,006)	11,447	55,010	(67,549)	-
Trade accounts payable	(860,852)	166,353	(4,867,496)	(208,226)	121,995	(5,648,226)	128,255
Loans payable		(125,000)	-	-	-	(125,000)	-
Customer deposits and prepayments			110,887	(110,492)	(3,855)	(3,460)	-
Other liabilities	143,863	37,064	(239,055)	36,305	82,772	60,949	-
Net cash provided by operating activities	$ 5,469,130	$ 959,796	$ 1,884,674	$ 2,207,971	$ 1,387,139	$ 11,908,710	$ 368,787

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

City of Morristown, Tennessee

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Post-Employment Benefits Trust	LAMPTO Agency Fund
Assets		
Cash and cash equivalents	$ 3,346	$ 176,373
Interest and dividends receivable	-	-
Grants receivable	-	246,570
Investments at fair value:		
Mutual funds - short-term	3,350	-
Mutual funds - equity	128,467	-
Mutual funds - fixed income	66,129	-
Total Assets	201,292	422,943
Liabilities		
Accounts payable	-	26,603
Net Position		
Restricted	$ 201,292	$ 396,340

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

City of Morristown, Tennessee

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

June 30, 2013

	Post-Employment Benefits Trust	LAMPTO Agency Fund
Additions		
Grants and contributions	$ -	$ 356,093
Reimbursements	-	377,540
Employer contributions	376,550	-
Investment earnings:		
Dividends and capital gains	5,928	-
Net increase in fair value of investments	18,279	-
Total additions	400,757	733,633
Deductions		
LAMPTO program expenses	-	625,569
Benefits	376,550	-
Administrative expenses	3,030	-
Total deductions	379,580	625,569
Change in net position	21,177	108,064
Net position - beginning of the year	180,115	204,856
Prior period adjustment	-	83,420
Net position - beginning of the year, as adjusted	180,115	288,276
Net position - end of the year	$ 201,292	$ 396,340

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Morristown, Tennessee (City) 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.

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 sixty 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. Solid Waste revenues are provided by monthly charges to customers and additional can purchases. Transfers from the general fund are made for any remaining deficit. Fund balance of the solid waste fund is assigned for solid waste operations.

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 Auditing 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

All trade receivables were considered collectible at June 30, 2013. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 twenty years).

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's highest level of decision making authority (City Council) and cannot be used for any other purpose, modified, or rescinded unless formal action (ordinance) is approved by the City Council.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

11. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category which is the accrual for unbilled revenue.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. These revenues are from current and delinquent property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

	Cash and Equivalents
Government type funds	$ 11,707,204
Enterprise type funds	26,686,245
Totals	$ 38,393,449

As of June 30, 2013, 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, 2013, the Water System had cash in a bank account totaling $2,908,107 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, 2013, were not covered by the bank collateral pool administered by the Treasurer of the State of Tennessee.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

The City has repurchase agreements with First Tennessee Bank whereby City funds are invested overnight in securities of the U.S. Treasury Department. At June 30, 2013, the City had $9,753,316 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.

The City'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
Fixed Certificate of Deposit	$ 4,750,000
Taxable Muni (Non-Callable) Securities	2,595,000
Taxable Muni (Pre-Re) Securities	200,000
Taxfree Muni (Non-Callable) Securities	10,755,000
Taxfree Muni (Pre-Re) Securities	200,000
Treasury Securities	300,000
Total	$ 18,800,000

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 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.

Information about the sensitivity of the fair values of the City'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:

		Remaining Maturity (in months)			
Investment Type	Par	12 Months or Less	13-24 Months	25-60 Months	More than 60 Months
Certificate of Deposit	$ 4,750,000	$ 4,500,000	$ 250,000	$ -	$ -
Taxable Muni (Non-Callable) Securities	2,595,000	2,095,000	500,000	-	-
Taxable Muni (Pre-Re) Securities	200,000	200,000	-	-	-
Taxfree Muni (Non-Callable) Securities	10,755,000	10,755,000	-	-	-
Taxfree Muni (Pre-Re) Securities	200,000	200,000	-	-	-
Treasury Securities	300,000	300,000	-	-	-
Total	$ 18,800,000	$ 18,050,000	$ 750,000	$ -	$ -

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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Total Portfolio Shock Table

Securities Count: 67	Total Par: 18,800,000			Coupon: 2.354			
Data Category	Dn300	Dn200	Dn100	BaseCase	Up100	Up200	Up300
Mkt Value	$ 19,008,928	$ 19,008,928	$ 19,007,263	$ 18,975,253	$ 18,896,715	$ 18,819,010	$ 18,742,123
Pct Change	.18	.18	.17	.	-.41	-.82	-1.23
Mkt Price	101.1113	101.1113	101.1024	100.9321	100.5144	100.1011	99.6921
Avg Life / Duration	.46 / .46	.46 / .46	.46 / .46	.46 / .46	.46 / .46	.46 / .46	.46 / .45
Mkt Yld	-.32	-.32	-.34	-.65	.14	1.12	2.16
Gain (Loss) $	$50,534	$50,534	$48,869	$16,858	(61,680)	(139,385)	(216,272)

The City's fixed income investments included no investments that are highly sensitive to interest rate fluctuations (to a greater degree than a comparable five-year 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, the City's investment policy, or debt agreements, and the actual rating as of the year end for each investment type:

		Minimum	Not Required	Rating As of Year End							
		Legal	To Be	Moody's			S&P			Other	
Investment Type	Par	Rating	Rated	AAA	AA(1-3)	A	AAA	AA	A	Unrated	CD
Certificate of Deposit	$ 4,750,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,750,000
Taxable Muni (Non-Callable) Securities	2,595,000	-	-	-	2,595,000	-	-	1,900,000	-	-	-
Taxable Muni (Pre-Re) Securities	200,000	-	-	-	200,000	-	-	200,000	-	-	-
Taxfree Muni (Non-Callable) Securities	10,755,000	-	-	905,000	7,760,000	-	-	4,330,000	-	-	-
Taxfree Muni (Pre-Re) Securities	200,000	-	-	-	200,000	-	-	-	-	-	-
Treasury Securities	300,000	-	-	300,000	-	-	-	300,000	-	-	-
Total	$ 18,800,000	$ -	$ -	$ 1,205,000	$ 10,755,000	$ -	$ -	$ 6,730,000	$ -	$ -	$ 4,750,000

Concentration of Credit Risk

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

Issuer	Investment Type	Report Amount	% of Portfolio
Connecticut St	Taxable Muni (Non-Callable) Securities	$ 1,000,000	5.32%

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:

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

	General	Solid Waste	Non-Major and Other Funds	Enterprise	Internal Service	Total
Receivables:						
Taxes	$ 9,065,786	$ -	$ -	$ -	$ -	$ 9,065,786
Accounts	3,053,245	123,187	2,364	10,366,800	-	13,545,596
Grants	-	-	56,407	-	-	56,407
Other	-	-	-	-	6,425	6,425
Gross receivables	12,119,031	123,187	58,771	10,366,800	6,425	22,674,214
Less: Allowance for bad debt	(809,951)	-	-	-	-	(809,951)
Net receivables	$ 11,309,080	$ 123,187	$ 58,771	$ 10,366,800	$ 6,425	$ 21,864,263

Included in taxes receivable of the General Fund is property taxes of $9,065,786 that were assessed as of January 1, 2013, but will not be billed until after June 30, 2013. There is an offsetting deferred income for the above balance.

C. Capital Assets

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

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 7,658,184	$ 172,745	$ -	$ 7,830,929
Construction in progress	-	-	-	-
Total capital assets not being depreciated	7,658,184	172,745	-	7,830,929
Capital assets being depreciated:				
Buildings	18,662,642	154,457	-	18,817,099
Improvements other than buildings	12,105,351	58,456	-	12,163,807
Machinery and equipment	9,900,295	1,694,740	-	11,595,035
Infrastructure	43,499,844	1,831,208	-	45,331,052
Total capital assets being depreciated	84,168,132	3,738,861	-	87,906,993
Less: accumulated depreciation:				
Buildings	(6,747,702)	(408,269)	-	(7,155,971)
Improvements other than buildings	(10,824,397)	(124,067)	-	(10,948,464)
Machinery and equipment	(8,090,214)	(1,024,610)	-	(9,114,824)
Infrastructure	(17,057,919)	(438,771)	-	(17,496,690)
Total accumulated depreciation	(42,720,232)	(1,995,717)	-	(44,715,949)
Net capital assets being depreciated	41,447,900	1,743,144	-	43,191,044
Total capital assets-government activities	$ 49,106,084	$ 1,915,889	$ -	$ 51,021,973

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 2,284,839	$ 163,366	$ -	$ 2,448,205
Construction in progress	3,831,177	16,152,426	9,188,475	10,795,128
Total assets not being depreciated	6,116,016	16,315,792	9,188,475	13,243,333
Capital assets being depreciated:				
Building and improvements	19,923,267	228,551	-	20,151,818
Transmission and distribution	193,907,198	7,385,065	891,330	200,400,933
Furniture, fixtures and equipment	32,647,074	2,572,410	222,598	34,996,886
Total capital assets being depreciated	246,477,539	10,186,026	1,113,928	255,549,637
Less accumulated depreciation:				
Building and improvements	(5,609,460)	(823,314)	-	(6,432,774)
Transmission and distribution	(84,518,336)	(5,986,271)	759,444	(89,745,163)
Furniture, fixtures and equipment	(14,367,091)	(2,314,781)	207,601	(16,474,271)
Total accumulated depreciation	(104,494,887)	(9,124,366)	967,045	(112,652,208)
Net capital assets being depreciated	141,982,652	1,061,660	146,883	142,897,429
Total net capital assets - business type activities	148,098,668	17,377,452	9,335,358	156,140,762
Total net capital assets	$ 197,204,752	$ 19,293,341	$ 9,335,358	$ 207,162,735

Depreciation expense was charged to government activities as follows:

General government	$ 199,901
Public safety	333,704
Public works	1,295,665
Parks and recreation	68,046
Airport	98,401
Total	$ 1,995,717

Sewer	$ 2,528,342
Storm water fund	152,655
Water and electric power	5,616,884
Broadband	826,485
Total	$ 9,124,366

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 $64,319 for the power system, $31,221 for the water system, and $5,925 for the broadband system.

D. Accounts payable and other current liabilities

	Governmental	Business Type	Total
Accounts payable	$ 257,006	$ 6,992,407	$ 7,249,413
Accrued payroll and other liabilities	97,478	2,818,226	2,915,704
Total	$ 354,484	$ 9,810,633	$ 10,165,117

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund receivables, advances, payables, and transfers

The interfund receivables and payables as of June 30, 2013, 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.

Receivable From	Payable to	Purpose	Amount
Broadband System	Power System	Operating and Maint. Costs	$ 5,813,551
Power System	Water System	Interfund Loan	559,241
Storm Water System	Sewer System	Operating Costs	317,174
Storm Water System	General Fund	Operating Costs	5,163
Power System	General Fund	Interfund Advance	1,187,594
			$ 7,882,723

The interfund transfers were as follows:

Fund	Purpose	Transfer In	Transfer Out
Governmental:			
General Fund	Operating Transfer	$ 1,096,767	$ 391,626
Other Funds	Operating Transfer	962,387	
Enterprise Funds:			
Power System	In lieu of tax		1,060,647
Water System	In lieu of tax		36,120
Storm Water	In lieu of tax		14,187
Sewer	In lieu of tax		262,687
Storm Water	Administrative Expenses		15,000
Sewer	Administrative Expenses		275,000
Sewer	Coding Correction - Fire Dept Roof Cost		3,887
		$ 2,059,154	$ 2,059,154

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.

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, 2012, 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 60 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 $5,164; Spouse $5,164 Average Dental: Retiree $304; Spouse $304 Average Vision: Retiree $78; Spouse $34

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

2) GASB 45 DISCLOSURE REQUIREMENTS – ESTIMATED

Annual OPEB Cost and Net OPEB Obligation	7/1/2012 - 6/30/2013
1. Annual Required Contribution ARC)	$ 376,550
2. Interest on net OPEB Obligation	-
3. Adjustment to ARC	-
4. Annual OPEB Cost (expense) (1 + 2 + 3)	376,550
5. Contributions made (assumed middle of year)	(376,550)
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 June 30, 2011, 2012, and 2013 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributions	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Payroll
6/30/2013	$ 376,550	100.0%	$ -	$ 11,398,213	3.3%
6/30/2012	$ 468,493	100.0%	$ -	$ -	0.0%
6/30/2011	$ 455,797	100.0%	$ -	$ -	0.0%

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
07/01/12	180,115	4,215,993	4,035,878	4.3%	11,398,213	35.4%

Methods and Assumptions

Funding Interest Rate	7.00%
2012 Medical/Rx Trend Rates	9.00%
Ultimate Medical/Rx Trend Rates	5.00%
Year Ultimate Trend Rates Reached	2016
Actuarial Cost Method	Entry Age Normal
Annual Payroll Increase	2.50%
The Remaining Amortization Period at June 30, 2014 (closed)	24.95

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

1. Funding Interest Rate: An interest rate of 7.00% was used.

2. Mortality: The mortality rates are from the RP-2000 Combined Fully Generational Mortality Table with projection scale AA.

3. Retirement Rates: It was assumed that the following percentage of eligible employees would retire each year:

Age	Rate	Age	Rate
50-54	15.0%	61	11.5%
55	15.0%	62	21.5%
56-57	3.0%	63	14.5%
58	4.0%	64	16.0%
59	6.5%	65	29.0%
60	9.0%	66+	N/A

* 35% assumed for police and firemen with 30 years of service.

4. Disability Rates: None

5. Termination Rates: Based on age and service:

Age	Male	Female
20	15.7%	18.7%
25	12.4%	14.9%
30	9.1%	11.1%
35	5.8%	7.3%
40	2.5%	3.5%
45	2.2%	3.0%
50	1.9%	2.4%
55	1.6%	1.9%

6. Health Care Trend Rates: It was assumed that health care costs would increase in accordance with the trend rates in the following table.

Year	Medical Rates	Vision & Dental Rates
2012	9.0%	5.0%
2013	8.0%	5.0%
2014	7.0%	5.0%
2015	6.0%	5.0%
2016+	5.0%	5.0%

7. Participation Rate: 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.

8. Percent Married: It was assumed that 40% of the male and 40% of the female employees who elect retiree health care 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

9. Actuarial Value of Assets: N/A

10. Per Capita Claims Cost: Conventional insured equivalent premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost are shown below:

Age	Male	Female
50	4,854	5,600
51	5,043	5,705
52	5,240	5,814
53	5,447	5,912
54	5,665	6,014
55	5,894	6,116
56	6,131	6,221
57	6,374	6,327
58	6,610	6,483
59	6,854	6,647
60	7,109	6,814
61	7,370	6,981
62	7,643	7,156
63	7,789	7,294
64	7,938	7,432

11. Administrative Expenses: Included in premiums used.

12. Participant Salary Increases: 4.00% annually

13. Payroll Growth Rate: 2.50% annually

Actuarial Cost Method

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability has been determined as a level percentage of the projected payroll of active plan members. At each valuation, a new amortization base is created equal to the excess of the unfunded actuarial accrued liability over the remaining balances of prior amortization bases. The new base is amortized over 30 years. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

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 $87,504, $27,483 and $26,595 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 $5,400 and $384, 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

	Power	Water	Broadband
1. Annual Required Contribution (ARC)	$ 110,931	$ 29,278	$ 27,210
2. Interest on net OPEB Obligation	8,577	1,456	3,676
3. Adjustment to ARC	(12,633)	(1,712)	(4,117)
4. Annual OPEB Cost (expense) (1 + 2 + 3)	106,875	29,022	26,769
5. Contributions made (assumed middle of year)	(21,538)	(4,145)	-
6. Increase in net OPEB Obligation (4 - 5)	85,337	24,877	26,769
7. Net OPEB Obligation - beginning of year	268,594	36,395	87,540
8. Net OPEB Obligation - end of year (6 + 7)	$ 353,931	$ 61,272	$ 114,309

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:

Fund	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligations
2013:			
Power System	$ 109,042	19.8%	$ 356,098
Water System	31,628	13.1%	63,878
Broadband System	26,595	0.0%	114,135
2012:			
Power System	$ 103,592	18.0%	$ 268,594
Water System	30,084	41.0%	36,395
Broadband System	25,112	0.0%	87,540
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

Funding Status and Funding Progress

System	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)
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, 2013 (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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

The mortality rates are from the RP-2000 Combined Mortality Table projected to 2012 with projection scale AA. It was assumed that the following percentages of eligible employees would retire each year:

Age	Rate
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:

Age	Male	Female
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:

Year	Medical Rates	Vision and Dental Rates
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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

H. Deferred Items

Deferred items consisted of the following:

	Governmental	Business-Type	Total
Taxes due after June 30, 2013	$ 9,752,522	$ -	$ 9,752,522
Broadband	-	173,904	173,904
Total	$ 9,752,522	$ 173,904	$ 9,926,426

I. Other Liabilities

Included in non-current liabilities is a liability for compensated absences in the sewer system of $22,342, storm water system of $14,889, and in the general fund of $733,344. In addition, Morristown Utility System has a capital lease payable of $18,877 which is included in current liabilities.

	Governmental Activities	Business Activities
Balance-July 1, 2012	$ 1,036,264	$ 115,164
Increases	340,215	21,620
Decreases	(332,021)	(77,934)
Balance-June 30, 2013	$ 1,044,458	$ 58,850

As an other long-term liability, compensated absences for the governmental activities are expected to be liquidated with expendable available financial resources of the general, narcotics, and solid waste funds.

Self Insurance

The City is self-insured for employee medical benefits. The rate of the premiums paid into the fund is based on prior experience and insurance company recommendations. The self-insurance plan is augmented by coverage with Blue Cross Blue Shield of Tennessee, Inc., whereby coverage is extended for claims exceeding $85,000 per employee. Thus, the City was subject to a maximum liability of $28,560,000 (336 covered employees at $85,000 each) for health insurance claims during the fiscal year ended June 30, 2013.

Claims Liabilities

Liabilities of the self-insurance fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The self-insurance fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims incurred prior to June 30, 2013, and subsequently settled were approximately $128,255 and are recorded as a payable in the self-insurance fund.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

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 $225,000 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 (0.123% per annum as of June 30,2013).

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 in annual installments ranging from $490,000 and $1,360,000 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.

During 2013 the City entered into a loan agreement (2013 Promissory Note) with the Public Building Authority of the City of Clarksville in a principal amount not to exceed $7,000,000 ($275,662 outstanding as of June 30). Interest is payable monthly at variable rates (0.8% as of June 30) as determined by the Trustee. Principal is payable annually in varying amounts of $350,000 in 2014 to $605,000 in 2028.

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 February 2014. There are no amounts outstanding under this arrangement as of June 30, 2013.

Water System

The City has an outstanding 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 $295,000 in December 2013 to $505,000 in December 2029.

The City has 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 $40,909 in July 2013 to $55,815 in April 2026. The note is payable from revenues derived from the operations of the Water System.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

The City has 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 was provided as a grant via loan forgiveness through the State. Interest is payable monthly at an annual percentage rate of 2.83% on the outstanding balance. Principal is also payable monthly in varying amounts from $3,881 in July 2013 to $6,447 in May 2032. The note is payable from revenues derived from operations of the Water System.

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, 2013). Interest incurred on the loan amounted to $16,485. 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

	Governmental		Business-type	
Year Ending	Principal	Interest	Principal	Interest
2014	$ 1,136,020	$ 899,139	$ 4,830,285	$ 2,519,460
2015	1,173,561	854,941	4,262,604	2,412,985
2016	1,211,529	808,938	4,360,426	2,308,236
2017	1,225,612	761,078	4,471,505	2,187,135
2018	1,270,664	711,266	4,567,683	2,066,194
2019-2023	7,048,382	2,732,087	23,024,707	8,402,619
2024-2028	7,137,256	1,186,799	25,016,595	4,779,058
2029-2033	842,199	108,097	16,349,755	1,675,846
2034-2037	328,807	9,639	7,898,951	364,499
2038-2042	-	-	-	-
Totals	$ 21,374,030	$ 8,071,984	$ 94,782,511	$ 26,716,032

Following are debt requirements for capital leases:

Business-type	
2014	$ 18,877
2015	18,877
2016	18,877
2017	18,877
2018	18,877
Thereafter	12,584
Total future minimum lease payments	106,969
Less amounts representing interest	(15,545)
Present value of future minimum lease payments (including $18,877 classified as current)	$ 91,424

City of Morristown, Tennessee
Changes in Long-Term Debt
June 30, 2013

The following is a summary of the changes in long-term debt for the year ended June 30, 2013.

Description and Purpose	Amount of Original Issue (Bonds Only)	Range of Final Maturity Dates	Range of Interest Rates (%)	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Primary Government							
General long-term debt							
2003 Refunding Industrial Park (B-2-B)	4,855,000	2003-2013	Variable	$ 575,000	$ -	$ 575,000	$ -
2008 Public Improvement ($8M)	4,000,000	2009-2028	Variable	3,478,500	-	147,000	3,331,500
2008 Public Improvement ($3M)	1,290,000	2009-2029	Variable	1,167,020	-	45,150	1,121,870
2008 Public Improvement ($20M)	8,193,665	2009-2035	Variable	7,128,898	-	338,739	6,790,159
2008 Public Improvement ($20M)(Water)	1,011,200	2009-2035	Variable	879,793	-	-	879,793
Local Government Energy Loan	183,604	2010-2016	0	104,917	-	26,230	78,687
2008 Public Improvement ($5M)	3,272,750	2009-2028	Variable	2,869,750	-	120,250	2,749,500
2009 Public Improvement and Refunding($5M)	2,848,203	2009-2034	2.91	2,692,078	-	83,792	2,608,286
Capital Outlay Note	3,750,000	2011-2024	2.06	3,750,000	-	314,866	3,435,134
Total general bonds and notes				22,645,956	-	1,651,027	20,994,929
Enterprise Funds							
Sewer Bonds							
2001 Refunding	4,455,000	2002-2013	Variable	465,000	-	465,000	-
2003 Refunding (B-2-A)	1,360,000	2006-2014	Variable	400,000	-	195,000	205,000
2008 Public Improvement ($8M)	4,000,000	2009-2028	Variable	3,478,500	-	147,000	3,331,500
2008 Public Improvement ($3M)	1,710,000	2009-2029	Variable	1,546,980	-	59,850	1,487,130
2008 Public Improvement ($20M)	10,795,135	2009-2035	Variable	9,392,652	-	397,606	8,995,046
State Revolving Fund 07-203	12,500,000	Various	2.06	9,805,168	-	442,872	9,362,296
State Revolving Fund 09-229	857,197	Various	2.73	857,197	264,037	28,360	1,092,874
2008 Public Improvement ($5M)	1,762,250	2009-2028	Variable	1,545,250	-	64,750	1,480,500
2009 Public Improvement and Refunding($5M)	1,907,419	2009-2034	2.91	1,803,086	-	56,206	1,746,880
General Obligation Bonds	26,000,000	2012-2037	2.0 - 4.0	26,000,000	-	-	26,000,000
Electric System							
Holston Electric Notes		2009-2018	None	133,251	-	79,983	53,268
Appalachian Electric Notes		2003-2020	None	420,805	-	-	420,805
Series V-A-2 Bonds	2,500,000	2004-2018	Variable	1,400,000	-	175,000	1,225,000
2008 TML Bonds	15,186,961	2011-2035	Variable	14,537,655	-	351,077	14,186,578
2013 Promissory Note	7,000,000	2013-2028	Variable	-	275,662	-	275,662
Water System							

City of Morristown, Tennessee
Changes in Long-Term Debt
June 30, 2013

The following is a summary of the changes in long-term debt for the year ended June 30, 2013.

Description and Purpose	Amount of Original Issue (Bonds Only)	Range of Final Maturity Dates	Range of Interest Rates (%)	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Water Department Promissory Note	1,011,200	2001-2012	Variable	100,500	-	100,500	-
Water Department Promissory Note	600,000	2004-2012	Variable	70,000	-	70,000	-
DWSRF Promissory Note	10,492,582	2007-2026	2.61	7,885,510	-	478,284	7,407,226
Water System Bonds Series 2010	7,500,000	2010-2029	3.38	6,965,000	-	285,000	6,680,000
2011 DWSRF Note				1,200,000	-	45,276	1,154,724
Broadband System							
Telecom System 2008 TML Bonds	20,115,000	2016-2030	Variable	4,717,345	-	113,923	4,603,422
Storm Water Bonds							
2009 Public Improvement and Refunding($5M)	81,459	2009-2034	2.91	76,079	-	1,479	74,600
General Obligation Bonds	5,000,000	2012-2037	2.0 - 4.0	5,000,000	-	-	5,000,000
				97,799,978	539,699	3,557,166	94,782,511
Other							
Solid Waste Bonds (Joint Venture)							
2009 Public Improvement and Refunding($5M)	162,919	2009-2034	2.91	154,329	-	5,128	149,201
Capital Outlay Note	250,000	2011-2024	.5	250,000	-	20,100	229,900
Total Other				404,329	-	25,228	379,101
Total				$ 120,850,263	$ 539,699	$ 5,233,421	$ 116,156,541
Capital Leases							
Broadband				$ 3,759	$ 98,112	$ 10,447	$ 91,424
Total				$ 3,759	$ 98,112	$ 10,447	$ 91,424

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

K. Prior Period Adjustment

Prior period adjustments were necessary to correct accounts payable 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 accounts payable balances. A correction of debt balances was necessary for the storm water and sewer funds to correctly reflect the outstanding balances. Corrections to net position of the storm water and sewer funds were necessary due to the implementation of GASB 65. A correction of construction in progress for the sewer fund was necessary due to a spreadsheet to database conversion error. Details of the effects on beginning net position are as follows:

	Government-wide		Fund Statements
	Governmental Activities	Business-type Activities	General Fund
Net Position - June 30, 2012	$49,629,352	$ 100,318,072	$ 23,104,582
Prior period adjustment:			
Business-type activities - CIP database conversion error:			
Sewer fund		(273,734)	
Correction - due to manual A/P items			
General fund	12,915		12,915
Storm Water fund		23,480	
Sewer fund		216,849	
Business-type activities - corrections of debt balances:			
Storm Water fund		(1,038)	
Sewer fund		(197,230)	
Business-type activities - early implementation of GASB 65			
Storm Water fund		(64,600)	
Sewer fund		(349,403)	
Total prior period adjustment	12,915	(645,676)	12,915
Net Position - June 30, 2012, as adjusted	$49,642,267	$ 99,672,396	$ 23,117,497

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, 2013:

Reserve fund balance, July 1, 2012	$1,262,954
Add – state gasoline tax revenues	1,438,599
Less – state expenditures: Paving	1,252,973
Reserve fund balance, June 30, 2013	$1,448,582

M. Other Disclosures

A. Commitments and Contingencies

At June 30, 2013, the City 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 was effective October 1, 2012, and 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

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

Contingent Liabilities

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

MUC was previously selected by TVA for a pilot program to implement and test a demand response infrastructure. As part of this program, MUC agreed to provide system lead reduction at TVA's request over a ten year period. During 2013, MUC completed the capacity requirements and received $1,501,250 from TVA.

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 MUS

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 $12,500 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.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

O. Implementation of GASB 65

In 2013, the City 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 $349,403 for the Sewer fund and $64,600 for the Storm Water fund and is shown as a reduction of net position as of July 1, 2012.

P. Net Position

Net position for the Power, Water, and Broadband Systems consist of the following as of June 30, 2013:

	Power System	Water System	Broadband System
Net investment in capital assets consists of the following:			
Net capital assets	$ 55,581,787	$ 39,064,237	$ 5,969,905
Restricted unspent bond funds	-	2,908,107	-
Less related liabilities:			
Current portion of capital lease obligations	-	-	18,877
Current portion of long-term debt	950,598	832,480	120,047
Capital lease obligation, less current portion	-	-	72,547
Long-term debt, less current portion	15,210,713	14,409,471	4,483,376
Total related liabilities	16,161,311	15,241,951	4,694,847
Net investment in capital assets	$ 39,420,476	$ 26,730,393	$ 1,275,058

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 $257,000 for the library operation during the fiscal year ended June 30, 2013.

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, 2013, the City was charged $205,637.

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

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, 2013, was 14.68% 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, 2013, Morristown's annual pension cost of $1,912,033 to TCRS was equal to Morristown's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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, 2011 was 14 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	$ 1,912,033	100.00%	$ -
June 30, 2012	$ 1,848,357	100.00%	$ -
June 30, 2011	$ 1,874,073	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.

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)

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:

	Total Payroll	Covered Payroll	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
2013	$ 4,522,471	$ 4,249,744	$ 636,363	15%	$ 328,198	8%
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%

Water System:

	Total Payroll	Covered Payroll	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
2013	$ 1,405,880	$ 1,343,576	$ 197,953	15%	$ 81,841	6%
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%

Broadband System:

	Total Payroll	Covered Payroll	Employer Contributions	% of Covered Payroll	Employee Contributions	% of Covered Payroll
2013	$ 1,402,398	$ 1,219,296	$ 180,526	15%	$ 58,285	5%
2012	$ 1,194,775	$ 915,333	$ 136,152	15%	$ 48,741	5%
2011	$ 954,974	$ 749,847	$ 112,477	15%	$ 44,351	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 2013, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed one year of service as defined by the Plan and who have attained the age of 21 are eligible to participate in the Plan. Participants are 100% vested in the employer contributions when they are made.

NOTE 4 – DETAILED NOTES ON ALL FUNDS (Continued)

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, 2013, the City approved the incurrence of debt of $20,000,000 for the funding of sewer system projects in August 2013. The Morristown Utility Commission has been approved to take over Sewer operations effective December 30, 2013. In September 2013, an ordinance was approved to amend the 2013-2014 budget and appropriate $150,973 for early repayment of the Storm Water fund's debt to the Sewer fund. In October 2013 the purchase of the Kalitta Building at the airport was approved for $975,000. However, the purchase remains on hold until March 2014 pending the outcome of an interested third-party potentially leasing the building. The City's fixed base operations contract with Morristown Air Service was approved in October 2013 to begin November 1, 2013, and is a five-year contract and is dependent upon completion of fuel farm upgrades.

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City of Morristown, Tennessee
Required Supplementary Information
June 30, 2013

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

(Dollar amounts in thousands)

Pension

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%

OPEB

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
07/01/12	180,115	4,215,993	4,035,878	4.3%	11,398,213	35.4%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/2009	$ 518,360	100%
6/30/2010	473,774	100%
6/30/2011	455,797	100%
6/30/2012	468,493	100%
6/30/2013	376,550	100%

City of Morristown, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Narcotics	Community Development	Total NonMajor Governmental Funds
ASSETS			
Cash and cash equivalents	$ 27,356	$ 99,438	$ 126,794
Receivables (net of allowance for uncollectibles)	2,364	56,407	58,771
Total assets	$ 29,720	$ 155,845	$ 185,565
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	26,394	-	26,394
FUND BALANCE			
Reserved	-	-	-
Unreserved fund balance	3,326	155,845	159,171
Total fund balance	3,326	155,845	159,171
Total liabilities, deferred inflows of resources, and fund balance	$ 29,720	$ 155,845	$ 185,565

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, 2013

	Narcotics	Community Development	Total NonMajor Governmental Funds
Revenues			
Licenses, permits and fines	$ 72,692	$ -	$ 72,692
Intergovernmental	482	497,053	497,535
Total revenues	73,174	497,053	570,227
Expenditures			
Current:			
Administration	-	80,622	80,622
Programs	-	344,439	344,439
Contracts with other agencies	-	11,206	11,206
Total general government	-	436,267	436,267
Public safety:			
Police	472,768	-	472,768
Total public safety	472,768	-	472,768
Total expenditures	472,768	436,267	909,035
	-		
Deficiency of revenue over expenditures	(399,594)	60,786	(338,808)
Other financing sources (uses)			
Transfers in	391,626	-	391,626
Transfers out	-	-	-
Total other financing sources and uses	391,626	-	391,626
Net change in fund balance	(7,968)	60,786	52,818
Fund balance- beginning, as restated	11,294	95,059	106,353
Fund balance-ending	$ 3,326	$ 155,845	$ 159,171

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, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
CDBG reimbursements	$ 303,311	$ 303,311	$ 315,828	$ 12,517
ESG grant	-	-	11,684	11,684
Other state revenues	145,895	145,895	169,541	23,646
Total revenues	449,206	449,206	497,053	47,847
Expenditures:				
CDBG administration:				
Wages and salaries permanent employees	52,577	52,577	53,057	(480)
Christmas bonus and longevity	277	277	276	1
FICA	3,277	3,277	3,196	81
Medicare	766	766	747	19
TCRS contribution	7,759	7,759	7,829	(70)
Employee health insurance	11,301	11,301	11,543	(242)
Employee life insurance	205	205	-	205
Workers compensation	1,556	1,556	1,575	(19)
Postal service	500	500	284	216
Printing services	220	220		220
Legal notices	1,650	1,650	332	1,318
Other professional services	5,500	3,354	-	3,354
Memberships and dues	1,500	1,500	787	713
Education seminars and training	6,600	6,600	1,613	4,987
Travel business expenses	9,800	(2,200)	(3,002)	802
Office supplies and materials	2,000	2,000	861	1,139
Other miscellaneous expenses	5,000	-	-	-
Admin charges/general gov	-	-	677	(677)
Insurance	94	94	-	94
Equipment rental/lease	2,000	2,000	355	1,645
Office equipment	-	-	492	(492)
Total CDBG administration	112,582	93,436	80,622	12,814
CDBG programs and activities:				
Admin charges/general gov	-	125	-	125
CEASE	-	2,241	2,241	-
Central Services	-	2,241	2,241	-
Helping Hands	-	2,241	2,241	-
MATS	-	2,241	2,241	-
Youth Emergency Shelter	-	2,241	2,241	-
THDA neighborhood stabilization	145,895	145,895	90,307	55,588
Grants and subsidies	190,729	198,545	254,133	(55,588)
Total CDBG programs and activities	336,624	355,770	355,645	125
Total expenditures	449,206	449,206	436,267	12,939
Net change in fund balance	-	-	60,786	60,786
Fund balance, July 1, 2012	95,059	95,059	95,059	-
Fund balance, June 30, 2013	$ 95,059	$ 95,059	$ 155,845	$ 60,786

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

City of Morristown, Tennessee
Narcotics Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
for the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue:				
State reimbursements and refunds	$ -	$ -	$ 482	$ 482
City fines and court costs	-	-	71	71
Program income	125,099	125,099	72,621	(52,478)
Total revenue	125,099	125,099	73,174	(51,925)
Narcotics:				
Wages and salaries permanent employees	232,688	232,688	229,489	3,199
Overtime	10,000	10,000	9,805	195
Christmas bonus and longevity	2,508	2,508	2,496	12
FICA	15,202	15,202	14,657	545
Medicare	3,555	3,555	3,428	127
TCRS contribution	35,995	35,995	35,524	471
Employee health insurance	56,395	56,395	53,541	2,854
Employee life insurance	877	877	-	877
Workers compensation	33,341	33,341	9,710	23,631
Clothing/uniform/shoes	2,800	2,800	2,688	112
Postal service	100	100	143	(43)
Printing services	100	100	-	100
Legal notices	700	700	378	322
Medical services	-	-	28	(28)
Telephone services	3,550	3,550	2,588	962
Other professional services	250	250	50	200
Repair and maintenance vehicles	500	500	490	10
Repair and maintenance office equipment	100	100	-	100
Subscriptions and books	200	200	-	200
Memberships and dues	265	265	250	15
Education seminars and training	1,100	1,100	745	355
Travel business expenses	2,000	2,000	2,387	(387)
Other contracted services	8,400	8,400	6,085	2,315
Office supplies and materials	1,800	1,800	1,708	92
General operating supplies	3,046	3,046	2,723	323
Gasoline and diesel fuel	13,200	13,200	14,175	(975)
Veh parts/oil/fluid/tires	3,618	3,618	3,066	552
Insurance	9,116	9,116	8,941	175
Property (contents) insurance	1,819	1,819	1,874	(55)
Equipment rental/lease	1,500	1,500		1,500
Undercover expenses	72,000	72,000	65,799	6,201
Total expenditures	516,725	516,725	472,768	43,957
Net change in fund balance	(391,626)	(391,626)	(399,594)	(7,968)
Other sources of funds:				
Operating transfers in	391,626	391,626	391,626	-
Net change in fund balance	-	-	(7,968)	(7,968)
Fund balance, July 1, 2012	11,294	11,294	11,294	-
Fund balance, June 30, 2013	$ 11,294	$ 11,294	$ 3,326	$ (7,968)

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

City of Morristown, Tennessee
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

CFDA Number	Grantor Agency/Program	Contract Number	(A) Balance July 1, 2012 Receivable	(B) Receipts	(C) Federal Expenditures	(D) Balance June 30, 2013 Receivable
	USDA/					
10.559	Summer Feeding Program	30-007	$ -	$ 87,950	$ 87,950	$ -
	U. S. Department of Housing and Urban					
14.218	Development/CDBG	B-12-MC-47-0013	(43,723)	377,679	376,261	(42,305)
14.231	THDA Emergency Solutions Grant	ESG-12-17	-	11,684	25,786	(14,102)
			(43,723)	389,363	402,047	(56,407)
	U. S. Department of Justice/					
20.607	Traffic Safety & Impaired Driving Prevention	154AL-13-164	-	20,898	20,898	-
	Edward Byrne Memorial JAG Program	2012-DJ-BX-0075	-	16,381	16,381	-
17	COPS	2010UMWX0293	(47,409)	251,214	255,094	(51,289)
			(47,409)	288,493	292,373	(51,289)
	U. S. Department of Transportation/					
20.106	Airport Fueling System	TAD 32-555-0414-04	-	-	15,185	(15,185)
20.205	Transportation Planning & Coordination	Lakeway UPWP	-	161,130	184,575	(23,445)
	Section 5303 Metropolitan Planning	325303-S3-006	-	28,970	28,970	-
	Downtown Pedestrian Imp/Corridor Proj	70178	-	762	762	-
	Highway Planning Grants	32LPLMF0002	-	45,636	45,636	-
		STP-M-9113(13)	-	12,015	200,929	(188,914)
		STP-M-9113(11)	-	11,409	130,526	(119,117)
		STP-M-9113(12)	-	9,677	25,978	(16,301)
		STP-M-9113(17)	-	15,233	15,233	-
		STP-M-9113(8)	-	50,529	50,529	-
		STP-M-34(79)	-	5,438	13,910	(8,472)
		STP-M-66(46)	-	29,340	29,340	-
		STP-M-34(78)	-	159,525	159,525	-
		STP-M-9113(18)	-	-	14,226	(14,226)
			-	529,664	900,139 (E)	(370,475)
66.468	Environmental Protection Agency/ Tennessee Revolving Loan Fund Capitalization Grants - Non-ARRA		-	264,037	413,103	(149,066)
	Total		$ (91,132)	$ 1,559,507	$ 2,110,797	$ (642,422)

A) Receivable at June 30, 2012
B) Cash receipts
C) Federal expenditures
D) Receivable at June 30, 2013
E) Major Federal Program

Basis of Presentation

The schedule of expenditures of federal awards (the "schedule") includes the federal grant activity of the City of Morristown, Tennessee, under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the schedule presents only a selected portion of the operations of the City of Morristown, Tennessee, it is not intended to and does not present the financial position, changes in net assets or cash flows of the City of Morristown, Tennessee.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

City of Morristown, Tennessee
Schedule of State Financial Assistance
Year Ended June 30, 2013

Grantor Agency/Program	Contract Number	(A) Balance July 1, 2012 Receivable	(B) Receipts	(C) Disbursements	(D) Balance June 30, 2013 Balance
Fast Track Grants	GG-12-376905-00	$ (380,163)	$ 579,327	$ 335,761	$ (136,597)
Downtown Pedestrian Improv/Corridor Proj	070178	-	92	92	-
Neighborhood Stabilization Program	ARRA-NSP 1-09-027	-	169,541	169,541	-
Section 5303 Metropolitan Planning	325303-S3-006	-	3,628	3,628	-
Section 5307 Operating Assistance	32UROP-S3-007	-	97,000	268,647	(171,647)
Internet Crimes Against Children	C-13-0168	-	29,306	39,171	(9,865)
Airport Apron Improvements	32-555-0742-04	-	43,768	86,156	(42,388)
Airport Maintenance Grant	AERM-14-377-00	-	22,053	24,399	(2,346)
Total		$ (380,163)	$ 944,715	$ 927,395	$ (362,843)

A) Receivable at June 30, 2012
B) Cash receipts
C) State expenditures
D) Receivable at June 30, 2013

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City of Morristown, Tennessee
Statistical Information
June 30, 2013

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 Position by Component
Last Ten Fiscal Years
June 30, 2013

	Fiscal Year Ended									
	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	6/30/2013
Governmental activities:										
Invested in capital assets, net of related debt	$ 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	$ 29,647,943
Restricted	1,434,155	3,256,311	3,461,659	153,829	2,746,754	2,622,266	353,457	644,679	1,369,307	1,607,753
Unrestricted	4,811,741	3,918,333	2,407,332	12,742,735	-	-	3,210,976	17,903,817	22,204,246	23,431,214
Total governmental activities net position	$ 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	$ 54,686,910
Business-type activities:										
Invested in capital assets, net of related debt	$ 61,967,985	$ 63,008,050	$ 65,965,213	$ 65,694,276	$ 68,057,045	$ 73,440,732	$ 73,214,568	$ 72,398,653	$ 76,792,135	$ 79,424,880
Restricted	554,347	3,522,421	531,903	557,111	-	1,331,951	585,465	-	-	-
Unrestricted	13,006,096	11,713,846	13,638,464	12,858,565	13,775,143	11,011,165	15,782,758	22,815,516	23,525,937	26,580,161
Total business - type net position	$ 75,528,428	$ 78,244,317	$ 80,135,580	$ 79,109,952	$ 81,832,188	$ 85,783,848	$ 89,582,791	$ 95,214,169	$ 100,318,072	$ 106,005,041
Primary government:										
Invested in capital assets, net of related debt	$ 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	$ 109,072,823
Restricted	2,032,088	6,778,732	3,993,562	710,940	2,341,975	3,954,217	938,922	644,679	1,369,307	1,607,753
Unrestricted	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	50,011,375
Total primary government	$ 115,261,082	$ 117,904,919	$ 118,371,903	$ 112,836,005	$ 126,351,549	$ 131,485,892	$ 137,284,324	$ 145,516,540	$ 149,947,424	$ 160,691,951

City of Morristown, Tennessee
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
June 30, 2013

	Fiscal Year Ended									
	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	6/30/2013
Revenues:										
Taxes	$ 17,963,749	$ 18,798,835	$ 19,509,714	$ 19,819,597	$ 22,261,063	$ 23,229,793	$ 21,494,303	$ 22,480,586	$ 22,869,163	$ 22,536,744
Licenses, permits and fines	756,770	936,037	904,316	1,093,488	1,045,551	1,497,081	1,472,826	1,510,750	1,319,940	1,178,045
Use of money and property	736,195	690,408	607,576	329,777	470,219	246,632	1,014,717	870,195	636,386	253,683
Service charges and fees	319,659	131,998	155,179	137,584	141,703	132,712	151,393	1,225,730	1,431,315	1,576,001
Intergovernmental	4,566,023	5,294,295	7,664,424	6,141,091	6,269,338	5,340,445	5,820,905	6,204,797	5,478,005	5,856,207
Total revenues	24,342,396	25,851,573	28,841,209	27,521,537	30,187,874	30,446,663	29,954,144	32,292,058	31,734,809	31,400,680
Expenditures:										
General government	2,603,517	3,322,466	3,654,202	4,378,805	4,578,048	3,623,150	3,410,399	3,317,502	4,062,142	3,629,042
Public safety	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	13,972,414
Public works	6,215,255	6,897,308	9,055,173	10,381,286	11,036,209	6,931,598	6,353,399	6,619,663	8,862,747	8,798,240
Parks and recreation	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	1,768,165
Airport	590,071	292,552	275,700	190,240	132,719	302,588	-	-	-	-
Civic support	569,689	544,398	532,178	856,174	558,723	1,339,282	490,500	279,966	1,395,326	841,472
Library	-	-	-	-	-	-	-	250,000	243,600	257,000
Economic development	1,376,815	1,448,415	4,355,672	2,224,061	1,117,549	464,294	1,167,663	1,868,472	356,373	179,891
Transportation							542,427	-	-	-
Retiree benefits	408,347	434,580	292,973	-	-		394,866	439,304	309,530	401,695
Miscellaneous	229,795	39,351	20,531	-	-		133,532	133,532	-	-
Debt service:										
Principal	746,600	1,224,800	1,265,000	1,105,000	3,150,000	1,585,805	4,058,614	1,501,662	1,574,629	1,675,568
Interest	360,360	178,333	178,432	449,487	722,876	558,250	341,172	237,224	232,380	239,740
Debt expense	4,903	4,670	299,340	155,077	62,156	53,404	68,620	45,929	57,337	87,324
Total expenditures	25,842,630	27,901,355	33,996,969	37,296,867	38,249,959	31,059,950	31,745,552	29,439,696	32,363,110	31,850,551
Deficiency of revenue over expenditures	(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	(449,871)
Other financing sources (uses):										
Transfers in	4,290,237	2,550,093	2,371,219	2,421,324	2,443,018	1,925,865	2,471,905	1,898,007	2,202,954	2,059,154
Transfers out	(5,005,138)	(1,725,817)	(1,717,920)	(1,733,483)	(1,712,003)	(1,876,147)	(1,736,947)	(1,538,388)	(1,184,908)	(391,626)
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	1,667,528
Net change in fund balance	$ (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	$ 1,217,657
Debt service as a percentage of total governmental expenditures	4.37%	5.05%	5.14%	4.58%	10.29%	7.01%	14.10%	6.06%	5.76%	6.29%

City of Morristown, Tennessee
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis)
June 30, 2013

	Fiscal Year Ended									
	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	6/30/2013
Expenses:										
Governmental activities:										
General government	$ 2,790,124	$ 3,532,804	$ 3,732,690	$ 4,427,912	$ 4,729,356	$ 3,593,414	$ 3,536,036	$ 3,518,056	$ 4,267,622	$ 3,593,414
Public safety	10,287,565	11,553,257	12,011,746	14,783,116	14,938,433	14,016,226	13,510,787	13,528,045	13,775,987	14,016,226
Public works	6,537,761	5,024,791	7,884,650	8,936,753	12,760,354	6,665,204	7,208,206	8,372,617	9,939,809	6,665,204
Parks and recreation	1,534,531	1,469,315	1,864,017	3,107,468	2,404,471	1,773,943	1,767,692	1,805,109	1,783,705	1,773,943
Civic support	576,028	544,398	532,178	856,949	558,723	1,098,472	553,177	663,498	1,638,926	1,098,472
Economic development	385,088	1,448,415	3,879,932	126,444	1,117,549	147,547	624,033	1,904,129	392,784	147,547
Retiree benefits	408,347	434,580	292,873	-	-	-	394,866	439,304	309,530	401,695
Airport	477,425	704,585	554,398	631,368	573,847	-	-	-	-	-
Transportation	-	-	-	-	-	-	767,273	-	-	-
Long-term debt expense	396,490	217,831	337,239	582,295	785,032	327,064	342,543	283,153	289,717	327,064
Other	81,574	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	23,474,933	24,929,976	31,089,823	33,452,305	37,867,765	27,621,870	28,704,613	30,513,911	32,408,080	28,023,565
Business-type activities:										
Water	4,039,405	3,765,978	4,241,596	4,466,115	5,016,039	5,689,323	5,305,337	5,843,954	5,854,182	[illegible]
Sewer	4,579,513	4,466,165	5,170,188	[illegible]	6,760,518	9,421,128	7,844,945	[illegible]	[illegible]	3,469,269
Electric	47,303,032	47,469,148	53,341,601	[illegible]	61,135,276	73,724,986	[illegible]	[illegible]	71,977,835	73,724,[illegible]
Broadband system		[illegible]	[illegible]	[illegible]	[illegible]	7,256,[illegible]	7,030,119	[illegible]	6,683,203	[illegible]
Storm water					[illegible]	810,188	[illegible]	[illegible]	698,719	[illegible]
Total business-type expenses	56,032,950	55,658,687	63,456,262	71,410,250	80,315,415	96,901,677	84,714,614	94,923,033	95,087,655	[illegible]
Total primary government expenses	79,503,883	80,588,943	94,556,085	[illegible]	[illegible]	124,523,547	[illegible]	125,436,944	127,495,635	[illegible]
Program revenues:										
Governmental activities:										
Charges for services:										
General government	165,575	231,440	223,537	557,097	409,037	232,242	280,238	134,066	130,440	232,242
Public safety	794,645	936,037	904,316	414,881	778,216	1,140,852	1,343,981	1,510,750	1,319,940	1,178,045
Public works	703,164	-	258,709	-	-	-	-	1,091,664	1,300,875	1,343,759
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	352,717	-	505,818	448,884	888,336	746,980	975,928	1,091,876	700,118	710,156
Capital grants and contributions	1,361,550	-	3,234,328	1,702,895	1,546,886	710,156	660,995	-	-	-
Total governmental activities program revenues	3,517,213	1,299,475	5,281,887	3,261,321	3,622,475	2,830,230	3,261,142	3,828,356	3,451,373	3,464,202
Business-type activities:										
Charge for services:										
Water	4,408,024	4,943,461	5,339,101	5,335,578	5,572,994	6,450,217	6,769,458	6,936,381	6,602,966	6,450,217
Sewer	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	11,227,579
Electric	49,414,204	49,466,518	55,821,500	58,631,933	63,351,409	74,850,804	67,681,072	77,167,026	74,575,366	74,850,804
Broadband system	-	-	102,690	2,548,590	4,503,672	7,195,234	6,502,002	6,321,898	6,815,505	7,195,234
Storm water	-	-	-	-	89,353	1,342,550	563,562	541,053	1,375,723	1,342,550
Operating grants and contributions	378,438	-	-	-	-	-	-	-	2,067,523	2,219,003
Capital grants and contributions	1,640,300	-	-	-	55,500	84,631	84,631	847,793	165,384	1,602,948
Total business-type activities program revenue	60,331,508	58,999,132	66,012,824	72,072,574	82,339,854	96,525,128	88,202,417	101,122,243	101,652,122	104,888,335
Total primary government program revenue	$ 63,848,721	$ 60,298,607	$ 71,294,711	$ 75,333,895	$ 85,962,329	$ 99,355,358	$ 91,463,559	$ 104,950,599	$ 105,103,495	$ 108,352,537
Net (expense) revenue:										
Governmental activities	$ (19,957,720)	$ (23,630,501)	$ (25,807,936)	$ (30,190,984)	$ (34,245,290)	$ (24,559,732)	$ (25,443,471)	$ (26,685,555)	$ (28,956,707)	$ (24,559,363)
Business-type activities	2,583,291	3,040,165	2,544,562	653,244	2,074,399	7,986,558	3,487,903	6,136,910	6,564,667	7,918,434
Total primary government net expense	$ (17,374,429)	$ (20,590,336)	$ (23,263,374)	$ (29,537,740)	$ (32,170,891)	$ (16,573,174)	$ (21,955,568)	$ (20,548,645)	$ (22,392,040)	$ (16,640,929)

City of Morristown, Tennessee
Changes In Net Position
Last Ten Fiscal Years
(Accrual Basis)
June 30, 2013

	Fiscal Year Ended									
	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	6/30/2013
General governmental and other changes in net position:										
Governmental activities:										
Property taxes	$ 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	$ 9,083,552
In-lieu taxes	59,275	72,748	92,446	65,529	35,536	-	-	-	-	-
Franchise taxes	820,658	853,208	1,006,887	732,339	826,802	784,355	644,358	400,815	598,668	632,723
Local sales tax	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	9,923,645
Alcohol beverage tax	1,009,528	1,032,668	1,076,180	1,107,005	1,138,908	1,178,386	1,190,044	1,140,739	1,364,148	1,397,959
Business and gross receipts tax	861,386	784,119	881,441	943,210	866,833	947,659	663,824	882,131	1,000,937	936,935
Hotel/motel tax	312,707	350,931	384,387	417,120	425,087	367,704	361,096	454,655	533,149	561,930
Use of money and property	712,843	96,134	607,576	451,307	470,219	246,632	1,014,717	870,195	979,709	253,683
Intergovernmental	2,148,591	4,097,107	3,405,260	3,989,312	3,834,117	2,148,264	4,188,982	5,112,921	4,777,887	5,146,051
Transfers	721,591	824,276	653,299	687,841	731,014	1,530,560	734,958	813,163	1,532,378	1,667,528
Total governmental activities	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	29,604,006
Business-type activities:										
Investment earnings	-	-	-		-	-				
Use of money and property	-	-	-	-	387,820	161,484	95,302	86,495	304,325	81,739
Transfers	(721,591)	(824,276)	(653,299)	(687,841)	(731,014)	(1,530,560)	(734,958)	(813,163)	(1,532,378)	(1,667,528)
Total business-type activities	(721,591)	(824,276)	(653,299)	(687,841)	(343,194)	(1,369,076)	(639,656)	(726,668)	(1,228,053)	(1,585,789)
Total primary government	$ 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	$ 28,018,217
Changes in net position:										
Governmental activities	1,595,533	221,577	(1,219,206)	(5,458,513)	(6,948,877)	2,693,183	1,989,489	2,485,893	1,202,432	5,044,643
Business-type activities	1,861,700	2,125,889	1,891,263	(34,597)	1,731,206	2,236,653	2,848,247	5,410,242	5,336,614	6,332,645
Total primary government	$ 3,457,233	$ 2,347,466	$ 672,057	$ (5,493,110)	$ (5,217,671)	$ 4,929,838	$ 4,837,736	$ 7,896,135	$ 6,539,046	$ 11,377,288
General fund										
Reserved	1,281,222	1,923,010	8,551,476	4,669,443	-	2,619,067	353,457	639,964	13,028,600	13,228,903
Unreserved	5,032,750	5,254,556	4,060,987	-	2,705,279		3,326,040	6,804,115	10,075,983	11,196,401
Total general fund	$ 6,313,972	$ 7,177,566	$ 12,612,463	$ 4,669,443	$ 2,705,279	$ 2,619,067	$ 3,679,497	$ 7,444,079	$ 23,104,583	$ 24,425,304
All other governmental funds										
Unreserved							(26,323)	387,277	541,585	398,617
Reserved	149,933	53,301	9,883	163,657	41,475	3,199	25,473	73,843	106,353	159,171
Total all other governmental funds	$ 149,933	$ 53,301	$ 9,883	$ 163,657	$ 41,475	$ 3,199	$ (850)	$ 461,120	$ 647,938	$ 557,788

City of Morristown, Tennessee
Fund Balance of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
June 30, 2013

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	$ 1,281,222	$ 1,923,010	$ 8,551,476	$ 4,669,443	$ 3,431,536	$ 2,619,067	$ 353,457	$ -	$ -	$ -
Nonspendable	-	-	-	-	-	-	-	-	11,765,646	11,780,321
Restricted	-	-	-	-	-	-	-	-	1,262,954	1,448,582
Committed	-	-	-	-	-	-	-	-	3,072	69,710
Assigned	-	-	-	-	-	-	1,065,688	1,170,837	3,852	8,500
Unassigned	-	-	-	-	-	-	-	-	10,069,059	11,118,191
Unreserved	5,032,750	5,254,556	4,060,987	-	-	-	3,159,977	6,656,404	-	-
Total general fund	$ 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	$ 24,425,304
All other governmental funds										
Reserved	$ 149,933	$ 53,301	$ 9,883	$ 163,657	$ 41,475	$ 3,199	$ 25,473	$ 77,958	$ -	$ -
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	106,353	159,171
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	541,585	398,617
Unassigned	-	-	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	984	984	984	-	(26,323)	-	-	-
Total all other governmental funds	$ 149,933	$ 53,301	$ 10,867	$ 164,641	$ 42,459	$ 3,199	$ (850)	$ 77,958	$ 647,938	$ 557,788

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

Fiscal Year	Property Tax	In-lieu Tax	Franchise Tax	Local Sales Tax	Alcohol Beverage Tax	Business and Gross Receipts Tax	Licenses, Permits, and Fines	Hotel/ Motel Tax	Use of Money and Property	Inter-Governmental	Transfers	Total
2004	$ 6,288,159	$ 59,275	$ 820,658	$ 8,618,515	$ 1,009,528	$ 861,386	$ -	$ 312,707	$ 712,843	$ 2,148,591	$ 721,591	$ 21,553,253
2005	6,544,269	72,748	853,208	9,196,618	1,032,668	784,119	-	350,931	96,134	4,097,107	824,276	23,852,078
2006	6,989,567	92,446	1,006,887	9,491,687	1,076,180	881,441	-	384,387	607,576	3,405,260	653,299	24,588,730
2007	6,960,375	65,529	732,339	9,594,019	1,107,005	943,210	-	417,120	1,276,070	5,899,091	687,841	27,682,599
2008	9,521,787	35,536	826,802	9,446,110	1,138,908	866,833	-	425,087	1,421,389	6,027,338	731,015	30,440,805
2009	8,766,697	-	784,365	10,389,929	1,178,386	947,659	-	367,704	1,876,425	5,340,445	795,053	30,446,663
2010	9,180,026	-	644,358	9,454,955	1,190,044	663,824	1,472,826	361,096	1,166,110	5,820,905	734,958	30,689,102
2011	9,999,606	-	400,815	9,611,440	1,140,739	882,131	1,510,750	454,865	2,095,925	6,204,797	848,566	33,149,654
2012	9,135,642	-	598,668	10,236,619	1,364,148	1,000,937	1,319,940	533,149	2,067,701	5,478,005	1,018,046	32,752,855
2013	9,083,552	-	632,723	9,923,645	1,397,959	936,935	1,178,045	561,930	253,683	5,856,207	1,667,528	31,492,207

City of Morristown, Tennessee
Table of General Bonded Debt with Total Assessment
and Expenditure Ratio
Ten Tax Years Ended 2013
June 30, 2013

Tax Year	General Bonded Debt	Total Assessment	Ratio of Bonded Debt to Total Assessment	Total Expenditures	Ratio of Bonded Debt to Total Expenditures
2004	11,042,686	561,898,214	.020 to 1	25,398,613	.435 to 1
2005	12,202,286	570,401,429	.021 to 1	25,842,630	.472 to 1
2006	20,922,286	673,488,281	.031 to 1	27,901,352	.750 to 1
2007	22,538,317	704,561,094	.032 to 1	33,896,969	.665 to 1
2008	24,008,317	693,683,310	.035 to 1	37,296,867	.644 to 1
2009	22,521,414	728,824,170	.031 to 1	38,249,959	.589 to 1
2010	21,676,922	734,794,794	.030 to 1	26,991,342	.803 to 1
2011	20,395,260	880,290,913	.023 to 1	31,320,230	.651 to 1
2012	19,054,360	864,098,668	.022 to 1	31,217,154	.610 to 1
2013	21,373,996	863,349,937	.025 to 1	30,941,516	.691 to 1

City of Morristown, Tennessee
Property Tax Levies and Collections
For the Ten Years Ended 2013
June 30, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed value	$ 586,357,798	$ 614,747,798	$ 704,667,216	$ 693,683,310	$ 735,127,536	$ 734,794,794	$ 880,290,913	$ 865,879,073	$ 864,098,668	$ 863,408,190
Rate per $100	1.09	1.09	0.97	1.37	1.22	1.22	1.05	1.05	1.05	1.05
Total tax levy	6,391,300	6,700,751	6,835,272	9,503,463	8,903,661	8,968,580	9,243,067	9,091,730	9,073,036	$ 9,065,786
Collections/reductions:										
Initial tax year	6,085,471	6,421,637	6,546,642	8,767,049	8,367,645	8,502,700	8,755,460	8,590,172	8679616	
Additional through June 30, 2013	292,706	242,811	249,136	624,059	370,226	264,014	-	-	-	
Total collections/reductions	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	8679616	
Taxes receivable, June 30, 2013	$ 13,123	$ 36,303	$ 39,494	$ 112,355	$ 165,790	$ 201,866	$ 487,607	$ 501,558	$ 393,420	
Percent of levy collected initial tax year	95.21%	95.83%	95.78%	92.25%	93.98%	94.81%	94.72%	94.48%	95.66%	
Percent of levy outstanding June 30, 2013	0.21%	0.54%	0.58%	1.18%	1.86%	2.25%	5.28%	5.52%	4.34%	

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

	2013			Nine Years Ago		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Department of Education	1,284	1	7%	1,225	3	3%
Koch Foods	1,125	2	6%	680	7	1%
MAHLE, Inc.	1,006	3	5%	1,550	2	3%
Walters State Community College	743	4	4%	790	4	1%
Morristown Hamblen Healthcare	716	5	4%	765	5	1%
JTEKT Automotive	715	6	4%			
Howmet Corporation	520	7	3%	528		1%
Cherokee Health Systems				454	10	1%
Wal-Mart	432	8	2%	488	9	1%
Rich Products	402	9	2%			
Lear Corporation	403	10	2%			
Shelby Williams Industries, Inc.				675	6	1%
Toyoda TRW Automotive				580	8	1%
Berkline				1,625	1	3%
Total	7,346		39%	9,308		17%

City of Morristown, Tennessee
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Tax Years
June 30, 2013

Tax Year	Residential Property	Commercial Property	Public Utility Property	Other	Industrial Property	Public Utility Property	Total Assessment Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2004	$ 160,143,125	$ 274,685,480	$ 493,845	$ 1,776,850	$ 133,299,257	$ 2,872	$ 570,401,429	$ 1.09	$ 1,706,865,190	33.42%
2005	197,382,450	311,856,480	581,570	2,358,850	161,306,661	2,770	673,488,281	0.97	2,030,459,639	33.17%
2006	208,319,300	320,294,680	577,060	2,554,275	172,813,509	2,770	704,561,094	0.97	2,130,508,894	33.07%
2007	214,131,050	323,243,200	577,060	3,551,000	152,179,019	1,981	693,683,310	1.37	2,257,282,643	30.73%
2008	222,757,250	335,363,800	557,095	4,638,175	165,505,013	2,837	728,824,170	1.22	2,377,490,324	30.66%
2009	224,697,525	340,950,480	557,095	4,567,200	164,020,624	1,870	734,794,794	1.22	2,429,789,052	30.24%
2010	266,744,425	405,874,600	707,025	5,657,800	201,304,793	2,270	880,290,913	1.05	2,776,600,762	31.70%
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%
2013	266,280,800	302,287,800	707,025	5,663,750	102,759,240	2,270	863,349,937	1.05	2,720,476,644	31.74%

City of Morristown
Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Function										
Police:										
Physical arrests	5,226	5,250	5,266	7,572	6,487	5,620	2,097	4,844	4,872	3,061
Parking violations	8,636	8,645	8,652	7,179	14,809	15,211	10,071	357	288	17
Fire										
Number of calls answered	2,979	2,985	3,211	3,390	3,337	3,232	4,271	3,914	2,975	3,222
Inspections	1,808	1,815	1,827	2,376	2,361	948	659	741	2,781	2,562
Highway and streets:										
Street maintenance/resurfacing (miles)	0.11	8.11	4.73	0.4	6.18	2.39	-	209.30	224.60	45.60
Sanitation:										
Brush collected (annual)	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	6,574.00
Refuse collected	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	9,248.60

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
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
2013	29,269	961,135,422	32,838	36.20	14.0	13,046	10.20

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	4	5	5	6	6	6	6	6	6	6
Sanitation										
Collection trucks	5	5	5	4	4	4	4	4	4	4
Highways and streets										
Street (miles)	237	240	241	263	263	320	320	320	320	352
Culture and recreation										
Parks acreage	257	232	257	259	259	264	264	264	264	264
Parks	14	15	15	16	16	16	16	16	16	16

City of Morristown, Tennessee
Schedule of Sewer Utility Rates and Number of Customers
Year Ended June 30, 2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sewer Rate										
Inside	$ 2.95	$ 3.00	$ 3.00	$ 3.65	$ 4.20	$ 4.59	$ 4.59	$ 4.96	$ 8.11	$ 8.11
Outside	5.90	6.00	6.00	7.30	8.40	9.18	9.18	9.92	16.22	16.22
Customers										
Inside	10,144	10,230	10,230	10,578	10,578	11,523	11,523	11,627	11,618	11,668
Outside	391	438	438	438	438	109	109	104	105	106

City of Morristown, Tennessee
Schedule of Electric Rates (Last Ten Years)
Year Ended June 30, 2013

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Residential										
Customer charge per month	$ 16.71	$ 16.71	$ 16.71	$ 16.71	$ 13.21	$ 11.50	$ 8.40	$ 8.40	$ 8.27	$ 8.27
Energy charge:										
First 2,000 kWh	0.09097	0.09242	0.08934	0.08175	0.07552	0.07943	0.07189	0.06735	0.05961	0.05961
Additional kWh per month	0.09097	0.09242	0.08934	0.07958	0.07376	0.00736	0.07002	0.06548	0.05777	0.05777
Commercial, Industrial, Governmental and Institutional:										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	$20 or $37	26.00	26.00	26.00	21.50	21.50	15.25	15.25	15.00	15.00
Energy charge per kWh per month	0.10076	0.10219	0.09899	0.09137	0.08463	0.08787	0.07902	0.07453	0.06576	0.06576
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	133.00	133.00	133.00	133.00	127.00	127.00	127.00	127.00	125.00	125.00
Demand charge:										
First 50 kW per month										
Excess over 50 kW per month	11.86	11.86	13.78	13.78	12.86	12.52	11.48	11.48	10.26	10.26
Energy charge:										
First 15,000 kWh per month	0.09559	0.09702	0.09381	0.0857	0.07699	0.0822	0.07404	0.06955	0.06086	0.06086
Additional kWh per month	0.0655	0.06491	0.06262	0.04861	0.04448	0.04904	0.04378	0.03935	0.03445	0.03445
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	270.00	270.00	270.00	270.00	266.00	266.00	205.00	205.00	200.00	200.00
Demand charge:										
First 1,000 kW per month	11.98	11.98	11.68	13.88	12.90	12.54	11.49	11.49	10.22	10.22
Excess over 1,000 kW per month	13.67	13.67	13.31	15.44	14.29	13.87	12.64	12.64	11.15	11.15
Energy charge:										
Per kWh per month	0.06348	0.06489	0.06262	0.04903	0.04622	0.04946	0.0438	0.03937	0.03477	0.03477
TDGSB (Demand > 5,001 kW)										
Demand charge:										
On peak	16.45	16.45	-	-	-	-	-	-	-	-
Excess off peak	4.00	4.00	-	-	-	-	-	-	-	-
Excess over contract	16.45	16.45	-	-		-	-	-	-	-
Energy charge:										
On peak	0.09683	0.09694	0	0	0	0	0	0	0	0
Off peak (first 425 kWh)	0.06215	0.06226	0	0	0	0	0	0	0	0
Off peak (next 195 kWh)	0.04349	0.0436	0	0	0	0	0	0	0	0
Off peak (additional kWh)	0.02764	0.02775	0	0	0	0	0	0	0	0

City of Morristown, Tennessee
Schedule of Electric Rates (Last Ten Years)
Year Ended June 30, 2013

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
Demand charge:										
Per kWh per month	-	-	19.92	13.27	11.63	11.89	10.61	10.61	11.58	11.58
Energy charge:										
First 620 kWh per Kw per month	-	-	0.10427	0.0374	0.03899	0.0307	0.03216	0.02771	0.03035	0.03035
Additional kWh per month	-	-	0.02771	0.03074	0.03337	0.03113	0.02707	0.02262	0.02477	0.02477
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
Demand charge:										
Per kWh per month	-	-	19.92	14.89	14.21	13.78	12.95	12.95	11.07	11.07
Energy charge:										
First 620 kWh per Kw per month	-	-	0.10427	0.04132	0.04625	0.04234	0.03872	0.03427	0.03035	0.03035
Additional kWh per month	-	-	0.02771	0.03372	0.03928	0.03559	0.03241	0.02796	0.02477	0.02477
Part F (demand greater than 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	13.50	13.50
Energy charge:										
Per kWh per month	-	-	-	-	-	-	-	-	0.02433	0.02433
Active Service (number of customers)										
Residential	11,764	11,752	11,683	11,819	11,545	11,687	11,191	11,098	11,070	11,056
Commercial	2,121	2,105	2,085	2,109	2,166	2,210	2,707	2,619	2,551	2,511
Industrial	449	447	467	464	455	465	462	464	461	455
Street and athletic	70	71	69	69	69	70	69	67	64	64
Outdoor lighting	34	31	32	35	35	37	36	37	36	36
Total active service	14,438	14,406	14,336	14,496	14,270	14,469	14,465	14,285	14,182	14,122

City of Morristown Tennessee
Schedule of Water Rates and Number of Customers
Year Ended June 30, 2013

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Inside City Rate										
Customer charge per month	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ 4.65	$ -
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	-	-	-	1.25
Over 25,000 gallons	-	-	-	-	-	-	-	-	-	1.10
First 50,000 gallons	2.05	2.05	2.05	2.05	1.90	1.55	1.55	1.55	1.55	n/a
Next 50,000 gallons	1.80	1.80	1.80	1.80	1.65	1.30	1.30	1.30	1.30	n/a
Over 100,000	1.60	1.60	1.60	1.60	1.45	1.10	1.10	1.10	1.10	n/a
Minimum bill:										
5/8" meter	8.75	8.75	8.75	8.75	8.45	7.75	7.75	7.75	7.75	6.50
3/4" meter	9.25	9.25	9.25	9.25	8.95	8.25	8.25	8.25	8.25	7.00
1" meter	10.00	10.00	10.00	10.00	9.70	9.25	9.25	9.25	9.25	8.00
1 1/2" meter	11.50	11.50	11.50	11.50	11.20	10.75	10.75	10.75	10.75	9.50
2" meter	16.00	16.00	16.00	16.00	15.70	15.25	15.25	15.25	15.25	14.00
3" meter	61.00	61.00	61.00	61.00	60.70	52.00	52.00	52.00	52.00	49.50
4" meter	71.00	71.00	71.00	71.00	70.70	70.00	70.00	70.00	70.00	63.00
6" meter	101.00	101.00	101.00	101.00	100.70	100.00	100.00	100.00	100.00	94.50
8" meter	114.30	114.30	114.30	114.30	-	-	-	-	-	-
Outside City rates:										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Commodity charge (per 1,000 gallons)										
First 25,000 gallons	-	-	-	-	-	-	-	-	-	2.50
Over 25,000 gallons	-	-	-	-	-	-	-	-	-	2.20
First 50,000 gallons	4.10	4.10	4.10	4.10	3.80	3.10	3.10	3.10	3.10	n/a
Next 50,000 gallons	3.60	3.60	3.60	3.60	3.30	2.60	2.60	2.60	2.60	n/a
Over 100,000 gallons	3.20	3.20	3.20	3.20	2.90	2.20	2.20	2.20	2.20	n/a
Minimum bill:										
5/8" meter	12.85	12.85	12.85	12.85	12.25	10.85	10.85	10.85	10.85	9.00
3/4" meter	13.35	13.35	13.35	13.35	12.75	11.35	11.35	11.35	11.35	9.50
1" meter	14.10	14.10	14.10	14.10	13.50	12.10	12.10	12.10	12.10	10.50
1 1/2" meter	15.60	15.60	15.60	15.60	15.00	13.60	13.60	13.60	13.60	12.00
2" meter	20.10	20.10	20.10	20.10	19.50	18.10	18.10	18.10	18.10	16.50
3" meter	65.10	65.10	65.10	65.10	64.50	63.10	63.10	63.10	63.10	52.00
4" meter	75.10	75.10	75.10	75.10	74.50	73.10	73.10	73.10	73.10	65.50
6" meter	105.10	105.10	105.10	105.10	104.50	103.10	103.10	103.10	103.10	97.00
8" meter	118.40	118.40	118.40	118.40	-	-	-	-	-	-
Monthly fire protection service charge:										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
6"	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
8"	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
10"	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Number of Customers	12,569	12,553	12,501	12,567	12,506	12,937	12,684	12,517	12,453	12,363

City of Morristown Tennessee
Schedule of Monthly Broadband Rates (Last Eight Years)
Year Ended June 30, 2013

	2013	2012	2011	2010	2009	2008	2007	2006
Standard Cable:								
Expanded basic	$ 46.95	$ 46.95	$ 46.95	$ 46.95	$ 41.95	$ 41.95	$ 41.95	$ 41.95
Digital basic	54.95	54.95	54.95	54.95	49.95	49.95	49.95	49.95
Digital basic + 1	63.95	63.95	63.95	63.95	59.95	59.95	59.95	59.95
Digital basic + 2	71.95	71.95	71.95	71.95	67.95	67.95	67.95	67.95
Digital basic + 4	84.95	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	9.95-12.95	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	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	39.95
Tier 3	74.95	44.95	59.95	59.95	59.95	59.95	59.95	59.95
Tier 4	99.95	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	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	74.95
Tier 3	99.95	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	149.95
Tier 5	199.95	199.95	199.95	199.95	199.95	199.95	-	-
Tier 6	299.95	-	-	-	-	-	-	-
Telephone:								
Residential								
Basic Pack	22.95	22.95	22.95	22.95	22.95	22.95	22.95	22.95
Preferred Pack	25	25.00	25.00	25.00	25.00	25.00	25.00	27.95
Additional services	3.75-11.95	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	0.05
Commercial								
Access line	25.95	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	36.95	39.95
Additional services	7.95-27.95	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	0.05

Note: The Broadband System began operations in 2006.

Water Audit Report for: Morristown Utilities Commission
Reporting Year: 2013 | 7/2012 - 6/2013

WATER SUPPLIED << Enter grading in column 'E'

Volume from own sources:	1	3,165.956	Million gallons (US)/yr (MG/Yr)	
Master meter error adjustment (enter positive value):	n/a	0.000		MG/Yr
Water imported:	n/a	0.000	MG/Yr	
Water exported:	n/a	0.000	MG/Yr	
WATER SUPPLIED:		3,165.956	MG/Yr	

AUTHORIZED CONSUMPTION

				Pcnt:	Value:
Billed metered:	10	2,802.474	MG/Yr		
Billed unmetered:	n/a		MG/Yr		
Unbilled metered:	n/a	33.646	MG/Yr		
Unbilled unmetered:		39.574	MG/Yr	1.25%	

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

AUTHORIZED CONSUMPTION:	2,875.694	MG/Yr

				Pcnt:	Value:
WATER LOSSES (Water Supplied - Authorized Consumption)		290.262	MG/Yr		
Apparent Losses					
Unauthorized consumption:		7.915	MG/Yr	0.25%	
cted for unauthorized consumption - a grading of 5 is applied but not displayed					
Customer metering inaccuracies:	10	28.648	MG/Yr	1.00%	
Systematic data handling errors:	5	1.000	MG/Yr		
Apparent Losses:		37.563			
Real Losses (Current Annual Real Losses or CARL)					
Real Losses = Water Losses - Apparent Losses:		252.699	MG/Yr		
WATER LOSSES:		290.262	MG/Yr		

NON-REVENUE WATER

NON-REVENUE WATER:	363.482	MG/Yr

= Total Water Loss + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	5	275.0	miles
Number of active AND inactive service connections:	6	13,800	
Connection density:		50	conn./mile main
Average length of customer service line:	2	25.0	ft
Average operating pressure:	1	65.0	psi

COST DATA

Total annual cost of operating water system:	10	$3,948,640	$/Year
Customer retail unit cost (applied to Apparent Losses):	6	$2.05	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10	$1,698.73	$/Million gallons

PERFORMANCE INDICATORS

Financial Indicators

Non-revenue water as percent by volume of Water Supplied:	11.5%
Non-revenue water as percent by cost of operating system:	16.0%
Annual cost of Apparent Losses:	$77,003
Annual cost of Real Losses:	$429,267

Operational Efficiency Indicators

Apparent Losses per service connection per day:	7.46	gallons/connection/day
Real Losses per service connection per day*:	50.17	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.77	gallons/connection/day/psi
Unavoidable Annual Real Losses (UARL):	96.03	million gallons/year
From Above, Real Losses = Current Annual Real Losses (CARL):	252.70	million gallons/year
Infrastructure Leakage Index (ILI) [CARL/UARL]:	2.63	

* only the most applicable of these two indicators will be calculated

WATER AUDIT DATA VALIDITY SCORE:

Add a grading value for 1 parameter(s) to enable an audit score to be calculated

PRIORITY AREAS FOR ATTENTION:

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

1: Volume from own sources
2: Unbilled metered
3: Customer retail unit cost (applied to Apparent Losses)

City of Morristown, Tennessee
Principal Property Taxpayers, Current Year and Nine Years Ago
June 30, 2013

	2013			2004		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mahle	$ 25,688,922	1	2.98%	$ 23,834,479	1	4.24%
CBL Morristown Ltd	10,619,800	6	1.23%	9,687,200	4	1.72%
Vifan	21,719,836	2	2.52%	8,882,492	5	1.58%
Otics USA, Inc.	10,424,522	7	1.21%			
Tuff Torq Corp	13,875,237	4	1.61%	8,714,663	6	1.55%
Toyoda-TRW/JTEKT	19,350,269	3	2.24%	17,553,200	2	3.12%
NCR	7,136,877	10	0.83%			
Lear Corporation	12,472,572	5	1.44%	5,035,337	9	0.90%
Team Technologies	7,322,592	9	0.85%			
Meritor/Rockwell	9,901,424	8	1.15%	5,683,217	8	1.01%
Berkline/TBC				10,202,110	3	1.82%
Bellsouth				7,489,772	7	1.33%
Shelby Williams				4,822,714	10	0.86%

City of Morristown, Tennessee
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years
June 30, 2013

Fiscal Year	Population	Per Capita Income	Governmental Activities General Obligation Bonds	Business-type Activities Revenue Bonded Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2004	25,055	$ 25,910	$11,042,686	$15,201,571	$26,244,257	0.10%	$ 1,047
2005	25,402	26,059	12,202,286	35,023,408	47,225,694	0.06%	1,859
2006	25,716	26,214	20,922,286	48,548,085	69,470,371	0.04%	2,701
2007	25,686	26,204	22,538,317	48,583,584	71,121,901	0.04%	2,769
2008	26,419	26,338	24,008,317	57,350,826	81,359,143	0.03%	3,080
2009	25,800	27,007	22,521,414	62,632,314	85,153,728	0.03%	3,301
2010	25,800	27,007	21,676,922	70,536,488	92,213,410	0.03%	3,574
2011	29,137	18,213	20,395,260	67,736,119	88,131,379	0.02%	3,025
2012	29,389	19,718	19,054,360	66,678,349	85,732,709	0.02%	2,919
2013	29,289	32,838	21,373,996	94,873,935	116,247,931	0.03%	3,972

City of Morristown, Tennessee
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years
June 30, 2013

Fiscal Year	Population	Actual Value of Taxable Property	General Bonded Debt	Percent of General Obligation Debt to Actual Value	Net Bonded Debt Per Capita
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
2013	29,269	2,720,476,644	21,373,996	0.79%	730

City of Morristown, Tennessee
City Government Employees by Function/Program
June 30, 2013

Function/Program	Employees as of June 30							
	2013	2012	2011	2010	2009	2008	2007	2006
General government								
Mayor and Council	7	7	7	7	7	7	7	7
City Administration & Staff	3	3	3	3	3	3	4	4
Finance	6.5	5.5	6	6	7	7	7	7
Purchasing	1	1	1	1	1	1	1	1
Information Technology	2	2	2	2	2	2	2	2
Human Resources	1.5	1.5	2	2	2	2	2	2
Legal Services	2	2	2	2	2	2	2	2
Planning	6.3	6.3	6.3	7.3	6.3	7.4	7.4	7.5
Engineering	3.1	3.1	3.1	3.1	3.3	3.9	3.4	3.375
Inspections	5	4	4	4	5	5	5	5
Police								
Supervision	5	6	6	6	5	5	5	5
Patrol	65	64	63	63	67	70	63	62
Investigations	15	15	15	15	15	13	13	14
Codes Enforcement	2	1	1	1	1	1	1	1
Vice	1	1	1	1	1	1	1	1
Narcotics	5	5	5	5	5	4	4	4
Fire								
Supervision	6	6	6	6	6	6	4	4
Firefighting	79	79	81	81	84	84	87	86
Prevention & Inspection	1	1	1	1	2	2	1	1
Public Works								
Supervision	1.83	1.83	1.5	1.5	1.5	1.5	1.5	1.5
Buildings & Grounds	2	2	2	2	2	2	6	6
Equipment Shop	7	7	7	7	7	7	7	7
Repairs & Maintenance	9	9	9	9	10	10	10	10
Street Lights & Signs	1	1	1	2	2	2	2	2
Brush & Snow	10.7	10.7	9	9	13	13	14	13
Communication Shop	1.65	1.65	2	2	2	2	2	1
Storms Drains & Ways	0	0	0	0	0	0	4	4
Street Cleaning	0	0	0	0	0	0	2	2
Parks and Recreation	17	17	17	18	20	20	21	20
Sewer	17.98	17.98	26.9	26.9	25.9	25.7	22.7	22.625
Storm Water	5.44	5.44	7.2	7.2	7	6.5	0	0
Solid Waste	12	12	12	13	13	13	13	13
Total	302	299	310	314	328	329	325	321

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

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

To the Mayor and City Council
City of Morristown, Tennessee

We have audited, in accordance with the 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, 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, 2013, and the related notes to the financial statements, which collectively comprise City of Morristown, Tennessee's basic financial statements and have issued our report thereon dated November 30, 2013. Our report includes a reference to other auditors who 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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. The finding is identified as 10-5.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. The findings are identified as 13-1 and 10-1.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Morristown, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Findings

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

Purpose of this Report

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

Craine, Thompson & Jones, P.C.

Morristown, Tennessee
November 30, 2013

CRAINE, THOMPSON, & JONES, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor and City Council
City of Morristown, Tennessee

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Morristown, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Morristown, Tennessee's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Morristown, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of City of Morristown, Tennessee, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Morristown, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Craine, Thompson & Jones, P.C.

Morristown, Tennessee
November 30, 2013

City of Morristown, Tennessee
Schedule of Findings and Questioned Costs
June 30, 2013

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?	yes
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 Transportation – Transportation Planning	20.205
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 13-1

Condition: The payroll clerk used unearned vacation and compensatory time.

Criteria: Annual leave may not be taken before it is earned and credited. Employees intending to use annual leave must obtain approval from his/her supervisor before using leave.

Cause of condition: On three documented occasions vacation and compensatory time transactions were deleted from the MUNIS payroll system. These transactions were times that were used in the following amounts and periods: 8 hours of vacation time (October 11, 2012), 10.8 hours of compensatory time (January 19, 2012), and 20 hours of compensatory time (August 27, 2012). On December 6, 2012, September 24, 2012, and November 19, 2012, respectively, these transactions were deleted off the payroll system which added hours to the balance of both vacation and compensatory time. None of the times stated were moved to a different classification to zero out.

Potential effect of condition: Time was allowed to be taken (in the payroll system) when there was no vacation or compensatory time actually available.

Recommendation: Annual leave (vacation) and compensatory time taken should be monitored by the department head/supervisor each pay period for proper prior authorization.

Section II – Financial Statement Findings: (cont)

Management's response: Management will develop procedures for verification of outstanding balances for time accruals. Currently, some departments were provided this information, but all departments will be provided that information now. Also, we are contacting our software company to ensure that modifications in balances will have a "footprint" of what was changed and who changed the information. The employee was re-assigned to another department in January 2013 with different duties. Since the time involved hours of sickness, sick time was used to offset the time taken, therefore the City did not lose monies.

City of Morristown, Tennessee
Disposition of Prior Year Findings
June 30, 2013

FYE 6/30/2010

Finding 10-1:

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

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

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

Effect of condition: The City's system of internal control is not sufficient to meet its responsibility under *Government Auditing Standards.*

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

Management's response: Management will begin developing the necessary cross over spreadsheets to begin compiling the government-wide financials from the fund financials currently prepared by staff.

Finding 10-2: Insufficient segregation of duties exists.

This condition was resolved at June 30, 2012.

Finding 10-5:

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

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

Cause of condition: Policies and procedures used by the City have never been formalized and put into written form.

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

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

Finding 10-5 (Continued):

Management's response: Management will review financial policies that are currently in place and written. From those, staff will develop other financial policies, procedures, and job duties. These practices will put into writing the roles and responsibilities of finance staff.

FYE 6/30/2011

Finding 11-3: Procedures for the issuance of purchase orders need to be improved.

This condition was resolved at June 30, 2012.

Finding 11-4: The City's accounting system for its capital assets is not sufficient for the size of the organization it has become.

This condition was resolved at June 30, 2013.

FYE 6/30/2012

Finding 12-1: The City of Morristown should use a uniform system of accounting for its capital assets that is designed specifically for this purpose.

This condition was resolved at June 30, 2013.

Finding 12-2: A significant portion of the City's supplies inventories is not being adequately protected from weather and secured against theft.

This condition was resolved at June 30, 2013.

Finding 12-3: All relevant documents that are necessary to evaluate payment requests are not being submitted to the finance department for review.

This condition was resolved at June 30, 2013.

Finding 12-4: The City of Morristown does not have a formal system of accounting and administrative controls in place to govern its operations.

This condition was resolved at June 30, 2013.