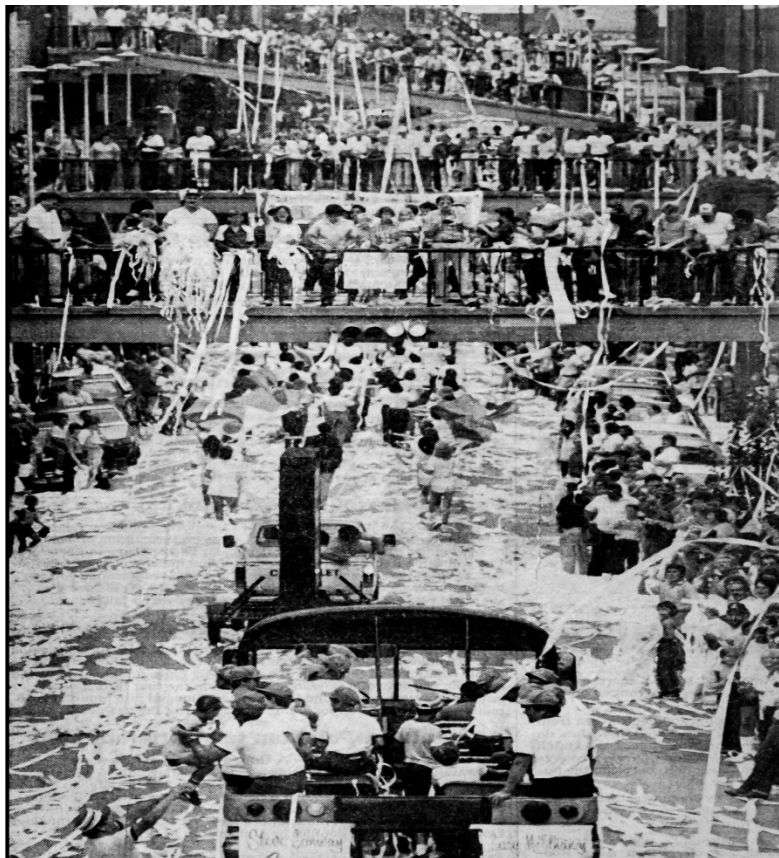


# CITY OF MORRISTOWN, TENNESSEE

## COMPREHENSIVE ANNUAL FINANCIAL REPORT



FISCAL YEAR 2016  
BEGINNING JULY 1, 2015 AND ENDING JUNE 30, 2016

PREPARED BY:  
FINANCE DEPARTMENT

## About the Cover

The year 2017 will mark the 60th anniversary of the SkyMart overhead sidewalks on Main Street in downtown Morristown. Built in 1967, following the flooding of Turkey Creek, the SkyMart was constructed to revitalize the downtown area and provide access to businesses on the upper floors. Over the years, the sidewalks have been used for a variety of activities including a great place for spectators to watch the Christmas parade and recently as an access point to the Morristown greenway system.

In 1985, the All-Star Little League team from Morristown competed in the Little League World Series in Williamsport, PA. The team placed third in the series and that was enough for the Morristown residents to see them as champions. Morristown welcomed the team back to town with a ticker-tape parade in their honor. Residents lined the streets and SkyMart overhead sidewalks and showered the players with adoration.



*Construction of the overhead sidewalks*

**CITY OF MORRISTOWN, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED**  
**June 30, 2016**

**FINANCE DEPARTMENT**



# CITY OF MORRISTOWN, TENNESSEE

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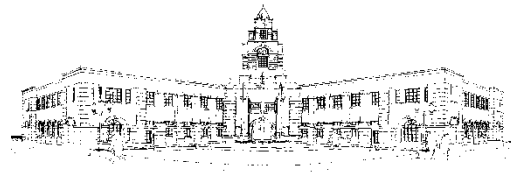
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## **INTRODUCTORY SECTION**

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# City of Morristown

*Incorporated 1855*



February 24, 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. It should be noted that the City of Morristown had to request, and did receive, an extension to this requirement for the fiscal year ended June 30, 2016. This extension was necessary due to the change in auditors and the delays that can occur in first year audits with a new licensed firm. 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, 2016.

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, 2016, 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, 2016, 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 15<sup>th</sup>. 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 eight Fortune 500 companies and thirteen international companies that have elected to manufacture in Morristown. Over the past year, companies reported investing \$172 million in building expansion and equipment while creating 850 new jobs. Recently, the City of Morristown earned an eighth 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. This development has been attributed to a major retail chain locating a second supercenter in the City. It is worth noting that since the opening of the second supercenter, the major retail chain has opened two additional stores of a smaller footprint. This has resulted in the attraction of national retail chains locating stores in Morristown and 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 3.0% in the 2016-2017 fiscal year after increasing 8.8% in the 2015-2016 fiscal year compared to the prior year.

### **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 \$8.4 million at June 30, 2016 in its General Fund. This represents approximately a 23% unassigned fund balance compared to expenditures. This compares to 21% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2015. Again, an indicator to City of Morristown's growth previously discussed and the commitment to be fiscally responsible.

The City of Morristown continues to further demonstrates 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 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.

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 is evaluating existing data to provide a recommendation as to what is needed. 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 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**

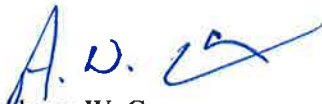
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Morristown for its comprehensive annual financial report for the fiscal year ended June 30, 2015. This was the third consecutive year 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 2015-2016 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, 2015**

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

**CITY OF MORRISTOWN, TENNESSEE**  
**DIRECTORY OF PRINCIPAL OFFICIALS**

**June 30, 2016**

**MEMBERS OF CITY COUNCIL**

Gary Chesney, Mayor

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

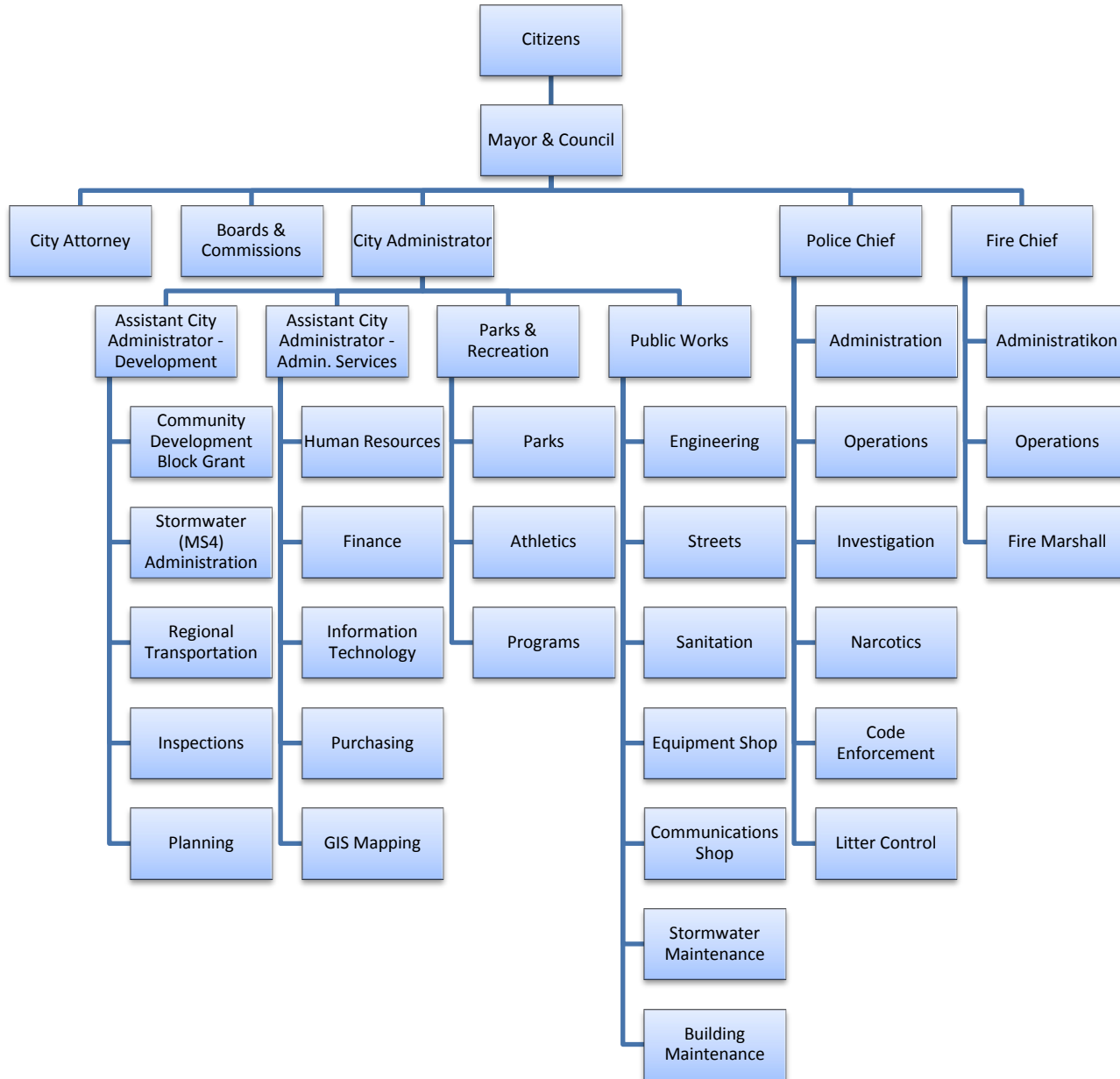
**GENERAL CITY GOVERNMENT**

Anthony W. Cox .....	City Administrator
Ralph Filder.....	Assistant City Administrator
Larry Clark .....	Assistant City Administrator
Richard Jessee .....	City Attorney
Joey Barnard.....	Finance Director
Vacant.....	Director of Planning
Roger Overholt .....	Chief of Police
William Honeycutt .....	Fire Chief
Paul Brown .....	Director of Public Works
Craig Price.....	Director of Parks and Recreation

**INDEPENDENT AUDITORS**

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

## ORGANIZATIONAL CHART



## **FINANCIAL SECTION**

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## 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, 2016, 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 94.2%, 97.0%, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statement 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.

## **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 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, combining 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 combining 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, 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 February 24, 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.

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
February 24, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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 \$182.5 million (net position). Of this amount, \$39.9 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 \$14.1 million. While total net position increased by approximately \$14.1 million from operating activities, a prior period adjustment to correctly reflect land held for investment, allowance for doubtful accounts, capitalized interest and construction-in-progress decreased total net position by approximately \$.25 million.
- As of the close of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of approximately \$27.4 million, an increase of almost \$1.8 million in comparison with the prior year. Approximately 30% 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 \$8.4 million, or approximately 21.6% of total General Fund expenditures and other financing uses.
- The City of Morristown's total outstanding long-term debt decreased by \$4,660,459 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.

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).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

The basic governmental fund financial statements can be found on pages 7-10 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**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 15-19 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 two types of 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.

The basic fiduciary fund financial statements can be found on pages 20 and 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 22-56 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 \$182.5 million at the close of the most recent fiscal year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Morristown's Net Position

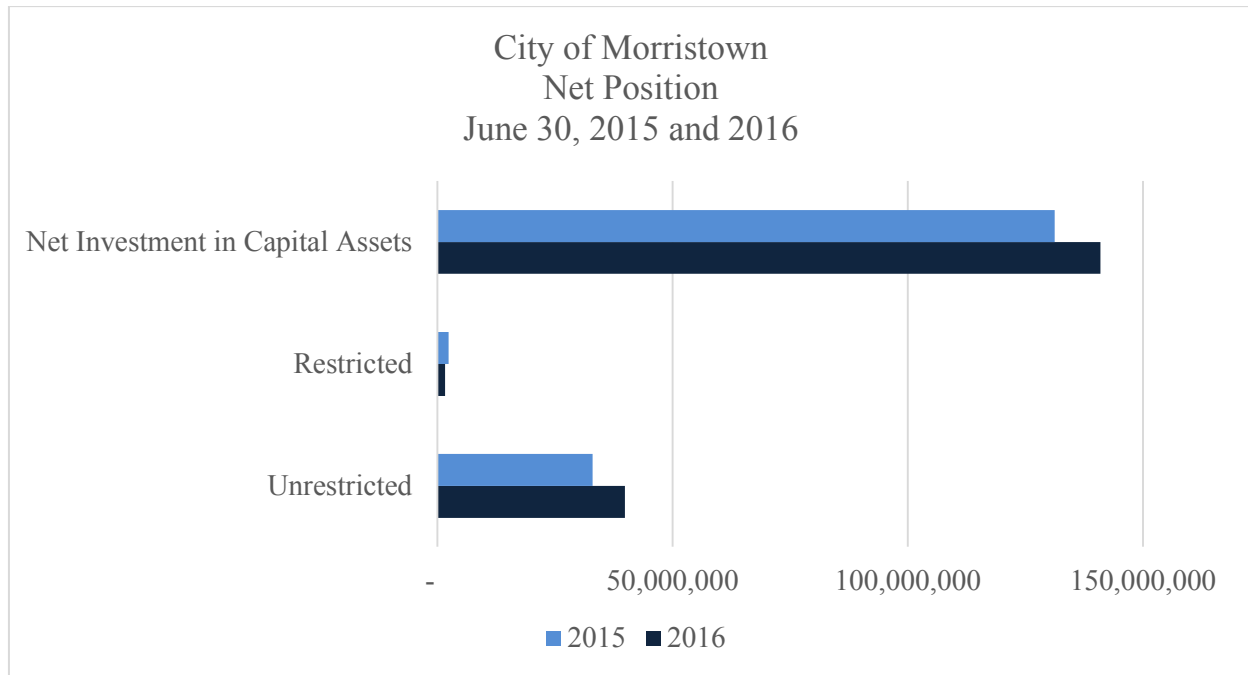
	Governmental activities		Business-type activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 42,630,590	\$ 41,302,629	\$ 47,027,129	\$ 58,303,008	\$ 89,657,719	\$ 99,605,637
Capital assets	58,348,178	53,939,753	204,587,260	196,057,074	262,935,438	249,996,827
Total assets	100,978,768	95,242,382	251,614,389	254,360,082	352,593,157	349,602,464
Total deferred outflows of resources	4,034,177	2,009,259	63,566	2,651,918	4,097,743	4,661,177
Long-term liabilities outstanding	26,591,534	27,252,609	105,824,688	105,670,270	132,416,222	132,922,879
Other liabilities	4,100,934	4,592,633	22,665,235	33,384,548	26,766,169	37,977,181
Total liabilities	30,692,468	31,845,242	128,489,923	139,054,818	159,182,391	170,900,060
Total deferred inflows of resources	14,689,691	14,401,084	316,388	325,197	15,006,079	14,726,281
Net position:						
Net investment in capital assets	40,495,228	34,875,277	100,428,103	98,316,369	140,923,331	133,191,646
Restricted	1,671,349	2,420,193	-	-	1,671,349	2,420,193
Unrestricted	17,464,209	13,709,845	22,443,531	19,315,616	39,907,740	33,025,461
Total net position	\$ 59,630,786	\$ 51,005,315	\$ 122,871,634	\$ 117,631,985	\$ 182,502,420	\$ 168,637,300

By far the largest portion of the City of Morristown's net position (77.2%) 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 (2.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$39,907,740 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS



However, the City of Morristown's overall net position increased by approximately \$14.1 million from the prior fiscal year. The reasons for the overall decrease 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 \$8.8 million. This increase is attributed to the capital outlay and economic expansion that the City of Morristown is currently experiencing. Economic growth was spurred by a major retail chain locating a second supercenter in the City. It is worth noting that since the opening of the second supercenter, the major retail chain has opened two additional stores of a smaller footprint. This has resulted in the attraction of national retail chains locating stores in Morristown and 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 8.8% in the 2015-2016 fiscal year compared to the prior year. The beginning net position was restated in order to properly account for land held for investment, allowance for doubtful accounts, deferrals, and construction-in-progress. See Note 17 on page 53 for further explanation of restatement of beginning net position in the notes to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Morristown's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 3,159,300	\$ 2,905,770	\$ 102,847,515	\$ 103,325,749	\$ 106,006,815	\$ 106,231,519
Operating grants & contributions	466,292	3,018,801	-	2,586,526	466,292	5,605,327
Capital grants & contributions	4,102,716	-	422,950	151,200	4,525,666	151,200
General revenues:						
Property taxes	10,895,994	9,916,198	-	-	10,895,994	9,916,198
Sales tax	11,743,470	10,793,398	-	-	11,743,470	10,793,398
Intergovernmental	5,318,624	4,321,104	-	-	5,318,624	4,321,104
Other	5,447,403	4,082,625	2,885,555	60,378	8,332,958	4,143,003
Total revenues	41,133,799	35,037,896	106,156,020	106,123,853	147,289,819	141,161,749
Expenses:						
General government	4,399,314	4,726,075	-	-	4,399,314	4,726,075
Public safety	14,408,187	14,168,464	-	-	14,408,187	14,168,464
Public works	10,389,418	10,493,687	-	-	10,389,418	10,493,687
Economic development	303,006	417,774	-	-	303,006	417,774
Parks & recreation	2,057,170	1,807,804	-	-	2,057,170	1,807,804
Civic support	1,936,921	942,834	-	-	1,936,921	942,834
Transportation	-	-	-	-	-	-
Retiree health insurance	389,559	382,916	-	-	389,559	382,916
Interest on long-term debt	279,047	263,167	-	-	279,047	263,167
Water	-	-	6,396,446	6,117,002	6,396,446	6,117,002
Wastewater	-	-	10,464,615	9,385,294	10,464,615	9,385,294
Storm water	-	-	1,319,920	994,148	1,319,920	994,148
Power	-	-	73,769,967	75,855,798	73,769,967	75,855,798
Broadband	-	-	7,059,706	7,330,637	7,059,706	7,330,637
Total expenses	34,162,622	33,202,721	99,010,654	99,682,879	133,173,276	132,885,600
Increase (decrease) in net position before transfers	6,971,177	1,835,175	7,145,366	6,440,974	14,116,543	8,276,149
Transfers	1,797,999	1,597,848	(1,797,999)	(1,597,848)	-	-
Increase (decrease) in net position	8,769,176	3,433,023	5,347,367	4,843,126	14,116,543	8,276,149
Net position - July 1, (restated)	50,861,610	47,572,292	117,524,267	112,788,859	168,385,877	160,361,151
Net position - June 30	\$ 59,630,786	\$ 51,005,315	\$ 122,871,634	\$ 117,631,985	\$ 182,502,420	\$ 168,637,300

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

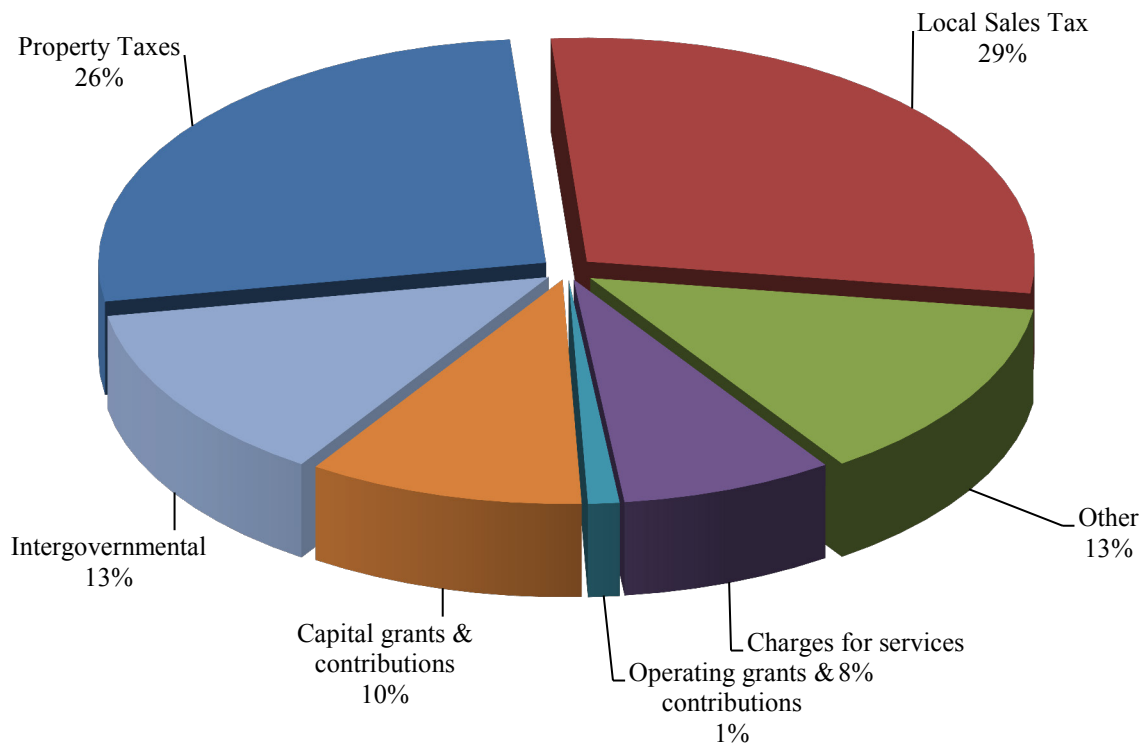
**Program revenues** are three types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).



## MANAGEMENT'S DISCUSSION AND ANALYSIS

**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, property tax collections increased by approximately \$980,000 or 9.8% compared to the previous fiscal year. The graph below presents the major sources of revenues for governmental activities.

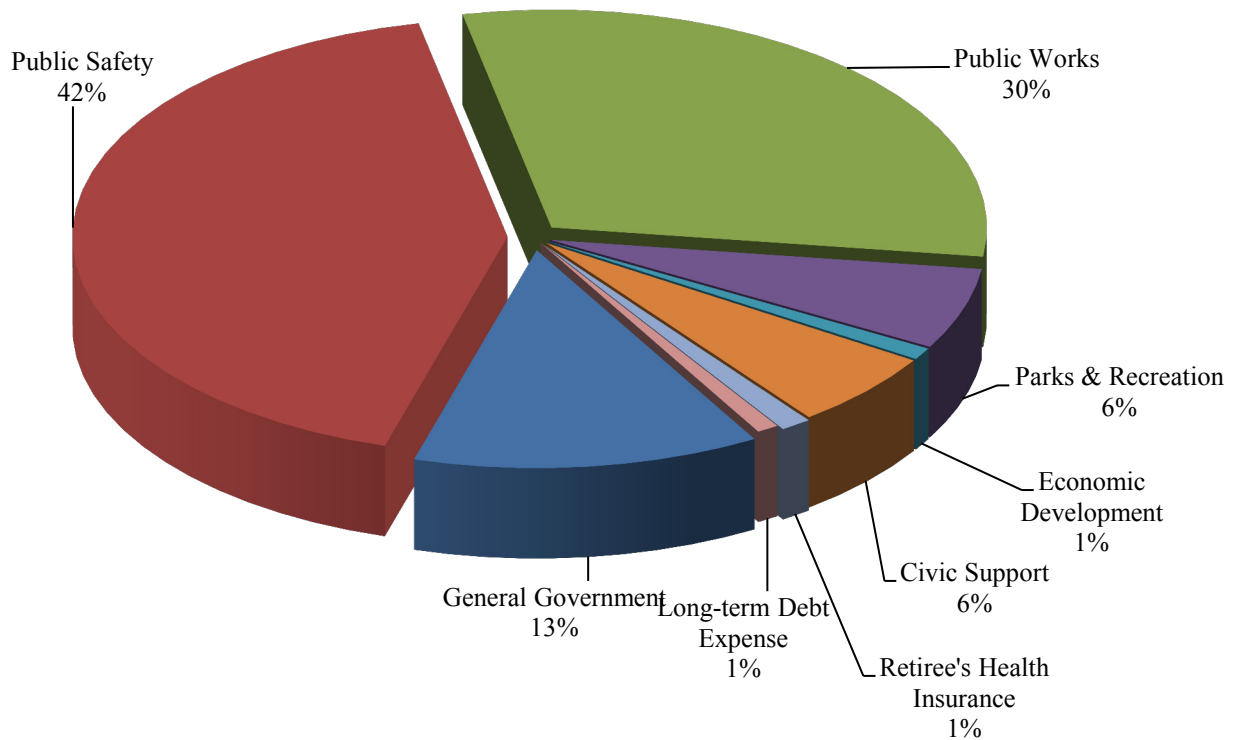
### Revenues by Source - Governmental Activities



Public Safety expenses of \$14,408,187 and Public Works expenses of \$10,389,418 are the largest expenses of the City of Morristown, which when combined total \$24,797,605 and are 73% of total expenses. Of this amount, \$2,068,479 was recovered by charges for services, \$251,037 from operating grants/contributions, and \$4,102,716 from capital grants/contributions. For additional details, see illustrations below.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

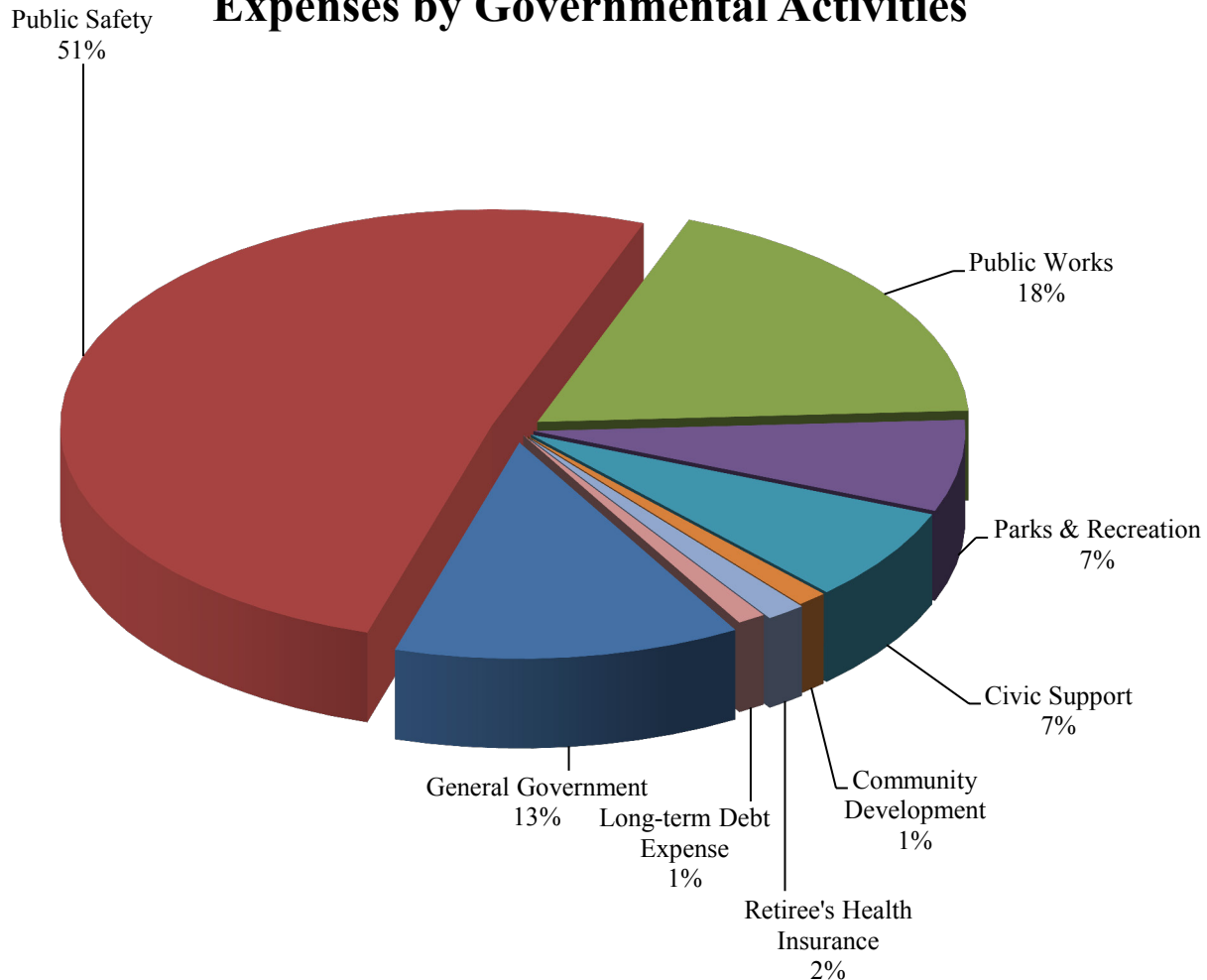
### Program Expenses - Governmental Activities



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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 \$122.9 million. The total increase in net position for business-type activities was \$5.4 million or 4.5% from the prior fiscal year. The increase in net position is attributed to the continued success for the broadband system. As a result, revenues from broadband activity charges for services increased by approximately \$1.5 million.

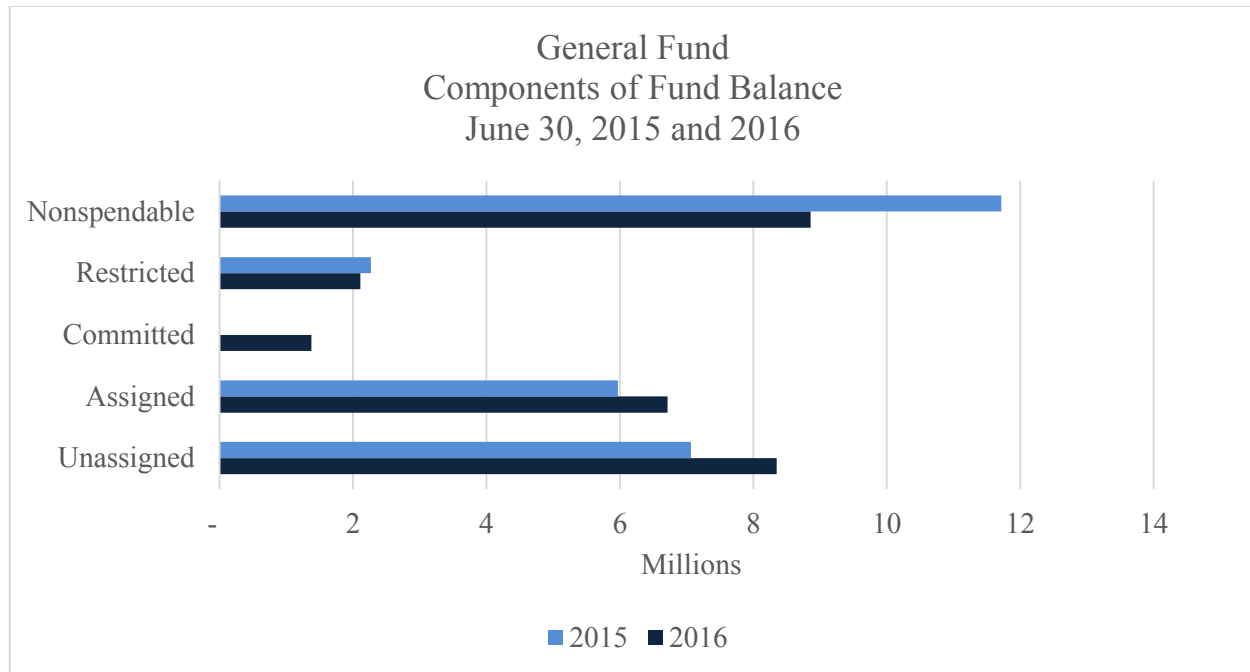
### Financial Analysis of the Government's Funds

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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

At June 30, 2016, the City of Morristown's governmental funds reported combined ending fund balances of \$27,404,920 an increase of \$2,854,602 in comparison with the prior year. Approximately 30.4% of this amount (\$8,350,230) 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 (\$8,857,981), 2) restricted for particular purposes (\$2,107,726), 3) committed for particular purposes (\$1,375,000), or 4) assigned for particular purposes (\$6,713,983).



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 \$8,350,230, while total fund balance increased to \$25,500,831. 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 23% of total general fund expenditures, while total fund balance represents 70.4% 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 increased \$1,382,374. As discussed earlier with governmental activities, the increase can be attributed to economic growth and retail development resulting in local sales tax growth that exceeded budgeted amounts by approximately 8.8%. Additionally, a conservative budgeting approach is utilized in projecting estimated revenues to ensure that actual revenues meet or exceed the projected amount.

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 \$159,229. 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The unrestricted net position of the City's business-type activities increased by \$5,347,367. The unrestricted net position of the City's storm water fund decreased \$48,916 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 \$20,205,744, an increase of \$4,250,298. Morristown Utilities Commission's debt decreased by \$1,059,301. 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 \$37,449,297. Budget amendments were approved by Council during the year increasing total appropriations to \$43,488,348, an increase of \$6,039,051 or 16.1%. Significant differences between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$3,300,000 increase attributed to a transportation projects that came to fruition and funded by the State of Tennessee.
- \$857,150 increase attributed to grant funds from the State of Tennessee for rail spur for a manufacturing facility. .
- \$1,375,000 to transfer funds to establish the Capital Projects Fund.

At the close of the fiscal year, actual expenditures were \$3,666,246 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, 2016, amounts to \$58 million and \$205 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 4.3%.

	Governmental Activities		Business-Type Activities		Total	
	2016	2015*	2016	2015*	2016	2015*
Land	\$ 10,304,940	\$ 10,379,613	\$ 2,655,637	\$ 2,514,973	\$ 12,960,577	\$ 12,894,586
Buildings	11,537,584	11,914,275	-	-	11,537,584	11,914,275
Improvements other than buildings	2,350,656	1,224,855	-	-	2,350,656	1,224,855
Machinery & equipment	5,933,465	4,490,128	-	-	5,933,465	4,490,128
Infrastructure	24,692,233	26,751,854	-	-	24,692,233	26,751,854
Utility plant and equipment	-	-	179,016,910	176,031,867	179,016,910	176,031,867
Construction in progress	3,529,300	1,884,302	22,914,713	17,568,508	26,444,013	19,452,810
Total	<u>\$ 58,348,178</u>	<u>\$ 56,645,027</u>	<u>\$ 204,587,260</u>	<u>\$ 196,115,348</u>	<u>\$ 262,935,438</u>	<u>\$ 252,760,375</u>

\* - Amounts reflected are restated as discussed in Note 17.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$130.8 million; of this amount, \$17.9 million comprises net direct debt of governmental activities. The remainder of the City of Morristown's debt represents bonds secured by specified revenue sources and the full faith and credit of the government.

The City's breakdown of variable and fixed rate debt is 51% and 49% respectively.

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

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Governmental activities				
General fund	\$ 18,738,125	\$ -	\$ 1,185,373	\$ 17,552,752
Solid waste fund	326,351	-	26,153	300,198
Total governmental activities	19,064,476	-	1,211,526	17,852,950
Business-type activities				
Sewer system	67,610,505	2,581,968	3,464,900	66,727,573
Storm water system	4,652,132	-	210,136	4,441,996
Electric system	19,124,298	696,819	1,111,910	18,709,207
Water system	13,552,688	-	881,473	12,671,215
Telecom system	11,403,157	-	1,059,301	10,343,856
Total business-type activities	116,342,780	3,278,787	6,727,720	112,893,847
Total Debt	\$ 135,407,256	\$ 3,278,787	\$ 7,939,246	\$ 130,746,797

The City of Morristown's total debt increased by \$4,660,459 (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.

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **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 2016-2017 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 3.0% in 16-17 budgeted amount compared to 15-16 actual collections or 10.63% increase when comparing 16-17 budgeted amount to 15-16 budgeted amounts. 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, 2016, was 5.4%, which continues to show improvement compared to 6.9% 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, 2016, was 4.1% and the national average was 4.9%.
- 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.

During the current fiscal year, the assigned fund balance in the General Fund was \$6,713,983. The City of Morristown has appropriated \$4,000,588 of this amount for spending in the 2016-2017 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.

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# **BASIC FINANCIAL STATEMENTS**

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## CITY OF MORRISTOWN, TENNESSEE

## STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents (Note 3)	\$ 17,242,331	\$ 26,390,146	\$ 43,632,477
Receivables, net (Note 4)	16,357,571	10,480,646	26,838,217
Due from other governmental units	138,069	440,370	578,439
Inventories	85,357	1,650,252	1,735,609
Other current assets	34,638	165,802	200,440
Restricted assets:			
Cash and cash equivalents (Note 3)	-	7,279,736	7,279,736
Capital assets: (Note 7)			
Land and construction in progress	13,834,240	25,570,350	39,404,590
Other capital assets, net	44,513,938	179,016,910	223,530,848
Land held for sale (Note 6)	8,772,624	-	8,772,624
Other assets	-	620,177	620,177
Total assets	100,978,768	251,614,389	352,593,157
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension contributions subsequent to measurement date and other pension related deferred outflows (Note 10)	4,034,177	63,556	4,097,733
Total deferred outflows of resources	4,034,177	63,556	4,097,733
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	998,859	9,670,461	10,669,320
Accrued payroll and related liabilities	617,294	2,101,535	2,718,829
Accrued interest payable	20,069	33,943	54,012
Customer deposits	-	4,241,117	4,241,117
Unearned revenue (Note 4)	874,250	-	874,250
Long-term liabilities:			
Net pension liability (Note 10)	9,112,884	136,729	9,249,613
Due within one year (Note 8)	1,590,462	6,494,882	8,085,344
Due in more than one year (Note 8)	17,478,650	105,811,256	123,289,906
Total liabilities	30,692,468	128,489,923	159,182,391
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes (Note 4)	10,753,310	257,288	11,010,598
Net difference between projected and actual investment earnings on pension plan investments (Note 10)	3,936,381	59,100	3,995,481
Total deferred inflows of resources	14,689,691	316,388	15,006,079
<b>NET POSITION</b>			
Net investment in capital assets	40,495,228	100,428,103	140,923,331
Restricted for:			
Narcotics	92,712	-	92,712
Public health and welfare	436,377	-	436,377
Gas tax	818,606	-	818,606
Highways	582,359	-	582,359
Airport	177,672	-	177,672
Unrestricted	17,027,832	22,443,531	39,471,363
Total net position	\$ 59,630,786	\$ 122,871,634	\$ 182,502,420

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

**EXHIBIT 2**
**CITY OF MORRISTOWN, TENNESSEE**
**STATEMENT OF ACTIVITIES**
**Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 4,399,314	\$ 966,744	\$ -	\$ -	\$ (3,432,570)	\$ -	\$ (3,432,570)
Public safety	14,408,187	660,840	247,104	-	(13,500,243)	-	(13,500,243)
Public works	10,389,418	1,407,639	3,933	4,102,716	(4,875,130)	-	(4,875,130)
Culture and recreation	2,057,170	124,077	122,400	-	(1,810,693)	-	(1,810,693)
Civic support	1,936,921	-	92,855	-	(1,844,066)	-	(1,844,066)
Community development	303,006	-	-	-	(303,006)	-	(303,006)
Retiree health insurance	389,559	-	-	-	(389,559)	-	(389,559)
Interest on long-term debt	279,047	-	-	-	(279,047)	-	(279,047)
Total governmental activities	34,162,622	3,159,300	466,292	4,102,716	(26,434,314)	-	(26,434,314)
Business-type activities:							
Water	6,396,446	6,378,731	-	97,950	-	80,235	80,235
Wastewater	10,464,615	12,852,808	-	325,000	-	2,713,193	2,713,193
Stormwater	1,319,920	1,080,408	-	-	-	(239,512)	(239,512)
Power	73,769,967	74,026,335	-	-	-	256,368	256,368
Broadband	7,059,706	8,509,233	-	-	-	1,449,527	1,449,527
Total business-type activities	99,010,654	102,847,515	-	422,950	-	4,259,811	4,259,811
Total	\$ 133,173,276	\$ 106,006,815	\$ 466,292	\$ 4,525,666	(26,434,314)	4,259,811	(22,174,503)
<b>General revenues:</b>							
Property taxes					10,895,994	-	10,895,994
Local sales taxes					11,743,470	-	11,743,470
Franchise taxes					598,717	-	598,717
Alcohol beverage tax					1,338,486	-	1,338,486
Business and gross receipts tax					1,049,900	-	1,049,900
Hotel/motel tax					622,095	-	622,095
Litigation tax					72,192	-	72,192
Intergovernmental revenue-unrestricted					5,318,624	-	5,318,624
Unrestricted investment earnings					-	51,870	51,870
Other					1,766,013	2,833,685	4,599,698
<b>Transfers (Note 5)</b>					1,797,999	(1,797,999)	-
Total general revenues and transfers					35,203,490	1,087,556	36,291,046
Change in net position					8,769,176	5,347,367	14,116,543
<b>Net position at July 1, as restated (Note 17)</b>					50,861,610	117,524,267	168,385,877
<b>Net position at June 30</b>					\$ 59,630,786	\$ 122,871,634	\$ 182,502,420

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

## CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2016**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 14,457,295	\$ 327,586	\$ 1,375,000	\$ 208,726	\$ 16,368,607
Receivables, net	16,129,544	174,849	-	3,774	16,308,167
Due from other funds	53,070	-	-	-	53,070
Due from other governmental units	-	-	-	138,069	138,069
Inventories	85,357	-	-	-	85,357
Land held for sale	8,772,624	-	-	-	8,772,624
Total assets	<u>\$ 39,497,890</u>	<u>\$ 502,435</u>	<u>\$ 1,375,000</u>	<u>\$ 350,569</u>	<u>\$ 41,725,894</u>
<b>LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 639,352	\$ 46,081	\$ -	\$ 89,760	\$ 775,193
Accrued payroll and related liabilities	577,117	19,977	-	20,200	617,294
Unearned revenue	874,250	-	-	-	874,250
Due to other funds	-	-	-	53,070	53,070
Total liabilities	<u>2,090,719</u>	<u>66,058</u>	<u>-</u>	<u>163,030</u>	<u>2,319,807</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable/unearned revenue	<u>11,906,340</u>	<u>-</u>	<u>-</u>	<u>94,827</u>	<u>12,001,167</u>
Total deferred inflows of resources	<u>11,906,340</u>	<u>-</u>	<u>-</u>	<u>94,827</u>	<u>12,001,167</u>
<b>FUND BALANCES</b>					
Nonspendable	8,857,981	-	-	-	8,857,981
Restricted	1,578,637	436,377	-	92,712	2,107,726
Committed	-	-	1,375,000	-	1,375,000
Assigned	6,713,983	-	-	-	6,713,983
Unassigned	8,350,230	-	-	-	8,350,230
Total fund balances	<u>25,500,831</u>	<u>436,377</u>	<u>1,375,000</u>	<u>92,712</u>	<u>27,404,920</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 39,497,890</u>	<u>\$ 502,435</u>	<u>\$ 1,375,000</u>	<u>\$ 350,569</u>	

(Continued)

## CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –  
GOVERNMENTAL FUNDS  
June 30, 2016**

**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.	\$ 58,348,178
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,247,857
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and capital lease payable	(17,852,950)
Accrued interest payable	(20,069)
Compensated absences	(1,216,162)
Deferred amounts:	
Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments.	2,007,280
Deferred outflows of resources for 2016 employer contributions.	2,026,897
Deferred inflows of resources for the net difference between projected and actual investment earnings on pension plan investments and for the difference between actual and expected experience related to the pension plan.	(3,936,381)
Net pension liability	(9,112,884)
 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' statements of net position.	 <u>734,100</u>
 Net position of governmental activities	 <u><u>\$ 59,630,786</u></u>

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
General property taxes	\$ 10,001,991	\$ -	\$ -	\$ -	\$ 10,001,991
Other local taxes	15,424,860	-	-	-	15,424,860
Licenses, permits, and fines	582,198	-	-	63,353	645,551
Charges for services	1,106,110	1,407,639	-	-	2,513,749
Other	1,457,614	-	-	308,399	1,766,013
Intergovernmental	9,533,778	-	-	-	9,533,778
Total revenues	<u>38,106,551</u>	<u>1,407,639</u>	<u>-</u>	<u>371,752</u>	<u>39,885,942</u>
<b>EXPENDITURES</b>					
Current:					
General government	4,283,426	-	-	-	4,283,426
Public safety	15,016,624	-	-	696,300	15,712,924
Public works	10,821,704	1,614,640	-	-	12,436,344
Culture and recreation	2,296,653	-	-	-	2,296,653
Civic support and special appropriations	1,936,921	-	-	-	1,936,921
Community development	-	-	-	303,006	303,006
Retiree health insurance	389,559	-	-	-	389,559
Debt service:					
Principal retirement	1,185,375	26,153	-	-	1,211,528
Interest and fiscal charges	251,361	7,617	-	-	258,978
Total expenditures	<u>36,181,623</u>	<u>1,648,410</u>	<u>-</u>	<u>999,306</u>	<u>38,829,339</u>
Excess (deficiency) of revenues over expenditures	<u>1,924,928</u>	<u>(240,771)</u>	<u>-</u>	<u>(627,554)</u>	<u>1,056,603</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,851,069	400,000	1,375,000	618,623	4,244,692
Transfers out	<u>(2,393,623)</u>	<u>-</u>	<u>-</u>	<u>(53,070)</u>	<u>(2,446,693)</u>
Total other financing sources (uses)	<u>(542,554)</u>	<u>400,000</u>	<u>1,375,000</u>	<u>565,553</u>	<u>1,797,999</u>
Net change in fund balance	1,382,374	159,229	1,375,000	(62,001)	2,854,602
<b>FUND BALANCES AT JULY 1, as restated (Note 17)</b>	<u>24,118,457</u>	<u>277,148</u>	<u>-</u>	<u>154,713</u>	<u>24,550,318</u>
<b>FUND BALANCES AT JUNE 30</b>	<u><u>\$ 25,500,831</u></u>	<u><u>\$ 436,377</u></u>	<u><u>\$ 1,375,000</u></u>	<u><u>\$ 92,712</u></u>	<u><u>\$ 27,404,920</u></u>

## CITY OF MORRISTOWN, TENNESSEE

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016**

<b>Net changes in fund balances</b>	\$ 2,854,602
<b>Adjustments for the statement of activities:</b>	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	5,037,344
Depreciation expense	(3,230,321)
Disposal of assets	(103,873)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	1,247,856
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	1,211,528
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	(20,069)
Change in compensated absences	19,510
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 reported as pension expense.	1,620,734
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.	131,865
<b>Change in net position of governmental activities</b>	<u><u>\$ 8,769,176</u></u>

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)  
Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Encumbrances	Budgetary	Variance with
	Original	Final	Amounts		Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Taxes:						
General property	\$ 9,292,187	\$ 9,542,187	\$ 10,001,991	\$ -	\$ 10,001,991	\$ 459,804
Other local taxes	14,287,926	15,287,926	15,424,860	-	15,424,860	136,934
Licenses and permits	192,500	192,500	582,198	-	582,198	389,698
Charges for services	1,282,000	1,282,000	1,106,110	-	1,106,110	(175,890)
Other	407,000	1,409,154	1,457,614	-	1,457,614	48,460
Intergovernmental	6,748,050	9,791,550	9,533,778	-	9,533,778	(257,772)
Total revenues	32,209,663	37,505,317	38,106,551	-	38,106,551	601,234
EXPENDITURES						
General government:						
Mayor and City Council	265,986	199,986	194,980	1,000	195,980	4,006
Council elections	16,000	16,000	-	-	-	16,000
City administrator	548,509	625,509	606,296	-	606,296	19,213
Finance department	876,408	899,689	853,111	7,925	861,036	38,653
Purchasing department	61,075	62,575	60,534	-	60,534	2,041
Computer operations	209,399	279,399	224,805	4,000	228,805	50,594
Human resources	294,301	289,301	254,230	-	254,230	35,071
Legal	147,395	247,395	222,120	-	222,120	25,275
Community and economic affairs	1,127,396	1,081,546	1,123,654	(385,614)	738,040	343,506
Code enforcement	185,713	216,913	196,647	-	196,647	20,266
Engineering	402,168	365,168	291,849	(42,821)	249,028	116,140
GIS	342,110	322,110	255,200	31,742	286,942	35,168
Total general government	4,476,460	4,605,591	4,283,426	(383,768)	3,899,658	705,933
Public safety:						
Police supervision	631,077	664,377	636,530	2,000	638,530	25,847
Patrol and traffic	5,744,643	5,494,643	5,241,775	38,171	5,279,946	214,697
Police investigation	1,407,769	1,475,769	1,441,578	37	1,441,615	34,154
Fire supervision	663,394	669,394	652,320	-	652,320	17,074
Fire inspection	131,615	131,615	124,056	-	124,056	7,559
Fire stations	168,712	173,712	156,187	(1,285)	154,902	18,810
Firefighting	7,881,435	7,781,435	6,370,816	1,090,687	7,461,503	319,932
Inspections	493,518	448,518	393,362	10,713	404,075	44,443
Total public safety	17,122,163	16,839,463	15,016,624	1,140,323	16,156,947	682,516
Public works:						
Public works supervision	290,724	290,724	234,977	-	234,977	55,747
Building and grounds	940,579	1,142,579	656,670	326,712	983,382	159,197
Equipment shop	551,178	574,178	533,904	(87)	533,817	40,361
Repairs and maintenance	1,723,008	1,523,008	1,171,181	-	1,171,181	351,827
Street lighting and signs	730,413	819,213	798,192	747	798,939	20,274
Brush pick-up and snow removal	1,573,946	1,673,946	1,516,500	-	1,516,500	157,446

(Continued)



## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)  
Year Ended June 30, 2016**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis	Final Budget
					Expenditures	Positive
						(Negative)
<b>EXPENDITURES (Continued)</b>						
Public works: (Continued)						
Sidewalks	\$ 23,000	\$ 93,800	\$ 73,184	\$ -	\$ 73,184	\$ 20,616
Traffic devices	131,090	131,090	136,811	(12,437)	124,374	6,716
Communication shop	170,490	170,490	160,367	-	160,367	10,123
Pavement management system	1,000,000	4,465,020	3,952,214	597,589	4,549,803	(84,783)
Airport	1,906,619	1,906,619	1,570,257	(180,604)	1,389,653	516,966
Health inspection and welfare	27,822	27,822	17,447	-	17,447	10,375
Total public works	9,068,869	12,818,489	10,821,704	731,920	11,553,624	1,264,865
Culture and recreations:						
Parks and recreation						
supervision	448,556	455,556	417,596	-	417,596	37,960
Playgrounds and programs	522,371	570,371	590,091	(68,660)	521,431	48,940
Parks and maintenance	1,071,507	1,081,507	1,031,966	5,570	1,037,536	43,971
Library	257,000	257,000	257,000	-	257,000	-
Total culture and recreation	2,299,434	2,364,434	2,296,653	(63,090)	2,233,563	130,871
Civic support and special appropriations:						
Contributions to local						
agencies	250,000	250,000	240,025	-	240,025	9,975
Animal control	162,890	162,890	137,890	-	137,890	25,000
E-911 district	217,000	217,000	216,758	-	216,758	242
Summer feeding program	90,000	40,000	36,643	-	36,643	3,357
Fast Track Grants	-	857,150	879,354	(857,150)	22,204	834,946
Economic development	200,000	250,000	244,631	-	244,631	5,369
Industrial parks	200,000	200,000	-	-	-	200,000
Emergency management						
agency	45,000	45,000	31,032	-	31,032	13,968
TIF payments	185,000	185,000	115,002	-	115,002	69,998
LAMTPO Local Match	-	45,850	18,086	-	18,086	27,764
Crockett Tavern Association	8,125	8,125	7,500	-	7,500	625
Workforce development	10,000	10,000	10,000	-	10,000	-
Total civic support and special appropriations	1,368,015	2,271,015	1,936,921	(857,150)	1,079,771	1,191,244
Retiree health insurance	461,343	411,343	389,559	-	389,559	21,784
Debt service:						
Principal	1,186,216	1,186,216	1,185,375	-	1,185,375	841
Interest	498,174	398,174	158,379	-	158,379	239,795
Paying agent fees	100,000	200,000	92,982	-	92,982	107,018
Total debt service	1,784,390	1,784,390	1,436,736	-	1,436,736	347,654

(Continued)

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – GENERAL FUND (BUDGETARY BASIS)  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Encumbrances</b>	<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>		<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>EXPENDITURES (Continued)</b>						
Total expenditures	\$ 36,580,674	\$ 41,094,725	\$ 36,181,623	\$ 568,235	\$ 36,749,858	\$ 4,344,867
Excess (deficiency) of revenues over expenditures	(4,371,011)	(3,589,408)	1,924,928	(568,235)	1,356,693	(3,743,633)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond proceeds	1,300,000	-	-	-	-	-
Transfers in	1,532,540	1,732,540	1,851,069	-	1,851,069	(118,529)
Transfers out	(868,623)	(2,393,623)	(2,393,623)	-	(2,393,623)	-
Net other financing sources (uses)	1,963,917	(661,083)	(542,554)	-	(542,554)	(118,529)
Net change in fund balance	(2,407,094)	(4,250,491)	1,382,374	(568,235)	814,139	(3,862,162)
Fund balances, July 1, 2015	-	-	24,118,457	-	24,118,457	-
Fund balances, June 30, 2016	\$ (2,407,094)	\$ (4,250,491)	\$ 25,500,831	\$ (568,235)	\$ 24,932,596	\$ (3,862,162)

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL – SOLID WASTE FUND (BUDGETARY BASIS)  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis Expenditures</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>						
Charges for services	\$ 1,392,000	\$ 1,392,000	\$ 1,407,639	\$ -	\$ 1,407,639	\$ 15,639
Total revenues	1,392,000	1,392,000	1,407,639	-	1,407,639	15,639
<b>EXPENDITURES</b>						
Current:						
Sanitation department	1,487,496	1,487,496	1,405,217	1,400	1,406,617	80,879
Curbside recycle	229,531	228,690	209,423	-	209,423	19,267
Debt service:						
Principal	25,313	26,154	26,153	-	26,153	1
Interest	7,676	7,676	7,617	-	7,617	59
Paying agent fees	500	500	-	-	-	500
Total expenditures	1,750,516	1,750,516	1,648,410	1,400	1,649,810	100,706
Deficiency of revenues over expenditures	(358,516)	(358,516)	(240,771)	(1,400)	(242,171)	(85,067)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	400,000	400,000	400,000	-	400,000	-
Total other financing sources	400,000	400,000	400,000	-	400,000	-
Net change in fund balance	41,484	41,484	159,229	(1,400)	157,829	(85,067)
Fund balances, July 1, 2015	-	-	277,148	-	277,148	-
Fund balances, June 30, 2016	\$ 41,484	\$ 41,484	\$ 436,377	\$ (1,400)	\$ 434,977	\$ (85,067)

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 7,923,659	\$ 2,080,842	\$ 10,210,346	\$ 3,246,738	\$ 2,928,561	\$ -	\$ 26,390,146	\$ 873,724
Receivables, net	633,627	160,207	9,686,141	212,708	-	(212,037)	10,480,646	49,404
Due from other funds	-	-	922,798	-	-	(653,568)	269,230	-
Due from other governmental units	106,189	-	315,713	1,819	16,649	-	440,370	-
Other current assets	18,975	-	-	12,756	134,071	-	165,802	34,638
Inventories	177,170	93,282	957,269	422,531	-	-	1,650,252	-
Total current assets	8,859,620	2,334,331	22,092,267	3,896,552	3,079,281	(865,605)	39,396,446	957,766
Noncurrent assets:								
Cash and cash equivalents, restricted	4,950,693	-	-	2,156,702	172,341	-	7,279,736	-
Due from other funds	-	-	4,562,930	-	-	(4,562,930)	-	-
Other assets	5,030	102,644	512,503	-	-	-	620,177	-
Land and construction in progress	19,333,383	1,963,951	2,407,106	1,746,435	119,475	-	25,570,350	-
Other capital assets, net	68,431,996	4,108,974	61,254,450	37,910,957	7,310,533	-	179,016,910	-
Total noncurrent assets	92,721,102	6,175,569	68,736,989	41,814,094	7,602,349	(4,562,930)	212,487,173	-
Total assets	101,580,722	8,509,900	90,829,256	45,710,646	10,681,630	(5,428,535)	251,883,619	957,766
DEFERRED OUTFLOWS OF RESOURCES								
Pension contributions subsequent to measuring date and other pension related deferred outflows	-	63,556	-	-	-	-	63,556	-
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	1,854,403	14,407	7,120,109	321,374	572,205	(212,037)	9,670,461	223,666
Accrued payroll and related liabilities	161,656	2,639	1,397,990	418,695	120,555	-	2,101,535	-
Accrued interest payable	-	33,943	-	-	-	-	33,943	-
Customer deposits	-	-	4,152,217	-	88,900	-	4,241,117	-

(Continued)

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
LIABILITIES (Continued)								
Current liabilities: (Continued)								
Due to other funds	\$ 127,163	\$ -	\$ -	\$ 69,039	\$ 726,596	\$ (653,568)	\$ 269,230	\$ -
Compensated absences	-	8,166	-	-	-	-	8,166	-
Bonds, leases, and contracts payable	3,877,921	223,847	1,214,706	910,944	259,298	-	6,486,716	-
Total current liabilities	6,021,143	283,002	13,885,022	1,720,052	1,767,554	(865,605)	22,811,168	223,666
Noncurrent liabilities:								
Due to other funds	-	-	-	-	4,562,930	(4,562,930)	-	-
Compensated absences	-	7,760	-	-	-	-	7,760	-
Other post-employment benefits	10,794	-	527,375	115,584	197,566	-	851,319	-
Net pension liability	-	136,729	-	-	-	-	136,729	-
Bonds, leases, and contracts payable	66,248,583	4,405,384	17,624,792	11,760,271	4,913,147	-	104,952,177	-
Total noncurrent liabilities	66,259,377	4,549,873	18,152,167	11,875,855	9,673,643	(4,562,930)	105,947,985	-
Total liabilities	72,280,520	4,832,875	32,037,189	13,595,907	11,441,197	(5,428,535)	128,759,153	223,666
DEFERRED INFLOWS OF RESOURCES								
Unearned revenues	-	-	-	-	257,288	-	257,288	-
Net difference between projected and actual investment earnings on pension plan investments	-	59,100	-	-	-	-	59,100	-
Total deferred inflows of resources	-	59,100	-	-	257,288	-	316,388	-
NET POSITION								
Net investment in capital assets	22,589,568	1,443,694	44,822,058	29,142,879	2,429,904	-	100,428,103	-
Unrestricted	6,710,634	2,237,787	13,970,009	2,971,860	(3,446,759)	-	22,443,531	734,100
Total net position	\$ 29,300,202	\$ 3,681,481	\$ 58,792,067	\$ 32,114,739	\$ (1,016,855)	\$ -	\$ 122,871,634	\$ 734,100

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –  
PROPRIETARY FUNDS  
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
<b>OPERATING REVENUES</b>								
Charges for services	\$ 12,852,808	1,292,445	\$ 74,026,335	\$ 6,378,731	\$ 8,509,233	\$ (212,037)	\$ 102,847,515	\$ 4,626,343
Interfund services	-	-	1,299,957	469,983	1,830,000	(3,599,940)	-	-
Other	839,444	854	1,749,925	33,139	210,323	-	2,833,685	-
Total operating revenues	13,692,252	1,293,299	77,076,217	6,881,853	10,549,556	(3,811,977)	105,681,200	4,626,343
<b>OPERATING EXPENSES</b>								
Operations	3,847,087	614,440	5,353,781	3,749,395	6,016,442	(212,037)	19,369,108	-
Maintenance	1,018,513	368,069	2,568,603	720,384	357,304	-	5,032,873	-
Power purchased	-	-	60,623,773	-	-	-	60,623,773	-
Depreciation	3,741,375	240,226	4,887,836	1,537,378	514,530	-	10,921,345	-
Interfund services	480,750	-	1,720,299	395,778	1,003,113	(3,599,940)	-	-
Other	-	-	355,875	-	87,320	-	443,195	-
Insurance claims and expenses	-	-	-	-	-	-	-	4,494,478
Total operating expenses	9,087,725	1,222,735	75,510,167	6,402,935	7,978,709	(3,811,977)	96,390,294	4,494,478
Operating income	4,604,527	70,564	1,566,050	478,918	2,570,847	-	9,290,906	131,865
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Interest income	5,180	6,892	26,889	11,015	1,894	-	51,870	-
Interest expense	(1,857,640)	(97,185)	(192,136)	(389,289)	(84,110)	-	(2,620,360)	-
Total nonoperating expenses	(1,852,460)	(90,293)	(165,247)	(378,274)	(82,216)	-	(2,568,490)	-
Income (loss) before contributions and transfers	2,752,067	(19,729)	1,400,803	100,644	2,488,631	-	6,722,416	131,865
Capital contributions	325,000	-	-	97,950	-	-	422,950	-
Transfers out	(506,900)	(29,187)	(1,225,792)	(36,120)	-	-	(1,797,999)	-
Change in net position	2,570,167	(48,916)	175,011	162,474	2,488,631	-	5,347,367	131,865
<b>NET POSITION AT JULY 1, as restated</b>	26,730,035	3,730,397	58,617,056	31,952,265	(3,505,486)	-	117,524,267	602,235
<b>NET POSITION AT JUNE 30</b>	\$ 29,300,202	\$ 3,681,481	\$ 58,792,067	\$ 32,114,739	\$ (1,016,855)	\$ -	\$ 122,871,634	\$ 734,100

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
<b>OPERATING ACTIVITIES</b>								
Receipts from customers	\$ 13,648,523	\$ 1,292,582	\$ 77,302,358	\$ 6,882,401	\$ 10,593,131	\$ (3,811,977)	\$ 105,907,018	\$ 4,633,873
Payments to suppliers	(6,197,356)	(382,670)	(64,469,516)	(3,000,326)	(6,255,833)	3,811,977	(76,493,724)	-
Payments to employees	(1,305,373)	(645,408)	(6,454,352)	(1,728,427)	(1,259,768)	-	(11,393,328)	-
Claims and premiums paid	-	-	-	-	-	-	-	(4,631,828)
Other receipts	-	854	1,282,128	-	-	-	1,282,982	-
Net cash provided by operating activities	6,145,794	265,358	7,660,618	2,153,648	3,077,530	-	19,302,948	2,045
<b>NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers to other funds	(506,900)	(29,187)	(1,228,092)	(36,120)	-	-	(1,800,299)	-
Interfund borrowing (repayments)	134,462	-	494,022	126,718	(755,202)	-	-	-
Net cash provided by (used in) noncapital financing activities	(372,438)	(29,187)	(734,070)	90,598	(755,202)	-	(1,800,299)	-
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Purchases of capital assets	(8,266,189)	(925,084)	(6,632,087)	(2,270,650)	(756,825)	-	(18,850,835)	-
Contribution of capital by other governments	325,000	-	-	97,950	-	-	422,950	-
Proceeds from issuance of long-term debt	2,581,968	-	696,819	-	-	-	3,278,787	-
Principal paid on capital debt	-	(222,618)	-	-	(16,086)	-	(238,704)	-
Payments on contractual obligation	(3,603,634)	-	(1,177,056)	(881,473)	(231,076)	-	(5,893,239)	-
Financing cost paid on long-term debt	(162,373)	-	(103,621)	-	(29,438)	-	(295,432)	-
Interest paid on capital debt	(1,695,267)	(98,757)	(88,515)	(389,289)	(54,672)	-	(2,326,500)	-
Net cash used in capital and related financing activities	(10,820,495)	(1,246,459)	(7,304,460)	(3,443,462)	(1,088,097)	-	(23,902,973)	-
<b>INVESTING ACTIVITIES</b>								
Interest received	5,180	6,892	26,889	11,015	1,894	-	51,870	-
Net cash provided by investing activities	5,180	6,892	26,889	11,015	1,894	-	51,870	-
Net (decrease) increase in cash and cash equivalents	(5,041,959)	(1,003,396)	(351,023)	(1,188,201)	1,236,125	-	(6,348,454)	2,045

(Continued)

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CASH FLOWS –  
PROPRIETARY FUNDS  
Year Ended June 30, 2016**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Stormwater System	Power System	Water System	Broadband	Eliminations	Total	
CASH AND CASH EQUIVALENTS								
Beginning at July 1	\$ 17,916,311	\$ 3,084,238	\$ 10,561,369	\$ 6,591,641	\$ 1,864,777	\$ -	\$ 40,018,336	\$ 871,679
Ending at June 30	\$ 12,874,352	\$ 2,080,842	\$ 10,210,346	\$ 5,403,440	\$ 3,100,902	\$ -	\$ 33,669,882	\$ 873,724
RECONCILIATION TO STATEMENT OF NET POSITION:								
Cash and cash equivalents	\$ 7,923,659	\$ 2,080,842	\$ 10,210,346	\$ 3,246,738	\$ 2,928,561	\$ -	\$ 26,390,146	\$ 873,724
Cash and cash equivalents, restricted	4,950,693	-	-	2,156,702	172,341	-	7,279,736	-
	\$ 12,874,352	\$ 2,080,842	\$ 10,210,346	\$ 5,403,440	\$ 3,100,902	\$ -	\$ 33,669,882	\$ 873,724
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
Operating income	\$ 4,604,527	\$ 70,564	\$ 1,566,050	\$ 478,918	\$ 2,570,847	\$ -	\$ 9,290,906	\$ 131,865
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	3,824,770	240,226	4,975,235	1,658,537	514,530	-	11,213,298	-
Pension expense net of employer contributions	-	(27,562)	-	-	-	-	(27,562)	-
Change in assets and liabilities:								
(Increase) decrease in:								
Receivable, net	(43,729)	137	573,473	548	36,475	-	566,904	7,530
Inventories	(22,483)	12,197	38,273	(28,034)	-	-	(47)	-
Other assets	(6,768)	8,553	581,117	(1,606)	(15,962)	-	565,334	(3,960)
(Decrease) increase in:								
Accounts payable and accrued liabilities	(2,211,684)	(35,351)	(304,301)	97,045	(64,234)	-	(2,518,525)	(133,390)
Accrued payroll and related liabilities	-	(10,717)	-	-	-	-	(10,717)	-
Customer deposits	-	-	353,679	-	7,100	-	360,779	-
Other liabilities	1,161	7,311	(122,908)	(51,760)	28,774	-	(137,422)	-
Net cash provided by operating activities	6,145,794	265,358	7,660,618	2,153,648	3,077,530	-	19,302,948	2,045
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES								
Capital asset purchases financed by accounts payable	\$ 746,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 746,546	\$ -

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



## CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2016

	Post-Employment Benefits Trust	LAMTPO Agency Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 128,446	\$ 195,814
Investments	217,064	-
Grants receivable	-	2,891
Total assets	345,510	198,705
<b>LIABILITIES</b>		
Accounts payable	-	21,324
Accrued payroll and related liabilities	-	2,481
Amounts held for others	-	174,900
Total liabilities	-	198,705
<b>NET POSITION</b>		
Held in trust for post-employment benefits	\$ 345,510	\$ -

## CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
June 30, 2016

	<u>Post-Employment Benefits Trust</u>
<b>ADDITIONS</b>	
Employer contributions	\$ 123,281
Investment earnings:	-
Dividends and capital gains	9,301
Net increase in fair value of investments	<u>(11,249)</u>
Total additions	<u>121,333</u>
<b>DEDUCTIONS</b>	
Benefits	3,000
Administrative expenses	<u>1,764</u>
Total deductions	<u>4,764</u>
Change in net position	116,569
Net position – beginning of the year	<u>228,941</u>
Net positions – end of the year	<u><u>\$ 345,510</u></u>

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### 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.

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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.

**CITY OF MORRISTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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 funds:

The *community development block grant (CDBG) fund* accounts for the activities related to the receipt and expenditure of CDBG funds.

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

The *wastewater 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.

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 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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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 1<sup>st</sup>. 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.

**CITY OF MORRISTOWN, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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 are recorded at estimated fair 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 \$36,919 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.

## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### 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 or governmental grants received before the period in which they are eligible for use (unearned revenue). The third item is the net difference between projected and actual earnings on pension plan investments and 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.



## CITY OF MORRISTOWN, TENNESSEE

### NOTES TO FINANCIAL STATEMENTS

June 30, 2016

#### 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 net fiduciary position have been determined on the same basis as they were reported by the TCRS. 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).

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

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

**B. Excess of Expenditure over Appropriations**

For the fiscal year ended June 30, 2016, there were no instances of expenditures exceeding appropriations in any funds.

**C. Deficit Fund Equity**

There were no instances of deficit fund equity in any City funds at June 30, 2016.

**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, 2016, the City's cash consisted of:

Cash on hand	\$ 9,480
Deposits	<u>50,902,733</u>
Total deposits and investments	<u><u>\$ 50,912,213</u></u>
Reconciliation of deposits and investments to Exhibit 1:	
Cash and cash equivalents	\$ 43,632,477
Cash and cash equivalents, restricted	<u>7,279,736</u>
Total deposits and investments	<u><u>\$ 50,912,213</u></u>

Restricted cash and cash equivalents consists of \$7,279,736 of funds restricted for a construction escrow and unspent bond proceeds.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 4. Receivables, Net**

Receivables are as follows:

<b>Governmental Activities</b>						
	<b>General</b>	<b>Solid Waste</b>	<b>Non-Major</b>	<b>Internal Service Fund</b>	<b>Total</b>	
Receivables:						
Taxes	\$ 12,020,516	\$ -	\$ -	\$ -	\$ 12,020,516	
Accounts	4,437,284	132,592	3,774	-	4,573,650	
Other	-	55,662	-	49,404	105,066	
	16,457,800	188,254	3,774	49,404	16,699,232	
Less: allowance for uncollectibles	(328,256)	(13,405)	-	-	(341,661)	
Receivables, net	<u>\$ 16,129,544</u>	<u>\$ 174,849</u>	<u>\$ 3,774</u>	<u>\$ 49,404</u>	<u>\$ 16,357,571</u>	

<b>Business-Type Activities</b>						
	<b>Wastewater</b>	<b>Stormwater</b>	<b>Power</b>	<b>Water</b>	<b>Eliminations</b>	<b>Total</b>
Receivables:						
Accounts	\$ 633,627	\$ 371,994	\$ 9,963,342	\$ 212,708	\$ (212,037)	\$ 10,969,634
Other	-	57,905	-	-	-	57,905
	633,627	429,899	9,963,342	212,708	(212,037)	11,027,539
Less: allowance for uncollectibles	-	(269,692)	(277,201)	-	-	(546,893)
Receivables, net	<u>\$ 633,627</u>	<u>\$ 160,207</u>	<u>\$ 9,686,141</u>	<u>\$ 212,708</u>	<u>\$ (212,037)</u>	<u>\$ 10,480,646</u>

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:

	<b>Unavailable/ Unearned</b>	<b>Unearned</b>
Included in receivables:		
Property taxes	\$ 11,647,313	\$ 10,753,310
Grants	353,854	-
	<u>12,001,167</u>	<u>10,753,310</u>
Included in cash:		
Unearned lease proceeds	<u>874,250</u>	<u>874,250</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 12,875,417</u>	<u>\$ 11,627,560</u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 5. Interfund Receivables, Payables, and Transfers**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Purpose</u>	<u>Amount</u>
Power	Broadband	Interfund loan	\$ 5,216,498
Power	Broadband	Operating and maintenance costs	73,028
Power	Water	Operating and maintenance costs	69,039
Power	Wastewater	Operating and maintenance costs	127,163
General	CDBG	In lieu of tax	53,070
			<u>\$ 5,538,798</u>

Interfund transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Funds:		
General	\$ 1,851,069	\$ (2,393,623)
Solid Waste	400,000	-
Capital Projects	1,375,000	-
Narcotics	618,623	-
Community Development Block Grant	-	(53,070)
Water	-	(36,120)
Power	-	(1,225,792)
Stormwater	-	(29,187)
Wastewater	-	(506,900)
	<u>\$ 4,244,692</u>	<u>\$ (4,244,692)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute 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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 6. Land Held for Sale**

Land held for sale consists of land located in industrial parks held for resale. At June 30, 2016, the balance was \$8,772,624.

**Note 7. Capital Assets**

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

<u>Governmental Activities</u>	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 10,379,613	\$ 29,200	\$ 103,873	\$ 10,304,940
Construction in progress	1,884,302	3,886,055	2,241,057	3,529,300
Total capital assets, not depreciated	12,263,915	3,915,255	2,344,930	13,834,240
Capital assets, depreciated				
Buildings	19,792,099	-	-	19,792,099
Improvements other than buildings	12,430,457	1,270,692	-	13,701,149
Infrastructure	48,299,231	-	-	48,299,231
Motor vehicles	3,309,888	584,282	-	3,894,170
Machinery and equipment	11,305,869	1,508,173	-	12,814,042
Total capital assets depreciated	95,137,544	3,363,147	-	98,500,691
Less accumulated depreciation for:				
Buildings	(7,877,824)	(376,691)	-	(8,254,515)
Improvements other than buildings	(11,205,602)	(144,891)	-	(11,350,493)
Infrastructure	(21,547,377)	(2,059,621)	-	(23,606,998)
Motor vehicles	(1,325,806)	(404,347)	-	(1,730,153)
Machinery and equipment	(8,799,823)	(244,771)	-	(9,044,594)
Total accumulated depreciation	(50,756,432)	(3,230,321)	-	(53,986,753)
Total capital assets, depreciated, net	44,381,112	132,826	-	44,513,938
Governmental activities, capital activities, capital	\$ 56,645,027	\$ 4,048,081	\$ 2,344,930	\$ 58,348,178

\*As adjusted. See Note 17.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 7. Capital Assets (Continued)**

<b>Business-Type Activities</b>	<b>Beginning Balance*</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated				
Land	\$ 2,514,973	\$ 140,664	\$ -	\$ 2,655,637
Construction in progress	17,568,508	19,525,921	14,179,716	22,914,713
Total capital assets, not depreciated	20,083,481	19,666,585	14,179,716	25,570,350
Capital assets, depreciated				
Buildings and improvements	21,488,426	1,279,597	-	22,768,023
Transmission and distribution	245,244,556	11,244,126	631,375	255,857,307
Machinery and equipment	37,370,441	1,418,158	282,697	38,505,902
Total capital assets depreciated	304,103,423	13,941,881	914,072	317,131,232
Less accumulated depreciation for:				
Buildings and improvements	(6,829,154)	(393,116)	-	(7,222,270)
Transmission and distribution	(102,031,140)	(8,254,756)	791,494	(109,494,402)
Machinery and equipment	(19,211,262)	(2,469,085)	282,697	(21,397,650)
Total accumulated depreciation	(128,071,556)	(11,116,957)	1,074,191	(138,114,322)
Total capital assets, depreciated, net	176,033,867	2,824,924	(160,119)	179,016,910
Business-type activities, capital activities, capital	\$ 196,115,348	\$ 22,491,509	\$ 14,019,597	\$ 204,587,260

\*As adjusted. See Note 17.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 361,826
Public safety	417,159
Public works	2,353,144
Parks and recreation	98,192
	<u>\$ 3,230,321</u>
Business-type activities:	
Stormwater	\$ 231,672
Water	1,658,537
Power	4,887,405
Wastewater	3,824,813
Broadband	514,530
	<u>\$ 11,116,957</u>

(Continued)

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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 \$121,159 for the water system and \$83,438 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:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 16,043,249	\$ -	\$ (850,299)	\$ 15,192,950	\$ 890,613
Notes payable	3,021,229	-	(361,229)	2,660,000	335,000
Compensated absences	1,235,672	-	(19,510)	1,216,162	364,849
	<u>\$ 20,300,150</u>	<u>\$ -</u>	<u>\$ (1,231,038)</u>	<u>\$ 19,069,112</u>	<u>\$ 1,590,462</u>
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b><u>Business-Type Activities</u></b>					
General obligation bonds	\$ 47,093,253	\$ 696,819	\$ (2,133,029)	\$ 45,657,043	\$ 2,367,270
Net discounts/premiums	1,332,131	-	(65,827)	1,266,304	65,827
Total bonds payable	48,425,384	696,819	(2,198,856)	46,923,347	2,433,097
Notes payable	63,007,863	2,581,968	(3,569,525)	62,020,306	3,882,535
Contractual obligations	2,730,979	-	(280,826)	2,450,153	154,098
Capital leases	61,173	-	(16,086)	45,087	16,986
Compensated absences	8,615	7,311	-	15,926	8,166
Other post-employment benefits	767,727	83,592	-	851,319	-
	<u>\$ 115,001,741</u>	<u>\$ 3,369,690</u>	<u>\$ (6,065,293)</u>	<u>\$ 112,306,138</u>	<u>\$ 6,494,882</u>



**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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 Ending June 30,	Governmental Activities					
	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 890,613	\$ 378,959	\$ 335,000	\$ 52,476	\$ 1,225,613	\$ 431,435
2018	935,663	357,034	335,000	46,375	1,270,663	403,409
2019	979,315	333,955	335,000	40,148	1,314,315	374,103
2020	1,027,638	309,839	335,000	33,793	1,362,638	343,632
2021	1,074,591	284,495	335,000	27,307	1,409,591	311,802
2022-2026	6,197,987	999,599	985,000	41,657	7,182,987	1,041,256
2027-2031	3,448,141	266,088	-	-	3,448,141	266,088
2032-2036	639,002	37,861	-	-	639,002	37,861
	<u>\$ 15,192,950</u>	<u>\$ 2,967,830</u>	<u>\$ 2,660,000</u>	<u>\$ 241,756</u>	<u>\$ 17,852,950</u>	<u>\$ 3,209,586</u>

Year Ending June 30,	Business-Type Activities							
	General Obligation Bonds		Notes Payable		Capital Leases Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 2,367,270	\$ 1,013,885	\$ 3,882,535	\$ 1,342,672	\$ 16,986	\$ 3,290	\$ 6,266,791	\$ 2,359,847
2018	2,406,001	971,796	3,902,466	1,253,310	17,936	-	6,326,403	2,225,106
2019	2,194,733	923,302	3,975,047	1,164,199	10,165	-	6,179,945	2,087,501
2020	2,234,464	876,311	4,073,902	1,073,693	-	-	6,308,366	1,950,004
2021	2,275,197	828,973	4,134,887	981,641	-	-	6,410,084	1,810,614
2022-2026	12,088,393	3,395,551	22,048,299	3,480,580	-	-	34,136,692	6,876,131
2027-2031	10,539,657	1,975,347	16,345,999	1,293,202	-	-	26,885,656	3,268,549
2032-2036	10,266,342	801,665	3,657,171	102,411	-	-	13,923,513	904,076
2037-2041	1,284,986	21,846	-	-	-	-	1,284,986	21,846
	<u>\$ 45,657,043</u>	<u>\$ 10,808,676</u>	<u>\$ 62,020,306</u>	<u>\$ 10,691,708</u>	<u>\$ 45,087</u>	<u>\$ 3,290</u>	<u>\$ 107,722,436</u>	<u>\$ 21,503,674</u>

(Continued)

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 8. Long-Term Liabilities (Continued)**

Details of long-term indebtedness are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Year Issued</u>	<u>Final Maturity</u>	<u>Original Issue</u>	<u>Balance June 30, 2016</u>
<b><u>Governmental Activities</u></b>					
General long-term debt					
2008 Public Improvement (\$8M)	Variable	5/5/2008	2009-2028	\$ 4,000,000	\$ 2,844,500
2008 Public Improvement (\$3M)	Variable	11/26/2008	2009-2029	1,290,000	972,660
2008 Public Improvement (\$20M)	Variable	7/9/2008	2009-2035	9,204,865	6,549,722
2008 Public Improvement (\$5.035M)	Variable	9/11/2008	2009-2028	3,272,750	2,349,750
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034	2,848,203	2,342,370
Capital Outlay Note	2.06%	2011	2011-2024	3,750,000	2,493,750
Solid waste					
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034	162,919	133,948
Capital Outlay Note	0.50%	2011	2011-2024	250,000	166,250
Total governmental activities				<u>\$ 24,778,737</u>	<u>\$ 17,852,950</u>
<b><u>Enterprise Funds</u></b>					
Wastewater system					
2008 Public Improvement (\$8M)	Variable	5/5/2008	2009-2028	\$ 4,000,000	\$ 2,844,500
2008 Public Improvement (\$3M)	Variable	11/26/2008	2009-2029	1,710,000	1,289,340
2008 Public Improvement (\$20M)	Variable	7/9/2008	2009-2035	10,795,135	7,681,278
State Revolving Fund 07-203	2.06%	2007	Various	12,500,000	8,082,784

(Continued)

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 8. Long-Term Liabilities (Continued)**

<b>Description</b>	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Final Maturity</b>	<b>Original Issue</b>	<b>Balance June 30, 2016</b>
<b>Enterprise Funds (Continued)</b>					
Wastewater system (Continued)					
State Revolving Fund 09-229	2.73%	2009	Various	\$ 5,000,000	\$ 1,106,791
2008 Public Improvement (\$5.035M)	Variable	9/11/2008	2009-2028	1,762,250	1,265,250
2009 Public Improvement and Refunding (\$5M)	2.91%	12/21/2009	2009-2034	1,907,419	1,568,719
General Obligation Bonds	2.00-4.00%	2012	2012-2037	26,000,000	22,739,967
2013 Public Improvement (\$20M)	3.65%	2013	2013-2033	20,000,000	15,142,587
2013 CWSRF Promissory Note (\$5M)	1.51%	2013	2015-2032	5,000,000	4,946,357
2015 Promissory Note (\$10M)	2.74%	2016	2017-2037	10,000,000	60,000
Power system					
Cooperative Notes	None	Various	2003-2020	314,108	234,127
Series V-A-2 Bonds	Variable	2003	2004-2018	2,500,000	500,000
2008 TML Bonds	Variable	2008	2011-2035	15,186,961	13,027,642
2013 Promissory Note	Variable	2013	2013-2028	7,000,000	4,947,438
Water system					
DWSRF Promissory Note	2.61%	2002	2007-2026	10,492,582	5,895,251
Water System Bonds Series 2010	3.38%	2009	2010-2029	7,500,000	5,765,000
2011 DWSRF Note	2.83%	2011	2011-2032	2,000,000	1,010,964
Broadband system					
Telecom System 2008 TML Bonds	Variable	2008	2016-2030	20,115,000	4,227,358
First Tennessee Bank Promissory Note	2.59%	2014	2014-2024	1,000,000	900,000
Stormwater system					
2009 Public Improvement and Refunding (\$5M)	2.91%	2009	2009-2034	81,459	66,963
General Obligation Bonds	2.00-4.00%	2012	2012-2037	5,000,000	4,375,033
Total enterprise funds				<u>169,864,914</u>	<u>107,677,349</u>
				<u>\$ 194,643,651</u>	<u>\$ 125,530,299</u>
<b>Capital leases</b>					
Broadband	4.99%	2014	2019	\$ 98,112	\$ 45,087
Total capital leases				<u>\$ 98,112</u>	<u>\$ 45,087</u>

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:

<b>Business-Type</b>	
2017	\$ 18,877
2018	18,877
2019	<u>10,623</u>
Total future minimum lease payments	48,377
Less amounts representing interest	<u>3,290</u>
Present value of future minimum lease payments	<u>\$ 45,087</u>

(Continued)

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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:

	<b>General Fund</b>	<b>Other Governmental Funds</b>
Nonspendable:		
Inventories	\$ 85,357	\$ -
Land held for sale	8,772,624	-
	<hr/>	<hr/>
Total nonspendable	8,857,981	-
	<hr/>	<hr/>
Restricted for:		
Narcotics	-	92,712
Public works	582,359	-
Public works – gas tax	818,606	-
Other operations – airport	177,672	-
Public health and welfare	-	436,377
	<hr/>	<hr/>
Total restricted	1,578,637	529,089
	<hr/>	<hr/>
Committed to:		
Capital projects	-	1,375,000
	<hr/>	<hr/>
Total committed	-	1,375,000
	<hr/>	<hr/>
Assigned to:		
General government	590,612	-
Finance	52,250	-
Public safety	1,147,630	-
Public works	598,529	-
Social, cultural, and recreational	17,498	-
Capital projects	3,156,876	-
Other purposes	1,150,588	-
	<hr/>	<hr/>
Total assigned	6,713,983	-
	<hr/>	<hr/>
Unassigned	8,350,230	-
	<hr/>	<hr/>
Total fund balance	\$ 25,500,831	\$ 1,904,089
	<hr/>	<hr/>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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](http://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 2<sup>nd</sup> 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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	146
Inactive employees entitled to but not yet receiving benefits	92
Active employees	<u>267</u>
Total covered employees	<u><u>505</u></u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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, 2015, employer contributions for the City were \$1,999,102 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, 2015, 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, 2015, 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, 2015, 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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
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 %
		<u>100.00 %</u>

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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 10. Defined Benefit Pension Plan (Continued)**

**Changes in Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 67,330,414	\$ 58,667,609	\$ 8,662,805
Changes for the year:			
Service cost	1,046,764	-	1,046,764
Interest	4,991,380	-	4,991,380
Differences between expected and actual experience	(1,019,195)	-	(1,019,195)
Contributions – employer	-	1,999,102	(1,999,102)
Contributions – employee	-	652,910	(652,910)
Net investment income	-	1,794,350	(1,794,350)
Benefit payments, including refunds of employee contributions	(3,650,880)	(3,650,880)	-
Administrative expenses	-	(14,221)	14,221
Net changes	1,368,069	781,261	586,808
Balances at June 30, 2015	\$ 68,698,483	\$ 59,448,870	\$ 9,249,613

**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%) than the current rate:

	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
City's net pension liability	\$ 17,965,788	\$ 9,249,613	\$ 1,986,130

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension expense:**

For the year ended June 30, 2016, the City recognized pension expense of \$412,214.

(Continued)



**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 10. Defined Benefit Pension Plan (Continued)**

**Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,230,005
Net difference between projected and actual earnings on pension plan investments	2,054,184	2,765,476
Contributions subsequent to the measurement date of June 30, 2015	<u>2,043,549</u>	<u>-</u>
	<u><u>\$ 4,097,733</u></u>	<u><u>\$ 3,995,481</u></u>

The amount shown above for Contributions subsequent to the measurement date of June 30, 2015, 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,**

2017	\$ (625,161)
2018	(625,161)
2019	(625,161)
2020	296,665
2021	(216,881)
Thereafter	(145,598)

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, 2016, the City reported a payable of \$334,697 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2016.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**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>Total Payroll</u>	<u>Covered Payroll</u>	<u>Employer Contributions</u>	<u>% of Covered Payroll</u>	<u>Employee Contributions</u>	<u>% of Covered Payroll</u>
<u>Power system</u>						
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
2014	5,106,363	4,695,584	701,989	15	344,593	7.00
<u>Water system</u>						
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
2014	1,458,497	1,385,506	204,042	15	72,291	5.00
<u>Broadband system</u>						
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
2014	1,339,471	1,164,406	171,279	15	53,534	5.00
<u>Wastewater system</u>						
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
2014	438,885	361,247	53,971	15	25,764	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 2016, the discretionary contribution amounted to 12% of the participants' salary. Participants are not required but may contribute up to a total of 75% of their salary subject to IRS limitations. All employees who have completed one year of service as defined by the Plan and who have attained the age of 21 are eligible to participate in the Plan. Participants are 100% vested in the employer contributions when they are made.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 12. Post-Employment Health Insurance Benefits**

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.

**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 until the employee is Medicare eligible. Spouse eligibility lapses with employee eligibility.

**Benefits Provided**

The City provides medical, dental, and vision benefits to retirees and their spouse. The City also pays 85% of medical premiums and 100% of dental and vision premiums. For employees retiring after June 30, 2010, the employer will pay 2.84% of medical premiums for each year of service up to a maximum of 85%. 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, 2014 was as follows:

Retirees currently receiving benefits	46
Active employees	<u>286</u>
Total	<u><u>332</u></u>

**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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

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

**Annual Other Post-Employment Benefit Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2016, the City's annual OPEB cost (expense) was \$429,891. The payment of current health insurance premiums and contributions which totaled \$429,891 for retirees, resulted in an increase to the Net OPEB obligation of \$-0- for the year ended June 30, 2016.

Annual required contribution	\$ 429,891
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
	<hr/>
Annual OPEB cost	429,891
Contributions made	(429,891)
	<hr/>
Increase in net OPEB obligation	-
Net OPEB obligation-beginning of year	-
	<hr/>
Net OPEB obligation-end of year	<u><u>\$ -</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 are as follows.

<u>Fiscal Year Ended,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 429,891	100 %	\$ -
June 30, 2015	421,169	100	-
June 30, 2014	375,632	100	-

**Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2016 was as follows:

Actuarial Accrued Liability (AAL)	\$ 4,874,520
Actuarial Value of Plan Assets	\$ 236,550
Unfunded Actuarial Accrued Liability (UAAL)	\$ 4,637,970
Funded Ratio (Actuarial Value of Plan Assets/AAL)	95 %
Covered Payroll (Active Plan Members)	\$ 12,540,668
UAAL as a Percentage of Covered Payroll	37 %

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 12. Post-Employment Health Insurance Benefits (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, 2014 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 7.5% 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 over an open period of 5 years. The remaining amortization period at June 30, 2016 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.

**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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

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

**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	<u>274</u>
Total	<u><u>308</u></u>

**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.

**Annual Other Post-Employment Benefit Cost and Net OPEB Obligation**

For the fiscal year ended June 30, 2016, the Commission's annual OPEB cost (expense) was \$168,671. The payment of current health insurance premiums and contributions, which totaled \$85,079 for retirees, resulted in an increase to the Net OPEB obligation of \$83,592 for the year ended June 30, 2016.

Annual required contribution	\$ 175,623
Interest on net OPEB obligation	30,709
Adjustment to annual required contribution	<u>(37,661)</u>
Annual OPEB cost	168,671
Contributions made	<u>(85,079)</u>
Increase in net OPEB obligation	83,592
Net OPEB obligation – beginning of year	<u>767,727</u>
Net OPEB obligation – end of year	<u><u>\$ 851,319</u></u>

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

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

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 are as follows.

<u>Fiscal Year Ended,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 168,671	50.4%	\$ 851,319
June 30, 2015	192,168	40.0	767,727
June 30, 2014	174,617	32.3	455,222

**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 %

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.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

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

**Actuarial Methods and Assumptions (Continued)**

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.

**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 \$3,902,454 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 \$3,902,454, 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, 2016, and subsequently settled total approximately \$223,666, which is recorded as a payable in the self-insurance fund. Claims incurred but not reported are estimated to be insignificant as of June 30, 2016.



**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 15. Commitments and Contingencies (Continued)**

**Commitments and Contingencies**

At June 30, 2016, 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.

**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 \$257,000 for the library's operations during the fiscal year ended June 30, 2016.

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, 2016, the City was charged \$363,582.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 16. Joint Ventures (Continued)**

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. Restatement of Beginning Net Position and Beginning Fund Balance**

Beginning net position of the City's governmental and business type activities and beginning fund balances of the general and solid waste funds, as well as the beginning net position of the stormwater fund have been restated as follows:

	<u>General Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Fund balance/net position, July 1, 2015, as previously stated	\$ 27,014,574	\$ 230,012	\$ 3,838,115	\$ 51,005,315	\$ 117,631,985
Recording of an allowance for doubtful accounts for old receivables	-	(9,115)	(224,242)	(9,115)	(224,242)
To properly reflect receivables for unbilled revenue	-	56,251	58,250	56,251	58,250
To record capitalized interest for construction in progress	-	-	58,274	-	58,274
To adjust land held for sale to the correct balance	(2,896,118)	-	-	(2,896,118)	-
To properly capitalize land previously unrecorded	-	-	-	2,593,974	-
To properly capitalize amounts related to construction in progress	-	-	-	111,303	-
Net change in fund balance/ net position	(2,896,118)	47,136	(107,719)	(143,705)	(107,719)
Fund balance/net position July 1, 2015, as restated	\$ 24,118,456	\$ 277,148	\$ 3,730,397	\$ 50,861,610	\$ 117,524,267

(Continued)

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 18. Subsequent Events**

In July 2016, The City entered into a \$707,000 contract for the demolition of buildings at the old Morristown College. This increases via a change order to total \$981,375. The City also subsequently agreed to buy the old Morristown College property for \$900,000 with plans to build a City park on the property.

In August 2016, the City was granted \$1,100,000 in Tennessee Department of Transportation funding for a project.

In November 2016, the City approved a \$2,000,000 Telecommunications System Revenue capital outlay note. Repayment is to be made by the Commission. Additionally, the City approved a \$15,000,000 loan in conjunction with the City of Clarksville for wastewater system improvements. Repayment of this loan is also to be made by the Commission.

In January 2017, the City approved the purchase of property for a public works/community center in the amount of \$1,391,000 or \$25,000 per acre, based on results a pending survey of the property

**Note 19. New Accounting Standards**

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

**GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pensions*** improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. 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 will be effective for the year ending June 30, 2017.

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

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 19. New Accounting Standards (Continued)**

**GASB Statement No. 77, *Tax Abatement Disclosures*** requires governments to disclose information about the nature and magnitude of tax abatements granted to a specific taxpayer, typically for the purpose of economic development. This does not cover programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The Statement does not consider issues related to recognition. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*** addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*** establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. This Statement will be effective for the year ending June 30, 2017.

**GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*** clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement will be effective for the year ending June 30, 2017.

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2016**

**Note 19. New Accounting Standards (Continued)**

**GASB Statement No. 81, *Irrevocable Split-Interest Agreements*** provides recognition and measurement guidance for situations in which a government is a beneficiary of the 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 (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) 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, 2017, except for certain provisions regarding assumptions for plans with a measurement date that differs from the employer's reporting date – those provisions are effective for the year ending June 30, 2018.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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## CITY OF MORRISTOWN, TENNESSEE

**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, 2016**

	<b>Plan Year</b>	
	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>		
Service cost	\$ 1,046,764	\$ 1,069,809
Interest on total pension liability	4,991,380	4,856,002
Changes in benefit terms	-	-
Difference between expected and actual experience	(1,019,195)	(498,973)
Changes in assumptions	-	-
Benefit payments, including refunds of employee contributions	(3,650,880)	(3,546,607)
Net change in total pension liability	1,368,069	1,880,231
<b>Total pension liability – beginning</b>	<b>67,330,414</b>	<b>65,450,183</b>
<b>Total pension liability – ending</b>	<b>68,698,483</b>	<b>67,330,414</b>
<b>Plan Fiduciary Net Position</b>		
Contributions – employer	1,999,102	1,927,666
Contributions – employee	652,910	654,779
Net investment income	1,794,350	8,414,739
Benefit payments, including refunds of employee contributions	(3,650,880)	(3,546,607)
Administrative expenses	(14,221)	(13,059)
Net change in plan fiduciary net position	781,261	7,437,518
<b>Plan fiduciary net position – beginning</b>	<b>58,667,609</b>	<b>51,230,091</b>
<b>Plan fiduciary net position – ending</b>	<b>59,448,870</b>	<b>58,667,609</b>
<b>Net pension liability – ending</b>	<b>\$ 9,249,613</b>	<b>\$ 8,662,805</b>
Plan fiduciary net position as a percentage of total pension liability	87%	87.13%
Covered employee payroll	\$ 13,452,906	\$ 13,131,242
Net pension liability as a percentage of covered employee payroll	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.



## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF MORRISTOWN'S CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
**June 30, 2016**

<b>Fiscal Year Ended June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions in Relation to Actuarially Determined Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
2016	\$ 2,043,549	\$ 2,043,549	\$ -	\$ 13,452,906	15.19 %
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 two years of data is available. Additional years will be included as they become available.

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF OPEB FUNDED STATUS AND FUNDING PROGRESS**  
**June 30, 2016**

<b>System</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as Percentage of Covered Payroll ((b-a)/c)</b>
<b>City of Morristown</b>	July 1, 2014	\$ 236,550	\$ 4,874,520	\$ 4,637,970	4.9 %	\$ 12,540,668	37.0 %
	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

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS FOR MORRISTOWN UTILITIES RETIREE BENEFIT PLAN**  
**June 30, 2016**

<b>System</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as Percentage of Covered Payroll ((b-a)/c)</b>
<b>Power:</b>	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
<b>Water:</b>	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
<b>Wastewater:</b>	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
		-					
<b>Broadband:</b>	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.

## CITY OF MORRISTOWN, TENNESSEE

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS FOR MORRISTOWN UTILITIES RETIREE BENEFIT PLAN**  
**June 30, 2016**

	<b>Fiscal Year</b>	<b>Annual Required Contribution</b>	<b>Contribution Made</b>	<b>Percentage Contributed</b>
<b>Power:</b>	2016	\$ 99,302	\$ 41,271	42%
	2015	110,994	53,376	48%
	2014	105,784	38,891	37%
<b>Water:</b>	2016	28,851	9,824	34%
	2015	35,609	18,562	52%
	2014	34,040	16,271	48%
<b>Wastewater:</b>	2016	22,964	33,751	147%
	2015	17,508	4,714	27%
	2014	10,192	1,146	11%
<b>Broadband:</b>	2016	24,506	233	1%
	2015	32,515	-	0%
	2014	30,460	-	0%

**CITY OF MORRISTOWN, TENNESSEE**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2016**

**Note 1. Methods and Assumptions**

Valuation date:

Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013, 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	13 years
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%

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**OTHER  
SUPPLEMENTARY INFORMATION**

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## NON-MAJOR GOVERNMENTAL FUNDS

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**Special Revenue Funds** are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

## CITY OF MORRISTOWN, TENNESSEE

**COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2016**

	<u>Narcotics</u>	<u>Community Development</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 202,364	\$ 6,362	\$ 208,726
Receivables, net	3,694	80	3,774
Due from other governmental units	2,641	135,428	138,069
	<u>208,699</u>	<u>141,870</u>	<u>350,569</u>
Total assets	<u>\$ 208,699</u>	<u>\$ 141,870</u>	<u>\$ 350,569</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 3,267	\$ 86,493	\$ 89,760
Accrued payroll and related liabilities	17,893	2,307	20,200
Due to other funds	-	53,070	53,070
	<u>21,160</u>	<u>141,870</u>	<u>163,030</u>
Total liabilities	<u>21,160</u>	<u>141,870</u>	<u>163,030</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned revenue	94,827	-	94,827
	<u>94,827</u>	<u>-</u>	<u>94,827</u>
Total deferred inflows of resources	<u>94,827</u>	<u>-</u>	<u>94,827</u>
<b>FUND BALANCES</b>			
Restricted	92,712	-	92,712
	<u>92,712</u>	<u>-</u>	<u>92,712</u>
Total fund balances	<u>92,712</u>	<u>-</u>	<u>92,712</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 208,699</u>	<u>\$ 141,870</u>	<u>\$ 350,569</u>

## CITY OF MORRISTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE –  
NON-MAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2016**

	<u>Narcotics</u>	<u>Community Development</u>	<u>Total</u>
<b>REVENUES</b>			
Licenses, permits, and fines	\$ 63,353	\$ -	\$ 63,353
Intergovernmental	23,741	284,658	308,399
	<u>87,094</u>	<u>284,658</u>	<u>371,752</u>
Total revenues			
<b>EXPENDITURES</b>			
Public safety	696,300	-	696,300
Community development	-	303,006	303,006
	<u>696,300</u>	<u>303,006</u>	<u>999,306</u>
Total expenditures			
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	618,623	-	618,623
Transfers out	-	(53,070)	(53,070)
	<u>618,623</u>	<u>(53,070)</u>	<u>565,553</u>
Total other financing sources and uses			
Net change in fund balance	9,417	(71,418)	(62,001)
<b>FUND BALANCES AT JULY 1</b>	<u>83,295</u>	<u>71,418</u>	<u>154,713</u>
<b>FUND BALANCES AT JUNE 30</b>	<u><u>\$ 92,712</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 92,712</u></u>

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## **AGENCY FUNDS**

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

## CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – LAMTPO –  
AGENCY FUND  
Year Ended June 30, 2016**

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 488,646	\$ 97,023	\$ 389,855	\$ 195,814
Accounts receivable	-	2,891	-	2,891
Due from federal government	18,643	-	18,643	-
	<u>507,289</u>	<u>-</u>	<u>18,643</u>	<u>-</u>
Total assets	<u>\$ 507,289</u>	<u>\$ 99,914</u>	<u>\$ 408,498</u>	<u>\$ 198,705</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 943	\$ 21,324	\$ 943	\$ 21,324
Accrued payroll and related liabilities	4,161	2,481	4,161	2,481
Due to others	502,185	76,109	403,394	174,900
	<u>507,289</u>	<u>76,109</u>	<u>403,394</u>	<u>174,900</u>
Total liabilities	<u>\$ 507,289</u>	<u>\$ 99,914</u>	<u>\$ 408,498</u>	<u>\$ 198,705</u>

## **SUPPORTING SCHEDULES**

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**SCHEDULE 1**

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – BUDGETARY BASIS – COMMUNITY DEVELOPMENT FUND  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>REVENUES</b>						
Intergovernmental	\$ 424,747	\$ 424,747	\$ 284,658	\$ -	\$ 284,658	\$ (140,089)
Total revenues	424,747	424,747	284,658	-	284,658	(140,089)
<b>EXPENDITURES</b>						
CDBG administration and programs	427,040	427,040	303,006	-	303,006	124,034
Total expenditures	427,040	427,040	303,006	-	303,006	124,034
Excess (deficiency) of revenues over expenditures	(2,293)	(2,293)	(18,348)	-	(18,348)	(264,123)
<b>OTHER FINANCING USES</b>						
Transfers out	-	-	(53,070)	-	(53,070)	(53,070)
Total other financing uses	-	-	(53,070)	-	(53,070)	(53,070)
Net change in fund balance	(2,293)	(2,293)	(71,418)	-	(71,418)	(317,193)
Fund balances, July 1, 2015	-	-	71,418	-	71,418	-
Fund balances, June 30, 2016	\$ (2,293)	\$ (2,293)	\$ -	\$ -	\$ -	\$ (317,193)



**SCHEDULE 2**

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – BUDGETARY BASIS – NARCOTICS FUND  
Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>		<b>Budgetary</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Encumbrances</b>	<b>Basis</b>	<b>Final Budget</b>
					<b>Expenditures</b>	<b>Positive</b>
						<b>(Negative)</b>
<b>REVENUES</b>						
Fines and forfeitures	\$ 126,948	\$ 126,948	\$ 63,353	\$ -	\$ 63,353	\$ (63,595)
Intergovernmental	-	-	23,741	-	23,741	23,741
Total revenues	126,948	126,948	87,094	-	87,094	(39,854)
<b>EXPENDITURES</b>						
Narcotics	595,571	745,571	696,300	(7,500)	688,800	56,771
Total expenditures	595,571	745,571	696,300	(7,500)	688,800	56,771
Deficiency of revenues over expenditures	(468,623)	(618,623)	(609,206)	7,500	(601,706)	(96,625)
<b>OTHER FINANCING SOURCES</b>						
Transfers in	468,623	618,623	618,623	-	618,623	-
Total other financing sources	468,623	618,623	618,623	-	618,623	-
Net change in fund balance	-	-	9,417	7,500	16,917	(96,625)
Fund balances, July 1, 2015	-	-	83,295	-	83,295	-
Fund balances, June 30, 2016	\$ -	\$ -	\$ 92,712	\$ 7,500	\$ 100,212	\$ (96,625)

**SCHEDULE 3**

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
Year Ended June 30, 2016**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Award Number</b>	<b>Federal CFDA Number</b>		<b>Federal Expenditures</b>
U.S. Department of Agriculture: Summer Food Service Program for Children	30-007	10.559		\$ 92,855
Department of Housing and Urban Development:				
Community Development Block Grants	B-14-MC-47-0013	14.218	\$ 56,973	
Community Development Block Grants	B-15-MC-47-0013	14.218	164,305	
				221,278
Emergency Solutions Grant Program	ESG-15-28	14.231		58,164
Department of Interior: Historical Preservation		15.904		-
Department of Justice:				
Bullet-proof Vest Partnership Program		16.607		8,098
Edward Byrne Memorial JAG Program	2015-DJ-BX-0632	16.740		12,329
Traffic Safety & Impaired Driving Prevention	154AL-16-50	20.607		10,701
Department of Transportation:				
Transit Cluster:				
Airport Improvement Program	3-47-SBGP-38	20.106	190,100	
Airport Improvement Program	3-47-SBGP-47	20.106	278,639	
				468,739
Highway Planning and Construction	STP-M-66(46)	20.205	156,493	
Highway Planning and Construction	STP-M-9113(12)	20.205	122	
Highway Planning and Construction	STP-M-9113(8)	20.205	80,646	
Highway Planning and Construction	STP-M-34(79)	20.205	219,440	
Highway Planning and Construction	STP-M-9113(13)	20.205	98	
Highway Planning and Construction	STP-M-34(78)	20.205	1,394,207	
Highway Planning and Construction	STP-M-9113(18)	20.205	14,771	
Highway Planning and Construction	STP-M-9113(20)	20.205	31,136	
Highway Planning and Construction	HPP-9113(16)	20.205	488,698	
Highway Planning and Construction	SPR-PL-1(318)	20.205	75,569	
				2,461,180
Total Expenditures of Federal Awards				\$ 3,333,344

**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 4****CITY OF MORRISTOWN, TENNESSEE****SCHEDULE OF STATE FINANCIAL ASSISTANCE  
Year Ended June 30, 2016**

<b>Grantor Agency/Program</b>	<b>Contract Number</b>	<b>Expenditures</b>
Airport Rehabilitation	32-555-0743-04	\$ 85,812
Apron Improvements	32-555-0753-04	2,700
Pavement Rehabilitation	32-555-0755-04	813,299
Airport Improvements	32-555-0750-04	7,269
Airport Maintenance Grant	32-555-1656-04	19,800
Airport Security Upgrades	32-555-0748-04	4,326
2014 FIDP Colortech Fast Track Grant	8456	428,000
		<u>\$ 1,361,206</u>

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# STATISTICAL SECTION

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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.

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### **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.

TABLE 1

## CITY OF MORRISTOWN, TENNESSEE

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

	Fiscal Year									
	2016	2015*	2014	2013	2012	2011	2010	2009	2008	2007
<b>Governmental activities</b>										
Net investment in capital assets	\$ 40,495,228	\$ 34,875,277	\$ 33,965,440	\$ 29,647,943	\$ 26,055,799	\$ 31,753,875	\$ 44,137,100	\$ 43,089,778	\$ 41,772,607	\$ 20,829,489
Restricted	1,671,349	2,420,193	1,680,576	1,607,753	1,369,307	644,679	353,457	2,622,266	2,746,754	153,829
Unrestricted	17,464,209	13,709,843	24,213,008	23,431,214	22,204,246	17,903,817	3,210,976	-	-	12,742,735
Total governmental activities net position	<u>\$ 59,630,786</u>	<u>\$ 51,005,313</u>	<u>\$ 59,859,024</u>	<u>\$ 54,686,910</u>	<u>\$ 49,629,352</u>	<u>\$ 50,302,371</u>	<u>\$ 47,701,533</u>	<u>\$ 45,712,044</u>	<u>\$ 44,519,361</u>	<u>\$ 33,726,053</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 100,428,103	\$ 98,316,369	\$ 88,050,533	\$ 79,424,880	\$ 76,792,135	\$ 72,398,653	\$ 73,214,568	\$ 73,440,732	\$ 68,057,045	\$ 65,694,276
Restricted	-	-	-	-	-	-	585,465	1,331,951	-	557,111
Unrestricted	22,443,531	19,315,616	24,920,115	26,580,161	23,525,937	22,815,516	15,782,758	11,011,165	13,775,143	12,858,565
Total business-type activities net position	<u>\$ 122,871,634</u>	<u>\$ 117,631,985</u>	<u>\$ 112,970,648</u>	<u>\$ 106,005,041</u>	<u>\$ 100,318,072</u>	<u>\$ 95,214,169</u>	<u>\$ 89,582,791</u>	<u>\$ 85,783,848</u>	<u>\$ 81,832,188</u>	<u>\$ 79,109,952</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 140,923,331	\$ 133,191,646	\$ 122,015,973	\$ 109,072,823	\$ 102,847,934	\$ 104,152,528	\$ 117,351,668	\$ 116,530,510	\$ 109,829,652	\$ 86,523,765
Restricted	1,671,349	2,420,193	1,680,576	1,607,753	1,369,307	644,679	938,922	3,954,217	2,746,754	710,940
Unrestricted	39,907,740	33,025,459	49,133,123	50,011,375	45,730,183	40,719,333	18,993,734	11,011,165	13,775,143	25,601,300
Total primary government net position	<u>\$ 182,502,420</u>	<u>\$ 168,637,298</u>	<u>\$ 172,829,672</u>	<u>\$ 160,691,951</u>	<u>\$ 149,947,424</u>	<u>\$ 145,516,540</u>	<u>\$ 137,284,324</u>	<u>\$ 131,495,892</u>	<u>\$ 126,351,549</u>	<u>\$ 112,836,005</u>

\* During fiscal year 2015, the City adopted GASB 68.

TABLE 2

**CITY OF MORRISTOWN, TENNESSEE**

**CHANGES IN NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 4,427,912
Public safety	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	14,783,116
Public works	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	8,936,753
Culture and recreation	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	3,107,468
Civil support	1,936,921	417,774	1,011,941	1,098,472	1,638,926	663,498	553,177	1,098,472	558,723	856,949
Community development	303,006	942,834	296,060	147,547	392,784	1,904,129	624,033	147,547	1,117,549	126,444
Retiree benefits	389,559	382,916	306,363	401,695	309,530	439,304	394,866	-	-	-
Airport	-	-	-	-	-	-	-	-	573,847	631,368
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	582,295
Total governmental activities	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	33,452,305
Business-type activities:										
Water	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	4,486,115
Wastewater	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	5,682,688
Power	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	56,800,708
Broadband	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	4,449,839
Stormwater	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	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	71,419,350
Total primary government expenses	\$ 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	\$ 104,871,655
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 966,744	\$ 1,183,648	\$ 134,359	\$ 232,242	\$ 130,440	\$ 134,066	\$ 280,238	\$ 232,242	\$ 409,037	\$ 557,087
Public safety	660,840	365,496	1,057,791	1,178,045	1,319,940	1,510,750	1,343,981	1,140,852	778,216	414,861
Public works	1,407,639	-	1,370,370	1,343,759	1,300,875	1,091,664	-	-	-	-
Culture and recreation	124,077	-	-	-	-	-	-	-	-	137,584
Operating grants and contributions	466,292	2,949,422	1,454,535	710,156	700,118	1,091,876	975,928	746,980	888,336	448,884
Capital grants and contributions	4,102,716	1,356,626	-	-	-	-	660,995	710,156	1,546,886	1,702,895
Total governmental activities program revenues	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	3,261,311
Business-type activities:										
Water	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	5,335,578
Wastewater	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	5,556,473
Power	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	58,631,933
Broadband	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	2,548,590
Stormwater	1,080,408	1,276,062	1,330,147	1,342,550	1,375,723	541,053	563,562	1,342,550	89,383	-
Operating grants and contributions	-	2,586,526	2,580,025	2,219,003	2,067,523	-	-	-	-	-
Capital grants and contributions	422,950	151,200	524,286	1,602,948	165,384	847,793	84,631	84,631	55,500	-

(Continued)

TABLE 2

**CITY OF MORRISTOWN, TENNESSEE**

**CHANGES IN NET POSITION BY COMPONENT**

**LAST TEN FISCAL YEARS**

**(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Program Revenues (Continued)</b>										
Business-type activities: (Continued)										
Total business-type activities program revenues	\$ 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	\$ 72,072,574
Total primary government program revenues	\$ 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	\$ 75,333,885
<b>Net (expense) revenue</b>										
Governmental activities	\$ (26,434,314)	\$ (27,347,531)	\$ (24,244,162)	\$ (24,559,363)	\$ (28,956,707)	\$ (26,685,555)	\$ (25,443,471)	\$ (24,791,640)	\$ (34,245,290)	\$ (30,190,994)
Business-type activities	4,259,811	6,380,596	8,192,883	7,918,434	6,564,667	6,136,910	3,487,903	(376,649)	2,074,399	653,224
Total primary government net expense	\$ (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)	\$ (29,537,770)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes:										
Property taxes	\$ 10,895,994	\$ 9,916,198	\$ 9,313,995	\$ 9,083,552	\$ 9,135,643	\$ 9,885,189	\$ 9,180,026	\$ 8,766,697	\$ 9,521,787	\$ 6,744,789
Local sales tax	11,743,470	10,793,398	10,061,738	9,923,645	10,236,619	9,611,440	9,454,955	10,389,929	9,446,110	9,594,019
Other local taxes	2,631,490	2,620,843	2,639,552	2,592,612	2,495,965	1,996,409	2,195,498	2,330,455	2,426,333	2,321,993
Business and gross receipts tax	1,049,900	958,795	837,434	936,935	1,000,937	882,131	663,824	947,659	866,833	943,210
Intergovernmental revenue unrestricted	5,318,624	4,390,483	4,476,998	5,146,051	4,777,887	5,112,921	4,188,982	2,148,264	3,834,117	3,989,312
Investment earnings	-	502,987	750,587	253,683	979,709	870,195	1,014,717	246,632	470,219	451,307
Other	1,766,013	-	-	-	-	-	-	-	-	-
Transfers	1,797,999	1,597,848	1,452,361	1,667,528	1,532,378	813,163	734,958	1,530,560	731,014	687,841
Total governmental activities	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	24,732,471
Business-type activities:										
Investment earnings	51,870	60,378	225,086	81,739	304,325	86,495	95,302	161,484	387,820	-
Other	2,833,685	-	-	-	-	-	-	-	-	-
Transfers	(1,797,999)	(1,597,848)	(1,452,361)	(1,667,528)	(1,532,378)	(813,163)	(734,958)	(1,530,560)	(731,014)	(687,841)
Total business-type activities	1,087,556	(1,537,470)	(1,227,275)	(1,585,789)	(1,228,053)	(726,668)	(639,656)	(1,369,076)	(343,194)	(687,841)
Total primary government	\$ 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	\$ 24,044,630
<b>Changes in Net Position</b>										
Governmental activities	\$ 8,769,176	\$ 3,433,021	\$ 5,288,503	\$ 5,044,643	\$ 1,202,431	\$ 2,485,893	\$ 1,989,489	\$ 1,568,556	\$ (6,948,877)	\$ (5,458,523)
Business-type activities	5,347,367	4,843,126	6,965,608	6,332,645	5,336,614	5,410,242	2,848,247	(1,745,725)	1,731,205	(34,617)
Total primary government	\$ 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)	\$ (5,493,140)



TABLE 3

**CITY OF MORRISTOWN, TENNESSEE**

**FUND BALANCES – GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**

**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Pre-GASB 54 Implementation:</b>										
General fund										
Reserved							\$ 353,457	\$ 2,619,067	\$ 3,431,536	\$ 4,669,443
Assigned							1,065,688	-	-	-
Unreserved							3,159,977	-	-	-
Total general fund							<u>\$ 4,579,122</u>	<u>\$ 2,619,067</u>	<u>\$ 3,431,536</u>	<u>\$ 4,669,443</u>
All other governmental funds										
Reserved							\$ 25,473	\$ 3,199	\$ 41,475	\$ 163,657
Unreserved, reported in:										
Special revenue funds							(26,323)	-	984	984
Total all other governmental funds							<u>\$ (850)</u>	<u>\$ 3,199</u>	<u>\$ 42,459</u>	<u>\$ 164,641</u>
<b>Post-GASB 54 Implementation:</b>										
General fund										
Nonspendable	\$ 8,857,981	\$ 11,716,611	\$ 11,822,098	\$ 11,780,321	\$ 11,756,646	\$ -				
Restricted	1,578,637	2,265,480	1,520,896	1,448,582	1,262,954	-				
Committed	-	-	57,058	69,710	3,072	-				
Assigned	6,713,983	5,970,170	156,876	8,500	3,852	1,170,837				
Unassigned	8,350,230	7,062,313	12,155,081	11,118,191	10,069,059	6,656,404				
Total general fund	<u>\$ 25,500,831</u>	<u>\$ 27,014,574</u>	<u>\$ 25,712,009</u>	<u>\$ 24,425,304</u>	<u>\$ 23,095,583</u>	<u>\$ 7,827,241</u>				
All other governmental funds										
Restricted	\$ 529,089	\$ 154,713	\$ 159,680	\$ 159,171	\$ 106,353	\$ -				
Committed	1,375,000	-	-	-	-	-				
Assigned	-	230,012	203,350	398,617	541,585	77,958				
Total all other governmental funds	<u>\$ 1,904,089</u>	<u>\$ 384,725</u>	<u>\$ 363,030</u>	<u>\$ 557,788</u>	<u>\$ 647,938</u>	<u>\$ 77,958</u>				

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

TABLE 4

## CITY OF MORRISTOWN, TENNESSEE

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Revenues</b>										
Taxes	\$ 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	\$ 19,819,597
Licenses, permits, and fines	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	1,093,488
Use of money and property	-	502,987	750,587	253,683	636,386	870,195	1,014,717	246,632	470,219	329,777
Service charges and fees	2,513,749	2,540,274	1,504,729	1,576,001	1,431,315	1,225,730	151,393	132,712	141,703	137,584
Other	1,766,013	-	-	-	-	-	-	-	-	-
Intergovernmental	9,533,778	7,339,905	5,931,533	5,856,207	5,478,005	6,204,797	5,820,905	5,340,445	6,269,338	6,141,091
<b>Total revenues</b>	<b>39,885,942</b>	<b>35,037,896</b>	<b>32,097,359</b>	<b>31,400,680</b>	<b>31,734,809</b>	<b>32,292,058</b>	<b>29,954,144</b>	<b>30,446,663</b>	<b>30,187,874</b>	<b>27,521,537</b>
<b>Expenditures</b>										
General government	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	4,378,805
Public safety	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	14,326,759
Public works	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	10,381,286
Culture and recreation	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	3,229,978
Airport	-	-	-	-	-	-	-	302,588	132,719	190,240
Civic support	1,679,921	756,937	750,451	841,472	1,395,326	279,966	490,500	1,338,282	558,723	856,174
Library	257,000	257,000	261,490	257,000	243,600	250,000	-	-	-	-
Community development	303,006	328,040	201,550	179,891	356,373	1,868,472	1,167,663	464,294	1,117,549	2,224,061
Transportation	-	-	-	-	-	-	642,427	-	-	-
Retiree benefits	389,559	382,916	306,363	401,695	309,530	439,304	394,866	-	-	-
Miscellaneous	-	-	-	-	-	133,532	133,532	-	-	-
Debt service:										
Principal	1,211,528	1,173,560	1,136,023	1,675,568	1,574,629	1,501,662	4,058,614	1,586,805	3,150,000	1,105,000
Interest	165,996	169,905	187,384	239,740	232,380	237,224	341,172	538,250	722,876	449,487
Debt expense	92,982	93,262	99,292	87,324	57,337	45,929	68,620	53,404	62,156	155,077
<b>Total expenditures</b>	<b>38,829,339</b>	<b>35,135,389</b>	<b>32,341,385</b>	<b>31,850,551</b>	<b>32,363,110</b>	<b>29,439,696</b>	<b>31,745,552</b>	<b>31,059,950</b>	<b>38,249,959</b>	<b>37,296,867</b>
Excess of revenues over (under) expenditures	1,056,603	(97,493)	(244,026)	(449,871)	(628,301)	2,852,362	(1,791,408)	(613,287)	(8,062,085)	(9,775,330)
<b>Other Financing Sources (Uses)</b>										
Transfers in	4,244,692	2,381,066	2,038,024	2,059,154	2,202,954	1,898,007	2,471,905	1,925,865	2,443,018	2,421,324
Transfers out	(2,446,693)	(783,218)	(585,663)	(391,626)	(1,184,908)	(1,538,388)	(1,736,947)	(1,876,147)	(1,712,003)	(1,733,483)
Bonds issued	-	-	-	-	4,000,000	-	3,012,455	1,473,604	5,970,000	4,750,000
<b>Total other financing sources</b>	<b>1,797,999</b>	<b>1,597,848</b>	<b>1,452,361</b>	<b>1,667,528</b>	<b>5,018,046</b>	<b>359,619</b>	<b>3,747,413</b>	<b>1,523,322</b>	<b>6,701,015</b>	<b>5,437,841</b>
<b>Net change in fund balances</b>	<b>\$ 2,854,602</b>	<b>\$ 1,500,355</b>	<b>\$ 1,208,335</b>	<b>\$ 1,217,657</b>	<b>\$ 4,389,745</b>	<b>\$ 3,211,981</b>	<b>\$ 1,956,005</b>	<b>\$ 910,035</b>	<b>\$ (1,361,070)</b>	<b>\$ (4,337,489)</b>
Debt service as a percentage of total governmental expenditures	3.55%	3.82%	4.09%	6.01%	5.58%	5.91%	13.86%	6.84%	10.13%	4.17%

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	Franchise Tax	Local Sales Tax	Alcohol Beverage Tax	Business and Gross Receipts Tax	Licenses, Permits, and Fines	Hotel/Motel Tax	Litigation Tax	Charges for Services	Other	Inter- Governmental	Transfers	Total
2007	\$ 6,960,375	\$ 65,529	\$ 732,339	\$ 9,594,019	\$ 1,107,005	\$ 943,210	\$ -	\$ 417,120	\$ -	\$ 1,276,070	\$ -	\$ 5,899,091	\$ 687,841	\$ 27,682,599
2008	9,521,787	35,536	826,802	9,446,110	1,138,908	866,833	-	425,087	-	1,421,389	-	6,027,338	731,015	30,440,805
2009	8,766,697	-	784,365	10,389,929	1,178,386	947,659	-	367,704	-	1,876,425	-	5,340,445	795,053	30,446,663
2010	9,180,026	-	644,358	9,454,955	1,190,044	663,824	1,472,826	361,096	-	1,166,110	-	5,820,905	734,958	30,689,102
2011	9,999,606	-	400,815	9,611,440	1,140,739	882,131	1,510,750	454,885	-	2,095,925	-	6,204,797	848,566	33,149,654
2012	9,135,642	-	598,668	10,236,619	1,364,148	1,000,937	1,319,940	533,149	-	2,067,701	-	5,478,005	1,018,046	32,752,855
2013	9,064,768	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	9,286,317	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	9,851,476	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	10,895,994	-	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

TABLE 6

## CITY OF MORRISTOWN, TENNESSEE

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

<b>Tax Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Public Utility Property</b>	<b>Other</b>	<b>Industrial Property</b>	<b>Public Utility Property</b>	<b>Total Assessment Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percentage of Actual Value</b>
2007	\$ 214,131,050	\$ 323,243,200	\$ 577,060	\$ 3,551,000	\$ 152,179,019	\$ 1,981	\$ 693,683,310	1.37	\$ 2,257,282,643	30.73 %
2008	222,757,250	335,363,800	557,095	4,638,175	165,505,013	2,837	728,824,170	1.22	2,377,490,324	30.66
2009	224,697,525	340,950,480	557,095	4,567,200	164,020,624	1,870	734,794,794	1.22	2,429,789,052	30.24
2010	266,744,425	405,874,600	707,025	5,657,800	201,304,793	2,270	880,290,913	1.05	2,776,600,762	31.70
2011	266,864,625	404,414,480	707,025	5,658,932	188,231,174	2,837	865,879,073	1.05	2,729,853,556	31.72
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

TABLE 7

**CITY OF MORRISTOWN, TENNESSEE**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

Taxpayer	2016			2007		
	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Mahle	\$ 35,605,125	1	4.00 %	\$ 24,764,359	1	3.57 %
Toyoda-TRW	30,375,612	2	3.41	16,424,438	2	2.37
Colgate	17,201,152	3	1.93	-	-	-
Inteplast (formerly Vifan)	15,528,570	4	1.74	9,746,164	5	1.40
OTICS	14,760,732	5	1.66	8,556,871	8	1.23
Meritor/Rockwell	13,011,970	6	1.46	4,826,873	10	0.70
Tuff Torq Corp	12,377,191	7	1.39	11,728,055	3	1.69
CBL Morristown LTD	10,419,240	8	1.17	9,564,280	6	1.38
Team Technologies	9,932,357	9	1.11	-	-	-
Lear Operation	9,144,225	10	1.03	8,769,401	7	1.26
Berkline	-	-	-	10,327,169	4	1.49
Bellsouth	-	-	-	6,420,901	9	0.93
	<u>\$ 168,356,174</u>		<u>18.90 %</u>	<u>\$ 111,128,511</u>		<u>16.02 %</u>

Source: City of Morristown, Tennessee Finance Department

TABLE 8

## CITY OF MORRISTOWN, TENNESSEE

PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 10,933,593	\$ -	- %	\$ -	\$ -	- %
2015	9,117,321	8,690,500	95.32	-	8,690,500	95.32
2014	9,065,786	8,545,014	94.26	309,231	8,854,245	97.67
2013	9,065,786	8,579,330	94.63	370,756	8,950,086	98.72
2012	9,073,036	8,679,616	95.66	331,789	9,011,405	99.32
2011	9,091,730	8,590,172	94.48	425,809	9,015,981	99.17
2010	9,243,067	8,755,460	94.72	431,949	9,187,409	99.40
2009	8,968,580	8,502,700	94.81	416,404	8,919,104	99.45
2008	8,903,661	8,367,645	93.98	476,080	8,843,725	99.33
2007	9,503,463	8,767,049	92.25	701,249	9,468,298	99.63

Source: City of Morristown, Tennessee Finance Department

TABLE 9

## CITY OF MORRISTOWN, TENNESSEE

WASTEWATER UTILITY RATES AND NUMBER OF CUSTOMERS  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Wastewater rate</b>										
Inside	\$ 9.17	\$ 9.17	\$ 9.17	\$ 8.11	\$ 8.11	\$ 4.96	\$ 4.59	\$ 4.59	\$ 4.20	\$ 3.65
Outside	18.34	18.34	18.34	16.22	16.22	9.92	9.18	9.18	8.40	7.30
<b>Customers</b>										
Inside	10,567	10,572	10,566	11,668	11,618	11,627	11,523	11,523	10,578	10,578
Outside	9	9	10	106	105	104	109	109	438	438
<b>Commodity charge (per 1,000 gallons)</b>										
Inside	5.00	5.00	-	-	-	-	-	-	-	-
Outside	10.00	10.00	-	-	-	-	-	-	-	-

Source: Morristown Utility Commission (2016-2014)  
City of Morristown Finance Department (2013-2007)

TABLE 10

## CITY OF MORRISTOWN, TENNESSEE

POWER RATES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Residential</b>										
Customer charge per month	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 13.21	\$ 11.50	\$ 8.40
Energy charge:										
First 2,000 kWh	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934	0.08175	0.07582	0.07943	0.07189
Additional kWh per month	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934	0.07968	0.07375	0.00736	0.07002
<b>Commercial, Industrial, Governmental and Institutional</b>										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$ 26.00	\$ 26.00	\$ 26.00	\$ 21.50	\$ 21.50	\$ 15.25
Energy charge per kWh per month	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899	0.09137	0.08463	0.08787	0.07902
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	135.00	133.00	133.00	133.00	133.00	133.00	133.00	127.00	127.00	127.00
Demand charge:										
First 50 kW per month	-	-	-	-	-	-	-	-	-	-
Excess over 50 kW per month	12.88	12.35	12.00	11.86	11.86	13.78	13.78	12.86	12.52	11.48
Energy charge:										
First 15,000 kWh per month	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381	0.08570	0.07896	0.08220	0.07404
Additional kWh per month	0.06236	0.06284	0.06695	0.06350	0.06491	0.06262	0.04861	0.04480	0.04904	0.04378
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	275.08	270.00	270.00	270.00	270.00	270.00	270.00	266.00	266.00	205.00
Demand charge:										
First 1,000 kW per month	13.06	12.50	12.24	11.98	11.98	1.68	13.88	12.90	12.54	11.49
Excess over 1,000 kW per month	15.00	14.32	13.99	13.67	13.67	13.31	15.44	14.29	13.87	12.64
Energy charge:										
Per kWh per month	0.06230	0.06279	0.06691	0.06348	0.06489	0.06262	0.04903	0.04522	0.04946	0.04380
TDGSB (Demand > 5,001 kW)										
Demand charge:										
On peak	9.52	17.24	16.84	16.45	16.45	-	-	-	-	-
Excess off peak	3.36	4.14	4.07	4.00	4.00	-	-	-	-	-
Excess over contract	9.52	17.24	16.84	16.45	16.45	-	-	-	-	-
Energy charge:										
On peak	0.06940	0.09815	0.10127	0.09683	0.09694	-	-	-	-	-
Off peak (first 425 kWh)	-	0.06163	0.06568	0.06215	0.06226	-	-	-	-	-
Off peak (next 195 kWh)	-	0.04198	0.04653	0.04349	0.04360	-	-	-	-	-
Off peak (additional kWh)	-	0.02529	0.03026	0.02764	0.02775	-	-	-	-	-

(Continued)



TABLE 10

## CITY OF MORRISTOWN, TENNESSEE

POWER RATES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Commercial, Industrial, Governmental and Institutional (Continued)</b>										
GSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	19.92	13.27	11.63	11.89	10.61
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	0.10427	0.03740	0.03899	0.03070	0.03216
Additional kWh per month	-	-	-	-	-	0.02771	0.03074	0.03337	0.03113	0.02707
GSB (non-manufacturing) (demand of 15,001 to 25,000 kW)	-	-	-	-	-	-	-	-	-	-
Customer charge per month	-	-	-	-	-	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	19.92	14.89	14.21	13.78	12.95
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	0.10427	0.04132	0.04625	0.04234	0.03872
Additional kWh per month	-	-	-	-	-	0.02771	0.03372	0.03928	0.03559	0.03241
Part F (demand greater than 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	-
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
Energy charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
<b>Active Service (number of customers):</b>										
Residential	11,862	11,826	11,721	11,764	11,752	11,683	11,819	11,545	11,687	11,191
Commercial	2,160	2,141	2,120	2,121	2,105	2,085	2,109	2,166	2,210	2,707
Industrial	446	439	458	449	447	467	464	455	465	462
Street and athletic	75	76	73	70	71	69	69	69	70	69
Outdoor lighting	33	33	34	34	31	32	35	35	37	36
Total active service	<u>14,576</u>	<u>14,515</u>	<u>14,406</u>	<u>14,438</u>	<u>14,406</u>	<u>14,336</u>	<u>14,496</u>	<u>14,270</u>	<u>14,469</u>	<u>14,465</u>

Source: Morristown Utility Commission

TABLE 11

**CITY OF MORRISTOWN, TENNESSEE**

**WATER RATES AND NUMBER OF CUSTOMERS**

**LAST TEN FISCAL YEARS**

Fiscal Year												
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007		
<b>Inside City Rate:</b>												
Customer charge per month	\$ 4.65	\$ 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	2.05	2.05	2.05	2.05	2.05	2.05	2.05	1.90	1.55	1.55		1.55
Next 50,000 gallons	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.65	1.30	1.30		1.30
Over 100,000	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.45	1.10	1.10		1.10
<b>Minimum bill:</b>												
5/8" meter	8.75	8.75	8.75	8.75	8.75	8.75	8.75	8.45	7.75	7.75		7.75
3/4" meter	9.25	9.25	9.25	9.25	9.25	9.25	9.25	8.95	8.25	8.25		8.25
1" meter	10.00	10.00	10.00	10.00	10.00	10.00	10.00	9.70	9.25	9.25		9.25
1 1/2" meter	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.20	10.75	10.75		10.75
2" meter	16.00	16.00	16.00	16.00	16.00	16.00	16.00	15.70	15.25	15.25		15.25
3" meter	61.00	61.00	61.00	61.00	61.00	61.00	61.00	60.70	52.00	52.00		52.00
4" meter	71.00	71.00	71.00	71.00	71.00	71.00	71.00	70.70	70.00	70.00		70.00
6" meter	101.00	101.00	101.00	101.00	101.00	101.00	101.00	100.70	100.00	100.00		100.00
8" meter	114.30	114.30	114.30	114.30	114.30	114.30	114.30	-	-	-		-
<b>Outside City rates:</b>												
Customer charge per month	4.65	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	4.10	4.10	4.10	4.10	4.10	4.10	4.10	3.80	3.10	3.10		3.10
Next 50,000 gallons	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.30	2.60	2.60		2.60
Over 100,000 gallons	3.20	3.20	3.20	3.20	3.20	3.20	3.20	2.90	2.20	2.20		2.20
<b>Minimum bill:</b>												
5/8" meter	12.85	12.85	12.85	12.85	12.85	12.85	12.85	12.25	10.85	10.85		10.85
3/4" meter	13.35	13.35	13.35	13.35	13.35	13.35	13.35	12.75	11.35	11.35		11.35
1" meter	14.10	14.10	14.10	14.10	14.10	14.10	14.10	13.50	12.10	12.10		12.10
1 1/2" meter	15.60	15.60	15.60	15.60	15.60	15.60	15.60	15.00	13.60	13.60		13.60
2" meter	20.10	20.10	20.10	20.10	20.10	20.10	20.10	19.50	18.10	18.10		18.10
3" meter	65.10	65.10	65.10	65.10	65.10	65.10	65.10	64.50	63.10	63.10		63.10
4" meter	75.10	75.10	75.10	75.10	75.10	75.10	75.10	74.50	73.10	73.10		73.10
6" meter	105.10	105.10	105.10	105.10	105.10	105.10	105.10	104.50	103.10	103.10		103.10
8" meter	118.40	118.40	118.40	118.40	118.40	118.40	118.40	-	-	-		-
<b>Monthly fire protection service charge:</b>												
4"	25.00	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		40.00
8"	50.00	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		100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00		125.00
<b>Number of Customers:</b>												
Total active service	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	12,684.00		

Source: Morristown Utility Commission

TABLE 12

## CITY OF MORRISTOWN, TENNESSEE

MONTHLY BROADBAND RATES  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Standard cable</b>										
Expanded basic	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 46.95	\$ 41.95	\$ 41.95	\$ 41.95
Digital basic	68.95	68.95	60.95	54.95	54.95	54.95	54.95	49.95	49.95	49.95
Digital basic + 1	78.75	78.75	39.95	63.95	63.95	63.95	63.95	59.95	59.95	59.95
Digital basic + 2	86.95	86.95	77.95	71.95	71.95	71.95	71.95	67.95	67.95	67.95
Digital basic + 4	99.95	99.95	90.95	84.95	84.95	84.95	84.95	80.95	80.95	80.95
Premium channels	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	9.95-11.95
<b>Internet</b>										
Residential:										
Tier 1	34.95	34.95	34.95	34.95	34.95	34.95	34.95	29.95	29.95	29.95
Tier 2	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	44.95	59.95	59.95	59.95	59.95	59.95
Tier 4	99.95	99.95	99.95	99.95	74.95	99.95	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	44.95	44.95	44.95	44.95	44.95	39.95	39.95	39.95
Tier 2	79.95	79.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95	99.95
Tier 4	154.95	154.95	149.90	149.95	149.95	149.95	149.95	149.95	149.95	149.95
Tier 5	199.95	199.95	199.95	199.95	199.95	199.95	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	3.75-11.95	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	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	6.95-25.95	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

AWWA Free Water Audit Software:  
Reporting Worksheet

WAS v5.0  
American Water Works Association  
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?

Click to access definition

+

Click to add a comment

Water Audit Report for: **Morristown Utilities Commission (0000474)**

Reporting Year: **2016** **7/2015 - 6/2016**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

**All volumes to be entered as: MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

Master Meter and Supply Error Adjustments

**WATER SUPPLIED**

Volume from own sources: 

+

?

9

3,087.459

 MG/Yr 

+

?

9

2.00%

 MG/Yr

Water imported: 

+

?

0.000

 MG/Yr 

+

?

 MG/Yr

Water exported: 

+

?

0.000

 MG/Yr 

+

?

 MG/Yr

**WATER SUPPLIED:**

3,026.921

 MG/Yr

**AUTHORIZED CONSUMPTION**

Billed metered: 

+

?

10

2,751.013

 MG/Yr

Billed unmetered: 

+

?

n/a

0.000

 MG/Yr

Unbilled metered: 

+

?

10

2.266

 MG/Yr

Unbilled unmetered: 

+

?

37.837

 MG/Yr

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

**AUTHORIZED CONSUMPTION:**

?

2,791.116

 MG/Yr

**WATER LOSSES (Water Supplied - Authorized Consumption)**

235.805

 MG/Yr

**Apparent Losses**

Unauthorized consumption: 

+

?

7.567

 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: 

+

?

10

27.811

 MG/Yr

Systematic data handling errors: 

+

?

6.878

 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

**Apparent Losses:**

?

42.256

 MG/Yr

**Real Losses (Current Annual Real Losses or CARL)**

Real Losses = Water Losses - Apparent Losses: 

?

193.549

 MG/Yr

**WATER LOSSES:**

235.805

 MG/Yr

**NON-REVENUE WATER**

**NON-REVENUE WATER:**

?

275.908

 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

**SYSTEM DATA**

Length of mains: 

+

?

5

275.0

 miles

Number of active AND inactive service connections: 

+

?

7

13,800

Service connection density: 

?

50

 conn./mile main

Are customer meters typically located at the curbside or property line?  Yes (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: 

+

?

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 

+

?

4

65.0

 psi

**COST DATA**

Total annual cost of operating water system: 

+

?

10

\$4,145,861

 \$/Year

Customer retail unit cost (applied to Apparent Losses): 

+

?

10

\$2.05

 \$/1000 gallons (US)

Variable production cost (applied to Real Losses): 

+

?

10

\$533.08

 \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

**WATER AUDIT DATA VALIDITY SCORE:**

**\*\*\* YOUR SCORE IS: 89 out of 100 \*\*\***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

**PRIORITY AREAS FOR ATTENTION:**


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

1: Volume from own sources

2: Unauthorized consumption

3: Systematic data handling errors

## WATER AUDIT REPORT FOR MORRISTON UTILITY COMMISSION



**AWWA Free Water Audit Software:**  
**System Attributes and Performance Indicators**

WAS v5.0  
 American Water Works Association.  
 Copyright © 2014, All Rights Reserved.

Water Audit Report for: Morristown Utilities Commission (0000474)  
 Reporting Year: 2016 7/2015 - 6/2016

**\*\*\* YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 \*\*\***

**System Attributes:**

Apparent Losses:	42.256	MG/Yr
+ Real Losses:	193.549	MG/Yr
= <b>Water Losses:</b>	<b>235.805</b>	MG/Yr

?
 Unavoidable Annual Real Losses (UARL):

84.41 MG/Yr

Annual cost of Apparent Losses:

\$86,624

Annual cost of Real Losses:

\$103,177

Valued at **Variable Production Cost**  
 Return to Reporting Worksheet to change this assumption

**Performance Indicators:**

**Financial:**

{

Non-revenue water as percent by volume of Water Supplied:	9.1%	
Non-revenue water as percent by cost of operating system:	5.1%	Real Losses valued at Variable Production Cost

**Operational Efficiency:**

{

Apparent Losses per service connection per day:	8.39	gallons/connection/day
Real Losses per service connection per day:	38.43	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.59	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):

193.55 million gallons/year

?
 Infrastructure Leakage Index (ILI) [CARL/UARL]:

2.29

\* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

85

TABLE 14

## CITY OF MORRISTOWN, TENNESSEE

RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS

Fiscal Year	Population (1)	Per Capita Income (1)	Governmental Activities	Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
			General Obligation Bonds	General Obligation Bonds	Revenue Bonded Debt			
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
2007	25,686	26,204	22,538,317	-	48,583,584	71,121,901	0.04	2,769

(1) Source: U.S. Census Bureau

TABLE 15

## CITY OF MORRISTOWN, TENNESSEE

RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Actual Value of Taxable Property</b>	<b>General Bonded Debt</b>	<b>Percentage of General Obligation Debt to Actual Value</b>	<b>Net Bonded Debt Per Capita</b>
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
2007	25,686	2,130,508,894	22,538,317	1.06	877

(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

<b>Tax Year</b>	<b>General Bonded Debt (1)</b>	<b>Total Assessment</b>	<b>Ratio of Bonded Debt to Total Assessment</b>	<b>Total Expenditures</b>	<b>Ratio of Bonded Debt to Total Expenditures</b>
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
2007	22,538,317	704,561,094	0.032 to 1	33,896,969	0.665 to 1

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



TABLE 17

**CITY OF MORRISTOWN, TENNESSEE**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (1)</b>	<b>Education Level in Years of Formal Schooling (1)</b>	<b>School Enrollment (1)</b>	<b>Percentage of Unemployment Rate (2)</b>
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
2007	25,686	673,075,944	26,204	41.02	14.0	10,613	5.70

\* 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

TABLE 18

**CITY OF MORRISTOWN, TENNESSEE**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

Employer	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Dept. of Education	1,284	1	10.00 %	1,225	3	10.00 %
Koch Foods	1,100	2	9.00	1,102	4	9.00
MAHLE, Inc.	1,000	3	8.00	1,299	2	10.00
JTEKT Automotive	843	4	7.00	600	9	5.00
Wal-Mart	757	5	6.00	550	10	4.00
Walters State Community College	743	6	6.00	713	5	6.00
Morristown Hamblen Healthcare	716	7	6.00	661	6	5.00
Howmet	560	8	4.00	652	7	5.00
Team Technologies	500	9	4.00	-	-	-
Lear Corporation	455	10	4.00	605	8	5.00
Berkline	-	-	-	1,450	1	11.00
	<u>7,958</u>		<u>64.00 %</u>	<u>8,857</u>		<u>70.00 %</u>

Source: Morristown Area Chamber of Commerce

TABLE 19

## CITY OF MORRISTOWN, TENNESSEE

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government:										
Mayor and council	7	7	7	7	7	7	7	7	7	7
City administration and staff	4	4	4	3	3	3	3	3	3	4
Finance	6.5	6.5	6.5	6.5	5.5	6	6	7	7	7
Purchasing	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	2	2	2	2	2	2	2
Human resources	2.5	2.5	2.5	1.5	1.5	2	2	2	2	2
Legal services	2	2	2	2	2	2	2	2	2	2
Planning	5.5	5.5	4.3	6.3	6.3	6.3	7.3	6.3	7.4	7.4
Engineering	4.3	4.3	4.1	3.1	3.1	3.1	3.1	3.3	3.9	3.4
Inspections	5	5	5	5	4	4	4	5	5	5
Police:										
Supervision	6	6	5	5	6	6	6	5	5	5
Patrol	64	64	65	65	64	63	63	67	70	63
Investigations	15	15	15	15	15	15	15	15	13	13
Codes enforcement	2	2	1	2	1	1	1	1	1	1
Vice	-	-	-	1	1	1	1	1	1	1
Narcotics	6	6	5	5	5	5	5	5	4	4
Fire:										
Supervision	6	6	6	6	6	6	6	6	6	4
Firefighting	79	79	79	79	79	81	81	84	84	87
Prevention and inspection	1	1	1	1	1	1	1	2	2	1
Public works:										
Supervision	2.5	2.5	2	1.83	1.83	1.5	1.5	1.5	1.5	1.5
Buildings and grounds	3	3	3	2	2	2	2	2	2	6
Equipment shop	7	7	7	7	7	7	7	7	7	7
Repairs and maintenance	15	14	9	9	9	9	9	10	10	10
Street lights and signs	1	1	1	1	1	1	2	2	2	2
Brush and snow	11	11	10.7	10.7	10.7	9	9	13	13	14
Communication shop	2	2	2	1.65	1.65	2	2	2	2	2
Storm drains and ways	-	-	-	-	-	-	-	-	-	4
Street cleaning	-	-	-	-	-	-	-	-	-	2
Parks and recreation	17	17	17	17	17	17	18	20	20	21
Sewer	-	-	16	17.98	17.98	26.9	26.9	25.9	25.7	22.7
Stormwater	4.2	4.2	5.1	5.44	5.44	7.2	7.2	7	6.5	-
Solid waste	13.5	13.5	12.5	12	12	12	13	13	13	13
Total	294	293	299.7	302	299	310	314	328	329	325

TABLE 20

**CITY OF MORRISTOWN, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>Function</b>										
Police:										
Physical arrests	4,378	5,071	3,661	3,061	4,872	4,844	2,097	5,620	6,487	7,572
Parking violations	117	102	167	17	288	357	10,071	15,211	14,809	7,179
Fire:										
Number of calls answered	4,742	4,288	3,984	3,222	2,975	3,914	4,271	3,232	3,337	3,390
Inspections	2,663	2,724	2,535	2,562	2,781	741	659	948	2,361	2,376
Highway and streets:										
Street maintenance/ resurfacing (miles)	5.60	5.10	1.33	45.60	224.60	209.30	-	2.39	6.18	0.40
Sanitation										
Brush collected (annual)	2,649.09	2,125.77	2,412.14	6,574.00	6,094.32	2,870.70	3,238.19	3,327.04	2,711.20	3,411.50
Refuse collected	9,358.00	9,063.98	9,313.01	9,248.60	9,313.31	4,209.62	9,416.08	9,770.21	8,555.70	9,944.00

Source: Various Departments of the City of Morristown

TABLE 21

**CITY OF MORRISTOWN, TENNESSEE**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
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	263	263
Culture and recreation:										
Parks acreage	264	264	264	264	264	264	264	264	259	259
Parks	16	16	16	16	16	16	16	16	16	16

Source: Various Departments of the City of Morristown

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## **COMPLIANCE SECTION**

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

To the 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, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 24, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Items 2016-001 through 2016-004 that we consider to be material weaknesses.



## 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*.**

## City of Morristown's Response to Findings

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

## Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
February 24, 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, 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 programs for the year ended June 30, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

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

## Report on Compliance for Each Major Federal Program (Continued)

### *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 each of its major federal programs for the year ended June 30, 2016.

### 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Virginia  
February 24, 2017

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **Four material weaknesses** relating to the audit of the financial statements is reported in the 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 **unqualified opinion**.
6. The audit disclosed **no audit findings** relating to major programs.
7. The program tested as major programs is:

Highway Planning and Construction	20.205
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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**

**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.

*Cause:* The City failed to follow governmental accounting policies properly.

*Effect:* Land held for sale was overstated as some of the items recorded were deemed to be governmental capital assets and other items which have been sold by the City were not removed from the listing. Additionally parcels of land owned by the City were found to be unrecorded on the governmental capital asset listing.

*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.

*Management Response:* Management concurs with this finding. This is a matter that was presented to the auditors early in the engagement by the Finance Director. Although the City of Morristown had accepted responsibility for the financial statements, particularly land held for resale, it had depended on the previous auditor to provide assistance in accounting for these properties properly. The Finance Director could not locate supporting documentation nor could be provided supporting documentation from the previous auditor. Thus, it was necessary for the Finance Director to undertake the major task of evaluating all properties held by the City of Morristown and determining the value and proper presentation of each parcel owned. The Finance Director has corrected this finding and will ensure that all parcels of land owned by the City of Morristown are accounted for properly.

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

**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.

*Cause:* The City failed to follow governmental accounting policies properly.

*Effect:* The City's capitalized interest was understated and net position understated.

*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.

*Management Response:* Management concurs with this finding. As it relates to capitalized interest, this is an issue that dates back to 2009 when the City of Morristown initially issued debt for storm water projects and the subsequent issuance of debt in 2012. When this was brought to the attention of the City, a prior period adjustment along with the amount that should be capitalized in the fiscal year ended June 30, 2016 was determined by the Finance Director and presented to the auditor. The capital asset additions relate to specific projects that had begun in a previous fiscal year. Past practice has been that one individual was responsible for maintaining capital assets. The Finance Director will evaluate and implement internal controls to ensure that all capital additions are captured going forward and additions are reviewed by a separate individual that is not associated with capital assets, including detail review of all projects and general ledger accounts.

**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.

*Cause:* The City failed to follow governmental accounting policies properly.

*Effect:* The City's accounts receivables were overstated while fund balance was overstated.

*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.

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)**

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

*Management Response:* Management concurs with this finding. Management had brought this to the attention of the city attorney in years past to address those accounts that were delinquent as it relates to the collection of storm water fee and garbage fee. Management acknowledges that several receivables go back for several years. Management will develop a policy for the write-off of doubtful accounts and obtain the approval of the governing body to address this issue.

**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.

*Cause:* The City failed to follow governmental accounting policies properly.

*Effect:* The City's current year revenues were understated as well as the net position and fund balance being understated. Additionally opening balances for Deferred Inflows were overstated and beginning net position and fund balance were understated.

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

*Management Response:* Management concurs with this finding. This was a matter that the Finance Director brought to the attention of the auditors. In prior year, management did defer all of the revenue as a deferred inflow. This was seen as ultra conservative approach due to the fact that the detail of collections is not presented to the City of Morristown by MUS and was considered as not being available. After discussions with auditors, management agrees that the majority of the receivable for unbilled could be considered available by being received soon enough thereafter to be able to pay liabilities for the current period and thus presented as a receivable and revenue.

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

None noted.

**D. FINDINGS AND QUESTIONED COSTS – STATE OF TENNESSEE**

**2016-005: Fund Receipting for the Confidential Drug Fund**

*Condition:* The City failed to properly receipt funds received for undercover investigations by the Narcotics Fund.

**CITY OF MORRISTOWN, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

**D. FINDINGS AND QUESTIONED COSTS – STATE OF TENNESSEE (Continued)**

**2016-005: Fund Receipting for the Confidential Drug Fund (Continued)**

*Cause:* The City did not require receipts to be issued for the receipt of funds within the Narcotics Fund.

*Effect:* The City could erroneously duplicate transfers of monies to the Narcotics Fund or, received monies may be mishandled without documentation within the Fund of having ever been received.

*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.

*Management Response:* Management concurs. Policies and procedures will be implemented to ensure compliance with the State of Tennessee Confidential Drug Funds Manual.

**CITY OF MORRISTOWN, TENNESSEE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2016**

**A. FINDINGS – FINANCIAL STATEMENT AUDIT**

**2015-001: Police Officer Records**

*Condition:* A former police officer altered records, failed to record or receipt cash collected, and made a false entry in police department records.

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