

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Fiscal Year 2020
July 1, 2019 - June 30, 2020
Prepared by Finance Department

About the Cover

Creating a brand identity is an important part of communicating who you are as an organization. The City of Morristown has never had an official City logo, so City staff recently undertook the project to create a logo and brand design. Working with a local graphic designer, the City now has a logo that represents who we are. Modeled after the classic look of a city seal, the logo represents stability and familiarity. Featured is the main entrance and clock tower of Morristown's City Center and the year that Morristown was incorporated. In the center of the clock face is the Tennessee "Tri-star" symbol. The three stars are pictured on the Tennessee state flag, representing the three divisions of the state into east, middle, and west with the circle around them signifying their unity.

CITY OF MORRISTOWN, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED
June 30, 2020

FINANCE DEPARTMENT

CITY OF MORRISTOWN, TENNESSEE

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INTRODUCTORY SECTION



December 21, 2020

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

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP), audited in accordance with generally accepted auditing standards and in accordance with Government Auditing Standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Morristown for the fiscal year ended June 30, 2020.

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, 2020, 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, 2020, 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 "Uniform Guidance" designed to meet the special needs of federal grantor agencies. The standards governing Uniform Guidance 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 auditor

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 30,193. The City is authorized by state statutes to levy a property tax on both real and personal properties located within its boundaries.

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 Commission to ensure adequate coverage of operating expenses and payments on outstanding debt.

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

Factors Affecting Financial Condition

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

Local Economy

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity or capital resources cannot be reasonably estimated at this time. However, the City of Morristown has taken a fiscally responsible approach to its operations by decreasing appropriations and preparing conservative revenue estimates. Revenue estimates were not taken lightly. The revenue estimates were evaluated based on information provided by state and national economist. There are sufficient resources to sustain operations and services to taxpayers. The City of Morristown will continue to conservatively manage its resources until there is some normalcy restored in the 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. The breakdown of assessed values between commercial and residential is 71% and 29%, respectively. Manufacturing continues to make up the majority of property tax assessments for the City of Morristown.

Over the past several years, the City of Morristown has been experiencing a significant amount of retail development. National retail chains continue to locate to Morristown. This has stopped leakage of sales tax to other neighboring communities.

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 \$8.7 million at June 30, 2020 in its General Fund. This represents approximately a 22.6% unassigned fund balance compared to expenditures. This compares to 15% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2019. The increase is attributed to a twenty-five-cent increase for 2020 taxes and a decrease in transfers to the General Capital Projects Fund for capital expenditures. It should be stressed that fund balance is only used for capital items and is not used for re-occurring expenditures.

The City of Morristown demonstrated its commitment to long-term planning with the adoption of its 2020-2021 fiscal year budget. During December 2019, The City of Morristown issued \$37.25 million in General Obligation Bonds for the purpose of constructing a new Community Center. The City of Morristown was proactive in that it increased the property tax rate twenty-five cents to help support the debt service for the new bond 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, 2019. This was the seventh 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.

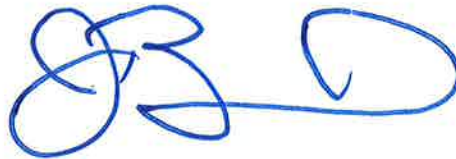
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City of Morristown also received the GFOA's Distinguished Budget Presentation award for its annual budget documented for the 2019-2020 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 Michelle Woods, Accounting Manager. 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,

A handwritten signature in blue ink, appearing to read "A.W. Cox", with a long horizontal stroke extending to the right.

Anthony W. Cox
City Administrator

A handwritten signature in blue ink, consisting of a large, stylized "JB" followed by a horizontal line and a loop.

Joey Barnard, CGFM, CMFO, CFE, MBA
Assistant City Administrator/Finance & Administration



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, 2019

Christopher P. Morrell

Executive Director/CEO

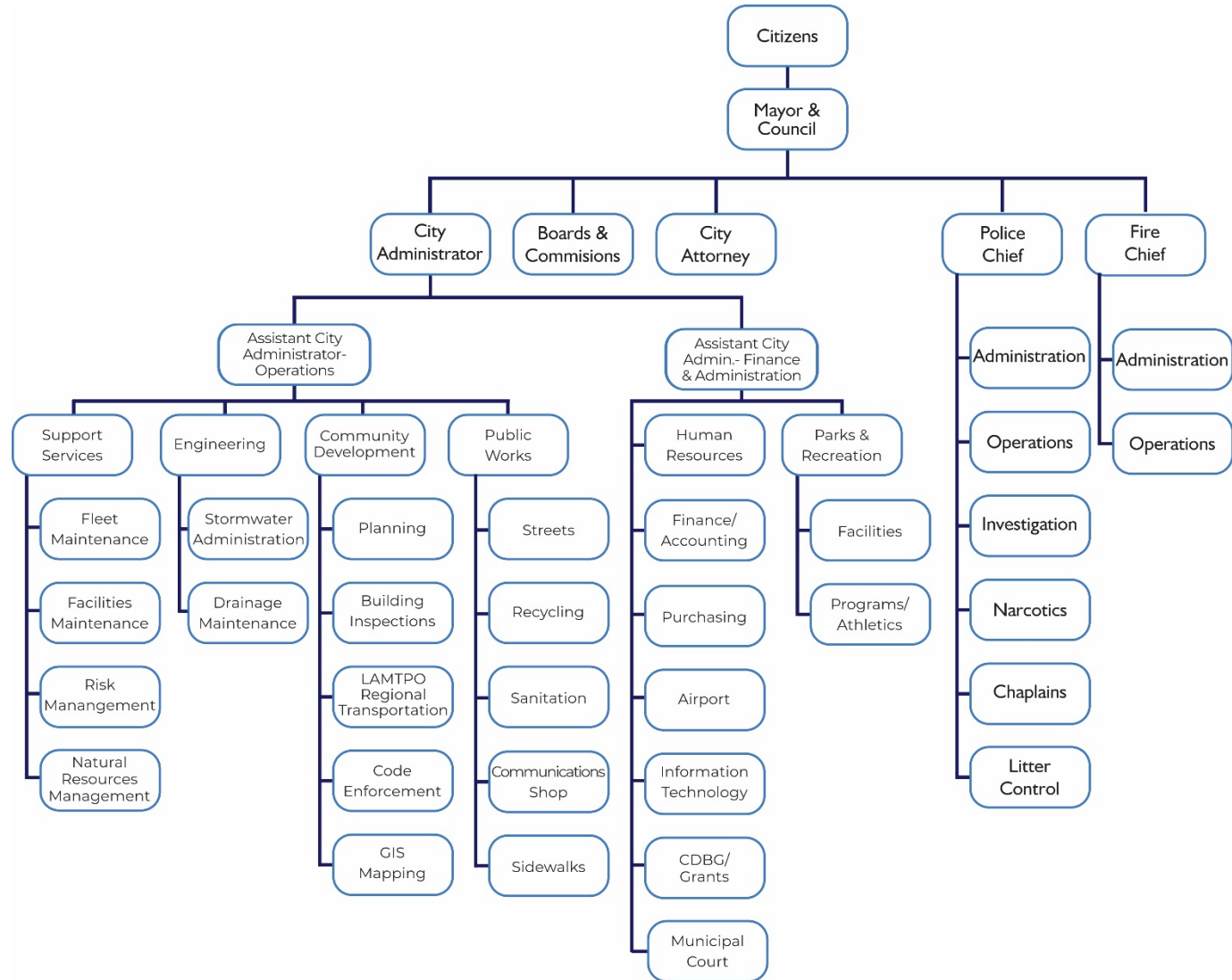
June 30, 2020

Al A'Hearn
Chris Bivens
Bob Garrett
Tommy Pedigo
Kay Senter
Ken Smith

Anthony W. Cox	City Administrator
Joey Barnard.....	Assistant City Administrator/ Finance & Administration
	Certified Municipal Financial Officer
Larry Clark	Assistant City Administrator/ Operations
Lauren Carroll	City Attorney
Steve Nielson.....	Director of Planning
Roger Overholt.....	Chief of Police
Clark Taylor	Fire Chief
Paul Brown.....	Director of Public Works
Craig Price.....	Director of Parks and Recreation

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

ORGANIZATIONAL CHART



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Morristown Utilities Commission, which represents 96.6%, 96.4%, 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.

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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison statements for the general fund and the solid waste fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedule of changes in long-term debt by individual issue, the budget to actual statements for non-major funds, 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. The schedule of State Financial Assistance is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

Other Matters (Continued)

Other Information (Continued)

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, 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 solely to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 21, 2020

Management's Discussion & 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, 2020. 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 \$214.6 million (net position). Of this amount, \$42.3 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 \$8.9 million. Charges for services, which are program specific revenues accounted for \$109.8 million in revenue or 71.3% of all government revenues. The majority (95.9%) of the charges for services are from Morristown Utilities Commission. General revenues of the primary government account for \$43.3 million or 28.1% of all government revenues.
- As of the close of the current fiscal year, the City of Morristown's governmental funds reported combined ending fund balances of approximately \$67.5 million, an increase of \$29.8 million in comparison with the prior year. The increase is attributed to the issuance of debt for the Community Center project. Approximately 12.9% 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 \$8.7 million, or approximately 23.0% of total General Fund expenditures.
- The City of Morristown's total outstanding long-term debt increased by \$27.7 million 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.

Management's Discussion & Analysis

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

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

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

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

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

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

The City of Morristown maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the solid waste fund, the general capital projects fund and the community center capital projects fund which are considered to be major funds. Data from the other governmental fund is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 73-74 of this report.

Management's Discussion & Analysis

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.

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

The basic fiduciary fund financial statements can be found on pages 20 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 22-65 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.

Management's Discussion & Analysis

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 \$214.6 million at the close of the most recent fiscal year.

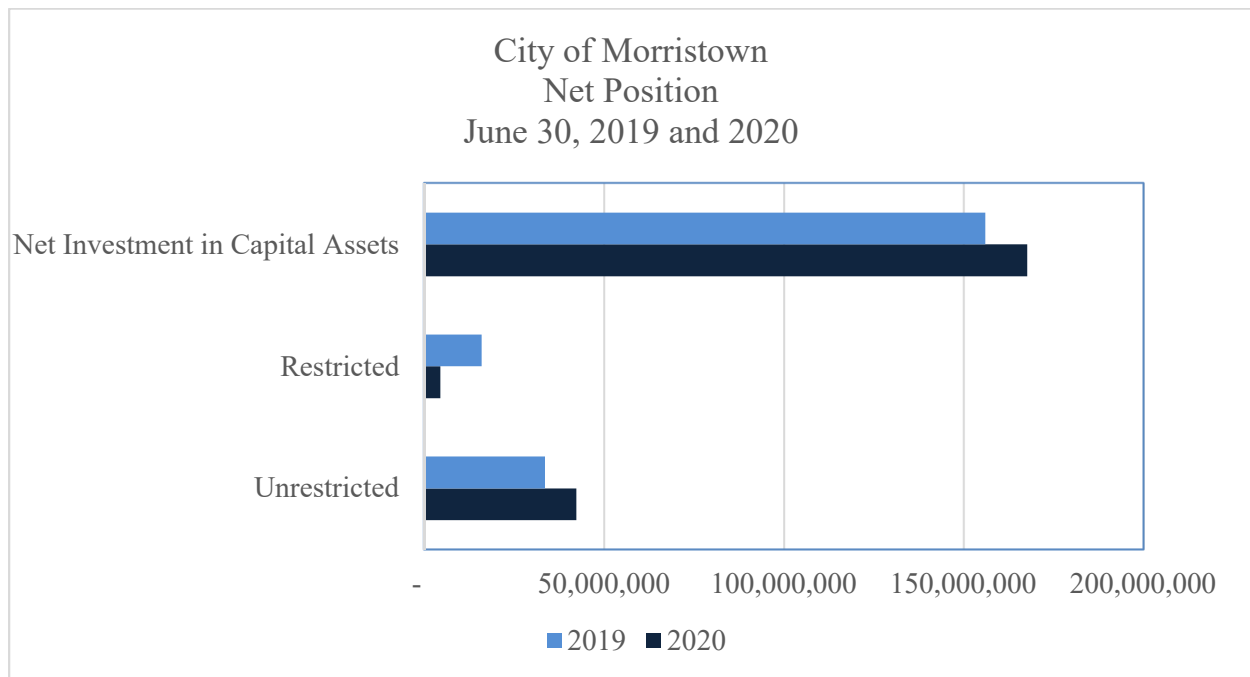
	Governmental activities		Business-type activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 91,259,745	\$ 59,383,158	\$ 41,304,304	\$ 45,687,111	\$ 132,564,049	\$ 105,070,269
Capital assets	81,485,084	71,656,069	234,908,771	236,117,382	316,393,855	307,773,451
Total assets	172,744,829	131,039,227	276,213,075	281,804,493	448,957,904	412,843,720
Total deferred outflows of resources	4,934,097	5,258,215	164,440	92,588	5,098,537	5,350,803
Long-term liabilities outstanding	82,442,148	49,202,733	127,247,547	127,247,547	209,689,695	176,450,280
Other liabilities	6,937,781	3,749,866	6,182,185	16,741,385	13,119,966	20,491,251
Total liabilities	89,379,929	52,952,599	133,429,732	143,988,932	222,809,661	196,941,531
Total deferred inflows of resources	16,395,409	15,424,062	203,635	46,150	16,599,044	15,470,212
Net position:						
Net investment in capital assets	49,242,104	44,112,071	118,518,543	111,985,630	167,760,647	156,097,701
Restricted	4,551,306	16,055,663	0	0	4,551,306	16,055,663
Unrestricted	18,110,178	7,753,047	24,225,605	25,876,369	42,335,783	33,629,416
Total net position	\$ 71,903,588	\$ 67,920,781	\$ 142,744,148	\$ 137,861,999	\$ 214,647,736	\$ 205,782,780

By far the largest portion of the City of Morristown's net position (78.2%) 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 (2.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$42,335,783 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 & Analysis



The City of Morristown's overall net position increased by approximately \$8.9 million from the prior fiscal year. The reasons for the overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities. During the current fiscal year, net position of the governmental activities increased by \$3.98 million. This increase is attributed to the additional twenty-five-cent tax increase in FY2020 to fund the construction of a new community center and a reduction in the amount of transfers to the General Capital Project Fund for capital outlay expenditures.

Management's Discussion & Analysis

City of Morristown's Changes in Net Position							
	Governmental Activities		Business-Type Activities		Total		
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program revenues:							
Charges for services	\$ 3,018,629	\$ 3,401,910	\$ 106,818,546	\$ 111,061,101	\$ 109,837,175	\$ 114,463,011	
Operating grants & contributions	203,610	175,368	-	-	203,610	175,368	
Capital grants & contributions	431,610	347,471	185,380	266,000	616,990	613,471	
General revenues:					-	-	
Property taxes	14,377,982	11,786,494	-	-	14,377,982	11,786,494	
Sales tax	13,543,093	13,389,122	-	-	13,543,093	13,389,122	
Intergovernmental	5,702,751	6,105,485	-	-	5,702,751	6,105,485	
Other	5,559,593	5,466,500	4,115,760	3,905,536	9,675,353	9,372,036	
Total revenues	42,837,268	40,672,350	111,119,686	115,232,637	153,956,954	155,904,987	
Expenses:							
General government	8,523,594	5,724,079	-	-	8,523,594	5,724,079	
Public safety	16,712,969	16,306,668	-	-	16,712,969	16,306,668	
Public works	11,044,754	10,736,232	-	-	11,044,754	10,736,232	
Economic development	-	-	-	-	-	-	
Culture & recreation	1,315,038	2,055,250	-	-	1,315,038	2,055,250	
Civic support	1,746,265	1,622,080	-	-	1,746,265	1,622,080	
Interest on long-term debt	1,770,299	1,135,318	-	-	1,770,299	1,135,318	
Water	-	-	6,977,206	6,776,689	6,977,206	6,776,689	
Wastewater	-	-	14,221,715	14,297,200	14,221,715	14,297,200	
Storm water	-	-	1,321,479	1,164,915	1,321,479	1,164,915	
Power	-	-	72,585,833	77,796,499	72,585,833	77,796,499	
Broadband	-	-	8,872,846	8,580,326	8,872,846	8,580,326	
Total expenses	41,112,919	37,579,627	103,979,079	108,615,629	145,091,998	146,195,256	
Increase (decrease) in net position before transfers	1,724,349	3,092,723	7,140,607	6,617,008	8,864,956	9,709,731	
Transfers	2,258,458	2,036,486	(2,258,458)	(2,036,486)	-	-	
Increase (decrease) in net position	3,982,807	5,129,209	4,882,149	4,580,522	8,864,956	9,709,731	
Net position - July 1,	67,920,781	62,791,572	137,861,999	133,281,477	205,782,780	196,073,049	
Net position - June 30,	\$ 71,903,588	\$ 67,920,781	\$ 142,744,148	\$ 137,861,999	\$ 214,647,736	\$ 205,782,780	

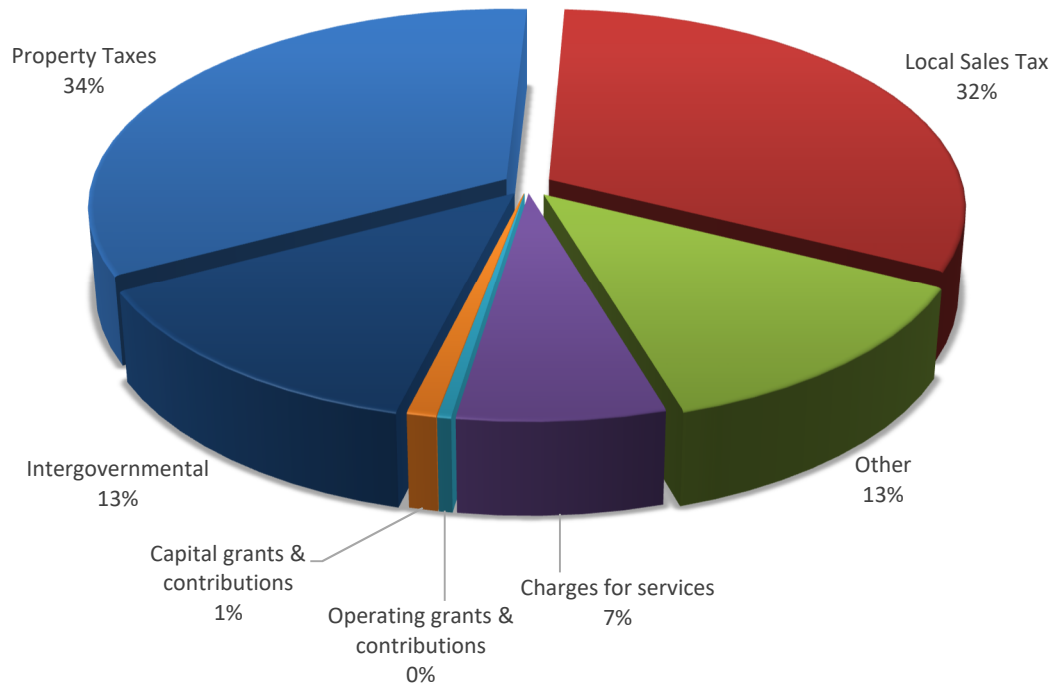
Revenues on the government-wide Statement of Activities are broken into two major categories, program and general revenues.

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

General revenues are all revenues that do not qualify as program revenues and by far are the largest revenue source. The largest single revenue sources within this major category are property taxes and local option sales tax. Both property tax and sales tax continue to be a stable revenue source for the City of Morristown. During the current fiscal year, sales tax collections increased by approximately \$153,971 or 1.14% compared to the previous fiscal year. Property tax increased by approximately \$2.6 million or 22.0% compared to previous fiscal year. As previously noted, the increase in property tax revenue is attributed to the twenty-five cent tax increase to fund the construction of the community center. The graph below presents the major sources of revenues for governmental activities.

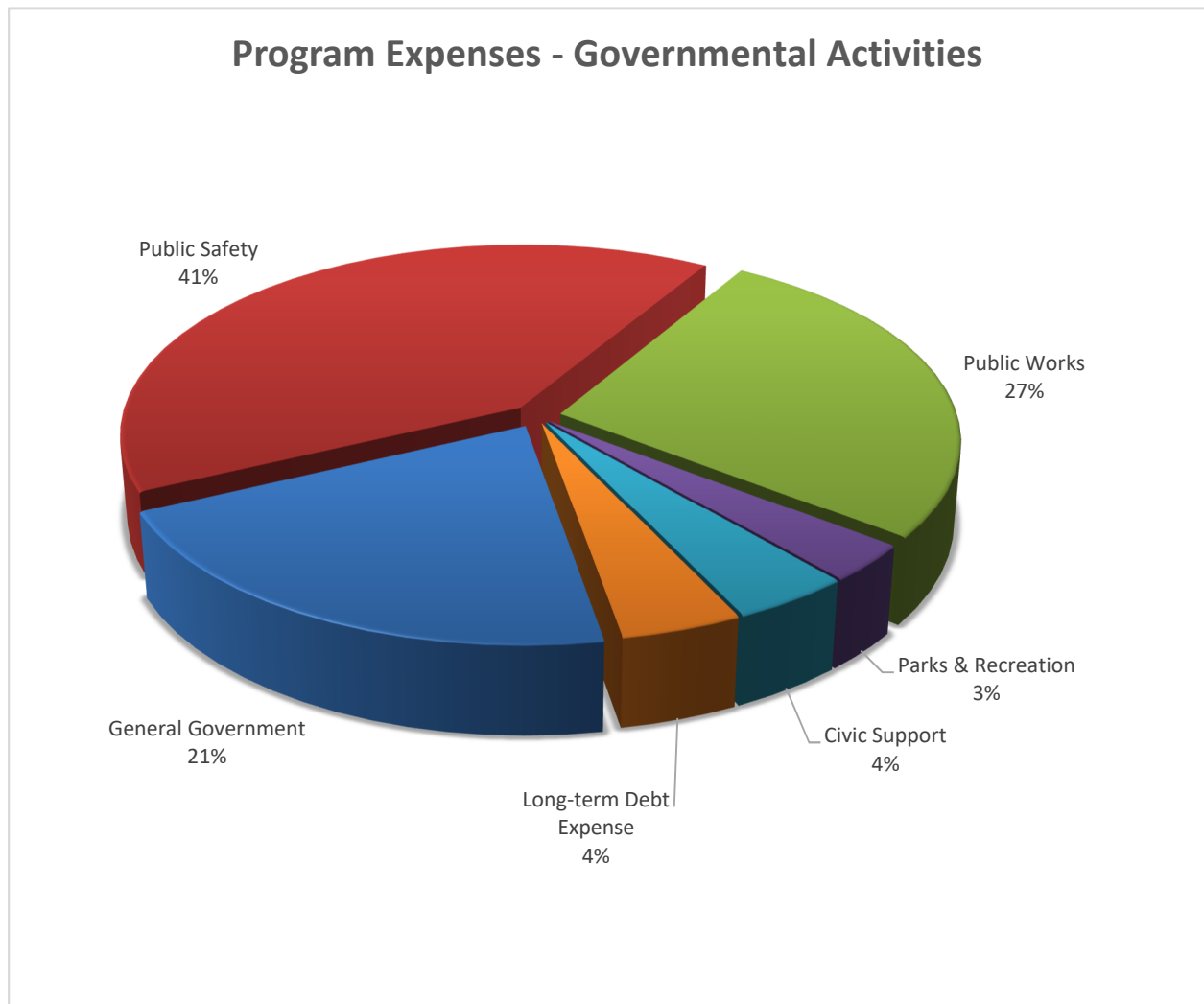
Management's Discussion & Analysis

Revenues by Source - Governmental Activities



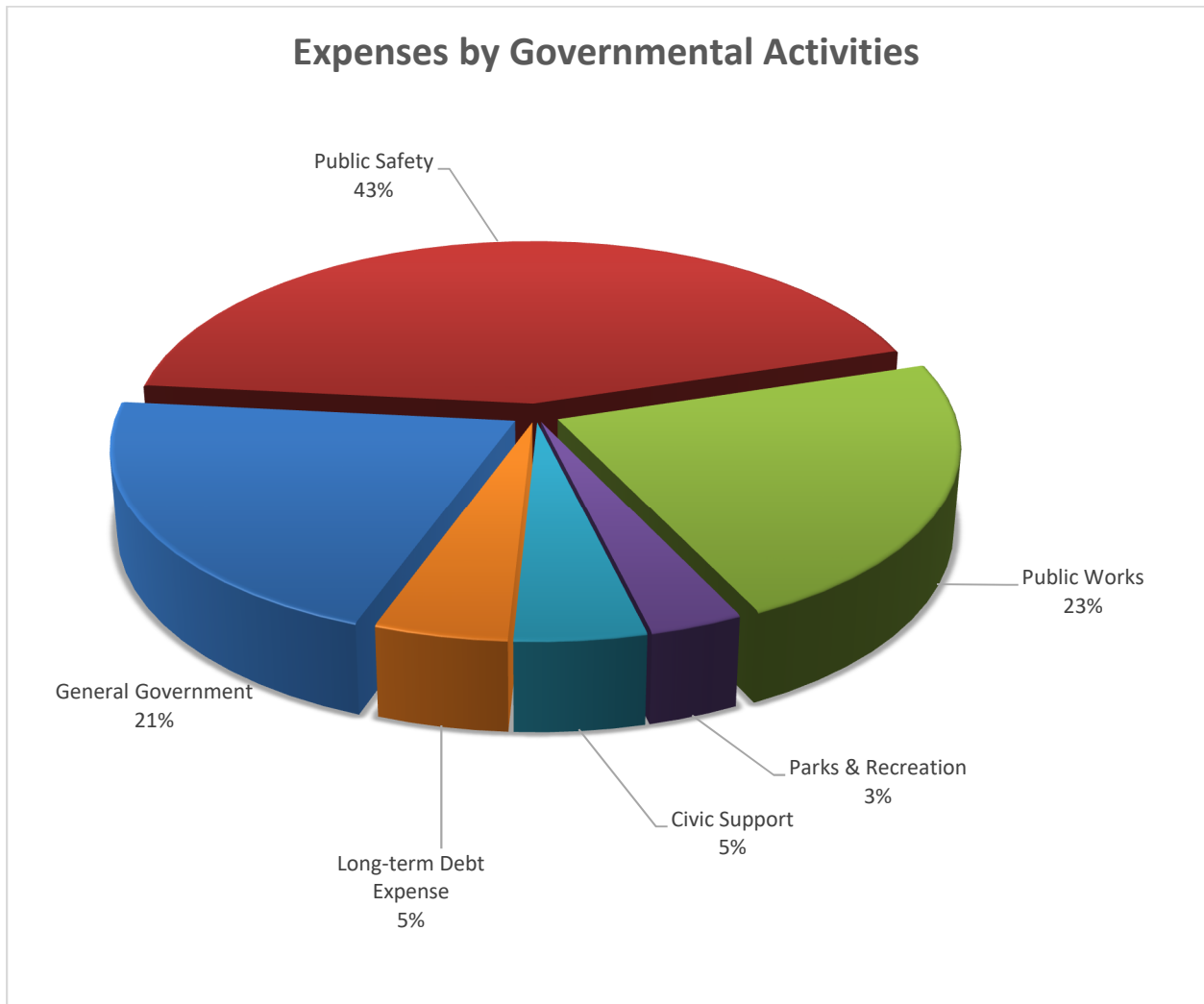
Public Safety expenses of \$16,712,969 and Public Works expenses of \$11,044,754 are the largest expenses of the City of Morristown, which when combined total \$27,757,723 and are 67.51% of total expenses. Of this amount, \$2,308,623 was recovered by charges for services, \$203,008 from operating grants/contributions, and \$431,610 from capital grants/contributions. For additional details, see illustrations below.

Management's Discussion & Analysis



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 & Analysis



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 \$142.7 million. Of the overall net position amount, \$5,097,669 or 3.6% relates to the Stormwater fund.

The total increase in net position for business-type activities was \$4.9 million or 3.5% from the prior fiscal year. Of this amount \$167,150 relates to Stormwater. The overall net increase that relates to Morristown Utilities Commission has primarily been used to acquire additional capital assets in the current year. 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.

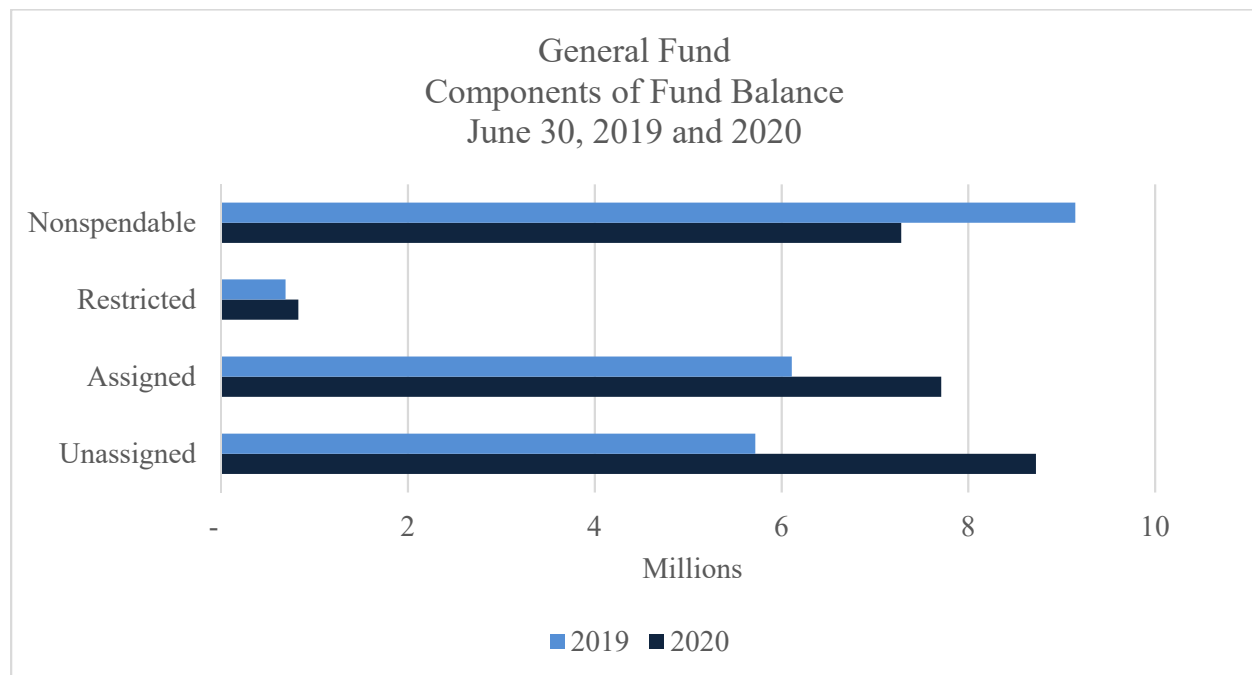
Financial Analysis of the Government's Funds

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

Management's Discussion & Analysis

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 not 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.

At June 30, 2020, the City of Morristown's governmental funds reported combined ending fund balances of \$67,483,700 an increase of approximately \$29.8 million in comparison with the prior year. Approximately 12.9% of this amount (\$8,724,598) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, or assigned to indicate that it is 1) not in spendable form or legally/contractually required to be maintained intact (\$7,283,183), 2) restricted for particular purposes (\$42,860,048), 3) committed for particular purposes (\$906,098), or 4) assigned for particular purposes (\$7,709,773).



The General Fund is the chief operating fund of the City of Morristown. The total fund balance increased to \$24,543,954. At the end of the current fiscal year, unassigned fund balance was \$8,724,598. This increase is attributed in part to a combination of the twenty-five-cent increase in the property tax rate, and a decrease in the amounts transferred to the General Capital Projects Fund relating to capital expenditures. 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 23.0% of total general fund expenditures, while total fund balance represents 64.6% 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.

Management's Discussion & Analysis

The fund balance of the City of Morristown's general fund increased \$2,875,989. As mentioned above, this increase is attributed in part to a combination of the twenty-five-cent increase in the property tax rate, and a decrease in the amounts transferred to the General Capital Projects Fund relating to capital expenditures. It must be stressed that fund balance is only being expended for one-time items, not reoccurring expenditures.

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. The Solid Waste Fund balance increased in the amount of \$613,536. The user fee funding the Solid Waste Fund, increased beginning July 1, 2018 as part of a long-term funding plan to help this fund become self-sufficient. It should be noted no funds were transferred from the general fund during FY 2019-2020.

Proprietary Funds. The City of Morristown's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the City's business-type activities decreased by \$1,650,764. The unrestricted net position of the City's Storm Water Fund increased \$4,722 for the current fiscal year. Unrestricted net position of the Morristown Utilities Commission, which operates power, wastewater, water, and broadband service for the City, at the end of the year, amounted to \$21,501,372, a decrease of \$1,652,486. 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 \$42,570,544. Budget amendments were approved by Council during the year decreasing total appropriations to \$41,892,207, a decrease of \$678,337 or 1.59%. Significant differences between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$148,500 to increase appropriations to account for the engineering services relating to the Brights Pike Bridge project. This bridge was chosen through the Improve Act / High Priority Bridge Replacement Program administered by the Tennessee Department of Transportation.
- \$59,163 to increase appropriations to account for the JAG Grant, the Tennessee Agricultural Enhancement Program Grant (TAEP) and the Multi-modal grant issued through the Tennessee Department of Transportation.
- \$74,000 to increase revenue and appropriations to account an insurance reimbursement received for IT equipment that sustained damage and had to be replaced due to leaking roof.
- \$960,000 to decrease appropriations associated with the West A.J. Hwy road project. This is attributed to the timing of work as it related to this project.

Management's Discussion & Analysis

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, 2020, amounts to \$81.5 million and \$235 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 2.8%.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 13,843,330	\$ 14,215,931	\$ 2,729,137	\$ 2,729,137	\$ 16,572,467	\$ 16,945,068
Buildings	13,974,252	12,403,965	-	-	13,974,252	12,403,965
Improvements other than buildings	3,061,368	2,740,601	-	-	3,061,368	2,740,601
Machinery & equipment	7,111,237	6,798,213	-	-	7,111,237	6,798,213
Infrastructure	20,790,779	22,611,483	-	-	20,790,779	22,611,483
Utility plant and equipment	-	-	230,517,400	212,525,934	230,517,400	212,525,934
Construction in progress	22,704,118	12,885,876	1,662,234	20,862,311	24,366,352	33,748,187
Total	\$ 81,485,084	\$ 71,656,069	\$ 234,908,771	\$ 236,117,382	\$ 316,393,855	\$ 307,773,451

Additional information on the City of Morristown's capital assets can be found in Note 7 on pages 35-37 of this report.

Long-term debt. At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$177 million; of this amount, \$66.6 million comprises net direct debt of governmental activities. The remainder of the City of Morristown's debt represents bonds secured by specified revenue sources and the full faith and credit of the government.

The City's breakdown of variable and fixed rate debt outstanding is 1.2% and 98.8% respectively.

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

Management's Discussion & Analysis

City of Morristown's Long-Term Debt				
	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
General fund	\$ 30,883,437	\$ 37,250,000	\$ 1,736,590	\$ 66,396,847
Solid waste fund	220,760	-	26,807	193,953
Total governmental activities	31,104,197	37,250,000	1,763,397	66,590,800
Business-type activities				
Sewer system	82,955,695		4,990,247	77,965,448
Storm water system	3,805,681	-	211,819	3,593,862
Electric system	19,815,000	-	1,075,000	18,740,000
Water system	9,832,385	-	989,208	8,843,177
Broadband system	1,809,000	-	511,000	1,298,000
Total business-type activities	118,217,761	-	7,777,274	110,440,487
Total Debt	<u>\$ 149,321,958</u>	<u>\$ 37,250,000</u>	<u>\$ 9,540,671</u>	<u>\$ 177,031,287</u>

The City of Morristown's total debt increased by \$27,709,329 (18.6%) during the current fiscal year. The reason for the increase was attributed to the debt that was issued for construction of the Community Center.

On December 2, 2019, the City issued \$37.25 million in General Obligation Bond Debt at a fixed rate. The purpose of the issue was to fund the construction of a Community Center.

Additional information on the City of Morristown's long-term debt can be found in Note 8 on pages 37-43 of this report.

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 2020-2021 fiscal year budget.

- During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). By far the potential impact of the pandemic was one of the biggest factors considered during the FY2020-2021 budget process. Given the uncertainty surrounding the effect the pandemic would have on the economic future, expenditures were cut across departments and the very conservative revenue estimates were made.
- As a result of COVID the unemployment rate for the City of Morristown increased. As of June 30, 2020, the unemployment rate was 9.4% compared to 4.5% at June 30, 2019. The state's seasonally adjusted unemployment rate also increased and as of June 30, 2020, was 9.6% compared to 3.4% a year ago. The national average unemployment rate also saw a significant increase and was 11.2% compared to 3.7% a year ago.

Management's Discussion & Analysis

- The City of Morristown continued to be proactive in that it increased the property tax rate an additional twenty-five cents for the 2020 tax year. This strategic planning allowed the City of Morristown to provide additional funding to move forward with construction of the Community Center. A contract for the construction of the community center in the amount of approximately \$28 million was awarded subsequent to year end. This contract was below budgeted estimates, which further demonstrates the City of Morristown's conservative management approach.

During the current fiscal year, the assigned fund balance in the General Fund was \$7,709,773. The City of Morristown has appropriated \$1,256,662 of this amount for spending in the 2020-2021 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.

Impact of Pandemic

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the results of operations, net position, liquidity or capital resources cannot be reasonably estimated at this time. However, the City of Morristown has taken a fiscally responsible approach to its operations by decreasing appropriations and conservative revenue estimates. Revenue estimates were not taken lightly. The revenue estimates were evaluated based on information provided by state and national economist. There are sufficient resources to sustain operations and services to taxpayers. The City of Morristown will continue to conservatively manage its resources until there is some normalcy restored in the economy.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents (Note 3)	\$ 24,854,155	\$ 27,193,076	\$ 52,047,231
Receivables, net (Note 4)	20,734,356	10,480,088	31,214,444
Due from other governmental units	4,817	901,360	906,177
Inventories	46,770	2,032,260	2,079,030
Other current assets	33,504	253,190	286,694
Restricted assets:			
Cash and cash equivalents (Note 3)	38,352,670	-	38,352,670
Capital assets: (Note 7)			
Non-depreciable	36,547,448	4,391,371	40,938,819
Depreciable, net	44,937,636	230,517,400	275,455,036
Land held for sale (Note 6)	7,233,473	-	7,233,473
Other assets	-	444,330	444,330
Total assets	172,744,829	276,213,075	448,957,904
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows (Note 10)	4,172,947	24,758	4,197,705
OPEB related deferred outflows (Notes 12 and 13)	761,150	139,682	900,832
Total deferred outflows of resources	4,934,097	164,440	5,098,537
LIABILITIES			
Accounts payable and accrued liabilities	2,244,901	8,299,040	10,543,941
Accrued payroll and related liabilities	606,146	2,451,608	3,057,754
Accrued interest payable	193,865	27,652	221,517
Customer deposits	-	3,878,906	3,878,906
Unearned revenue (Note 4)	718,250	251,293	969,543
Long-term liabilities:			
Due within one year (Note 8)	3,174,619	8,007,943	11,182,562
Due in more than one year (Note 8)	69,015,070	108,407,968	177,423,038
Net OPEB liability (Notes 12 and 13)	6,928,188	2,029,902	8,958,090
Net pension liability (Note 10)	6,498,890	75,420	6,574,310
Total liabilities	89,379,929	133,429,732	222,809,661
DEFERRED INFLOWS OF RESOURCES			
Property taxes and seized funds (Note 4)	14,215,905	-	14,215,905
OPEB related deferred inflows (Notes 12 and 13)	101,366	181,074	282,440
Pension related deferred inflows (Note 10)	2,078,138	22,561	2,100,699
Total deferred inflows of resources	16,395,409	203,635	16,599,044
NET POSITION			
Net investment in capital assets	49,242,104	118,518,543	167,760,647
Restricted for:			
Narcotics	296,382	-	296,382
E-Citation	47,039	-	47,039
Capital projects	2,308,288	-	2,308,288
Public works	1,899,597	-	1,899,597
Unrestricted	18,110,178	24,225,605	42,335,783
Total net position	\$ 71,903,588	\$ 142,744,148	\$ 214,647,736

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, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 8,523,594	\$ 635,530	\$ -	\$ -	\$ (7,888,064)	\$ -	\$ (7,888,064)
Public safety	16,712,969	184,349	203,008	-	(16,325,612)	-	(16,325,612)
Public works	11,044,754	2,124,274	-	431,610	(8,488,870)	-	(8,488,870)
Culture and recreation	1,315,038	74,476	200	-	(1,240,362)	-	(1,240,362)
Civic support	1,746,265	-	402	-	(1,745,863)	-	(1,745,863)
Interest on long-term debt	1,770,299	-	-	-	(1,770,299)	-	(1,770,299)
Total governmental activities	41,112,919	3,018,629	203,610	431,610	(37,459,070)	-	(37,459,070)
Business-type activities:							
Water	6,977,206	7,437,738	-	67,800	-	528,332	528,332
Wastewater	14,221,715	14,238,435	-	117,580	-	134,300	134,300
Stormwater	1,321,479	1,404,622	-	-	-	83,143	83,143
Power	72,585,833	75,488,051	-	-	-	2,902,218	2,902,218
Broadband	8,872,846	8,249,700	-	-	-	(623,146)	(623,146)
Total business-type activities	103,979,079	106,818,546	-	185,380	-	3,024,847	3,024,847
Total	\$ 145,091,998	\$ 109,837,175	\$ 203,610	\$ 616,990	(37,459,070)	3,024,847	(34,434,223)
General revenues:							
Property taxes					14,377,982	-	14,377,982
Local sales taxes					13,543,093	-	13,543,093
Franchise taxes					638,180	-	638,180
Alcohol beverage tax					1,682,295	-	1,682,295
Business and gross receipts tax					1,159,672	-	1,159,672
Lodging tax					651,258	-	651,258
Litigation tax					44,710	-	44,710
Intergovernmental revenue-unrestricted					5,702,751	-	5,702,751
Unrestricted investment earnings					-	407,078	407,078
Other					1,383,478	3,708,682	5,092,160
Transfers (Note 5)					2,258,458	(2,258,458)	-
Total general revenues and transfers					41,441,877	1,857,302	43,299,179
Change in net position					3,982,807	4,882,149	8,864,956
Net position at July 1,					67,920,781	137,861,999	205,782,780
Net position at June 30,					\$ 71,903,588	\$ 142,744,148	\$ 214,647,736

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

CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2020**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Community Center Capital Projects</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents	\$ 14,695,386	\$ 886,652	\$ 4,059,909	\$ -	\$ 472,345	\$ 20,114,292
Cash and cash equivalents, restricted	-	-	-	38,352,670	-	38,352,670
Receivables, net	20,090,997	270,557	267,560	-	58	20,629,172
Due from other governmental units	-	-	-	-	4,817	4,817
Prepaid	2,940	-	-	-	-	2,940
Inventories	46,770	-	-	-	-	46,770
Land held for sale	7,233,473	-	-	-	-	7,233,473
Total assets	<u>\$ 42,069,566</u>	<u>\$ 1,157,209</u>	<u>\$ 4,327,469</u>	<u>\$ 38,352,670</u>	<u>\$ 477,220</u>	<u>\$ 86,384,134</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 739,049	\$ 70,860	\$ 1,113,083	\$ 43,928	\$ 1,125	\$ 1,968,045
Accrued payroll and related liabilities	592,994	13,152	-	-	-	606,146
Unearned revenue	718,250	-	-	-	-	718,250
Total liabilities	<u>\$ 2,050,293</u>	<u>\$ 84,012</u>	<u>\$ 1,113,083</u>	<u>\$ 43,928</u>	<u>\$ 1,125</u>	<u>\$ 3,292,441</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable/deferred taxes	<u>15,475,319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,674</u>	<u>15,607,993</u>
FUND BALANCES						
Nonspendable	7,283,183	-	-	-	-	7,283,183
Restricted	826,400	1,073,197	2,308,288	38,308,742	343,421	42,860,048
Committed	-	-	906,098	-	-	906,098
Assigned	7,709,773	-	-	-	-	7,709,773
Unassigned	8,724,598	-	-	-	-	8,724,598
Total fund balances	<u>24,543,954</u>	<u>1,073,197</u>	<u>3,214,386</u>	<u>38,308,742</u>	<u>343,421</u>	<u>67,483,700</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 42,069,566</u>	<u>\$ 1,157,209</u>	<u>\$ 4,327,469</u>	<u>\$ 38,352,670</u>	<u>\$ 477,220</u>	<u>\$ 86,384,134</u>

(Continued)

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

CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2020**

Total Fund Balance – Governmental Funds	\$ 67,483,700
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.	81,485,084
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	1,392,088
Long-term liabilities, including bonds payable, compensated absences, and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds and notes payable	(70,595,650)
Accrued interest payable	(193,865)
Compensated absences	(1,594,039)
Deferred amounts:	
Deferred outflows of resources for the net difference between projected and actual investment earnings on pension plan investments.	15,533
Deferred outflows of resources for change in pension assumptions.	839,539
Deferred outflows of resources for the difference between projected and actual earnings to the pension plan.	1,053,664
Deferred outflows of resources for 2020 employer pension plan contributions.	2,264,211
Deferred inflows of resources for the difference between actual and expected experience related to the pension plan.	(2,063,925)
Deferred inflows of resources for the difference between projected and actual earnings to the pension plan.	(14,213)
Deferred outflows of resources for the net difference between projected and actual investment earnings on OPEB plan investments.	39,455
Deferred outflows of resources for the difference between actual and expected experience related to the OPEB plan.	303,297
Deferred outflows of resources change in OPEB assumptions.	418,398
Deferred inflows of resources for OPEB.	(101,366)
Net pension liability	(6,498,890)
Net OPEB liability	(6,928,188)
The internal service fund is used by management to account for the claims and premiums for employee health insurance. Its assets and liabilities are included in the governmental activities' statement of net position.	4,598,755
Net position of governmental activities	<u><u>\$ 71,903,588</u></u>

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 –
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	<u>General</u>	<u>Solid Waste</u>	<u>Capital Projects</u>	<u>Community Center Capital Projects</u>	<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
REVENUES						
General property taxes	\$ 13,951,771	\$ -	\$ -	\$ -	\$ -	\$ 13,951,771
Sales tax	13,543,093	-	-	-	-	13,543,093
Other local taxes	4,176,115	-	-	-	-	4,176,115
Licenses, permits, and fines	366,065	-	-	-	34,404	400,469
Charges for services	493,886	2,124,274	-	-	-	2,618,160
Proceeds from Long-Term Debt	-	-	-	-	-	-
Other	886,480	-	202,171	265,177	29,650	1,383,478
Intergovernmental	5,690,936	-	647,035	-	-	6,337,971
Total revenues	<u>39,108,346</u>	<u>2,124,274</u>	<u>849,206</u>	<u>265,177</u>	<u>64,054</u>	<u>42,411,057</u>
EXPENDITURES						
Current:						
General government	5,757,474	-	3,641,237	1,110,348	-	10,509,059
Public safety	17,063,214	-	2,800	-	44,583	17,110,597
Public works	7,112,936	1,478,715	8,560,915	-	-	17,152,566
Culture and recreation	2,243,483	-	1,178,039	-	-	3,421,522
Civic support	1,746,265	-	-	-	-	1,746,265
Retiree health insurance	499,080	-	-	-	-	499,080
Debt service:						
Principal retirement	1,736,591	26,806	-	-	-	1,763,397
Interest and fiscal charges	1,824,272	5,217	-	-	-	1,829,489
Bond issuance cost	-	-	-	651,051	-	651,051
Total expenditures	<u>37,983,315</u>	<u>1,510,738</u>	<u>13,382,991</u>	<u>1,761,399</u>	<u>44,583</u>	<u>54,683,026</u>
Excess (deficiency) of revenues over expenditures	<u>1,125,031</u>	<u>613,536</u>	<u>(12,533,785)</u>	<u>(1,496,222)</u>	<u>19,471</u>	<u>(12,271,969)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	-	37,250,000	-	37,250,000
Premium on debt issuance	-	-	-	2,554,964	-	2,554,964
Transfers in	2,258,458	-	507,500	-	-	2,765,958
Transfers out	(507,500)	-	-	-	-	(507,500)
Total other financing sources	<u>1,750,958</u>	<u>-</u>	<u>507,500</u>	<u>39,804,964</u>	<u>-</u>	<u>42,063,422</u>
Net change in fund balance	<u>2,875,989</u>	<u>613,536</u>	<u>(12,026,285)</u>	<u>38,308,742</u>	<u>19,471</u>	<u>29,791,453</u>
FUND BALANCES AT JULY 1,	<u>21,667,965</u>	<u>459,661</u>	<u>15,240,671</u>	<u>-</u>	<u>323,950</u>	<u>37,692,247</u>
FUND BALANCES AT JUNE 30,	<u>\$ 24,543,954</u>	<u>\$ 1,073,197</u>	<u>\$ 3,214,386</u>	<u>\$ 38,308,742</u>	<u>\$ 343,421</u>	<u>\$ 67,483,700</u>

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

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, 2020**

Net changes in fund balances – Governmental Funds	\$ 29,791,453
Adjustments for the statement of activities:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.	
Capital outlay	14,242,710
Loss on disposal of assets	(460,204)
Depreciation expense	(3,953,491)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	426,211
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	1,763,397
Issuance of debt	(37,250,000)
Premium on debt issuance	(2,554,964)
Amortization of premium	153,560
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.	
Change in accrued interest payable	(94,370)
Change in compensated absences	(1,010)
Governmental funds report other postemployment benefit contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned net of employee contributions is reported as OPEB expense.	(165,274)
Governmental funds report employer pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reports as pension expense.	735,706
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.	1,349,083
Change in net position of governmental activities	\$ 3,982,807

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, 2020**

	Budgeted Amounts		Actual	Encumbrances	Budgetary	Variance with
	Original	Final	Amounts		Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Taxes:						
General property	\$ 13,782,000	\$ 13,782,000	\$ 13,951,771	\$ -	\$ 13,951,771	\$ 169,771
Sales tax	13,575,000	13,575,000	13,543,093	-	13,543,093	(31,907)
Other local taxes	3,790,000	3,790,000	4,176,115	-	4,176,115	386,115
Licenses and permits	330,000	330,000	366,065	-	366,065	36,065
Charges for services	555,000	555,000	493,886	-	493,886	(61,114)
Other	856,000	930,000	886,480	-	886,480	(43,520)
Intergovernmental	7,045,860	6,143,673	5,690,936	-	5,690,936	(452,737)
Total revenues	39,933,860	39,105,673	39,108,346	-	39,108,346	2,673
EXPENDITURES						
General government:						
Mayor and City Council	358,747	358,747	296,048	6,011	302,059	56,688
Council elections	18,000	18,000	-	-	-	18,000
City administrator	876,189	863,743	811,823	7,495	819,318	44,425
Finance department	903,612	903,612	901,243	(2,978)	898,265	5,347
Purchasing department	69,652	69,652	65,521	-	65,521	4,131
Computer operations	319,117	393,117	333,135	53,192	386,327	6,790
Human resources	176,563	176,563	151,652	8,477	160,129	16,434
Risk management	185,217	196,967	190,601	439	191,040	5,927
Court administration	97,386	97,386	88,542	-	88,542	8,844
Legal	183,314	171,564	99,524	-	99,524	72,040
Community and economic affairs	846,851	1,874,427	1,527,404	(11,117)	1,516,287	358,140
Engineering	254,555	458,055	254,396	188,087	442,483	15,572
GIS	277,131	277,131	269,139	574	269,713	7,418
Inspections	547,011	551,461	469,109	52	469,161	82,300
Natural resource maintenance	310,201	328,776	299,337	10,642	309,979	18,797
Total general government	5,423,546	6,739,201	5,757,474	260,874	6,018,348	720,853
Public safety:						
Police supervision	786,937	786,937	725,978	(1,060)	724,918	62,019
Patrol and traffic	5,229,846	5,077,844	4,579,197	268,250	4,847,447	230,397
Police investigation	1,487,578	1,487,578	1,401,454	38,943	1,440,397	47,181
Police support	1,074,010	1,239,600	1,171,141	38,967	1,210,108	29,492
Litter Crew	135,975	135,975	87,256	42,285	129,541	6,434
Chaplains	8,150	8,150	1,543	-	1,543	6,607
Narcotics	699,768	699,768	696,935	380	697,315	2,453
Code enforcement	218,638	218,638	179,405	100	179,505	39,133
Fire supervision	704,204	716,184	704,931	77	705,008	11,176
Fire inspection	267,893	238,863	175,208	35	175,243	63,620
Fire stations	210,991	206,541	192,868	4,724	197,592	8,949
Firefighting	7,222,117	7,239,167	7,147,298	13,425	7,160,723	78,444
Total public safety	18,046,107	18,055,245	17,063,214	406,126	17,469,340	585,905

(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, 2020**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
EXPENDITURES (Continued)						
Public works:						
Public works supervision	\$ 427,937	\$ 512,937	\$ 486,988	\$ 8,088	\$ 495,076	\$ 17,861
Building and grounds	633,070	633,070	547,836	10,384	558,220	74,850
Equipment shop	626,994	650,414	619,916	5,267	625,183	25,231
Repairs and maintenance	1,492,988	1,380,493	1,276,146	24,318	1,300,464	80,029
Street lighting and signs	853,897	853,897	796,391	5,416	801,807	52,090
Brush pick-up and snow removal	1,298,432	1,298,432	1,378,710	(144,193)	1,234,517	63,915
Sidewalks	280,000	305,650	68,862	134,534	203,396	102,254
Traffic devices	272,500	273,850	265,018	3,243	268,261	5,589
Communication shop	208,240	212,315	202,587	386	202,973	9,342
Pavement management system	1,950,000	1,290,000	1,008,292	(121,243)	887,049	402,951
Airport	469,200	469,200	462,190	39,691	501,881	(32,681)
Total public works	8,513,258	7,880,258	7,112,936	(34,109)	7,078,827	801,431
Culture and recreation:						
Parks and recreation supervision	497,137	503,814	489,147	1,068	490,215	13,599
Playgrounds and programs	568,143	561,466	492,814	(10,479)	482,335	79,131
Parks and maintenance	1,604,083	1,304,083	1,261,522	956	1,262,478	41,605
Total culture and recreation	2,669,363	2,369,363	2,243,483	(8,455)	2,235,028	134,335
Civic support:						
Contributions to local agencies	250,000	250,000	235,500	-	235,500	14,500
Animal control	237,880	237,880	237,880	-	237,880	-
E-911 district	258,536	258,536	258,536	-	258,536	-
Economic development	281,500	281,500	285,695	-	285,695	(4,195)
Emergency management agency	35,000	35,000	29,870	9,619	39,489	(4,489)
Library	301,950	301,950	301,950	-	301,950	-
TIF payments	344,000	356,446	356,445	-	356,445	1
LAMTPO Local Match	25,000	25,000	31,889	-	31,889	(6,889)
Crockett Tavern Association	8,500	8,500	8,500	-	8,500	-
Total civic support	1,742,366	1,754,812	1,746,265	9,619	1,755,884	(1,072)

(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, 2020**

	Budgeted Amounts		Actual	Encumbrances	Budgetary	Variance with
	Original	Final	Amounts		Basis Expenditures	Final Budget Positive (Negative)
EXPENDITURES (Continued)						
Retiree health insurance	\$ 575,000	\$ 575,000	\$ 499,080	\$ -	\$ 499,080	\$ 75,920
Debt service:						
Principal	1,737,433	1,737,433	1,736,591	-	1,736,591	842
Interest	1,175,971	1,825,971	1,823,272	-	1,823,272	2,699
Bond expense	5,000	5,000	1,000	-	1,000	4,000
Total debt service	2,918,404	3,568,404	3,560,863	-	3,560,863	7,541
Total expenditures	39,888,044	40,942,283	37,983,315	634,055	38,617,370	2,324,913
Excess (deficiency) of revenues over expenditures	45,816	(1,836,610)	1,125,031	(634,055)	490,976	2,327,586
OTHER FINANCING SOURCES (USES)						
Transfers in	2,129,187	2,129,187	2,258,458	-	2,258,458	129,271
Transfers out	(2,682,500)	(949,924)	(507,500)	-	(507,500)	442,424
Net other financing sources (uses)	(553,313)	1,179,263	1,750,958	-	1,750,958	571,695
Net change in fund balance	(507,497)	(657,347)	2,875,989	(634,055)	2,241,934	2,899,281
Fund balance, July 1, 2019	17,851,480	14,072,380	21,667,965	(1,011,003)	20,656,962	4,626,574
Fund balance, June 30, 2020	\$ 17,343,983	\$ 13,415,033	\$ 24,543,954	\$ (1,645,058)	\$ 22,898,896	\$ 7,525,855

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 – SOLID WASTE FUND (BUDGETARY BASIS)
Year Ended June 30, 2020**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis Expenditures	Final Budget Positive (Negative)
REVENUES						
Charges for services	\$ 2,088,000	\$ 2,088,000	\$ 2,124,274	\$ -	\$ 2,124,274	\$ 36,274
Total revenues	2,088,000	2,088,000	2,124,274	-	2,124,274	36,274
EXPENDITURES						
Public works:						
Sanitation department	1,662,683	1,721,683	1,313,110	273,190	1,586,300	135,383
Curbside recycle	267,978	207,978	165,605	580	166,185	41,793
Debt service:						
Principal	25,965	26,865	26,806	-	26,806	59
Interest	5,375	5,475	5,217	-	5,217	258
Paying agent fees	500	500	-	-	-	500
Total expenditures	1,962,501	1,962,501	1,510,738	273,770	1,784,508	177,993
Excess (deficiency) of revenues over expenditures	125,499	125,499	613,536	(273,770)	339,766	214,267
Net change in fund balance	125,499	125,499	613,536	(273,770)	339,766	214,267
Fund balance, July 1, 2019	389,100	310,882	459,661	(19,897)	439,764	110,943
Fund balance, June 30, 2020	\$ 514,599	\$ 436,381	\$ 1,073,197	\$ (293,667)	\$ 779,530	\$ 325,210

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

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2020**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	\$ 7,376,243	\$ 13,596,139	\$ 2,994,806	\$ 914,551	\$ 2,311,337	\$ -	\$ 27,193,076	\$ 4,739,863
Receivables, net	738,055	9,029,206	238,273	59,710	414,844	-	10,480,088	105,184
Due from other funds	50,316	397,933	-	-	-	(448,249)	-	-
Due from other governmental units	176,986	638,438	20,786	-	65,150	-	901,360	-
Accrual for unbilled revenue	-	-	-	-	-	-	-	-
Other current assets	31,110	51,752	17,117	153,211	-	-	253,190	30,564
Inventories	233,225	1,351,942	385,072	-	62,021	-	2,032,260	-
Total current assets	8,605,935	25,065,410	3,656,054	1,127,472	2,853,352	(448,249)	40,859,974	4,875,611
NONCURRENT ASSETS								
Advances from other funds	-	1,411,067	-	-	-	(1,411,067)	-	-
Other assets	-	375,901	-	-	68,429	-	444,330	-
Capital assets:								
Non-depreciable	1,662,958	2,005,842	552,965	23,175	146,431	-	4,391,371	-
Depreciable, net	103,338,944	69,899,421	39,254,991	12,065,871	5,958,173	-	230,517,400	-
Total noncurrent assets	105,001,902	73,692,231	39,807,956	12,089,046	6,173,033	(1,411,067)	235,353,101	-
Total assets	113,607,837	98,757,641	43,464,010	13,216,518	9,026,385	(1,859,316)	276,213,075	4,875,611
DEFERRED OUTFLOWS OF RESOURCES								
Pension related deferred outflows	-	-	-	-	24,758	-	24,758	-
OPEB related deferred outflows	26,015	68,145	27,425	18,097	-	-	139,682	-
Total deferred outflows of resources	26,015	68,145	27,425	18,097	24,758	-	164,440	-
LIABILITIES								
CURRENT LIABILITIES								
Accounts payable and accrued liabilities	977,814	6,460,976	247,405	553,858	58,987	-	8,299,040	276,856
Accrued payroll and related liabilities	305,856	1,449,628	403,361	280,760	12,003	-	2,451,608	-
Accrued interest payable	-	-	-	-	27,652	-	27,652	-
Customer deposits	-	3,795,806	-	83,100	-	-	3,878,906	-

(Continued)

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

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF NET POSITION –
PROPRIETARY FUNDS

June 30, 2020

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
LIABILITIES (Continued)								
CURRENT LIABILITIES (Continued)								
Due to other funds	\$ -	\$ 1,604	\$ 21,806	\$ 424,839	\$ -	\$ (448,249)	\$ -	\$ -
Compensated absences	-	-	-	-	7,705	-	7,705	-
Unearned revenues	-	-	-	251,293	-	-	251,293	-
Bonds, leases, and contracts payable	4,898,863	1,120,000	1,020,297	749,264	211,814	-	8,000,238	-
Total current liabilities	6,182,533	12,828,014	1,692,869	2,343,114	318,161	(448,249)	22,916,442	276,856
NONCURRENT LIABILITIES								
Advances to other funds	-	-	-	1,411,067	-	(1,411,067)	-	-
Compensated absences	-	-	-	-	17,978	-	17,978	-
Other post-employment benefits	197,055	1,124,078	447,154	261,615	-	-	2,029,902	-
Net pension liability	-	-	-	-	75,420	-	75,420	-
Bonds, leases, and contracts payable	74,191,858	18,449,059	7,822,880	4,406,839	3,519,354	-	108,389,990	-
Total noncurrent liabilities	74,388,913	19,573,137	8,270,034	6,079,521	3,612,752	(1,411,067)	110,513,290	-
Total liabilities	80,571,446	32,401,151	9,962,903	8,422,635	3,930,913	(1,859,316)	133,429,732	276,856
DEFERRED INFLOWS OF RESOURCES								
OPEB related deferred inflows	1,506	163,511	4,098	11,959	-	-	181,074	-
Pension related deferred inflows	-	-	-	-	22,561	-	22,561	-
Total deferred inflows of resources	1,506	163,511	4,098	11,959	22,561	-	203,635	-
NET POSITION								
Net investment in capital assets	25,911,181	52,336,204	30,964,779	6,932,943	2,373,436	-	118,518,543	-
Unrestricted	7,149,719	13,924,920	2,559,655	(2,132,922)	2,724,233	-	24,225,605	4,598,755
Total net position	\$ 33,060,900	\$ 66,261,124	\$ 33,524,434	\$ 4,800,021	\$ 5,097,669	\$ -	\$ 142,744,148	\$ 4,598,755

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

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET FUND POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2020**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
OPERATING REVENUES								
Charges for services	\$ 14,238,435	\$ 75,488,051	\$ 7,437,738	\$ 8,249,700	\$ 1,404,622	\$ -	\$ 106,818,546	\$ 6,189,950
Interfund services	61,714	1,404,493	470,504	1,756,800	-	(3,693,511)	-	-
Other	1,195,837	1,485,386	24,199	895,652	107,608	-	3,708,682	-
Total operating revenues	15,495,986	78,377,930	7,932,441	10,902,152	1,512,230	(3,693,511)	110,527,228	6,189,950
OPERATING EXPENSES								
Operations	5,832,102	5,364,039	4,104,017	7,106,439	311,202	-	22,717,799	-
Maintenance	1,230,109	2,984,954	859,934	549,176	560,981	-	6,185,154	-
Administration					-	-	-	-
Power purchased	-	58,010,075	-	-	-	-	58,010,075	-
Depreciation and amortization	5,240,864	5,235,264	1,796,381	954,575	341,426	-	13,568,510	-
Interfund services	539,896	1,425,351	465,732	1,262,532	-	(3,693,511)	-	-
Other	-	417,193	-	92,769	-	-	509,962	-
Insurance claims and expenses	-	-	-	-	-	-	-	4,840,867
Total operating expenses	12,842,971	73,436,876	7,226,064	9,965,491	1,213,609	(3,693,511)	100,991,500	4,840,867
Operating income	2,653,015	4,941,054	706,377	936,661	298,621	-	9,535,728	1,349,083
NONOPERATING REVENUES (EXPENSES)								
Interest income	117,078	244,028	34,532	5,854	5,586	-	407,078	-
Other nonoperating revenue	281,000	-	-	-	-	-	281,000	-
Interest expense	(2,199,640)	(574,308)	(216,874)	(169,887)	(107,870)	-	(3,268,579)	-
Total nonoperating expenses	(1,801,562)	(330,280)	(182,342)	(164,033)	(102,284)	-	(2,580,501)	-
Income before contributions and transfers	851,453	4,610,774	524,035	772,628	196,337	-	6,955,227	1,349,083
Capital contributions	117,580	-	67,800	-	-	-	185,380	-
Transfers out	(756,154)	(1,436,997)	(36,120)	-	(29,187)	-	(2,258,458)	-
Change in net position	212,879	3,173,777	555,715	772,628	167,150	-	4,882,149	1,349,083
NET POSITION AT JULY 1,	32,848,021	63,087,347	32,968,719	4,027,393	4,930,519	-	137,861,999	3,249,672
NET POSITION AT JUNE 30,	\$ 33,060,900	\$ 66,261,124	\$ 33,524,434	\$ 4,800,021	\$ 5,097,669	\$ -	\$ 142,744,148	\$ 4,598,755

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, 2020**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
OPERATING ACTIVITIES								
Receipts from customers	\$ 15,419,420	\$ 77,446,592	\$ 7,916,799	\$ 10,883,704	\$ 1,319,027	\$ (3,693,511)	\$ 109,292,031	\$ 6,922,822
Payments to suppliers	(6,351,314)	(62,905,497)	(3,758,077)	(6,511,460)	(531,289)	3,693,511	(76,364,126)	(5,387,142)
Payments to employees	(2,081,756)	(6,366,716)	(1,675,358)	(2,181,312)	(319,739)	-	(12,624,881)	-
Other receipts	-	1,615,747	-	-	107,608	-	1,723,355	-
Net cash provided by operating activities	6,986,350	9,790,126	2,483,364	2,190,932	575,607	-	22,026,379	1,535,680
NONCAPITAL FINANCING ACTIVITIES								
Transfers to other funds	(756,154)	(1,424,752)	(36,120)	-	(29,187)	-	(2,246,213)	-
Interfund borrowing (repayments)	17,078	439,443	(71,558)	(384,963)	-	-	-	-
Net cash used in noncapital financing activities	(739,076)	(985,309)	(107,678)	(384,963)	(29,187)	-	(2,246,213)	-
CAPITAL AND RELATED FINANCING ACTIVITIES								
Purchases of capital assets	(3,057,186)	(7,280,621)	(1,059,242)	(980,816)	(282,553)	-	(12,660,418)	-
Contribution of capital by other governments	117,580	-	67,800	-	-	-	185,380	-
Principal paid on debt and contractual obligations	(4,918,618)	(1,075,000)	(989,208)	(713,357)	(211,819)	-	(7,908,002)	-
Grant receipts from governmental agencies	281,000	-	-	-	-	-	281,000	-
Interest paid on capital debt	(2,720,077)	(817,758)	(216,874)	(206,358)	(124,274)	-	(4,085,341)	-
Net cash used in capital and related financing activities	(10,297,301)	(9,173,379)	(2,197,524)	(1,900,531)	(618,646)	-	(24,187,381)	-
INVESTING ACTIVITIES								
Interest received	117,078	244,028	34,532	5,854	5,586	-	407,078	-
Net cash provided by investing activities	117,078	244,028	34,532	5,854	5,586	-	407,078	-
Net increase (decrease) in cash and cash equivalents	(3,932,949)	(124,534)	212,694	(88,708)	(66,640)	-	(4,000,137)	1,535,680
CASH AND CASH EQUIVALENTS								
Beginning at July 1	11,309,192	13,720,673	2,782,112	1,003,259	2,377,977	-	31,193,213	3,204,183
Ending at June 30	\$ 7,376,243	\$ 13,596,139	\$ 2,994,806	\$ 914,551	\$ 2,311,337	\$ -	\$ 27,193,076	\$ 4,739,863

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, 2020**

	Business-Type Activities – Enterprise Funds							Governmental Activities – Internal Service Fund
	Wastewater System	Power System	Water System	Broadband	Nonmajor Stormwater System	Eliminations	Total	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES								
Operating income	\$ 2,653,015	\$ 4,941,054	\$ 706,377	\$ 936,661	\$ 298,621	\$ -	\$ 9,535,728	\$ 1,349,084
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation and amortization	5,341,656	5,359,111	1,832,789	1,017,737	341,426	-	13,892,719	-
Pension expense net of employer contributions	-	-	-	-	(9,707)	-	(9,707)	-
Change in assets and liabilities:								
(Increase) decrease in:								
Receivables, net	(20,612)	801,128	(5,343)	24,245	(85,595)	-	713,823	96,948
Unbilled/unearned revenues	(55,954)	53,861	(10,299)	-	8,554	-	(3,838)	(1,077)
Inventories	18,864	(27,681)	(7,270)	-	9,154	-	(6,933)	-
Other current assets	4,543	(371,755)	1,446	21,694	-	-	(344,072)	-
Deferred outflows	(22,976)	(49,375)	(20,466)	(13,980)	-	-	(106,797)	-
(Decrease) increase in:								
Accounts payable and accrued liabilities	(1,023,394)	(1,151,105)	3,026	101,163	11,984	-	(2,058,326)	90,725
Accrued payroll and related liabilities	-	-	-	-	4,234	-	4,234	-
Customer deposits	-	201,175	-	(35,550)	-	-	165,625	-
Total OPEB liability	59,941	(70,840)	4,522	46,405	-	-	40,028	-
Deferred inflows of resources	(192)	151,193	(725)	9,425	-	-	159,701	-
Other liabilities	31,459	(46,640)	(20,693)	83,132	(3,064)	-	44,194	-
Net cash provided by operating activities	<u>\$ 6,986,350</u>	<u>\$ 9,790,126</u>	<u>\$ 2,483,364</u>	<u>\$ 2,190,932</u>	<u>\$ 575,607</u>	<u>\$ -</u>	<u>\$ 22,026,379</u>	<u>\$ 1,535,680</u>

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

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020

	Fiduciary Funds	
	Trust Funds	LAMTPO Agency Fund
ASSETS		
Cash and cash equivalents	\$ 32,265	\$ 256,047
Grants receivable	-	21,948
Investments		
Fixed Income Mutual Funds	302,068	-
Equity Mutual Funds	466,321	-
International Equity Mutual Funds	72,475	-
	840,864	-
Total assets	873,129	277,995
LIABILITIES		
Accounts payable	-	1,301
Amounts held for others	-	276,694
Total liabilities	-	277,995
NET POSITION		
Net position restricted for post-employment benefits	\$ 873,129	\$ -

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

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2020

	Trust Funds
ADDITIONS	
Employer contributions	\$ 178,196
Investment earnings:	
Dividends and capital gains	16,163
Net decrease in fair value of investments	<u>(20,381)</u>
Total additions	<u>173,978</u>
DEDUCTIONS	
Benefits	76,748
Administrative expenses	<u>3,000</u>
Total deductions	<u>79,748</u>
Change in net position	94,230
Net position – beginning of the year	<u>778,899</u>
Net position – end of the year	<u><u>\$ 873,129</u></u>

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

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

The *community center capital projects fund* accounts for financial resources to be used for the construction of capital facilities related to the City's community center.

The City reports the following non-major governmental 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 *e-citation fund* accounts for electronic citation fees associated with each conviction from law enforcement citations.

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 *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.

The City reports the following nonmajor proprietary fund:

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

Additionally, the City reports the following fund types:

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

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable (Continued)

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 1st. Bills for taxes are usually mailed on July 1st. A 2% discount is offered for payment received by August 31st. All unpaid property taxes become delinquent on December 31st. A penalty of 4.5% is imposed on unpaid property taxes as of December 1st 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 lower of 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.

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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 six 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; pension change in assumptions which will be recognized in expense over a closed five year period, the difference between expected and actual experience on the pension plan which will be recognized over a closed five year period; the difference between expected and actual experience on the OPEB plan which will be recognized over a closed five year period; the difference between expected and actual experience on OPEB plan investments which will be recognized in expense over a closed five year period; and change in assumptions for OPEB which will be recognized in expense over a closed five year period.

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 five items reported as deferred inflows of resources. One item occurs only under a modified accrual basis of accounting. The item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and other receivables not collected within 60 days of year end and property taxes levied to fund future years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents tax collections received before the period in which they are eligible for use (unearned revenue). The third item is the difference between actual and expected experience related to the pension plan. This difference will be recognized in pension expense over a closed five year period. The fourth item is a change in assumptions related to the OPEB liability. This will be recognized in OPEB expense over a closed five year period. The fifth item is the net difference between projected and actual earning on pension plan investments, which will be recognized in 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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences (Continued)

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.

K. Pensions and OPEB

For purposes of measuring the net pension and OPEB liabilities, financial statement elements related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS) Retirement Plan and the additions to/deductions from the City's Retirement Plan's fiduciary net position have been determined on the same basis as they were reported by the TCRS for the Public Employee Retirement Plan and as reported in the City's trust fund. 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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

L. Fund Balances (Continued)

- **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 Administrator which has been designated this authority.
- **Unassigned** – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The City will reduce fund balance restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.

The City reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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).

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 1. Summary of Significant Accounting Policies (Continued)

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.

The budget process begins around the first of February with the City Administrator giving direction to department heads. Their requests are due back to finance by the end of February. During the month of March budgets requests are reviewed and budget meetings held with each department. The City Administrator will make final decisions before submission to City Council which usually occurs in early May. City Council has work sessions and makes their revisions. The proposed budget is placed in the local newspaper. Before June 30, City Council adopts the budget ordinance with two readings.

Capital Project Funds are not budgeted. However, projects go before Council throughout the year and are approved on an individual basis. Once project is approved any associated contracts also go before Council for approval.

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 amends 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. The capital projects fund and the community center capital projects fund do not have a legally adopted budget.

B. Excess of Expenditure over Appropriations

For the fiscal year ended June 30, 2020, there were no instances of expenditures by function exceeding appropriations in any funds.

C. Deficit Fund Equity

There were no instances of deficit fund equity in any City funds at June 30, 2020.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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, 2020, the City's cash consisted of:

Cash on hand	\$ 7,765
Deposits	<u>90,392,136</u>

Total deposits and investments	<u><u>\$ 90,399,901</u></u>
--------------------------------	-----------------------------

Reconciliation of deposits and investments to Exhibit 1:

Cash and cash equivalents	\$ 52,047,231
Cash and cash equivalents, restricted	<u>38,352,670</u>

Total deposits and investments	<u><u>\$ 90,399,901</u></u>
--------------------------------	-----------------------------

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

Post-Employment Trust Funds

As of June 30, the City's post-employment trust funds had the following cash, cash equivalents, and investments:

<u>Investment Type</u>	<u>Fair Value</u>
Cash	\$ 14,409
Fixed Income Mutual Funds	302,068
Equity Mutual Funds	466,321
International Equity Mutual Funds	<u>72,475</u>
Total cash, cash equivalents, and investments	<u><u>\$ 855,273</u></u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 3. Deposits and Investments (Continued)

OPEB Funds

Investment Policy:

In accordance with the Code of Tennessee and other applicable law, including City Council resolutions, the OPEB Fund's investment policy permits investments in Certificates of deposit, money market mutual funds, stable value funds, U.S. government notes and bonds, bond funds, balanced funds, domestic equity funds, international equity funds, and equities. The authority and responsibility for the administration, management and operation of the trust is authorized in City resolution 15-08. Investments on the OPEB Fund are held by trustees.

Market Risk:

All investment/allocation decisions shall reflect the current and future projected cash flow needs of the OPEB plan. The projected cash flow needs shall be determined in part from the data compiled for the OPEB actuarial study conducted at least every two years. The investments shall be diversified by limiting investments to avoid overconcentration in securities from a specific issuer or business sector, limiting investment in securities that have higher credit risks, investing in securities with varying maturities, and continuously investing a portion in readily available funds such as money market funds or overnight repurchase agreement to ensure that appropriate liquidity is maintained in order to meet ongoing obligations. Investments of the OPEB fund are held for the long term and may be subject to short-term fluctuations in fair value due to market conditions and changes in interest rates. Foreign currency risk, a subset of market risk is controlled by limiting exposure to international equities.

Note 4. Receivables, Net

Receivables are as follows:

	Governmental Activities					
	General	Solid Waste	Capital Projects	Electronic Citation	Internal Service	Total
Receivables:						
Taxes	\$ 15,876,212	\$ 297,837	\$ -	\$ -	\$ -	\$ 16,174,049
Accounts	4,697,821	-	267,560	-	-	4,965,381
Other	-	-	-	58	105,184	105,242
Less: allowance for uncollectibles	(483,036)	(27,280)	-	-	-	(510,316)
Receivables, net	<u>\$ 20,090,997</u>	<u>\$ 270,557</u>	<u>\$ 267,560</u>	<u>\$ 58</u>	<u>\$ 105,184</u>	<u>\$ 20,734,356</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 4. Receivables, Net (Continued)

	Business-Type Activities					
	Wastewater	Stormwater	Power	Water	Broadband	Total
Receivables:						
Accounts	\$ 738,055	\$ 608,392	\$ 9,287,357	\$ 238,273	\$ 59,710	\$ 10,931,787
Less: allowance for uncollectibles	-	(193,548)	(258,151)	-	-	(451,699)
Receivables, net	<u>\$ 738,055</u>	<u>\$ 414,844</u>	<u>\$ 9,029,206</u>	<u>\$ 238,273</u>	<u>\$ 59,710</u>	<u>\$ 10,480,088</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:

	Unavailable/ Unearned	Unearned
Included in receivables:		
Property taxes	\$ 15,413,988	\$ 14,083,231
Other taxes	61,331	-
	<u>15,475,319</u>	<u>14,083,231</u>
Included in cash:		
Unearned lease proceeds	718,250	718,250
Seized funds escrow	132,674	132,674
	<u>850,924</u>	<u>850,924</u>
Total unavailable/unearned revenue for governmental funds	<u>\$ 16,326,243</u>	<u>\$ 14,934,155</u>

Note 5. Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Purpose	Amount
Power System	Broadband	Interfund loan	\$ 1,809,000
Wastewater	Power	Temporary cash advance	50,316
			<u>\$ 1,859,316</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 5. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Funds:		
General	\$ 2,258,458	\$ 507,500
Capital Projects	507,500	-
Water System	-	36,120
Power System	-	1,436,997
Stormwater System	-	29,187
Wastewater System	-	756,154
	<u>\$ 2,765,958</u>	<u>\$ 2,765,958</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. Transfers from the general fund to the capital projects fund were to fund capital project costs.

Note 6. Land Held for Sale

Land held for sale consists of land located in industrial parks held for resale. At June 30, 2020, the balance was \$7,233,473.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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	\$ 14,215,931	\$ -	\$ 372,601	\$ 13,843,330
Construction in progress	12,885,876	13,908,878	4,090,636	22,704,118
Total capital assets, not depreciated	<u>27,101,807</u>	<u>13,908,878</u>	<u>4,463,237</u>	<u>36,547,448</u>
Capital assets, depreciated				
Buildings	21,785,839	2,011,130	415,357	23,381,612
Improvements other than buildings	14,769,721	635,848	312,416	15,093,153
Infrastructure	52,683,126	390,273	-	53,073,399
Motor vehicles	5,628,094	168,978	301,288	5,495,784
Machinery and equipment	14,348,606	1,218,239	277,727	15,289,118
Total capital assets depreciated	<u>109,215,386</u>	<u>4,424,468</u>	<u>1,306,788</u>	<u>112,333,066</u>
Less accumulated depreciation for:				
Buildings	(9,381,874)	(440,843)	415,357	9,407,360
Improvements other than buildings	(12,029,120)	(231,700)	229,035	12,031,785
Infrastructure	(30,071,643)	(2,210,977)	-	32,282,620
Motor vehicles	(3,304,243)	(663,423)	301,288	3,666,378
Machinery and equipment	(9,874,244)	(406,548)	273,505	10,007,287
Total accumulated depreciation	<u>(64,661,124)</u>	<u>(3,953,491)</u>	<u>1,219,185</u>	<u>67,395,430</u>
Total capital assets, depreciated, net	<u>44,554,262</u>	<u>470,977</u>	<u>87,603</u>	<u>44,937,636</u>
Governmental activities, capital activities, capital	<u>\$ 71,656,069</u>	<u>\$ 14,379,855</u>	<u>\$ 4,550,840</u>	<u>\$ 81,485,084</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 7. Capital Assets (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not depreciated				
Land	\$ 2,729,137	\$ -	\$ -	\$ 2,729,137
Construction in progress	20,862,311	12,405,219	31,605,296	1,662,234
Total capital assets, not depreciated	<u>23,591,448</u>	<u>12,405,219</u>	<u>31,605,296</u>	<u>4,391,371</u>
Capital assets, depreciated				
Buildings and improvements	26,428,550	7,595,810	-	34,024,360
Transmission and distribution	311,576,045	6,588,266	638,615	317,525,996
Machinery and equipment	45,751,583	17,475,047	339,192	62,887,438
Total capital assets depreciated	<u>383,756,178</u>	<u>31,659,123</u>	<u>977,507</u>	<u>414,437,794</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,610,437)	(622,578)	-	(9,233,015)
Transmission and distribution	(71,746,867)	(5,312,137)	829,971	(76,229,033)
Machinery and equipment	(90,872,940)	(7,925,760)	340,354	(98,458,346)
Total accumulated depreciation	<u>(171,230,244)</u>	<u>(13,860,475)</u>	<u>1,170,325</u>	<u>(183,920,394)</u>
Total capital assets, depreciated, net	<u>212,525,934</u>	<u>17,798,648</u>	<u>(192,818)</u>	<u>230,517,400</u>
Business-type activities, capital activities, capital	<u>\$ 236,117,382</u>	<u>\$ 30,203,867</u>	<u>\$ 31,412,478</u>	<u>\$ 234,908,771</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 464,469
Public safety	703,511
Public works	2,650,302
Culture and recreation	135,209
	<u>\$ 3,953,491</u>
Business-type activities:	
Stormwater	\$ 332,872
Water	1,832,789
Power	5,335,421
Wastewater	5,341,656
Broadband	1,017,737
	<u>\$ 13,860,475</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 \$100,792 for the wastewater system, \$123,847 for the power system, \$36,408 for the water system, and \$63,162 for the broadband system.

Note 8. Long-Term Liabilities

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
General obligation bonds	\$ 29,449,197	\$ 37,250,000	\$ 1,428,397	\$ 65,270,800	\$ 2,366,409
Net discounts/premiums	1,603,446	2,554,964	153,560	4,004,850	-
Total bonds payable	31,052,643	39,804,964	1,581,957	69,275,650	2,366,409
Direct Borrowings					
Notes payable	1,655,000	-	335,000	1,320,000	330,000
Total direct borrowings	1,655,000	-	335,000	1,320,000	330,000
Compensated absences	1,593,029	2,636,125	2,635,115	1,594,039	478,210
	<u>\$ 34,300,672</u>	<u>\$ 42,441,089</u>	<u>\$ 4,552,070</u>	<u>\$ 72,189,689</u>	<u>\$ 3,174,619</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Long-Term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
General obligation bonds	\$ 79,237,298	\$ -	\$ 3,407,936	\$ 75,829,362	\$ 4,382,931
Net discounts/premiums	4,544,481	-	812,840	3,731,641	-
Total bonds payable	83,781,779	-	4,220,776	79,561,003	4,382,931
Direct Borrowings					
Notes payable	38,980,463	-	4,369,338	34,611,125	3,455,250
Contractual obligations	2,067,810	-	88,371	1,979,439	104,793
Capital leases	281,018	-	42,357	238,661	57,264
Total direct borrowings	41,329,291	-	4,500,066	36,829,225	3,617,307
Compensated absences	28,747	51,336	54,400	25,683	7,705
	<u>\$ 125,139,817</u>	<u>\$ 51,336</u>	<u>\$ 8,775,242</u>	<u>\$ 116,415,911</u>	<u>\$ 8,007,943</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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
2021	\$ 2,366,409	\$ 2,392,226	\$ 330,000	\$ 23,793	\$ 2,696,409	\$ 2,416,019
2022	2,489,418	2,279,326	330,000	16,995	2,819,418	2,296,321
2023	2,613,032	2,163,164	330,000	10,197	2,943,032	2,173,361
2024	2,756,644	2,041,098	330,000	3,399	3,086,644	2,044,497
2025	2,890,258	1,912,131	-	-	2,890,258	1,912,131
2026-2030	14,012,293	7,537,384	-	-	14,012,293	7,537,384
2031-2035	11,787,746	5,221,756	-	-	11,787,746	5,221,756
2036-2040	11,715,000	3,448,540	-	-	11,715,000	3,448,540
2041-2045	9,100,000	1,581,401	-	-	9,100,000	1,581,401
2046-2049	5,540,000	415,500	-	-	5,540,000	415,500
	<u>\$ 65,270,800</u>	<u>\$ 28,992,526</u>	<u>\$ 1,320,000</u>	<u>\$ 54,384</u>	<u>\$ 66,590,800</u>	<u>\$ 29,046,910</u>

Year Ending June 30,	Business-Type Activities					
	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 4,383,931	\$ 2,881,509	\$ 3,455,250	\$ 793,981	\$ 7,838,181	\$ 3,675,490
2022	4,508,097	2,694,182	3,540,546	709,272	8,048,643	3,403,454
2023	4,623,195	2,494,492	3,199,982	626,623	7,823,177	3,121,115
2024	4,748,293	2,289,175	3,283,211	546,563	8,031,504	2,835,738
2025	4,878,390	2,071,004	3,122,234	466,222	8,000,624	2,537,226
2026-2030	24,333,468	7,049,193	10,719,250	1,475,031	35,052,718	8,524,224
2031-2035	22,401,260	3,086,668	6,114,202	442,425	28,515,462	3,529,093
2036-2040	5,953,728	302,045	1,176,450	3,673	7,130,178	305,718
2041-2042	-	-	-	-	-	-
	<u>\$ 75,829,362</u>	<u>\$ 22,868,268</u>	<u>\$ 34,611,125</u>	<u>\$ 5,063,790</u>	<u>\$ 110,440,487</u>	<u>\$ 27,932,058</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities (Continued)

Details of long-term indebtedness are as follows:

Description	Interest Rate	Year Issued	Final Maturity	Original Issue	Balance June 30, 2020
<u>Governmental Activities</u>					
General long-term debt					
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	\$ 2,848,203	\$ 1,949,347
Capital Outlay Note	2.06%	2011	2011-2024	3,750,000	1,237,500
2018 Public Improvement and Refunding (\$64M)	3.00-5.00%	2019	2018-2042	19,190,000	17,185,000
Capital projects					
2017 GO (\$9.71M)	3.00-3.75%	3/30/2017	2018-2042	9,710,000	8,775,000
2019B GO Bond (\$37.25M)	5%	2019	2019-2049	37,250,000	37,250,000
Solid waste					
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	162,919	111,452
Capital Outlay Note	2.06%	2011	2011-2024	250,000	82,501
Total governmental activities				<u>\$ 73,161,122</u>	<u>\$ 66,590,800</u>
<u>Enterprise Funds</u>					
Wastewater system					
State Revolving Fund 07-203	2.06%	2007	Various	\$ 12,500,000	\$ 6,248,989
2009 CWSRF Promissory Note	2.73%	2011	Various	1,600,000	879,487
2009 Public Improvement and Refunding (\$5M)	Variable	12/21/2009	2009-2034	5,000,000	1,305,483
2012 General Obligation Bonds	Variable	2012	2012-2037	26,000,000	18,395,500
2013 Public Improvement (\$20M)	3.65%	2013	2013-2033	20,000,000	-
2013 CWSRF Promissory Note (\$5M)	1.51%	2013	2015-2036	5,000,000	4,059,989
2015 Promissory Note (\$10M)	2.74%	2016	2017-2037	10,000,000	8,730,000
2016 Promissory Note (\$15M)	2.27%	2017	2018-2037	15,000,000	3,246,000
2018 General Obligation Bonds	3.00-4.00%	2019	2020-2038	10,060,000	10,060,000
2018 General Obligation Refunding	4.00-5.00%	2019	2020-2028	10,480,000	8,765,000
2019 General Obligation Refunding	3.00-5.00%	2019	2020-2033	12,775,000	12,775,000
Power system					
2018 General Obligation	3.00-5.00%	2019	2020-2038	4,375,000	4,115,000
2018 General Obligation Refunding	3.00-5.00%	2019	2020-2035	16,410,000	14,625,000
Water system					
DWSRF Promissory Note	2.61%	2002	2007-2026	8,500,000	3,658,857
Water System Bonds Series 2010	2.52%	2009	2010-2029	7,500,000	4,385,000
2011 DWSRF Note	2.83%	2011	2011-2032	2,000,000	799,320

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities (Continued)

Description	Interest Rate	Year Issued	Final Maturity	Original Issue	Balance June 30, 2020
Enterprise Funds (Continued)					
Broadband system					
First Tennessee Bank Promissory Note	2.59%	2014	2014-2024	\$ 1,000,000	\$ 474,000
First Tennessee Bank Promissory Note	2.00%	2017	2018-2022	2,000,000	824,000
2018 General Obligation Refunding	3.00-5.00%	2019	2020-2035	3,810,000	3,500,000
Stormwater system					
2009 Public Improvement and Refunding (5M)	Variable	2009	2009-2034	81,459	55,716
General Obligation Bonds	2.00-4.00%	2012	2012-2037	5,000,000	3,538,146
Total enterprise funds				179,091,459	110,440,487
				<u>\$ 252,252,581</u>	<u>\$ 177,031,287</u>

In October 2018, the City issued General Obligation Bond, Series 2018, in the amount of \$64,325,000. The breakdown of these funds is as follows:

\$4,375,000 is attributed to the Power System for renovations to an administrative building. An additional \$16,410,000 of the proceeds were used for a current refunding of the 2008 Promissory Note and the 2013 Promissory Note then outstanding, and \$960,562 in previously undrawn funds on the 2013 Promissory Note. The bonds attributed to the Power System were issued at a premium of \$1,259,089. The underwriters discount was \$205,143 with an additional \$94,330 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2038. The outstanding principal balance attributable to the Power System is \$18,740,000 at June 30, 2020.

\$10,060,000 is attributed to the Wastewater System, including \$9,910,000 to replace previously undrawn loan proceeds on the 2016 Promissory Note. An additional \$10,480,000 in proceeds were used for a current refunding of the then outstanding 2008-50518 Promissory Note, the 2008-50532 Promissory Note, the 2008-50536 Promissory Note and the 2008-50545 Promissory Note. The bonds attributed to the Wastewater System were issued at a premium of \$1,051,041. The underwriters discount was \$202,725 with an additional \$92,318 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2034. The outstanding principal balance attributable to the Wastewater System is \$18,825,000 at June 30, 2020.

\$3,810,000 is attributed to the Broadband System for a current refunding of its then outstanding 2008 Promissory Note. The bonds attributed to the Broadband System were issued at a premium of \$183,948. The underwriters discount was \$37,604 with an additional \$17,291 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2035. The outstanding principal balance attributable to the Power System is \$3,500,000 at June 30, 2020.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities (Continued)

\$9,250,000 is attributed to governmental activities for future construction. An additional \$11,092,098 in proceeds were used for a current refunding of the then outstanding Series 2008A, 2008B, 2008C and 2008D General Obligation Bonds. The bonds attributed to Governmental Activities were issued at a premium of \$1,409,107. The underwriters discount was \$189,401 with an additional \$67,609 in other issuance costs. The interest rates range from 3% to 5% with maturity in 2035. The outstanding principal balance attributable to Governmental Activities is \$17,185,000 at June 30, 2020.

In June 2019, the City issued General Obligation Bonds, Series 2019, of \$12,775,000 attributable to the Wastewater System for an advanced refunding of \$14,000,000 for the outstanding maturities between 2021 and 2034 of the 2013 Promissory Note. From the advance refunding, \$13,956,901 was deposited with an escrow agent to be applied to refunded principal payments in August 2019. As of June 30, 2019, \$14,000,000 of notes outstanding are considered defeased. These bonds were issued at a premium of \$1,351,198. The underwriters discount was \$68,981 with an addition \$100,315 in other issuance costs. The interest rate ranges from 3% to 5% with maturity in 2034. The intent of the refunding is to reduce debt service payments. The transaction resulted in an economic gain of \$1,201,367 and a reduction of \$1,407,701 in future debt service payment. The outstanding principal balance of the bonds is \$12,775,000 at June 30, 2020.

In December 2019, the City issued General Obligation Bonds, Series 2019B, of \$37,250,000 attributable to the governmental activities. These bonds were issued at a premium of \$2,554,964. The underwriters discount was \$501,056 with an addition \$149,995 in other issuance costs. The interest rate is 5% with maturity in 2049. The outstanding principal balance of the bonds is \$37,250,000 at June 30, 2020.

Other than the capital leases noted below all of the City's direct borrowings are backed by the full faith and credit of the government. In the event of defaults these direct borrowings would be payable in full at the time of default.

The Broadband System leases certain equipment with an original cost of \$293,664 under a capital lease agreement expiring in 2025. Amortization of the asset is included with depreciation expense. Accumulated amortization totals \$53,024 as of June 30, 2020. Collateral for the lease is the leased equipment and, in the event of default the equipment would be repossessed.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 8. Long-Term Liabilities (Continued)

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

<u>Business-Type</u>	
2021	\$ 57,264
2022	57,264
2023	57,264
2024	57,264
2025	<u>42,948</u>
Total future minimum lease payments	272,004
Less amounts representing interest	<u>33,343</u>
Present value of future minimum lease payments	<u><u>\$ 238,661</u></u>

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:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Nonspendable:		
Prepays	\$ 2,940	\$ -
Inventories	46,770	-
Land held for sale	<u>7,233,473</u>	<u>-</u>
Total nonspendable	<u>7,283,183</u>	<u>-</u>
Restricted for:		
General government	122,740	-
Public safety	9,619	-
Narcotics	-	296,382
E-Citation	-	47,038
Capital projects	-	2,308,289
Community center	-	38,308,742
Public works	624,647	-
Other operations – airport	69,394	-
Solid waste	<u>-</u>	<u>1,073,197</u>
Total restricted	<u>826,400</u>	<u>42,033,648</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 9. Fund Balance (Continued)

Committed to:		
Capital projects	-	906,098
	<hr/>	<hr/>
Total committed	-	906,098
	<hr/>	<hr/>
Assigned to:		
General government	247,055	-
Finance	45,694	-
Public safety	492,365	-
Public works	319,498	-
Social, cultural, and recreational	41,602	-
Capital projects	5,000,000	-
Other purposes	1,563,559	-
	<hr/>	<hr/>
Total assigned	7,709,773	-
	<hr/>	<hr/>
Unassigned	8,724,598	-
	<hr/>	<hr/>
Total fund balance	\$ 24,543,954	\$ 42,939,746
	<hr/>	<hr/>

Note 10. Defined Benefit Pension Plan

Plan description

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

Benefits provided

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Defined Benefit Pension Plan (Continued)

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

Employees covered by benefit terms

At the measurement date of June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	168
Inactive employees entitled to but not yet receiving benefits	118
Active employees	<u>290</u>
Total covered employees	<u><u>576</u></u>

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. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2020, employer contributions for the City were \$2,278,890 based on a rate of 15.26% 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, 2019, and the total pension liability used to calculate net pension liability was determined by an actuarial valuation as of that date.

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability as of June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected inflation of 2.50%.

The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial assumptions (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69 %	31.00 %
Developed market international equity	5.29	14.00
Emerging market international equity	6.36	4.00
Private equity and strategic lending	5.79	20.00
U.S. fixed income	2.01	20.00
Real estate	4.32	10.00
Short-term securities	0.00	1.00
		100.00 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 7.25%. 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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Defined Benefit Pension Plan (Continued)

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2018	\$ 77,969,879	\$ 69,846,624	\$ 8,123,255
Changes for the year:			
Service cost	1,193,785	-	1,193,785
Interest	5,593,373	-	5,593,373
Differences between expected and actual experience	(307,533)	-	(307,533)
Changes in assumptions	-	-	-
Contributions – employer	-	2,166,600	(2,166,600)
Contributions – employee	-	729,818	(729,818)
Net investment income	-	5,157,698	(5,157,698)
Benefit payments, including refunds of employee contributions	(4,027,396)	(4,027,396)	-
Administrative expenses	-	(25,546)	25,546
Net changes	2,452,229	4,001,174	(1,548,945)
Balances at June 30, 2019	\$ 80,422,108	\$ 73,847,798	\$ 6,574,310

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
City's net pension liability	\$ 16,777,695	\$ 6,574,310	\$ (1,922,940)

Pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense:

For the year ended June 30, 2020, the City recognized pension expense of \$1,540,653.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Defined Benefit Pension Plan (Continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 855,881	\$ 1,235,257
Net difference between projected and actual earnings on pension plan investments	-	865,442
Changes in assumptions	1,062,934	-
Contributions subsequent to the measurement date of June 30, 2019	<u>2,278,890</u>	<u>-</u>
	<u><u>\$ 4,197,705</u></u>	<u><u>\$ 2,100,699</u></u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2019, 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,	
2021	\$ (33,823)
2022	(533,339)
2023	70,862
2024	231,109
2025	127,243
Thereafter	(43,936)

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 10. Defined Benefit Pension Plan (Continued)

Payable to the pension plan

At June 30, 2020, the City reported a payable of \$72,165 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2020.

Note 11. Morristown Utilities Commission's Retirement Plan

The Commission's systems share in a defined contribution retirement plan, the Morristown Utilities Retiree Benefit Plan (the Retirement Plan), covering substantially all employees. The Commission is the administrator of the Retirement Plan and is responsible for establishing or amending the Retirement 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>						
2020	\$ 6,389,369	\$ 6,204,542	\$ 929,217	15 %	\$ 459,136	7.00 %
2019	6,420,251	6,033,695	838,429	14	392,115	6.00
2018	6,477,368	6,036,752	893,135	15	391,543	6.00
2017	6,111,363	5,881,850	705,822	15	377,248	6.00
2016	6,260,687	5,881,940	870,587	15	367,676	6.00
<u>Water system</u>						
2020	1,679,279	1,562,608	234,583	15	123,330	8.00
2019	1,601,029	1,594,638	218,868	14	100,281	6.00
2018	1,665,933	1,628,461	241,677	15	101,077	6.00
2017	1,618,187	1,591,175	190,941	15	108,231	7.00
2016	1,663,147	1,649,644	244,255	15	109,179	7.00
<u>Broadband system</u>						
2020	2,233,088	2,124,850	315,481	15	102,548	5.00
2019	2,108,886	1,993,359	249,719	13	74,816	4.00
2018	1,603,631	1,483,120	222,066	15	65,876	4.00
2017	1,388,146	1,325,350	159,042	15	56,142	4.00
2016	1,236,036	1,193,252	178,001	15	52,463	4.00
<u>Wastewater system</u>						
2020	2,115,332	2,064,767	307,992	15	175,678	5.00
2019	1,959,730	1,896,378	239,397	13	131,864	7.00
2018	1,692,847	1,639,469	242,825	15	122,477	7.00
2017	1,460,078	1,410,292	169,235	15	98,289	7.00
2016	1,310,427	1,047,942	155,819	15	81,756	8.00

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 11. Morristown Utilities Commission's Retirement Plan (Continued)

Under the Retirement Plan terms, the Commission 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 2020, 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 six months of service as defined by the Retirement Plan and who have attained the age of 21 are eligible to participate in the Retirement Plan. Participants are 100% vested in the employer contributions when they are made.

Note 12. Other Post-Employment Benefits Liability – Local Plan

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.

The cost of post-employment healthcare benefits are associated with the periods in which the cost occurs, rather than in the future years when it will be paid. Recognition of the liability accumulated from years prior to adoption will be phased in over 30 years, and commenced with the 2009 liability. A trust fund was established by the City with Commercial Bank and Trust Company (the "Trust Fund"). The Trust Fund is established as an investment vehicle for participating employers to accumulate assets to fund OPEB. Plan assets for purposes of GASB Statement No. 75 are usually in the form of stocks, bonds, and other classes of investments, that have been segregated and restricted in a trust, in which (a) contributions to the plan are irrevocable, (b) assets are dedicated to providing benefits to retirees and their beneficiaries, and (c) assets are legally protected from creditors of the employer or plan administrator, for the payment of benefits in accordance with the terms of the plan.

Benefits provided

The City provides medical, dental, and vision benefits to retirees and their spouses. The City also pays 85% of medical and 100% of dental, and vision premiums for the retiree and the retiree spouse. All full-time, active employees who retire or are disabled directly from the City and meet the eligibility criteria may participate.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Employees covered by benefit terms

As of the June 30, 2020 actuarial valuation, the following employees were covered by the benefit terms of the plan:

	<u>Number</u>
Inactive employees or beneficiaries:	
Currently receiving benefits	35
Entitled to but not yet receiving benefits	<u>-</u>
Total inactive employees	35
Active plan members	<u>295</u>
	<u><u>330</u></u>

Contributions

The City pays 85% of medical and 100% of dental, and vision insurance premiums for all retirees and their spouse.

Net OPEB liability

The City's total net OPEB liability of \$6,928,188 was measured as of June 30, 2020 and was determined by an actuarial valuation performed as of June 30, 2020.

Actuarial assumptions and other inputs

The total OPEB liability was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	6.81%
Inflation	2.50%
Salary increases, including inflation	4.0%
Payroll Growth Rate	2.50%
Investment rate of return	6.81%
Healthcare cost trend rates	5.00% -7.50%

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Actuarial assumptions and other inputs

Mortality rates: The mortality rates are from the RP-2014 Combined Fully Generational Mortality Table with projection scale BB.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2019 through June 30, 2020.

Change in benefit term: The valuation reflects the change to spousal eligibility requirements.

Change in assumptions: The healthcare trend rate was updated to 8%, grading down by 0.5% per annum to an ultimate trend of 5% in years 2024 and later. The mortality improvement scale was updated to scale BB.

Long-term expected rate of return

The long-term expected rate of return on OPEB investments was determined using the annual money-weighted rate of return on investments for each asset class, asset allocation percentages and a 2.5% inflation rate. These ranges are combined to produce 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 expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-Term Expected Rate of Return</u>	<u>Weighted Average Long-Term Expected Rate of Return</u>
Large Cap	20.00 %	5.84 %	1.17 %
Small/Mid Cap	28.00	7.02	1.97
Non-US Equity-Developed	5.00	6.80	0.34
Non-US Equity-Emerging	3.00	9.17	0.28
US Corporate Bonds – Core	26.00	1.96	0.51
US Corporate Bonds – High Yield	6.00	3.88	0.23
Non-US Debt-Developed	6.00	1.31	0.08
US Treasuries	2.00	0.57	0.01
Real Estate	4.00	5.44	0.22
Total	100.00 %		4.81 %
	Inflation		2.50 %
			7.31 %

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Discount rate

The discount rate used to measure the net OPEB liability was 6.81%. The projection of cash flows used to determine the discount rate assumed that the City's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in net OPEB liability

	Increase (Decrease)			
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Non Trust Activity (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2019	\$ 7,659,153	\$ 762,491	\$ -	\$ 6,896,662
Changes for the year:				
Service cost	227,524	-	-	227,524
Interest	507,372	-	-	507,372
Benefit changes	-	-	-	-
Differences between expected and actual experience	-	(57,848)	-	57,848
Assumption changes	(111,512)	-	-	(111,512)
Contributions – employer	-	100,000	499,076	(599,076)
Net investment income	-	50,630	-	(50,630)
Benefit payments	(499,076)	-	(499,076)	-
Administrative expenses	-	-	-	-
Other changes	-	-	-	-
Net changes	124,308	92,782	-	31,526
Balances at June 30, 2020	\$ 7,783,461	\$ 855,273	\$ -	\$ 6,928,188

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.81%) or one percentage point higher (7.81%) than the current discount rate:

	1.00% Decrease (5.81%)	Current Discount Rate (6.81%)	1.00% Increase (7.81%)
Net OPEB liability	\$ 7,614,563	\$ 6,928,188	\$ 6,312,856

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

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

	1.00% Decrease (6.50% decreasing to 4.00%)	Current Healthcare Cost Trend Rates (7.50% decreasing to 5.00%)	1.00% Increase (8.50% decreasing to 6.00%)
Net OPEB liability	\$ 6,131,611	\$ 6,928,188	\$ 7,866,669

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 12. Other Post-Employment Benefits Liability – Local Plan (Continued)

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of \$764,350. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 303,297	\$ -
Change in assumptions	418,398	101,366
Net difference between projected and actual earnings on OPEB plan investments	<u>39,455</u>	<u>-</u>
Total	<u><u>\$ 761,150</u></u>	<u><u>\$ 101,366</u></u>

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB
(Continued)

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

Year Ending June 30,	Increase (Reduction) to OPEB Expense
2021	\$ 80,084
2022	80,084
2023	80,084
2024	82,792
2025	70,117
Thereafter	266,623

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Plan description

The Systems provide post-employment benefits (OPEB) through the Morristown Utilities Retiree Benefit Plan to all eligible retirees. The OPEB is administered by the Systems, is a single employer defined benefit plan and is not required to issue a separate financial report. There are no assets accumulated in a trust and the Systems fund the Plan on a pay-as-you-go basis.

The amounts reported as of June 30, 2020 are based on an actuarial valuation performed as of July 1, 2019 and updated to June 30, 2020.

The Systems provide medical, dental and life insurance benefits to retirees. Employees who retire at age 55 with 10 years of service are eligible to participate for five years or until the age of 65. The Systems pay either 90% or 95% of the monthly premium amount that is paid for active employees of the retiree's medical premiums. The Systems pay 100% of the monthly premium amount that is paid for active employees of the retiree's dental and life insurance premiums. Prior to 2020, the Systems paid 100% of the monthly premium amount that was paid for active employees of retiree's medical, dental and life insurance premiums.

In addition, the Systems pay 60% of the monthly premium amount that is paid for active employees of the retiree's dependent's medical premiums. The retiree's spouse is also eligible for medical benefits (same as retiree) as long as the retiree is eligible (there are no surviving spouse benefits). The life insurance benefit available to retirees is \$5,000.

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Plan description (Continued)

Participants in the OPEB consisted of the following as of July 1, 2019:

	<u>Actives</u>	<u>Inactives Receiving Benefits</u>	<u>Total</u>
Male	129	5	134
Female	34	-	34
Total	<u>163</u>	<u>5</u>	<u>168</u>

Total OPEB liability

Total OPEB liability of the Commission is as follows as of June 30, 2020:

	<u>Power System</u>	<u>Water System</u>	<u>Wastewater System</u>	<u>Broadband System</u>	<u>Total Commission</u>
Total OPEB liability	\$ 1,124,078	\$ 447,154	\$ 197,055	\$ 261,615	\$ 2,029,902

Changes in total OPEB liability

The changes in the total OPEB liability are as follows for 2020:

Total OPEB liability at beginning of year	<u>\$ 1,989,874</u>
Changes for the year:	
Service cost	176,287
Interest	66,096
Changes in benefit terms	(52,328)
Differences between expected and actual experience	(164,865)
Changes in assumptions and other inputs	107,229
Benefit payments	<u>(92,391)</u>
Net changes for the year	<u>40,028</u>
Total OPEB liability at end of year	<u><u>\$ 2,029,902</u></u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Actuarial methods and assumptions

The actuarial methods and assumptions used were applied consistently for the Power, Water, Wastewater, and Broadband Systems. A discount rate of 2.21% was used for the year ending June 30, 2020, based on the Bond Buyer's 20 Bond Index. The mortality rates are from the RP-2014 Total Dataset fully generational projected table with projection scale MP-2019. Prior to 2020, a discount rate of 3.5% was used, based on the Bond Buyer's 20 Bond Index and mortality rates were from the RP-2000 Fully Generational Mortality Table with projection scale AA.

It was assumed that the following percentages of eligible employees would retire each year:

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

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

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

It was assumed that health care cost would increase in accordance with the trend rates in the following table, with the exception of dental costs which are assume to increase at 5% per annum:

<u>Year</u>	<u>Current Valuation Rates</u>	<u>Previous Valuation Rates</u>
2019	7.5%	7.0 %
2020	7.0	6.0
2021	6.5	5.0
2022	6.0	5.0
2023	5.5	5.0
2024	5.0	5.0
2025+	4.5	5.0

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

Actuarial methods and assumptions (Continued)

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

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

Sensitivity of the total OPEB liability

The following presents the total OPEB liability of the Systems calculated using the discount rate of 2.21%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

1.00% Decrease (1.21%)	Discount Rate (2.21%)	1.00% Increase (3.21%)
\$ 2,120,653	\$ 2,029,902	\$ 1,935,678

The following presents the total OPEB liability of the Systems as of June 30, 2020, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

1.00% Decrease (6.5%) decreasing to (3.5%)	Healthcare Cost Trend Rates (7.5%) decreasing to (4.5%)	1.00% Increase (8.5%) decreasing to (5.5%)
\$ 1,809,103	\$ 2,029,902	\$ 2,290,715

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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

OPEB expense and deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2020, the Power, Water, Wastewater and Broadband Systems recognized OPEB expense of \$76,662, \$27,775, \$36,773, and \$44,113, respectively. At June 30, 2020, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources			
	Power	Water	Wastewater	Broadband
Experience loss	\$ -	\$ 2,984	\$ 12,119	\$ -
Change in assumptions	68,145	24,441	13,896	18,097
	<u>\$ 68,145</u>	<u>\$ 27,425</u>	<u>\$ 26,015</u>	<u>\$ 18,097</u>
	Deferred Inflows of Resources			
	Power	Water	Wastewater	Broadband
Experience loss	\$ 152,913	\$ -	\$ -	\$ 9,702
Change in assumptions	10,598	4,098	1,506	2,257
	<u>\$ 163,511</u>	<u>\$ 4,098</u>	<u>\$ 1,506</u>	<u>\$ 11,959</u>

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

Year Ended June 30,	Deferred Outflows/Inflows of Resources			
	Power	Water	Wastewater	Broadband
2021	\$ (11,391)	\$ 3,374	\$ 2,714	\$ 571
2022	(11,391)	3,374	2,714	571
2023	(11,391)	3,374	2,714	571
2024	(11,391)	3,374	2,714	571
2025	(11,391)	3,374	2,714	571
Thereafter	(38,411)	6,457	10,939	3,283
	<u>\$ (95,366)</u>	<u>\$ 23,327</u>	<u>\$ 24,509</u>	<u>\$ 6,138</u>

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

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 \$4,484,071 and specific underlying coverage of \$100,000 per employee are covered through a stop loss coverage agreement with BlueRe of Tennessee, an affiliate of the claims administrator. The stop loss arrangement provides for 100% reimbursement of claims exceeding \$4,848,071, 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, 2020, and subsequently settled total approximately \$188,093, 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, 2020.

Commitments and contingencies

At June 30, 2020, 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

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

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 15. Commitments and Contingencies (Continued)

Concentration of credit risk

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

Litigation

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

Note 16. Joint Ventures

Morristown-Hamblen County Library – The City of Morristown and Hamblen County jointly own the Morristown-Hamblen Library. Each appoints an equal number of members to its Board of Directors. The City contributed \$301,950 for the library's operations during the fiscal year ended June 30, 2020.

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, 2020, the City was charged \$657,244.

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. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 17. COVID-19 (continued)

The Government's operations are heavily dependent on the ability to raise taxes, assess fees, and access the capital markets. Additionally, access to grants and contracts from federal and state governments may decrease or may not be available depending on appropriations. The outbreak will have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Government's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Government is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 18. Subsequent Events

On July 21, 2020 the City entered into an agreement with Sports Facilities Management, LLC related to operations of the new community center. The agreement is a five year term with two additional five year renewal terms. The agreement includes \$330,000 in pre-opening fees in addition to \$15,000 a month beginning March 1, 2022 or at the grand opening of the facility. Additionally once the facility achieves its first \$500,000 in gross income the City will pay a performance fee equal to the amount of 2.5% of gross income each month and 20% of the gross revenue or sponsorship and advertising including facility naming rights for all sponsorship and advertising sold through the life of the agreement.

Note 19. New Accounting Standards

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

The GASB issued **Statement No. 84, *Fiduciary Activities*** in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2019.

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

Note 19. New Accounting Standards (Continued)

The GASB issued **Statement No. 90**, *Majority Equity Interests*, an amendment of *GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91**, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

(Continued)

**REQUIRED
SUPPLEMENTARY INFORMATION**

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, 2020

	Plan Year					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 1,193,785	\$ 1,154,404	\$ 1,133,722	\$ 1,047,579	\$ 1,046,764	\$ 1,069,809
Interest on total pension liability	5,593,373	5,329,715	5,262,280	5,091,070	4,991,380	4,856,002
Changes in benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(307,533)	1,198,233	(943,037)	(164,027)	(1,019,195)	(498,973)
Changes in assumptions	-	-	1,860,136	-	-	-
Benefit payments, including refunds of employee contributions	(4,027,396)	(4,142,751)	(3,825,670)	(3,730,258)	(3,650,880)	(3,546,607)
Net change in total pension liability	2,452,229	3,539,601	3,487,431	2,244,364	1,368,069	1,880,231
Total pension liability – beginning	77,969,879	74,430,278	70,942,847	68,698,483	67,330,414	65,450,183
Total pension liability – ending	80,422,108	77,969,879	74,430,278	70,942,847	68,698,483	67,330,414
Plan Fiduciary Net Position						
Contributions – employer	2,166,600	2,114,084	2,087,774	2,123,622	1,999,102	1,927,666
Contributions – employee	729,818	712,166	703,035	694,124	652,910	654,779
Net investment income	5,157,698	5,404,804	6,759,639	1,569,650	1,794,350	8,414,739
Benefit payments, including refunds of employee contributions	(4,027,396)	(4,142,751)	(3,825,670)	(3,730,258)	(3,650,880)	(3,546,607)
Administrative expenses	(25,546)	(26,895)	(24,114)	(21,456)	(14,221)	(13,059)
Net change in plan fiduciary net position	4,001,174	4,061,408	5,700,664	635,682	781,261	7,437,518
Plan fiduciary net position – beginning	69,846,624	65,785,216	60,084,552	59,448,870	58,667,609	51,230,091
Plan fiduciary net position – ending	73,847,798	69,846,624	65,785,216	60,084,552	59,448,870	58,667,609
Net pension liability – ending	\$ 6,574,310	\$ 8,123,255	\$ 8,645,062	\$ 10,858,295	\$ 9,249,613	\$ 8,662,805
Plan fiduciary net position as a percentage of total pension liability	92%	90%	88%	85%	87%	87%
Covered payroll	\$ 14,580,077	\$ 14,226,673	\$ 14,049,621	\$ 14,185,234	\$ 13,452,906	\$ 13,131,242
Net pension liability as a percentage of covered employee payroll	45.09%	57.10%	61.53%	76.55%	68.76%	65.97%

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. The plan years above are reported in the City's financial statements in the fiscal year following the plan year – i.e., plan year 2019 information was presented in the City's fiscal year 2020 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.

The Notes to Required Supplementary Information are an integral part of these statements.

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, 2020

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2020	\$ 2,278,890	\$ 2,278,890	\$ -	\$ 14,938,250	15.26 %
2019	2,159,424	2,159,424	-	14,580,077	14.81
2018	2,114,084	2,114,084	-	14,226,673	14.86
2017	2,087,774	2,087,774	-	14,049,621	14.86
2016	2,123,622	2,123,622	-	14,185,234	14.97
2015	1,982,140	1,982,140	-	13,338,762	14.86

This Schedule is intended to show information for 10 years. Since 2015 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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2020

	Fiscal Year			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 227,524	\$ 205,890	\$ 125,354	\$ 122,297
Interest on total OPEB liability	507,372	500,435	335,358	333,893
Changes in benefit terms	-	1,605,545	-	-
Difference between expected and actual experience	-	362,379	11,546	-
Changes in assumptions and other inputs	(111,512)	511,478	-	-
Benefit payments, including refunds of employee contributions	(499,076)	(428,784)	(463,208)	(414,252)
Net change in total OPEB liability	124,308	2,756,943	9,050	41,938
Total OPEB liability – beginning	7,659,153	4,902,210	4,893,160	4,851,222
Total OPEB liability – ending	7,783,461	7,659,153	4,902,210	4,893,160
Plan Fiduciary Net Position				
Contributions – employer	100,000	100,000	100,000	100,000
Net investment income	50,630	42,454	31,073	29,896
Differences between expected and actual experience	(57,848)	13,558	-	-
Benefit payments, including refunds of employee	-	-	-	-
Administrative expenses	-	-	-	-
Net change in plan fiduciary net position	92,782	156,012	131,073	129,896
Plan fiduciary net position – beginning	762,491	606,479	475,406	345,510
Plan fiduciary net position – ending	855,273	762,491	606,479	475,406
Net OPEB liability – ending	\$ 6,928,188	\$ 6,896,662	\$ 4,295,731	\$ 4,417,754
Plan fiduciary net position as a percentage of total OPEB liability	11%	10%	12%	10%
Covered employee payroll	\$ 12,878,509	\$ 12,564,399	\$ 12,522,594	\$ 12,217,165
Net OPEB liability as a percentage of covered employee payroll	54%	55%	34%	36%

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2019 information will be presented in the entity's fiscal year 2020 financial report.

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

In 2019, changes in assumptions related to the discount rate, which was changed from 6.64% in 2019 to 6.81% in 2020. Additionally the Mortality improvement scale was changed to scale BB in 2019 from AA in 2018.

Changes in benefits in 2019 were spouse benefits until spouse reaches age 65 compared to until retiree reaches ages 65 in 2018.

The Notes to Required Supplementary Information are an integral part of these statements.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
MORRISTOWN UTILITIES RETIREE BENEFIT PLAN
June 30, 2020

	Fiscal Year		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 176,287	\$ 156,987	\$ 159,163
Interest on total OPEB liability	66,096	74,345	64,374
Changes in benefit terms	(52,328)	-	-
Differences between expected and actual experience	(164,865)	-	-
Changes in assumptions and other inputs	107,229	36,980	(27,201)
Benefit payments, including refunds of employee contributions	(92,391)	(84,282)	(58,468)
Net change in total OPEB liability	40,028	184,030	137,868
Total OPEB liability – beginning	1,989,874	1,805,844	1,667,976
Total OPEB liability – ending	\$ 2,029,902	\$ 1,989,874	\$ 1,805,844
Covered employee payroll	<u>\$ 11,372,375</u>	<u>\$ 10,311,836</u>	<u>\$ 10,060,328</u>
Net OPEB liability as a percentage of covered employee payroll	<u>18%</u>	<u>19%</u>	<u>18%</u>

In 2019, changes in assumptions related to the discount rate, which was changed from 3.87% to 3.5%.

Benefit terms changed in 2020 from 100% of retiree medical premiums to either 90% or 95%, if the retiree completes a wellness program.

In 2020, the following assumptions were changed: The discount rate decreased from 3.5% to 2.21%; the healthcare trend rate of 8.5% to 5% was decreased to 7.5% to 4.5%; the mortality table was changed from RP-2000 fully generational table with projection scale AA to RPH-2014 head-count weighted table with projection scale MP-2019.

There are no assets accumulated in a trust to pay related benefits.

This Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. However, additional years will be included as they become available.

The Notes to Required Supplementary Information are an integral part of these statements.

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS – OPEB TRUST
June 30, 2020

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

2020	8.50 %
2019	8.12
2018	6.53
2017	0.77

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

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
June 30, 2020

Entity Fiscal Year Ended June 30,	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
Local Plan					
2020	\$ 499,076	\$ 599,076	\$ (100,000)	\$ 12,878,509	4.65 %
2019	428,784	528,784	(100,000)	12,561,399	4.50
2018	463,208	563,208	(100,000)	12,522,594	4.50

This Schedule is intended to show information for 10 years. Since 2018 was the first year for this presentation, no earlier data is available. Additional years will be included as they become available.

The covered payroll amounts above are for the entity's fiscal year – i.e., the covered employee payroll on which required contributions were based for the same year.

CITY OF MORRISTOWN, TENNESSEE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year ended June 30, 2020

Note 1. Methods and Assumptions

Valuation date:

Actuarially determined contribution rates for 2020 were calculated based on the July 1, 2019, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10 year smoothed within a 20% corridor to market value
Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, 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	2.25%

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent. Decreased salary growth grades from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF MORRISTOWN, TENNESSEE

**COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2020**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 425,364	\$ 46,981	\$ 472,345
Receivables, net	-	58	58
Due from other governmental units	4,817	-	4,817
	<u>4,817</u>	<u>-</u>	<u>4,817</u>
Total assets	<u>\$ 430,181</u>	<u>\$ 47,039</u>	<u>\$ 477,220</u>
LIABILITIES			
Accounts payable and accrued liabilities	\$ 1,125	\$ -	\$ 1,125
	<u>1,125</u>	<u>-</u>	<u>1,125</u>
Total liabilities	<u>1,125</u>	<u>-</u>	<u>1,125</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	132,674	-	132,674
	<u>132,674</u>	<u>-</u>	<u>132,674</u>
Total deferred inflows of resources	<u>132,674</u>	<u>-</u>	<u>132,674</u>
FUND BALANCES			
Restricted	296,382	47,039	343,421
	<u>296,382</u>	<u>47,039</u>	<u>343,421</u>
Total fund balances	<u>296,382</u>	<u>47,039</u>	<u>343,421</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 430,181</u>	<u>\$ 47,039</u>	<u>\$ 477,220</u>

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE –
NON-MAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

	<u>Narcotics</u>	<u>E-Citation</u>	<u>Total</u>
REVENUES			
Licenses, permits, and fines	\$ 18,346	\$ 16,058	\$ 34,404
Other	29,650	-	29,650
	<u>47,996</u>	<u>16,058</u>	<u>64,054</u>
Total revenues			
EXPENDITURES			
Public safety	44,583	-	44,583
	<u>44,583</u>	<u>-</u>	<u>44,583</u>
Total expenditures			
Net change in fund balance	3,413	16,058	19,471
FUND BALANCES AT JULY 1	<u>292,969</u>	<u>30,981</u>	<u>323,950</u>
FUND BALANCES AT JUNE 30	<u><u>\$ 296,382</u></u>	<u><u>\$ 47,039</u></u>	<u><u>\$ 343,421</u></u>

See Independent Auditor's Report.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for monies held by the City in a trustee capacity or as an agent or custodian for others.

CITY OF MORRISTOWN, TENNESSEE

COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Fiduciary Funds		
	Post-Employment Benefits Trust	Employee Benefits Trust	Total Trust Funds
ASSETS			
Cash and cash equivalents	\$ 14,409	\$ 17,856	\$ 32,265
Investments			
Fixed Income Mutual Funds	302,068	-	302,068
Equity Mutual Funds	466,321	-	466,321
International Equity Mutual Funds	72,475	-	72,475
Total investments	840,864	-	840,864
Total assets	<u>\$ 855,273</u>	<u>\$ 17,856</u>	<u>\$ 873,129</u>
NET POSITION			
Held in trust for post-employment benefits	<u>\$ 855,273</u>	<u>\$ 17,856</u>	<u>\$ 873,129</u>

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
June 30, 2020

	Post-Employment Benefits Trust	Employee Benefits Trust	Total
ADDITIONS			
Employer contributions	\$ 100,000	\$ 78,196	\$ 178,196
Investment earnings:			
Dividends and capital gains	16,163	-	16,163
Net decrease in fair value of investments	(20,381)	-	(20,381)
Total additions	95,782	78,196	173,978
DEDUCTIONS			
Benefits	-	76,748	76,748
Administrative expenses	3,000	-	3,000
Total deductions	3,000	76,748	79,748
Change in net position	92,782	1,448	94,230
Net position – beginning of the year	762,491	16,408	778,899
Net position – end of the year	<u>\$ 855,273</u>	<u>\$ 17,856</u>	<u>\$ 873,129</u>

See Independent Auditor's Report.

AGENCY FUND

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, 2020**

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
ASSETS				
Cash and cash equivalents	\$ 237,614	\$ 265,491	\$ 247,058	\$ 256,047
Grant receivable	<u>38,110</u>	<u>21,948</u>	<u>38,110</u>	<u>21,948</u>
Total assets	<u><u>\$ 275,724</u></u>	<u><u>\$ 287,439</u></u>	<u><u>\$ 285,168</u></u>	<u><u>\$ 277,995</u></u>
LIABILITIES				
Accounts payable	\$ 17,019	\$ 1,301	\$ 17,019	\$ 1,301
Accrued payroll and related liabilities	1,563	-	1,563	-
Amounts held for others	<u>257,142</u>	<u>286,138</u>	<u>266,586</u>	<u>276,694</u>
Total liabilities	<u><u>\$ 275,724</u></u>	<u><u>\$ 287,439</u></u>	<u><u>\$ 285,168</u></u>	<u><u>\$ 277,995</u></u>

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2019	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2020
GOVERNMENTAL ACTIVITIES									
GENERAL FUND									
\$4,000,000 Capital Outlay Notes, Series 2011	\$ 3,750,000	2.06%	2011	2024	\$ 1,551,562	\$ -	\$ 314,062	\$ -	\$ 1,237,500
\$5,000,000 Local Government Loan Program Bond, Series 2009	2,848,203	Variable	12-21-2009	2034	2,051,875	-	102,528	-	1,949,347
General Obligation Bonds, Series 2017	9,710,000	3% to 3.75%	03-30-2017	2042	9,055,000	-	280,000	-	8,775,000
General Obligation Bonds Series 2018	19,190,000	3% to 5%	10-24-2018	2042	18,225,000	-	1,040,000	-	17,185,000
General Obligation Bonds Series 2019B	37,250,000	5.00%	12-02-2019	2049	-	37,250,000	-	-	37,250,000
Total payable through general fund					30,883,437	37,250,000	1,736,590	-	66,396,847
SOLID WASTE FUND									
\$5,000,000 Local Government Loan Program Bond, Series 2009	162,919	Variable	12-21-2009	2034	117,322	-	5,870	-	111,452
\$4,000,000 Capital Outlay Notes, Series 2011	250,000	2.06	2011	2024	103,438	-	20,937	-	82,501
Total payable through solid waste fund					220,760	-	26,807	-	193,953
Total governmental activities					31,104,197	37,250,000	1,763,397	-	66,590,800
BUSINESS-TYPE ACTIVITIES									
Bonds payable									
Series 2018 General Obligation Bonds	4,375,000	3% to 5%	10-24-2018	2035	4,265,000	-	150,000	-	4,115,000
Series 2018 General Obligation Bonds Refunding	16,410,000	3% to 5%	10-24-2018	2035	15,550,000	-	925,000	-	14,625,000
Total bonds payable through power system fund					19,815,000	-	1,075,000	-	18,740,000

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2019	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2020
BUSINESS-TYPE ACTIVITIES (Continued)									
WATER SYSTEM									
Notes payable									
2002 DWSRF Promissory Note	\$ 8,500,000	2.61%	08-09-2001	2026	\$ 4,232,889	\$ -	\$ 574,032	\$ -	\$ 3,658,857
2009 Promissory Note	7,500,000	2.52%	12-21-2009	2030	4,745,000	-	360,000	-	4,385,000
2011 DWSRF Promissory Note	2,000,000	2.83%	09-03-2009	2032	854,496	-	55,176	-	799,320
Total notes payable through water sytsem fund					9,832,385	-	989,208	-	8,843,177
WASTEWATER SYSTEM									
Notes payable									
2007 CWSRF Promissory Note	12,500,000	2.06%	05-15-2007	2032	6,721,645	-	472,656	-	6,248,989
2009 CWSRF Promissory Note	1,600,000	2.73%	05-02-2011	2033	938,659	-	59,172	-	879,487
2013 CWSRF Promissory Note	5,000,000	1.51%	03-27-2013	2036	4,286,621	-	226,632	-	4,059,989
2009 Promissory Note	5,000,000	2.91%	12-21-2009	2035	1,374,153	-	68,670	-	1,305,483
2013 Promissory Note	20,000,000	3.65%	09-23-2013	2034	1,000,000	-	1,000,000	-	-
2015 Promissory Note	10,000,000	2.74%	08-31-2015	2036	9,144,000	-	414,000	-	8,730,000
2016 Promissory Note	15,000,000	2.27%	12-23-2016	2037	3,874,000	-	628,000	-	3,246,000
Total notes payable through wastewater fund					27,339,078	-	2,869,130	-	24,469,948
Bonds payable									
Series 2012 General Obligation Bonds	26,000,000	2% to 4%	05-30-2012	2037	19,481,617	-	1,086,117	-	18,395,500
Series 2018 General Obligation Bonds	10,060,000	3% to 4%	10-24-2018	2037	10,060,000	-	-	-	10,060,000
Series 2018 General Obligation Bonds – Refunding	10,480,000	4% to 5%	10-24-2018	2028	9,640,000	-	875,000	-	8,765,000
Series 2019 General Obligation Bonds – Refunding	12,775,000	3% to 5%	06-28-2019	2034	12,775,000	-	-	-	12,775,000
Total bonds payable through wastewater system fund					51,956,617	-	1,961,117	-	49,995,500

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2020

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 07-01-2019	Issued During the Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 06-30-2020
BUSINESS-TYPE ACTIVITIES (Continued)									
BROADBAND SYSTEM									
Notes payable									
2008 Promissory Note	\$ 4,928,175	Variable	09-11-2008	2035	\$ -	\$ -	\$ -	\$ -	\$ -
2014 Promissory Note	1,000,000	2.59%	06-26-2014	2024	585,000	-	111,000	-	474,000
2016 Promissory Note	2,000,000	2.00%	12-23-2016	2022	1,224,000	-	400,000	-	824,000
Total notes payable through broadband sytsem fund					1,809,000	-	511,000	-	1,298,000
WASTEWATER SYSTEM									
Bonds payable									
Series 2018 General Obligation Bonds – Refunding	3,810,000	3% to 5%	10-24-2018	2035	3,660,000	-	160,000	-	3,500,000
Total bonds payable through wastewater system fund					3,660,000	-	160,000	-	3,500,000
STORMWATER SYSTEM									
Bonds payable									
\$5,000,000 Local Government Loan Program Bond, Series 2009	81,459	Variable	12-21-2009	2034	58,651	-	2,935	-	55,716
\$31,000,000 GO Bonds, Series 2012	5,000,000	2% to 4%	05-30-2012	2037	3,747,030	-	208,884	-	3,538,146
Total payable through storm water fund					3,805,681	-	211,819	-	3,593,862
Total payable business type activities					118,217,761	-	7,777,274	-	110,440,487
TOTAL DEBT – CITY OF MORRISTOWN					\$ 149,321,958	\$ 37,250,000	\$ 9,540,671	\$ -	\$ 177,031,287

See Independent Auditor's Report.

SUPPORTING SCHEDULES

SCHEDULE 1

CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – NARCOTICS FUND
Year Ended June 30, 2020**

	Budgeted Amounts		Actual		Budgetary	Variance with
	Original	Final	Amounts	Encumbrances	Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 18,346	\$ -	\$ 18,346	\$ 13,346
Intergovernmental	80,000	80,000	29,650	-	29,650	(50,350)
Total revenues	85,000	85,000	47,996	-	47,996	(37,004)
EXPENDITURES						
Public safety	168,313	168,313	44,583	79,351	123,934	44,379
Total expenditures	168,313	168,313	44,583	79,351	123,934	44,379
Excess (deficiency) of revenues over expenditures	(83,313)	(83,313)	3,413	(79,351)	(75,938)	(81,383)
Net change in fund balance	(83,313)	(83,313)	3,413	(79,351)	(75,938)	(81,383)
Fund balances, July 1, 2019	72,218	72,218	292,969	-	292,969	-
Fund balances, June 30, 2020	\$ (11,095)	\$ (11,095)	\$ 296,382	\$ (79,351)	\$ 217,031	\$ (81,383)

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

SCHEDULE 2

CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – E-CITATION FUND
Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Encumbrances	Budgetary	Variance with
	Original	Final	Amounts		Basis	Final Budget
					Expenditures	Positive
						(Negative)
REVENUES						
Fines and forfeitures	\$ 13,000	\$ 13,000	\$ 16,058	\$ -	\$ 16,058	\$ 3,058
Total revenues	13,000	13,000	16,058	-	16,058	3,058
Excess (deficiency) of revenues over expenditures	13,000	13,000	16,058	-	16,058	3,058
Net change in fund balance	13,000	13,000	16,058	-	16,058	3,058
Fund balances, July 1, 2019	24,227	24,227	30,981	-	30,981	-
Fund balances, June 30, 2020	\$ 37,227	\$ 37,227	\$ 47,039	\$ -	\$ 47,039	\$ 3,058

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

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Award Number	Federal CFDA Number		Federal Expenditures
Department of Housing and Urban Development:				
Community Development Block Grants	B-18-MC-47-0013	14.218	\$ 38,636	
Community Development Block Grants	B-19-MC-47-0013	14.218	83,418	
				122,054
Department of Justice:				
Edward Byrne Memorial JAG Program	2017-DJ-BX-0701	16.738	98	
Edward Byrne Memorial JAG Program	2019-DJ-BX-0701	16.738	6,184	
Edward Byrne Memorial JAG Program	2019-DJ-BX-0388	16.738	12,277	
				18,559
Coronavirus Emergency Supplemental Grant	2020-VD-BX-1407	16.034		9,478
Enforcement of TN Driving Under the Influence Laws	Z19THS199	20.607	3,123	
Enforcement of TN Driving Under the Influence Laws	Z20THS175	20.607	10,469	
				13,592
Department of Transportation:				
Transit Cluster				
Airport Improvement Program	3-47-SBGP-45	20.106	206,518	
Airport Improvement Program	3-47-SBGP-50-2018	20.106	24,544	
Airport Improvement Program	3-47-SBGP-50	20.106	62,852	
				293,914
Highway Planning and Construction	STP-M-9113(23)	20.205	7,671	
Highway Planning and Construction	STP-M-9113(24)	20.205	51,608	
Highway Planning and Construction	TAP-9113(21)	20.205	72,606	
Highway Planning and Construction	STP-M-5930(10)	20.205	42,665	
				174,550
Metropolitan Transportation Planning	Z19MPO009	20.205		127,299
Total Expenditures of Federal Awards			\$ 759,446	

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.

Note 3. – Outstanding Loan Balances:

At June 30, 2020, the City had no outstanding loan balances requiring continuing disclosure.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF STATE FINANCIAL ASSISTANCE

Year Ended June 30, 2020

Grantor Agency/Program	Contract Number	Expenditures
Airport Improvement Program	32-555-0765-19	\$ 12,329
Airport Maintenance Grant	32-555-0461-19	15,000
Airport Improvement Program	32-555-0160-17	11,473
Airport Improvement Program	32-555-0160-18	1,364
Airport Improvement Program	32-555-0164-19	3,492
FastTrak Infrastructure Development Program		263,882
Tennessee Division of Forestry		18,575
Site Development Grant		168,345
		<u>\$ 494,460</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents

Financial Trends

Tables 1-5

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

Revenue Capacity

Tables 6-13

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

Debt Capacity

Tables 14-16

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

Demographic and Economic Information

Tables 17-18

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

Operating Information

Tables 19-21

These tables 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 tables 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)**

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Governmental activities:										
Net investment in capital assets	\$ 31,753,875	\$ 26,055,799	\$ 29,647,943	\$ 33,965,440	\$ 34,875,277	\$ 40,495,228	\$ 43,572,086	\$ 44,366,928	\$ 44,112,071	\$ 49,242,104
Restricted	644,679	1,369,307	1,607,753	1,680,576	2,420,193	1,671,349	652,846	609,400	16,055,663	4,551,306
Unrestricted	17,903,817	22,204,246	23,431,214	24,213,008	13,709,843	17,464,209	17,454,074	17,815,244	7,753,047	18,110,178
Total governmental activities net position	<u>\$ 50,302,371</u>	<u>\$ 49,629,352</u>	<u>\$ 54,686,910</u>	<u>\$ 59,859,024</u>	<u>\$ 51,005,313</u>	<u>\$ 59,630,786</u>	<u>\$ 61,679,006</u>	<u>\$ 62,791,572</u>	<u>\$ 67,920,781</u>	<u>\$ 71,903,588</u>
Business-type activities:										
Net investment in capital assets	\$ 72,398,653	\$ 76,792,135	\$ 79,424,880	\$ 88,050,533	\$ 98,316,369	\$ 100,428,103	\$ 104,788,569	\$ 110,725,993	\$ 111,985,630	\$ 118,518,543
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	22,815,516	23,525,937	26,580,161	24,920,115	19,315,616	22,443,531	23,637,244	22,555,484	25,876,369	24,225,605
Total business-type net position	<u>\$ 95,214,169</u>	<u>\$ 100,318,072</u>	<u>\$ 106,005,041</u>	<u>\$ 112,970,648</u>	<u>\$ 117,631,985</u>	<u>\$ 122,871,634</u>	<u>\$ 128,425,813</u>	<u>\$ 133,281,477</u>	<u>\$ 137,861,999</u>	<u>\$ 142,744,148</u>
Primary government:										
Net investment in capital assets	\$ 104,152,528	\$ 102,847,934	\$ 109,072,823	\$ 122,015,973	\$ 133,191,646	\$ 140,923,331	\$ 148,360,655	\$ 155,092,921	\$ 156,097,701	\$ 167,760,647
Restricted	644,679	1,369,307	1,607,753	1,680,576	2,420,193	1,671,349	652,846	609,400	16,055,663	4,551,306
Unrestricted	40,719,333	45,730,183	50,011,375	49,133,123	33,025,459	39,907,740	41,091,318	40,370,728	33,629,416	42,335,783
Total primary government	<u>\$ 145,516,540</u>	<u>\$ 149,947,424</u>	<u>\$ 160,691,951</u>	<u>\$ 172,829,672</u>	<u>\$ 168,637,298</u>	<u>\$ 182,502,420</u>	<u>\$ 190,104,819</u>	<u>\$ 196,073,049</u>	<u>\$ 205,782,780</u>	<u>\$ 214,647,736</u>

NOTE: GASB Statement No. 75 was adopted in fiscal year 2018. Information for previous years presented is unavailable.

TABLE 2

CITY OF MORRISTOWN, TENNESSEE

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

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Expenses										
Governmental activities:										
General government	\$ 3,518,056	\$ 4,267,622	\$ 3,593,414	\$ 2,837,464	\$ 4,726,077	\$ 4,399,314	\$ 2,623,688	\$ 5,565,353	\$ 5,724,079	\$ 8,523,594
Public safety	13,528,045	13,775,987	14,016,226	14,634,316	14,168,464	14,408,187	16,205,149	15,198,313	16,306,668	16,712,969
Public works	8,372,617	9,939,809	6,665,204	6,831,898	10,493,687	10,389,418	11,598,260	9,749,660	10,736,232	11,044,754
Parks and recreation	1,805,109	1,793,705	1,773,943	2,056,499	1,807,804	2,057,170	3,817,269	2,196,230	2,055,250	1,315,038
Civic support	663,498	1,638,926	1,098,472	1,011,941	417,774	1,936,921	1,994,024	1,565,036	1,622,080	1,746,265
Economic development	1,904,129	392,784	147,547	296,060	942,834	303,006	-	-	-	-
Retiree benefits	439,304	309,530	401,695	306,363	382,916	389,559	366,337	-	-	-
Airport	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Long-term debt expense	283,153	289,717	327,064	286,676	263,167	279,047	-	643,818	1,135,318	1,770,299
Other	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	30,513,911	32,408,080	28,023,565	28,261,217	33,202,723	34,162,622	36,604,727	34,918,410	37,579,627	41,112,919
Business-type activities:										
Water	5,840,954	5,854,982	5,689,323	6,287,865	6,117,002	6,396,446	6,676,177	6,791,455	6,776,689	6,977,206
Wastewater	9,210,878	9,632,557	9,489,262	9,067,056	9,385,294	10,464,615	12,035,984	12,957,929	14,297,200	14,221,715
Power	73,019,022	71,977,895	73,724,566	75,270,529	994,148	73,769,967	813,226	76,594,389	77,796,499	72,585,833
Broadband system	6,321,905	6,963,308	7,256,552	6,945,100	75,855,798	7,059,706	76,497,573	7,653,604	8,580,326	8,872,846
Storm water	592,574	658,713	810,198	832,132	7,330,637	1,319,920	7,018,332	1,078,566	1,164,915	1,321,479
Total business-type expenses	94,985,333	95,087,455	96,969,901	98,402,682	99,682,879	99,010,654	103,041,292	105,075,943	108,615,629	103,979,079
Total primary government expenses	125,499,244	127,495,535	124,993,466	126,663,899	132,885,602	133,173,276	139,646,019	139,994,353	146,195,256	145,091,998
Program revenues:										
Governmental activities:										
Charges for services:										
General government	134,066	130,440	232,242	134,359	1,183,648	966,744	603,535	650,780	730,749	635,530
Public safety	1,510,750	1,319,940	1,178,045	1,057,791	365,496	660,840	513,404	571,333	415,954	184,349
Public works	1,091,664	1,300,875	1,343,759	1,370,370	-	1,407,639	1,406,844	1,438,504	2,132,234	2,124,274
Culture and recreation	-	-	-	-	-	124,077	110,620	115,340	122,973	74,476
Operating grants and contributions	1,091,876	700,118	710,156	1,454,535	2,949,422	466,292	128,336	191,531	175,368	203,610
Capital grants and contributions	-	-	-	-	1,356,626	4,102,716	1,668,274	701,821	347,471	431,610
Total governmental activities program revenues	3,828,356	3,451,373	3,464,202	4,017,055	5,855,192	7,728,308	4,431,013	3,669,309	3,924,749	3,653,849

(Continued)

TABLE 2

CITY OF MORRISTOWN, TENNESSEE

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

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Business-type activities:										
Charge for services:										
Water	\$ 6,936,381	\$ 6,602,966	\$ 6,450,217	\$ 6,449,809	\$ 6,411,681	\$ 6,378,731	\$ 6,616,395	\$ 7,005,669	\$ 7,227,168	\$ 7,437,738
Wastewater	9,308,092	10,049,655	11,227,579	12,656,593	12,247,129	12,852,808	13,781,869	14,128,788	14,415,596	14,238,435
Power	77,167,026	74,575,366	74,850,804	75,425,515	75,151,759	74,026,335	77,244,198	78,262,760	79,519,049	75,488,051
Broadband system	6,321,898	6,815,505	7,195,234	7,629,190	8,239,118	8,509,233	8,602,426	1,345,299	8,281,370	8,249,700
Stormwater	541,053	1,375,723	1,342,550	1,330,147	1,276,062	1,080,408	1,353,476	8,360,510	1,617,918	1,404,622
Operating grants and contributions	-	2,067,523	2,219,003	2,580,025	2,586,526	-	-	-	-	-
Capital grants and contributions	847,793	165,384	1,602,948	524,286	151,200	422,950	230,150	263,600	266,000	185,380
Total business-type activities program revenue	101,122,243	101,652,122	104,888,335	106,595,565	106,063,475	103,270,465	107,828,514	109,366,626	111,327,101	107,003,926
Total primary government program revenue	\$ 104,950,599	\$ 105,103,495	\$ 108,352,537	\$ 110,612,620	\$ 111,918,667	\$ 110,998,773	\$ 112,259,527	\$ 113,035,935	\$ 115,251,850	\$ 110,657,775
Net (expense) revenue:										
Governmental activities	\$ (26,685,555)	\$ (28,956,707)	\$ (24,559,363)	\$ (24,244,162)	\$ (27,347,531)	\$ (26,434,314)	\$ (32,173,714)	\$ (31,249,101)	\$ (31,249,101)	\$ (37,459,070)
Business-type activities:	6,136,910	6,564,667	7,918,434	8,192,883	6,380,596	4,259,811	4,787,222	4,290,683	4,290,683	3,024,847
Total primary government program expense	\$ (20,548,645)	\$ (22,392,040)	\$ (16,640,929)	\$ (16,051,279)	\$ (20,966,935)	\$ (22,174,503)	\$ (27,386,492)	\$ (26,958,418)	\$ (26,958,418)	\$ (34,434,223)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 9,885,189	\$ 9,135,643	\$ 9,083,552	\$ 9,313,995	\$ 9,916,198	\$ 10,895,994	\$ 11,026,905	\$ 11,133,574	\$ 11,786,494	\$ 14,377,982
Local sales tax	9,611,440	10,236,619	9,923,645	10,061,738	10,793,398	11,743,470	12,280,106	12,405,158	13,389,122	13,543,093
Other local taxes	1,996,409	2,495,965	2,592,612	2,639,552	2,620,843	2,631,490	2,680,673	2,832,219	2,791,745	3,016,443
Business and gross receipts tax	882,131	1,000,937	936,935	837,434	958,795	1,049,900	1,061,806	1,091,623	1,113,149	1,159,672
Intergovernmental revenue										
unrestricted	5,112,921	4,777,887	5,146,051	4,476,998	4,390,483	5,318,624	4,747,970	6,074,849	6,105,485	5,702,751
Investment earnings	870,195	979,709	253,683	750,587	502,987	-	-	-	-	-
Other	-	-	-	-	-	1,766,013	489,811	811,649	1,561,606	1,383,478
Transfers	813,163	1,532,378	1,667,528	1,452,361	1,597,848	1,797,999	1,934,663	1,928,844	2,036,486	2,258,458
Total governmental activities	29,171,448	30,159,138	29,604,006	29,532,665	30,780,552	35,203,490	34,221,934	36,277,916	38,784,087	41,441,877
Business-type activities:										
Investment earnings	86,495	304,325	81,739	225,086	60,378	51,870	75,541	186,200	596,817	407,078
Other	-	-	-	-	-	2,833,685	2,626,079	3,008,322	3,308,719	3,708,682
Transfers	(813,163)	(1,532,378)	(1,667,528)	(1,452,361)	(1,597,848)	(1,797,999)	(1,934,663)	(1,928,844)	(2,036,486)	(2,258,458)
Total business-type activities	(726,668)	(1,228,053)	(1,585,789)	(1,227,275)	(1,537,470)	1,087,556	766,957	1,265,678	1,869,050	1,857,302
Total primary government	\$ 28,444,780	\$ 28,931,085	\$ 28,018,217	\$ 28,305,390	\$ 29,243,082	\$ 36,291,046	\$ 34,988,891	\$ 37,543,594	\$ 40,653,137	\$ 43,299,179
Changes in Net Position										
Governmental activities	\$ 2,485,893	\$ 1,202,431	\$ 5,044,643	\$ 5,288,503	\$ 3,433,021	\$ 8,769,176	\$ 2,048,220	\$ 5,028,815	\$ 7,534,986	\$ 3,982,807
Business-type activities	5,410,242	5,336,614	6,332,645	6,965,608	4,843,126	5,347,367	5,554,179	5,556,361	6,159,733	4,882,149
Total primary government	\$ 7,896,135	\$ 6,539,045	\$ 11,377,288	\$ 12,254,111	\$ 8,276,147	\$ 14,116,543	\$ 7,602,399	\$ 10,585,176	\$ 13,694,719	\$ 8,864,956

TABLE 3

CITY OF MORRISTOWN, TENNESSEE

FUND BALANCES – GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Post-GASB 54 Implementation:										
General Fund										
Nonspendable	\$ -	\$ 11,756,646	\$ 11,780,321	\$ 11,822,098	\$ 11,716,611	\$ 8,857,981	\$ 8,853,869	\$ 9,587,862	\$ 9,145,379	\$ 7,283,183
Restricted	-	1,262,954	1,448,582	1,520,896	2,265,480	1,578,637	73,571	133,457	690,825	826,400
Committed	-	3,072	69,710	57,058	-	-	-	-	-	-
Assigned	1,170,837	3,852	8,500	156,876	5,970,170	6,713,983	6,397,453	7,699,910	6,110,594	7,709,773
Unassigned	6,656,404	10,069,059	11,118,191	12,155,081	7,062,313	8,350,230	7,902,354	7,482,374	5,721,167	8,724,598
Total general fund	<u>\$ 7,827,241</u>	<u>\$ 23,095,583</u>	<u>\$ 24,425,304</u>	<u>\$ 25,712,009</u>	<u>\$ 27,014,574</u>	<u>\$ 25,500,831</u>	<u>\$ 23,227,247</u>	<u>\$ 24,903,603</u>	<u>\$ 21,667,965</u>	<u>\$ 24,543,954</u>
All other governmental funds										
Restricted	\$ -	\$ 106,353	\$ 159,171	\$ 159,680	\$ 154,713	\$ 529,089	\$ 8,864,668	\$ 5,639,588	\$ 15,364,838	\$ 42,033,648
Committed	-	-	-	-	-	1,375,000	1,899,728	2,859,940	659,444	906,098
Assigned	77,958	541,585	398,617	203,350	230,012	-	-	-	-	-
Total all other governmental funds	<u>\$ 77,958</u>	<u>\$ 647,938</u>	<u>\$ 557,788</u>	<u>\$ 363,030</u>	<u>\$ 384,725</u>	<u>\$ 1,904,089</u>	<u>\$ 10,764,396</u>	<u>\$ 8,499,528</u>	<u>\$ 16,024,282</u>	<u>\$ 42,939,746</u>

Note 2011 was the first year of implementing GASB54 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)**

	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020
Revenues:										
Taxes	\$ 22,480,586	\$ 22,869,163	\$ 22,536,744	\$ 22,852,719	\$ 24,289,234	\$ 25,426,851	\$ 27,005,685	\$ 27,538,575	\$ 29,330,294	\$ 31,670,979
Licenses, permits and fines	1,510,750	1,319,940	1,178,045	1,057,791	365,496	645,551	299,544	529,149	426,202	366,065
Use of money and property	870,195	636,386	253,683	750,587	502,987	-	-	-	-	-
Service charges and fees	1,225,730	1,431,315	1,576,001	1,504,729	2,540,274	2,513,749	2,334,859	2,246,808	770,519	493,886
Other	-	-	-	-	-	1,766,013	489,811	811,649	901,819	886,480
Intergovernmental	6,204,797	5,478,005	5,856,207	5,931,533	7,339,905	9,533,778	6,544,580	6,968,201	5,430,323	5,690,936
Total revenues	32,292,058	31,734,809	31,400,680	32,097,359	35,037,896	39,885,942	36,674,479	38,094,382	36,859,157	39,108,346
Expenditures:										
General government	3,317,502	4,062,142	3,629,042	4,100,871	5,551,674	4,283,426	6,559,447	5,315,372	4,542,957	5,757,474
Public safety	13,039,718	13,522,370	13,972,414	15,060,623	15,674,562	15,712,924	17,581,344	17,975,611	16,645,427	17,063,214
Public works	6,619,663	8,862,747	8,798,240	8,199,366	8,723,165	12,436,344	9,997,726	8,494,267	6,863,299	7,112,936
Parks and recreation	1,706,724	1,746,676	1,768,165	2,037,972	2,024,368	2,296,653	3,924,041	2,393,220	2,068,403	2,243,483
Civic support	279,966	1,395,326	841,472	750,451	756,937	1,679,921	1,994,024	3,655,908	1,622,080	1,746,265
Library	250,000	243,600	257,000	261,490	257,000	257,000	-	-	-	-
Economic development	1,868,472	356,373	179,891	201,550	328,040	303,006	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Retiree benefits	439,304	309,530	401,695	306,363	382,916	389,559	370,885	463,208	536,776	499,080
Miscellaneous	133,532	-	-	-	-	-	-	-	-	-
Debt service:										
Principal	1,501,662	1,574,629	1,675,568	1,136,023	1,173,560	1,211,528	1,248,061	1,655,663	1,648,742	1,736,591
Interest	237,224	232,380	239,740	187,384	169,905	165,996	342,634	658,489	1,147,625	1,824,272
Debt expense	45,929	57,337	87,324	99,292	93,262	92,982	-	-	-	-
Total expenditures	29,439,696	32,363,110	31,850,551	32,341,385	35,135,389	38,829,339	42,018,162	40,611,738	35,075,309	37,983,315
Deficiency of revenue over expenditures	2,852,362	(628,301)	(449,871)	(244,026)	(97,493)	1,056,603	(5,343,683)	(2,517,356)	1,783,848	1,125,031
Other financing sources (uses)										
Transfers in	1,898,007	2,202,954	2,059,154	2,038,024	2,381,066	4,244,692	6,004,663	3,730,510	2,036,486	2,258,458
Transfers out	(1,538,388)	(1,184,908)	(391,626)	(585,663)	(783,218)	(2,446,693)	(4,070,000)	(1,801,666)	(7,189,100)	(507,500)
Bonds issued		4,000,000	-	-	-	-	9,995,743	-	9,940,000	-
Payments to Refunded Bond Escrow									(11,092,095)	-
Premium on Debt Issuance									1,285,223	-
Total other financing sources (uses)	359,619	5,018,046	1,667,528	1,452,361	1,597,848	1,797,999	11,930,406	1,928,844	(5,019,486)	1,750,958
Net change in fund balance	\$ 3,211,981	\$ 4,389,745	\$ 1,217,657	\$ 1,208,335	\$ 1,500,355	\$ 2,854,602	\$ 6,586,723	\$ (588,512)	\$ (3,235,638)	\$ 2,875,989
Debt service as a percentage of noncapital governmental expenditures	6.16%	5.83%	6.81%	5.06%	4.15%	4.08%	4.54%	6.69%	11.82%	15.00%

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	Use of Money and Property	Other	Inter- Governmental	Transfers	Total
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
2017	11,026,905	-	603,791	12,280,106	1,334,354	1,061,806	-	675,088	67,440	2,634,403	489,811	6,544,580	1,934,663	38,652,947
2018	11,133,574	-	708,339	12,405,158	1,330,498	1,091,623	-	745,950	47,432	2,775,957	811,649	6,968,201	1,928,844	39,947,225
2019	11,786,494	-	712,126	13,389,122	1,260,568	1,113,149	-	767,588	51,463	3,401,910	1,561,606	6,105,485	2,036,486	42,185,997
2020	14,377,982	-	638,180	13,543,093	1,682,295	1,159,672	-	651,258	44,710	3,653,849	1,383,478	5,702,751	2,258,458	45,095,726

TABLE 6

CITY OF MORRISTOWN, TENNESSEE

**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS**

Tax Year	Residential Property	Commercial Property	Public Utility Property	Other	Industrial Property	Public Utility Property	Total Assessment Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
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	341,958,234	707,025	5,716,175	248,685,433	2,270	863,349,937	1.05	2,720,476,644	31.74%
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	1.114	2,665,051,327	31.95%
2016	242,706,000	360,519,034	695,695	4,777,775	282,378,782	6,753	891,084,039	1.20	2,791,909,491	31.92%
2017	243,508,725	368,288,320	695,695	4,824,475	290,189,983	9,111	907,516,309	1.20	2,879,128,380	31.52%
2018	244,715,150	376,170,327	695,695	4,647,200	298,679,525	-	924,907,897	1.20	2,934,086,480	31.52%
2019	246,406,625	385,853,750	695,695	4,703,875	305,384,722	-	943,044,667	1.25	2,999,344,651	31.44%
2020	283,235,750	419,337,636	377,630	5,358,750	303,539,923	-	1,011,849,689	1.50	3,279,367,845	30.86%

TABLE 7

CITY OF MORRISTOWN, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City	Taxable Assessed Value	Rank	Percentage of Total City
			Taxable Assessed Value			Taxable Assessed Value
JTEKT(Toyoda-TRW)	32,863,343	2	3.55%	\$ 22,657,953	3	2.57%
Mahle	34,535,822	1	3.73%	27,457,838	1	3.12%
Colgate	12,419,257	6	1.34%	-		0.00%
Inteplast (formelry Vifan)	15,872,304	4	1.72%	23,631,785	2	2.68%
OTICS	22,629,927	3	2.45%	12,807,288	6	1.45%
Tuff Torq Corp	13,086,475	5	1.41%	13,214,518	5	1.50%
Meritor/Rockwell	8,309,300	9	0.90%	6,819,871	10	0.77%
Team Technologies	9,679,055	8	1.05%	9,397,897	8	1.07%
Time Equities (formorly CBL Morristown LTD)	11,187,800	7	1.21%	10,633,280	7	1.21%
Rich Products	8,123,370	10	0.88%	-		0.00%
Berkline/TBC	-			8,647,286	9	0.98%
Lear Corporation	-			13,343,212	4	1.52%
						0.00%
	168,706,653			148,610,928		

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
2020	\$ 13,701,894	\$ 13,169,235	96.11 %	\$ 366,100	\$ 13,535,335	98.78 %
2019	11,728,491	11,086,237	94.52	-	11,086,237	94.52
2018	11,784,000	11,209,575	95.13	458,210	11,667,785	99.01
2017	11,131,901	10,356,964	93.04	393,662	10,750,626	96.57
2016	10,933,593	10,355,811	94.72	258,036	10,613,847	97.08
2015	9,117,321	8,690,500	95.32	203,214	8,893,714	97.55
2014	9,065,786	8,545,014	94.26	354,573	8,899,587	98.17
2013	9,065,786	8,579,330	94.63	394,911	8,974,241	98.99
2012	9,073,036	8,679,616	95.66	341,884	9,021,500	99.43
2011	9,091,730	8,590,172	94.48	432,599	9,022,771	99.24

TABLE 9

CITY OF MORRISTOWN, TENNESSEE

**WASTEWATER UTILITY RATES AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Wastewater rate</u>										
Inside	\$ 4.96	\$ 8.11	\$ 8.11	\$ 9.17	\$ 9.17	\$ 10.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
Outside	9.92	16.22	16.22	18.34	18.34	21.00	23.00	23.00	23.00	23.00
<u>Customers</u>										
Inside	11,627	11,618	11,668	10,567	10,565	10,605	10,594	10,685	10,719	10,753
Outside	104	105	106	10	9	9	9	9	9	9
<u>Commodity charge (per 1,000 gallons)</u>										
Inside					5.00	5.00	5.00	5.00	5.00	5.00
Outside					10.00	10.00	10.00	10.00	10.00	10.00

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Residential										
Customer charge per month	\$ 25.27	\$ 25.27	\$ 23.27	\$ 20.27	\$ 17.00	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71	\$ 16.71
Energy charge:										
First 2,000 kWh	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09515	0.09097	0.09242	0.08934
Additional kWh per month	0.09248	0.09584	0.09528	0.09454	0.09104	0.09162	0.09915	0.09097	0.09242	0.08934
Commercial, Industrial, Governmental and Institutional										
GSA - 1 (demand of up to 50 kW)										
Customer charge per month	\$27 or \$44	\$27 or \$44	\$25 or \$42	\$21 or \$39	\$20 or \$37	\$20 or \$37	\$20 or \$37	\$20 or \$37	26.00	26.00
Energy charge per kWh per month	1.1052	0.10852	0.10735	0.10648	0.10289	0.10165	0.10502	0.10076	0.10219	0.09899
GSA - 2 (demand of 51 to 1,000 kW)										
Customer charge per month	135.50	135.50	135.50	135.50	135.00	133.00	133.00	133.00	133.00	133.00
Demand charge:										
First 50 kW per month										
Excess over 50 kW per month	13.66	13.66	13.36	13.12	12.88	12.35	12.00	11.86	11.86	13.78
Energy charge:										
First 15,000 kWh per month	0.09934	0.10266	0.10148	0.10126	0.09766	0.09650	0.09986	0.09559	0.09702	0.09381
Additional kWh per month	0.06151	0.06479	0.06459	0.06515	0.06236	0.06284	0.06695	0.0635	0.06491	0.06262
GSA - 3 (demand of 1,001 to 5,000 kW)										
Customer charge per month	275.08	275.08	275.08	275.08	275.08	270.00	270.00	270.00	270.00	270.00
Demand charge:										
First 1,000 kW per month	13.91	13.91	13.58	13.32	13.06	12.50	12.24	11.98	11.98	11.68
Excess over 1,000 kW per month	16.04	16.04	15.64	15.32	15.00	14.32	13.99	13.67	13.67	13.31
Energy charge:										
Per kWh per month	0.06142	0.0647	0.06451	0.06508	0.0623	0.06279	0.06691	0.06348	0.06489	0.06262
MSB										
Demand Charge:										
On Peak	10.24	-	-	-	-	-	-	-	-	-
Excess off Peak	2.26	-	-	-	-	-	-	-	-	-
Excess over contract	10.24									
Energy Charge:										
On Peak	0.07016	-	-	-	-	-	-	-	-	-
Off Peak (200 hours)	0.04516	-	-	-	-	-	-	-	-	-
Off Peak (next 200 hours)	0.01547	-	-	-	-	-	-	-	-	-
Off Peak (additional kWh)	0.1292	-	-	-	-	-	-	-	-	-

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
TDMSA										
Demand charge:										
On peak	-	11.00	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-
Excess off peak	-	4.62	4.24	3.40	3.36	4.14	4.07	4.00	4.00	-
Excess over contract	-	11.00	9.97	9.74	9.52	17.24	16.84	16.45	16.45	-
Energy charge:										
On peak	-	0.08102	0.07152	0.07197	0.0694	0.09815	0.10127	0.09683	0.09694	-
Off peak (first 425 kWh)	-	0.05182	0.04718	0.04819	-	0.06163	0.06568	0.06215	0.06226	-
Off peak (next 195 kWh)	-	0.02229	0.02126	0.02209	-	0.04198	0.04653	0.04349	0.0436	-
Off peak (additional kWh)	-	0.01974	0.01878	0.01966	-	0.02529	0.03026	0.02764	0.02775	-
GSB (demand of 5,001 to 15,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	19.92
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	-	-	0.10427
Additional kWh per month	-	-	-	-	-	-	-	-	-	0.02771
GSB (non-manufacturing) (demand of 15,001 to 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	1,500.00
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	19.92
Energy charge:										
First 620 kWh per Kw per month	-	-	-	-	-	-	-	-	-	0.10427
Additional kWh per month	-	-	-	-	-	-	-	-	-	0.02771
Part F (demand greater than 25,000 kW)										
Customer charge per month	-	-	-	-	-	-	-	-	-	-
Demand charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-
Energy charge:										
Per kWh per month	-	-	-	-	-	-	-	-	-	-

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Active Service (number of customers)										
Residential	12,296	12,198	12,133	11,995	11,862	11,826	11,721	11,764	11,752	11,683
Commercial	2,231	2,239	2,191	2,163	2,160	2,141	2,120	2,121	2,105	2,085
Industrial	446	439	448	458	446	439	458	449	447	467
Street and athletic	79	79	79	76	75	76	73	70	71	69
Outdoor lighting	79	77	35	34	33	33	34	34	31	32
Total active service	15,131	15,032	14,886	14,726	14,576	14,515	14,406	14,438	14,406	14,336

TABLE 11

CITY OF MORRISTOWN, TENNESSEE

WATER RATES AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Inside City Rate										
Customer charge per month	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65	\$ 4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	2.35	2.35	2.35	2.20	2.05	2.05	2.05	2.05	2.05	2.05
Next 50,000 gallons	2.10	2.10	2.10	1.95	1.80	1.80	1.80	1.80	1.80	1.80
Over 100,000	1.90	1.90	1.90	1.75	1.60	1.60	1.60	1.60	1.60	1.60
Minimum bill:										
5/8" meter	9.35	9.35	9.35	9.05	8.75	8.75	8.75	8.75	8.75	8.75
3/4" meter	9.85	9.85	9.85	9.55	9.25	9.25	9.25	9.25	9.25	9.25
1" meter	10.60	10.60	10.60	10.30	10.00	10.00	10.00	10.00	10.00	10.00
1 1/2" meter	12.10	12.10	12.10	11.80	11.50	11.50	11.50	11.50	11.50	11.50
2" meter	16.90	16.60	16.60	16.30	16.00	16.00	16.00	16.00	16.00	16.00
3" meter	61.90	61.60	61.60	61.30	61.00	61.00	61.00	61.00	61.00	61.00
4" meter	71.60	71.60	71.60	71.30	71.00	71.00	71.00	71.00	71.00	71.00
6" meter	101.60	101.60	101.60	101.30	101.00	101.00	101.00	101.00	101.00	101.00
8" meter	114.90	114.90	114.90	114.60	114.30	114.30	114.30	114.30	114.30	114.30
Outside City rates:										
Customer charge per month	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65	4.65
Commodity charge (per 1,000 gallons)										
First 50,000 gallons	4.70	4.70	4.70	4.40	4.10	4.10	4.10	4.10	4.10	4.10
Next 50,000 gallons	4.20	4.20	4.20	3.90	3.60	3.60	3.60	3.60	3.60	3.60
Over 100,000 gallons	3.80	3.80	3.80	3.50	3.20	3.20	3.20	3.20	3.20	3.20
Minimum bill:										
5/8" meter	14.05	14.05	14.05	13.45	12.85	12.85	12.85	12.85	12.85	12.85
3/4" meter	14.55	14.55	14.55	13.95	13.35	13.35	13.35	13.35	13.35	13.35
1" meter	15.30	15.30	15.30	14.70	14.10	14.10	14.10	14.10	14.10	14.10
1 1/2" meter	16.80	16.80	16.80	16.20	15.60	15.60	15.60	15.60	15.60	15.60
2" meter	21.30	21.30	21.30	20.70	20.10	20.10	20.10	20.10	20.10	20.10
3" meter	66.30	66.30	66.30	65.70	65.10	65.10	65.10	65.10	65.10	65.10
4" meter	76.30	76.30	76.30	75.70	75.10	75.10	75.10	75.10	75.10	75.10
6" meter	106.30	106.30	106.30	105.70	105.10	105.10	105.10	105.10	105.10	105.10
8" meter	119.60	119.60	119.60	119.00	118.40	118.40	118.40	118.40	118.40	118.40
Monthly fire protection service charge:										
4"	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
6"	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
8"	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
10"	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
12"	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00	125.00
Number of Customers										
Total active service	12,877	12,804	12,758	12,671	12,649	12,589	12,549	12,569	12,553	12,501

TABLE 12

CITY OF MORRISTOWN, TENNESSEE

MONTHLY BROADBAND RATES
LAST TEN FISCAL YEARS


	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Standard Cable:										
Expanded basic	\$ 60.95	\$ 60.95	\$ 60.95	\$ 60.95	\$ 56.95	\$ 56.95	\$ 50.95	\$ 46.95	\$ 46.95	\$ 46.95
Digital basic	72.95	72.95	72.95	72.95	68.95	68.95	60.95	54.95	54.95	54.95
Digital basic + 1	87.90	87.90	87.90	82.95	78.75	78.75	69.95	63.95	63.95	63.95
Digital basic + 2	99.90	99.90	99.90	90.95	86.95	86.95	77.95	71.95	71.95	71.95
Digital basic + 4	119.90	119.90	119.90	103.95	99.95	99.95	90.95	84.95	84.95	84.95
Premium channels	14.95-46.95	14.95-46.95	14.95-46.95	11.95-16.35	11.95-16.35	11.95-16.35	9.95-12.95	9.95-12.95	9.95-12.95	9.95-12.95
Internet:										
Residential										
Tier 1	39.95	39.95	39.95	34.95	34.95	34.95	34.95	34.95	34.95	34.95
Tier 2	59.95	59.95	59.95	39.95	39.95	39.95	39.95	39.95	39.95	39.95
Tier 3	74.95	74.95	74.95	74.95	74.95	74.95	74.95	74.95	44.95	59.95
Tier 4	99.95	99.95	99.96	99.95	99.95	99.95	99.95	99.95	74.95	99.95
Tier 5	-	-	-	-	-	-	-	-	99.95-199.95	159.95
Commercial										
Tier 1	49.95	49.95	49.95	49.95	49.95	49.95	44.95	44.95	44.95	44.95
Tier 2	79.95	79.95	79.95	79.95	79.95	79.95	74.95	74.95	74.95	74.95
Tier 3	104.95	104.95	104.95	104.95	104.95	104.95	99.95	99.95	99.95	99.95
Tier 4	154.95	154.95	154.90	154.95	154.95	154.95	149.90	149.95	149.95	149.95
Tier 5	-	-	-	199.95	199.95	199.95	199.95	199.95	199.95	199.95
Tier 6	-	-	-	-	-	-	-	299.95	-	-
Telephone:										
Residential										
Basic Pack	32.95	32.95	28.65	22.95	22.95	22.95	22.95	22.95	22.95	22.95
Preferred Pack	48.95	48.95	28.65	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Additional services	3.75-17.95	3.75-17.95	3.95-17.95	3.79-11.95	3.79-11.95	3.79-11.95	3.75-11.95	3.75-11.95	3.75-11.95	3.75-8.95
Long distance per minute	-	-	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
Commercial										
Access line	29.95	29.95	29.95	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	3.75-36.95	3.75-36.95	3.75-36.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	7.95-27.95	6.95-25.95
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

Note: The Broadband System began operations in 2006.

WATER AUDIT REPORT FOR MORRISTOWN UTILITIES COMMISSION

AWWA Free Water Audit Software: Reporting Worksheet										WAS v5.0 American Water Works Association
<div style="display: flex; justify-content: space-around;"> ? Click to access definition + Click to add a comment </div>		Water Audit Report for: Morristown Utilities Commission (0000474) Reporting Year: 2020 7/2019 - 6/2020								
<p style="font-size: small;">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</p> <p style="text-align: center; color: red; font-weight: bold;">All volumes to be entered as: MILLION GALLONS (US) PER YEAR</p>										
<p style="font-size: small;">To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds <u>all</u> criteria for that grade and all grades below it.</p>										
WATER SUPPLIED		----- Enter grading in column 'E' and 'J' -----						Master Meter and Supply Error Adjustments		
		Volume from own sources:		+ ? 9	3,290.000	MG/Yr	+ ? 9		Pcnt: 2.00% Value: <input type="text"/> MG/Yr	
		Water imported:		+ ?	0.000	MG/Yr	+ ?		Value: <input type="text"/> MG/Yr	
		Water exported:		+ ?	0.000	MG/Yr	+ ?		Value: <input type="text"/> MG/Yr	
WATER SUPPLIED:					3,225.490	MG/Yr				
<p style="font-size: small;">Enter negative % or value for under-registration Enter positive % or value for over-registration</p>										
AUTHORIZED CONSUMPTION										
		Billed metered:		+ ? 10	2,850.000	MG/Yr				
		Billed unmetered:		+ ? n/a	0.000	MG/Yr				
		Unbilled metered:		+ ? 10	0.130	MG/Yr				
		Unbilled unmetered:		+ ?	40.319	MG/Yr				
<p style="font-size: small; color: blue;">Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed</p>										
AUTHORIZED CONSUMPTION:					2,890.449	MG/Yr				
<p style="font-size: small;">Click here: ? for help using option buttons below</p>										
							Pcnt: 1.25% Value: <input type="text"/> MG/Yr			
							Use buttons to select percentage of water supplied OR value			
							Pcnt: 0.25% Value: <input type="text"/> MG/Yr			
							1.00% Value: <input type="text"/> MG/Yr			
							0.25% Value: <input type="text"/> MG/Yr			
WATER LOSSES (Water Supplied - Authorized Consumption)					335.042	MG/Yr				
Apparent Losses										
		Unauthorized consumption:		+ ?	8.064	MG/Yr				
<p style="font-size: small; color: blue;">Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed</p>										
		Customer metering inaccuracies:		+ ? 10	28.789	MG/Yr				
		Systematic data handling errors:		+ ?	7.125	MG/Yr				
<p style="font-size: small; color: blue;">Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed</p>										
		Apparent Losses:		?	43.978	MG/Yr				
Real Losses (Current Annual Real Losses or CARL)										
		Real Losses = Water Losses - Apparent Losses:		?	291.064	MG/Yr				
WATER LOSSES:					335.042	MG/Yr				
NON-REVENUE WATER										
		NON-REVENUE WATER:		?	375.490	MG/Yr				
<p style="font-size: small;">= Water Losses + Unbilled Metered + Unbilled Unmetered</p>										
SYSTEM DATA										
		Length of mains:		+ ? 5	275.0	miles				
		Number of <u>active AND inactive</u> 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)				
<p style="font-size: small; color: blue;">Average length of customer service line has been set to zero and a data grading score of 10 has been applied</p>										
		Average operating pressure:		+ ? 4	65.0	psi				
COST DATA										
		Total annual cost of operating water system:		+ ? 10	\$5,471,847	\$/Year				
		Customer retail unit cost (applied to Apparent Losses):		+ ? 10	\$2.35	\$/1000 gallons (US)				
		Variable production cost (applied to Real Losses):		+ ? 10	\$557.39	\$/Million gallons	<input type="checkbox"/> Use Customer Retail Unit Cost to value real losses			
WATER AUDIT DATA VALIDITY SCORE:										
<p style="color: red; font-weight: bold; font-size: 1.2em;">*** YOUR SCORE IS: 89 out of 100 ***</p> <p style="font-size: small;">A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score</p>										
PRIORITY AREAS FOR ATTENTION:										
<p style="font-size: small;">Based on the information provided, audit accuracy can be improved by addressing the following components:</p>										
1: Volume from own sources										
2: Unauthorized consumption										
3: Systematic data handling errors										

WATER AUDIT REPORT FOR MORRISTOWN UTILITIES COMMISSION



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
American Water Works Association.

Water Audit Report for: Morristown Utilities Commission (0000474)

Reporting Year: 2020 7/2019 - 6/2020

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

System Attributes:

	Apparent Losses:	43.978	MG/Yr
	+ Real Losses:	291.064	MG/Yr
	= Water Losses:	335.042	MG/Yr
<div style="display: flex; align-items: center;"> ? Unavoidable Annual Real Losses (UARL): </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> 84.41 MG/Yr </div>			
	Annual cost of Apparent Losses:	\$103,348	
	Annual cost of Real Losses:	\$162,236	Valued at Variable Production Cost
			<small>Return to Reporting Worksheet to change this assumption</small>

Performance Indicators:

Financial:

Operational Efficiency:

{	Non-revenue water as percent by volume of Water Supplied:	11.6%	
	Non-revenue water as percent by cost of operating system:	5.3%	Real Losses valued at Variable Production Cost
<div style="display: flex; align-items: center;"> { <div> <p>Apparent Losses per service connection per day:</p> <p>Real Losses per service connection per day:</p> <p>Real Losses per length of main per day*:</p> <p>Real Losses per service connection per day per psi pressure:</p> </div> <div style="margin-left: 10px;"> <div style="display: flex; align-items: center;"> ? Infrastructure Leakage Index (ILI) [CARL/UARL]: </div> <div style="display: flex; justify-content: flex-end; align-items: center;"> 3.45 </div> </div> </div>			
	From Above, Real Losses = Current Annual Real Losses (CARL):	291.06	million gallons/year

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

TABLE 14

CITY OF MORRISTOWN, TENNESSEE

**DEBT CAPACITY INFORMATION
RATIOS OF OUTSTANDING DEBT TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Population	Per Capita Income	Governmental Activities	Business-type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
			General Obligation Bonds	Revenue Bonded Debt			
2011	29,137	\$ 18,813	\$ 20,395,260	\$ 67,736,119	\$ 88,131,379	0.02%	3,025
2012	29,369	19,718	19,054,360	66,678,349	85,732,709	0.02%	2,919
2013	29,269	32,838	21,373,996	94,873,935	116,247,931	0.03%	3,972
2014	29,324	32,588	20,237,974	106,117,010	126,354,984	0.03%	4,309
2015	29,304	33,217	19,064,476	116,342,780	135,407,256	0.02%	4,621
2016	29,478	30,846	17,852,950	114,160,479	132,013,429	0.02%	4,478
2017	29,663	28,930	26,620,225	114,284,913	140,905,138	0.02%	4,750
2018	29,771	31,259	24,953,248	114,645,160	139,598,408	0.02%	4,689
2019	29,926	33,597	32,707,643	122,762,242	155,469,885	0.02%	5,195
2020	30,193	32,386	69,275,650	116,390,228	185,665,878	0.02%	6,149

TABLE 15

CITY OF MORRISTOWN, TENNESSEE

DEBT CAPACITY INFORMATION
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Population	Actual Value of Taxable Property	General Bonded Debt	Percent of General Obligation Debt to Actual Value	Net Bonded Debt Per Capita
2011	29,137	\$ 2,729,853,556	\$ 20,395,260	0.75%	700
2012	29,369	2,722,855,361	19,054,360	0.70%	649
2013	29,269	2,720,476,644	21,373,996	0.79%	730
2014	29,324	2,736,636,423	20,237,974	0.74%	690
2015	29,304	2,665,051,328	19,064,476	0.72%	651
2016	29,478	2,791,909,491	17,852,950	0.64%	606
2017	29,663	2,879,128,380	26,620,225	0.92%	897
2018	29,771	2,934,086,480	24,953,248	0.85%	838
2019	29,926	2,999,344,651	32,707,643	1.09%	1,093
2020	30,193	3,279,367,845	69,275,650	2.11%	2,294

TABLE 16

CITY OF MORRISTOWN, TENNESSEE

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

Tax Year	General Bonded Debt (1)	Total Assessment	Ratio of Bonded Debt to Total Assessment	Total Expenditures	Ratio of Bonded Debt to Total Expenditures
2011	\$ 20,395,260	\$ 880,290,913	.023 to 1	\$ 31,320,230	.651 to 1
2012	19,054,360	864,098,668	.022 to 1	31,217,154	.610 to 1
2013	21,373,996	863,349,937	.025 to 1	30,941,516	.691 to 1
2014	20,237,974	868,315,105	.023 to 1	32,088,324	.630 to 1
2015	19,064,476	851,362,810	.022 to 1	35,135,389	.543 to 1
2016	17,852,950	891,084,039	.020 to 1	36,181,623	.493 to 1
2017	26,620,225	907,516,309	.030 to 1	34,963,452	.762 to 1
2018	24,953,248	924,907,897	.027 to 1	33,520,735	.744 to 1
2019	32,707,643	943,044,667	.035 to 1	35,075,309	.932 to 1
2020	69,275,650	1,011,870,089	.068 to 1	37,983,315	1.82 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

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level In Years of Formal Schooling	School Enrollment	Unemployment Rate
2011	29,137	\$ 548,154,381	\$ 18,813	36.20	12.0	10,972	11.80
2012	29,369	579,097,942	19,718	35.88	13.7	9,852	13.53
2013	29,269	961,135,422	32,838	36.20	14.0	13,046	10.20
2014	29,324	955,610,512	32,588	39.80	14.5	13,136	7.70
2015	29,304	973,390,968	33,217	36.00	14.5	12,148	6.90
2016	29,478	909,278,388	30,846	36.30	14.0	11,970	5.40
2017	29,663	872,982,090	29,430	39.40	14.0	13,583	4.40
2018	29,771	930,611,689	31,259	39.90	14.0	16,900	4.40
2019	29,926	1,005,423,822	33,597	36.80	14.0	16,900	4.50
2020	30,193	977,830,498	32,386	37.40	14.0	15,850	9.40

TABLE 18

CITY OF MORRISTOWN, TENNESSEE

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

Employer	2020			2011		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
Hamblen County Dept. of Education	1,288	1	10%	1,350	1	11%
MAHLE, Inc.	1,057	2	9%	794	4	6%
Koch Foods	970	3	8%	882	2	7%
JTEKT Automotive	850	4	7%	470	9	4%
Wal-Mart	749	5	6%	443	10	4%
Walters State Community College	743	6	6%	766	5	6%
Morristown Hamblen Healthcare	716	7	6%	691	6	5%
Team Technologies	672	8	5%	-		0%
Arconic (f/k/a Howmet)	600	9	5%	480	8	4%
Rich Products	540	10	4%	-		0%
Lear Corporation	-		0%	-		0%
Berkline	-		0%	818	3	6%
Lakeway Regional Hospital	-		0%	501	7	4%
Total	8,185		66%	7,195		57%

TABLE 19

CITY OF MORRISTOWN, TENNESSEE

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
Mayor and Council	7	7	7	7	7	7	7	7	7	7
City Administration and Staff	6	6	6	6	4	4	4	3	3	3
Finance	6	7	7	6	6.5	6.5	6.5	6.5	5.5	6
Purchasing	1	1	1	1	1	1	1	1	1	1
Information technology	1	1	1	1	1	1	1	2	2	2
Human Resources	1	1	2	2	2.5	2.5	2.5	1.5	1.5	2
Risk Management	2	2	0	0	0	0	0	0	0	0
Legal services	0	1	2	2	2	2	2	2	2	2
Court Administration	2	2	0	0	0	0	0	0	0	0
Planning	4	4	4	3.5	3.5	3.5	4.3	3.3	3.3	3.3
GIS	2	2	2	2	2	2	1	0	0	0
Engineering	2	2	2	2.5	2.3	2.3	3.3	3.1	3.1	3.1
Inspections	5	5	5	5	5	5	5	5	4	4
LAMTPO	1	1	1	1	1	1	1	2	2	2
CDBG	1	0	1	1	1	1	1	1	1	1
Police:										
Administration	6	6	6	6	6	6	5	5	6	6
Support	13	12	0	0	0	0	0	0	0	0
Liter Crew	1	1	0	0	0	0	0	0	0	0
Patrol	51	52	63	64	64	64	65	65	64	63
Investigations	13	13	15	14	15	15	15	15	15	15
Codes Enforcement	2	2	2	2	2	2	1	2	1	1
Vice	0	0	0	0	0	0	0	1	1	1
Narcotics & Vice	7	7	7	7	6	6	5	5	5	5
Fire:										
Administration	6	6	6	6	6	6	6	6	6	6
Firefighting	78	79	79	79	79	79	79	79	79	81
Prevention & inspection	2	1	1	1	1	1	1	1	1	1
Public works:										
Administration	3	3	4	3	2.5	2.5	2	1.83	1.83	1.5
Facilities Maintenance	3	3	3	3	3	3	3	2	2	2
Fleet Maintenance	7	7	7	7	7	7	7	7	7	7
Repairs and maintenance	15	15	15	13	15	14	9	9	9	9
Street lights and signs	1	1	1	1	1	1	1	1	1	1
Brush and Bulk	11	11	13	15	11	11	10.7	10.7	10.7	9
Communication shop	2	2	2	2	2	2	2	1.65	1.65	1.65
Park and recreation	17	17	17	17	17	17	17	17	17	17
Natural Resource Maintenance	3	3	0	0	0	0	0	0	0	0
Sewer	0	0	0	0	0	0	16	17.98	17.98	26.9
Stormwater	8	6	4	4	4.2	4.2	5.1	5.44	5.44	7.2
Solid waste	10	13	13	13	13.5	13.5	12.5	12	12	12
Total	300	302	299	297	294	293	301.9	302	299	309.65

TABLE 20

CITY OF MORRISTOWN, TENNESSEE

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
Police:										
Physical arrests	4,844	4,872	3,061	3,661	5,071	4,378	4,339	3,639	3,412	3,277
Parking violations	357	288	17	167	102	117	251	42	50	48
Fire:										
Number of calls answered	3,914	2,975	3,222	3,984	4,288	4,742	3,916	3,184	4,077	3,476
Inspections	741	2,781	2,562	2,535	2,724	2,663	2,635	2,498	2,726	703
Highway and streets:										
Street maintenance/resurfacing (miles)	1.30	15.30	9.40	1.33	5.10	5.60	11.50	3.85	23.16	4.50
Sanitation:										
Brush collected (annual)	2,870.70	6,094.32	6,574.00	2,412.14	2,125.77	2,649.09	3,620.17	3,140.82	3,304.00	3,438.03
Refuse collected	4,209.62	9,313.31	9,248.60	9,313.01	9,063.98	9,358.00	9,404.56	12,855.78	10,737.00	13,333.08

TABLE 21

CITY OF MORRISTOWN, TENNESSEE

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Function										
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	48	48	48	48	48	48	48	48	48	48
Fire stations	6	6	6	6	6	6	6	6	6	6
Sanitation										
Collection trucks	4	4	4	4	4	4	4	4	4	4
Highways and streets										
Street (miles)	320	320	320	320	320	320	320	320	320	320
Culture and recreation										
Parks acreage	264	264	264	264	264	264	264	264	276	328
Parks	16	16	16	16	16	16	16	16	16	17

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and 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, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2020. 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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
December 21, 2020



**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 each of the City's major federal program for the year ended June 30, 2020. The City's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of Morristown Utilities Commission, which is the recipient of \$281,000 in federal grant funds. These federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2020, which are audited by other auditors.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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.

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, 2020.

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
December 21, 2020

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

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

Airport Improvement Program

20.106

8. The **threshold for** distinguishing Type A and B programs was **\$750,000**.
9. The City was determined to be a **low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None noted.

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

None noted.

D. FINDINGS – STATE OF TENNESSEE

None noted.

CITY OF MORRISTOWN, TENNESSEE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year ended June 30, 2020

No findings or instances of noncompliance material to the financial statements were disclosed in the prior year.