City of Morristown, Tennessee

Comprehensive Annual Financial report



Fiscal year 2017

Beginning July 1, 2016 and ending June 30, 2017

PREPARED BY:

Finance department

About the Cover

Morristown College was founded in 1881 on a 52-acre campus in Morristown, Tennessee. It became a premier African-American higher education institution. Beginning as a seminary and normal school, it later focused on industrial and vocation education with classes in masonry, carpentry, and agriculture. In 1989, it became a satellite campus of Knoxville College, but after years of struggling it closed its doors in 1994.

Once closed, the campus exchanged hands through several owners. After years of neglect, several fires and vandalism, the campus buildings fell into disrepair. The asbestos-filled and crumbling buildings became a safety hazard. Seeking to revitalize the site and pay homage to the original heritage of the college, the City of Morristown obtained the deed for the Morristown College campus during fiscal year ended June 30, 2017.

After examining the buildings, unfortunately it became clear that the buildings would have to be demolished. The cover photo shows the state of disrepair at the time the City took ownership. The City plans to utilize the site for a public park to be named Heritage Park. Heritage Park will be a passive park that will be developed in phases. City Council continues to work with the architect to design and develop the site into a usable park that Morristown and surrounding area residents can enjoy.



Morristown College Main building

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INTRODUCTORY SECTION

City of Morristown

Incorporated 1855



December 22, 2017

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

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), audited in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Morristown for the fiscal year ended June 30, 2017.

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

The City of Morristown's financial statements have been audited by Brown, Edwards & Company, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Morristown for the fiscal year ended June 30, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Morristown's financial statements for the fiscal year ended June 30, 2017, 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 compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the compliance report section of this 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 29,000. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation; however, changes by the state legislature are expected to significantly slow annexation initiatives.

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

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

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

Factors Affecting Financial Condition

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

Local economy

Based on its location, the City of Morristown is a regional employer and retail market. The City of Morristown, along with cooperative efforts by the Morristown Chamber of Commerce, Hamblen County Government, and its citizens has been one of the state's most successful recruiters of regional, national, and international industry despite being the third smallest in the State of Tennessee in terms of land size. The economy continues to have an impact on every segment of Morristown's largest taxpayers, especially the automotive industry. There are seven Fortune 500 companies and thirteen international companies that have elected to manufacture in Morristown. Over the past year, companies reported investing \$72.5 million in building expansion and equipment while creating 302 new jobs. Recently, the City of Morristown earned a fourteenth place ranking in the country for job growth from 247wallst.com. Manufacturing continues to make up the majority of property tax assessments for the City of Morristown. The breakdown between commercial and residential is 71% and 29%, respectively.

The City of Morristown has been experiencing a significant amount of retail development. National retail chains continue to locate to Morristown. This has stopped leakage of sales tax to other neighboring communities. Several retail developments are under construction. As a result of the retail development, local option sales tax is projected to increase an additional 4.6% in the 2017-2018 fiscal.

Long-term Financial Planning and Major Initiatives

The City of Morristown has a policy that requires an unassigned fund balance equal to 15-40% of General Fund expenditures. The City had an unassigned fund balance of \$7.9 million at June 30, 2017 in its General Fund. This represents approximately a 20% unassigned fund balance compared to expenditures. This compares to 23% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2016. Again, an indicator to City of Morristown's growth previously discussed and the commitment to be fiscally responsible.

The City of Morristown demonstrated its commitment to long-term planning with the adoption of its 2016-2017 fiscal year budget. The City of Morristown was proactive in that it increased the property tax rate nine cents. This strategic planning allowed the City of Morristown to provide additional street paving in the current fiscal year, and to have a dedicated revenue source for a necessary bond issue. The proceeds from the bond issue allows the City to construct a new fire station and a new public works compound. Council continued demonstrate effective long-term planning with the adoption of the 2017-2018 fiscal year budget. Council appropriated \$2.4 million from fund balance for street paving and the development of a passive park. These funds were identified to meet these needs without issuing additional debt. It should be stressed that fund balance is only used for capital items and is not used for re-occurring expenditures.

While there is a need for a new community center, at this point and time the City is still in the planning phase. A consultant continues to evaluate data to determine the optimum center for the community. The current community center, Talley Ward, has elapsed its useful life. In identifying property for the new public works compound, the site that has been selected that would allow the City to construct a community center on the property should the governing body decide to move forward in the future. However, the development of a community center would require a new debt issue.

Awards and Acknowledgment

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Morristown for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the fourth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The City of Morristown also received the GFOA's Distinguished Budget Presentation award for its annual budget documented for the 2016-2017 fiscal year. To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report could not have been accomplished without the efforts and dedication of the staff of the Department of Finance. We would like to express our appreciation to the Finance staff and other personnel from various departments, agencies, and authorities that assisted in the preparation of this report, especially Joey Barnard, Finance Director. Also, we would like to thank the Mayor and Council for their support for maintaining the highest standards of professionalism in the management of the City of Morristown's finances.

Respectfully submitted,

Anthony W. Cox City Administrator Larry Clark

Assistant City Administrator



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Morristown Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

Executive Director/CEO

DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2017

MEMBERS OF CITY COUNCIL

Gary Chesney, Mayor

Dennis Alvis Chris Bivens Bob Garrett Tommy Pedigo Kay Senter Ken Smith

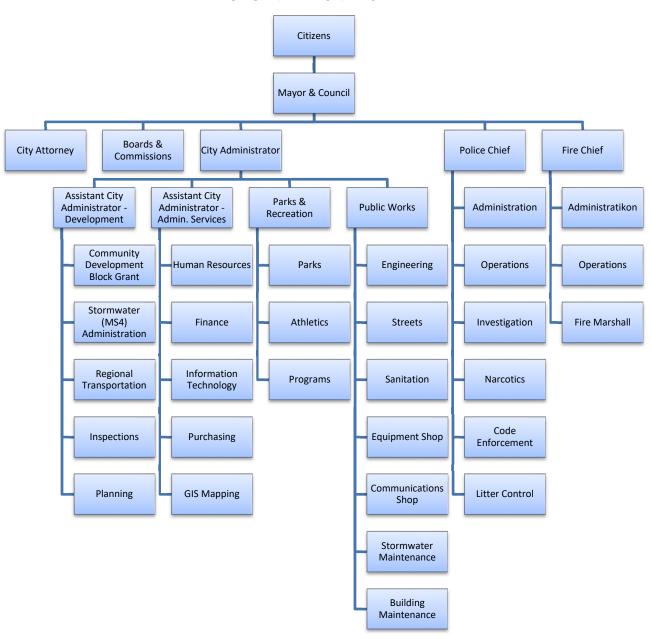
GENERAL CITY GOVERNMENT

Anthony W. Cox	
Ralph Filder	Assistant City Administrator
Larry Clark	Assistant City Administrator/
·	Certified Municipal Financial Officer
Lauren Carroll	City Attorney
Joey Barnard	Finance Director
	Director of Planning
Roger Overholt	
•	Fire Chief
Paul Brown	
Craig Price	Director of Parks and Recreation

INDEPENDENT AUDITORS

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

ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Morristown Utilities Commission, which represents 96.6%, 96.7%, and 98.8%, respectively, of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Morristown Utilities Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Report on the Financial Statements (Continued)

Auditor's Responsibility (Continued)

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statements for the general fund and the solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 12 to the financial statements, in 2017, the City adopted new accounting guidance, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Matters (Continued)

Other Information (Continued)

The non-major fund financial statements and the schedule of expenditures of federal awards 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. In our opinion based on our audit, the procedures performed as described above, the combining non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

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

Bristol, Virginia December 22, 2017

As management of the City of Morristown, Tennessee, we offer readers of the City of Morristown's financial statements this narrative overview and analysis of the financial activities of the City of Morristown for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in our letter of transmittal, which can be found on pages i through iv of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Morristown exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by approximately \$190.1 million (net position). Of this amount, \$40.5 million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Morristown's total net position increased by approximately \$7.6 million. Charges for services, which are program specific revenues accounted for \$110.2 million in revenue or 74.9% of all primary government revenues. The majority (96.4%) of the charges for services are from Morristown Utilities Commission. General revenues of the primary government account for \$35 million or 23.8% of all primary government revenues.
- As of the close of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of approximately \$34 million, an increase of almost \$6.6 million in comparison with the prior year. This increase is attributed to the issuance of \$9.7 million in bonds for capital projects. Approximately 23.3% of this amount is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the City of Morristown's General Fund was approximately \$7.9 million, or approximately 20.2% of total General Fund expenditures and other financing uses.
- The City of Morristown's total outstanding long-term debt increased by \$10,675,084 during the current fiscal year.

Overview of the Financial Statements

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

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

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

(Continued) 4a

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

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

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

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

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

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

The City of Morristown maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the solid waste fund and the general capital projects fund, which are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements 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 on pages 7-9 of this report.

(Continued)

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

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

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

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

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

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

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-57 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 and OPEB benefits to its employees. A table of contents has been provided to locate this information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Morristown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by almost \$190.1 million at the close of the most recent fiscal year.

(Continued) 4c

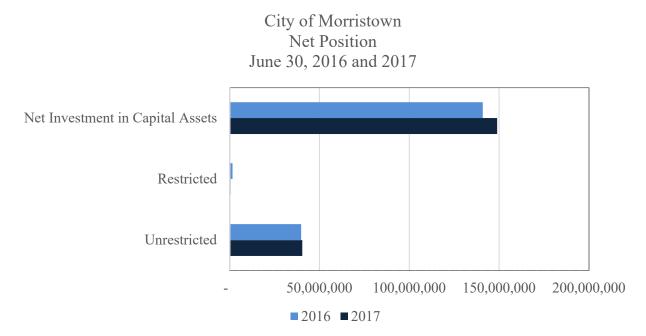
	Governmen	tal a	ctivities	Business-ty	pe a	ctivities	Total				
	2017		2016	2017		2016		2017		2016	
Current and other assets	\$ 49,206,031	\$	42,630,590	\$ 50,139,880	\$	47,027,129	\$	99,345,911	\$	89,657,719	
Capital assets	61,906,919		58,348,178	209,222,214		204,587,260		271,129,133		262,935,438	
Total assets	\$ 111,112,950	\$	100,978,768	\$ 259,362,094	\$	251,614,389	\$	370,475,044	\$	352,593,157	
Total deferred outflows of resources	\$ 3,926,281	\$	4,034,177	\$ 60,961	\$	63,566	\$	3,987,242	\$	4,097,743	
Long-term liabilities outstanding	\$ 38,716,019	\$	26,591,534	\$ 114,334,947	\$	105,824,688	\$	153,050,966	\$	132,416,222	
Other liabilities	2,585,991		4,100,934	16,385,374		22,665,235		18,971,365		26,766,169	
Total liabilities	\$ 41,302,010	\$	30,692,468	\$ 130,720,321	\$	128,489,923	\$	172,022,331	\$	159,182,391	
Total deferred inflows of resources	\$ 12,058,215	\$	14,689,691	\$ 276,921	\$	316,388	\$	12,335,136	\$	15,006,079	
Net position:											
Net investment in capital assets	\$ 43,572,086	\$	40,495,228	\$ 104,788,569	\$	100,428,103	\$	148,360,655	\$	140,923,331	
Restricted	652,846		1,671,349	0		0		652,846		1,671,349	
Unrestricted	 17,454,074		17,464,209	 23,637,244		22,443,531		41,091,318		39,907,740	
Total net position	\$ 61,679,006	\$	59,630,786	\$ 128,425,813	\$	122,871,634	\$	190,104,819	\$	182,502,420	

By far the largest portion of the City of Morristown's net position (78.0%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related outstanding debt that was used to acquire those assets. The City of Morristown uses these capital assets to provide a variety of services to citizens. Accordingly, these assets are *not* available for future spending. Although the City of Morristown's investment in its capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Morristown's net position (0.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$41,091,318 is unrestricted and may be used to meet Morristown's ongoing obligations to citizens and creditors.

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

(Continued) 4d



However, the City of Morristown's overall net position increased by approximately \$7.6 million from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position of the governmental activities increased by \$2.1 million. This increase is attributed to the capital outlay and economic expansion that the City of Morristown is currently experiencing. The City continues to see tremendous economic growth in the retail market. National retail chains continue to locate stores in Morristown. This has stopped leakage of sales tax to other neighboring communities. Several retail developments are under construction. As a result of the retail development, local option sales tax increased 4.6% in the 2016-2017 fiscal year compared to the prior year. Additionally, the City issued debt to make improvements to its facilities. Property was acquired for a new passive park, fire station, public works compound, and a future community center. Major demolition work took place on the passive park site and City crews began making improvements. Construction on the new fire station and public works facilities is set to begin during the 2017-2018 fiscal year.

(Continued) 4e

City of Morristown's Changes in Net Position

	Governmen	tal Activities	Business-Tyj	pe Activities	Total			
	2017	2016	2017	2016	2017	2016		
Revenues:						·		
Program revenues:								
Charges for services	\$ 2,634,403	\$ 3,159,300	\$ 107,598,364	\$ 102,847,515	\$ 110,232,767	\$ 106,006,815		
Operating grants &								
contributions	128,336	466,292	-	-	128,336	466,292		
Capital grants &								
contributions	1,668,274	4,102,716	230,150	422,950	1,898,424	4,525,666		
General revenues:								
Property taxes	11,026,905	10,895,994	-	-	11,026,905	10,895,994		
Sales tax	12,280,106	11,743,470	-	-	12,280,106	11,743,470		
Intergovernmental	4,747,970	5,318,624	-	-	4,747,970	5,318,624		
Other	4,232,290	5,447,403	2,701,620	2,885,555	6,933,910	8,332,958		
Total revenues	36,718,284	41,133,799	110,530,134	106,156,020	147,248,418	147,289,819		
Expenses:								
General government	2,623,688	4,399,314	_	_	2,623,688	4,399,314		
Public safety	16,205,149	14,408,187	_	_	16,205,149	14,408,187		
Public works	11,598,260	10,389,418	_	_	11,598,260	10,389,418		
Economic development	-	303,006	_	_	-	303,006		
Parks & recreation	3,817,269	2,057,170	_	_	3,817,269	2,057,170		
Civic support	1,994,024	1,936,921	-	-	1,994,024	1,936,921		
Transportation	-	_	-	-	-	-		
Retiree health insurance	-	389,559	-	-	-	389,559		
Interest on long-term debt	366,337	279,047	-	-	366,337	279,047		
Water	-	_	6,676,177	6,396,446	6,676,177	6,396,446		
Wastewater	-	-	12,035,984	10,464,615	12,035,984	10,464,615		
Storm water	-	-	813,226	1,319,920	813,226	1,319,920		
Power	-	-	76,497,573	73,769,967	76,497,573	73,769,967		
Broadband	-	-	7,018,332	7,059,706	7,018,332	7,059,706		
Total expenses	36,604,727	34,162,622	103,041,292	99,010,654	139,646,019	133,173,276		
Increase (decrease) in net					-			
position before transfers	113,557	6,971,177	7,488,842	7,145,366	7,602,399	14,116,543		
Transfers	1,934,663	1,797,999	(1,934,663)	(1,797,999)	-	-		
Increase (decrease) in net								
position	2,048,220	8,769,176	5,554,179	5,347,367	7,602,399	14,116,543		
Net position - July 1, (restated)	59,630,786	50,861,610	122,871,634	117,524,267	182,502,420	168,385,877		
Net position - June 30	\$ 61,679,006	\$ 59,630,786	\$ 128,425,813	\$ 122,871,634	\$ 190,104,819	\$ 182,502,420		

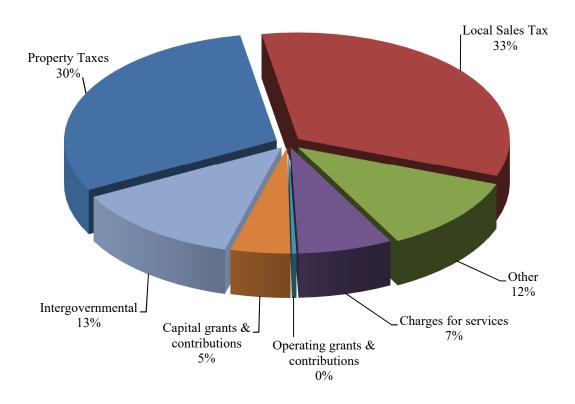
Revenues on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

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

General revenues are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are property taxes and local option sales tax. Property tax continues to be a stable revenue source for the City of Morristown. During the current fiscal year, sales tax collections increased by approximately \$536,636 or 4.6% compared to the previous fiscal year. The graph below presents the major sources of revenues for governmental activities.

(Continued) 4f

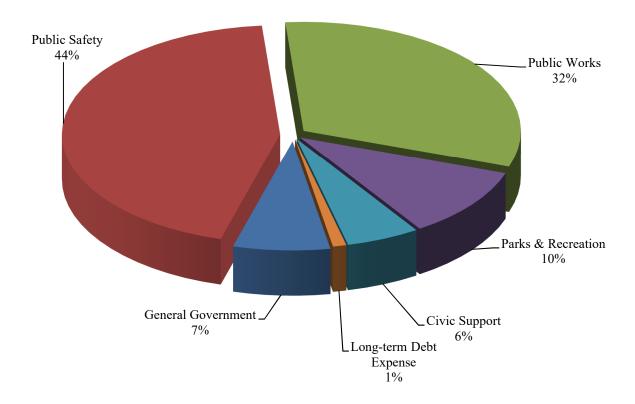
Revenues by Source - Governmental Activities



Public Safety expenses of \$16,205,149 and Public Works expenses of \$11,598,260 are the largest expenses of the City of Morristown, which when combined total \$27,803,409 and are 76% of total expenses. Of this amount, \$1,920,248 was recovered by charges for services, \$122,336 from operating grants/contributions, and \$1,668,274 from capital grants/contributions. For additional details, see illustrations below.

(Continued) 4g

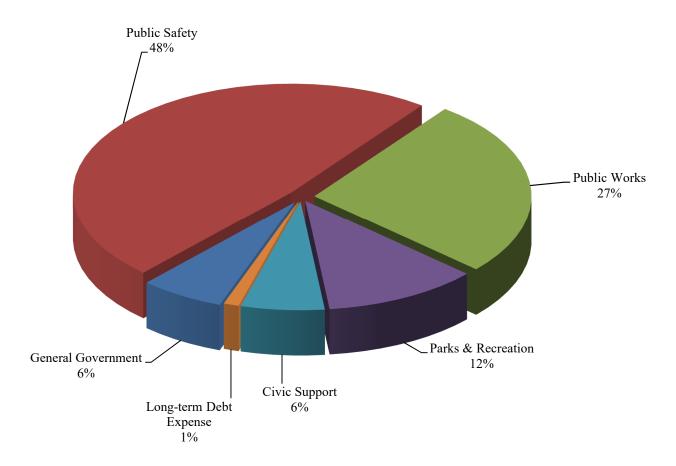
Program Expenses - Governmental Activities



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

(Continued) 4h

Expenses by Governmental Activities



Business-type Activities. For the City of Morristown's business-type activities, the results for the current year were positive in that overall net position increased to reach an ending balance of approximately \$128.4 million. The total increase in net position for business-type activities was \$5.6 million or 4.5% from the prior fiscal year. The increase in net position is attributed to the increase in rates on the water, wastewater, power, and broadband services.

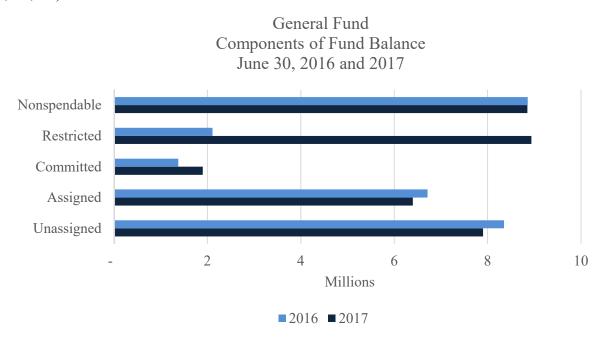
Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Morristown's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Morristown's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has been limited to use for a particular purpose by either an external party, the City of Morristown itself, or a group or individual that has been delegated authority to assign resources for use for a particular purpose by the City of Morristown's Council.

(Continued) 4i

At June 30, 2017, the City of Morristown's governmental funds reported combined ending fund balances of \$33,991,643 an increase of \$6,586,723 in comparison with the prior year. Approximately 23.3% of this amount (\$7,902,354) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form or legally/contractually required to be maintained intact (\$8,853,869), 2) restricted for particular purposes (\$8,938,239), 3) committed for particular purposes (\$1,899,728), or 4) assigned for particular purposes (\$6,397,453).



The General Fund is the chief operating fund of the City of Morristown. At the end of the current fiscal year, unassigned fund balance was \$7,902,354, while total fund balance decreased to \$23,227,247. This decrease is a result of transfers to the General Capital Projects Fund to fund major capital projects. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 20% of total general fund expenditures and other uses, while total fund balance represents 59% of that same amount. City of Morristown Council has formally adopted a financial policy stating that the City's general fund will maintain an unassigned fund balance of at least 15%, but not to exceed 40% of annual general fund expenditures.

The fund balance of the City of Morristown's general fund decreased \$2,273,584. As mentioned above, this decrease is attributed to transfers to the General Capital Projects Fund to fund major capital expenditures. Council has elected to expend fund balance in lieu of issuing long-term debt. It must be stressed that fund balance is only being expended for one-time items, not reoccurring expenditures. As discussed earlier with governmental activities, the continued economic growth and retail development allow for the City of fund major capital expenditures and still maintain an unassigned fund balance within the adopted fund balance policy. Additionally, a conservative budgeting approach is utilized in projecting estimated revenues to ensure that actual revenues meet or exceed the projected amount.

(Continued) 4j

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. During the current fiscal year a transfer from the General Fund was necessary to provide funds for operations. The Solid Waste Fund balance increased in the amount of \$18,467. Without the supplemental transfer from the General Fund, the Solid Waste Fund would have recognized a decrease in fund balance of \$211,533. The user fee funding the Solid Waste Fund, as well as additional funding alternatives, will be evaluated to determine a long-term funding plan.

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 by \$5,554,179. The unrestricted net position of the City's Storm Water Fund decreased \$109,807 for the current fiscal year. Unrestricted net position of the Morristown Utilities Commission, which operates power, wastewater, water, and broadband service for the City, at the end of the year, amounted to \$21,289,650, an increase of \$1,083,906. For a more thorough discussion of the Morristown Utilities Commission's finances readers should consult the Comprehensive Annual Financial Report issued by the Commission for the current fiscal year ended.

General Fund Budgetary Highlights

During the fiscal year, amendments were necessary to increase estimated revenues and original budgeted appropriations. Additionally, there were amendments made to reallocate appropriations between departments without increasing the total appropriations. The original budget ordinance approved appropriations totaling \$40,068,805. Budget amendments were approved by Council during the year increasing total appropriations to \$41,150,844, an increase of \$1,082,039 or 2.7%. Significant differences between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$271,000 increase attributed to surety bond proceeds received on a development project.
- \$515,000 to transfer funds to the Capital Projects Fund to provide funding for major capital outlay.

At the close of the fiscal year, actual expenditures were \$4,217,726 less than budgetary estimates. This is attributed to the timing of capital projects being started as anticipated and the conservative management by department heads.

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, 2017, amounts to \$62 million and \$209 million, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, vehicles, park facilities, infrastructure, and construction in progress. The total increase in capital assets for the current fiscal year was approximately 3.1%.

(Continued) 4k

		Governmen	tal A	ctivities	Business-Ty	pe A	activities	Total						
		2016		2016	 2016		2016		2017		2016			
Land	\$	14,098,563	\$	10,304,940	\$ 2,659,859	\$	2,655,637	\$	16,758,422	\$	12,960,577			
Buildings		11,249,979		11,537,584	-		-		11,249,979		11,537,584			
Improvements other than buildings		2,540,019		2,350,656	-		-		2,540,019		2,350,656			
Machinery & equipment		7,306,257		5,933,465	-		-		7,306,257		5,933,465			
Infrastructure Utility plant and		26,002,396		24,692,233	-		-		26,002,396		24,692,233			
equipment		-		-	192,623,306		179,016,910		192,623,306		179,016,910			
Construction in	_	709,705		3,529,300	 13,939,049		22,914,713		14,648,754		26,444,013			
Total	\$	61,906,919	\$	58,348,178	\$ 209,222,214	\$	204,587,260	\$	271,129,133	\$	262,935,438			

Additional information on the City of Morristown's capital assets can be found in Note 7 on pages 33-35 of this report.

Long-term debt. At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$136 million; of this amount, \$26.3 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 outstanding is 54% and 46% respectively.

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

	Balance July 1, 2016		Additions	Reductions			Balance June 30, 2017
Governmental activities							
General fund	\$	17,552,752	\$ 9,710,000	\$	1,199,293	\$	26,063,459
Solid waste fund		300,198	-		26,317		273,881
Total governmental activities		17,852,950	9,710,000		1,225,610		26,337,340
Business-type activities							
Sewer system		66,727,573	6,222,413		3,737,305		69,212,681
Storm water system		4,441,996	-		211,574		4,230,422
Electic system		18,709,207	20,758		1,151,738		17,578,227
Water system		12,671,215	-		911,544		11,759,671
Telecom system		5,127,358	2,000,000		240,421		6,886,937
Total business-type activities		107,677,349	8,243,171		6,252,582		109,667,938
Total Debt	\$	125,530,299	\$ 17,953,171	\$	7,478,192	\$	136,005,278

The City of Morristown's total debt increased by \$10,475,279 (3%) during the current fiscal year. The reason for the increase was attributed to continued ongoing construction projects to upgrade and enhance the infrastructure of the wastewater plant, sewer lines, and pumping stations. Additionally, the City issued bonds for the construction of a new fire station and public works compound.

Additional information on the City of Morristown's long-term debt can be found in Note 8 on pages 35-38 of this report.

(Continued)

Economic Factors and Next Year's Budgets and Rates

The following economic factors currently affect the City of Morristown and were considered in developing the 2017-2018 fiscal year budget.

- As previously discussed, the continued retail development that the City of Morristown is currently experiencing. Several major developments are under construction that will continue to bring regional sales tax dollars to the City of Morristown. It is realistic to estimate the modest growth equating to approximately 4.6% in 17-18 budgeted amount compared to 16-17 actual collections. The modest growth estimate will allow actual collections to meet or exceed budgeted amounts barring any unforeseen economic downturn.
- The unemployment rate for the City of Morristown as of June 30, 2017, was 4.4%, which continues to show improvement compared to 5.9% a year ago. This can be attributed to the economic activity that the City of Morristown is experiencing with expansions by current manufacturing companies and several retail developments. The state's average unemployment rate as of June 30, 2017, was 4.2% and the national average was 4.5%.
- The property tax rate for tax year 2016 was adopted with a nine cent increase. The City of Morristown was proactive in that it increased the property tax rate nine cents. This strategic planning allowed the City of Morristown to provide additional street paving in the current fiscal year, and to have a dedicated revenue source to service the pending bond issue. Council had clearly identified that there was a need to move forward with constructing a new fire station and a new public works compound. Each of the existing compounds are over fifty (50) years old. The proceeds from this bond issue will go towards acquiring the property and constructing the new fire station and a new public works compound. The 2017 property tax rate was unchanged. Not all debt authorized had been issued.

During the current fiscal year, the assigned fund balance in the General Fund was \$6,397,453. The City of Morristown has appropriated \$2,388,080 of this amount for spending in the 2017-2018 fiscal year budget. This action was taken to address the need for improving the City of Morristown's capital assets without having to issue long-term debt, and is not spent on reoccurring operating expenditures.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION June 30, 2017

	Governmental Activities		Ві	usiness-Type Activities	Total
ASSETS					
Cash and cash equivalents (Note 3)	\$	24,354,007	\$	27,538,595	\$ 51,892,602
Receivables, net (Note 4)		15,906,069		8,075,393	23,981,462
Due from other governmental units		3,748		442,571	446,319
Inventories		78,683		1,832,914	1,911,597
Other current assets		29,197		2,922,231	2,951,428
Restricted assets:		ŕ			
Cash and cash equivalents (Note 3)		-		8,757,593	8,757,593
Capital assets: (Note 7)					
Land and construction in progress		14,808,268		16,598,908	31,407,176
Other capital assets, net		47,098,651		192,623,306	239,721,957
Land held for sale (Note 6)		8,772,624		-	8,772,624
Net OPEB asset (Note 12)		61,703		-	61,703
Other assets		-		570,583	570,583
Total assets		111,112,950		259,362,094	 370,475,044
DEFERRED OUTFLOWS OF RESOURCES					
Pension contributions subsequent to measurement date and					
other pension related deferred outflows (Note 10)		3,926,281		60,961	3,987,242
Total deferred outflows of resources		3,926,281		60,961	3,987,242
LIABILITIES					
Accounts payable and accrued liabilities		855,531		9,132,506	9,988,037
Accrued payroll and related liabilities		851,438		2,816,644	3,668,082
Accrued interest payable		43,772		34,720	78,492
Customer deposits		-		4,401,504	4,401,504
Unearned revenue (Note 4)		835,250		, , <u>-</u>	835,250
Long-term liabilities:		Ź			,
Net pension liability (Note 10)		10,699,225		159,070	10,858,295
Due within one year (Note 8)		2,086,063		7,362,476	9,448,539
Due in more than one year (Note 8)		25,930,731		106,813,401	132,744,132
Total liabilities		41,302,010		130,720,321	172,022,331
DEFERRED INFLOWS OF RESOURCES					
Property taxes (Note 4)		10,924,128		257,289	11,181,417
Difference between expected and		, ,		ŕ	, ,
actual experience (Note 10)		1,134,087		19,632	1,153,719
Total deferred inflows of resources		12,058,215		276,921	12,335,136
NET POSITION					
Net investment in capital assets		43,572,086		104,788,569	148,360,655
Restricted for:		,. ,.,,		,	,
Narcotics		124,431		_	124,431
Public health and welfare		454,844		_	454,844
Gas tax		56,701		_	56,701
Airport		16,870		_	16,870
Unrestricted		17,454,074		23,637,244	41,091,318
Total net position	\$	61,679,006	\$	128,425,813	\$ 190,104,819

STATEMENT OF ACTIVITIES Year Ended June 30, 2017

					Prog	gram Revenues		Net (Expense) Revenue and Changes in Net Position					
								 •	Pri	nary Government			
						Operating	Capital			Business-			
			(Charges for		Grants and	Grants and	Governmental		Type			
Functions/Programs		Expenses		Services	C	ontributions	 Contributions	 Activities		Activities		Total	
Governmental activities:													
General government	\$	2,623,688	\$	603,535	\$	-	\$ _	\$ (2,020,153)	\$	-	\$	(2,020,153)	
Public safety		16,205,149		513,404		121,965	_	(15,569,780)		_		(15,569,780)	
Public works		11,598,260		1,406,844		371	1,668,274	(8,522,771)		_		(8,522,771)	
Culture and recreation		3,817,269		110,620		6,000	-	(3,700,649)		_		(3,700,649)	
Civic support		1,994,024		-		-	_	(1,994,024)		_		(1,994,024)	
Interest on long-term debt		366,337		_		-	_	(366,337)		_		(366,337)	
							_	· · · · ·		_			
Total governmental activities		36,604,727		2,634,403		128,336	 1,668,274	 (32,173,714)				(32,173,714)	
Business-type activities:													
Water		6,676,177		6,616,395		-	65,150	_		5,368		5,368	
Wastewater		12,035,984		13,781,869		-	165,000	-		1,910,885		1,910,885	
Stormwater		813,226		1,353,476		_	,	_		540,250		540,250	
Power		76,497,573		77,244,198		_	_	_		746,625		746,625	
Broadband		7,018,332		8,602,426		_	_	_		1,584,094		1,584,094	
Dioucound		7,010,332		0,002,120			 			1,501,051		1,501,051	
Total business-type activities		103,041,292		107,598,364		-	 230,150	 -		4,787,222		4,787,222	
Total	\$	139,646,019	\$	110,232,767	\$	128,336	\$ 1,898,424	 (32,173,714)		4,787,222		(27,386,492)	
			Gener	ral revenues:									
				operty taxes				11,026,905		_		11,026,905	
				cal sales taxes				12,280,106		_		12,280,106	
				anchise taxes				603,791		_		603,791	
				cohol beverage tax				1,334,354		_		1,334,354	
				siness and gross re				1,061,806		_		1,061,806	
				otel/motel tax	corpus tur	•		675,088		_		675,088	
				tigation tax				67,440		_		67,440	
				ergovernmental rev	oniio iint	actricted		4,747,970		_		4,747,970	
				restricted investme				4,747,570		75,541		75,541	
				her	in Carinii	gs		489,811		2,626,079		3,115,890	
				sfers (Note 5)				1,934,663		(1,934,663)		5,115,690	
			1 rans	siers (Note 5)				 1,934,003		(1,934,003)			
				Total ger	neral reve	enues and transfers		 34,221,934		766,957		34,988,891	
				Change i	n net pos	ition		2,048,220		5,554,179		7,602,399	
			Net n	osition at July 1	net pos			59,630,786		122,871,634		182,502,420	
			r	J				, , , , , , , , , , , , , , , , , , , ,		, , , , , , , , , , , , , , , , , , , ,		, , ,	
			Net p	osition at June 30				\$ 61,679,006	\$	128,425,813	\$	190,104,819	

BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2017

	General	Solid Capital Waste Projects				onmajor arcotics		Total ernmental Funds
ASSETS								
Cash and cash equivalents	\$ 12,882,755	\$ 365,695	\$ 1	0,370,626	\$	252,063	\$ 2	3,871,139
Receivables, net	15,667,296	171,064		-		3,761	1	5,842,121
Due from other governmental								
units	-	=		-		3,748		3,748
Prepaid	2,562	-		-		-		2,562
Inventories Land held for sale	78,683 8,772,624	=		-		=		78,683
Land neid for safe		 						8,772,624
Total assets	\$ 37,403,920	\$ 536,759	\$ 1	0,370,626	\$	259,572	\$ 4	8,570,877
LIABILITIES Accounts payable and								
accrued liabilities	\$ 429,322	\$ 59,275	\$	185,505	\$	2,654	\$	676,756
Accrued payroll and								
related liabilities	828,798	22,640		=		=		851,438
Unearned revenue	835,250	 -		-				835,250
Total liabilities	2,093,370	81,915		185,505		2,654		2,363,444
DEFERRED INFLOWS OF RESOURCES Unavailable/unearned taxes	12,083,303	_		_		132,487	1	2,215,790
Total deferred inflows		 						
of resources	12,083,303	 -		-		132,487	1	2,215,790
FUND BALANCES								
Nonspendable	8,853,869	-		-		-		8,853,869
Restricted	73,571	454,844		8,285,393		124,431		8,938,239
Committed	-	=		1,899,728		=		1,899,728
Assigned	6,397,453	-		-		-		6,397,453
Unassigned	7,902,354	 -		-		-		7,902,354
Total fund balances	23,227,247	 454,844	1	0,185,121		124,431	3	3,991,643
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,403,920	\$ 536,759	\$ 1	0,370,626	\$	259,572		

(Continued)

BALANCE SHEET – GOVERNMENTAL FUNDS June 30, 2017

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.	\$ 61,906,919
Other long-term assets are not available to pay for current-period expenditures	
and therefore are deferred in the funds.	1,291,662
Long-term liabilities, including bonds payable, compensated absences, and accrued interest,	
are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	(26,620,226)
Accrued interest payable	(43,772)
Compensated absences	(1,396,568)
Deferred amounts:	
Deferred outflows of resources for the net difference between projected and	
actual investment earnings on pension plan investments.	1,947,320
Deferred outflows of resources for 2017 employer contributions.	1,978,961
Deferred inflows of resources for the difference between actual and	
expected experience related to the pension plan.	(1,134,087)
Net pension liability	(10,699,225)
Net OPEB asset	61,703
The internal service fund is used by management to account for the claims and	
premiums for employee health insurance. Its assets and liabilities are	
included in the governmental activities' statement of net position.	394,676
Net position of governmental activities	\$ 61,679,006

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS Year Ended June 30, 2017

	General	Solid Waste	Capital Projects	Nonmajor Narcotics	Total Governmental Funds		
REVENUES							
General property taxes	\$ 10,983,100	\$ -	\$ -	\$ -	\$ 10,983,100		
Other local taxes	16,022,585	-	-	_	16,022,585		
Licenses, permits, and fines	233,169	-	-	66,375	299,544		
Charges for services	928,015	1,406,844	-	-	2,334,859		
Other	439,642	-	27,236	22,933	489,811		
Intergovernmental	6,327,463		217,117		6,544,580		
Total revenues	34,933,974	1,406,844	244,353	89,308	36,674,479		
EXPENDITURES							
Current:							
General government	4,810,790	-	2,046,672	-	6,857,462		
Public safety	16,725,206	-	500,534	57,589	17,283,329		
Public works	8,195,581	1,585,028	217,117	-	9,997,726		
Culture and recreation	1,951,518	-	1,705,273	-	3,656,791		
Civic support and special							
appropriations	1,460,895	-	800,379	-	2,261,274		
Retiree health insurance	370,885	-	-	-	370,885		
Debt service:							
Principal retirement	1,221,744	26,317	-	-	1,248,061		
Interest and fiscal charges	335,602	7,032			342,634		
Total expenditures	35,072,221	1,618,377	5,269,975	57,589	42,018,162		
Excess (deficiency) of							
revenues over							
expenditures	(138,247)	(211,533)	(5,025,622)	31,719	(5,343,683)		
OTHER FINANCING SOURCES (USES)							
Issuance of debt	-	-	9,710,000	-	9,710,000		
Premium on debt issuance	-	-	285,743	-	285,743		
Transfers in	1,934,663	230,000	3,840,000	-	6,004,663		
Transfers out	(4,070,000)				(4,070,000)		
Total other financing sources (uses)	(2,135,337)	230,000	13,835,743		11,930,406		
Net change in fund balance	(2,273,584)	18,467	8,810,121	31,719	6,586,723		
FUND BALANCES AT JULY 1	25,500,831	436,377	1,375,000	92,712	27,404,920		
FUND BALANCES AT JUNE 30	\$ 23,227,247	\$ 454,844	\$ 10,185,121	\$ 124,431	\$ 33,991,643		

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2017

Net changes in fund balances	\$ 6,586,723
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities	
report depreciation expense to allocate those expenditures over the life of the assets.	6 000 200
Capital outlay Depreciation expense	6,980,290 (3,421,549)
Depresium on expense	(3,121,317)
Revenues in the statement of activities that do not provide current financial resources are	
not reported as revenues in the funds.	43,805
Net OPEB activity	61,703
The issuance of long-term debt provides current financial resources to governmental funds, while	
the repayment of the principal of long-term debt consumes the current financial resources of	
governmental funds. Neither transaction, however, has any effect on net position. Principal repayment	1,225,610
Issuance of debt	(9,710,000)
Premium on debt issuance	(285,743)
Amortization of premium	2,857
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.	
Accrued interest payable	(23,703)
Change in compensated absences	(180,406)
Governmental funds report employer pension contributions as expenditures. However, in the	
statement of activities, the cost of pension benefits earned net of employee contributions is	
reports as pension expense.	1,108,057
The internal service fund is used by management to account for the claims and premiums for	
employee health insurance. The change in net position of internal service funds is	
reported with governmental activities.	(339,424)
Change in net position of governmental activities	\$ 2,048,220

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS) Year Ended June 30, 2017

	Budgeted Amounts		Actual		Budgetary Basis	Variance with Final Budget Positive		
	Original	Final	Amounts	Encumbrances	Expenditures	(Negative)		
REVENUES Taxes:								
General property	\$ 10,572,187	\$ 10,689,187	\$ 10,983,100	\$ -	\$ 10,983,100	\$ 293,913		
Other local taxes	15,475,000	15,475,000	16,022,585	Ψ -	16,022,585	547,585		
Licenses and permits	269,000	269,000	233,169	_	233,169	(35,831)		
Charges for services	1,087,000	1,087,000	928,015	_	928,015	(158,985)		
Other	338,500	399,253	439,642	_	439,642	40,389		
Intergovernmental	6,545,810	6,879,096	6,327,463		6,327,463	(551,633)		
Total revenues	34,287,497	34,798,536	34,933,974		34,933,974	135,438		
EXPENDITURES								
General government:								
Mayor and City Council	276,197	276,197	256,831	(1,000)	255,831	20,366		
Council elections	17,655	17,655	16,396	-	16,396	1,259		
City administrator	784,892	784,892	742,760	6,000	748,760	36,132		
Finance department	895,023	930,023	889,359	2,633	891,992	38,031		
Purchasing department	64,518	72,468	67,423	-	67,423	5,045		
Computer operations	243,740	319,990	269,753	(5,500)	264,253	55,737		
Human resources	223,851	278,851	256,069	-	256,069	22,782		
Legal	197,303	247,303	216,128	-	216,128	31,175		
Community and economic								
affairs	916,014	1,266,014	1,099,076	(209,881)	889,195	376,819		
Engineering	396,820	286,820	218,576	(289)	218,287	68,533		
GIS	283,583	283,583	264,797	(18,900)	245,897	37,686		
Inspections	540,307	540,307	513,622	(10,713)	502,909	37,398		
Total general								
government	4,839,903	5,304,103	4,810,790	(237,650)	4,573,140	730,963		
Public safety:								
Police supervision	643,963	657,249	607,220	-	607,220	50,029		
Patrol and traffic	5,709,345	5,615,098	5,338,752	(38,524)	5,300,228	314,870		
Police investigation	1,468,413	1,468,413	1,420,322	-	1,420,322	48,091		
Narcotics	635,806	648,806	627,080	-	627,080	21,726		
Code enforcement	246,899	246,899	215,607	-	215,607	31,292		
Fire supervision	699,034	699,034	790,000	-	790,000	(90,966)		
Fire inspection	136,737	139,737	128,259	-	128,259	11,478		
Fire stations	182,775	182,775	156,703	-	156,703	26,072		
Firefighting	6,605,135	6,605,135	7,441,263	(1,078,402)	6,362,861	242,274		
Total public safety	16,328,107	16,263,146	16,725,206	(1,116,926)	15,608,280	654,866		

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS) Year Ended June 30, 2017

	Budgeted Amounts		Actual		Budgetary Basis	Variance with Final Budget Positive	
	Original	Final	Amounts	Encumbrances	Expenditures	(Negative)	
EXPENDITURES (Continued)							
Public works:							
Public works supervision	\$ 323,170	\$ 409,170	\$ 381,968	\$ -	\$ 381,968	\$ 27,202	
-						<i>'</i>	
Building and grounds	761,704	661,704	883,595	(690,505)	193,090	468,614	
Equipment shop	547,769	555,769	515,452	-	515,452	40,317	
Repairs and maintenance	1,614,691	1,529,691	1,225,080	-	1,225,080	304,611	
Street lighting and signs	770,124	770,124	751,701	-	751,701	18,423	
Brush pick-up and	1 750 020	1 (50 020	1 202 200		1 202 200	256 721	
snow removal	1,750,029	1,650,029	1,293,308	-	1,293,308	356,721	
Sidewalks Traffic devices	23,000	23,000	6,972 262,190	-	6,972 262,190	16,028 59,706	
Communication shop	346,896 289,343	321,896 324,343	169,605	-	169,605	154,738	
Pavement management	209,343	324,343	109,003	-	109,003	134,736	
system	1,750,000	2,121,000	2,417,488		2,417,488	(296,488)	
Airport	1,168,906	1,168,906	278,922	(160,802)	118,120	1,050,786	
Health inspection and welfare	21,783	21,783	9,300	(100,002)	9,300	12,483	
Treath inspection and worlding	21,703	21,703	<u> </u>	· 	7,300	12,103	
Total public works	9,367,415	9,557,415	8,195,581	(851,307)	7,344,274	2,213,141	
Culture and recreations:							
Parks and recreation							
supervision	457,761	448,561	405,054	(3,220)	401,834	46,727	
Playgrounds and programs	584,422	594,422	508,852	(3,220)	508,852	85,570	
Parks and maintenance	1,106,922	1,071,922	1,037,612	-	1,037,612	34,310	
•							
Total culture and							
recreation	2,149,105	2,114,905	1,951,518	(3,220)	1,948,298	166,607	
Civic support and special							
appropriations:							
Contributions to local							
agencies	250,000	250,000	229,056	-	229,056	20,944	
Animal control	137,890	137,890	137,880	-	137,880	10	
E-911 district	216,758	216,758	216,758	-	216,758	-	
Economic development	250,000	250,000	261,055	-	261,055	(11,055)	
Emergency management							
agency	45,000	45,000	26,483	-	26,483	18,517	
Library	267,250	267,250	267,250	-	267,250	-	
TIF payments	200,000	262,000	261,868	-	261,868	132	
LAMTPO Local Match	65,771	65,771	43,045	-	43,045	22,726	
Crockett Tavern Association	7,500	7,500	7,500	-	7,500	-	
Workforce development	10,000	10,000	10,000	·	10,000		
Total civic support							
and special							
appropriations	1,450,169	1,512,169	1,460,895	<u> </u>	1,460,895	51,274	

(Continued)

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS) Year Ended June 30, 2017

	Budgeted	Amounts	Actual		Budgetary Basis	Variance with Final Budget Positive
	Original	Final	Amounts	Encumbrances	Expenditures	(Negative)
EXPENDITURES (Continued)						
Retiree health insurance	\$ 500,000	\$ 425,000	\$ 370,885	\$ -	\$ 370,885	\$ 54,115
Debt service:						
Principal	1,200,136	1,221,744	1,221,744	-	1,221,744	
Interest	753,970	532,362	197,706	-	197,706	334,656
Paying agent fees	100,000	150,000	137,896		137,896	12,104
Total debt service	2,054,106	1,904,106	1,557,346		1,557,346	346,760
Total expenditures	36,688,805	37,080,844	35,072,221	(2,209,103)	32,863,118	4,217,726
Excess (deficiency) of revenues over expenditures	(2,401,308)	(2,282,308)	(138,247)	2,209,103	2,070,856	(4,082,288)
OTHER FINANCING SOURCES (USES)	S					
Transfers in	1,780,722	1,780,722	1,934,663	-	1,934,663	(153,941)
Transfers out	(3,380,000)	(4,070,000)	(4,070,000)		(4,070,000)	
Net other financing sources (uses)	(1,599,278)	(2,289,278)	(2,135,337)	_	(2,135,337)	(153,941)
sources (uses)	(1,399,278)	(2,269,276)	(2,133,337)		(2,133,337)	(133,941)
Net change in fund balance	(4,000,586)	(4,571,586)	(2,273,584)	2,209,103	(64,481)	(4,236,229)
Fund balance, July 1, 2016			25,500,831		25,500,831	
Fund balance, June 30, 2017	\$ (4,000,586)	\$ (4,571,586)	\$ 23,227,247	\$ 2,209,103	\$ 25,436,350	\$ (4,236,229)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SOLID WASTE FUND (BUDGETARY BASIS) Year Ended June 30, 2017

	Budgeted	Amounts	Actual		Budgetary Basis	Variance with Final Budget Positive	
	Original	Final	Amounts	Encumbrances	Expenditures	(Negative)	
REVENUES							
Charges for services	\$ 1,365,000	\$ 1,365,000	\$ 1,406,844	\$ -	\$ 1,406,844	\$ 41,844	
Total revenues	1,365,000	1,365,000	1,406,844		1,406,844	41,844	
EXPENDITURES Current:							
Sanitation department	1,438,341	1,406,341	1,318,588	2,307	1,320,895	85,446	
Curbside recycle	261,263	292,263	266,440	-	266,440	25,823	
Debt service:							
Principal	25,476	26,476	26,317	-	26,317	159	
Interest	7,107	7,107	7,032		7,032	75	
Total expenditures	1,732,687	1,732,687	1,618,377	2,307	1,620,684	112,003	
Deficiency of revenues over expenditures	(367,687)	(367,687)	(211,533)	(2,307)	(213,840)	(70,159)	
OTHER FINANCING SOURCES Transfers in	230,000	230,000	230,000		230,000		
Total other financing sources	230,000	230,000	230,000		230,000		
Net change in fund balance	(137,687)	(137,687)	18,467	(2,307)	16,160	(70,159)	
Fund balance, July 1, 2016			436,377		436,377		
Fund balance, June 30, 2017	\$ (137,687)	\$ (137,687)	\$ 454,844	\$ (2,307)	\$ 452,537	\$ (70,159)	

STATEMENT OF NET POSITION – PROPRIETARY FUNDS Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds							
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	Activities – Internal Service Fund
ASSETS Current assets:								
Cash and cash equivalents Receivables, net Due from other funds	\$ 7,153,118	\$ 2,192,104 162,442	\$ 12,053,642 7,912,951 1,096,080	\$ 3,029,564	\$ 3,110,167	\$ - (490,306)	\$ 27,538,595 8,075,393 605,774	\$ 482,868 63,948
Due from other governmental units Other current assets Inventories	102,151 704,245 259,634	88,357	328,094 1,820,629 1,103,288	3,049 231,006 381,635	9,277 166,351 		442,571 2,922,231 1,832,914	26,635
Total current assets	8,219,148	2,442,903	24,314,684	3,645,254	3,285,795	(490,306)	41,417,478	573,451
Noncurrent assets: Cash and cash equivalents, restricted	6,589,751	-	-	2,167,842	-		8,757,593	-
Advances from other funds Other assets	8,415	94,090	2,926,192 468,078	-	-	(2,926,192)	570,583	-
Land and construction in progress Other capital assets, net	10,905,522 80,341,688	168,606 6,087,736	1,485,921 61,030,776	1,732,775 37,246,464	2,306,084 7,916,642		16,598,908 192,623,306	
Total noncurrent assets	97,845,376	6,350,432	65,910,967	41,147,081	10,222,726	(2,926,192)	218,550,390	
Total assets	106,064,524	8,793,335	90,225,651	44,792,335	13,508,521	(3,416,498)	259,967,868	573,451
DEFERRED OUTFLOWS OF RESOURCES Pension contributions subsequent to measuring date and other pension related deferred outflows	-	60,961	-	-	-	-	60,961	-
LIABILITIES Current liabilities:								
Accounts payable and accrued liabilities Accrued payroll and related liabilities	1,791,771 626,636	15,763 3,820	6,817,822 1,393,742	169,334 403,917	337,816 388,529	- -	9,132,506 2,816,644	178,775 -
Accrued interest payable Customer deposits	-	34,720	4,295,004	-	106,500	-	34,720 4,401,504	-

(Continued)

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

STATEMENT OF NET POSITION – PROPRIETARY FUNDS Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds								
	Wastewater System	Stormwater System	Power System	Power System Water System I		Eliminations	Total	Activities – Internal Service Fund	
LIABILITIES (Continued) Current liabilities: (Continued) Due to other funds Compensated absences Bonds, leases, and contracts payable	\$ 297,42 - 4,310,883	8,240	\$ - - 1,241,647	\$ 110,705 - 936,403	\$ 687,954 - 653,648	\$ (490,306) - -	\$ 605,774 8,240 7,354,236	\$ - - -	
Total current liabilities	7,026,713	274,196	13,748,215	1,620,359	2,174,447	(490,306)	24,353,624	178,775	
Noncurrent liabilities: Advances to other funds Compensated absences Other post-employment benefits Net pension liability Bonds, leases, and contracts payable	22,794 - 68,158,422	159,070	583,825 - 16,401,726	141,094 - 10,823,268	2,926,192 - 219,566 - 6,261,422	(2,926,192)	9,115 967,279 159,070 105,837,007	- - - - -	
Total noncurrent liabilities	68,181,210	4,360,354	16,985,551	10,964,362	9,407,180	(2,926,192)	106,972,471		
Total liabilities	75,207,929	4,634,550	30,733,766	12,584,721	11,581,627	(3,416,498)	131,326,095	178,775	
DEFERRED INFLOWS OF RESOURCES Unearned revenues Difference between expected and actual experience	- -	19,632	- 	- -	257,289	- 	257,289 19,632	- -	
Total deferred inflows of resources		19,632			257,289		276,921		
NET POSITION Net investment in capital assets Unrestricted	25,367,654 5,488,94		44,873,324 14,618,561	29,387,410 2,820,204	3,307,661 (1,638,056)	<u> </u>	104,788,569 23,637,244	394,676	
Total net position	\$ 30,856,593	\$ 4,200,114	\$ 59,491,885	\$ 32,207,614	\$ 1,669,605	\$ -	\$ 128,425,813	\$ 394,676	

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET FUND POSITION – PROPRIETARY FUNDS Year Ended June 30, 2017

<u>-</u>			Business-Ty	pe Activities – Ente	erprise Funds			Governmental
<u>-</u>	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	Activities – Internal Service Fund
OPERATING REVENUES Charges for services Interfund services Other	\$ 13,781,869 - 745,810	1,353,476 - 286	\$ 77,244,198 1,375,014 1,741,709	\$ 6,616,395 517,040 35,557	\$ 8,602,426 2,056,250 102,717	\$ - (3,948,304)	\$ 107,598,364 - 2,626,079	\$ 4,532,401 - -
Total operating revenues	14,527,679	1,353,762	80,360,921	7,168,992	10,761,393	(3,948,304)	110,224,443	4,532,401
OPERATING EXPENSES Operations Maintenance Power purchased Depreciation and amortization Interfund services Other Insurance claims and expenses	4,454,508 1,343,761 - 4,167,387 531,852	460,793 5,203 - 237,275 - -	5,316,382 2,731,852 62,673,543 5,127,842 1,914,097 373,645	4,020,723 731,394 - 1,560,786 444,540 -	5,755,749 337,614 - 598,614 1,057,815 191,900	(3,948,304)	20,008,155 5,149,824 62,673,543 11,691,904 - 565,545	- - - - - 4,871,825
Total operating expenses	10,497,508	703,271	78,137,361	6,757,443	7,941,692	(3,948,304)	100,088,971	4,871,825
Operating income (loss)	4,030,171	650,491	2,223,560	411,549	2,819,701		10,135,472	(339,424)
NONOPERATING REVENUES (EXPENSES Interest income Interest expense Total nonoperating expenses	13,906 (2,070,328) (2,056,422)	7,284 (109,955)	37,567 (274,309) (236,742)	15,570 (363,274) (347,704)	1,214 (134,455) (133,241)		75,541 (2,952,321) (2,876,780)	<u>-</u> -
Income (loss) before contributions and transfers	1,973,749	547,820	1,986,818	63,845	2,686,460	-	7,258,692	(339,424)
Capital contributions Transfers out	165,000 (582,356)	(29,187)	(1,287,000)	65,150 (36,120)	-	-	230,150 (1,934,663)	-
Change in net position	1,556,393	518,633	699,818	92,875	2,686,460	-	5,554,179	(339,424)
NET POSITION AT JULY 1	29,300,202	3,681,481	58,792,067	32,114,739	(1,016,855)		122,871,634	734,100
NET POSITION AT JUNE 30	\$ 30,856,595	\$ 4,200,114	\$ 59,491,885	\$ 32,207,614	\$ 1,669,605	\$ -	\$ 128,425,813	\$ 394,676

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds								
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	Activities – Internal Service Fund	
OPERATING ACTIVITIES Receipts from customers Payments to suppliers Payments to employees Other receipts	\$ 14,480,110 (5,653,164) (1,428,756)		\$ 78,881,824 (67,262,509) (6,115,611) 1,539,981	\$ 7,160,282 (3,573,285) (1,632,965)	\$ 10,786,366 (5,960,098) (1,359,675)	\$ (3,948,304) 3,948,304 -	\$ 108,711,519 (78,491,120) (11,009,722) 1,540,267	\$ 4,517,857 (4,908,713)	
Net cash provided by (used in) operating activities	7,398,190	888,444	7,043,685	1,954,032	3,466,593		20,750,944	(390,856)	
NONCAPITAL FINANCING ACTIVITIES Transfers to other funds Interfund borrowing (repayments)	(582,356) 170,258	(29,187)	(1,290,258) 1,463,456	(36,120) 41,666	(1,675,380)	<u>.</u> <u></u>	(1,937,921)	<u>.</u> .	
Net cash provided by (used in) noncapital financing activities	(412,098)	(29,187)	173,198	5,546	(1,675,380)		(1,937,921)		
CAPITAL AND RELATED FINANCING ACTIVITIES									
Purchases of capital assets Contribution of capital by other governments	(6,568,956) 165,000	(420,692) -	(3,940,720)	(971,514) 65,150	(3,391,332)	-	(15,293,214) 230,150	- -	
Proceeds from issuance of long-term debt Principal paid on debt and contractual obligations Financing cost paid on long-term debt	6,222,413 (3,879,610) (181,770)		(1,196,125)	(911,544)	2,000,000 (257,375) (29,052)	-	8,222,413 (6,470,063) (210,822)	- - -	
Interest paid on capital debt	(1,888,558)		(274,309)	(363,274)	(105,403)		(2,740,722)		
Net cash used in capital and related financing activities	(6,131,481)	(755,279)	(5,411,154)	(2,181,182)	(1,783,162)	-	(16,262,258)	-	
INVESTING ACTIVITIES Interest received	13,906	7,284	37,567	15,570	1,214		75,541		
Net cash provided by investing activities	13,906	7,284	37,567	15,570	1,214		75,541		
Net (decrease) increase in cash and cash equivalents	868,517	111,262	1,843,296	(206,034)	9,265	-	2,626,306	(390,856)	

(Continued)

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

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS Year Ended June 30, 2017

	Business-Type Activities – Enterprise Funds											vernmental				
	v	Vastewater System	s	tormwater System	Po	ower System		Water System	1	Broadband	Elim	ninations		Total		ctivities – Internal rvice Fund
CASH AND CASH EQUIVALENTS Beginning at July 1	\$	12,874,352	\$	2,080,842	\$	10,210,346	\$	5,403,440	\$	3,100,902	\$	-	\$	33,669,882	\$	873,724
Ending at June 30	\$	13,742,869	\$	2,192,104	\$	12,053,642	\$	5,197,406	\$	3,110,167	\$	-	\$	36,296,188	\$	482,868
RECONCILIATION TO STATEMENT OF NET POSITION:																
Cash and cash equivalents Cash and cash equivalents, restricted	\$	7,153,118 6,589,751	\$	2,192,104	\$	12,053,642	\$	3,029,564 2,167,842	\$	3,110,167	\$	- -	\$	27,538,595 8,757,593	\$	482,868
	\$	13,742,869	\$	2,192,104	\$	12,053,642	\$	5,197,406	\$	3,110,167	\$	-	\$	36,296,188	\$	482,868
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES Operating income (loss)	S	4,030,171	\$	650,491	\$	2,223,560	\$	411,549	\$	2,819,701	\$		S	10,135,472	S	(339,424)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	Þ	4,030,171	3	030,491	Þ	2,223,300	Þ	411,349	Ф	2,019,701	Ş	-	ş	10,133,472	3	(335,424)
Depreciation and amortization Pension expense net of employer		4,294,905		237,275		5,152,087		1,649,667		598,614		-		11,932,548		-
contributions Change in assets and liabilities: (Increase) decrease in:		-		(14,532)		-		-		-		-		(14,532)		-
Receivables, net Unbilled/unearned revenues		4,038 (51,607)		(2,235)		(74,893) 27,454		(1,230) (7,480)		7,372		-		(66,948) (31,633)		(14,544)
Inventories Other current assets		(82,464) (3,421)		4,925 8,554		(146,019) (34,464)		40,896 1,938		(32,280)		-		(182,662) (59,673)		8,003
(Decrease) increase in: Accounts payable and accrued liabilities Accrued payroll and related liabilities		(899,491)		1,356 2,610		(272,696)		(172,380)		(85,290)		-		(1,428,501) 2,610		(44,891)
Customer deposits Other liabilities		106,059		- -		142,787 25,869		31,072		17,600 140,876		- -		160,387 303,876		- -
Net cash provided by (used in) operating activities	\$	7,398,190	\$	888,444	\$	7,043,685	\$	1,954,032	\$	3,466,593	\$	<u>-</u>	\$	20,750,944	\$	(390,856)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	c	1 207 780	c		c		¢		e		c		c	1,207,780	c	
Capital asset purchases financed by accounts payable	3	1,207,780	3		\$		Þ		•		\$		3	1,207,780	\$	

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

STATEMENTS OF FIDUCIARY NET POSITION June 30, 2017

			Fiduo	ciary Funds				
	Post-Employment Employee Benefits Trust					LAMTPO Agency Fund		
ASSETS Cash and cash equivalents	\$	23,578	\$	15,075	\$	160,589		
Investments Grants receivable		451,828		-		17,685		
			-					
Total assets		475,406		15,075		178,274		
LIABILITIES								
Accounts payable		-		-		10,709		
Accrued payroll and related liabilities		-		-		2,815		
Amounts held for others						164,750		
Total liabilities		-				178,274		
NET POSITION								
Held in trust for post-employment benefits	\$	475,406	\$	15,075	\$	-		

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION June 30, 2017

		Employment efits Trust	Employee Benefits Trus		
ADDITIONS	Ф	514050			
Employer contributions Investment earnings:	\$	514,252	\$	69,702	
Dividends and capital gains		5,642		-	
Net increase in fair value of investments		27,254		_	
Total additions		547,148		69,702	
DEDUCTIONS					
Benefits		414,252		54,627	
Administrative expenses		3,000			
Total deductions		417,252		54,627	
Change in net position		129,896		15,075	
Net position – beginning of the year		345,510			
Net positions – end of the year	\$	475,406	\$	15,075	

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. The Financial Reporting Entity

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

A blended component unit is an entity, that while legally separate, is in substance, part of the City's operations, and so its financial information is combined with the financial statements of the City. The Commission as discussed in the preceding paragraph is a blended component unit of the City.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

The government-wide financial statements are reported using the *economic resources* measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Agency funds are unlike all other fund types, reporting only assets and liabilities; therefore, agency funds do not have a measurement focus. The agency funds utilize the accrual basis of accounting to recognize receivables and payables.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following non-major governmental fund:

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

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following nonmajor proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

D. Cash and Cash Equivalents

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

E. Accounts Receivable

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

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

All property values are assessed and related taxes levied on January 1 of each year. Property taxes receivable are recorded at this lien date. All real and personal property taxes are due and payable December 1. Bills for taxes are usually mailed on July 1st. A 2% discount is offered for payment within 30 days after bills are mailed. All unpaid property taxes become delinquent on December 1. A penalty of 4.5% is imposed on unpaid property taxes as of December 1 an additional penalty of 1% is imposed for each month thereafter until paid. After one year and eleven months, any unpaid taxes are sent to the City Clerk and Master for collection.

F. Inventories

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest totaling \$34,720 was capitalized during the current year in the stormwater fund.

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

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

H. Deferred Outflows/Inflows of Resources

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

H. Deferred Outflows/Inflows of Resources (Continued)

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

I. Compensated Absences

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

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

J. Long-Term Obligations

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

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) Retirement Plan and the additions to/deductions from the City's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Fund Balances

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

- Nonspendable Amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as prepaid expenses, inventories, long-term interfund loans, and noncurrent notes receivable.
- **Restricted** Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed Amounts constrained to specific purposes by the City, using its highest level of decision making authority (City Council); to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** Amounts the City intends to use for a specified purpose; intent can be expressed by the governing body or by the City Manager which has been designated this authority.
- Unassigned Amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 1. Summary of Significant Accounting Policies (Continued)

M. Net Position

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

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

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

N. Estimates

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

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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.

The City's budgetary basis is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis, if any, is presented on the face of each budgetary schedule.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

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

B. Excess of Expenditure over Appropriations

For the fiscal year ended June 30, 2017, there were no instances of expenditures by function exceeding appropriations in any funds.

C. Deficit Fund Equity

There were no instances of deficit fund equity in any City funds at June 30, 2017.

Note 3. Deposits and Investments

Deposits

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

At June 30, 2017, the City's cash consisted of:

Cash on hand	\$	5,145
Deposits		60,645,050
Total deposits and investments	<u>\$</u>	60,650,195
Reconciliation of deposits and investments to Exhibit 1: Cash and cash equivalents Cash and cash equivalents, restricted	\$	51,892,602 8,757,593
Total deposits and investments	\$	60,650,195

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 4. Receivables, Net

Receivables are as follows:

Governmental Activities										

	 General	 olid Waste	Narcotics	Internal Service	 Total		
Receivables:							
Taxes	\$ 12,466,335	\$ -	\$	-	\$	-	\$ 12,466,335
Accounts	3,621,720	187,719		3,761		-	3,813,200
Other	 -	 -		-		63,948	 63,948
	16,088,055	187,719		3,761		63,948	16,343,483
Less: allowance for uncollectibles	 (420,759)	 (16,655)		-		-	 (437,414)
Receivables, net	\$ 15,667,296	\$ 171,064	\$	3,761	\$	63,948	\$ 15,906,069

Business-Type Activities

	Stormy	vater	Pow	er	Total	
Receivables: Accounts Other	\$ 474,994 -	\$	8,195,937	\$	8,387,945	
Less: allowance for uncollectibles	 474,994 (312,552)		8,195,937 (282,986)		8,387,945 (312,552)	
Receivables, net	\$ 162,442	\$	7,912,951	\$	8,075,393	

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

	Unavailable/	I In a arm a d
	<u>Unearned</u>	<u>Unearned</u>
Included in receivables:		
Property taxes	\$ 11,955,813	\$ 10,924,128
Other taxes	127,490	_
	12,083,303	10,924,128
Included in cash:		
Unearned lease proceeds	835,250	835,250
Seized funds escrow	132,487	
	967,737	835,250
Total unavailable/unearned revenue for		
governmental funds	\$ 13,051,040	\$ 11,759,378

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NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 5. Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Purpose	 Amount
Power System	Broadband	Interfund loan Operating and	\$ 3,416,498
Power System	Broadband	maintenance costs Operating and	197,648
Power System	Water System	maintenance costs Operating and	110,705
Power System	Wastewater System	maintenance costs	 297,421
			\$ 4,022,272

Interfund transfers are as follows:

	<u>T</u>	ransfers In	Transfers Out		
Funds:					
General	\$	1,934,663	\$	(4,070,000)	
Solid Waste		230,000		-	
Capital Projects		3,840,000		-	
Water System		-		(36,120)	
Power System		-		(1,287,000)	
Stormwater System		-		(29,187)	
Wastewater System		-		(582,356)	
	<u>\$</u>	6,004,663	\$	(6,004,663)	

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statue or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 6. Land Held for Sale

Land held for sale consists of land located in industrial parks held for resale. At June 30, 2017, the balance was \$8,772,624.

Note 7. Capital Assets

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

Governmental Activities		Beginning Balance		Increases		Decreases	E	nding Balance
Capital assets, not depreciated								
Land	\$	10,304,940	\$	3,793,623	\$	_	\$	14,098,563
Construction in progress	Ψ	3,529,300	Ψ	1,906,977	Ψ	4,726,572	Ψ	709,705
Construction in progress		3,327,300		1,700,777		4,720,372	_	707,703
Total capital assets, not								
depreciated		13,834,240		5,700,600		4,726,572		14,808,268
-								
Capital assets, depreciated								
Buildings		19,792,099		87,882		-		19,879,981
Improvements other than buildings		13,701,149		397,069		-		14,098,218
Infrastructure		48,299,231		3,361,343		-		51,660,574
Motor vehicles		3,894,170		586,347		-		4,480,517
Machinery and equipment		12,814,042		1,573,621		-		14,387,663
Total capital assets		00.500.604						101 504 050
depreciated		98,500,691		6,006,262		-		104,506,953
Less accumulated depreciation for:								
Buildings		(8,254,515)		(375,487)		_		(8,630,002)
Improvements other than buildings		(11,350,493)		(207,706)		_		(11,558,199)
Infrastructure		(23,606,998)		(2,051,180)		_		(25,658,178)
Motor vehicles		(1,730,153)		(475,287)		_		(2,205,440)
Machinery and equipment		(9,044,594)		(311,889)		_		(9,356,483)
	-	(2,000,000,000,000,000,000,000,000,000,0		(222,000)			_	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Total accumulated								
depreciation		(53,986,753)		(3,421,549)		-		(57,408,302)
Total capital assets,		44.512.020		0.504.510				45,000,651
depreciated, net		44,513,938		2,584,713		-		47,098,651
Governmental activities,								
capital activities,								
capital	\$	58,348,178	\$	8,285,313	\$	4,726,572	\$	61,906,919

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 7. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance		
Capital assets, not depreciated						
Land	\$ 2,655,637	\$ 4,222	\$ -	\$ 2,659,859		
Construction in progress	22,914,713	16,269,714	25,245,378	13,939,049		
Total capital assets, not						
depreciated	25,570,350	16,273,936	25,245,378	16,598,908		
Capital assets, depreciated						
Buildings and improvements	22,768,023	326,274	-	23,094,297		
Transmission and distribution	255,857,307	21,798,340	1,460,036	276,195,611		
Machinery and equipment	38,505,902	3,195,854	354,690	41,347,066		
Total capital assets						
depreciated	317,131,232	25,320,468	1,814,726	340,636,974		
Less accumulated depreciation for:						
Buildings and improvements	(7,222,270)	(399,281)	-	7,621,551		
Transmission and distribution	(109,494,402)	(9,037,340)	1,665,286	116,866,456		
Machinery and equipment	(21,397,650)	(2,397,606)	269,595	23,525,661		
Total accumulated	<u> </u>					
depreciation	(138,114,322)	(11,834,227)	1,934,881	148,013,668		
Total capital assets,						
depreciated, net	179,016,910	13,486,241	(120,155)	192,623,306		
Business-type activities,						
capital activities,	Ф. 204.507.260	ф. 20.760.177	Ф. 25.125.222	Ф. 200 222 214		
capital	\$ 204,587,260	\$ 29,760,177	\$ 25,125,223	\$ 209,222,214		
repreciation expense was charged to	functions/progr	ams as follows:				
General government				\$ 434,705		
Public safety				433,805		
Public works				2,441,651		
Parks and recreation				111,388		
				\$ 3,421,549		
			•	Ψ 2,121,212		
Business-type activities:				Ф 229.722		
Stormwater				\$ 228,722		
Water				1,649,667		
Power				5,062,319		
Wastewater				4,294,905		
Broadband				598,614		
			=	\$ 11,834,227		

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 7. Capital Assets (Continued)

The provision for depreciation does not include depreciation on transportation equipment. Those amounts are reported as operations expenses in the statements of revenues, expenses, and changes in net position. The depreciation on transportation equipment not included in depreciation expense previously noted was \$88,881 for the water system, \$24,245 for the power system and \$127,518 for the wastewater system.

Note 8. Long-Term Liabilities

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

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

		Beginning Balance		Additions		Reductions		Ending Balance		Oue Within One Year	
Governmental Activities											
General obligation bonds	\$	15,192,950	\$	9,710,000	\$	890,610	\$	24,012,340	\$	1,320,662	
Net discounts/premiums		-		285,743		2,857		282,886		11,430	
Notes payable		2,660,000		-		335,000		2,325,000		335,000	
Compensated absences	_	1,216,162	_	2,066,099		1,885,693		1,396,568		418,971	
	\$	19,069,112	\$	12,061,842	\$	3,114,160	\$	28,016,794	\$	2,086,063	
		Beginning						Ending	T	Oue Within	
		Balance		Additions	Reductions			Balance	One Year		
Business-Type Activities											
General obligation bonds	\$	45,657,043	\$	-	\$	2,367,370	\$	43,289,673	\$	2,352,656	
Net discounts/premiums		1,266,304		-		65,827	_	1,200,477		65,827	
Total bonds											
payable		46,923,347		-		2,433,197		44,490,150		2,418,483	
Notes payable		62,020,306		8,222,413		3,864,454		66,378,265		4,759,057	
Contractual obligations		2,450,153		-		155,458		2,294,695		157,819	
Capital leases		45,087		-		16,954		28,133		18,877	
Compensated absences		15,926		30,167		28,738		17,355		8,240	
Other post-employment											
benefits		851,319		115,960		-	_	967,279			
	\$	112,306,138	\$	8,368,540	\$	6,498,801	\$	114,175,877	\$	7,362,476	
	Ė		- -		-		- —	, , ,	÷		

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 8. Long-Term Liabilities (Continued)

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

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

Year	Year Governmental Activities														
Ending		General Ob	ligati	on Bonds		Notes	Paya	ble		Total					
June 30 ,		Principal		Interest		Principal		Interest		Principal		Interest			
2018	\$	1,320,662	\$	977,858	\$	335,000	\$	47,318	\$	1,655,662	\$	1,025,176			
2019	Ψ	1,249,312	Ψ	921,620	Ψ	335,000	Ψ	40,003	Ψ	1,584,312	Ψ	961,623			
2020		1,307,635		866,715		335,000		51,101		1,642,635		917,816			
2021		1,359,589		809,153		330,000		25,427		1,689,589		834,580			
2022		1,421,147		749,161		330,000		18,221		1,751,147		767,382			
2023-2027		8,105,388		2,743,299		660,000		14,721		8,765,388		2,758,020			
2028-2032		4,042,570		1,194,543		-		-		4,042,570		1,194,543			
2033-2037		2,651,037		716,387		-		-		2,651,037		716,387			
2038-2041	_	2,555,000		293,998		-		-		2,555,000		293,998			
	\$	24,012,340	\$	9,272,734	\$	2,325,000	\$	196,791	\$	26,337,340	\$	9,469,525			

Year	_							Business-T	ype	Activities						
Ending	Ending General Obligation Bonds					Notes	able		Capital Le	eases	Payable		Total			
June 30,		Principal		Interest		Principal		Interest		Principal		Interest		Principal		Interest
2018	\$	2,352,656	\$	965,529	\$	4,759,057	\$	1,548,960	\$	18,877	\$	3,328	\$	7,130,590	\$	2,517,817
2019		2,194,733		918,786		4,772,123		1,394,802		9,256		-		6,976,112		2,313,588
2020		2,234,464		871,710		4,889,978		1,284,608		-		-		7,124,442		2,156,318
2021		2,275,197		824,286		4,970,962		1,172,279		-		-		7,246,159		1,996,565
2022		2,319,701		776,499		5,100,289		1,057,734		-		-		7,419,990		1,834,233
2023-2027		11,988,214		3,085,940		23,043,716		3,647,736		-		-		35,031,930		6,733,676
2028-2032		10,496,290		1,692,433		14,484,785		1,448,745		-		-		24,981,075		3,141,178
2033-2037	_	9,428,418		548,068		4,357,355	_	165,910		-		-		13,785,773		713,978
	\$	43,289,673	\$	9,683,251	\$	66,378,265	\$	11,720,774	\$	28,133	\$	3,290	\$	109,696,071	\$	21,407,353

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Description	Interest Rate	Year Issued	Final Maturity	0	riginal Issue	J	Balance June 30, 2017
Governmental Activities							
General long-term debt							
2008 Public Improvement (\$8M)	Variable	5/5/2008	2009-2028	\$	4,000,000	\$	2,666,000
2008 Public Improvement (\$3M)	Variable	11/26/2008	2009-2029		1,290,000		917,620
2008 Public Improvement (\$20M)	Variable	7/9/2008	2009-2035		9,204,865		6,138,264
2008 Public Improvement (\$5.035M) 2009 Public Improvement and	Variable	9/11/2008	2009-2028		3,272,750		2,203,500
Refunding (\$5M)	2.91%	12/21/2009	2009-2034		2,848,203		2,248,387
Capital Outlay Note	2.06%	2011	2011-2024		3,750,000		2,179,688
Capital projects							
2017 GO (\$9.71M)	Variable	3/30/2017	2018-2042		9,710,000		9,710,000
Solid waste							
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034		162,919		129 560
Capital Outlay Note	0.50%	2011	2011-2024		250,000		128,569 145,312
Capital Outlay Note	0.30%	2011	2011-2024		230,000		143,312
Total governmental activities				\$	34,488,737	\$	26,337,340
Enterprise Funds							
Wastewater system							
2008 Public Improvement (\$8M)	Variable	5/5/2008	2009-2028	\$	4,000,000	\$	2,666,000
2008 Public Improvement (\$3M)	Variable	11/26/2008	2009-2029		1,710,000		1,216,380
2008 Public Improvement (\$20M)	Variable	7/9/2008	2009-2035		10,795,135		7,198,736
State Revolving Fund 07-203	2.06%	2007	Various		12,500,000		7,638,424
State Revolving Fund 09-229	2.73%	2009	Various	\$	5,000,000		1,052,263
, 2008 Public Improvement (\$5.035M) 2009 Public Improvement and	Variable	9/11/2008	2009-2028		1,762,250		1,186,500
Refunding (\$5M)	2.91%	12/21/2009	2009-2034		1,907,419		1,505,771
General Obligation Bonds	2.00-4.00%	2012	2012-2037		26,000,000		21,653,850
2013 Public Improvement (\$20M)	3.65%	2013	2013-2033		20,000,000		17,000,000
2013 CWSRF Promissory Note (\$5M)	1.51%	2013	2015-2032		5,000,000		4,729,757
2015 Promissory Note (\$10M)	2.74%	2016	2017-2037		10,000,000		3,275,000
2016 Promissory Note (\$15M)	2.27%	2017	2018-2037		15,060,000		90,000
Power system							
Cooperative Notes	None	Various	2003-2020		314,108		172,826
Series V-A-2 Bonds	Variable	2003	2004-2018		2,500,000		250,000
2008 TML Bonds	Variable	2008	2011-2035		15,186,961		12,601,063
2013 Promissory Note	Variable	2013	2013-2028		7,000,000		4,554,338
Water system							
DWSRF Promissory Note	2.61%	2002	2007-2026		10,492,582		5,364,395
Water System Bonds Series 2010	3.38%	2009	2010-2029		7,500,000		5,435,000
2011 DWSRF Note	2.83%	2011	2011-2032		2,000,000		960,276

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 8. Long-Term Liabilities (Continued)

Description	Interest Rate	Year Issued	Final Maturity	Original Issue	Balance June 30, 2017
Enterprise Funds (Continued)					
Broadband system					
Telecom System 2008 TML Bonds First Tennessee Bank Promissory	Variable	2008	2016-2030	20,115,000	\$ 4,088,937
Note First Tennessee Bank Promissory	2.59%	2014	2014-2024	1,000,000	798,000
Note	2.00%	2017	2018-2022	2,000,000	2,000,000
Stormwater system 2009 Public Improvement and					
Refunding (\$5M)	2.91%	2009	2009-2034	81,459	64,273
General Obligation Bonds	2.00-4.00%	2012	2012-2037	5,000,000	4,166,149
Total enterprise funds				186,864,914	109,667,938
				\$ 221,353,651	\$ 136,005,278
Capital leases					
Broadband	4.99%	2014	2019	\$ 98,112	\$ 28,133
Total capital leases				\$ 98,112	\$ 28,133

The broadband system leases certain equipment with an original cost of \$98,112 under a capital lease agreement expiring in 2019. Amortization of the asset is included with depreciation expense.

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

Business-Type	
2018 2019	\$ 18,877 12,584
Total future minimum lease payments	31,461
Less amounts representing interest	 3,328
Present value of future minimum lease payments	\$ 28,133

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 9. Fund Balance

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

	General Fund	Other Governmental Funds
Nonspendable:		
Prepaids	\$ 2,562	\$ -
Inventories	78,683	-
Land held for sale	8,772,624	
Total nonspendable	8,853,869	
Restricted for:		
Narcotics	-	124,431
Capital projects	-	8,285,393
Public works – gas tax	56,701	-
Other operations – airport	16,870	-
Solid Waste		454,844
Total restricted	73,571	8,864,668
Committed to:		
Capital projects		1,899,728
Total committed		1,899,728
Assigned to:		
General government	561,831	-
Finance	49,384	-
Public safety	30,702	-
Public works	292,303	-
Social, cultural, and recreational	6,357	-
Capital projects	5,156,876	-
Other purposes	300,000	
Total assigned	6,397,453	
Unassigned	7,902,354	
Total fund balance	\$ 23,227,247	\$ 10,764,396

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 10. Defined Benefit Pension Plan

Plan Description

Employees of Morristown are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria for all members of the TCRS plan.

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

Employees Covered by Benefit Terms

At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	149
Inactive employees entitled to but not yet receiving benefits	101
Active employees	282
Total covered employees	532

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5.00% of salary. Morristown makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for the City were \$2,087,063 based on a rate of 14.86% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases, including inflation	Graded salary ranges from 8.97% to 3.71 % based on age, including inflation, averaging 4.25%
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.50%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46 %	33.00 %
Developed market international equity	6.26 %	17.00 %
Emerging market international equity	6.40 %	5.00 %
Private equity and strategic lending	4.61 %	8.00 %
U.S. fixed income	0.98 %	29.00 %
Real estate	4.73 %	7.00 %
Short-term securities	0.00 %	1.00 %
		100.00 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Changes in Net Pension Liability

		Incr	ease (Decrease	e)	
	 Total Pension Liability (a)	n Fiduciary			Net Pension Liability (a) - (b)
Balances at June 30, 2015	\$ 68,698,483	\$	59,448,870	\$	9,249,613
Changes for the year:					
Service cost	1,047,579		_		1,047,579
Interest	5,091,070		-		5,091,070
Differences between expected					
and actual experience	(164,027)		-		(164,027)
Contributions – employer	-		2,123,622		(2,123,622)
Contributions – employee	_		694,124		(694,124)
Net investment income	-		1,569,650		(1,569,650)
Benefit payments, including refunds					
of employee contributions	(3,730,258)		(3,730,258)		-
Administrative expenses	 <u>-</u>		(21,456)		21,456
Net changes	 2,244,364		635,682		1,608,682
Balances at June 30, 2016	\$ 70,942,847	\$	60,084,552	\$	10,858,295

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) that the current rate:

	1.00% Decrease (6.50%)		Current Discount Rate (7.50%)	1.00% Increase (8.50%)		
City's net pension liability	\$ 19,906,770	\$	10,858,295	\$	3,308,279	

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

Pension expense:

For the year ended June 30, 2017, the City recognized pension expense of \$964,545.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 10. Defined Benefit Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	O	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$	-	\$	1,153,719	
Net difference between projected and actual earnings on pension plan investments		1,980,181		-	
Contributions subsequent to the measurement date of June 30, 2016		2,007,061		<u> </u>	
June 30, 2010	\$	3,987,242	\$	1,153,719	

The amount shown above for contributions subsequent to the measurement date of June 30, 2016, will be recognized as a reduction (increase) to net pension liability in the following measurement period.

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

Year Ending June 30,	_	
2018	\$	(77,795)
2019		(77,795)
2020		844,031
2021		330,485
2022		(169,031)
Thereafter		(23,433)

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

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$349,921 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2017.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 11. Morristown Utilities Commission's Retirement Plan

The Systems share in a defined contribution retirement plan, the 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.

	<u>T</u>	otal Payroll	 Covered Payroll	Employer ntributions	% Cove Pay	ered	Employee intributions	% of Cover Payro	ed
Power system									
2017	\$	6,111,363	\$ 5,881,850	\$ 705,822		15 %	\$ 377,248	6	.00 %
2016		6,260,687	5,881,940	870,587		15	367,676	6	.00
2015		5,600,093	5,199,423	772,936		15	328,484	6	.00
Water system									
2017		1,618,187	1,591,175	190,941		15	108,231	7	.00
2016		1,663,147	1,649,644	244,255		15	109,179	7	.00
2015		1,535,934	1,508,741	221,570		15	91,384	6	.00
Broadband syste	<u>em</u>								
2017		1,388,146	1,325,350	159,042		15	56,142	4	.00
2016		1,236,036	1,193,252	178,001		15	52,463	4	.00
2015		1,170,428	1,061,845	159,277		15	52,168	5	.00
Wastewater syst	tem								
2017		1,460,078	1,410,292	169,235		15	98,289	7	.00
2016		1,310,427	1,047,942	155,819		15	81,756	8	.00
2015		829,596	820,879	122,646		15	60,439	7	.00

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 2017, 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.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 12. Post-Employment Health Insurance Benefits

Plan Description

The City provides post-employment health benefits for retired employees through a single-employer defined benefit plan. The City may change, add, or delete health insurance benefits as the City deems appropriate with City Council approval. The plan does not grant retirees vested health coverage benefits. Employees and their spouses are eligible upon retirement of the employee at age 60 with at least 10 years of service or with a total of 30 years of service until the employee is Medicare eligible. Souse eligibility lapses with employee eligibility.

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability. A trust fund was established by the City with Commercial Bank and Trust Company (the "Trust Fund"). The Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 45 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Trust Fund Investments

Investment decisions for the fund's assets are made by the Board of Trustees. The Board of Trustees established investment objectives, risk tolerance and asset allocation policies in light of the investment policy, market and economic conditions, and generally prevailing prudent investment practices. The Board of Trustees also monitors the investments to ensure adherence to the adopted policies and guidelines. In addition, the Trustees review, monitor, and evaluate the performance of the investments and its investment advisors in light of available investment opportunities, market conditions and publicly available indices for the generally accepted evaluation and measurement of such performance. The investment objective of the Fund is to maximize total long-term rate of return with reasonable risk by seeking capital appreciation and, secondarily, principal protection.

The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class (Strategy)	Allocation – Portfolio
Total equity	76 %
Total fixed income Total cash and equivalents	19
Total	100 %

Concentrations – There are five investments in five organizations that represents 5 percent or more of the OPEB Trust's fiduciary net position.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 12. Post-Employment Health Insurance Benefits (Continued)

Trust Fund Investments (Continued)

Rate of Return – For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 9.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided

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

Membership

The number of participants at July 1, 2016 was as follows:

Retirees currently receiving benefits	37
Active employees	291
Total	328

Funding Policy

The City has established an Other Post-Employment Benefits Trust Fund to which annual contributions are made towards the City's share of the cost of providing a portion of the premiums to retiree health insurance.

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation (Asset)

For the fiscal year ended June 30, 2017, the City's annual OPEB cost (expense) was \$452,549. The payment of current health insurance premiums and contributions which totaled \$514,252 for retirees, resulted in an increase to the Net OPEB asset of \$61,703 for the year ended June 30, 2017.

Annual required contribution	\$ 452,549
Interest on net OPEB obligation Adjustment to annual required contribution	-
Annual OPEB cost	 452,549
Contributions made	 (514,252)
Increase in net OPEB obligation Net OPEB obligation-beginning of year	 (61,703)
Net OPEB obligation (asset)-end of year	\$ (61,703)

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 12. Post-Employment Health Insurance Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 are as follows.

Fiscal Year Ended,	An	nual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2017	\$	452,549	114%	\$ (61,703)
June 30, 2016		429,891	100	_
June 30, 2015		421,169	100	-

Net OPEB Liability

The components of the net OPEB liability at June 30, 2017 were as follows:

Total OPEB Liability	\$ 4,893,160
Plan fiduciary net position	(475,406)
Net OPEB liability	\$ 4,417,754
Plan fiduciary net position as a percentage of the total OPEB liability	9.7 %

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 4,851,222
Actuarial Value of Plan Assets	\$ 345,510
Unfunded Actuarial Accrued Liability (UAAL)	\$ 4,505,712
Funded Ratio (Actuarial Value of Plan Assets/AAL)	7.1 %
Covered Payroll (Active Plan Members)	\$ 12,465,444
UAAL as a Percentage of Covered Payroll	36.1%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 12. Post-Employment Health Insurance Benefits (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 7% discount rate and an initial annual healthcare cost trend rate of 9.0% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.00%. No general inflation rate was used. The unfunded actuarial accrued liability is being amortized as a level percentage of payable 30 years or a closed basis. The remaining amortization period at June 30, 2017 is 1 year.

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability.

Sensitivity of the Net OPEB Liability

The following presents the Net OPEB Liability of the City, calculated using the discount rate of 7.00%, as well as what the City's Net OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1.00% Decrease (6.00%)]	Current Discount Rate (7.00%)	1.00% Increase (8.00%)	
City's OPEB liability	\$ 4,826,165	\$	4,417,754	\$ 4,050,423	•

The following presents the Net OPEB Liability of the City, calculated using the current healthcare cost trend rates, as well as what the City 's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current rates.

		1.00%		Current		1.00%
		Decrease (8.00% decreasing to		Discount Rate (9.00% decreasing to		Increase (10.00% decreasing to
		4.00%)		5%)		6.00%)
City's OPEB liability	\$	3,944,778	\$	4,417,754	\$	4,971,024

NOTES TO FINANCIAL STATEMENTS June 30, 2017

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

Plan Description

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

Benefits Provided

The Commission provides medical, dental, and life insurance benefits to retirees. The Commission pays the same monthly premium amount that is paid for active employees of the retiree's medical, dental, and life insurance premiums. All full-time, active employees who retire or are disabled directly from the Commission and meet the eligibility criteria may participate. The retiree's spouse is also eligible for medical benefits as long as the retiree is eligible. There are no surviving spouse benefits.

Membership

The number of participants at July 1, 2015 was as follows:

Retirees currently receiving benefits	34
Active employees	274
Total	308

Funding Policy

The Commission funds the Plan on a pay-as-you-go basis and does 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

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

Annual Other Post-Employment Benefit Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2017, the Commission's annual OPEB cost (expense) was \$175,099. The payment of current health insurance premiums and contributions, which totaled \$59,139 for retirees, resulted in an increase to the Net OPEB obligation of \$115,960 for the year ended June 30, 2017.

Annual required contribution Interest on net OPEB obligation	\$ 183,823 34,053
Adjustment to annual required contribution	 (42,777)
Annual OPEB cost	175,099
Contributions made	 (59,139)
Increase in net OPEB obligation	115,960
Net OPEB obligation – beginning of year	 851,319
Net OPEB obligation – end of year	\$ 967,279

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 are as follows.

Fiscal Year Ended,	Annual OPEB Cost		Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation		
June 30, 2017 June 30, 2016 June 30, 2015	\$	175,099 168,671 192,168	33.8% 50.4 40.0	\$	967,279 851,319 767,727	

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015 was as follows:

Actuarial Accrued Liability (AAL)	\$ 1,441,293
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,441,293
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0.0%
Covered Payroll (Active Plan Members)	\$ 8,445,216
UAAL as a Percentage of Covered Payroll	17.1%

NOTES TO FINANCIAL STATEMENTS June 30, 2017

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

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used to determine liabilities. Under this method, the post-retirement health costs are assumed to be earned ratably from date of hire to the participant's full eligibility age (age 50 or older with 15 or more years of service). The actuarial assumptions used a 4.00% discount rate and an initial annual healthcare cost trend rate of 9.00% reduced by decrements each year to arrive at an ultimate healthcare cost trend rate of 5.00%. No general inflation rate was used. The unfunded actuarial accrued liability is being amortized over an open period of 30 years. The remaining amortization period at June 30, 2016 is 24 years.

Note 14. Risk Management

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

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 15. Commitments and Contingencies

Special Purpose Grants

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

Self-Insurance

The City is self-insured for employee medical benefits which are administered by Blue Cross Blue Shield of Tennessee, Inc. The rate of the premiums paid into the fund is based on prior experience and insurance company recommendations. Claims in excess of a self-insured aggregate limit of \$4,549,245 and specific underlying coverage of \$85,000 per employee are covered through a stop loss coverage agreement with BlueRe of Tennessee, an affiliate of the claims administrator. The stop loss arrangement provides for 100% reimbursement of claims exceeding \$4,549,245, subject to contract provisions, up to a maximum aggregate reimbursement of \$1,000,000 per policy year.

Claims Liabilities

Liabilities of the self-insurance fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. The self-insurance fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled. The process used to compute claims liabilities does not necessarily result in an exact amount. Claims incurred prior to June 30, 2017, and subsequently settled and the estimate of \$134,003, which is recorded as a payable in the self-insurance fund claims incurred but not reported.

Commitments and Contingencies

At June 30, 2017, the City had the following commitments:

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

Contingent liabilities:

A suit titled *Chuck's Package Store et al v. City of Morristown* was filed in 2014 to recover a refund of the excess of an inspection fee to which the City was entitled and collected at a higher percentage than allowed by law when the most recent census was reported. In April 2015, the court found in favor of the plaintiffs and awarded \$541,099 in refund of the excess as well as attorney fees. The case is on appeal and being vigorously defended. \$541,089 has been assigned in fund balance for this suit.

The government is also the defendant in various other 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.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 15. Commitments and Contingencies (Continued)

Concentration of Credit Risk

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

Litigation

During the ordinary course of business, the City is subject to various disputes and claims and there could be uncertainty relating to the resolution of these matters.

Note 16. Joint Ventures

Morristown-Hamblen County Library – The City of Morristown and Hamblen County jointly own the Morristown-Hamblen Library. Each appoints an equal number of members to its Board of Directors. The City contributed \$267,250 for the library's operations during the fiscal year ended June 30, 2017.

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, 2017, the City was charged \$566,625.

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 17. Subsequent Events

On August 15, 2017, the City approved bids for construction of a new fire station to replace the existing Station #4 in the amount of \$1,713,561. The project is being funded with bond proceeds.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 18. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45 and No. 57 and establishes new accounting requirements for OPEB plans. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 81, Irrevocable Split-Interest Agreements provides recognition and measurement guidance for situations in which a government is a beneficiary of an irrevocable split-interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement will be effective for the year ending June 30, 2018.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 18. New Accounting Standards(Continued)

GASB Statement No. 83, Certain Asset Retirement Obligations establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. This Statement will be effective for the year ending June 30, 2019.

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement will be effective for the year ending June 30, 2020.

GASB Statement No. 85, *Omnibus 2017* addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and "negative" goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

This Statement will be effective for the year ending June 30, 2018.

NOTES TO FINANCIAL STATEMENTS June 30, 2017

Note 18. New Accounting Standards (Continued)

GASB Statement No. 86, Certain Debt Extinguishment Issues, improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement will be effective for the year ending June 30, 2018.

GASB Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement will be effective for the year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN MORRISTOWN'S NET PENSION LIABILITY AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS June 30, 2017

	Plan Year					
		2016		2015		2014
Total Pension Liability Service cost	\$	1,047,579	\$	1,046,764	\$	1,069,809
Interest on total pension liability	Ψ	5,091,070	Ψ	4,991,380	Ψ	4,856,002
Changes in benefit terms		-		-		-
Difference between expected and actual experience		(164,027)		(1,019,195)		(498,973)
Changes in assumptions		-		-		-
Benefit payments, including refunds of employee contributions		(3,730,258)		(3,650,880)		(3,546,607)
Net change in total pension liability		2,244,364		1,368,069		1,880,231
Total pension liability – beginning		68,698,483		67,330,414		65,450,183
Total pension liability – ending		70,942,847		68,698,483		67,330,414
Plan Fiduciary Net Position						
Contributions – employer		2,123,622		1,999,102		1,927,666
Contributions – employee		694,124		652,910		654,779
Net investment income		1,569,650		1,794,350		8,414,739
Benefit payments, including refunds of employee contributions		(3,730,258)		(3,650,880)		(3,546,607)
Administrative expenses		(21,456)		(14,221)		(3,340,007) $(13,059)$
Net change in plan fiduciary net position		635,682		781,261		7,437,518
Plan fiduciary net position – beginning		59,448,870		58,667,609		51,230,091
Plan fiduciary net position – ending		60,084,552		59,448,870		58,667,609
Net pension liability – ending	\$	10,858,295	\$	9,249,613	\$	8,662,805
Plan fiduciary net position as a percentage of total pension liability		85%		87%		87%
Covered employee payroll	\$	14,185,234	\$	13,452,906	\$	13,131,242
Net pension liability as a percentage of covered employee payroll		76.55%		68.76%		65.97%

The plan years above are reported in the City's financial statements in the fiscal year following the plan year – i.e., plan year 2014 information was presented in the City's fiscal year 2015 financial report.

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF MORRISTOWN'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS June 30, 2017

Fiscal Year Ended June 30,	D	ctuarially etermined ontribution	in A D	ntributions Relation to ctuarially etermined ontribution	Defi	ribution ciency (cess)	 Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2017	\$	2,087,063	\$	2,087,063	\$	-	\$ 14,044,836	14.86 %
2016		2,123,622		2,123,622		-	14,185,234	14.97
2015		1,982,140		1,982,140		-	13,338,762	14.86

Schedule is intended to show information for 10 years. Since 2015 was the first year for this presentation, only three years of data is available. Additional years will be included as they become available.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS June 30, 2017

	Fiscal Year 2017
Total Pension Liability Service cost Interest on total pension liability Changes in assumptions Benefit payments, including refunds of employee contributions	\$ 122,297 333,893 - (414,252)
Net change in total pension liability	41,938
Total pension liability – beginning	4,851,222
Total pension liability – ending	4,893,160
Plan Fiduciary Net Position Contributions – employer Net investment income Benefit payments, including refunds of employee contributions Administrative expenses	514,252 29,896 (414,252)
Net change in plan fiduciary net position	129,896
Plan fiduciary net position – beginning	345,510
Plan fiduciary net position – ending	475,406
Net pension liability – ending	\$ 4,417,754
Plan fiduciary net position as a percentage of total pension liability	10%
Covered employee payroll	\$ 12,217,165
Net pension liability as a percentage of covered employee payroll	36%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2017 information will be presented in the entitys' fiscal year 2018 financial report.

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF OPEB FUNDED STATUS AND FUNDING PROGRESS June 30, 2017

System	Actuarial Valuation Date	 arial Value f Assets (a)	Actuarial Accrued Liability (AAL) (b)	1	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
City of Morristown	July 1, 2016	\$ 345,510	\$ 4,851,222	\$	4,505,712	7.1 %	\$ 12,465,444	36.1 %
•	July 1, 2014	223,644	4,863,968		4,640,324	4.6	12,234,798	37.9
	July 1, 2012	180,115	4,215,993		4,035,878	4.3	11,398,213	35.4
	July 1, 2010	212,913	5,093,035		4,880,122	4.2	N/A	N/A

EXHIBIT 16

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF INVESTMENT RETURNS - OPEB TRUST June 30, 2017

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

2017 0.77%

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS FOR MORRISTOWN UTILITIES RETIREE BENEFIT PLAN June 30, 2017

System	Actuarial Valuation Date	of.	rial Value Assets (a)	<i>A</i>	Actuarial Accrued Liability (AAL) (b)	A A	Infunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)		Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b-a)/c)
Power:	July 1, 2015	\$	-	\$	866,799	\$	866,799	0.0	% \$	5,209,672	16.6 %
	July 1, 2013		-		939,342		939,342	0.0		4,089,606	23.0
	July 1, 2011		-		927,036		927,036	0.0		4,210,185	22.0
Water:	July 1, 2015		-		275,407		275,407	0.0		1,427,421	19.3
	July 1, 2013		-		330,210		330,210	0.0		1,221,906	27.0
	July 1, 2011		-		288,818		288,818	0.0		1,137,002	25.4
Wastewater:	July 1, 2015		_		198,181		198,181	0.0		760,323	26.1
	January 1, 2014		-		153,876		153,876	0.0		583,274	26.4
Broadband:	July 1, 2015		-		100,906		100,906	0.0		1,047,800	9.6
	July 1, 2013		-		89,022		89,022	0.0		1,076,414	8.3
	July 1, 2011		=		64,160		64,160	0.0		927,632	6.9

Note 1: The Commission assumed the assets, liabilities, and operations of the wastewater system as of December 31, 2013.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FOR MORRISTOWN UTILITIES RETIREE BENEFIT PLAN June 30, 2017

	Fiscal Year	Annual Required Contribution	Contribution Made	Percentage Contributed
Power:	2017 2016	\$ 104,246 99,302	· · · · · · · · · · · · · · · · · · ·	41 % 42
	2015	110,994	,	48
Water:	2017	30,506	· · · · · · · · · · · · · · · · · · ·	12
	2016 2015	28,851 35,609	· · · · · · · · · · · · · · · · · · ·	34 52
Wastewater:	2017	22,950	10,840	47
	2016 2015	22,964 17,508	· · · · · · · · · · · · · · · · · · ·	147 27
Broadband:	2017	26,121	2,097	8
	2016 2015	24,506 32,515	233	1

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2017

Note 1. Methods and Assumptions

Valuation date:

Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method Frozen initial liability

Amortization method Level dollar, closed (not to exceed 20 years)

Remaining amortization period Varies by Year

Asset valuation 10 year smoothed within a 20% corridor to

market value

Inflation 3.00%

Salary increases Graded salary ranges from 8.97% to 3.71%

based on age, including inflation

Investment rate of return 7.50%, net of investment expense, including

inflation

Retirement age Pattern of retirement determined by experience

study

Mortality Customized table based on actual experience

including an adjustment for some anticipated

improvement

Cost of living adjustments 2.50%

OTHER SUPPLEMENTARY INFORMATION

AGENCY FUND

Agency Funds are used to account for assets held by the City as an agent for private organizations or other governments.

EXHIBIT 19

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – LAMTPO – AGENCY FUND Year Ended June 30, 2017

	Balance ly 1, 2016	A	dditions	De	eductions	Balance June 30, 2017			
ASSETS Cash and cash equivalents Accounts receivable	\$ 195,814 2,891	\$	170,832 140,414	\$	206,057 125,620	\$	160,589 17,685		
Total assets	\$ 198,705	\$	311,246	\$	331,677	\$	178,274		
LIABILITIES Accounts payable Accrued payroll and related liabilities Due to others	\$ 21,324 2,481 174,900	\$	31,103 42,910 96,143	\$	41,718 42,576 106,293	\$	10,709 2,815 164,750		
Total liabilities	\$ 198,705	\$	170,156	\$	190,587	\$	178,274		

SUPPORTING SCHEDULES

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUDGETARY BASIS – NARCOTICS FUND Year Ended June 30, 2017

	Budgeted	Amo	ounts		Actual			Bı	udgetary Basis	Fin	iance with al Budget Positive
)riginal	Final		Amounts		Encu	mbrances	Exp	oenditures	(N	legative)
REVENUES											
Fines and forfeitures	\$ 80,000	\$	80,000	\$	66,375	\$	_	\$	66,375	\$	(13,625)
Intergovernmental	-		-		22,933		_		22,933		22,933
Total revenues	80,000		80,000		89,308				89,308		9,308
EXPENDITURES											
Narcotics	131,059		131,059		57,589				57,589		73,470
Total expenditures	131,059		131,059		57,589		-		57,589		73,470
Deficiency of revenues over expenditures	(51,059)		(51,059)		31,719		_		31,719		(64,162)
1	(=1,==)		(= 1,002)		2 - 1, - 1 -				2 2,7, 2 2		(* :,- =)
Net change in fund balance	(51,059)		(51,059)		31,719		-		31,719		(64,162)
Fund balances, July 1, 2016					92,712				92,712		
Fund balances, June 30, 2017	\$ (51,059)	\$	(51,059)	\$	124,431	\$	-	\$	124,431	\$	(64,162)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Award Number	Federal CFDA Number		Federal penditures
Department of Housing and Urban Development: Home Investment Partnerships Program	HM-14-16	14.239		\$ 217,117
Community Development Block Grants Community Development Block Grants Community Development Block Grants	B-14-MC-47-0013 B-15-MC-47-0013 B-16-MC-47-0013	14.218 14.218 14.218	\$ 39,366 89,892 82,308	
Emergency Solutions Grant Program	ESG-15-28	14.231		211,566 54,397
Department of Justice: Edward Byrne Memorial JAG Program Alcohol Open Container Requirements	2016-DJ-BX-0912 Z17THS249	16.738 20.607		13,098 16,126
Department of Transportation: Airport Improvement Program	3-47-SBGP-47	20.106		58,021
Highway Planning and Construction	STP-M-66(46) STP-M-9113(12) STP-M-9113(8) STP-M-34(79) STP-M-9113(19) STP-M-9113(20) STP-M-9113(23) HPP-9113(9) SPR-PL-1(318)	20.205 20.205 20.205 20.205 20.205 20.205 20.205 20.205 20.205 20.205	1,411 27,641 86 110 4,182 159,821 311,705 87,693 4,690 81,674	679,013
Total Expenditures of Federal Awards				\$ 1,249,338

Note 1. – Basis of Accounting:

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

Note 2. – Indirect Costs:

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

SCHEDULE 3

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF STATE FINANCIAL ASSISTANCE Year Ended June 30, 2017

Grantor Agency/Program	Contract Number	Exp	oenditures	
Airport Improvements	32-555-0154-04	\$	3,582	
Airport Improvements	32-555-0157-16		3,223	
Apron Improvements	32-555-0753-04		83,255	
Pavement Rehabilitation	32-555-0755-04		4,154	
Airport Maintenance Grant	32-555-0458-17		19,800	
Bridge Replacement	32SABI-S3-002		558,114	
		\$	672,128	

STATISTICAL SECTION

This part of the City'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 City's overall financial health.

Contents

Financial Trends Tables 1-5

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

Revenue Capacity Tables 6-13

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

Debt Capacity Tables 14-16

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

Demographic and Economic Information

Tables 17-18

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

Operating Information

Tables 19-21

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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

Fiscal Year

	2017	2016	2015*	2014	2013	2012	2011	2010	2009	2008
Governmental activities Net investment in capital assets Restricted Unrestricted	\$ 43,572,086 652,846 17,454,074	\$ 40,495,228 1,671,349 17,464,209	\$ 34,875,277 2,420,193 13,709,843	\$ 33,965,440 1,680,576 24,213,008	\$ 29,647,943 1,607,753 23,431,214	\$ 26,055,799 1,369,307 22,204,246	\$ 31,753,875 644,679 17,903,817	\$ 44,137,100 353,457 3,210,976	\$ 43,089,778 2,622,266	\$ 41,772,607 2,746,754
Total governmental activities net position	\$ 61,679,006	\$ 59,630,786	\$ 51,005,313	\$ 59,859,024	\$ 54,686,910	\$ 49,629,352	\$ 50,302,371	\$ 47,701,533	\$ 45,712,044	\$ 44,519,361
Business-type activities Net investment in capital assets Restricted Unrestricted	\$ 104,788,569 - 23,637,244	\$ 100,428,103 - 22,443,531	\$ 98,316,369 - 19,315,616	\$ 88,050,533 - 24,920,115	\$ 79,424,880 - 26,580,161	\$ 76,792,135 - 23,525,937	\$ 72,398,653 - 22,815,516	\$ 73,214,568 585,465 15,782,758	\$ 73,440,732 1,331,951 11,011,165	\$ 68,057,045 - 13,775,143
Total business-type activities net position	\$ 128,425,813	\$ 122,871,634	\$ 117,631,985	\$ 112,970,648	\$ 106,005,041	\$ 100,318,072	\$ 95,214,169	\$ 89,582,791	\$ 85,783,848	\$ 81,832,188
Primary government Net investment in capital assets Restricted Unrestricted	\$ 148,360,655 652,846 41,091,318	\$ 140,923,331 1,671,349 39,907,740	\$ 133,191,646 2,420,193 33,025,459	\$ 122,015,973 1,680,576 49,133,123	\$ 109,072,823 1,607,753 50,011,375	\$ 102,847,934 1,369,307 45,730,183	\$ 104,152,528 644,679 40,719,333	\$ 117,351,668 938,922 18,993,734	\$ 116,530,510 3,954,217 11,011,165	\$ 109,829,652 2,746,754 13,775,143
Total primary government net position	\$ 190,104,819	\$ 182,502,420	\$ 168,637,298	\$ 172,829,672	\$ 160,691,951	\$ 149,947,424	\$ 145,516,540	\$ 137,284,324	\$ 131,495,892	\$ 126,351,549

^{*} During fiscal year 2015, the City adopted GASB 68.

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

	Fiscal Year															
		2017		2016		2015		2014		2013		2012	2011	2010	2009	2008
Expenses Governmental activities:																
General government	\$	2,623,688	\$	4,399,314	\$	4,726,077	\$	2,837,464	\$	3,593,414	\$	4,267,622	\$ 3,518,056	\$ 3,536,036	\$ 3,593,414	\$ 4,729,356
Public safety		16,205,149		14,408,187		14,168,464		14,634,316		14,016,226		13,775,987	13,528,045	13,510,787	14,016,226	14,938,433
Public works		11,598,260		10,389,418		10,493,687		6,831,898		6,665,204		9,939,809	8,372,617	7,208,206	6,665,204	12,760,354
Culture and recreation		3,817,269		2,057,170		1,807,804		2,056,499		1,773,943		1,793,705	1,805,109	1,767,692	1,773,943	2,404,471
Civil support		1,994,024		1,936,921		417,774		1,011,941		1,098,472		1,638,926	663,498	553,177	1,098,472	558,723
Community development		-		303,006		942,834		296,060		147,547		392,784	1,904,129	624,033	147,547	1,117,549
Retiree benefits		366,337		389,559		382,916		306,363		401,695		309,530	439,304	394,866	-	-
Airport		-		-		-		-		-		-	-	-	-	573,847
Transportation		-		-		-		-		-		-	-	767,273	-	-
Interest on long-term debt		-		279,047		263,167		286,676		327,064		289,717	 283,153	 342,543	 327,064	785,032
Total governmental activities		36,604,727		34,162,622		33,202,723		28,261,217		28,023,565		32,408,080	30,513,911	28,704,613	27,621,870	37,867,765
Business-type activities:																
Water		6,676,177		6,396,446		6,117,002		6,287,865		5,689,323		5,854,982	5,840,954	5,305,637	5,689,323	5,056,029
Wastewater		12,035,984		10,464,615		9,385,294		9,067,056		9,489,262		9,632,557	9,210,878	7,844,245	9,421,138	6,760,588
Power		813,226		73,769,967		994,148		75,270,529		73,724,566		71,977,895	73,019,022	63,957,470	73,724,566	61,105,276
Broadband		76,497,573		7,059,706		75,855,798		6,945,100		7,256,552		6,963,308	6,321,905	7,030,319	7,256,552	6,907,546
Stormwater		7,018,332		1,319,920		7,330,637		832,132		810,198		658,713	 592,574	 576,843	 810,198	436,016
Total business-type activities expense		103,041,292		99,010,654		99,682,879		98,402,682		96,969,901		95,087,455	94,985,333	84,714,514	96,901,777	80,265,455
Total primary government expenses	\$	139,646,019	\$	133,173,276	\$	132,885,602	\$	126,663,899	\$	124,993,466	\$	127,495,535	\$ 125,499,244	\$ 113,419,127	\$ 124,523,647	\$ 118,133,220
Program Revenues Governmental activities:																
Charges for services:																
General government	\$	603,535	\$	966,744	\$	1,183,648	\$	134,359	\$	232,242	\$	130,440	\$ 134,066	\$ 280,238	\$ 232,242	\$ 409,037
Public safety		513,404		660,840		365,496		1,057,791		1,178,045		1,319,940	1,510,750	1,343,981	1,140,852	778,216
Public works		1,406,844		1,407,639		-		1,370,370		1,343,759		1,300,875	1,091,664	-	-	-
Culture and recreation		110,620		124,077		2.040.422		1 454 525		710.156		700 110	1 001 076	075 020	746,000	- 000 226
Operating grants and contributions Capital grants and contributions		128,336 1,668,274		466,292 4,102,716		2,949,422 1,356,626		1,454,535		710,156		700,118	1,091,876	 975,928 660,995	746,980 710,156	888,336 1,546,886
Total governmental activities																
program revenues		4,431,013		7,728,308		5,855,192		4,017,055		3,464,202		3,451,373	3,828,356	3,261,142	 2,830,230	3,622,475
Business-type activities:																
Water		6,616,395		6,378,731		6,411,681		6,449,809		6,450,217		6,602,966	6,936,381	6,769,458	6,450,217	5,572,994
Wastewater		13,781,869		12,852,808		12,247,129		12,656,593		11,227,579		10,049,655	9,308,092	6,601,692	6,601,692	8,766,896
Stormwater		1,353,476		1,080,408		1,276,062		1,330,147		1,342,550		1,375,723	541,053	563,562	1,342,550	89,383
Power		77,244,198		74,026,335		75,151,759		75,425,515		74,850,804		74,575,366	77,167,026	67,681,072	74,850,804	63,351,409
Broadband		8,602,426		8,509,233		8,239,118		7,629,190		7,195,234		6,815,505	6,321,898	6,502,002	7,195,234	4,503,672
Operating grants and contributions		-		-		2,586,526		2,580,025		2,219,003		2,067,523	-	-	-	-
Capital grants and contributions		230,150		422,950		151,200		524,286		1,602,948		165,384	 847,793	 84,631	 84,631	 55,500

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

	Fiscal Year															
		2017		2016		2015		2014		2013		2012	2011	2010	2009	2008
Program Revenues (Continued) Business-type activities: (Continued)																
Total business-type activities program revenues	\$	107,828,514	\$	103,270,465	\$	106,063,475	\$	106,595,565	\$	104,888,335	\$	101,652,122	\$ 101,122,243	\$ 88,202,417	\$ 96,525,128	\$ 82,339,854
Total primary government program revenues	\$	112,259,527	\$	110,998,773	\$	111,918,667	\$	110,612,620	\$	108,352,537	\$	105,103,495	\$ 104,950,599	\$ 91,463,559	\$ 99,355,358	\$ 85,962,329
Net (expense) revenue Governmental activities Business-type activities	\$	(32,173,714) 4,787,222	\$	(26,434,314) 4,259,811	\$	(27,347,531) 6,380,596	\$	(24,244,162) 8,192,883	\$	(24,559,363) 7,918,434	\$	(28,956,707) 6,564,667	\$ (26,685,555) 6,136,910	\$ (25,443,471) 3,487,903	\$ (24,791,640) (376,649)	\$ (34,245,290) 2,074,399
Total primary government net expense	\$	(27,386,492)	\$	(22,174,503)	\$	(20,966,935)	\$	(16,051,279)	\$	(16,640,929)	\$	(22,392,040)	\$ (20,548,645)	\$ (21,955,568)	\$ (25,168,289)	\$ (32,170,891)
General Revenues and Other Changes in Governmental activities: Taxes:	Net P	osition														
Property taxes Local sales tax Other local taxes Business and gross receipts tax	\$	11,026,905 12,280,106 2,680,673 1,061,806	\$	10,895,994 11,743,470 2,631,490 1,049,900	\$	9,916,198 10,793,398 2,620,843 958,795	\$	9,313,995 10,061,738 2,639,552 837,434	\$	9,083,552 9,923,645 2,592,612 936,935	\$	9,135,643 10,236,619 2,495,965 1,000,937	\$ 9,885,189 9,611,440 1,996,409 882,131	\$ 9,180,026 9,454,955 2,195,498 663,824	\$ 8,766,697 10,389,929 2,330,455 947,659	\$ 9,521,787 9,446,110 2,426,333 866,833
Intergovernmental revenue unrestricted Investment earnings Other		4,747,970 - 489,811		5,318,624 - 1,766,013		4,390,483 502,987		4,476,998 750,587		5,146,051 253,683		4,777,887 979,709	5,112,921 870,195	4,188,982 1,014,717	2,148,264 246,632	3,834,117 470,219
Transfers		1,934,663		1,797,999		1,597,848		1,452,361		1,667,528		1,532,378	 813,163	 734,958	 1,530,560	 731,014
Total governmental activities		34,221,934		35,203,490		30,780,552		29,532,665		29,604,006		30,159,138	 29,171,448	 27,432,960	 26,360,196	 27,296,413
Business-type activities: Investment earnings Other Transfers		75,541 2,626,079 (1,934,663)		51,870 2,833,685 (1,797,999)		60,378 - (1,597,848)		225,086 - (1,452,361)		81,739 - (1,667,528)		304,325 - (1,532,378)	86,495 - (813,163)	95,302 - (734,958)	161,484 - (1,530,560)	387,820 - (731,014)
Total business-type activities		766,957		1,087,556		(1,537,470)		(1,227,275)		(1,585,789)		(1,228,053)	(726,668)	(639,656)	 (1,369,076)	 (343,194)
Total primary government	\$	34,988,891	\$	36,291,046	\$	29,243,082	\$	28,305,390	\$	28,018,217	\$	28,931,085	\$ 28,444,780	\$ 26,793,304	\$ 24,991,120	\$ 26,953,219
Changes in Net Position Governmental activities Business-type activities	\$	2,048,220 5,554,179	\$	8,769,176 5,347,367	\$	3,433,021 4,843,126	\$	5,288,503 6,965,608	\$	5,044,643 6,332,645	\$	1,202,431 5,336,614	\$ 2,485,893 5,410,242	\$ 1,989,489 2,848,247	\$ 1,568,556 (1,745,725)	\$ (6,948,877) 1,731,205
Total primary government	\$	7,602,399	\$	14,116,543	\$	8,276,147	\$	12,254,111	\$	11,377,288	\$	6,539,045	\$ 7,896,135	\$ 4,837,736	\$ (177,169)	\$ (5,217,672)

FUND BALANCES – GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

								Fisca	Yea	ır				
	2017	_	2016		2015	2014		2013		2012	2011	2010	2009	 2008
Pre-GASB 54 Implementation: General fund														
Reserved Assigned Unreserved												\$ 353,457 1,065,688 3,159,977	\$ 2,619,067	\$ 3,431,536
Total general fund												\$ 4,579,122	\$ 2,619,067	\$ 3,431,536
All other governmental funds Reserved Unreserved, reported in:												\$ 25,473	\$ 3,199	\$ 41,475
Special revenue funds												 (26,323)	 -	 984
Total all other governmental funds												\$ (850)	\$ 3,199	\$ 42,459
Post-GASB 54 Implementation: General fund														
Nonspendable Restricted Committed	\$ 8,853,869 73,571	\$	8,857,981 1,578,637	\$	11,716,611 2,265,480	\$ 11,822,098 1,520,896 57,058	\$	11,780,321 1,448,582 69,710	\$	11,756,646 1,262,954 3,072	\$ - - -			
Assigned Unassigned	6,397,453 7,902,354		6,713,983 8,350,230		5,970,170 7,062,313	 156,876 12,155,081		8,500 11,118,191		3,852 10,069,059	 1,170,837 6,656,404			
Total general fund	\$ 23,227,247	\$	25,500,831	\$	27,014,574	\$ 25,712,009	\$	24,425,304	\$	23,095,583	\$ 7,827,241			
All other governmental funds Restricted Committed	\$ 8,864,668 1,899,728	\$	529,089 1,375,000	\$	154,713	\$ 159,680	\$	159,171	\$	106,353	\$ -			
Assigned	 -	_	-	_	230,012	 203,350	_	398,617		541,585	 77,958			
Total all other governmental funds	\$ 10,764,396	\$	1,904,089	\$	384,725	\$ 363,030	\$	557,788	\$	647,938	\$ 77,958			

Note: 2011 was the first year of implementing GASB 54 which revised fund balance classifications.

CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year 2011 2017 2016 2015 2014 2013 2012 2010 2009 2008 Revenues \$ 27,005,685 25,426,851 \$ 24,289,234 22.852.719 \$ 22,536,744 \$ 22,869,163 22,480,586 \$ 21,494,303 \$ 23,229,793 \$ 22,261,063 Taxes Licenses, permits, and fines 299,544 645,551 365,496 1.057,791 1.178.045 1.319.940 1.510.750 1,472,826 1,497,081 1.045.551 Use of money and property 502,987 750,587 253,683 636,386 870,195 1.014.717 246,632 470,219 Service charges and fees 2.334.859 2,513,749 2.540,274 1,504,729 1,576,001 1.431.315 1,225,730 151.393 132,712 141,703 489,811 1,766,013 Other 7,339,905 Intergovernmental 5,931,533 5,856,207 5,478,005 6,204,797 5,820,905 5,340,445 6,269,338 6,544,580 9,533,778 39,885,942 32,097,359 29,954,144 Total revenues 36,674,479 35,037,896 31,400,680 31,734,809 32,292,058 30,446,663 30,187,874 **Expenditures** General government 6,559,447 4.283,426 5,551,674 4,100,871 3,629,042 4.062,142 3.317.502 3,410,399 3,823,150 4,578,048 Public safety 17,581,344 15,712,924 15,674,562 15,060,623 13,972,414 13,522,370 13,039,718 13,027,747 13,950,739 14,553,542 Public works 9.997.726 12,436,344 8,723,165 8.199.366 8,798,240 8,862,747 6,619,663 6.353.399 6,931,598 11,036,209 Culture and recreation 3,924,041 2,296,653 2,024,368 2,037,972 1,768,165 1,746,676 1,706,724 1,656,613 2,070,840 2,338,137 Airport 302,588 132,719 Civic support 1,994,024 1,679,921 756,937 750,451 841,472 1.395.326 279,966 490,500 1,338,282 558,723 257,000 Library 257,000 257,000 261,490 243,600 250,000 Community development 303,006 328,040 179,891 1,167,663 464,294 1,117,549 201,550 356,373 1,868,472 Transportation 642,427 Retiree benefits 309,530 439,304 370,885 389,559 382,916 306,363 401,695 394,866 Miscellaneous 133,532 133,532 Debt service: 1,248,061 1.173.560 1.675.568 1.574.629 4.058.614 3.150,000 Principal 1.211.528 1.136,023 1.501.662 1,586,805 Interest 342,634 165,996 169,905 187,384 239,740 232,380 237,224 341,172 538,250 722,876 Debt expense 92,982 93,262 99,292 57,337 45,929 68,620 53,404 87,324 62,156 Total expenditures 42.018.162 38,829,339 35,135,389 32,341,385 31.850.551 32,363,110 29,439,696 31,745,552 31,059,950 38.249.959 Excess of revenues over (under) expenditures (5.343.683)1,056,603 (97,493)(244,026)(449,871)(628,301)2,852,362 (1,791,408)(613,287)(8,062,085)Other Financing Sources (Uses) Transfers in 6,004,663 4,244,692 2,381,066 2,038,024 2,059,154 2,202,954 1,925,865 1,898,007 2,471,905 2,443,018 Transfers out (1,184,908)(1,736,947)(1,876,147)(1,712,003)(4,070,000)(2,446,693)(783,218)(585,663)(391,626)(1,538,388)Bonds issued 9,995,743 4,000,000 3,012,455 1,473,604 5,970,000 1,797,999 1.597.848 359,619 Total other financing sources 11.930,406 1,452,361 1.667.528 5.018.046 3,747,413 1,523,322 6,701,015 Net change in fund balances 6,586,723 2,854,602 1,500,355 1.208.335 1,217,657 4,389,745 3,211,981 1.956.005 910.035 (1,361,070)

6.01%

5.58%

5.91%

13.86%

6.84%

10.13%

4.09%

Debt service as a percentage of total governmental expenditures

3.79%

3.55%

3.82%

TABLE 5

CITY OF MORRISTOWN, TENNESSEE

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

Fiscal Year	Property	Tax	In-Lieu Tax	Fra	nchise Tax	Local Sales Tax	В	Alcohol everage Tax	usiness and ross Receipts Tax]	Licenses, Permits, and Fines	Hotel	/Motel Tax	Liti	igation Tax	harges for Services	 Other		Inter- Governmental		Transfers		Total
2008	\$ 9,52	1,787	\$ 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	8,76	6,697	-		784,365	10,389,929		1,178,386	947,659		-		367,704		-	1,876,425	-		5,340,445		795,053		30,446,663
2010	9,18	30,026	-		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	9,99	9,606	-		400,815	9,611,440		1,140,739	882,131		1,510,750		454,885		-	2,095,925	-		6,204,797		848,566		33,149,654
2012	9,13	5,642	-		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	9,06	4,768	18,784		632,723	9,923,645		1,397,959	936,935		203,798		561,930		-	1,387,479	-		5,358,672		1,667,528		31,154,221
2014	9,28	86,317	27,678		692,442	10,061,738		1,404,875	837,434		233,710		542,235		-	1,496,078	-		5,717,743		1,452,361		31,752,611
2015	9,85	1,476	64,722		726,174	10,793,398		1,316,273	958,795		365,496		565,490		12,906	3,043,261	-		7,339,905		2,381,066		37,418,962
2016	10,89	5,994	-		598,717	11,743,470		1,338,486	1,049,900		-		622,095		72,192	3,159,300	1,766,013		9,887,632		1,797,999		42,931,798
2017	11,02	26,905	-		603,791	12,280,106		1,334,354	1,061,806		-		675,088		67,440	2,634,403	489,811		6,544,580		1,934,663		38,652,947

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS (ACCRUAL BASIS OF ACCOUNTING)

Tax Year	Residential Property	Commercial Property	Public Utility Property	Other		Industrial Property		Public Utility Property		tal Assessment Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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	31.72
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		677,700,885	1.05	2,720,476,644	24.91
2014	267,100,775	342,794,907	707,025	5,697,950		252,008,861		5,587		868,315,105	1.05	2,736,636,423	31.73
2015	241,973,025	346,673,196	695,695	4,832,500		257,178,659		9,735		851,362,810	1.05	2,665,051,327	31.95
2016	242,706,000	360,519,034	695,695	4,777,775		282,378,782		6,753		891,084,039	1.20	2,791,909,491	31.92
2017	243,508,725	368,288,320	695,695	4,824,475		290,189,983		9,111		907,516,309	1.20	2,879,128,380	31.52

PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO

			2017				2008	
Taxpayer		Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	
JTEKT(Toyoda-TRW)	\$	39,359,407	1	4.34	%	\$ 18,342,406	2	2.52 %
Mahle		37,309,994	2	4.11		24,131,467	1	3.31
Colgate		17,697,079	3	1.95		-		-
Inteplast (formelry Vifan)		15,328,593	4	1.69		9,845,432	5	1.35
OTICS		13,941,328	5	1.54		8,983,079	7	1.23
Tuff Torq Corp		12,227,306	6	1.35		11,481,568	3	1.58
Meritor/Rockwell		11,229,433	7	1.24		4,842,003	10	0.66
Team Technologies		10,143,498	8	1.12		-		-
CBL Morristown LTD		10,501,280	9	1.16		9,581,600	6	1.31
Rich Products		8,804,734	10	0.97		-		-
Berkline		-		-		9,578,503	4	1.31
Bellsouth		-		-		6,623,222	8	0.91
Lear Corporation		<u>-</u>	-	-		 6,582,434	9 _	0.90
	\$	176,542,652	<u>-</u>	19.47	%	\$ 109,991,714	_	15.08 %

Source: City of Morristown, Tennessee Finance Department

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied	Collected Fiscal Year	within the of the Levy	Collections	Total Collec	tions to Date
Ended June 30,	for the Fiscal Year	Amount	Percentage of Levy	in Subsequent Years	Amount	Percentage of Levy
2017	\$ 11,131,901	\$ -	- %	\$ -	\$ -	- %
2016	10,933,593	10,355,811	94.72	-	10,355,811	94.72
2015	9,117,321	8,690,500	95.32	203,214	8,893,714	97.55
2014	9,065,786	8,545,014	94.26	354,573	8,899,587	98.17
2013	9,065,786	8,579,330	94.63	394,911	8,974,241	98.99
2012	9,073,036	8,679,616	95.66	341,884	9,021,500	99.43
2011	9,091,730	8,590,172	94.48	432,599	9,022,771	99.24
2010	9,243,067	8,755,460	94.72	437,296	9,192,756	99.46
2009	8,968,580	8,502,700	94.81	419,971	8,922,671	99.49
2008	8,903,661	8,367,645	93.98	477,430	8,845,075	99.34

Source: City of Morristown, Tennessee Finance Department

WASTEWATER UTILITY RATES AND NUMBER OF CUSTOMERS LAST TEN FISCAL YEARS

Fiscal Year

					1 15Ca	11 1 (aı				
	2017	 2016	 2015	2014	2013		2012	 2011	 2010	2009	2008
Wastewater rate											
Inside	\$ 11.50	\$ 10.50	\$ 9.17	\$ 9.17	\$ 8.11	\$	8.11	\$ 4.96	\$ 4.59	\$ 4.59	\$ 4.20
Outside	23.00	21.00	18.34	18.34	16.22		16.22	9.92	9.18	9.18	8.40
Customers											
Inside	10,594	10,605	10,565	10,567	11,668		11,618	11,627	11,523	11,523	10,578
Outside	9	9	9	10	106		105	104	109	109	438
Commodity charge (per 1,000 gallons)											
Inside	5.00	5.00	5.00	_	_		_	_	_	_	_
		10.00			_		_	_			_
Outside	10.00	10.00	10.00	-	-		-	-	-	-	-

Source: Morristown Utility Commission (2017-2014)

City of Morristown Finance Department (2013-2007)

POWER RATES LAST TEN FISCAL YEARS

	Fiscal Year									
_	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Residential										
Customer charge per month	20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 13.21	\$ 11.50
Energy charge: First 2,000 kWh	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934	0.08175	0.07582	0.07943
Additional kWh per month	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934	0.07968	0.07375	0.00736
Commercial, Industrial, Governmenta and Institutional	1									
GSA - 1 (demand of up to 50 kW) Customer charge per month	\$21 or \$39	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$ 26.00	\$ 26.00	\$ 26.00	\$ 21.50	\$ 21.50
Energy charge per kWh per month	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899	0.09137	0.08463	0.08787
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month Demand charge:	135.50	135.00	133.00	133.00	133.00	133.00	133.00	133.00	127.00	127.00
First 50 kW per month Excess over 50 kW	13.12	-	-	-	-	-	-	-	-	-
per month	13.12000	12.88	12.35	12.00	11.86	11.86	13.78	13.78	12.86	12.52
Energy charge:	0.10126	0.00=66	0.00650	0.00006	0.00550	0.00500	0.00201	0.00550	0.05006	0.00000
First 15,000 kWh per month Additional kWh per month	0.10126 0.06515	0.09766 0.06236	0.09650 0.06284	0.09986 0.06695	0.09559 0.06350	0.09702 0.06491	0.09381 0.06262	0.08570 0.04861	0.07896 0.04480	0.08220 0.04904
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month Demand charge:	275.08	275.08	270.00	270.00	270.00	270.00	270.00	270.00	266.00	266.00
First 1,000 kW per month Excess over 1,000 kW	13.32	13.06	12.50	12.24	11.98	11.98	1.68	13.88	12.90	12.54
per month	15.32	15.00	14.32	13.99	13.67	13.67	13.31	15.44	14.29	13.87
Energy charge: Per kWh per month	0.06508	0.06230	0.06279	0.06691	0.06348	0.06489	0.06262	0.04903	0.04522	0.04946
TDGSB (Demand > 5,001 kW) Demand charge:										
On peak	9.74	9.52	17.24	16.84	16.45	16.45	-	_	_	_
Excess off peak	3.40	3.36	4.14	4.07	4.00	4.00	-	-	-	-
Excess over contract	9.74	9.52	17.24	16.84	16.45	16.45	-	-	-	-
Energy charge:	0.07107	0.00040	0.0001#	0.10105	0.00703	0.00001				
On peak	0.07197	0.06940	0.09815	0.10127	0.09683	0.09694	-	-	-	-
Off peak (first 425 kWh)	0.04819 0.02209	=	0.06163 0.04198	0.06568 0.04653	0.06215 0.04349	0.06226 0.04360	-	-	=	-
Off peak (next 195 kWh) Off peak (additional kWh)	0.02209	-	0.04198	0.04653	0.04349	0.04360 0.02775	-	-	-	-
On peak (additional k wil)	0.01900	-	0.02329	0.03020	0.02/04	0.02//3	-	-	-	-

(Continued) 78

POWER RATES LAST TEN FISCAL YEARS

Fiscal Year 2015 2014 2013 2011 2010 2009 2017 2016 2012 2008 Commercial, Industrial, Governmental and Institutional (Continued) GSB (demand of 5,001to15,000 kW) Customer charge per month 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 Energy charge: First 620 kWh per Kw 0.03899 0.03070 per month 0.10427 0.03740 Additional kWh per month 0.02771 0.03074 0.03337 0.03113 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 Demand charge: Per kWh per month 19.92 14.89 14.21 13.78 Energy charge: First 620 kWh per Kw per month 0.10427 0.04132 0.04625 0.04234 Additional kWh per month 0.02771 0.03372 0.039280.03559 Part F (demand greater than 25,000 kW) Customer charge per month Demand charge: Per kWh per month Energy charge: Per kWh per month **Active Service (number of customers):** Residential 11,995 11,862 11,826 11,721 11,764 11,752 11,683 11,819 11,545 11,687 Commercial 2,163 2,160 2,141 2,120 2,121 2,105 2,085 2,109 2,166 2,210 458 446 439 458 449 447 455 Industrial 467 464 465 Street and athletic 76 75 76 73 70 71 69 69 69 70 Outdoor lighting 34 33 33 34 34 31 32 35 35 37

Source: Morristown Utility Commission

Total active service

14,726

14,576

14,515

14,406

14,438

14,336

14,496

14,406

14,270

14,469

WATER RATES AND NUMBER OF CUSTOMERS LAST TEN FISCAL YEARS

	Fiscal Year																			
		2017		2016		2015		2014		2013		2012		2011		2010		2009		2008
Inside City Rate:																				
Customer charge per month	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65	\$	4.65
Commodity charge (per 1,000 gallons)	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05	Ψ	1.05
First 25,000 gallons																				
Over 25,000 gallons		-				-				-				-				-		-
First 50,000 gallons		2.20		2.05		2.05		2.05		2.05		2.05		2.05		2.05		1.90		1.55
Next 50,000 gallons		1.95		1.80		1.80		1.80		1.80		1.80		1.80		1.80		1.65		1.30
Over 100,000		1.75		1.60		1.60		1.60		1.60		1.60		1.60		1.60		1.05		1.10
		1.75		1.00		1.00		1.00		1.00		1.00		1.00		1.00		1.43		1.10
Minimum bill:		0.05		0.75		0.75		0.75		0.75		0.75		0.75		0.75		0.45		7.75
5/8" meter		9.05		8.75		8.75		8.75		8.75		8.75		8.75		8.75		8.45		7.75
3/4" meter		9.55		9.25		9.25		9.25		9.25		9.25		9.25		9.25		8.95		8.25
1" meter		10.30		10.00		10.00		10.00		10.00		10.00		10.00		10.00		9.70		9.25
1 1/2" meter		11.80		11.50		11.50		11.50		11.50		11.50		11.50		11.50		11.20		10.75
2" meter		16.30		16.00		16.00		16.00		16.00		16.00		16.00		16.00		15.70		15.25
3" meter		61.30		61.00		61.00		61.00		61.00		61.00		61.00		61.00		60.70		52.00
4" meter		71.30		71.00		71.00		71.00		71.00		71.00		71.00		71.00		70.70		70.00
6" meter		101.30		101.00		101.00		101.00		101.00		101.00		101.00		101.00		100.70		100.00
8" meter		114.60		114.30		114.30		114.30		114.30		114.30		114.30		114.30		-		-
Outside City rates:																				
Customer charge per month		4.65		4.65		4.65		4.65		4.65		4.65		4.65		4.65		4.65		4.65
Commodity charge (per 1,000 gallons)																				
First 25,000 gallons		-		-		-		-		-		-		-		-		-		-
Over 25,000 gallons		-		-		-		-		-		-		-		-		-		-
First 50,000 gallons		4.40		4.10		4.10		4.10		4.10		4.10		4.10		4.10		3.80		3.10
Next 50,000 gallons		3.90		3.60		3.60		3.60		3.60		3.60		3.60		3.60		3.30		2.60
Over 100,000 gallons		3.50		3.20		3.20		3.20		3.20		3.20		3.20		3.20		2.90		2.20
Minimum bill:																				
5/8" meter		13.45		12.85		12.85		12.85		12.85		12.85		12.85		12.85		12.25		10.85
3/4" meter		13.95		13.35		13.35		13.35		13.35		13.35		13.35		13.35		12.75		11.35
1" meter		14.70		14.10		14.10		14.10		14.10		14.10		14.10		14.10		13.50		12.10
1 1/2" meter		16.20		15.60		15.60		15.60		15.60		15.60		15.60		15.60		15.00		13.60
2" meter		20.70		20.10		20.10		20.10		20.10		20.10		20.10		20.10		19.50		18.10
3" meter		65.70		65.10		65.10		65.10		65.10		65.10		65.10		65.10		64.50		63.10
4" meter		75.70		75.10		75.10		75.10		75.10		75.10		75.10		75.10		74.50		73.10
6" meter		105.70		105.10		105.10		105.10		105.10		105.10		105.10		105.10		104.50		103.10
8" meter		119.00		118.40		118.40		118.40		118.40		118.40		118.40		118.40		-		-
Monthly fire protection service charge:																				
4"		25.00		25.00		25.00		25.00		25.00		25.00		25.00		25.00		25.00		25.00
6"		40.00		40.00		40.00		40.00		40.00		40.00		40.00		40.00		40.00		40.00
8"		50.00		50.00		50.00		50.00		50.00		50.00		50.00		50.00		50.00		50.00
10"		100.00		100.00		100.00		100.00		100.00		100.00		100.00		100.00		100.00		100.00
12"		125.00		125.00		125.00		125.00		125.00		125.00		125.00		125.00		125.00		125.00
Number of Customers:																				
Total active service		12,671.00		12,649.00		12,589.00		12,549.00		12,569.00		12,553.00		12,501.00		12,567.00		12,506.00		12,937.00
1 otal active service		12,0/1.00		12,049.00		12,309.00		12,579.00		12,509.00		12,333.00		12,501.00		12,507.00		12,500.00		12,937.00

Source: Morristown Utility Commission

MONTHLY BROADBAND RATES LAST TEN FISCAL YEARS

					Fisca	ıl Year				
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Standard cable										
Expanded basic	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 41.95	\$ 41.95
Digital basic	72.95	68.95	68.95	60.95	54.95	54.95	54.95	54.95	49.95	49.95
Digital basic + 1	82.95	78.75	78.75	39.95	63.95	63.95	63.95	63.95	59.95	59.95
Digital basic + 2	90.95	86.95	86.95	77.95	71.95	71.95	71.95	71.95	67.95	67.95
Digital basic + 4	103.95	99.95	99.95	90.95	84.95	84.95	84.95	84.95	80.95	80.95
Premium channels	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95	9.95-11.95	9.95-11.95
Internet										
Residential:										
Tier 1	34.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95	29.95	29.95
Tier 2	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	74.95	44.95	59.95	59.95	59.95	59.95
Tier 4	99.95	99.95	99.95	99.95	99.95	74.95	99.95	99.95	99.95	99.95
Tier 5	-	-	-	-	-	99.95-199.95	159.95	159.95	-	-
Commercial:										
Tier 1	49.95	49.95	49.95	44.95	44.95	44.95	44.95	44.95	39.95	39.95
Tier 2	79.95	79.95	79.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	104.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 4	154.95	154.95	154.95	149.90	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	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	22.95	22.95
Preferred pack	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95	3.75-8.95	3.75-8.95	3.75-8.95
Long distance per minute	0.05	0.05	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	25.95	25.95	25.95
Business local telephone service	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95	36.95
Additional services	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	6.95-25.95	6.95-25.95	6.95-25.95	6.95-25.95
Long distance rate per minute	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05

Source: Morristown Utility Commission

WATER AUDIT REPORT FOR MORRISTOWN UTILITY COMMISSION

	AV		Water Audit So							WAS v5.0
ш		Repor	ting Workshee	<u>et</u>				,	American Wate	er Works Associati
Click to access definition Click to add a comment	Water Audit Report for: Reporting Year:	Morristown Uti 2017	lities Commission (7/2016 - 6/2017	(0000474)						
	ow. Where available, metered values should or 1-10) using the drop-down list to the left o						confidenc	e in the a	ccuracy of the	e input
	All volum	nes to be enter	ed as: MILLION GAL							
To select the o	correct data grading for each input, dete utility meets or exceeds <u>all</u> criteria fo					Master N	∕leter an	d Supply	Error Adjus	stments
WATER SUPPLIED	, –	•	Enter grading	in column 'E' an	d 'J'>				Value:	
	Volume from own sources: Water imported:	+ ? 9	3,236.000	MG/Yr MG/Yr	+ ?	9 2	.00%			MG/Yr MG/Yr
	Water imported:			MG/Yr	+ ?		0			MG/Yr
	WATER SUPPLIED:		3,172.549	MG/Yr					e for under-reg	
AUTHORIZED CONSUMPTION			-,						k here:	<u> </u>
	Dilloa motoroa.	+ ? 10	2,718.570					for h	nelp using op	
	Billed unmetered: Unbilled metered:	+ ? n/a + ? 10		MG/Yr MG/Yr		Pci	nt·	butt	ons below Value:	
	Unbilled unmetered:			MG/Yr			.25%	9 0	value.	MG/Yr
Defa	ult option selected for Unbilled unm	etered - a grad	ling of 5 is applied b	out not displaye	d			<u> </u>		
	AUTHORIZED CONSUMPTION:	?	2,759.423	MG/Yr					e buttons to s age of water OR value	
WATER LOSSES (Water Supplied	d - Authorized Consumption)		413.126	MG/Yr		-'				
Apparent Losses						Pci	nt:		Value:	
	Unauthorized consumption:	_		MG/Yr		0	.25%	0 0		MG/Yr
Default op	tion selected for unauthorized cons			1	red		.00%	0	1	
	Customer metering inaccuracies: Systematic data handling errors:			MG/Yr MG/Yr				9 0		MG/Yr MG/Yr
Dofault		_						9 0		
Delault	option selected for Systematic data	handling erro	rs - a grading of 5 is	•	t displayed			<i>y</i> 0	ļ.	
Delauit	option selected for Systematic data Apparent Losses:	handling erro	rs - a grading of 5 is 42.200	applied but no	t displayed			<i>.</i>		
Real Losses (Current Annual Rea	Apparent Losses:		42.200	applied but no	t displayed			9 0		
Real Losses (Current Annual Rea	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses:		42.200 370.925	applied but no	t displayed			9 0		
Real Losses (Current Annual Rea Real Losses =	Apparent Losses:		42.200	applied but no	t displayed			9 0		
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER:		42.200 370.925	applied but no MG/Yr MG/Yr MG/Yr	t displayed					
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER:	2	42.200 370.925 413.126	applied but no MG/Yr MG/Yr MG/Yr	t displayed					_
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered	2 2	42.200 370.925 413.126 453.979	applied but no MG/Yr MG/Yr MG/Yr MG/Yr	t displayed					
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER:	2	42.200 370.925 413.126	applied but no MG/Yr MG/Yr MG/Yr MG/Yr	t displayed					
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains:	2 2 2	42.200 370.925 413.126 453.979 275.0 13,800	applied but no MG/Yr MG/Yr MG/Yr MG/Yr	t displayed					
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U SYSTEM DATA	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: ve AND inactive service connections:	? ? ? 	42.200 370.925 413.126 453.979 275.0 13,800	miles conn./mile main		hevend the			Dr.	
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U SYSTEM DATA Number of activ	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Eve AND inactive service connections: Service connection density: Installed at the curbstop or property line? Everage length of customer service line:	? ? ? + ? 5 + ? 7	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr miles conn./mile main (length that is ti	of service line, ne responsibili		ne proper		ry,	
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U SYSTEM DATA Number of activ	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Ver AND inactive service connections: Service connection density: Installed at the curbstop or property line? Perage length of customer service line: Installed to the curbstop of customer service line: Installed at the curbstop or property line? Installed at the curbstop or property line? Installed at the curbstop or property line? Installed at the curbstop or property line: Installed at the curbstop or	? ?	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes a data grading score	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr Miles conn./mile main (length that is the of 10 has beer	of service line, ne responsibili		ne proper		ry,	
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Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U SYSTEM DATA Number of active Are customer meters typically loc Average length of Cost DATA Total are Customer retail un	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Eve AND inactive service connections: Service connection density: Interest of customer service line: Of customer service line has been service operating pressure: Average operating water system:	? ? ? 4 ? 5 + ? 7 ? et to zero and : + ? 4 + ? 10 + ? 10	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes a data grading score 65.0 \$4,700,240 \$2.20	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr Miles conn./mile main (length that is the of 10 has been psi	of service line, ne responsibilit applied	ty of the u	ne proper tility)	ty bounda]	
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U SYSTEM DATA Number of activ Are customer meters typically loc Average length of COST DATA Total are Customer retail ur Variable productions	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Service connections: Service connection density: ated at the curbstop or property line? parage length of customer service line: of customer service line has been service operating pressure: Average operating water system: init cost (applied to Apparent Losses): duction cost (applied to Real Losses):	? ? ? 4 ? 5 + ? 7 ? et to zero and : + ? 4 + ? 10 + ? 10	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes a data grading score 65.0 \$4,700,240 \$2.20	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr Miles conn./mile main (length that is the of 10 has been psi \$/Year \$/1000 gallons	of service line, ne responsibilit n applied	ty of the u	ne proper tility)	ty bounda]	
Real Losses (Current Annual Rea Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + U SYSTEM DATA Number of activ Are customer meters typically loc Average length of COST DATA Total ar Customer retail ur Variable prod	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Ver AND inactive service connections: Service connection density: Leated at the curbstop or property line? Leated And Leated	? ? ? 1 ? 4 ? 5 + ? 7 2 et to zero and a + ? 4 + ? 10 + ? 10 + ? 10	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes 4data grading score 65.0 \$4,700,240 \$2,20 \$533.08	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr miles conn./mile main (length that is ti e of 10 has beer psi \$/Year \$/1000 gallons \$/Million gallons	of service line, ne responsibilit n applied	ty of the u	ne proper tility)	ty bounda]	
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Real Losses (Current Annual Real Real Losses = Real Losses = Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + USYSTEM DATA Number of active Average length of Average length of Customer retail under Variable productions of the Customer Real Losses = NON-REVENUE NO	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Service connections: Service connection density: Interest of customer service line: Incorporation of customer service line has been service (applied to Apparent Losses): Incorporation of cost (applied to Real Losses): Incorporation of cost (applied to Rea	? ? ? + ? 5 + ? 7 et to zero and : + ? 4 + ? 10 + ? 10 + ? 10 * YOUR SCOR	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes a data grading score 65.0 \$4,700,240 \$2.20 \$533.08	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr miles conn./mile main (length that is the of 10 has been psi \$/Year \$/1000 gallons \$/Million gallons	of service line, ne responsibilit napplied (US)	ty of the u	ne proper tility)	ty bounda]	
Real Losses (Current Annual Rea Real Losses = Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + USYSTEM DATA Are customer meters typically loc Average length of Average length of COST DATA Total are Customer retail un Variable production of Customer Parish Customer Retail un Variable production of Custo	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Service connections: Service connection density: Interest of customer service line: Incorporation of customer service line has been service (applied to Apparent Losses): Incorporation of cost (applied to Real Losses): Incorporation of cost (applied to Rea	2 2 2 4	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes a data grading score 65.0 \$4,700,240 \$2.20 \$533.08 E IS: 89 out of 100 ** oss is included in the ca	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr miles conn./mile main (length that is the of 10 has been psi \$/Year \$/1000 gallons \$/Million gallons	of service line, ne responsibilit napplied (US)	ty of the u	ne proper tility)	ty bounda]	
Real Losses (Current Annual Rea Real Losses = Real Losses = NON-REVENUE WATER = Water Losses + Unbilled Metered + USYSTEM DATA Number of active Average length of Average length of Variable production of Variable production Average length of Variable Productio	Apparent Losses: al Losses or CARL) = Water Losses - Apparent Losses: WATER LOSSES: NON-REVENUE WATER: Inbilled Unmetered Length of mains: Service connections: Service connection density: ated at the curbstop or property line? Berage length of customer service line: of customer service line has been so Average operating pressure: Innual cost of operating water system: Init cost (applied to Apparent Losses): DIRE: Sighted scale for the components of consum	2 2 2 4	42.200 370.925 413.126 453.979 275.0 13,800 50 Yes a data grading score 65.0 \$4,700,240 \$2.20 \$533.08 E IS: 89 out of 100 ** oss is included in the ca	applied but no MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr MG/Yr miles conn./mile main (length that is the of 10 has been psi \$/Year \$/1000 gallons \$/Million gallons	of service line, ne responsibilit napplied (US)	ty of the u	ne proper tility)	ty bounda]	
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(Continued) 82

WATER AUDIT REPORT FOR MORRISTOWN UTILITY COMMISSION

	AWWA Free Water Audit Software:	WAS v5.0
	System Attributes and Performance Indicators	American Water Works Association.
	Water Audit Report for: Morristown Utilities Commission (0000474) Reporting Year: 2017 7/2016 - 6/2017	
System Attributes:	*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 ***	
	Apparent Losses: 42.200 MG/Yr	
	+ Real Losses: 370.925 MG/Yr	
	= Water Losses: 413.126 MG/Yr	
	? Unavoidable Annual Real Losses (UARL): 84.41 MG/Yr	
	Annual cost of Apparent Losses: \$92,840	
	Annual cost of Real Losses: \$197,733 Valued at Variable	Production Cost
	Return to Reporting Worksh	eet to change this assumpiton
Performance Indicators:		
Financial: -	Non-revenue water as percent by volume of Water Supplied: 14.3%	
Financiai	Non-revenue water as percent by cost of operating system: 6.6% Real Losses valued at	Variable Production Cost
Γ	Apparent Losses per service connection per day: 8.38 gallons/connection/day	
	Real Losses per service connection per day: 73.64 gallons/connection/day	
Operational Efficiency:	Real Losses per length of main per day*: N/A	
	Real Losses per service connection per day per psi pressure: 1.13 gallons/connection/day	/psi
	From Above, Real Losses = Current Annual Real Losses (CARL): 370.93 million gallons/year	
	Infrastructure Leakage Index (ILI) [CARL/UARL]: 4.39	
* This performance indicator applies for	systems with a low service connection density of less than 32 service connections/mile of pipeline	

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

			Governmental Activities	Business-Type Activities				
Fiscal Year	Population (1)	r Capita come (1)	General Obligation Bonds	General Obligation Bonds	Revenue Bonded Debt	Total Primary Government	Percentage of Personal Income	Per Capita
2017	29,663	\$ 28,930	\$ 26,620,226	\$ 21,653,850	\$ 92,631,063	\$ 140,905,139	0.02 %	\$ 4,750
2016	29,478	30,846	17,852,950	22,739,967	91,420,512	132,013,429	0.02	4,478
2015	29,304	33,217	19,064,476	23,827,767	92,515,013	135,407,256	0.02	4,621
2014	29,324	32,588	20,237,974	24,913,883	81,203,127	126,354,984	0.03	4,309
2013	29,269	32,838	21,373,996	-	94,873,935	116,247,931	0.03	3,972
2012	29,369	19,718	19,054,360	-	66,678,349	85,732,709	0.02	2,919
2011	29,137	18,813	20,395,260	-	67,736,119	88,131,379	0.02	3,025
2010	28,054	31,961	21,676,922	-	70,536,488	92,213,410	0.03	3,287
2009	25,800	27,007	22,521,414	-	62,632,314	85,153,728	0.03	3,301
2008	26,419	26,338	24,008,317	-	57,350,826	81,359,143	0.03	3,080

(1) Source: U.S. Census Bureau

RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Actual Value of Taxable Property	 General Bonded Debt	Percentage of General Obligation Debt to Actual Value	De	Bonded bt Per apita
2017	29,663	\$ 2,879,128,380	\$ 26,620,226	0.92 %	\$	897
2016	29,478	2,791,909,491	17,852,950	0.64		606
2015	29,304	2,665,051,328	19,064,476	0.72		651
2014	29,324	2,736,636,423	20,237,974	0.74		690
2013	29,269	2,720,476,644	21,373,996	0.79		730
2012	29,369	2,722,855,361	19,054,360	0.70		649
2011	29,137	2,729,853,556	20,395,260	0.75		700
2010	25,800	2,776,600,762	21,676,922	0.78		840
2009	25,800	2,377,490,324	22,521,414	0.95		873
2008	26,419	2,257,282,643	24,008,317	1.06		909

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

TABLE 16 CITY OF MORRISTOWN, TENNESSEE

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

_	Tax Year	General Bonded Debt (1)	Total Assessment	Ratio of Bonded Debt to Total Assessement	E:	Total xpenditures	Ratio of Bonded Debt to Total Expenditures
	2017	\$ 26,620,226	\$ 907,516,309	0.030 to 1	\$	35,072,221	0.762 to 1
	2016	17,852,950	891,084,039	0.020 to 1		36,181,623	0.493 to 1
	2015	19,064,476	851,362,810	0.022 to 1		35,135,389	0.543 to 1
	2014	20,237,974	868,315,105	0.023 to 1		32,088,324	0.630 to 1
	2013	21,373,996	863,349,937	0.025 to 1		30,941,516	0.691 to 1
	2012	19,054,360	864,098,668	0.022 to 1		31,217,154	0.610 to 1
	2011	20,395,260	880,290,913	0.023 to 1		31,320,230	0.651 to 1
	2010	24,676,922	734,794,794	0.030 to 1		26,991,342	0.803 to 1
	2009	22,521,414	728,824,170	0.031 to 1		38,249,959	0.589 to 1
	2008	24,008,317	693,683,310	0.035 to 1		37,296,867	0.644 to 1

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

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

		Education										
Fiscal			Pe	r Capita		Level in Years		Percenatge of				
Year		Personal	P	ersonal	Median	of Formal	School	Unemployment				
Ended	Population (1)	Income	In	come (1)	Age (1)	Schooling (1)	Enrollment (1)	Rate (2)				
2017	29,663	\$ 872,982,090	\$	29,430	39.40	14.0	13,583	4.40 %				
2016	29,478	909,278,388	*	30,846	36.30	14.0	11,970	5.40				
2015	29,304	973,390,968		33,217	36.00	14.5	12,148	6.90				
2014	29,324	955,610,512		32,588	39.80	14.5	13,136	7.70				
2013	29,269	961,135,422		32,838	36.20	14.0	13,046	10.20				
2012	29,369	579,097,942		19,718	35.88	13.7	9,852	13.53				
2011	29,137	548,154,381		18,813	36.20	12.0	10,972	11.80				
2010	28,054	896,633,894		31,961	37.30	13.0	9,532	11.20				
2009	25,800	696,780,600		27,007	36.80	13.3	10,079	13.48				
2008	26,419	695,823,622		26,338	36.00	13.4	10,398	7.20				
2008	26,419	695,823,622		26,338	36.00	13.4	10,398	7.20				

^{*} Information not yet available.

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

⁽²⁾ Source: U.S. Bureau of Labor and Statistics

PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

		2017				2008	
			Percentage of Total				Percentage of Total
Employer	Employees	Rank	Employment		Employees	Rank	Employment
Hamblen County Dept.							
of Education	1,284	1	10	%	1,350	1	11 %
Koch Foods	1,100	2	9		882	4	7
MAHLE, Inc.	1,000	3	8		1,242	2	10
JTEKT Automotive	843	4	7		620	7	5
Wal-Mart	757	5	6		550	9	4
Walters State Community							
College	743	6	6		734	5	6
Morristown Hamblen							
Healthcare	716	7	6		676	6	5
Howmet	560	8	4		618	8	5
Team Technologies	500	9	4		-		-
Lear Corporation	455	10	4		-		-
Berkline	-		-		1,200	3	10
Lakeway Regional Hospital		-	-		501	10	4
	7,958	-	64	%	8,373	<u>-</u>	67 %

Source: Morristown Area Chamber of Commerce

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Г	iscai	r ear

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
	2017	2010	2013	2014	2013	2012	2011	2010	2007	2000
Function/Program										
General government:										
Mayor and council	7	7	7	7	7	7	7	7	7	7
City administration and staff	6	4	4	4	3	3	3	3	3	3
Finance	6	6.5	6.5	6.5	6.5	5.5	6	6	7	7
Purchasing	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	1	2	2	2	2	2	2 2
Human resources	2	2.5	2.5	2.5	1.5	1.5	2	2	2	2
legal services	2	2	2	2	2	2	2	2	2	2
Planning	6	5.5	5.5	4.3	6.3	6.3	6.3	7.3	6.3	7.4
Engineering	4	4.3	4.3	4.1	3.1	3.1	3.1	3.1	3.3	3.9
Inspections	5	5	5	5	5	4	4	4	5	5
Police:										
Supervision	6	6	6	5	5	6	6	6	5	5
Patrol	64	64	64	65	65	64	63	63	67	70
Investigations	14	15	15	15	15	15	15	15	15	13
Codes enforcement	2	2	2	1	2	1	1	1	1	1
Vice	-	-	-	-	1	1	1	1	1	1
Narcotics	7	6	6	5	5	5	5	5	5	4
Fire:										
Supervision	6	6	6	6	6	6	6	6	6	6
Firefighting	79	79	79	79	79	79	81	81	84	84
Prevention and inspection	1	1	1	1	1	1	1	1	2	2
Public works:										
Supervision	3	2.5	2.5	2	1.83	1.83	1.5	1.5	1.5	1.5
Buildings and grounds	3	3	3	3	2	2	2	2	2	2
Equipment shop	7	7	7	7	7	7	7	7	7	7
Repairs and maintenance	13	15	14	9	9	9	9	9	10	10
Street lights and signs	1	1	1	1	1	1	1	2	2	2
Brush and snow	15	11	11	10.7	10.7	10.7	9	9	13	13
Communication shop	2	2	2	2	1.65	1.65	2	2	2	2
Storm drains and ways	-	-	-	-	-	-	-	-	-	-
Street cleaning	-	-	-	-	-	-	-	-	-	-
Parks and recreation	17	17	17	17	17	17	17	18	20	20
Sewer	-		-	16	17.98	17.98	26.9	26.9	25.9	25.7
Stormwater	4	4.2	4.2	5.1	5.44	5.44	7.2	7.2	7	6.5
Solid waste	13	13.5	13.5	12.5	12	12	12	13	13	13
Total	297	294	293	299.7	302	299	310	314	328	329
= = ====					502		210			32)

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OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Fiscal Year

-										
-	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function Police:										
Physical arrests	4,339	4,378	5,071	3,661	3,061	4,872	4,844	2,097	5,620	6,487
Parking violations	251	117	102	167	17	288	357	10,071	15,211	14,809
Fire:										
Number of calls answered	3,916	4,742	4,288	3,984	3,222	2,975	3,914	4,271	3,232	3,337
Inspections	2,635	2,663	2,724	2,535	2,562	2,781	741	659	948	2,361
Highway and streets: Street maintenance/ resurfacing (miles)	11.50	5.60	5.10	1.33	45.60	224.60	209.30	-	2.39	6.18
Sanitation Brush collected (annual) Refuse collected	3,620.17 9,404.56	2,649.09 9,358.00	2,125.77 9,063.98	2,412.14 9,313.01	6,574.00 9,248.60	6,094.32 9,313.31	2,870.70 4,209.62	3,238.19 9,416.08	3,327.04 9,770.21	2,711.20 8,555.70

Source: Various Departments of the City of Morristown

CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Fiscal Year

	riscai i cai									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Function										
Public safety:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48	48	48
Fire stations	6	6	6	6	6	6	6	6	6	6
Sanitation:										
Collection trucks	4	4	4	4	4	4	4	4	4	4
Highways and streets:										
Street (miles)	320	320	320	320	320	320	320	320	320	263
Culture and recreation:										
Parks acreage	264	264	264	264	264	264	264	264	264	259
Parks	16	16	16	16	16	16	16	16	16	16

Source: Various Departments of the City of Morristown

COMPLIANCE SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 22, 2017. Our report includes a reference to other auditors who audited the financial statements of the Morristown Utilities Commission, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CERTIFIED PUBLIC ACCOUNTANTS

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

Bristol, Virginia December 22, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Morristown, TennesseeCity of Morristown, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

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

Bristol, Virginia December 22, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

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

Highway Planning and Construction

20.205

- 8. The threshold for distinguishing Type A and B programs was \$750,000.
- 9. The City was **not** determined to be a **low-risk auditee**.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted.

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

None noted.

D. FINDINGS AND QUESTIONED COSTS - STATE OF TENNESSEE

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2017

A. FINDINGS - FINANCIAL STATEMENT AUDIT

2016-001: Land Held for Resale (Material Weakness)

Condition: The City failed to properly record land held for resale as well as governmental activities land.

Recommendation: The City should track each parcel of land owned as either held for sale or on the capital asset listing. As any new pieces of land are acquired or current land is disposed the listings should be updated and transactions recorded in the City's accounting records.

Current Status: This issue was not noted in current year.

2016-002: Capital Asset Recording (Material Weakness)

Condition: The City failed to properly record capitalized interest on active construction in progress as well as on past projects previously placed in service for the stormwater fund. Additionally, the City failed to capture all of the capital asset additions for the governmental activities.

Recommendation: Capitalized interest for assets should be calculated on active construction in progress for the stormwater fund up until the point that those assets are substantially complete and ready for use. Additionally, expenditure accounts for the governmental funds should be examined to ensure that all amounts which are required to be capitalized on the Statement of Net Position are included.

Current Status: This issue was not noted in current year.

2016-003: Allowance for Doubtful Accounts (Material Weakness)

Condition: The City failed to properly record an adequate allowance for doubtful accounts on customer accounts receivable for the stormwater fund as well as the Solid Waste Fund.

Recommendation: The City should examine the outstanding customer accounts receivables on a regular basis and assess the collectability of amounts recorded. Once the uncollectable amount is estimated, adjustments to the allowance for doubtful account should be recorded to adjust to managements estimate.

Current Status: This issue was not noted in current year.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS Year Ended June 30, 2017

A. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2016-004: Unbilled Revenue Recording (Material Weakness)

Condition: The City failed to properly record revenue related to unbilled amounts for the stormwater fund as well as the Solid Waste Fund. These are services which have been provided but not yet billed by the City.

Recommendation: When services are provided to customers but not yet billed, the City should record a receivable and offsetting revenue at that time.

Current Status: This issue was not noted in current year.

B. FINDINGS AND QUESTIONED COSTS – STATE OF TENNESSEE

2016-005: Fund Receipting for the Confidential Drug Fund

Condition: The City did not require receipts to be issued for the receipt of funds within the Narcotics Funds.

Recommendation: In accordance with the State manual, when funding is received the Narcotic Fund personnel should issue a prenumbered receipt for the amount received and retain a copy for their records.

Current Status: This issue was not noted in current year.