



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year 2022
July 1, 2021 - June 30, 2022

Prepared by Finance Department

CITY OF MORRISTOWN, TENNESSEE
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED
June 30, 2022

FINANCE DEPARTMENT

CITY OF MORRISTOWN, TENNESSEE

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INTRODUCTORY SECTION

The City of Morristown

Office of Administration



December 8, 2022

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 Annual Comprehensive Financial Report (ACFR) of the City of Morristown for the fiscal year ended June 30, 2022.

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, 2022, 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, 2022, 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 ACFR.

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 30,777. 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, solid waste collection and recycling, 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 12 through 14 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

While the City of Morristown experienced a significant downturn in sales tax revenue during the months when economic activity was subject to shutdown during the pandemic, the high percentage of essential services in the community helped to minimize the downturn compared to other localities. With the reopening of the economy, Morristown, along with most Tennessee localities saw much stronger growth in sales tax revenue. Initially, federal stimulus payments to households appeared to spur this spending, but the growth has been sustained.

The more significant challenge through and since the pandemic, has been supply chain disruption. Disruptions have not caused reductions in our industrial base, but the struggles for supplies and components have probably hampered some of the potential for additional growth that might have occurred had these disruptions and cost volatility not been such a challenge.

Based on its location, the City of Morristown functions as a regional hub for employment, commercial, and servicing needs for the surrounding area. 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. 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. The continued growth of manufacturing has helped sustain a very robust residential development and supported commercial growth despite a difficult national environment for brick-and mortar commercial construction. Over the past several years, the City of Morristown has experienced a significant amount of retail development as several national retail chains have located to Morristown. This, combined with residential growth has contributed to sales tax growth of approximately 9.8% over the prior fiscal year.

Long-term Financial Planning and Major Initiatives

The City of Morristown employs a policy of targeting an unassigned fund balance between 15% and 40% of General Fund expenditures. The City had an unassigned fund balance of \$21.2 million at June 30, 2022 in its General Fund. This represents an unassigned fund balance of approximately 50% compared to expenditures. While higher than expected, and exceeding the fund balance target, this will allow the City to assign additional funds for significant capital projects in the coming year. This compares to 38% unassigned fund balance compared to expenditures for the fiscal year ended June 30, 2021. The increase is attributed in part to the growth in local revenues, in particular sales tax and property tax collections as well as business licenses and building permits. 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 continued to demonstrate effective long-term planning with the adoption of its 2022-2023 fiscal year budget. The City of Morristown was proactive in that it appropriated \$2.2 million from fund balance for capital items including local paving and the design of a new fire station. These funds were identified to meet needs without issuing additional debt.

While the City has already been on a path to undertake major capital projects, the additional opportunities made possible by the American Rescue Plan Act of 2021 (ARPA) will make transformational change possible. City Council allocated \$8.2 million from a direct federal grant plus another \$4.5 million in ARPA funding which is being allocated by the state of Tennessee for targeted utility improvements. Combined, these funds will enable the City to undertake some major projects that while badly needed, were not likely to be accomplished with local resources alone.

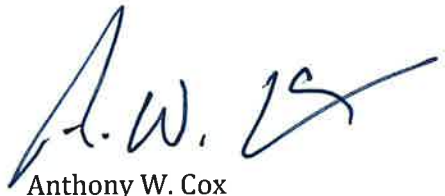
Awards and Acknowledgment

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 annual comprehensive financial report for the fiscal year ended June 30, 2021. This was the tenth 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 annual comprehensive 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 2021-2022 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, Finance Director. Also, we would like to thank the Mayor and Council for their support for maintaining the highest standards of professionalism in the management of the City of Morristown's finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "A.W. Cox", with a stylized flourish extending from the end.

Anthony W. Cox
City Administrator

A handwritten signature in blue ink, appearing to read "Andrew Ellard", with a stylized flourish extending from the end.

Andrew Ellard, CMFO
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrell

Executive Director/CEO

CITY OF MORRISTOWN, TENNESSEE
DIRECTORY OF PRINCIPAL OFFICIALS

June 30, 2022

MEMBERS OF CITY COUNCIL

Gary Chesney, Mayor

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

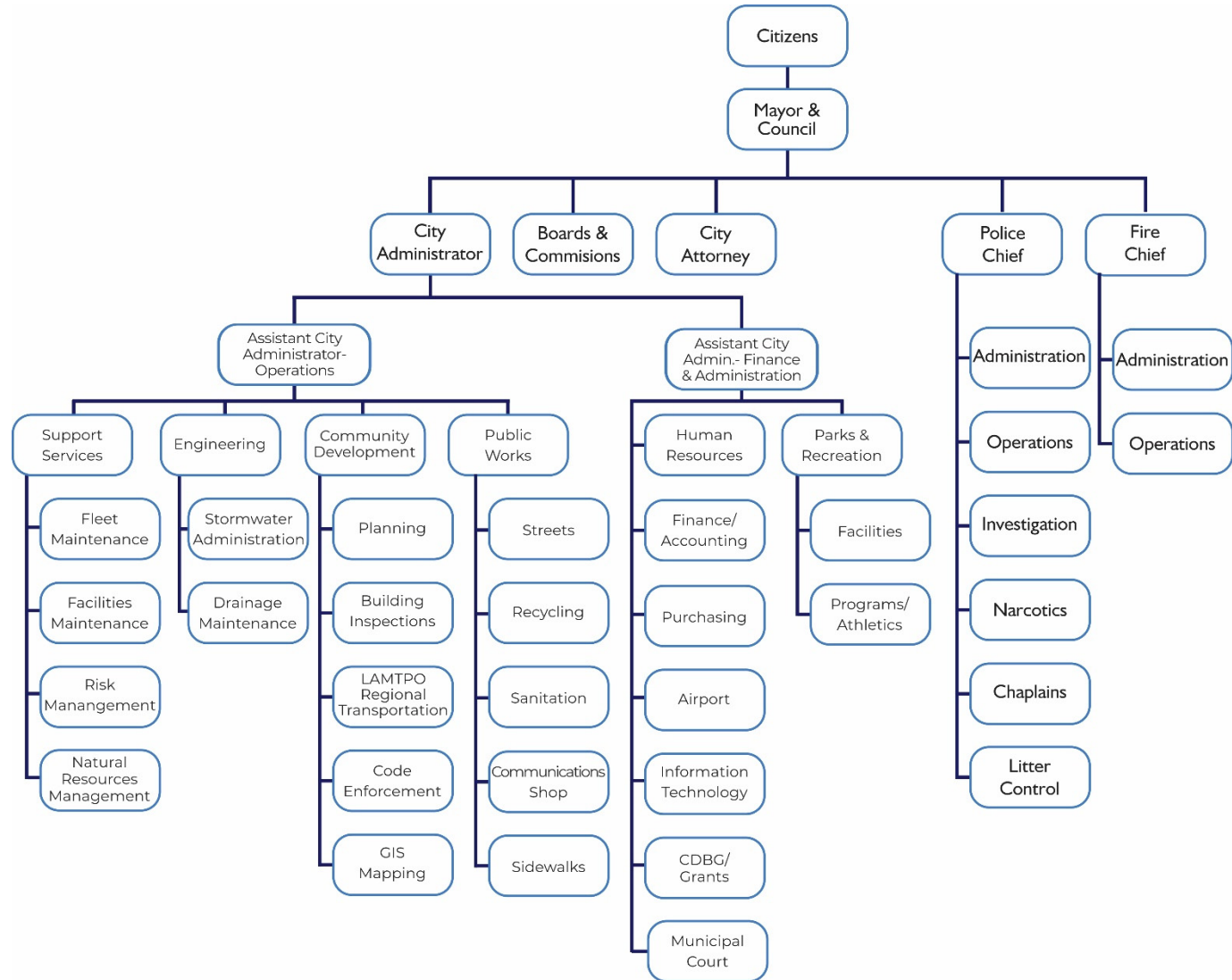
GENERAL CITY GOVERNMENT

Anthony W. Cox City Administrator
Andrew Ellard 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

INDEPENDENT AUDITORS

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

ORGANIZATIONAL CHART



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of Morristown Utilities Commission, which represents 97.12%, 97.0%, and 98.92%, 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.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Morristown, Tennessee, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general, solid waste, and ARPA funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements prescribed by the Comptroller of the Treasury, State of Tennessee. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Morristown, Tennessee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 and 14 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Morristown, Tennessee's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on the Audit of the Financial Statements (Continued)

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 is the responsibility of management, and, 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 and the other auditors 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements, schedule of changes in long-term debt by individual issue, budget to actual statements for non-major funds, schedule of bond, note and interest requirements, schedule of state financial assistance and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of the other auditors, the combining and individual nonmajor fund financial statements, schedule of changes in long-term debt by individual issue, the budget to actual statements for non-major funds, schedule of bond, note and interest requirements, schedule of state financial assistance and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 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 our 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 the City's 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

Kingsport, Tennessee
December 8, 2022

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, 2022. 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 \$254.5 million (net position). Of this amount, \$60.8 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 \$25.7 million. Charges for services, which are program specific revenues accounted for \$119 million in revenue or 67.7% of all government revenues. The majority (98.92%) of the charges for services are from Morristown Utilities Commission. General revenues of the primary government account for \$47.2 million or 27% 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 \$53.9 million, a decrease of \$9.8 million in comparison with the prior year. The overall decrease is attributed mostly to the timing of capital projects, in particular the construction of Morristown Landing. The construction of Morristown Landing was a planned project funded by general obligation bonds and thus fund balance will continue to be impacted as the project progresses. Approximately 39.4% of total fund balance 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 \$21.2 million, or approximately 50% of total General Fund expenditures.
- The City of Morristown's total outstanding long-term debt decreased by \$5.9 million during the current fiscal year. This decrease is due to principal payments being made and savings recognized due to the refunding of the 2012 General Obligation Bonds.

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

Management's Discussion & Analysis

or decreases in net position may serve as a useful indicator of whether the financial position of the City of Morristown is improving or deteriorating.

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

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 Annual Comprehensive Financial Report for more detailed information on their finances.

The government-wide financial statements can be found on pages 6-7 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 eight 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, the Community Center Capital Project Fund and the American Rescue Plan Act Fund which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated

Management's Discussion & Analysis

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 75-76 of this report.

The City of Morristown adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on pages 12-14 for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 8-11 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 17-21 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 Other Post Employment Benefit (OPEB) obligation. The administration of the fund assets is contracted out to USI Advisors, Inc. Finally, the City maintains an Employee Benefits Custodial Fund that is used to account for operations of the flexible benefits program for City of Morristown employees. It should be noted that with the implementation of GASB 84 this fund was reclassified from a trust fund to a custodial fund effective fiscal year 2021.

The basic fiduciary fund financial statements can be found on pages 22 and 23 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 24-67 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

Management's Discussion & Analysis

funding its obligation to provide pension and OPEB benefits to its employees. A table of contents has been provided to locate this information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the City of Morristown, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$254.5 million at the close of the most recent fiscal year.

City of Morristown's Net Position

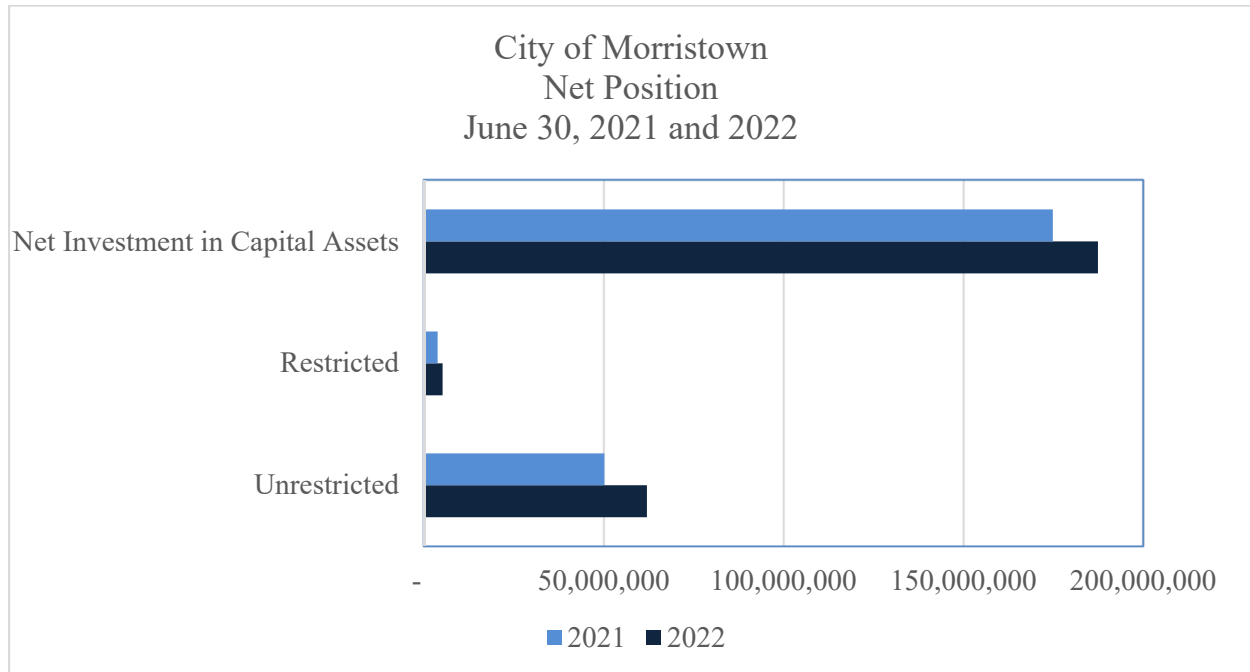
| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------------|-------------------------|---------------|--------------------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Current and other assets | \$ 87,749,569 | \$ 96,791,457 | \$ 55,717,707 | \$ 45,282,751 | \$ 143,467,276 | \$ 142,074,208 |
| Capital assets | 112,233,811 | 89,804,459 | 225,285,808 | 228,792,828 | 337,519,619 | 318,597,287 |
| Total assets | 199,983,380 | 186,595,916 | 281,003,515 | 274,075,579 | 480,986,895 | 460,671,495 |
| Total deferred outflows of resources | 9,487,289 | 5,643,377 | 375,631 | 226,976 | 9,862,920 | 5,870,353 |
| Long-term liabilities outstanding | 68,520,673 | 79,245,180 | 98,901,126 | 101,828,090 | 167,421,799 | 181,073,270 |
| Other liabilities | 13,633,918 | 15,759,253 | 25,376,614 | 24,127,029 | 39,010,532 | 39,886,282 |
| Total liabilities | 82,154,591 | 95,004,433 | 124,277,740 | 125,955,119 | 206,432,331 | 220,959,552 |
| Total deferred inflows of resources | 28,271,958 | 16,600,126 | 1,581,557 | 175,042 | 29,853,515 | 16,775,168 |
| Net position: | | | | | | |
| Net investment in capital assets | 61,020,377 | 53,742,337 | 127,538,262 | 121,125,559 | 188,558,639 | 174,867,896 |
| Restricted | 5,095,811 | 3,791,241 | 49,134 | 0 | 5,144,945 | 3,791,241 |
| Unrestricted | 32,927,932 | 23,101,156 | 27,932,453 | 27,046,835 | 60,860,385 | 50,147,991 |
| Total net position | \$ 99,044,120 | \$ 80,634,734 | \$ 155,519,849 | \$ 148,172,394 | \$ 254,563,969 | \$ 228,807,128 |

By far the largest portion of the City of Morristown's net position (74.1%) 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 (2.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$60,860,385 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 three fiscal years.

Management's Discussion & Analysis



The City of Morristown's overall net position increased by approximately \$25.7 million (11.26%) 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 \$18.4 million (22.8%). Multiple factors attributed to this increase in net position. There was an increase in overall revenues of approximately \$10.2 million, with local options sales tax, and property tax seeing the largest revenue growth. Capital assets increased by approximately \$22.4 million and changes in the OPEB and Pension deferral of approximately \$3.8 million. As the construction of Morristown Landing continues to move forward, bond proceeds were reduced by \$12.8 million and a slight increase in expenditures of around \$675,000 are all contributing factors to the ending fund balance. As mentioned earlier, these, along with other factors all contributed to the overall increase in net position for Governmental activities.

Management's Discussion & Analysis

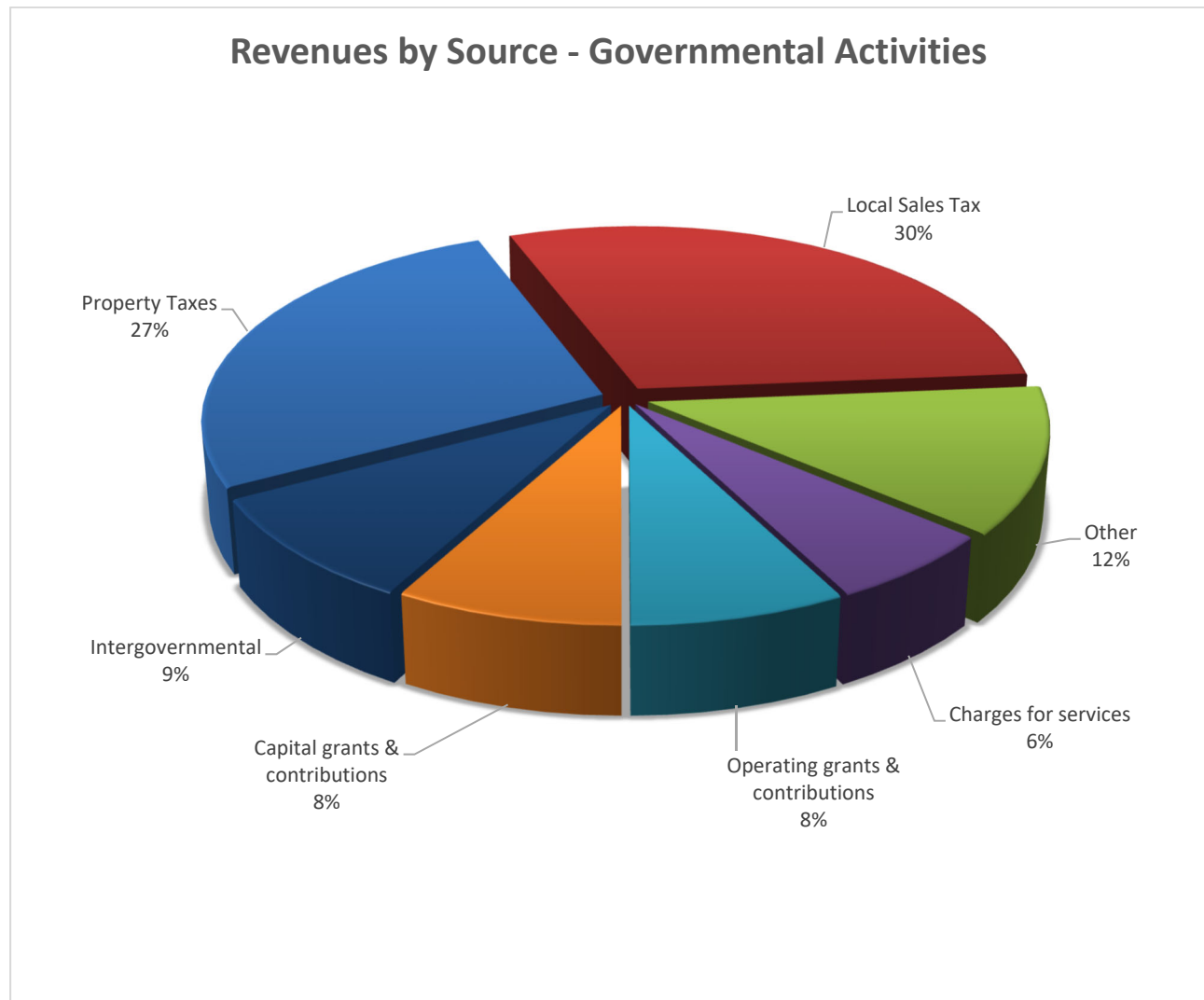
| City of Morristown's Changes in Net Position | | | | | | |
|--|-------------------------|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 3,475,513 | \$ 3,046,395 | \$ 115,599,705 | \$ 108,731,316 | \$ 119,075,218 | \$ 111,777,711 |
| Operating grants & contributions | 4,304,395 | 192,356 | - | - | 4,304,395 | 192,356 |
| Capital grants & contributions | 4,536,780 | 434,798 | 648,050 | 372,610 | 5,184,830 | 807,408 |
| General revenues: | | | | | - | - |
| Property taxes | 15,131,519 | 14,554,286 | - | - | 15,131,519 | 14,554,286 |
| Sales tax | 16,599,588 | 15,120,224 | - | - | 16,599,588 | 15,120,224 |
| Intergovernmental | 5,163,954 | 7,570,005 | - | - | 5,163,954 | 7,570,005 |
| Other | 7,002,305 | 5,011,376 | 3,271,400 | 3,561,906 | 10,273,705 | 8,573,282 |
| Total revenues | <u>56,214,054</u> | <u>45,929,440</u> | <u>119,519,155</u> | <u>112,665,832</u> | <u>175,733,209</u> | <u>158,595,272</u> |
| Expenses: | | | | | | |
| General government | 6,983,503 | 5,023,218 | - | - | 6,983,503 | 5,023,218 |
| Public safety | 14,057,920 | 17,247,169 | - | - | 14,057,920 | 17,247,169 |
| Public works | 12,980,348 | 11,264,215 | - | - | 12,980,348 | 11,264,215 |
| Culture & recreation | 2,437,166 | 2,254,193 | - | - | 2,437,166 | 2,254,193 |
| Civic support | 1,763,877 | 1,642,185 | - | - | 1,763,877 | 1,642,185 |
| Interest on long-term debt | 2,092,628 | 2,209,706 | - | - | 2,092,628 | 2,209,706 |
| Water | - | - | 7,496,219 | 7,472,802 | 7,496,219 | 7,472,802 |
| Wastewater | - | - | 15,136,768 | 15,101,255 | 15,136,768 | 15,101,255 |
| Storm water | - | - | 1,535,845 | 1,482,648 | 1,535,845 | 1,482,648 |
| Power | - | - | 76,976,906 | 70,548,813 | 76,976,906 | 70,548,813 |
| Broadband | - | - | 8,515,188 | 8,563,862 | 8,515,188 | 8,563,862 |
| Total expenses | <u>40,315,442</u> | <u>39,640,686</u> | <u>109,660,926</u> | <u>103,169,380</u> | <u>149,976,368</u> | <u>142,810,066</u> |
| Increase (decrease) in net position before transfers | 15,898,612 | 6,288,754 | 9,858,229 | 9,496,452 | 25,756,841 | 15,785,206 |
| Transfers | 2,510,774 | 2,442,392 | (2,510,774) | (2,442,392) | - | - |
| Increase (decrease) in net position | 18,409,386 | 8,731,146 | 7,347,455 | 7,054,060 | 25,756,841 | 15,785,206 |
| Net position - July 1, | <u>80,634,734</u> | <u>71,903,588</u> | <u>148,172,394</u> | <u>141,118,334</u> | <u>228,807,128</u> | <u>213,021,922</u> |
| Net position - June 30, | <u>\$ 99,044,120</u> | <u>\$ 80,634,734</u> | <u>\$ 155,519,849</u> | <u>\$ 148,172,394</u> | <u>\$ 254,563,969</u> | <u>\$ 228,807,128</u> |

Management's Discussion & Analysis

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

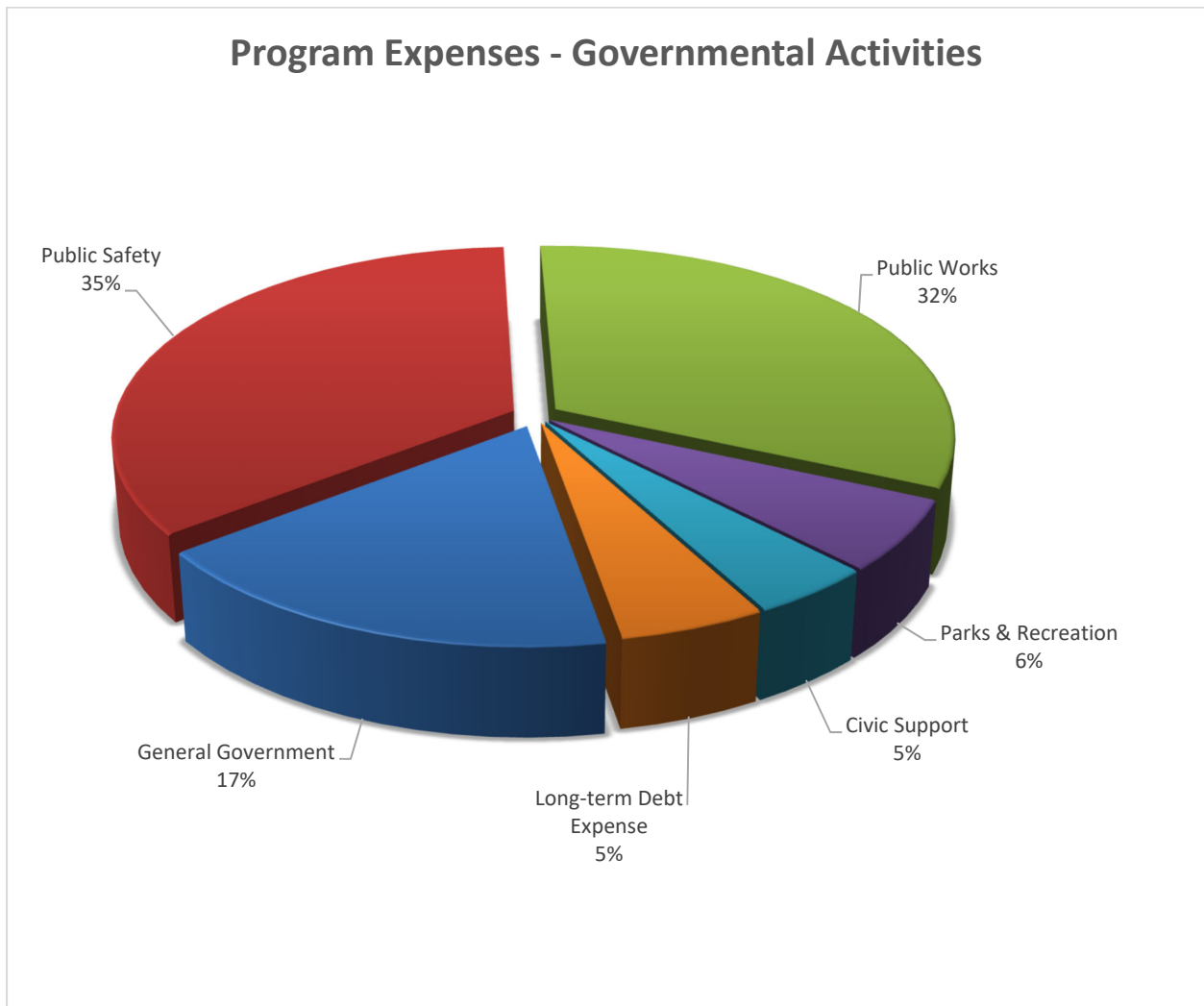
Program revenues include three types: charges for services (arise from charges to customers), operating grants and contributions (restricted for a specific purpose), and capital grants and contributions (restricted for a specific purpose).

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 local option sales tax and property taxes. Both local option sales tax and property tax continue to be a stable revenue source for the City of Morristown. Despite the effects of the pandemic, and supply chain issues, the City continued to see growth in multiple revenue streams. During the current fiscal year, sales tax collections increased by approximately \$1.5 million or 9.78% compared to the previous fiscal year and property taxes increased slightly by approximately \$577,000 or 3.97% when compared to the previous year. The growth in these two revenue streams is in part due to people relocating to Morristown along with the growing residential development. The graph below presents the major sources of revenues for governmental activities.



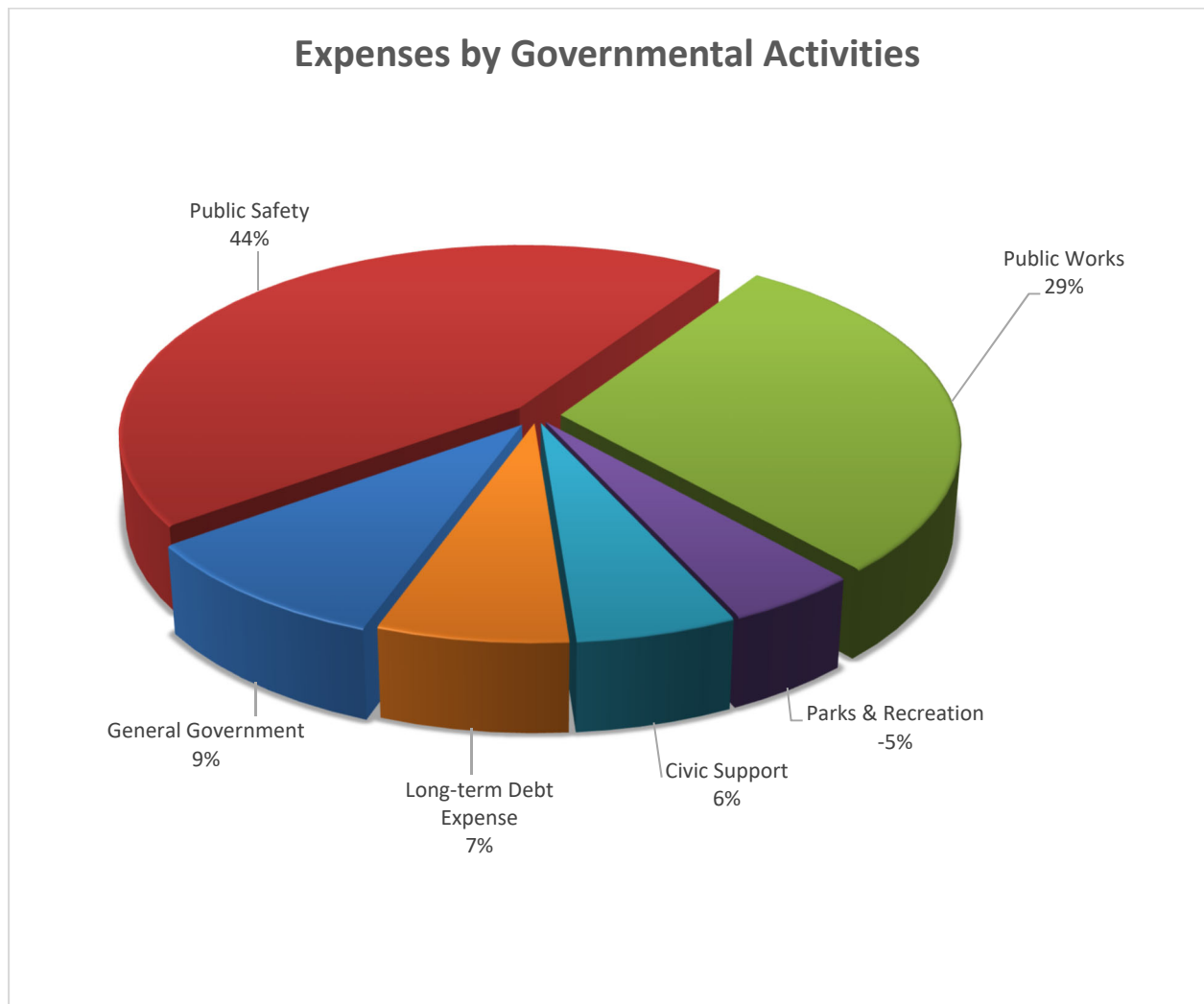
Management's Discussion & Analysis

Public Safety expenses of \$14,057,920 and Public Works expenses of \$12,980,348 are the largest expenses of the City of Morristown, which when combined total \$27,038,268 and are 67% of total expenses. Of this amount, \$2,344,556 was recovered by charges for services, \$1,257,747 from operating grants/contributions, and \$760,757 from capital grants/contributions. As discussed earlier overall expenses increased by approximately \$674,756 (1.7%) when compared to prior year. Public Safety saw the largest decrease of expenses of approximately \$3.1 million, while General Government saw the largest increase in expenses of approximately \$1.9 million. The majority of the increase was driven by economic factors outside of the City's control and were related to the rising costs of maintenance costs and fuel. Cost of living adjustments were also given to City employees resulting in increased expenditures for payroll and payroll related items.



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. While expense increased slightly compared to prior fiscal year, net expense decreased by approximately \$7.9 million. Of this amount \$3.5 million is related to charges for services, while \$4.3 million relates to operating grants and contributions.



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 \$155.5 million. Of the overall net position amount, \$4,677,522 or 3.0% relates to the Stormwater fund.

The total increase in net position for business-type activities was \$7.3 million or 4.96% from the prior fiscal year. While overall net position for business-type activities increased, the Stormwater Fund experienced a decrease of approximately \$286,184 or -5.8%. The decrease in the Storm Water fund is driven by multiple factors, it is mainly attributed to the increase in the Pension deferral of \$100,702. The increase in net position for all other business type activities is attributed to several factors. While operating expenses increased approximately 6.39%, there was offsetting revenue growth particularly within the Power System of approximately 5.99% and non-current assets increased around \$3.6 million. For a more thorough discussion of the Morristown Utilities Commission's finances readers should consult the Annual Comprehensive 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.

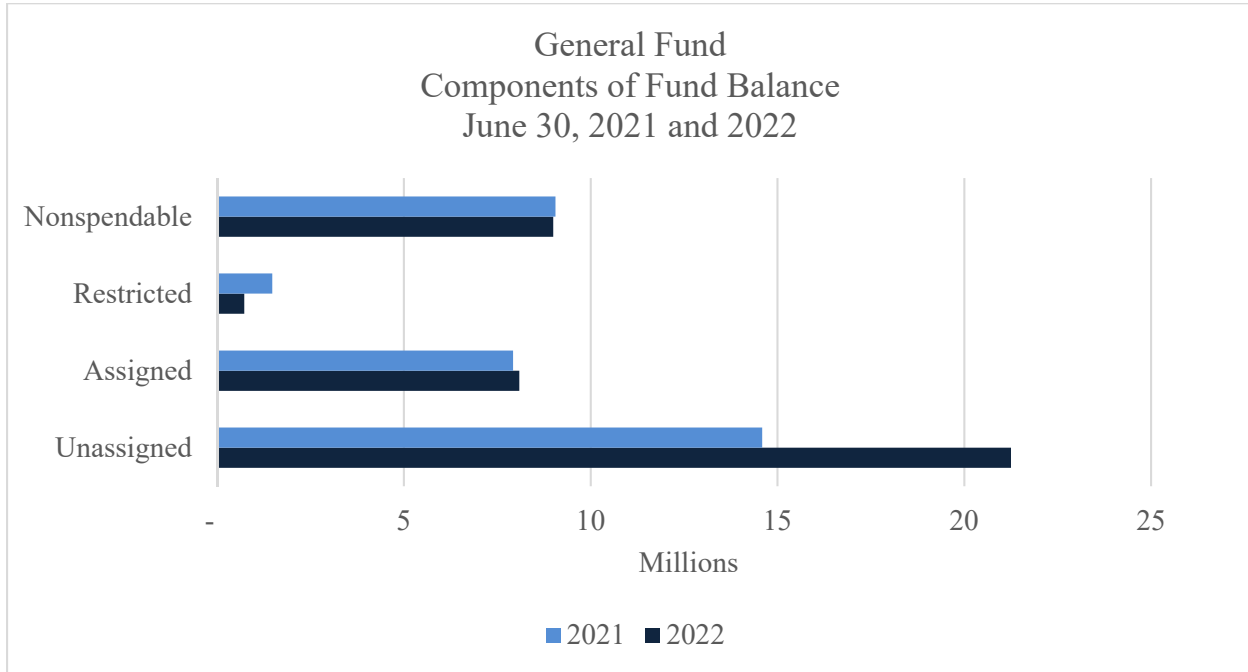
Governmental funds. The focus of the City of Morristown's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Morristown's financing requirements. In particular, unassigned fund balance may 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, 2022, the City of Morristown's governmental funds reported combined ending fund balances of \$53,968,289, a decrease of approximately \$9.8 million in comparison with the prior year. Approximately 39.3% of the ending fund balances amount (\$21,250,417) 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 (\$9,166,542), 2) restricted for particular purposes (\$14,111,737), 3) committed for particular purposes (\$1,346,706), or 4) assigned for particular purposes (\$8,092,887).

General fund. The General Fund is the chief operating fund of the City of Morristown. The total fund balance increased to \$39,067,958. At the end of the current fiscal year, unassigned fund balance was \$21,250,417. This increase is attributed in part to a combination of an increase in revenue; in particular an increase of 9.7% in local option sales tax collections which continue to show growth. This continued growth is thought to be the result of an influx of people locating to our area. The biggest growth by far was seen within our permits & licenses category which increased around \$374,000 (84%) due to the booming residential development. 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 50% of total general fund expenditures, while total fund balance represents 93.6% 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. While the amounts slightly exceed the top end of our threshold, there are plans underway to use the excess for much needed capital improvements.

Management's Discussion & Analysis

The fund balance of the City of Morristown's general fund increased \$6,016,210. As mentioned above, this increase is mainly attributed to revenue growth. It should be stressed that fund balance is only expended for one-time items, not reoccurring expenditures.



The General Capital Projects fund is used to account for the construction of major capital facilities and other projects that are capital in nature. Transfers are made from the General Fund as necessary to help fund capital projects. The fund balance for the General Capital Projects fund decreased by approximately \$805,449 or 30.2%. This is in part due to the nature of the current projects underway and the fact that no funds were transferred from the General Fund during the current fiscal year. The projects currently in process are not related to new facilities but improvements to existing facilities that will increase the useful life of the asset.

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 referred to as Morristown Landing. Fund balance for this fund decreased by approximately \$15.0 million or 57.4%. The decrease was expected as construction continues for this project and substantial completion is expected to occur in January 2023. Currently this project is financed solely by General Obligation Bonds.

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 decreased by approximately \$398,809 or 27.3%. The decrease is mainly due to an expenditure of \$833,256 to the purchase three new garbage trucks. With this purchase, the garbage fleet will be almost completely automated. 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 2021-2022.

Management's Discussion & Analysis

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

The unrestricted net position of the City's business-type activities increased approximately \$885,000. Of this amount, the unrestricted net position of the City's Storm Water Fund decreased approximately \$1,153,687 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 \$27,387,391, an increase of \$2,039,305. For a more thorough discussion of the Morristown Utilities Commission's finances readers should consult the Annual Comprehensive 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 \$44,691,604. Budget amendments were approved by Council during the year increasing total appropriations to \$45,470,116, an increase of \$778,512 or 1.74%. Significant differences between the original budget and the final amended budget for the current fiscal year can be briefly summarized as follows:

- \$669,185 to increase appropriations due to rising fuel and maintenance costs related to City owned vehicles and appropriate funds relating to the FAA Airport's Coronavirus Response Grant Program (ACRGP) to be used for ongoing and routine maintenance items.
- \$103,962 to increase appropriations associated with the purchase of two trucks for the Parks & Recreation Department. The money was originally allocated in FY21. However, due to supply chain issues the order was unable to be placed and thus had to be reappropriated in FY22

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, 2022, amounts to \$112.2 million and \$225.2 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 5.9%, mainly due to construction in progress relating to Morristown Landing, the City's new Community Center.

| City of Morristown's Capital Assets (net of depreciation) | | | | | | | |
|--|-------------------------|---------------|--------------------------|----------------|----------------|----------------|--|
| | Governmental Activities | | Business-Type Activities | | Total | | |
| | 2022 | 2021 | 2022 | 2021 | 2021 | 2020 | |
| Land | \$ 13,942,330 | \$ 13,843,330 | \$ 2,759,851 | \$ 2,759,851 | \$ 16,702,181 | \$ 16,603,181 | |
| Buildings | 31,125,105 | 31,376,608 | - | - | 31,125,105 | 31,376,608 | |
| Improvements other than buildings | 9,084,066 | 5,800,174 | - | - | 9,084,066 | 5,800,174 | |
| Machinery & equipment | 8,168,436 | 6,400,513 | - | - | 8,168,436 | 6,400,513 | |
| Infrastructure | 16,476,371 | 18,629,512 | - | - | 16,476,371 | 18,629,512 | |
| Utility plant and equipment | - | - | 219,972,234 | 222,511,936 | 219,972,234 | 222,511,936 | |
| Construction in progress | 33,437,503 | 13,754,322 | 2,553,723 | 3,521,041 | 35,991,226 | 17,275,363 | |
| Total | \$ 112,233,811 | \$ 89,804,459 | \$ 225,285,808 | \$ 228,792,828 | \$ 337,519,619 | \$ 318,597,287 | |

Additional information on the City of Morristown's capital assets can be found in Note 7 on pages 38-40 of this report.

Long-term debt. At the end of the current fiscal year, the City of Morristown had total bonded debt outstanding of \$160.7 million; of this amount, \$61.1 million comprises net direct debt of governmental activities. The remainder of the City of Morristown's debt represents bonds secured by specified revenue sources in addition to the full faith and credit of the government.

The City's breakdown of variable and fixed rate debt outstanding is 9% and 91% respectively.

Management's Discussion & Analysis

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

| City of Morristown's Long-Term Debt | | | | |
|--|-----------------------|----------------------|----------------------|-----------------------|
| | Balance | | | Balance |
| | July 1, 2021 | Additions | Reductions | June 30, 2022 |
| Governmental activities | | | | |
| General fund | \$ 63,727,095 | \$ - | \$ 2,792,599 | \$ 60,934,496 |
| Solid waste fund | 167,298 | - | 26,819 | 140,479 |
| Total governmental activities | 63,894,393 | - | 2,819,418 | 61,074,975 |
| Business-type activities | | | | |
| Wastewater system | 69,676,444 | 25,135,000 | 28,004,690 | 66,806,754 |
| Storm water system | 3,381,963 | 2,990,000 | 3,397,329 | 2,974,634 |
| Electric system | 17,620,000 | - | 1,175,000 | 16,445,000 |
| Water system | 7,822,217 | 6,980,000 | 4,887,217 | 9,915,000 |
| Broadband system | 4,299,349 | - | 760,853 | 3,538,496 |
| Total business-type activities | 102,799,973 | 35,105,000 | 38,225,089 | 99,679,884 |
| Total Debt | <u>\$ 166,694,366</u> | <u>\$ 35,105,000</u> | <u>\$ 41,044,507</u> | <u>\$ 160,754,859</u> |

The City of Morristown's total debt decreased by \$5,939,507 (3.5%) during the current fiscal year. The reason for the decrease is attributed to the principal payments made throughout the year and the refunding of debt. The 2012 General Obligations Bonds in the amount \$29,535,519 were refunded in September of the current year resulting in significant savings around \$5.2 million over the life of the bonds. Another \$6.7 million in General Obligation Bonds was issued in September of the current year. The purpose of this issue was to finance capital projects / improvements in relation to the Water and Wastewater Systems.

Additional information on the City of Morristown's long-term debt can be found in Note 8 on pages 40-45 and Exhibits 23-25 on pages 79-87 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 2021-2022 fiscal year budget.

- Despite the impact of the COVID-19 pandemic, and the associated supply chain issue, the City's economy continues to exhibit unexpected growth. Local option sales tax saw growth of approximately 9.7% when compared to prior fiscal year. Steady growth is expected to continue into the new fiscal year in part due to the implementation of online sales tax collection by the Tennessee General Assembly in October 2019 and the increase we continue to experience in residential growth.

Management's Discussion & Analysis

- The unemployment as of June 30, 2022 was 4.4%, compared to 5.4% at June 30, 2021. The state's seasonally adjusted unemployment rate also decreased and as of June 30, 2022 was 3.3% compared to 4.9% a year ago. The national average unemployment rate also saw a decrease and was 3.6% compared to 5.9% a year ago.
- Healthy reserves, conservative management and budgeting, and the stable tax base of the local economy allowed the City of Morristown to maintain its strong financial position in 2022 and to continue the current level of services for the near-term.
- During the current fiscal year, the assigned fund balance in the General Fund was \$8,092,887. The City of Morristown has appropriated \$5,632,167 of this amount for spending in the 2022-2023 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

Since the March 2020 coronavirus (COVID-19) pandemic and the ensuing impacts to the economy, the City of Morristown has maintained a cautious and conservative approach to budgeting, to spending, and to borrowing. While immediate negative impacts to local sales tax were noticed in 2020 as many businesses closed temporarily, in subsequent periods (Fiscal Year 2021), the City experienced sales tax growth. Likewise, in FY 2022, despite continued impacts to the economy – most notably supply chain disruptions – the City has continued to witness healthy growth in local sales tax. Additionally, grant resources such as the American Rescue Plan Act (ARPA), created in response to the challenges brought on by the pandemic, have enabled the City of Morristown to commit to sizeable capital projects that otherwise may not have been possible. The ultimate future impact of the pandemic on the economy cannot be reasonably estimated at this time, and while the City's financial health throughout the pandemic has remained favorable, the City will remain cautious and conservative to remain prepared for any other negative impacts that may be presented.

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, 2022

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents (Note 3) | \$ 42,862,338 | \$ 32,497,615 | \$ 75,359,953 |
| Receivables, net (Note 4) | 19,645,458 | 12,311,437 | 31,956,895 |
| Internal balances | 316,026 | (316,026) | - |
| Due from other governmental units | 3,243 | 841,002 | 844,245 |
| Lease receivables (Note 14) | 1,304,468 | - | 1,304,468 |
| Inventories | 81,892 | 2,638,864 | 2,720,756 |
| Other current assets | 214,818 | 228,121 | 442,939 |
| Restricted assets: | | | |
| Cash and cash equivalents (Note 3) | 12,251,400 | 7,014,175 | 19,265,575 |
| Capital assets: (Note 7) | | | |
| Non-depreciable | 47,379,833 | 5,313,574 | 52,693,407 |
| Depreciable, net | 64,853,978 | 219,972,234 | 284,826,212 |
| Land held for sale (Note 6) | 8,907,955 | - | 8,907,955 |
| Net pension asset (Note 10) | 2,161,971 | 49,134 | 2,211,105 |
| Other assets | - | 453,385 | 453,385 |
| Total assets | 199,983,380 | 281,003,515 | 480,986,895 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related deferred outflows (Note 10) | 8,836,822 | 200,830 | 9,037,652 |
| OPEB related deferred outflows (Notes 12 and 13) | 650,467 | 174,801 | 825,268 |
| Total deferred outflows of resources | 9,487,289 | 375,631 | 9,862,920 |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 4,101,825 | 9,759,809 | 13,861,634 |
| Accrued payroll and related liabilities | 716,969 | 2,770,316 | 3,487,285 |
| Accrued interest payable | 174,931 | 19,347 | 194,278 |
| Customer deposits | - | 4,639,098 | 4,639,098 |
| Due to other governmental units | 5,187,835 | - | 5,187,835 |
| Unearned revenue (Note 4) | 1,362 | 290,527 | 291,889 |
| Long-term liabilities: | | | |
| Due within one year (Note 8) | 3,450,996 | 7,897,517 | 11,348,513 |
| Due in more than one year (Note 8) | 62,928,068 | 96,904,524 | 159,832,592 |
| Net OPEB liability (Notes 12 and 13) | 5,592,605 | 1,996,602 | 7,589,207 |
| Total liabilities | 82,154,591 | 124,277,740 | 206,432,331 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes and seized funds (Note 4) | 13,994,713 | - | 13,994,713 |
| Lease related deferred inflows (Note 14) | 1,917,368 | - | 1,917,368 |
| OPEB related deferred inflows (Notes 12 and 13) | 1,123,171 | 458,102 | 1,581,273 |
| Pension related deferred inflows (Note 10) | 11,236,706 | 255,370 | 11,492,076 |
| Bond refunding | - | 868,085 | 868,085 |
| Total deferred inflows of resources | 28,271,958 | 1,581,557 | 29,853,515 |
| NET POSITION | | | |
| Net investment in capital assets | 61,020,377 | 127,538,262 | 188,558,639 |
| Restricted for: | | | |
| ARPA | 5,949 | - | 5,949 |
| Narcotics | 223,908 | - | 223,908 |
| E-Citation | 23,232 | - | 23,232 |
| Morristown landing operations | 379,901 | - | 379,901 |
| Capital projects | 513,686 | - | 513,686 |
| Public works | 1,787,164 | - | 1,787,164 |
| Pension | 2,161,971 | 49,134 | 2,211,105 |
| Unrestricted | 32,927,932 | 27,932,453 | 60,860,385 |
| Total net position | \$ 99,044,120 | \$ 155,519,849 | \$ 254,563,969 |

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, 2022

| 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 | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 6,983,503 | \$ 1,013,817 | \$ 3,046,648 | \$ - | \$ (2,923,038) | \$ - | \$ (2,923,038) |
| Public safety | 14,057,920 | 157,462 | 195,719 | - | (13,704,739) | - | (13,704,739) |
| Public works | 12,980,348 | 2,187,094 | 1,062,028 | 760,757 | (8,970,469) | - | (8,970,469) |
| Culture and recreation | 2,437,166 | 117,140 | - | 3,776,023 | 1,455,997 | - | 1,455,997 |
| Civic support | 1,763,877 | - | - | - | (1,763,877) | - | (1,763,877) |
| Interest on long-term debt | 2,092,628 | - | - | - | (2,092,628) | - | (2,092,628) |
| Total governmental activities | 40,315,442 | 3,475,513 | 4,304,395 | 4,536,780 | (27,998,754) | - | (27,998,754) |
| Business-type activities: | | | | | | | |
| Water | 7,496,219 | 8,387,183 | - | 168,050 | - | 1,059,014 | 1,059,014 |
| Wastewater | 15,136,768 | 16,185,720 | - | 480,000 | - | 1,528,952 | 1,528,952 |
| Stormwater | 1,535,845 | 1,251,795 | - | - | - | (284,050) | (284,050) |
| Power | 76,976,906 | 80,716,809 | - | - | - | 3,739,903 | 3,739,903 |
| Broadband | 8,515,188 | 9,058,198 | - | - | - | 543,010 | 543,010 |
| Total business-type activities | 109,660,926 | 115,599,705 | - | 648,050 | - | 6,586,829 | 6,586,829 |
| Total | \$ 149,976,368 | \$ 119,075,218 | \$ 4,304,395 | \$ 5,184,830 | (27,998,754) | 6,586,829 | (21,411,925) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 15,131,519 | - | 15,131,519 |
| Local sales taxes | | | | | 16,599,588 | - | 16,599,588 |
| Franchise taxes | | | | | 684,452 | - | 684,452 |
| Alcohol beverage tax | | | | | 1,565,406 | - | 1,565,406 |
| Business and gross receipts tax | | | | | 1,445,788 | - | 1,445,788 |
| Lodging tax | | | | | 1,069,570 | - | 1,069,570 |
| Litigation tax | | | | | 33,245 | - | 33,245 |
| Intergovernmental revenue-unrestricted | | | | | 5,163,954 | - | 5,163,954 |
| Unrestricted investment earnings | | | | | - | 70,914 | 70,914 |
| Other | | | | | 2,203,844 | 3,200,486 | 5,404,330 |
| Transfers (Note 5) | | | | | 2,510,774 | (2,510,774) | - |
| Total general revenues and transfers | | | | | 46,408,140 | 760,626 | 47,168,766 |
| Change in net position | | | | | 18,409,386 | 7,347,455 | 25,756,841 |
| NET POSITION AT JULY 1 | | | | | 80,634,734 | 148,172,394 | 228,807,128 |
| NET POSITION AT JUNE 30 | | | | | \$ 99,044,120 | \$ 155,519,849 | \$ 254,563,969 |

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

CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2022**

| | General | Solid Waste | Capital Projects | Community Center Capital Projects | American Rescue Plan Act (ARPA) | Non-Major Governmental | Total Governmental Funds |
|---|----------------------|---------------------|---------------------|-----------------------------------|---------------------------------|------------------------|--------------------------|
| ASSETS | | | | | | | |
| Cash and cash equivalents | \$ 27,712,737 | \$ 575,162 | \$ 1,944,781 | \$ 1,221,016 | \$ 5,289,642 | \$ 775,998 | \$ 37,519,336 |
| Cash and cash equivalents, restricted | - | - | - | 12,251,400 | - | - | 12,251,400 |
| Receivables, net | 19,278,923 | 279,569 | - | - | - | 152 | 19,558,644 |
| Lease receivables | 1,304,468 | - | - | - | - | - | 1,304,468 |
| Due from other funds | - | 316,026 | - | - | - | - | 316,026 |
| Due from other governmental units | - | - | - | - | - | 3,243 | 3,243 |
| Prepaid | 7,836 | - | - | - | - | 168,859 | 176,695 |
| Inventories | 81,892 | - | - | - | - | - | 81,892 |
| Land held for sale | 8,907,955 | - | - | - | - | - | 8,907,955 |
| Total assets | <u>\$ 57,293,811</u> | <u>\$ 1,170,757</u> | <u>\$ 1,944,781</u> | <u>\$ 13,472,416</u> | <u>\$ 5,289,642</u> | <u>\$ 948,252</u> | <u>\$ 80,119,659</u> |
| LIABILITIES | | | | | | | |
| Accounts payable and accrued liabilities | \$ 1,009,991 | \$ 95,555 | \$ 84,389 | \$ 2,294,519 | \$ 95,858 | \$ 48,282 | \$ 3,628,594 |
| Accrued payroll and related liabilities | 703,322 | 13,647 | - | - | - | - | 716,969 |
| Due to other funds | - | - | - | - | - | - | - |
| Due to other governmental units | - | - | - | - | 5,187,835 | - | 5,187,835 |
| Unearned revenue | - | 1,362 | - | - | - | - | 1,362 |
| Total liabilities | <u>1,713,313</u> | <u>110,564</u> | <u>84,389</u> | <u>2,294,519</u> | <u>5,283,693</u> | <u>48,282</u> | <u>9,534,760</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred inflows related to leases | 1,917,368 | - | - | - | - | - | 1,917,368 |
| Unavailable/deferred taxes | 14,595,172 | - | - | - | - | 104,070 | 14,699,242 |
| Total deferred inflows of resources | <u>16,512,540</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>104,070</u> | <u>16,616,610</u> |
| FUND BALANCES | | | | | | | |
| Nonspendable | 8,997,683 | - | - | - | - | 168,859 | 9,166,542 |
| Restricted | 726,971 | 1,060,193 | 513,686 | 11,177,897 | 5,949 | 627,041 | 14,111,737 |
| Committed | - | - | 1,346,706 | - | - | - | 1,346,706 |
| Assigned | 8,092,887 | - | - | - | - | - | 8,092,887 |
| Unassigned | 21,250,417 | - | - | - | - | - | 21,250,417 |
| Total fund balances | <u>39,067,958</u> | <u>1,060,193</u> | <u>1,860,392</u> | <u>11,177,897</u> | <u>5,949</u> | <u>795,900</u> | <u>53,968,289</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 57,293,811</u> | <u>\$ 1,170,757</u> | <u>\$ 1,944,781</u> | <u>\$ 13,472,416</u> | <u>\$ 5,289,642</u> | <u>\$ 948,252</u> | <u>\$ 80,119,659</u> |

(Continued)

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

CITY OF MORRISTOWN, TENNESSEE

**BALANCE SHEET –
GOVERNMENTAL FUNDS
June 30, 2022**

| | |
|--|-----------------------------|
| Total Fund Balance – governmental funds | \$ 53,968,289 |
| 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. | 112,233,811 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 704,529 |
| 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 | (64,685,850) |
| Accrued interest payable | (174,931) |
| Compensated absences | (1,693,214) |
| Deferred amounts: | |
| Deferred outflows of resources for the net difference between projected and actual experience on pension plan investments. | 1,134,213 |
| Deferred outflows of resources for change in pension assumptions. | 5,417,606 |
| Deferred inflows of resources for the difference between projected and actual earnings to the pension plan. | (10,057,376) |
| Deferred outflows of resources for 2022 employer pension plan contributions. | 2,285,003 |
| Deferred inflows of resources for the difference between actual and expected experience related to the pension plan. | (1,179,330) |
| Deferred outflows of resources for change in OPEB assumptions. | 325,318 |
| Deferred outflows of resources for the difference between actual and expected experience related to the OPEB plan. | 234,229 |
| Deferred inflows of resources for the difference between actual and expected experience related to the OPEB plan. | (439,619) |
| Deferred inflows of resources change in OPEB assumptions. | (683,552) |
| Deferred outflows of resources for the difference between projected and actual earnings to the OPEB plan. | 90,920 |
| Net pension asset | 2,161,971 |
| Net OPEB liability | (5,592,605) |
| 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. | |
| | <u>4,994,708</u> |
| Net position of governmental activities | <u><u>\$ 99,044,120</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, 2022**

| | General | Solid Waste | Capital Projects | Community Center Capital Projects | American Rescue Plan Act (ARPA) | Non-Major Governmental | Total Governmental Funds |
|---|---------------|--------------|------------------|-----------------------------------|---------------------------------|------------------------|--------------------------|
| REVENUES | | | | | | | |
| General property taxes | \$ 15,479,989 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 15,479,989 |
| Sales tax | 16,599,588 | - | - | - | - | - | 16,599,588 |
| Other local taxes | 4,798,461 | - | - | - | - | - | 4,798,461 |
| Licenses, permits, and fines | 820,645 | - | - | - | - | 67,707 | 888,352 |
| Charges for services | 400,067 | 2,187,094 | - | - | - | - | 2,587,161 |
| Other | 795,168 | 7,930 | 1,255,412 | 97,672 | 5,594 | 42,068 | 2,203,844 |
| Intergovernmental | 7,182,458 | - | - | - | 3,046,648 | - | 10,229,106 |
| Total revenues | 46,076,376 | 2,195,024 | 1,255,412 | 97,672 | 3,052,242 | 109,775 | 52,786,501 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General government | 5,004,086 | - | - | 15,196,521 | 3,046,648 | - | 23,247,255 |
| Public safety | 18,432,642 | - | - | - | - | 179,103 | 18,611,745 |
| Public works | 8,598,315 | 2,563,033 | 1,942,581 | - | - | - | 13,103,929 |
| Culture and recreation | 2,342,299 | - | 235,760 | - | - | 201,240 | 2,779,299 |
| Civic support | 1,763,877 | - | - | - | - | - | 1,763,877 |
| Retiree health insurance | 474,804 | - | - | - | - | - | 474,804 |
| Debt service: | | | | | | | |
| Principal retirement | 2,792,599 | 26,819 | - | - | - | - | 2,819,418 |
| Interest and fiscal charges | 2,294,838 | 3,981 | - | - | - | - | 2,298,819 |
| Total expenditures | 41,703,460 | 2,593,833 | 2,178,341 | 15,196,521 | 3,046,648 | 380,343 | 65,099,146 |
| Excess (deficiency) of revenues over expenditures | 4,372,916 | (398,809) | (922,929) | (15,098,849) | 5,594 | (270,568) | (12,312,645) |
| OTHER FINANCING SOURCES (USES) | | | | | | | |
| Transfers in | 2,510,774 | - | 117,480 | - | - | 750,000 | 3,378,254 |
| Transfers out | (867,480) | - | - | - | - | - | (867,480) |
| Total other financing sources (uses) | 1,643,294 | - | 117,480 | - | - | 750,000 | 2,510,774 |
| Net change in fund balance | 6,016,210 | (398,809) | (805,449) | (15,098,849) | 5,594 | 479,432 | (9,801,871) |
| FUND BALANCES AT JULY 1 | 33,051,748 | 1,459,002 | 2,665,841 | 26,276,746 | 355 | 316,468 | 63,770,160 |
| FUND BALANCES AT JUNE 30 | \$ 39,067,958 | \$ 1,060,193 | \$ 1,860,392 | \$ 11,177,897 | \$ 5,949 | \$ 795,900 | \$ 53,968,289 |

(Continued)

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, 2022**

| | |
|---|-----------------------|
| Net changes in fund balances – governmental funds | \$ (9,801,871) |
| 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 | 23,041,657 |
| Depreciation expense | (4,388,328) |
| Contribution of assets | 3,776,023 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (348,470) |
| 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 | 2,819,418 |
| Amortization of premium | 196,988 |
| 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 | 9,203 |
| Change in compensated absences | 10,831 |
| 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. | 110,003 |
| Governmental funds report employer pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | 3,319,689 |
| 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. | (335,757) |
| Change in net position of governmental activities | \$ 18,409,386 |

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, 2022**

| | Budgeted Amounts | | Actual | Encumbrances | Budgetary Basis | Variance with Final Budget |
|--------------------------------|-------------------------|---------------|----------------|---------------------|------------------------|-----------------------------------|
| | Original | Final | Amounts | | Expenditures | Positive (Negative) |
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| General property | \$ 14,220,380 | \$ 14,221,880 | \$ 15,479,989 | \$ - | \$ 15,479,989 | \$ 1,258,109 |
| Sales tax | 14,500,000 | 14,968,500 | 16,599,588 | - | 16,599,588 | 1,631,088 |
| Other local taxes | 3,400,000 | 3,560,800 | 4,798,461 | - | 4,798,461 | 1,237,661 |
| Licenses and permits | 433,000 | 433,000 | 820,645 | - | 820,645 | 387,645 |
| Charges for services | 363,300 | 363,300 | 400,067 | - | 400,067 | 36,767 |
| Other | 442,714 | 444,214 | 795,168 | - | 795,168 | 350,954 |
| Intergovernmental | 7,420,162 | 7,460,047 | 7,182,458 | - | 7,182,458 | (277,589) |
| Total revenues | 40,779,556 | 41,451,741 | 46,076,376 | - | 46,076,376 | 4,624,635 |
| EXPENDITURES | | | | | | |
| General government: | | | | | | |
| Mayor and City Council | 315,949 | 229,034 | 200,720 | 2,920 | 203,640 | 25,394 |
| Council elections | 22,000 | 22,000 | - | - | - | 22,000 |
| City administrator | 907,201 | 907,201 | 756,294 | 455 | 756,749 | 150,452 |
| Finance department | 1,076,334 | 1,088,442 | 982,354 | 33,311 | 1,015,665 | 72,777 |
| Purchasing department | 70,017 | 70,017 | 60,285 | - | 60,285 | 9,732 |
| Computer operations | 288,612 | 333,140 | 290,070 | 22,673 | 312,743 | 20,397 |
| Human resources | 182,145 | 182,145 | 148,179 | (847) | 147,332 | 34,813 |
| Risk management | 223,260 | 223,260 | 212,830 | 491 | 213,321 | 9,939 |
| Court administration | 99,750 | 99,750 | 83,040 | - | 83,040 | 16,710 |
| Legal | 100,000 | 100,000 | 102,040 | - | 102,040 | (2,040) |
| Community and economic affairs | 1,556,843 | 1,597,312 | 767,041 | 19,584 | 786,625 | 810,687 |
| Engineering | 240,054 | 240,054 | 330,138 | (135,149) | 194,989 | 45,065 |
| GIS | 279,069 | 279,069 | 243,963 | (203) | 243,760 | 35,309 |
| Inspections | 587,200 | 587,200 | 474,538 | 1,625 | 476,163 | 111,037 |
| Natural resource maintenance | 394,542 | 394,542 | 352,594 | (72,318) | 280,276 | 114,266 |
| Total general government | 6,342,976 | 6,353,166 | 5,004,086 | (127,458) | 4,876,628 | 1,476,538 |
| Public safety: | | | | | | |
| Police supervision | 831,104 | 847,989 | 784,896 | (35,083) | 749,813 | 98,176 |
| Patrol and traffic | 5,697,266 | 5,528,978 | 5,116,142 | (221,188) | 4,894,954 | 634,024 |
| Police investigation | 1,341,184 | 1,341,184 | 1,237,747 | (7,837) | 1,229,910 | 111,274 |
| Police support | 979,235 | 1,198,985 | 1,224,962 | (39,764) | 1,185,198 | 13,787 |
| Litter crew | 82,348 | 82,348 | 2,901 | - | 2,901 | 79,447 |
| Chaplains | 7,650 | 7,650 | 1,000 | - | 1,000 | 6,650 |
| Narcotics | 772,101 | 772,101 | 688,979 | - | 688,979 | 83,122 |
| Code enforcement | 227,703 | 227,126 | 229,713 | (30,570) | 199,143 | 27,983 |
| Fire supervision | 745,142 | 795,142 | 690,395 | 30,299 | 720,694 | 74,448 |
| Fire inspection | 294,109 | 294,109 | 245,014 | 30,130 | 275,144 | 18,965 |
| Fire stations | 298,890 | 298,890 | 201,220 | 58,283 | 259,503 | 39,387 |
| Firefighting | 8,162,427 | 8,299,427 | 8,009,673 | 34,012 | 8,043,685 | 255,742 |
| Total public safety | 19,439,159 | 19,693,929 | 18,432,642 | (181,718) | 18,250,924 | 1,443,005 |

(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, 2022**

| | Budgeted Amounts | | Actual | | Budgetary | Variance with |
|----------------------------------|------------------|------------|------------|--------------|--------------------|----------------------------------|
| | Original | Final | Amounts | Encumbrances | Basis Expenditures | Final Budget Positive (Negative) |
| EXPENDITURES (Continued) | | | | | | |
| Public works: | | | | | | |
| Public works supervision | \$ 324,934 | \$ 324,934 | \$ 287,285 | \$ (694) | \$ 286,591 | \$ 38,343 |
| Building and grounds | 680,683 | 739,683 | 648,456 | 15,996 | 664,452 | 75,231 |
| Equipment shop | 688,044 | 688,044 | 666,706 | (40,365) | 626,341 | 61,703 |
| Repairs and maintenance | 1,791,349 | 1,739,677 | 1,530,151 | 106,388 | 1,636,539 | 103,138 |
| Street lighting and signs | 1,084,294 | 1,117,660 | 1,040,298 | 7,335 | 1,047,633 | 70,027 |
| Brush pick-up and snow removal | 1,324,035 | 1,357,035 | 1,445,328 | (152,905) | 1,292,423 | 64,612 |
| Sidewalks | 98,000 | 104,110 | 133,386 | (25,128) | 108,258 | (4,148) |
| Traffic devices | 245,500 | 245,500 | 231,431 | 4,078 | 235,509 | 9,991 |
| Communication shop | 254,266 | 254,266 | 212,665 | 456 | 213,121 | 41,145 |
| Pavement management system | 1,095,836 | 1,109,081 | 2,196,906 | (1,064,615) | 1,132,291 | (23,210) |
| Airport | 653,200 | 676,200 | 205,703 | 374,737 | 580,440 | 95,760 |
| Total public works | 8,240,141 | 8,356,190 | 8,598,315 | (774,717) | 7,823,598 | 532,592 |
| Culture and recreation: | | | | | | |
| Parks and recreation supervision | 515,215 | 553,719 | 521,464 | 18,977 | 540,441 | 13,278 |
| Playgrounds and programs | 544,369 | 528,865 | 400,038 | 6,185 | 406,223 | 122,642 |
| Parks and maintenance | 1,453,450 | 1,536,401 | 1,420,797 | 26,563 | 1,447,360 | 89,041 |
| Total culture and recreation | 2,513,034 | 2,618,985 | 2,342,299 | 51,725 | 2,394,024 | 224,961 |
| Civic support: | | | | | | |
| Contributions to local agencies | 242,000 | 245,250 | 244,250 | - | 244,250 | 1,000 |
| Animal control | 185,000 | 185,000 | 172,082 | - | 172,082 | 12,918 |
| E-911 district | 255,668 | 255,668 | 255,668 | - | 255,668 | - |
| Economic development | 229,000 | 389,800 | 376,931 | - | 376,931 | 12,869 |
| Emergency management agency | 30,000 | 50,000 | 41,550 | - | 41,550 | 8,450 |
| Library | 293,500 | 301,950 | 303,437 | - | 303,437 | (1,487) |
| TIF payments | 365,000 | 361,750 | 342,423 | - | 342,423 | 19,327 |
| LAMTPO Local Match | 36,000 | 36,000 | 19,036 | - | 19,036 | 16,964 |
| Crockett Tavern Association | 8,500 | 8,500 | 8,500 | - | 8,500 | - |
| Total civic support | 1,644,668 | 1,833,918 | 1,763,877 | - | 1,763,877 | 70,041 |

(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, 2022**

| | Budgeted Amounts | | Actual | Encumbrances | Budgetary | Variance with |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|--|
| | Original | Final | Amounts | | Basis Expenditures | Final Budget Positive (Negative) |
| EXPENDITURES (Continued) | | | | | | |
| Retiree health insurance | \$ 650,000 | \$ 634,822 | \$ 474,804 | \$ - | \$ 474,804 | \$ 160,018 |
| Debt service: | | | | | | |
| Principal | 2,813,224 | 2,813,224 | 2,792,599 | - | 2,792,599 | 20,625 |
| Interest | 2,293,402 | 2,294,122 | 2,293,339 | - | 2,293,339 | 783 |
| Bond expense | 5,000 | 4,280 | 1,499 | - | 1,499 | 2,781 |
| Total debt service | 5,111,626 | 5,111,626 | 5,087,437 | - | 5,087,437 | 24,189 |
| Total expenditures | 43,941,604 | 44,602,636 | 41,703,460 | (1,032,168) | 40,671,292 | 3,931,344 |
| Excess (deficiency) of revenues over expenditures | (3,162,048) | (3,150,895) | 4,372,916 | 1,032,168 | 5,405,084 | 8,555,979 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Non-revenue fund balance appropriation | - | (35,597) | - | - | - | 35,597 |
| Transfers in | 2,406,272 | 2,406,272 | 2,510,774 | - | 2,510,774 | 104,502 |
| Transfers out | (750,000) | (867,480) | (867,480) | - | (867,480) | - |
| Net other financing sources (uses) | 1,656,272 | 1,503,195 | 1,643,294 | - | 1,643,294 | 140,099 |
| Net change in fund balance | (1,505,776) | (1,647,700) | 6,016,210 | 1,032,168 | 7,048,378 | 8,696,078 |
| FUND BALANCES AT JULY 1 | 22,223,455 | 23,458,697 | 33,051,748 | (3,530,748) | 29,521,000 | 14,169,379 |
| FUND BALANCES AT JUNE 30 | <u>\$ 20,717,679</u> | <u>\$ 21,810,997</u> | <u>\$ 39,067,958</u> | <u>\$ (2,498,580)</u> | <u>\$ 36,569,378</u> | <u>\$ 22,865,457</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 –
BUDGET AND ACTUAL – SOLID WASTE FUND (BUDGETARY BASIS)

Year Ended June 30, 2022

| | Budgeted Amounts | | Actual | | Budgetary | Variance with |
|---|------------------|--------------|--------------|--------------|--------------|---------------|
| | Original | Final | Amounts | Encumbrances | Basis | Final Budget |
| | | | | | Expenditures | Positive |
| | | | | | | (Negative) |
| REVENUES | | | | | | |
| Charges for services | \$ 2,115,900 | \$ 2,115,900 | \$ 2,187,094 | \$ - | \$ 2,187,094 | \$ 71,194 |
| Other | - | - | 7,930 | - | 7,930 | 7,930 |
| Total revenues | 2,115,900 | 2,115,900 | 2,195,024 | - | 2,195,024 | 79,124 |
| EXPENDITURES | | | | | | |
| Public works: | | | | | | |
| Sanitation department | 1,375,441 | 1,400,915 | 2,333,526 | (1,008,929) | 1,324,597 | 76,318 |
| Curbside recycle | 232,364 | 226,890 | 229,507 | (439) | 229,068 | (2,178) |
| Debt service: | | | | | | |
| Principal | 26,819 | 26,819 | 26,819 | - | 26,819 | - |
| Interest | 3,981 | 4,206 | 3,981 | - | 3,981 | 225 |
| Paying agent fees | 500 | 275 | - | - | - | 275 |
| Total expenditures | 1,639,105 | 1,659,105 | 2,593,833 | (1,009,368) | 1,584,465 | 74,640 |
| Excess (deficiency) of revenues over expenditures | 476,795 | 456,795 | (398,809) | 1,009,368 | 610,559 | 153,764 |
| Net change in fund balance | 476,795 | 456,795 | (398,809) | 1,009,368 | 610,559 | 153,764 |
| FUND BALANCES AT JULY 1 | 358,975 | 358,975 | 1,459,002 | (1,026,460) | 432,542 | 439,575 |
| FUND BALANCES AT JUNE 30 | \$ 835,770 | \$ 815,770 | \$ 1,060,193 | \$ (17,092) | \$ 1,043,101 | \$ 593,339 |

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 – ARPA FUND (BUDGETARY BASIS)
Year Ended June 30, 2022**

| | Budgeted Amounts | | Actual | Encumbrances | Budgetary | Variance with |
|---|-------------------------|----------------|----------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | | Basis | Final Budget |
| | | | | | Expenditures | Positive |
| | | | | | | (Negative) |
| REVENUES | | | | | | |
| Other | \$ - | \$ 377,549 | \$ 5,594 | \$ - | \$ 5,594 | \$ (371,955) |
| Intergovernmental | - | - | 3,046,648 | - | 3,046,648 | 3,046,648 |
| Total revenues | - | 377,549 | 3,052,242 | - | 3,052,242 | 2,674,693 |
| EXPENDITURES | | | | | | |
| General government: | | | | | | |
| ARPA projects | - | 4,302,326 | 3,046,648 | 1,191,578 | 4,238,226 | 64,100 |
| Total expenditures | - | 4,302,326 | 3,046,648 | 1,191,578 | 4,238,226 | 64,100 |
| Excess (deficiency) of revenues over expenditures | - | (3,924,777) | 5,594 | (1,191,578) | (1,185,984) | 2,738,793 |
| OTHER FINANCING SOURCES | | | | | | |
| Non-revenue fund balance appropriation | - | 247,506 | - | - | - | (247,506) |
| Transfers out | - | (247,506) | - | - | - | 247,506 |
| Total other financing sources | - | (247,506) | - | - | - | 247,506 |
| Net change in fund balance | - | (4,172,283) | 5,594 | (1,191,578) | (1,185,984) | 2,986,299 |
| FUND BALANCES AT JULY 1 | 355 | 355 | 355 | - | 355 | - |
| FUND BALANCES AT JUNE 30 | \$ 355 | \$ (4,171,928) | \$ 5,949 | \$ (1,191,578) | \$ (1,185,629) | \$ 2,986,299 |

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

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2022**

| | 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 | \$ 5,799,622 | \$ 20,801,852 | \$ 3,716,402 | \$ 1,929,620 | \$ 250,119 | \$ - | \$ 32,497,615 | \$ 5,343,002 |
| Receivables, net | 741,610 | 10,935,544 | 258,202 | - | 376,081 | - | 12,311,437 | 86,814 |
| Due from other funds | 595,932 | 399,928 | 8,948 | - | 92,266 | (1,097,074) | - | - |
| Due from other governmental units | 299,299 | 478,245 | 49,079 | 14,379 | - | - | 841,002 | - |
| Other current assets | 39,384 | 5,611 | 18,932 | 164,194 | - | - | 228,121 | 38,123 |
| Inventories | 328,232 | 1,714,838 | 524,344 | 11 | 71,439 | - | 2,638,864 | - |
| Total current assets | 7,804,079 | 34,336,018 | 4,575,907 | 2,108,204 | 789,905 | (1,097,074) | 48,517,039 | 5,467,939 |
| NONCURRENT ASSETS | | | | | | | | |
| Cash and cash equivalents, restricted | 3,509,672 | - | 3,504,503 | - | - | - | 7,014,175 | - |
| Advances from other funds | - | 605,072 | - | - | - | (605,072) | - | - |
| Other assets | - | 410,617 | - | - | 42,768 | - | 453,385 | - |
| Capital assets: | | | | | | | | |
| Non-depreciable | 1,743,135 | 2,831,598 | 595,360 | 7,273 | 136,208 | - | 5,313,574 | - |
| Depreciable, net | 95,213,350 | 69,833,225 | 35,998,026 | 11,848,166 | 7,079,467 | - | 219,972,234 | - |
| Net pension asset | - | - | - | - | 49,134 | - | 49,134 | - |
| Total noncurrent assets | 100,466,157 | 73,680,512 | 40,097,889 | 11,855,439 | 7,307,577 | (605,072) | 232,802,502 | - |
| Total assets | 108,270,236 | 108,016,530 | 44,673,796 | 13,963,643 | 8,097,482 | (1,702,146) | 281,319,541 | 5,467,939 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | | |
| Pension related deferred outflows | - | - | - | - | 200,830 | - | 200,830 | - |
| OPEB related deferred outflows | 29,009 | 110,577 | 19,823 | 15,392 | - | - | 174,801 | - |
| Total deferred outflows of resources | 29,009 | 110,577 | 19,823 | 15,392 | 200,830 | - | 375,631 | - |
| LIABILITIES | | | | | | | | |
| CURRENT LIABILITIES | | | | | | | | |
| Accounts payable and accrued liabilities | 1,220,175 | 7,630,792 | 261,091 | 608,476 | 39,275 | - | 9,759,809 | 473,231 |
| Accrued payroll and related liabilities | 340,372 | 1,677,318 | 444,874 | 290,265 | 17,487 | - | 2,770,316 | - |

(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, 2022**

| | Business-Type Activities – Enterprise Funds | | | | | | Governmental |
|--|---|---------------|-----------------|--------------|----------------------------------|--------------|--|
| | Wastewater System | Power System | Water System | Broadband | Nonmajor Stormwater System | Eliminations | Activities – Internal Service Fund |
| LIABILITIES (Continued) | | | | | | | |
| CURRENT LIABILITIES (Continued) | | | | | | | |
| Accrued interest payable | \$ - | \$ - | \$ - | \$ - | \$ 19,347 | \$ - | \$ 19,347 |
| Customer deposits | - | 4,582,048 | - | 57,050 | - | - | 4,639,098 |
| Due to other funds | - | 932,783 | - | 480,317 | - | (1,097,074) | 316,026 |
| Compensated absences | - | - | - | - | 12,138 | - | 12,138 |
| Unearned revenues | - | - | - | 290,527 | - | - | 290,527 |
| Bonds, leases, and contracts payable | 4,886,647 | 1,225,000 | 1,175,000 | 355,537 | 243,195 | - | 7,885,379 |
| Total current liabilities | 6,447,194 | 16,047,941 | 1,880,965 | 2,082,172 | 331,442 | (1,097,074) | 25,692,640 |
| NONCURRENT LIABILITIES | | | | | | | |
| Advances to other funds | - | - | - | 605,072 | - | (605,072) | - |
| Compensated absences | - | - | - | - | 28,322 | - | 28,322 |
| Other post-employment benefits | 224,884 | 1,143,893 | 399,105 | 228,720 | - | - | 1,996,602 |
| Bonds, leases, and contracts payable | 66,041,066 | 15,656,725 | 9,045,610 | 3,243,647 | 2,889,154 | - | 96,876,202 |
| Total noncurrent liabilities | 66,265,950 | 16,800,618 | 9,444,715 | 4,077,439 | 2,917,476 | (605,072) | 98,901,126 |
| Total liabilities | 72,713,144 | 32,848,559 | 11,325,680 | 6,159,611 | 3,248,918 | (1,702,146) | 124,593,766 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| OPEB related deferred inflows | 56,495 | 225,582 | 63,556 | 112,469 | - | - | 458,102 |
| Pension related deferred inflows | - | - | - | - | 255,370 | - | 255,370 |
| Bond refunding | 751,583 | - | - | - | 116,502 | - | 868,085 |
| Total deferred inflows of resources | 808,078 | 225,582 | 63,556 | 112,469 | 371,872 | - | 1,581,557 |
| NET POSITION | | | | | | | |
| Net investment in capital assets | 29,538,304 | 55,783,098 | 29,877,279 | 8,256,255 | 4,083,326 | - | 127,538,262 |
| Restricted | - | - | - | - | 49,134 | - | 49,134 |
| Unrestricted | 5,239,719 | 19,269,868 | 3,427,104 | (549,300) | 545,062 | - | 27,932,453 |
| Total net position | \$ 34,778,023 | \$ 75,052,966 | \$ 33,304,383 | \$ 7,706,955 | \$ 4,677,522 | \$ - | \$ 155,519,849 |

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, 2022**

| | 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 | \$ 16,185,720 | \$ 80,716,809 | \$ 8,387,183 | \$ 9,058,198 | \$ 1,251,795 | \$ - | \$ 115,599,705 | \$ 5,119,999 |
| Interfund services | 61,713 | 1,584,135 | 470,504 | 1,746,000 | - | (3,862,352) | - | - |
| Other | 696,036 | 1,796,361 | 29,197 | 652,047 | 26,845 | - | 3,200,486 | - |
| Total operating revenues | 16,943,469 | 84,097,305 | 8,886,884 | 11,456,245 | 1,278,640 | (3,862,352) | 118,800,191 | 5,119,999 |
| OPERATING EXPENSES | | | | | | | | |
| Operations | 6,216,224 | 5,574,609 | 4,403,276 | 6,811,657 | 308,978 | - | 23,314,744 | - |
| Maintenance | 1,242,282 | 3,507,655 | 959,717 | 521,212 | 754,967 | - | 6,985,833 | - |
| Power purchased | - | 61,491,529 | - | - | - | - | 61,491,529 | - |
| Depreciation and amortization | 5,642,441 | 5,408,045 | 1,819,431 | 934,091 | 347,149 | - | 14,151,157 | - |
| Interfund services | 539,896 | 1,416,588 | 463,694 | 1,442,174 | - | (3,862,352) | - | - |
| Other | - | 467,914 | - | 122,200 | - | - | 590,114 | - |
| Insurance claims and expenses | - | - | - | - | - | - | - | 5,455,756 |
| Total operating expenses | 13,640,843 | 77,866,340 | 7,646,118 | 9,831,334 | 1,411,094 | (3,862,352) | 106,533,377 | 5,455,756 |
| Operating income (loss) | 3,302,626 | 6,230,965 | 1,240,766 | 1,624,911 | (132,454) | - | 12,266,814 | (335,757) |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | |
| Interest income | 19,177 | 34,383 | 13,758 | 3,388 | 208 | - | 70,914 | - |
| Interest expense | (1,678,657) | (527,154) | (199,872) | (126,028) | (89,408) | - | (2,621,119) | - |
| Debt issuance costs | (357,164) | - | (113,923) | - | (35,343) | - | (506,430) | - |
| Total nonoperating expenses | (2,016,644) | (492,771) | (300,037) | (122,640) | (124,543) | - | (3,056,635) | - |
| Income (loss) before contributions and transfers | 1,285,982 | 5,738,194 | 940,729 | 1,502,271 | (256,997) | - | 9,210,179 | (335,757) |
| Capital contributions | 480,000 | - | 168,050 | - | - | - | 648,050 | - |
| Transfers out | (833,762) | (1,611,705) | (36,120) | - | (29,187) | - | (2,510,774) | - |
| Change in net position | 932,220 | 4,126,489 | 1,072,659 | 1,502,271 | (286,184) | - | 7,347,455 | (335,757) |
| NET POSITION AT JULY 1 | 33,845,803 | 70,926,477 | 32,231,724 | 6,204,684 | 4,963,706 | - | 148,172,394 | 5,330,465 |
| NET POSITION AT JUNE 30 | \$ 34,778,023 | \$ 75,052,966 | \$ 33,304,383 | \$ 7,706,955 | \$ 4,677,522 | \$ - | \$ 155,519,849 | \$ 4,994,708 |

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, 2022

| | 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 | \$ 17,430,243 | \$ 81,401,771 | \$ 8,960,131 | \$ 11,482,321 | \$ 1,333,412 | \$ (3,862,352) | \$ 116,745,526 | \$ 5,191,324 |
| Payments to suppliers | (5,853,443) | (64,752,138) | (4,053,680) | (6,305,677) | (854,079) | 3,862,352 | (77,956,665) | (5,468,227) |
| Payments to employees | (2,036,743) | (6,640,839) | (1,729,046) | (2,277,369) | (364,965) | - | (13,048,962) | - |
| Other receipts | - | 1,737,890 | - | - | 26,845 | - | 1,764,735 | - |
| Net cash provided by (used in) operating activities | 9,540,057 | 11,746,684 | 3,177,405 | 2,899,275 | 141,213 | - | 27,504,634 | (276,903) |
| NONCAPITAL FINANCING ACTIVITIES | | | | | | | | |
| Transfers to other funds | (833,762) | (1,522,373) | (36,120) | - | (29,187) | - | (2,421,442) | - |
| Interfund borrowing (repayments) | (359,158) | 557,101 | 11,888 | (209,831) | - | - | - | - |
| Net cash used in noncapital financing activities | (1,192,920) | (965,272) | (24,232) | (209,831) | (29,187) | - | (2,421,442) | - |
| CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | |
| Purchases of capital assets | (1,952,801) | (6,090,877) | (1,284,328) | (959,158) | (791,080) | - | (11,078,244) | - |
| Contribution of capital by other governments | 480,000 | - | 168,050 | - | - | - | 648,050 | - |
| Proceeds from issuance of long-term debt | 25,695,350 | - | 7,304,886 | - | 3,155,692 | - | 36,155,928 | - |
| Principal paid on debt and contractual obligations | (27,249,898) | (1,175,000) | (4,887,217) | (760,853) | (3,397,329) | - | (37,470,297) | - |
| Debt issuance costs | (357,164) | - | (113,923) | - | (35,343) | - | (506,430) | - |
| Interest paid on capital debt | (2,158,751) | (707,591) | (219,148) | (153,016) | (86,475) | - | (3,324,981) | - |
| Net cash provided by (used in) capital and related financing activities | (5,543,264) | (7,973,468) | 968,320 | (1,873,027) | (1,154,535) | - | (15,575,974) | - |
| INVESTING ACTIVITIES | | | | | | | | |
| Interest received | 19,177 | 34,383 | 13,758 | 3,388 | 208 | - | 70,914 | - |
| Net cash provided by investing activities | 19,177 | 34,383 | 13,758 | 3,388 | 208 | - | 70,914 | - |
| Net increase (decrease) in cash and cash equivalents | 2,823,050 | 2,842,327 | 4,135,251 | 819,805 | (1,042,301) | - | 9,578,132 | (276,903) |
| CASH AND CASH EQUIVALENTS | | | | | | | | |
| Beginning at July 1 | 6,486,244 | 17,959,525 | 3,085,654 | 1,109,815 | 1,292,420 | - | 29,933,658 | 5,619,905 |
| Ending at June 30 | \$ 9,309,294 | \$ 20,801,852 | \$ 7,220,905 | \$ 1,929,620 | \$ 250,119 | \$ - | \$ 39,511,790 | \$ 5,343,002 |

(Continued)

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

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS
Year Ended June 30, 2022**

| | 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 (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | | | | | | | |
| Operating income (loss) | \$ 3,302,626 | \$ 6,230,965 | \$ 1,240,766 | \$ 1,624,911 | \$ (132,454) | \$ - | \$ 12,266,814 | \$ (335,757) |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | | | | | |
| Depreciation and amortization | 5,810,473 | 5,470,828 | 1,888,194 | 1,068,620 | 347,149 | - | 14,585,264 | - |
| Pension expense net of employer contributions | - | - | - | - | (65,797) | - | (65,797) | - |
| Change in assets and liabilities: | | | | | | | | |
| (Increase) decrease in: | | | | | | | | |
| Receivables, net | 415,987 | (766,051) | 49,222 | 25,787 | 81,617 | - | (193,438) | 71,325 |
| Unbilled/unearned revenues | 70,787 | (330,701) | 24,025 | - | - | - | (235,889) | - |
| Inventories | (80,386) | (340,158) | (66,233) | - | (23,259) | - | (510,036) | - |
| Other current assets | 2,811 | 43,911 | (490) | 76,478 | 17,108 | - | 139,818 | (3,599) |
| Deferred outflows | (5,303) | (48,674) | 4,202 | 1,822 | - | - | (47,953) | - |
| (Decrease) increase in: | | | | | | | | |
| Accounts payable and accrued liabilities | 6,764 | 1,214,253 | (43,292) | 131,495 | (92,961) | - | 1,216,259 | (8,872) |
| Accrued payroll and related liabilities | - | - | - | - | 5,702 | - | 5,702 | - |
| Customer deposits | - | 95,197 | - | (26,050) | - | - | 69,147 | - |
| Total OPEB liability | (15,581) | (51,520) | (43,642) | (82,731) | - | - | (193,474) | - |
| Deferred inflows of resources | 55,181 | 82,031 | 60,183 | 101,682 | - | - | 299,077 | - |
| Other liabilities | (23,302) | 146,603 | 64,470 | (22,739) | 4,108 | - | 169,140 | - |
| Net cash provided by operating activities | <u>\$ 9,540,057</u> | <u>\$ 11,746,684</u> | <u>\$ 3,177,405</u> | <u>\$ 2,899,275</u> | <u>\$ 141,213</u> | <u>\$ -</u> | <u>\$ 27,504,634</u> | <u>\$ (276,903)</u> |

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

CITY OF MORRISTOWN, TENNESSEE

STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUNDS

June 30, 2022

| | Post-Employment Benefits Trust Fund | Custodial Funds |
|--|---|--------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 25,960 | \$ 267,786 |
| Receivables: | | |
| Grants receivable | - | 23,167 |
| Investments at fair value: | | |
| Fixed Income Mutual Funds | 364,465 | - |
| Equity Mutual Funds | 725,477 | - |
| International Equity Mutual Funds | 52,797 | - |
| | 1,142,739 | - |
| Total assets | 1,168,699 | 290,953 |
| LIABILITIES | | |
| Accounts payable | - | 835 |
| Accrued payroll and related liabilities | - | 72 |
| Total liabilities | - | 907 |
| NET POSITION | | |
| Restricted for: | | |
| Post-employment benefits other than pensions | 1,168,699 | - |
| Individuals and organizations | - | 290,046 |
| Total net position | \$ 1,168,699 | \$ 290,046 |

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

CITY OF MORRISTOWN, TENNESSEE

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUNDS
Year Ended June 30, 2022**

| | Post-Employment Benefits Trust Fund | Custodial Funds |
|--|--|----------------------------|
| | <hr/> | <hr/> |
| ADDITIONS | | |
| Contributions: | | |
| Employers | \$ 100,000 | \$ 75,135 |
| Investment earnings: | | |
| Dividends and capital gains | 36,022 | - |
| Net decrease in fair value of investments | (217,582) | - |
| Intergovernmental | - | 115,774 |
| Transfers in | - | 19,036 |
| | <hr/> | <hr/> |
| Total additions | (81,560) | 209,945 |
| | <hr/> | <hr/> |
| DEDUCTIONS | | |
| Benefits | - | 84,092 |
| Administrative expenses | 3,000 | 6,904 |
| Medical, dental, and life insurance for retirees | - | 15,085 |
| Payroll | - | 77,439 |
| Other contracted services | - | 29,696 |
| | <hr/> | <hr/> |
| Total deductions | 3,000 | 213,216 |
| | <hr/> | <hr/> |
| Change in net position | (84,560) | (3,271) |
| | <hr/> | <hr/> |
| NET POSITION AT JULY 1 | 1,253,259 | 293,317 |
| | <hr/> | <hr/> |
| NET POSITION AT JUNE 30 | \$ 1,168,699 | \$ 290,046 |
| | <hr/> | <hr/> |

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

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government.

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 non-fiduciary 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.

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Fiduciary fund reporting focuses on net position and changes in net positions. The fiduciary fund category includes OPEB trust fund and custodial funds.

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.

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 *American Rescue Plan Act (ARPA) fund* is used to account for funds received under the American Rescue Plan Act.

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following non-major governmental funds:

The *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 *Morristown Landing operations fund* accounts for activity related to the operation of the Morristown Landing facility.

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 City's sewage treatment operations.

The *broadband system fund* accounts for the activities of the City'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, 2022

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, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

E. Accounts Receivable (Continued)

Taxes are due and payable the first Monday in October. Bills for taxes are usually mailed around the end of September, 2% discount if paid by October 31st. Unpaid property taxes become delinquent the following March 1st and on the first day of each succeeding month, interest and penalty of 1.5% shall be added to the tax amount due and payable. Taxes shall remain in the hands of the City for collection until the first day of April of the following year, at which time suit shall be filed with Chancery Court.

F. Inventories

Inventories are stated at lower of cost (first-in, first-out) or net realizable value 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, 2022

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 assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has various 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 the remaining service life of employees, the difference between expected and actual experience on the pension plan which will be recognized over the average working lifetime of all participants; the difference between expected and actual experience on the OPEB plan which will be recognized over the average service of plan participants; the difference between expected and actual earnings 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 the remaining service life of employees.

In addition to liabilities, the statements that present financial position reports a separate section for deferred inflows of resources. This separate financial statement element represent an acquisition of net assets that applies to future periods that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has various items reported as deferred inflows of resources. Two items occur only under a modified accrual basis of accounting. 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 other item represents tax collections received before the period in which they are eligible for use (unearned revenue). The difference between actual and expected experience related to the pension plan will be recognized in pension expense over the average working lifetime of all participants. The difference between expected an actual earnings on pension plan investment will be recognized in expense over a closed five year period. The change in assumptions related to the OPEB liability will be recognized in OPEB expense over the remaining service life of employees. The differences between actual and expected experience related to the OPEB plan will be recognized in OPEB expense the average service of plan participants. The deferred loss on refunding will be recognized the life of the refunded bond. The lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

I. Compensated Absences

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

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

J. Long-Term Obligations

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

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

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

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, land held for sale, long-term interfund loans, and noncurrent notes receivable.
- **Restricted** – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – Amounts constrained to specific purposes by the City, using its highest level of decision making authority (City Council); to be reported as committed, amounts cannot be used for any other purposes unless the same highest level of action is taken to remove or change the constraint.
- **Assigned** – Amounts the City intends to use for a specified purpose; intent can be expressed by the governing body or by the City 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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Summary of Significant Accounting Policies (Continued)

M. Net Position (Continued)

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

N. Estimates

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

O. Adoption of new accounting standard

Effective July 1, 2021, the City adopted GASB 87, *Leases* to record lease receivables and corresponding deferred inflow of resources for leases using the facts and circumstances that existed at the beginning of the year of implementation (i.e., as of July 1, 2021). The City's leases resulted in the beginning balances of lease receivables and deferred outflows being measured at the same amount respectively, as of the implementation date.

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 budget 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 a 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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

A. Budgetary Information (Continued)

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. For budgetary basis current year encumbrances are added to GAAP basis while prior year encumbrances are subtracted from GAAP basis. 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, 2022, there were no instances of expenditures by fund exceeding appropriations in any funds.

C. Deficit Fund Equity

There were no instances of deficit fund equity in any City funds at June 30, 2022.

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, 2022, the City's cash consisted of:

| | |
|--|----------------------|
| Cash on hand | \$ 9,405 |
| Deposits | <u>94,616,123</u> |
| Total deposits and investments | <u>\$ 94,625,528</u> |
| Reconciliation of deposits and investments to Exhibit 1: | |
| Cash and cash equivalents | \$ 75,359,953 |
| Cash and cash equivalents, restricted | <u>19,265,575</u> |
| Total deposits and investments | <u>\$ 94,625,528</u> |

Restricted cash and cash equivalents consist of funds restricted for construction retainage escrows, unspent bond proceeds, and unspent grant funds.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Deposits and Investments (Continued)

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 | \$ 25,960 |
| Fixed Income Mutual Funds | 364,465 |
| Equity Mutual Funds | 725,477 |
| International Equity Mutual Funds | 52,797 |
| | <hr/> |
| Total cash, cash equivalents, and investments | \$ 1,168,699 |

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 in 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. The policy states that the portfolio should be reviewed periodically as to its effectiveness in meeting the employer's needs for safety, liquidity, rate of return, and its general performance.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Deposits and Investments (Continued)

OPEB Funds (Continued)

The City categorizes its fair value measurements within fair value hierarchy established by accounting principles generally accepted in the United States of America (GAAP). The hierarchy is based on valuation inputs used to measure the fair value of the asset and are described as follows:

Level 1 – inputs are quoted prices in active markets for identical assets;

Level 2 – inputs are significant other observable inputs; bonds values by a pricing service that uses matrix price.

Level 3 – significant unobservable inputs that are not corroborated by observable market data.

| | Fair Value Measurements | | | |
|-----------------------------------|--------------------------------|---------------------|------------------|------------------|
| | Fair Value | (Level 1) | (Level 2) | (Level 3) |
| Fixed income mutual funds | \$ 364,465 | \$ 364,465 | \$ - | \$ - |
| Equity mutual funds | 725,477 | 725,477 | - | - |
| International equity mutual funds | 52,797 | 52,797 | - | - |
| | <u>\$ 1,142,739</u> | <u>\$ 1,142,739</u> | <u>\$ -</u> | <u>\$ -</u> |

Note 4. Receivables, Net

Receivables are as follows:

| | Governmental Activities | | | | | |
|------------------------------------|-------------------------|-------------|------------------|---------------------|------------------|---------------|
| | General | Solid Waste | Capital Projects | Electronic Citation | Internal Service | Total |
| Receivables: | | | | | | |
| Taxes | \$ 15,077,904 | \$ - | \$ - | \$ - | \$ - | \$ 15,077,904 |
| Accounts | 4,531,089 | 320,759 | - | - | - | 4,851,848 |
| Other | - | - | - | 152 | 86,814 | 86,966 |
| Less: allowance for uncollectibles | (330,070) | (41,190) | - | - | - | (371,260) |
| Receivables, net | \$ 19,278,923 | \$ 279,569 | \$ - | \$ 152 | \$ 86,814 | \$ 19,645,458 |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Receivables, Net (Continued)

| | Business-Type Activities | | | | | |
|------------------------------------|---------------------------------|----------------------|-------------------|------------------|-------------------|----------------------|
| | Wastewater | Power | Water | Broadband | Stormwater | Total |
| Receivables: | | | | | | |
| Accounts | \$ 741,610 | \$ 11,180,403 | \$ 258,202 | \$ - | \$ 591,824 | \$ 12,772,039 |
| Less: allowance for uncollectibles | - | (244,859) | - | - | (215,743) | (460,602) |
| Receivables, net | <u>\$ 741,610</u> | <u>\$ 10,935,544</u> | <u>\$ 258,202</u> | <u>\$ -</u> | <u>\$ 376,081</u> | <u>\$ 12,311,437</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 | \$ 14,595,172 | \$ 13,890,643 |
| Included in cash: | | |
| Seized funds escrow | 104,070 | 104,070 |
| Total unavailable/unearned revenue for governmental funds | <u>\$ 14,699,242</u> | <u>\$ 13,994,713</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 | \$ 1,005,000 |
| Power System | Broadband | Temporary cash advance | 80,389 |
| Water System | Power | Temporary cash advance | 8,948 |
| Wastewater | Power | Temporary cash advance | 595,932 |
| Solid Waste | Power | Customer receivables | 316,026 |
| Stormwater | Power | Customer receivables | 92,266 |
| | | | <u>\$ 2,098,561</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Interfund transfers are as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| Funds: | | |
| General | \$ 2,510,774 | \$ 867,480 |
| Capital Projects | 117,480 | - |
| Water System | - | 36,120 |
| Power System | - | 1,611,705 |
| Stormwater System | - | 29,187 |
| Wastewater System | - | 833,762 |
| Morristown Landing Operations | <u>750,000</u> | <u>-</u> |
| | <u>\$ 3,378,254</u> | <u>\$ 3,378,254</u> |

Transfers are used to 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 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 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. Transfers to the capital projects fund from the general fund were to fund capital project costs. Transfers to the Morristown Landing operations fund from the general fund were to cover pre-opening costs.

Note 6. Land Held for Sale

Land held at historical cost for sale consists of land located in industrial parks held for resale. At June 30, 2022, the balance was \$8,907,955.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 7. Capital Assets

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

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|----------------------|-------------------|-----------------------|
| Capital assets, not depreciated | | | | |
| Land | \$ 13,843,330 | \$ 99,000 | \$ - | \$ 13,942,330 |
| Construction in progress | 13,754,322 | 20,270,405 | 587,224 | 33,437,503 |
| Total capital assets, not depreciated | <u>27,597,652</u> | <u>20,369,405</u> | <u>587,224</u> | <u>47,379,833</u> |
| Capital assets, depreciated | | | | |
| Buildings | 41,263,655 | 587,224 | - | 41,850,879 |
| Improvements other than buildings | 18,092,812 | 3,677,023 | - | 21,769,835 |
| Infrastructure | 53,073,399 | 6,347 | - | 53,079,746 |
| Motor vehicles | 4,331,668 | 2,634,664 | 352,611 | 6,613,721 |
| Machinery and equipment | 15,312,919 | 130,241 | 195,011 | 15,248,149 |
| Total capital assets depreciated | <u>132,074,453</u> | <u>7,035,499</u> | <u>547,622</u> | <u>138,562,330</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 9,887,047 | 838,727 | - | 10,725,774 |
| Improvements other than buildings | 12,292,638 | 393,131 | - | 12,685,769 |
| Infrastructure | 34,443,887 | 2,159,488 | - | 36,603,375 |
| Motor vehicles | 2,762,844 | 556,270 | 352,611 | 2,966,503 |
| Machinery and equipment | 10,481,230 | 440,712 | 195,011 | 10,726,931 |
| Total accumulated depreciation | <u>69,867,646</u> | <u>4,388,328</u> | <u>547,622</u> | <u>73,708,352</u> |
| Total capital assets, depreciated, net | <u>62,206,807</u> | <u>2,647,171</u> | <u>-</u> | <u>64,853,978</u> |
| Governmental activities, capital activities, capital | <u>\$ 89,804,459</u> | <u>\$ 23,016,576</u> | <u>\$ 587,224</u> | <u>\$ 112,233,811</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 | \$ 2,759,851 | \$ - | \$ - | \$ 2,759,851 |
| Construction in progress | 3,521,041 | 10,832,920 | 11,800,238 | 2,553,723 |
| Total capital assets, not depreciated | 6,280,892 | 10,832,920 | 11,800,238 | 5,313,574 |
| Capital assets, depreciated | | | | |
| Buildings and improvements | 36,413,795 | 189,430 | 54,786 | 36,548,439 |
| Transmission and distribution | 164,689,895 | 7,190,599 | 610,741 | 171,269,753 |
| Machinery and equipment | 219,942,341 | 4,538,036 | 201,522 | 224,278,855 |
| Total capital assets depreciated | 421,046,031 | 11,918,065 | 867,049 | 432,097,047 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 11,922,518 | 774,503 | 54,385 | 12,642,636 |
| Transmission and distribution | 80,035,024 | 5,353,863 | 818,236 | 84,570,651 |
| Machinery and equipment | 106,576,553 | 8,456,930 | 121,957 | 114,911,526 |
| Total accumulated depreciation | 198,534,095 | 14,585,296 | 994,578 | 212,124,813 |
| Total capital assets, depreciated, net | 222,511,936 | (2,667,231) | (127,529) | 219,972,234 |
| Business-type activities, capital activities, capital | <u>\$ 228,792,828</u> | <u>\$ 8,165,689</u> | <u>\$ 11,672,709</u> | <u>\$ 225,285,808</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|---------------------------|----------------------|
| Governmental activities: | |
| General government | \$ 460,673 |
| Public safety | 608,386 |
| Public works | 3,091,389 |
| Culture and recreation | 227,880 |
| | <u>\$ 4,388,328</u> |
| Business-type activities: | |
| Stormwater | \$ 347,181 |
| Water | 1,888,194 |
| Power | 5,470,828 |
| Wastewater | 5,810,473 |
| Broadband | 1,068,620 |
| | <u>\$ 14,585,296</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 \$168,032 for the wastewater system, \$62,783 for the power system, \$68,763 for the water system, and \$134,529 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 | \$ 62,904,393 | \$ - | \$ 2,489,418 | \$ 60,414,975 | \$ 2,613,032 |
| Net discounts/premiums | 3,807,863 | - | 196,988 | 3,610,875 | - |
| Total bonds payable | 66,712,256 | - | 2,686,406 | 64,025,850 | 2,613,032 |
| Direct borrowings | | | | | |
| Notes payable | 990,000 | - | 330,000 | 660,000 | 330,000 |
| Total direct borrowings | 990,000 | - | 330,000 | 660,000 | 330,000 |
| Compensated absences | 1,704,045 | 2,625,934 | 2,636,765 | 1,693,214 | 507,964 |
| | <u>\$ 69,406,301</u> | <u>\$ 2,625,934</u> | <u>\$ 5,653,171</u> | <u>\$ 66,379,064</u> | <u>\$ 3,450,996</u> |
| <u>Business-Type Activities</u> | | | | | |
| General obligation bonds | \$ 71,446,346 | \$ 35,105,000 | \$ 25,451,712 | \$ 81,099,634 | \$ 5,768,195 |
| Net discounts/premiums | 2,999,920 | 1,900,928 | 1,592,203 | 3,308,645 | - |
| Total bonds payable | 74,446,266 | 37,005,928 | 27,043,915 | 84,408,279 | 5,768,195 |
| Direct borrowings | | | | | |
| Notes payable | 31,160,278 | - | 12,725,524 | 18,434,754 | 1,952,906 |
| Contractual obligations | 1,872,443 | - | 99,391 | 1,773,052 | 113,741 |
| Financed purchase obligation | 193,349 | - | 47,853 | 145,496 | 50,537 |
| Total direct borrowings | 33,226,070 | - | 12,872,768 | 20,353,302 | 2,117,184 |
| Compensated absences | 36,352 | 61,981 | 57,873 | 40,460 | 12,138 |
| | <u>\$ 107,708,688</u> | <u>\$ 37,067,909</u> | <u>\$ 39,974,556</u> | <u>\$ 104,802,041</u> | <u>\$ 7,897,517</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 |
| 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 | 3,043,870 | 1,776,659 | - | - | 3,043,870 | 1,776,659 |
| 2027 | 3,202,484 | 1,634,490 | - | - | 3,202,484 | 1,634,490 |
| 2028-2032 | 12,397,640 | 6,417,872 | - | - | 12,397,640 | 6,417,872 |
| 2033-2037 | 11,736,047 | 4,537,970 | - | - | 11,736,047 | 4,537,970 |
| 2038-2042 | 12,080,000 | 2,674,190 | - | - | 12,080,000 | 2,674,190 |
| 2043-2047 | 6,925,000 | 1,038,750 | - | - | 6,925,000 | 1,038,750 |
| 2048-2050 | 2,770,000 | 124,650 | - | - | 2,770,000 | 124,650 |
| | <u>\$ 60,414,975</u> | <u>\$ 24,320,974</u> | <u>\$ 660,000</u> | <u>\$ 13,596</u> | <u>\$ 61,074,975</u> | <u>\$ 24,334,570</u> |

| Year Ending June 30, | Business-Type Activities | | | | | |
|----------------------------|--------------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | General Obligation Bonds | | Notes Payable | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 5,768,195 | \$ 3,027,444 | \$ 1,952,906 | \$ 409,609 | \$ 7,721,101 | \$ 3,437,053 |
| 2024 | 6,073,293 | 2,762,373 | 2,005,795 | 372,704 | 8,079,088 | 3,135,077 |
| 2025 | 6,388,390 | 2,483,751 | 1,813,744 | 326,400 | 8,202,134 | 2,810,151 |
| 2026 | 6,718,488 | 2,198,890 | 1,261,753 | 289,175 | 7,980,241 | 2,488,065 |
| 2027 | 5,743,586 | 5,568,229 | 1,296,810 | 257,738 | 7,040,396 | 5,825,967 |
| 2028-2032 | 28,144,560 | 3,834,977 | 5,962,878 | 812,805 | 34,107,438 | 4,647,782 |
| 2033-2037 | 19,943,122 | 804,529 | 4,140,868 | 182,287 | 24,083,990 | 986,816 |
| 2038-2042 | 2,320,000 | 77,300 | - | - | 2,320,000 | 77,300 |
| | <u>\$ 81,099,634</u> | <u>\$ 20,757,493</u> | <u>\$ 18,434,754</u> | <u>\$ 2,650,718</u> | <u>\$ 99,534,388</u> | <u>\$ 23,408,211</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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, 2022 |
|---|----------------------|--------------------|-----------------------|-----------------------|----------------------------------|
| <u>Governmental Activities</u> | | | | | |
| General long-term debt | | | | | |
| 2009 Public Improvement and Refunding (\$5M) | Variable | 2009 | 2009-2034 | \$ 2,848,203 | \$ 1,735,746 |
| Capital Outlay Note | 2.06% | 2011 | 2011-2024 | 3,750,000 | 618,750 |
| 2018 Public Improvement and Refunding (\$64M) | 3.00-5.00% | 2019 | 2018-2042 | 19,190,000 | 14,915,000 |
| Capital projects | | | | | |
| 2017 GO (\$9.71M) | 3.00-3.75% | 2017 | 2018-2042 | 9,710,000 | 8,195,000 |
| 2019B GO Bond (\$37.25M) | 5% | 2019 | 2019-2049 | 37,250,000 | 35,470,000 |
| Solid waste | | | | | |
| 2009 Public Improvement and Refunding (\$5M) | Variable | 2009 | 2009-2034 | 162,919 | 99,229 |
| Capital Outlay Note | 2.06% | 2011 | 2011-2024 | 250,000 | 41,250 |
| Total governmental activities | | | | 73,161,122 | 61,074,975 |
| <u>Enterprise Funds</u> | | | | | |
| Wastewater system | | | | | |
| 2009 Public Improvement and Refunding (\$5M) | Variable | 2009 | 2009-2034 | 5,000,000 | 1,162,421 |
| 2013 CWSRF Promissory Note (\$5M) | 1.51% | 2013 | 2015-2036 | 5,000,000 | 3,596,333 |
| 2015 Promissory Note (\$10M) | 2.74% | 2016 | 2017-2037 | 10,000,000 | 7,867,000 |
| 2016 Promissory Note (\$15M) | 2.27% | 2017 | 2018-2037 | 15,000,000 | 1,946,000 |
| 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 | 6,880,000 |
| 2019 General Obligation Refunding | 3.00-5.00% | 2019 | 2020-2034 | 12,775,000 | 11,010,000 |
| 2021A General Obligation Refunding | 2.00% | 2021 | 2022-2037 | 21,740,000 | 20,890,000 |
| 2021B General Obligation Bonds | 2.00% | 2021 | 2022-2041 | 3,395,000 | 3,395,000 |
| Power system | | | | | |
| 2018 General Obligation | 3.00-5.00% | 2019 | 2020-2038 | 4,375,000 | 3,795,000 |
| 2018 General Obligation Refunding | 3.00-5.00% | 2019 | 2020-2035 | 16,410,000 | 12,650,000 |
| Water system | | | | | |
| Water System Bonds Series 2010 | 2.52% | 2009 | 2010-2029 | 7,500,000 | 3,620,000 |
| 2021A General Obligation Refunding | 2.00% | 2021 | 2022-2032 | 3,590,000 | 2,905,000 |
| 2021B General Obligation Bonds | 2.00% | 2021 | 2022-2041 | 3,390,000 | 3,390,000 |
| Broadband system | | | | | |
| First Tennessee Bank Promissory Note | 2.59% | 2014 | 2014-2024 | 1,000,000 | 243,000 |
| 2018 General Obligation Refunding | 3.00-5.00% | 2019 | 2020-2035 | 3,810,000 | 3,150,000 |
| Finance Purchase Obligation | 5.47% | 2020 | 2025 | 293,664 | 145,496 |
| Stormwater system | | | | | |
| 2009 Public Improvement and Refunding (\$5M) | Variable | 2009 | 2009-2034 | 81,459 | 49,634 |
| 2021A General Obligation Refunding | 2.00% | 2021 | 2022-2037 | 2,990,000 | 2,925,000 |
| Total enterprise funds | | | | 136,890,123 | 99,679,884 |
| | | | | <u>\$ 210,051,245</u> | <u>\$ 160,754,859</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Long-Term Liabilities (Continued)

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 \$12,650,000 at June 30, 2022.

\$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 2037. The outstanding principal balance attributable to the Wastewater System is \$10,060,000 at June 30, 2022.

\$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 \$3,150,000 at June 30, 2022.

\$9,250,000 is attributed to governmental activities for future construction. An additional \$9,940,000 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 2042. The outstanding principal balance attributable to Governmental Activities is \$14,915,000 at June 30, 2022.

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 additional \$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 \$11,010,000 at June 30, 2022.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Long-Term Liabilities (Continued)

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 \$35,470,000 at June 30, 2022.

In September 2021, the City issued General Obligation Refunding Bonds, Series 2021A, in the amount of \$28,320,000. The breakdown of these funds is as follows:

\$21,740,000 is attributed to the Wastewater System for a current refunding of the General Obligations Bonds, Series 2012, 2007 CWSRF Promissory Note, and 2009 CWSRF Promissory Note. The bonds attributed to the Wastewater System were issued at a premium of \$1,240,237. The underwriters discount was \$141,597 with an additional \$123,814 in other issuance costs. The interest rate is 2% with maturity in 2037. The intent of the refunding is to consolidate debt and lower required debt service through interest savings. The transaction resulted in an economic gain of \$2,729,859 and a reduction of \$2,883,634 in future debt service payments. The outstanding principal balance of the bonds is \$20,890,000 at June 30, 2022.

\$3,590,000 is attributed to the Water System for a current refunding of the 2002 DWSRF Promissory Note and 2011 DWSRF Promissory Note. The bonds attributed to the Water System were issued at a premium of \$155,024. The underwriters discount was \$23,382 with an additional \$19,944 in other issuance costs. The interest rate is 2% with maturity in 2032. The intent of the refunding is to consolidate debt and lower required debt service through interest savings. The transaction resulted in an economic gain of \$192,784 and a reduction of \$201,038 in future debt service payments. The outstanding principal balance of the bonds is \$2,905,000 at June 30, 2022.

\$2,990,000 is attributed to the Stormwater System for a current refunding of the series 2012 General Obligation Bonds. The bonds attributed to the Stormwater System were issued at a premium of \$165,692. The underwriters discount was \$19,474 with an additional \$15,869 in other issuance costs. The interest rate is 2% with maturity in 2037. The intent of the refunding is to consolidate debt and lower required debt service through interest savings. The outstanding principal balance of the bonds is \$2,925,000 at June 30, 2022.

In September 2021, the City issued General Obligation Refunding Bonds, Series 2021B, in the amount of \$6,785,000. The breakdown of these funds is as follows:

\$3,390,000 is attributed to the Water System for improvements and extensions to the water system. The bonds attributed to the water system were issued at a premium of \$169,862. The underwriters discount was \$29,901 with an additional \$32,356 in other issuance costs. The interest rate is 2% with maturity in 2041. The outstanding principal balance of the bonds is \$3,390,000 at June 30, 2022.

\$3,395,000 is attributed to the Wastewater System for improvements and extensions to the wastewater system. The bonds attributed to the wastewater system were issued at a premium of \$170,113. The underwriters discount was \$29,949 with an additional \$32,588 in other issuance costs. The interest rate is 2% with maturity in 2041. The outstanding principal balance of the bonds is \$3,395,000 at June 30, 2022.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Long-Term Liabilities (Continued)

Other than the financed purchase agreement 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 financed purchase agreement such that ownership of the equipment transfers to the Broadband System at the end of the contract. Principal and interest of \$4,772 is payable monthly through April 2025. The outstanding principal balance of the financed purchase obligations is \$145,496 at June 30, 2022.

Note 9. Fund Balance

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

| | General Fund | Other Governmental Funds |
|-------------------------------|-------------------------|---|
| Nonspendable: | | |
| Prepays | \$ 7,836 | \$ 168,859 |
| Inventories | 81,892 | - |
| Land held for sale | 8,907,955 | - |
| | <hr/> | <hr/> |
| Total nonspendable | 8,997,683 | 168,859 |
| | <hr/> | <hr/> |
| Restricted for: | | |
| General government | 156,469 | - |
| ARPA | - | 5,949 |
| Narcotics | - | 223,908 |
| E-Citation | - | 23,232 |
| Morristown landing operations | - | 379,901 |
| Capital projects | - | 513,686 |
| Community center | - | 11,177,897 |
| Public works | 148,064 | - |
| Other operations – airport | 422,438 | - |
| Solid waste | - | 1,060,193 |
| | <hr/> | <hr/> |
| Total restricted | 726,971 | 13,384,766 |
| | <hr/> | <hr/> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Fund Balance (Continued)

| | General Fund | Other Governmental Funds |
|------------------------------------|-------------------------|---|
| Committed to: | | |
| Capital projects | \$ - | \$ 1,346,706 |
| Total committed | - | 1,346,706 |
| Assigned to: | | |
| General government | 109,182 | - |
| Finance | 70,766 | - |
| Public safety | 669,265 | - |
| Public works | 455,190 | - |
| Social, cultural, and recreational | 127,484 | - |
| Capital projects | 5,760,000 | - |
| Other purposes | 901,000 | - |
| Total assigned | 8,092,887 | - |
| Unassigned | 21,250,417 | - |
| Total fund balance | \$ 39,067,958 | \$ 14,900,331 |

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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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, 2022

Note 10. Defined Benefit Pension Plan (Continued)

Benefits provided (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, 2021, the following employees were covered by the benefit terms:

| | |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 177 |
| Inactive employees entitled to but not yet receiving benefits | 124 |
| Active employees | <u>280</u> |
| Total covered employees | <u><u>581</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, 2022, employer contributions for the City were \$2,336,933 based on a rate of 15.17% 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 (asset)

The City's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability as of June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------------------|---|
| Inflation | 2.25% |
| 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 | 6.75%, net of pension plan investment expenses, including inflation |
| Cost-of-living adjustment | 2.125% |

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

The actuarial assumptions used in the June 30, 2021, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of assumptions

In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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, 2020 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 2.25%.

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, 2022

Note 10. Defined Benefit Pension Plan (Continued)

Changes of assumptions (Continued)

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> | <u>Target Allocation</u> |
|---------------------------------------|---|------------------------------|
| U.S. equity | 4.88 % | 31.00 % |
| Developed market international equity | 5.37 | 14.00 |
| Emerging market international equity | 6.09 | 4.00 |
| Private equity and strategic lending | 6.57 | 20.00 |
| U.S. fixed income | 1.20 | 20.00 |
| Real estate | 4.38 | 10.00 |
| Short-term securities | 0.00 | 1.00 |
| | | <u>100.00 %</u> |

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate

The discount rate used to measure the total pension liability was 6.75%. 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, 2022

Note 10. Defined Benefit Pension Plan (Continued)

Changes in net pension liability (asset)

| | Increase (Decrease) | | |
|--|--|--|--|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (Asset) (a) – (b) |
| Balances at June 30, 2020 | \$ 83,440,519 | \$ 75,525,122 | \$ 7,915,397 |
| Changes for the year: | | | |
| Service cost | 1,228,347 | - | 1,228,347 |
| Interest | 5,975,256 | - | 5,975,256 |
| Differences between expected and actual experience | (860,447) | - | (860,447) |
| Changes in assumptions | 5,844,140 | - | 5,844,140 |
| Contributions – employer | - | 2,291,487 | (2,291,487) |
| Contributions – employee | - | 755,427 | (755,427) |
| Net investment income | - | 19,292,061 | (19,292,061) |
| Benefit payments, including refunds of employee contributions | (4,503,084) | (4,503,084) | - |
| Administrative expenses | - | (25,177) | 25,177 |
| Net changes | 7,684,212 | 17,810,714 | (10,126,502) |
| Balances at June 30, 2021 | \$ 91,124,731 | \$ 93,335,836 | \$ (2,211,105) |

Sensitivity of the net pension liability (asset) to changes in the discount rate

The following presents the net pension liability (asset) of the City calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

| | 1.00% Decrease (5.75%) | Current Discount Rate (6.75%) | 1.00% Increase (7.75%) |
|--------------------------------------|---------------------------------------|--|---------------------------------------|
| City's net pension liability (asset) | \$ 9,887,776 | \$ (2,211,105) | \$ (12,260,293) |

Pension expense (negative pension expense) and deferred outflows of resources and deferred inflows of resources related to pensions

Pension expense (negative pension expense):

For the year ended June 30, 2022, the City recognized pension expense (negative pension expense) of \$(1,048,553).

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 10. Defined Benefit Pension Plan (Continued)

Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2022, 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 | \$ 1,159,990 | \$ 1,206,132 |
| Net difference between projected and actual earnings on pension plan investments | - | 10,285,944 |
| Changes in assumptions | 5,540,729 | - |
| Contributions subsequent to the measurement date of June 30, 2021 | <u>2,336,933</u> | <u>-</u> |
| | <u><u>\$ 9,037,652</u></u> | <u><u>\$ 11,492,076</u></u> |

The amount shown above for contributions subsequent to the measurement date of June 30, 2021, 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, | Increase (Reduction) to Pension Expense |
|---------------------------------|--|
| 2023 | \$ (1,495,831) |
| 2024 | (1,335,584) |
| 2025 | (1,439,450) |
| 2026 | (1,944,399) |
| 2027 | 711,956 |
| Thereafter | 711,951 |

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

Payable to the pension plan

At June 30, 2022, the City reported a payable of \$85,351 for the outstanding amount of contributions to the pension plan required at the ended June 30, 2022.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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> | | | | | | |
| 2022 | \$ 6,730,764 | \$ 6,527,027 | \$ 977,979 | 15 % | \$ 471,173 | 7.00 % |
| 2021 | 6,371,003 | 6,245,357 | 935,814 | 15 | 448,682 | 7.00 |
| 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> | | | | | | |
| 2022 | \$ 1,751,606 | \$ 1,713,082 | \$ 251,966 | 15 % | \$ 132,880 | 8.00 % |
| 2021 | 1,701,787 | 1,675,645 | 245,819 | 15 | 126,475 | 8.00 |
| 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> | | | | | | |
| 2022 | \$ 2,024,261 | \$ 1,911,000 | \$ 286,235 | 15 % | \$ 108,698 | 5.00 % |
| 2021 | 2,137,475 | 2,069,162 | 307,899 | 15 | 110,657 | 5.00 |
| 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> | | | | | | |
| 2022 | \$ 2,260,498 | \$ 2,167,626 | \$ 324,536 | 15 % | \$ 167,708 | 8.00 % |
| 2021 | 2,152,268 | 2,087,070 | 311,942 | 15 | 174,904 | 8.00 |
| 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, 2022

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 2022, 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. No stand-alone financial report is issued for this 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, 2022

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

Employees covered by benefit terms

As of the June 30, 2021 actuarial valuation, the following employees were covered by the benefit terms of the plan:

| | <u>Number</u> |
|--|---------------|
| Inactive employees or beneficiaries: | |
| Currently receiving benefits | 36 |
| Entitled to but not yet receiving benefits | - |
| | <hr/> |
| Total inactive employees | 36 |
| Active plan members | <hr/> |
| | 290 |
| | <hr/> |
| | 326 |
| | <hr/> <hr/> |

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 \$5,592,605 was measured as of June 30, 2022 and was determined by an actuarial valuation performed as of June 30, 2022.

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 | 6.58% |
| Inflation | 2.50% |
| Salary increases, including inflation | 4.0% |
| Payroll Growth Rate | 2.50% |
| Investment rate of return | 6.58% |
| Healthcare cost trend rates | 5.00%-6.50% |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Actuarial assumptions and other inputs (Continued)

Mortality rates: The mortality rates are from the RP-2014 Combined Fully Generational Mortality Table with projection scale MP 2020.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2021.

Change in assumptions: The healthcare trend rate was updated to 6.5%, 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 RPH 2014 headcount weighted total dataset fully generational table with projection scale MP-2020.

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 Real Rate of Return</u> | <u>Weighted Average Long-Term Real Rate of Return</u> |
|-------------------------------|--------------------------|---|---|
| Large Cap | 26.00 % | 5.86 % | 1.52 % |
| Small/Mid Cap | 28.00 | 7.04 | 1.97 |
| Non-US Equity-Developed | 3.00 | 6.59 | 0.20 |
| Non-US Equity-Emerging | 2.00 | 8.83 | 0.18 |
| Core Fixed Income | 12.00 | 1.24 | 0.15 |
| High Yield Fixed Income | 7.00 | 3.64 | 0.25 |
| US Treasuries | 7.00 | (0.22) | (0.02) |
| TIPS | 5.00 | 0.44 | 0.02 |
| Real Estate | 10.00 | 5.41 | 0.54 |
| Total | 100.00 % | | 4.81 % |
| | Inflation | | 2.50 % |
| | | | <u>7.31 %</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Discount rate

The discount rate used to measure the net OPEB liability was 6.58%. 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.

Rate of return

For the year ended June 30, 2022, the annual money weighted rate of return on investments of the OPEB Plan, net of investment expense, was (14.07) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2021 | \$ 6,662,687 | \$ 1,253,259 | \$ - | \$ 5,409,428 |
| Changes for the year: | | | | |
| Service cost | 175,374 | - | - | 175,374 |
| Interest | 433,426 | - | - | 433,426 |
| Differences between expected and actual experience | - | (267,025) | - | 267,025 |
| Assumption changes | - | - | - | - |
| Contributions – employer | - | 100,000 | 510,183 | (610,183) |
| Net investment income | - | 82,465 | - | (82,465) |
| Benefit payments | (510,183) | - | (510,183) | - |
| Other changes | - | - | - | - |
| Net changes | 98,617 | (84,560) | - | 183,177 |
| Balances at June 30, 2022 | \$ 6,761,304 | \$ 1,168,699 | \$ - | \$ 5,592,605 |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 (5.58%) or one percentage point higher (7.58%) than the current discount rate:

| | 1.00% Decrease (5.58%) | Current Discount Rate (6.58%) | 1.00% Increase (7.58%) |
|--------------------|---------------------------------------|--|---------------------------------------|
| Net OPEB liability | \$ 6,184,464 | \$ 5,592,605 | \$ 5,067,725 |

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 (5.50% decreasing to 4.00%) | Current Healthcare Cost Trend Rates (6.50% decreasing to 5.00%) | 1.00% Increase (7.50% decreasing to 6.00%) |
|--------------------|---|--|---|
| Net OPEB liability | \$ 4,918,164 | \$ 5,592,605 | \$ 6,389,087 |

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

For the year ended June 30, 2022, the City recognized OPEB expense of \$500,180. At June 30, 2022, 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 | \$ 234,229 | \$ 439,619 |
| Change in assumptions | 325,318 | 683,552 |
| Net difference between projected and actual earnings on OPEB plan investments | 90,920 | - |
| | <u>\$ 650,467</u> | <u>\$ 1,123,171</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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
(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 |
|---------------------------------|---|
| 2023 | \$ 26,155 |
| 2024 | 23,447 |
| 2025 | 36,114 |
| 2026 | (11,074) |
| 2027 | 42,327 |
| Thereafter | 355,735 |

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, 2022 are based on an actuarial valuation performed as of July 1, 2021 and updated to June 30, 2022.

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.

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.

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2021:

| | <u>Actives</u> | <u>Inactives Receiving Benefits</u> | <u>Total</u> |
|--------|----------------|---|--------------|
| Male | 122 | 4 | 126 |
| Female | 29 | 1 | 30 |
| Total | <u>151</u> | <u>5</u> | <u>156</u> |

Total OPEB liability

Total OPEB liability of the Commission is as follows as of June 30, 2022:

| | <u>Power System</u> | <u>Water System</u> | <u>Wastewater System</u> | <u>Broadband System</u> | <u>Total Commission</u> |
|-------------------------|-------------------------|-------------------------|------------------------------|-----------------------------|-----------------------------|
| Total OPEB liability \$ | 1,143,893 | \$ 399,105 | \$ 224,884 | \$ 228,720 | <u>\$ 1,996,602</u> |

Changes in total OPEB liability

The changes in the total OPEB liability are as follows for 2022:

| | |
|---|---------------------|
| Total OPEB liability at beginning of year | <u>\$ 2,190,076</u> |
| Changes for the year: | |
| Service cost | 153,844 |
| Interest | 47,082 |
| Changes in benefit terms | - |
| Differences between expected and actual experience | (25,358) |
| Changes in assumptions and other inputs | (266,868) |
| Benefit payments | <u>(102,174)</u> |
| Net changes for the year | <u>(193,474)</u> |
| Total OPEB liability at end of year | <u>\$ 1,996,602</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 3.54% was used for the year ending June 30, 2022, based on the Bond Buyer's 20 Bond Index. The mortality rates are from the RPH-2014 Total Dataset fully generational projected table with projection scale MP-2021.

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

| <u>Age</u> | <u>Years of Service</u> | | |
|------------|-------------------------|--------------|------------|
| | <u>< 15</u> | <u>15-29</u> | <u>30+</u> |
| 55-59 | 0.0% | 0.0% | 7.5% |
| 60 | 10.5 | 12.5 | 12.5 |
| 61 | 15.0 | 17.0 | 17.0 |
| 62 | 20.0 | 22.0 | 22.0 |
| 63 | 17.5 | 19.5 | 19.5 |
| 64 | 17.5 | 19.5 | 19.5 |
| 65+ | 100.0 | 100.0 | 100.0 |

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

| <u>Age</u> | <u>Years of Service</u> | | |
|------------|-------------------------|--------------|------------|
| | <u>< 15</u> | <u>15-29</u> | <u>30+</u> |
| 55-59 | 0.0% | 0.0% | 7.5% |
| 60 | 11.5 | 13.0 | 13.0 |
| 61 | 13.0 | 15.0 | 15.0 |
| 62 | 18.0 | 20.0 | 20.0 |
| 63 | 16.0 | 18.0 | 18.0 |
| 64 | 16.0 | 18.0 | 18.0 |
| 65+ | 100.0 | 100.0 | 100.0 |

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

| <u>Age</u> | <u>Years of Service</u> | | | |
|------------|-------------------------|----------|------------------|--------------------|
| | <u>1</u> | <u>2</u> | <u>3+ (Male)</u> | <u>3+ (Female)</u> |
| 30 | 21.8% | 17.9% | 7.4 | 11.1% |
| 40 | 19.2 | 15.9 | 3.5 | 5.4 |
| 50 | 17.0 | 13.0 | 2.8 | 3.8 |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Actuarial methods and assumptions (Continued)

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>Health Care Trend Rate</u> |
|-------------|-----------------------------------|
| 2021 | 7.0% |
| 2022 | 6.5 |
| 2023 | 6.0 |
| 2024 | 5.5 |
| 2025 | 5.0 |
| 2026+ | 4.5 |

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 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

| <u>1.00% Decrease (2.54%)</u> | <u>Discount Rate (3.54%)</u> | <u>1.00% Increase (4.54%)</u> |
|---------------------------------------|--------------------------------------|---------------------------------------|
| \$ 2,125,112 | \$ 1,996,602 | \$ 1,874,347 |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

Sensitivity of the total OPEB liability (Continued)

The following presents the total OPEB liability of the Systems as of June 30, 2022, 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 (5.5%) decreasing to (3.5%) | Healthcare Cost Trend Rates (6.5%) decreasing to (4.5%) | 1.00% Increase (7.5%) decreasing to (5.5%) |
|---|--|---|
| \$ 1,803,186 | \$ 1,996,602 | \$ 2,223,124 |

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

For the year ended June 30, 2022, the Power, Water, Wastewater and Broadband Systems recognized OPEB expense of \$79,790, \$2,617, \$-0-, and \$1,604, respectively. At June 30, 2022, 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 | \$ 57,522 | \$ 2,112 | \$ 17,706 | \$ - |
| Change in assumptions | 53,055 | 17,711 | 11,303 | 15,392 |
| | <u>\$ 110,577</u> | <u>\$ 19,823</u> | <u>\$ 29,009</u> | <u>\$ 15,392</u> |
| Deferred Inflows of Resources | | | | |
| | Power | Water | Wastewater | Broadband |
| Experience loss | \$ 116,433 | \$ 44,462 | \$ - | \$ 50,905 |
| Change in assumptions | 109,149 | 19,094 | 56,495 | 61,564 |
| | <u>\$ 225,582</u> | <u>\$ 63,556</u> | <u>\$ 56,495</u> | <u>\$ 112,469</u> |

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

OPEB expense and deferred outflows of resources and deferred inflows of resources (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 Ended June 30, | Deferred Outflows/Inflows of Resources | | | |
|---------------------|--|--------------------|--------------------|--------------------|
| | Power | Water | Wastewater | Broadband |
| 2023 | \$ (17,830) | \$ (7,284) | \$ (3,246) | \$ (12,742) |
| 2024 | (17,830) | (7,284) | (3,246) | (12,742) |
| 2025 | (17,830) | (7,284) | (3,246) | (12,742) |
| 2026 | (17,830) | (7,032) | (3,246) | (12,742) |
| 2027 | (16,770) | (7,827) | (3,246) | (12,742) |
| Thereafter | (26,915) | (7,022) | (11,256) | (33,367) |
| | <u>\$ (115,005)</u> | <u>\$ (43,733)</u> | <u>\$ (27,486)</u> | <u>\$ (97,077)</u> |

Total OPEB expense for all plans totaled \$584,191.

Note 14. Leases

The City, as a lessor, has entered into several lease agreements involving land and airport hangers. The City has a lease receivable of \$1,304,468 and a deferred inflow of resources of \$1,917,368 as of June 30, 2022. The deferred inflow of resources was initially \$679,250 higher than the lease receivable as a result of lease payments made in advance. This amount had previously been recorded as unearned revenue. The deferred inflows related to leases will be recognized as revenue using the straight-line method over the life of each lease term. A reduction of the lease receivable of \$100,504 and interest revenue of \$65,631 was recognized during the year ended June 30, 2022. The portion of deferred inflows amortized during 2022 was \$166,854.

| Lease* | Contract Date | Maturity Date |
|-------------------------|---------------|---------------|
| Morristown Air Service* | 08/01/2020 | 06/01/2030 |
| Phillip Carlyle | 04/01/2019 | 03/01/2044 |
| Minors Marine | 02/17/2004 | 02/17/2024 |
| Henrikson Aviation | 03/15/2015 | 03/15/2039 |
| Med-Trans Lifestar* | 12/01/2006 | 11/02/2026 |
| Charter Central | 11/20/2013 | 10/20/2038 |
| Southeast Industrial | 10/22/2020 | 10/22/2049 |

* Contract includes option years that are reflected in maturity date.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 14. Leases (Continued)

| | Lease Receivable | |
|-----------|-------------------------|-------------------|
| | Principal | Interest |
| 2023 | \$ 105,458 | \$ 60,677 |
| 2024 | 110,016 | 55,479 |
| 2025 | 115,345 | 50,055 |
| 2026 | 121,031 | 44,369 |
| 2027 | 118,500 | 38,500 |
| 2028-2032 | 400,281 | 114,719 |
| 2033-2037 | 82,973 | 72,027 |
| 2038-2042 | 86,465 | 51,735 |
| 2043-2047 | 96,170 | 30,930 |
| 2048-2052 | 68,229 | 6,771 |
| Total | <u>\$ 1,304,468</u> | <u>\$ 525,262</u> |

Note 15. 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 16. 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 \$4,856,508 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 \$4,856,508, subject to contract provisions, up to a maximum aggregate reimbursement of \$1,000,000 per policy year.

(Continued)

CITY OF MORRISTOWN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 16. Commitments and Contingencies (Continued)

Claims liabilities

Liabilities of the internal service fund for self-insurance 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, 2022, and subsequently settled total approximately \$471,296, which is recorded as a payable in the internal service fund. Claims incurred but not reported are estimated to be insignificant as of June 30, 2022.

Commitments and contingencies

At June 30, 2022, 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.

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. Management believes any successful claims will be covered by insurance.

Note 17. 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 \$303,437 for the library's operations during the fiscal year ended June 30, 2022.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 17. Joint Ventures (Continued)

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, 2022, the City was charged \$677,912.

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 18. Subsequent Events

On December 1, 2022 the City issued Series 2022 general obligation bonds in the amount of \$4,500,000. The debt has an interest rate of 4-5% and is payable yearly beginning June 1, 2023 and maturing June 1, 2037. The issuance resulted in a premium of \$117,491.

In August 2022 the City was awarded \$23,430,325 in RAISE Grant Funding for a project to 1) narrow the roadway from 4 to 3 lanes, add sidewalks, multiuse path, landscaping, lighting, and signage on SR343/S Cumberland Street and 2) for ITS Traffic Signal Coordination through an update of 13 traffic signals.

Note 19. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective. The effective dates below are updated based on **Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance** due to the COVID-19 pandemic.

In May 2019, the GASB issued **Statement No. 91, Conduit Debt Obligations**. 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.

In March 2020, the GASB issued **Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements**. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 19. New Accounting Standards (Continued)

In May 2020, the GASB issued **Statement No. 96**, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

In April 2022, the GASB issued **Statement No. 99**, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

In June 2022, the GASB issued **Statement No. 100**, *Accounting Changes and Error Corrections*. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

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

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**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN MORRISTOWN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS BASED ON PARTICIPATION IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS June 30, 2022

| | Plan Year | | |
|---|-----------------------|---------------------|---------------------|
| | 2021 | 2020 | 2019 |
| Total Pension Liability | | | |
| Service cost | \$ 1,228,347 | \$ 1,233,197 | \$ 1,193,785 |
| Interest on total pension liability | 5,975,256 | 5,741,445 | 5,593,373 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | (860,447) | 969,693 | (307,533) |
| Changes in assumptions | 5,844,140 | - | - |
| Benefit payments, including refunds of employee contributions | (4,503,084) | (4,925,924) | (4,027,396) |
| Net change in total pension liability | 7,684,212 | 3,018,411 | 2,452,229 |
| Total pension liability – beginning | 83,440,519 | 80,422,108 | 77,969,879 |
| Total pension liability – ending | 91,124,731 | 83,440,519 | 80,422,108 |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 2,291,487 | 2,266,133 | 2,166,600 |
| Contributions – employee | 755,427 | 747,745 | 729,818 |
| Net investment income | 19,292,061 | 3,614,865 | 5,157,698 |
| Benefit payments, including refunds of employee contributions | (4,503,084) | (4,925,924) | (4,027,396) |
| Administrative expenses | (25,177) | (25,495) | (25,546) |
| Net change in plan fiduciary net position | 17,810,714 | 1,677,324 | 4,001,174 |
| Plan fiduciary net position – beginning | 75,525,122 | 73,847,798 | 69,846,624 |
| Plan fiduciary net position – ending | 93,335,836 | 75,525,122 | 73,847,798 |
| Net pension liability (asset) – ending | \$ (2,211,105) | \$ 7,915,397 | \$ 6,574,310 |
| Plan fiduciary net position as a percentage of total pension liability | 102% | 91% | 92% |
| Covered payroll | \$ 15,105,383 | \$ 14,938,250 | \$ 14,580,077 |
| Net pension liability (asset) as a percentage of covered employee payroll | -14.64% | 52.99% | 45.09% |

Changes of assumptions. In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, and mortality improvements. 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 2020 information was presented in the City's fiscal year 2021 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 this schedule.

EXHIBIT 13

| Plan Year | | | | |
|---------------|---------------|---------------|---------------|--|
| 2018 | 2017 | 2016 | 2015 | |
| \$ 1,154,404 | \$ 1,133,722 | \$ 1,047,579 | \$ 1,046,764 | |
| 5,329,715 | 5,262,280 | 5,091,070 | 4,991,380 | |
| - | - | - | - | |
| 1,198,233 | (943,037) | (164,027) | (1,019,195) | |
| - | 1,860,136 | - | - | |
| (4,142,751) | (3,825,670) | (3,730,258) | (3,650,880) | |
| 3,539,601 | 3,487,431 | 2,244,364 | 1,368,069 | |
| 74,430,278 | 70,942,847 | 68,698,483 | 67,330,414 | |
| 77,969,879 | 74,430,278 | 70,942,847 | 68,698,483 | |
| 2,114,084 | 2,087,774 | 2,123,622 | 1,999,102 | |
| 712,166 | 703,035 | 694,124 | 652,910 | |
| 5,404,804 | 6,759,639 | 1,569,650 | 1,794,350 | |
| (4,142,751) | (3,825,670) | (3,730,258) | (3,650,880) | |
| (26,895) | (24,114) | (21,456) | (14,221) | |
| 4,061,408 | 5,700,664 | 635,682 | 781,261 | |
| 65,785,216 | 60,084,552 | 59,448,870 | 58,667,609 | |
| 69,846,624 | 65,785,216 | 60,084,552 | 59,448,870 | |
| \$ 8,123,255 | \$ 8,645,062 | \$ 10,858,295 | \$ 9,249,613 | |
| 90% | 88% | 85% | 87% | |
| \$ 14,226,673 | \$ 14,049,621 | \$ 14,185,234 | \$ 13,452,906 | |
| 57.10% | 61.53% | 76.55% | 68.76% | |

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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, 2022

| 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 |
|---|--|---|---|----------------------------|---|
| 2022 | \$ 2,336,933 | \$ 2,336,933 | \$ - | \$ 15,404,963 | 15.17 % |
| 2021 | 2,291,487 | 2,291,487 | - | 15,105,383 | 15.17 |
| 2020 | 2,266,133 | 2,266,133 | - | 14,938,250 | 15.17 |
| 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, 2022**

| | Fiscal Year | | |
|---|---------------------|---------------------|---------------------|
| | 2022 | 2021 | 2020 |
| Total OPEB Liability | | | |
| Service cost | \$ 175,374 | \$ 163,335 | \$ 227,524 |
| Interest on total OPEB liability | 433,426 | 431,446 | 507,372 |
| Changes in benefit terms | - | - | - |
| Difference between expected and actual experience | - | (533,857) | - |
| Changes in assumptions and other inputs | - | (731,630) | (111,512) |
| Benefit payments, including refunds of employee contributions | (510,183) | (450,068) | (499,076) |
| Net change in total OPEB liability | 98,617 | (1,120,774) | 124,308 |
| Total OPEB liability – beginning | 6,662,687 | 7,783,461 | 7,659,153 |
| Total OPEB liability – ending | 6,761,304 | 6,662,687 | 7,783,461 |
| Plan Fiduciary Net Position | | | |
| Contributions – employer | 100,000 | 100,000 | 100,000 |
| Net investment income | 82,465 | 58,244 | 50,630 |
| Differences between expected and actual experience | (267,025) | 239,742 | (57,848) |
| Net change in plan fiduciary net position | (84,560) | 397,986 | 92,782 |
| Plan fiduciary net position – beginning | 1,253,259 | 855,273 | 762,491 |
| Plan fiduciary net position – ending | 1,168,699 | 1,253,259 | 855,273 |
| Net OPEB liability – ending | \$ 5,592,605 | \$ 5,409,428 | \$ 6,928,188 |
| Plan fiduciary net position as a percentage of total OPEB liability | 17% | 19% | 11% |
| Covered payroll | \$ 13,265,597 | \$ 12,942,046 | \$ 12,878,509 |
| Net OPEB liability as a percentage of covered employee payroll | 42% | 42% | 54% |

The plan years above are reported in the entity's financial statements in the fiscal year following the plan year – i.e., plan year 2020 information will be presented in the entity's fiscal year 2021 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 and 6.58% for 2021 and 2022. Additionally the Mortality improvement scale was changed to scale RP-200 full generational table with scale BB in 2019 from AA in 2018. In 2021 mortality table was changed to RPH-2014 headcount weighted fully generation table with scale MP-2020

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 this schedule.

EXHIBIT 15

| Fiscal Year | | |
|---------------|---------------|---------------|
| 2019 | 2018 | 2017 |
| \$ 205,890 | \$ 125,354 | \$ 122,297 |
| 500,435 | 335,358 | 333,893 |
| 1,605,545 | - | - |
| 362,379 | 11,546 | - |
| 511,478 | - | - |
| (428,784) | (463,208) | (414,252) |
| 2,756,943 | 9,050 | 41,938 |
| 4,902,210 | 4,893,160 | 4,851,222 |
| 7,659,153 | 4,902,210 | 4,893,160 |
| 100,000 | 100,000 | 100,000 |
| 42,454 | 31,073 | 29,896 |
| 13,558 | - | - |
| 156,012 | 131,073 | 129,896 |
| 606,479 | 475,406 | 345,510 |
| 762,491 | 606,479 | 475,406 |
| \$ 6,896,662 | \$ 4,295,731 | \$ 4,417,754 |
| 10% | 12% | 10% |
| \$ 12,564,399 | \$ 12,522,594 | \$ 12,217,165 |
| 55% | 34% | 36% |

CITY OF MORRISTOWN, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
MORRISTOWN UTILITIES RETIREE BENEFIT PLAN
June 30, 2022

| | Fiscal Year | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Total OPEB Liability | | | | | |
| Service cost | \$ 153,844 | \$ 213,360 | \$ 176,287 | \$ 156,987 | \$ 159,163 |
| Interest on total OPEB liability | 47,082 | 48,405 | 66,096 | 74,345 | 64,374 |
| Changes in benefit terms | - | - | (52,328) | - | - |
| Differences between expected and actual experience | (25,358) | - | (164,865) | - | - |
| Changes in assumptions and other inputs | (266,868) | 5,014 | 107,229 | 36,980 | (27,201) |
| Benefit payments, including refunds of employee contributions | (102,174) | (106,605) | (92,391) | (84,282) | (58,468) |
| Net change in total OPEB liability | (193,474) | 160,174 | 40,028 | 184,030 | 137,868 |
| Total OPEB liability – beginning | <u>2,190,076</u> | <u>2,029,902</u> | <u>1,989,874</u> | <u>1,805,844</u> | <u>1,667,976</u> |
| Total OPEB liability – ending | <u><u>\$ 1,996,602</u></u> | <u><u>\$ 2,190,076</u></u> | <u><u>\$ 2,029,902</u></u> | <u><u>\$ 1,989,874</u></u> | <u><u>\$ 1,805,844</u></u> |
| Covered employee payroll | <u>\$ 10,878,774</u> | <u>\$ 11,656,684</u> | <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> | <u>19%</u> | <u>18%</u> |
| Changes in assumptions: | | | | | |
| Discount rates | <u>3.54%</u> | <u>2.16%</u> | <u>2.21%</u> | <u>3.50%</u> | <u>3.87%</u> |

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

In 2021, amounts reported as changes in assumptions also include the following: the healthcare trend rate of 7.5% to 4.5% was decreased to 7.0% to 4.5%.

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, 2022

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

| | |
|------|-----------|
| 2022 | (14.07) % |
| 2021 | 32.47 |
| 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, 2022

| Entity Fiscal Year Ended June 30, | Actuarially Determined Employer Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Employee Payroll |
|--|---|---|---|----------------------------|--|
| Local Plan | | | | | |
| 2022 | \$ 535,577 | \$ 610,183 | \$ (74,606) | \$ 12,942,046 | 4.71 % |
| 2021 | 546,015 | 550,068 | (4,053) | 12,878,509 | 4.27 |
| 2020 | 661,596 | 599,784 | 61,812 | 12,564,399 | 4.77 |
| 2019 | 654,371 | 528,784 | 125,587 | 12,522,594 | 4.51 |
| 2018 | 559,489 | 563,489 | (4,000) | 12,217,165 | 4.61 |

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, 2022

Note 1. Methods and Assumptions

Valuation date:

Actuarially determined contribution rates for 2022 were calculated based on the June 30, 2020 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 (years) | 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% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4.00%; and modified mortality assumptions.

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**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF MORRISTOWN, TENNESSEE

**COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2022**

| | <u>Narcotics</u> | <u>E-Citation</u> | <u>Morristown Landing Operations</u> | <u>Total</u> |
|---|-------------------|-------------------|--|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 328,017 | \$ 68,080 | \$ 379,901 | \$ 775,998 |
| Receivables, net | - | 152 | - | 152 |
| Due from other governmental units | 3,243 | - | - | 3,243 |
| Prepaid | - | - | 168,859 | 168,859 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 331,260</u> | <u>\$ 68,232</u> | <u>\$ 548,760</u> | <u>\$ 948,252</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | \$ 3,282 | \$ 45,000 | \$ - | \$ 48,282 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>3,282</u> | <u>45,000</u> | <u>-</u> | <u>48,282</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unearned revenue | 104,070 | - | - | 104,070 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred inflows of resources | <u>104,070</u> | <u>-</u> | <u>-</u> | <u>104,070</u> |
| FUND BALANCES | | | | |
| Nonspendable | - | - | 168,859 | 168,859 |
| Restricted | 223,908 | 23,232 | 379,901 | 627,041 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>223,908</u> | <u>23,232</u> | <u>548,760</u> | <u>795,900</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 331,260</u> | <u>\$ 68,232</u> | <u>\$ 548,760</u> | <u>\$ 948,252</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, 2022**

| | <u>Narcotics</u> | <u>E-Citation</u> | <u>Morristown Landing Operations</u> | <u>Total</u> |
|---|-------------------|-------------------|--|-------------------|
| REVENUES | | | | |
| Licenses, permits, and fines | \$ 56,690 | \$ 11,017 | \$ - | \$ 67,707 |
| Other | 42,068 | - | - | 42,068 |
| Total revenues | 98,758 | 11,017 | - | 109,775 |
| EXPENDITURES | | | | |
| Public safety | 134,103 | 45,000 | - | 179,103 |
| Culture and recreation | - | - | 201,240 | 201,240 |
| Total expenditures | 134,103 | 45,000 | 201,240 | 380,343 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 750,000 | 750,000 |
| Total other financing sources and uses | - | - | 750,000 | 750,000 |
| Net change in fund balance | (35,345) | (33,983) | 548,760 | 479,432 |
| FUND BALANCES AT JULY 1 | 259,253 | 57,215 | - | 316,468 |
| FUND BALANCES AT JUNE 30 | <u>\$ 223,908</u> | <u>\$ 23,232</u> | <u>\$ 548,760</u> | <u>\$ 795,900</u> |

See Independent Auditor's Report.

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FIDUCIARY FUNDS

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

CITY OF MORRISTOWN, TENNESSEE

COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2022

| | Custodial Funds | | |
|---|------------------------|------------------------------|----------------------------------|
| | LAMPTO Fund | Employee Benefits | Total Custodial Funds |
| ASSETS | | | |
| Cash and cash equivalents | \$ 250,149 | \$ 17,637 | \$ 267,786 |
| Grant receivable | 23,167 | - | 23,167 |
| | | | |
| Total assets | 273,316 | 17,637 | 290,953 |
| | | | |
| LIABILITIES | | | |
| Accounts payable | 835 | - | 835 |
| Accrued payroll and related liabilities | 72 | - | 72 |
| | | | |
| Total liabilities | 907 | - | 907 |
| | | | |
| NET POSITION | | | |
| Restricted for: | | | |
| Organizations | 272,409 | - | 272,409 |
| Individuals | - | 17,637 | 17,637 |
| | | | |
| Total net position | \$ 272,409 | \$ 17,637 | \$ 290,046 |

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Year Ended June 30, 2022

| | LAMPTO | Custodial Funds | |
|--|--------------------------|-------------------------|--------------------------|
| | Fund | Employee | Total |
| | | Benefits | Custodial Funds |
| ADDITIONS | | | |
| Employer contributions | \$ - | \$ 75,135 | \$ 75,135 |
| Intergovernmental | 115,774 | - | 115,774 |
| Transfers in | 19,036 | - | 19,036 |
| | <u>134,810</u> | <u>75,135</u> | <u>209,945</u> |
| DEDUCTIONS | | | |
| Benefits | 10,786 | 73,306 | 84,092 |
| Administrative expenses | 6,904 | - | 6,904 |
| Medical, dental, and life insurance for retirees | 15,085 | - | 15,085 |
| Payroll | 77,439 | - | 77,439 |
| Other contracted services | 29,696 | - | 29,696 |
| | <u>139,910</u> | <u>73,306</u> | <u>213,216</u> |
| Change in net position | (5,100) | 1,829 | (3,271) |
| NET POSITION JULY 1 | <u>277,509</u> | <u>15,808</u> | <u>293,317</u> |
| NET POSITION JUNE 30 | <u><u>\$ 272,409</u></u> | <u><u>\$ 17,637</u></u> | <u><u>\$ 290,046</u></u> |

See Independent Auditor's Report.

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CUSTODIAL FUNDS

Custodial Funds are used to account for assets held by the City as custodian for private organizations or other governments.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2022

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 07-01-2021 | Issued During the Period | Paid and/or Matured During Period | Refunded During Period | Outstanding 06-30-2022 |
|---|--------------------------------|------------------|------------------|--------------------------|---------------------------|--------------------------------|--|---------------------------|---------------------------|
| GOVERNMENTAL ACTIVITIES | | | | | | | | | |
| GENERAL FUND | | | | | | | | | |
| \$4,000,000 Capital Outlay Notes, Series 2011 | \$ 3,750,000 | 2.06% | 2011 | 2024 | \$ 928,125 | \$ - | \$ 309,375 | \$ - | \$ 618,750 |
| \$5,000,000 Local Government Loan Program Bond, Series 2009 | 2,848,203 | Variable | 12-21-2009 | 2034 | 1,843,970 | - | 108,224 | - | 1,735,746 |
| General Obligation Bonds, Series 2017 | 9,710,000 | 3% to 3.75% | 03-30-2017 | 2042 | 8,490,000 | - | 295,000 | - | 8,195,000 |
| General Obligation Bonds Series 2018 | 19,190,000 | 3% to 5% | 10-24-2018 | 2042 | 16,085,000 | - | 1,170,000 | - | 14,915,000 |
| General Obligation Bonds Series 2019B | 37,250,000 | 5.00% | 12-02-2019 | 2049 | 36,380,000 | - | 910,000 | - | 35,470,000 |
| Total payable through general fund | | | | | 63,727,095 | - | 2,792,599 | - | 60,934,496 |
| SOLID WASTE FUND | | | | | | | | | |
| \$5,000,000 Local Government Loan Program Bond, Series 2009 | 162,919 | Variable | 12-21-2009 | 2034 | 105,423 | - | 6,194 | - | 99,229 |
| \$4,000,000 Capital Outlay Notes, Series 2011 | 250,000 | 2.06% | 2011 | 2024 | 61,875 | - | 20,625 | - | 41,250 |
| Total payable through solid waste fund | | | | | 167,298 | - | 26,819 | - | 140,479 |
| Total governmental activities | | | | | 63,894,393 | - | 2,819,418 | - | 61,074,975 |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | |
| Bonds payable | | | | | | | | | |
| Series 2018 General Obligation Bonds | 4,375,000 | 3% to 5% | 10-24-2018 | 2035 | 3,960,000 | - | 165,000 | - | 3,795,000 |
| Series 2018 General Obligation Bonds Refunding | 16,410,000 | 3% to 5% | 10-24-2018 | 2035 | 13,660,000 | - | 1,010,000 | - | 12,650,000 |
| Total bonds payable through power system fund | | | | | 17,620,000 | - | 1,175,000 | - | 16,445,000 |
| WATER SYSTEM | | | | | | | | | |
| Notes payable | | | | | | | | | |
| 2002 DWSRF Promissory Note | 8,500,000 | 2.61% | 08-09-2001 | 2026 | 3,069,624 | - | 100,794 | 2,968,830 | - |
| 2009 Promissory Note | 7,500,000 | 2.52% | 12-21-2009 | 2030 | 4,010,000 | - | 390,000 | - | 3,620,000 |
| 2011 DWSRF Promissory Note | 2,000,000 | 2.83% | 09-03-2009 | 2032 | 742,593 | - | 9,725 | 732,868 | - |
| Total notes payable through water sytsem fund | | | | | 7,822,217 | - | 500,519 | 3,701,698 | 3,620,000 |

(Continued)
See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2022

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 07-01-2021 | Issued During the Period | Paid and/or Matured During Period | Refunded During Period | Outstanding 06-30-2022 |
|--|--------------------------------|------------------|------------------|--------------------------|---------------------------|--------------------------------|--|---------------------------|---------------------------|
| BUSINESS-TYPE ACTIVITIES (Continued) | | | | | | | | | |
| WATER SYSTEM (Continued) | | | | | | | | | |
| Bonds payable | | | | | | | | | |
| Series 2021A General Obligation Bonds - Refunding | \$ 3,590,000 | 2.00% | 09-10-2021 | 2032 | \$ - | \$ 3,590,000 | \$ 685,000 | \$ - | \$ 2,905,000 |
| Series 2021B General Obligation Bonds | 3,390,000 | 2.00% | 09-10-2021 | 2041 | - | 3,390,000 | - | - | 3,390,000 |
| | | | | | | | | | |
| Total bonds payable through water system fund | | | | | - | 6,980,000 | 685,000 | - | 6,295,000 |
| WASTEWATER SYSTEM | | | | | | | | | |
| Notes payable | | | | | | | | | |
| 2007 CWSRF Promissory Note | 12,500,000 | 2.06% | 05-15-2007 | 2032 | 5,766,493 | - | 84,425 | 5,682,068 | - |
| 2009 CWSRF Promissory Note | 1,600,000 | 2.73% | 05-02-2011 | 2033 | 823,750 | - | 15,643 | 808,107 | - |
| 2013 CWSRF Promissory Note | 5,000,000 | 1.51% | 03-27-2013 | 2036 | 3,829,913 | - | 233,580 | - | 3,596,333 |
| 2009 Promissory Note | 5,000,000 | 2.91% | 12-21-2009 | 2035 | 1,234,905 | - | 72,484 | - | 1,162,421 |
| 2015 Promissory Note | 10,000,000 | 2.74% | 08-31-2015 | 2036 | 8,304,000 | - | 437,000 | - | 7,867,000 |
| 2016 Promissory Note | 15,000,000 | 2.27% | 12-23-2016 | 2037 | 2,603,000 | - | 657,000 | - | 1,946,000 |
| | | | | | | | | | |
| Total notes payable through wastewater fund | | | | | 22,562,061 | - | 1,500,132 | 6,490,175 | 14,571,754 |
| Bonds payable | | | | | | | | | |
| Series 2012 General Obligation Bonds | 26,000,000 | 2% to 4% | 05-30-2012 | 2037 | 17,309,383 | - | 1,086,116 | 16,223,267 | - |
| 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 | 7,845,000 | - | 965,000 | - | 6,880,000 |
| Series 2019 General Obligation Bonds – Refunding | 12,775,000 | 3% to 5% | 06-28-2019 | 2034 | 11,900,000 | - | 890,000 | - | 11,010,000 |
| Series 2021A General Obligation Bonds – Refunding | 21,740,000 | 2.00% | 09-10-2021 | 2037 | - | 21,740,000 | 850,000 | - | 20,890,000 |
| Series 2021B General Obligation Bonds | 3,395,000 | 2.00% | 09-10-2021 | 2041 | - | 3,395,000 | - | - | 3,395,000 |
| | | | | | | | | | |
| Total bonds payable through wastewater system fund | | | | | 47,114,383 | 25,135,000 | 3,791,116 | 16,223,267 | 52,235,000 |

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
Year Ended June 30, 2022

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 07-01-2021 | Issued During the Period | Paid and/or Matured During Period | Refunded During Period | Outstanding 06-30-2022 |
|---|--------------------------------|------------------|------------------|--------------------------|---------------------------|--------------------------------|--|---------------------------|---------------------------|
| BUSINESS-TYPE ACTIVITIES (Continued) | | | | | | | | | |
| BROADBAND SYSTEM | | | | | | | | | |
| Notes payable | | | | | | | | | |
| 2014 Promissory Note | \$ 1,000,000 | 2.59% | 06-26-2014 | 2024 | \$ 360,000 | \$ - | \$ 117,000 | \$ - | \$ 243,000 |
| 2016 Promissory Note | 2,000,000 | 2.00% | 12-23-2016 | 2022 | 416,000 | - | 416,000 | - | - |
| Finance purchase obligation | 293,664 | 5.47% | 05-01-2019 | 2025 | 193,349 | - | 47,853 | - | 145,496 |
| | | | | | | | | | |
| Total notes payable through broadband sytsem fund | | | | | 969,349 | - | 580,853 | - | 388,496 |
| | | | | | | | | | |
| Bonds payable | | | | | | | | | |
| Series 2018 General Obligation Bonds – Refunding | 3,810,000 | 3% to 5% | 10-24-2018 | 2035 | 3,330,000 | - | 180,000 | - | 3,150,000 |
| | | | | | | | | | |
| Total bonds payable through broadband system fund | | | | | 3,330,000 | - | 180,000 | - | 3,150,000 |
| STORMWATER SYSTEM | | | | | | | | | |
| Bonds payable | | | | | | | | | |
| \$5,000,000 Local Government Loan Program Bond, Series 2009 | 81,459 | Variable | 12-21-2009 | 2034 | 52,701 | - | 3,067 | - | 49,634 |
| \$31,000,000 GO Bonds, Series 2012 | 5,000,000 | 2% to 4% | 05-30-2012 | 2037 | 3,329,262 | - | 208,883 | 3,120,379 | - |
| Series 2021A General Obligation Bonds – Refunding | 2,990,000 | 2.00% | 09-10-2021 | 2037 | - | 2,990,000 | 65,000 | - | 2,925,000 |
| | | | | | | | | | |
| Total payable through storm water fund | | | | | 3,381,963 | 2,990,000 | 276,950 | 3,120,379 | 2,974,634 |
| | | | | | | | | | |
| Total payable business type activities | | | | | 102,799,973 | 35,105,000 | 8,689,570 | 29,535,519 | 99,679,884 |
| | | | | | | | | | |
| TOTAL DEBT – CITY OF MORRISTOWN | | | | | <u>\$ 166,694,366</u> | <u>\$ 35,105,000</u> | <u>\$ 11,508,988</u> | <u>\$ 29,535,519</u> | <u>\$ 160,754,859</u> |

See Independent Auditor's Report.

CITY OF MORRISTOWN, TN

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS – GOVERNMENTAL FUNDS
June 30, 2022

| Year | General Fund | | | | | | | | | | | Total |
|-------------|--|---------------------|--------------------------------------|---------------------|---------------------------------------|----------------------|--|-------------------|--|------------------|----------------------|-------|
| | General Obligation Bonds Series 2017 | | General Obligation Bonds Series 2018 | | General Obligation Bonds Series 2019B | | General Fund Tennessee Local Government Loan Program Series 2009 | | General Fund Capital Outlay Note Series 2011 | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | | |
| | | | | | | | | | | | | |
| 2023 | \$ 305,000 | \$ 268,463 | \$ 1,235,000 | \$ 627,350 | \$ 955,000 | \$ 1,217,738 | \$ 111,642 | \$ 46,873 | \$ 309,375 | \$ 9,560 | \$ 5,086,001 | |
| 2024 | 315,000 | 259,313 | 1,315,000 | 565,600 | 1,005,000 | 1,169,988 | 115,059 | 43,642 | 309,375 | 3,187 | 5,101,164 | |
| 2025 | 320,000 | 249,863 | 1,390,000 | 499,850 | 1,055,000 | 1,119,738 | 118,477 | 40,315 | - | - | 4,793,243 | |
| 2026 | 330,000 | 240,263 | 1,475,000 | 430,350 | 1,110,000 | 1,066,988 | 121,894 | 36,889 | - | - | 4,811,384 | |
| 2027 | 340,000 | 230,363 | 1,565,000 | 356,600 | 1,165,000 | 1,011,488 | 125,312 | 34,072 | - | - | 4,827,835 | |
| 2028 | 350,000 | 220,163 | 1,645,000 | 294,000 | 1,220,000 | 953,238 | 128,730 | 30,746 | - | - | 4,841,877 | |
| 2029 | 360,000 | 209,663 | 405,000 | 228,200 | 1,280,000 | 892,238 | 132,717 | 27,021 | - | - | 3,534,839 | |
| 2030 | 375,000 | 198,863 | 365,000 | 216,050 | 1,345,000 | 828,238 | 136,704 | 23,182 | - | - | 3,488,037 | |
| 2031 | 385,000 | 187,613 | 380,000 | 205,100 | 1,390,000 | 774,438 | 140,691 | 19,229 | - | - | 3,482,071 | |
| 2032 | 395,000 | 176,063 | 390,000 | 193,225 | 1,390,000 | 718,838 | 144,678 | 15,162 | - | - | 3,422,966 | |
| 2033 | 410,000 | 164,213 | 400,000 | 180,550 | 1,390,000 | 685,825 | 148,666 | 10,982 | - | - | 3,390,236 | |
| 2034 | 420,000 | 151,193 | 415,000 | 167,550 | 1,390,000 | 651,075 | 153,222 | 6,680 | - | - | 3,354,720 | |
| 2035 | 430,000 | 139,313 | 430,000 | 153,025 | 1,385,000 | 616,325 | 157,954 | 2,248 | - | - | 3,313,865 | |
| 2036 | 445,000 | 126,413 | 445,000 | 137,975 | 1,385,000 | 574,775 | - | - | - | - | 3,114,163 | |
| 2037 | 460,000 | 113,063 | 460,000 | 122,400 | 1,385,000 | 533,225 | - | - | - | - | 3,073,688 | |
| 2038 | 475,000 | 95,813 | 480,000 | 104,000 | 1,385,000 | 491,675 | - | - | - | - | 3,031,488 | |
| 2039 | 495,000 | 78,000 | 500,000 | 84,800 | 1,385,000 | 450,125 | - | - | - | - | 2,992,925 | |
| 2040 | 510,000 | 59,438 | 520,000 | 64,800 | 1,385,000 | 412,038 | - | - | - | - | 2,951,276 | |
| 2041 | 530,000 | 40,313 | 540,000 | 44,000 | 1,385,000 | 373,950 | - | - | - | - | 2,913,263 | |
| 2042 | 545,000 | 20,438 | 560,000 | 22,400 | 1,385,000 | 332,400 | - | - | - | - | 2,865,238 | |
| 2043 | - | - | - | - | 1,385,000 | 290,850 | - | - | - | - | 1,675,850 | |
| 2044 | - | - | - | - | 1,385,000 | 249,300 | - | - | - | - | 1,634,300 | |
| 2045 | - | - | - | - | 1,385,000 | 207,750 | - | - | - | - | 1,592,750 | |
| 2046 | - | - | - | - | 1,385,000 | 166,200 | - | - | - | - | 1,551,200 | |
| 2047 | - | - | - | - | 1,385,000 | 124,650 | - | - | - | - | 1,509,650 | |
| 2048 | - | - | - | - | 1,385,000 | 83,100 | - | - | - | - | 1,468,100 | |
| 2049 | - | - | - | - | 1,385,000 | 41,550 | - | - | - | - | 1,426,550 | |
| | <u>\$ 8,195,000</u> | <u>\$ 3,228,827</u> | <u>\$ 14,915,000</u> | <u>\$ 4,697,825</u> | <u>\$ 35,470,000</u> | <u>\$ 16,037,743</u> | <u>\$ 1,735,746</u> | <u>\$ 337,041</u> | <u>\$ 618,750</u> | <u>\$ 12,747</u> | <u>\$ 85,248,679</u> | |
| Solid Waste | | | | | | | | | | | | |
| | Tennessee Local Government Series 2009 | | Capital Outlay Note Series 2011 | | Total | | | | | | | |
| | Principal | Interest | Principal | Interest | | | | | | | | |
| 2023 | \$ 6,390 | \$ 2,740 | \$ 20,625 | \$ 637 | | | | | | | | |
| 2024 | 6,585 | 2,555 | 20,625 | 212 | | | | | | | | |
| 2025 | 6,781 | 2,365 | - | - | | | | | | | | |
| 2026 | 6,976 | 2,169 | - | - | | | | | | | | |
| 2027 | 7,172 | 1,967 | - | - | | | | | | | | |
| 2028 | 7,368 | 1,760 | - | - | | | | | | | | |
| 2029 | 7,596 | 1,546 | - | - | | | | | | | | |
| 2030 | 7,824 | 1,327 | - | - | | | | | | | | |
| 2031 | 8,052 | 1,101 | - | - | | | | | | | | |
| 2032 | 8,280 | 868 | - | - | | | | | | | | |
| 2033 | 8,509 | 629 | - | - | | | | | | | | |
| 2034 | 8,769 | 382 | - | - | | | | | | | | |
| 2035 | 8,927 | 129 | - | - | | | | | | | | |
| | <u>\$ 99,229</u> | <u>\$ 19,538</u> | <u>\$ 41,250</u> | <u>\$ 849</u> | <u>\$ 160,866</u> | | | | | | | |

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS – BUSINESS TYPE FUNDS
June 30, 2022

| Fiscal Year Ended June 30, | Stormwater Fund | | | | | Power System | | | | |
|----------------------------------|----------------------------|-----------------|----------------------------|-------------------|---------------------|--------------------------|---------------------|----------------------------|---------------------|----------------------|
| | Tennessee Local Government | | General Obligation Bonds – | | | General Obligation Bonds | | General Obligation Bonds – | | |
| | Loan Program | | Refundings | | | Series 2018 | | Refundings | | |
| | Series 2009 | | Series 2021A | | | Series 2018 | | Series 2018 | | |
| | Principal | Interest | Principal | Interest | Total | Principal | Interest | Principal | Interest | Total |
| 2023 | \$ 3,195 | \$ 1,370 | \$ 240,000 | \$ 58,500 | \$ 303,065 | \$ 170,000 | \$ 144,625 | \$ 1,055,000 | \$ 509,113 | \$ 1,878,738 |
| 2024 | 3,293 | 1,278 | 235,000 | 53,700 | 293,271 | 180,000 | 136,125 | 1,105,000 | 456,363 | 1,877,488 |
| 2025 | 3,390 | 1,182 | 230,000 | 49,000 | 283,572 | 190,000 | 127,125 | 1,155,000 | 401,113 | 1,873,238 |
| 2026 | 3,488 | 1,084 | 220,000 | 4,400 | 228,972 | 200,000 | 117,625 | 1,205,000 | 343,363 | 1,865,988 |
| 2027 | 3,586 | 983 | 215,000 | 40,000 | 259,569 | 210,000 | 107,625 | 1,260,000 | 283,113 | 1,860,738 |
| 2028 | 3,684 | 880 | 210,000 | 35,700 | 250,264 | 220,000 | 99,225 | 1,305,000 | 232,713 | 1,856,938 |
| 2029 | 3,798 | 773 | 205,000 | 31,500 | 241,071 | 225,000 | 90,425 | 725,000 | 180,513 | 1,220,938 |
| 2030 | 3,912 | 663 | 195,000 | 27,400 | 226,975 | 235,000 | 83,675 | 745,000 | 158,763 | 1,222,438 |
| 2031 | 4,026 | 550 | 195,000 | 23,500 | 223,076 | 240,000 | 76,625 | 770,000 | 136,413 | 1,223,038 |
| 2032 | 4,140 | 434 | 185,000 | 19,600 | 209,174 | 245,000 | 69,125 | 790,000 | 112,350 | 1,216,475 |
| 2033 | 4,254 | 314 | 180,000 | 15,900 | 200,468 | 255,000 | 61,163 | 820,000 | 86,675 | 1,222,838 |
| 2034 | 4,385 | 191 | 170,000 | 12,300 | 186,876 | 265,000 | 52,875 | 845,000 | 60,025 | 1,222,900 |
| 2035 | 4,483 | 64 | 160,000 | 8,900 | 173,447 | 275,000 | 43,600 | 870,000 | 30,450 | 1,219,050 |
| 2036 | - | - | 145,000 | 5,700 | 150,700 | 285,000 | 33,975 | - | - | 318,975 |
| 2037 | - | - | 140,000 | 2,800 | 142,800 | 295,000 | 24,000 | - | - | 319,000 |
| 2038 | - | - | - | - | - | 305,000 | 12,200 | - | - | 317,200 |
| | <u>\$ 49,634</u> | <u>\$ 9,766</u> | <u>\$ 2,925,000</u> | <u>\$ 388,900</u> | <u>\$ 3,373,300</u> | <u>\$ 3,795,000</u> | <u>\$ 1,280,013</u> | <u>\$ 12,650,000</u> | <u>\$ 2,990,967</u> | <u>\$ 20,715,980</u> |

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS – BUSINESS TYPE FUNDS
June 30, 2022

| Water System | | | | | | | | |
|---|---------------------------------|-------------------|---|-------------------|---|-------------------|----------------------|--|
| Fiscal Year Ended June 30, | Promissory Note 2009 | | General Obligation Bonds – Refunding 2021A | | General Obligation Bonds – Refunding 2021B | | Total | |
| | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 2023 | \$ 400,000 | \$ 86,184 | \$ 665,000 | \$ 58,100 | \$ 110,000 | \$ 67,800 | \$ 1,387,084 | |
| 2024 | 415,000 | 75,915 | 660,000 | 44,800 | 165,000 | 65,600 | 1,426,315 | |
| 2025 | 430,000 | 65,268 | 640,000 | 31,600 | 185,000 | 62,300 | 1,414,168 | |
| 2026 | 445,000 | 54,243 | 565,000 | 18,800 | 160,000 | 58,600 | 1,301,643 | |
| 2027 | 460,000 | 42,840 | 70,000 | 7,500 | 160,000 | 55,400 | 795,740 | |
| 2028 | 475,000 | 31,059 | 70,000 | 6,100 | 160,000 | 52,200 | 794,359 | |
| 2029 | 490,000 | 18,900 | 70,000 | 4,700 | 165,000 | 49,000 | 797,600 | |
| 2030 | 505,000 | 6,363 | 70,000 | 3,300 | 170,000 | 45,700 | 800,363 | |
| 2031 | - | - | 50,000 | 1,900 | 175,000 | 42,300 | 269,200 | |
| 2032 | - | - | 45,000 | 900 | 180,000 | 38,800 | 264,700 | |
| 2033 | - | - | - | - | 180,000 | 35,200 | 215,200 | |
| 2034 | - | - | - | - | 185,000 | 31,600 | 216,600 | |
| 2035 | - | - | - | - | 190,000 | 27,900 | 217,900 | |
| 2036 | - | - | - | - | 195,000 | 24,100 | 219,100 | |
| 2037 | - | - | - | - | 195,000 | 20,200 | 215,200 | |
| 2038 | - | - | - | - | 200,000 | 16,300 | 216,300 | |
| 2039 | - | - | - | - | 200,000 | 12,300 | 212,300 | |
| 2040 | - | - | - | - | 205,000 | 8,300 | 213,300 | |
| 2041 | - | - | - | - | 210,000 | 4,200 | 214,200 | |
| | <u>\$ 3,620,000</u> | <u>\$ 380,772</u> | <u>\$ 2,905,000</u> | <u>\$ 177,700</u> | <u>\$ 3,390,000</u> | <u>\$ 717,800</u> | <u>\$ 11,191,272</u> | |

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS – BUSINESS TYPE FUNDS
June 30, 2022

| Fiscal Year Ended June 30, | Wastewater System | | | | | | | | | |
|----------------------------------|-------------------------------|-------------------|-------------------------|-------------------|-------------------------|---------------------|-------------------------|------------------|---|---------------------|
| | CWSRF Promissory Note 2013 | | Promissory Note 2009 | | Promissory Note 2015 | | Promissory Note 2016 | | General Obligation Bonds Series 2018 | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| 2023 | \$ 237,132 | \$ 52,663 | \$ 74,774 | \$ 32,739 | \$ 449,000 | \$ 206,692 | \$ 672,000 | \$ 36,591 | \$ - | \$ 339,069 |
| 2024 | 240,732 | 49,058 | 77,063 | 30,530 | 462,000 | 194,453 | 688,000 | 21,155 | - | 339,069 |
| 2025 | 244,392 | 45,397 | 79,352 | 28,254 | 474,000 | 180,808 | 586,000 | 6,673 | - | 339,069 |
| 2026 | 248,112 | 41,681 | 81,641 | 25,911 | 487,000 | 167,340 | - | - | - | 339,069 |
| 2027 | 251,880 | 37,909 | 83,930 | 23,502 | 501,000 | 153,487 | - | - | - | 339,069 |
| 2028 | 255,720 | 34,079 | 86,218 | 21,026 | 514,000 | 139,655 | - | - | - | 339,069 |
| 2029 | 259,608 | 30,191 | 88,889 | 18,479 | 529,000 | 124,645 | - | - | 985,000 | 339,069 |
| 2030 | 263,556 | 26,243 | 91,559 | 15,853 | 543,000 | 109,628 | - | - | 1,015,000 | 309,519 |
| 2031 | 267,564 | 22,236 | 94,231 | 13,150 | 558,000 | 94,197 | - | - | 1,045,000 | 279,069 |
| 2032 | 271,632 | 18,167 | 96,901 | 10,369 | 573,000 | 78,565 | - | - | 1,075,000 | 246,413 |
| 2033 | 275,760 | 14,037 | 99,571 | 7,510 | 589,000 | 62,063 | - | - | 1,110,000 | 211,475 |
| 2034 | 279,948 | 9,844 | 102,623 | 4,568 | 605,000 | 45,333 | - | - | 1,145,000 | 175,400 |
| 2035 | 284,208 | 5,588 | 105,669 | 1,538 | 622,000 | 28,133 | - | - | 1,185,000 | 135,325 |
| 2036 | 216,089 | 1,362 | - | - | 961,000 | 2,311 | - | - | 1,230,000 | 93,850 |
| 2037 | - | - | - | - | - | - | - | - | - | 50,800 |
| 2038 | - | - | - | - | - | - | - | - | - | - |
| 2039 | - | - | - | - | - | - | - | - | - | - |
| 2040 | - | - | - | - | - | - | - | - | - | - |
| 2041 | - | - | - | - | - | - | - | - | - | - |
| | <u>\$ 3,596,333</u> | <u>\$ 388,455</u> | <u>\$ 1,162,421</u> | <u>\$ 233,429</u> | <u>\$ 7,867,000</u> | <u>\$ 1,587,310</u> | <u>\$ 1,946,000</u> | <u>\$ 64,419</u> | <u>\$ 8,790,000</u> | <u>\$ 3,875,334</u> |

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS – BUSINESS TYPE FUNDS
June 30, 2022

| Fiscal Year Ended June 30, | Wastewater System | | | | | | | | |
|----------------------------------|----------------------------|--------------|----------------------------|--------------|----------------------------|--------------|----------------------------|------------|---------------|
| | General Obligation Bonds – | | General Obligation Bonds – | | General Obligation Bonds – | | General Obligation Bonds – | | Total |
| | Refunding | | Refunding | | Refunding | | Refunding | | |
| | Series 2018 | | Series 2019 | | 2021A | | 2021B | | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2023 | \$ 1,015,000 | \$ 318,850 | \$ 900,000 | \$ 418,100 | \$ 1,425,000 | \$ 417,800 | \$ - | \$ 67,900 | \$ 6,663,310 |
| 2024 | 1,065,000 | 268,100 | 905,000 | 372,975 | 1,455,000 | 389,300 | 105,000 | 67,900 | 6,730,335 |
| 2025 | 1,115,000 | 214,850 | 915,000 | 327,475 | 1,625,000 | 360,200 | 125,000 | 65,800 | 6,732,270 |
| 2026 | 1,170,000 | 159,100 | 925,000 | 281,475 | 1,890,000 | 327,700 | 165,000 | 63,300 | 6,372,329 |
| 2027 | 1,230,000 | 100,600 | 935,000 | 234,975 | 1,740,000 | 289,900 | 170,000 | 60,000 | 6,151,252 |
| 2028 | 1,285,000 | 51,400 | 935,000 | 192,900 | 1,715,000 | 255,100 | 170,000 | 56,600 | 6,050,767 |
| 2029 | - | - | 935,000 | 155,500 | 1,695,000 | 220,800 | 175,000 | 53,200 | 5,609,381 |
| 2030 | - | - | 930,000 | 122,850 | 1,675,000 | 186,900 | 180,000 | 49,700 | 5,518,808 |
| 2031 | - | - | 920,000 | 95,100 | 1,620,000 | 153,400 | 185,000 | 46,100 | 5,393,047 |
| 2032 | - | - | 910,000 | 67,650 | 1,275,000 | 121,000 | 190,000 | 42,400 | 4,976,097 |
| 2033 | - | - | 900,000 | 40,500 | 1,000,000 | 95,500 | 195,000 | 38,600 | 4,639,016 |
| 2034 | - | - | 900,000 | 13,500 | 870,000 | 75,500 | 200,000 | 34,700 | 4,461,416 |
| 2035 | - | - | - | - | 980,000 | 58,100 | 205,000 | 30,700 | 3,641,261 |
| 2036 | - | - | - | - | 970,000 | 38,500 | 210,000 | 26,600 | 3,749,712 |
| 2037 | - | - | - | - | 955,000 | 19,100 | 215,000 | 22,400 | 1,262,300 |
| 2038 | - | - | - | - | - | - | 220,000 | 18,100 | 238,100 |
| 2039 | - | - | - | - | - | - | 220,000 | 13,700 | 233,700 |
| 2040 | - | - | - | - | - | - | 230,000 | 9,300 | 239,300 |
| 2041 | - | - | - | - | - | - | 235,000 | 4,700 | 239,700 |
| | \$ 6,880,000 | \$ 1,112,900 | \$ 11,010,000 | \$ 2,323,000 | \$ 20,890,000 | \$ 3,008,800 | \$ 3,395,000 | \$ 771,700 | \$ 78,902,101 |

(Continued)

See Independent Auditor's Report.

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF BOND, NOTE, AND INTEREST REQUIREMENTS – BUSINESS TYPE FUNDS
June 30, 2022

| Totals Ended June 30, | Broadband System | | | | | | |
|-----------------------------|-------------------------|-----------------|---|-------------------|---------------------------------|------------------|---------------------|
| | Promissory Note 2014 | | General Obligation Bonds Series 2018 | | Financed Purchase Obligation | | Total |
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2023 | \$ 120,000 | \$ 4,740 | \$ 185,000 | \$ 119,700 | \$ 50,537 | \$ 6,727 | \$ 486,704 |
| 2024 | 123,000 | 1,593 | 195,000 | 110,450 | 53,372 | 3,892 | 487,307 |
| 2025 | - | - | 205,000 | 100,700 | 41,587 | 963 | 348,250 |
| 2026 | - | - | 215,000 | 88,450 | - | - | 303,450 |
| 2027 | - | - | 225,000 | 79,700 | - | - | 304,700 |
| 2028 | - | - | 235,000 | 70,700 | - | - | 305,700 |
| 2029 | - | - | 245,000 | 61,300 | - | - | 306,300 |
| 2030 | - | - | 255,000 | 53,950 | - | - | 308,950 |
| 2031 | - | - | 260,000 | 46,300 | - | - | 306,300 |
| 2032 | - | - | 270,000 | 38,175 | - | - | 308,175 |
| 2033 | - | - | 280,000 | 29,400 | - | - | 309,400 |
| 2034 | - | - | 285,000 | 20,300 | - | - | 305,300 |
| 2035 | - | - | 295,000 | 10,325 | - | - | 305,325 |
| 2036 | - | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - | - |
| | <u>\$ 243,000</u> | <u>\$ 6,333</u> | <u>\$ 3,150,000</u> | <u>\$ 829,450</u> | <u>\$ 145,496</u> | <u>\$ 11,582</u> | <u>\$ 4,385,861</u> |

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, 2022**

| | Budgeted Amounts | | Actual | | Budgetary | Variance with |
|---|-------------------------|--------------|----------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | Encumbrances | Basis | Final Budget |
| | | | | | Expenditures | Positive |
| | | | | | | (Negative) |
| REVENUES | | | | | | |
| Fines and forfeitures | \$ 5,000 | \$ 5,000 | \$ 56,690 | \$ - | \$ 56,690 | \$ 51,690 |
| Intergovernmental | 40,000 | 40,000 | 42,068 | - | 42,068 | 2,068 |
| Total revenues | 45,000 | 45,000 | 98,758 | - | 98,758 | 53,758 |
| EXPENDITURES | | | | | | |
| Public safety | 302,883 | 302,883 | 134,103 | 122,110 | 256,213 | 46,670 |
| Total expenditures | 302,883 | 302,883 | 134,103 | 122,110 | 256,213 | 46,670 |
| Excess (deficiency) of revenues over expenditures | (257,883) | (257,883) | (35,345) | (122,110) | (157,455) | 100,428 |
| Net change in fund balance | (257,883) | (257,883) | (35,345) | (122,110) | (157,455) | 100,428 |
| FUND BALANCES, beginning | 97,702 | 78,102 | 259,253 | 65,089 | 324,342 | - |
| FUND BALANCES, ending | \$ (160,181) | \$ (179,781) | \$ 223,908 | \$ (57,021) | \$ 166,887 | \$ 100,428 |

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, 2022**

| | Budgeted Amounts | | Actual | Encumbrances | Budgetary | Variance with |
|---|-------------------------|--------------|----------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | | Basis | Final Budget |
| | | | | | Expenditures | Positive |
| | | | | | | (Negative) |
| REVENUES | | | | | | |
| Fines and forfeitures | \$ 1,000 | \$ 1,000 | \$ 11,017 | \$ - | \$ 11,017 | \$ 10,017 |
| Total revenues | 1,000 | 1,000 | 11,017 | - | 11,017 | 10,017 |
| EXPENDITURES | | | | | | |
| Public safety | - | 247,506 | 45,000 | 198,932 | 243,932 | 3,574 |
| Total expenditures | - | 247,506 | 45,000 | 198,932 | 243,932 | 3,574 |
| Excess (deficiency) of revenues over expenditures | 1,000 | (246,506) | (33,983) | (198,932) | (232,915) | 13,591 |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | - | 247,506 | - | - | - | (247,506) |
| Total other financing sources | - | 247,506 | - | - | - | (247,506) |
| Net change in fund balance | 1,000 | 1,000 | (33,983) | (198,932) | (232,915) | (233,915) |
| FUND BALANCES, beginning | 63,397 | 63,397 | 57,215 | - | 57,215 | - |
| FUND BALANCES, ending | \$ 64,397 | \$ 64,397 | \$ 23,232 | \$ (198,932) | \$ (175,700) | \$ (233,915) |

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

SCHEDULE 3

CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUDGETARY BASIS – MORRISTOWN LANDING OPERATIONS FUND
Year Ended June 30, 2022**

| | Budgeted Amounts | | Actual | | Budgetary | Variance with |
|---|-------------------------|--------------|----------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | Encumbrances | Basis | Final Budget |
| | | | | | Expenditures | Positive |
| | | | | | | (Negative) |
| EXPENDITURES | | | | | | |
| Culture and recreation | \$ 750,000 | \$ 750,000 | \$ 201,240 | \$ - | \$ 201,240 | \$ 548,760 |
| Total expenditures | 750,000 | 750,000 | 201,240 | - | 201,240 | 548,760 |
| Excess (deficiency) of revenues over expenditures | (750,000) | (750,000) | (201,240) | - | (201,240) | 548,760 |
| OTHER FINANCING SOURCES | | | | | | |
| Transfers in | 750,000 | 750,000 | 750,000 | - | 750,000 | - |
| Total other financing sources | 750,000 | 750,000 | 750,000 | - | 750,000 | - |
| Net change in fund balance | - | - | 548,760 | - | 548,760 | 548,760 |
| FUND BALANCES, beginning | - | - | - | - | - | - |
| FUND BALANCES, ending | \$ - | \$ - | \$ 548,760 | \$ - | \$ 548,760 | \$ 548,760 |

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, 2022

| Federal Grantor/Pass-Through Grantor/Program Title | Award Number | Assistance Listing Number | | Federal Expenditures |
|---|-------------------------|--|------------|---------------------------------|
| Department of Housing and Urban Development: Direct payments: CDBG - Entitlement Grants Cluster: | | | | |
| Community Development Block Grants | B-19-MC-47-0013 | 14.218 | \$ 119,981 | |
| Community Development Block Grants | B-20-MC-47-0013 | 14.218 | 122,058 | |
| Community Development Block Grants | B-21-MC-47-0013 | 14.218 | 92,224 | |
| Total Entitlement Grants Cluster: | | | | \$ 334,263 |
| Department of Justice: Direct payments: | | | | |
| Edward Byrne Memorial JAG Program | 2021-DJ-BX-0701 | 16.738 | 6,128 | |
| Edward Byrne Memorial JAG Program | 15BJA-21-GG01854-JAGX | 16.738 | 16,885 | 23,013 |
| COVID- 19 Coronavirus Emergency Supplemental Grant | 2020-VD-BX-1407 | 16.034 | | 8,546 |
| Enforcement of TN Driving Under the Influence Laws | Z19THS199 | 20.607 | | 2,719 |
| Total Department of Justice | | | | 34,278 |
| Department of Transportation: Highway Planning and Construction Cluster Direct payments: | | | | |
| Highway Planning and Construction | STP-M-9113(23) | 20.205 | 145,426 | |
| Highway Planning and Construction | STP-M-9113(24) | 20.205 | 71,198 | |
| Highway Planning and Construction | STP-M-5930(10) | 20.205 | 9,786 | 226,410 |
| Metropolitan Transportation Planning | Z19MPO009 | 20.205 | | 111,119 |
| Total highway planning and construction cluster | | | | 337,529 |
| Department of Treasury: Direct payments: | | | | |
| Covid-19: Coronavirus State and Local Recovery Funds | | 21.027 | | 3,046,648 |
| Total Expenditures of Federal Awards | | | | \$ 3,752,718 |

Note 1 – Basis of Accounting:

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City under programs of the federal government for the fiscal year. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. The accompanying schedule of federal awards is prepared on the modified accrual basis of accounting.

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, 2022, the City had no outstanding loan balances requiring continuing disclosure.

SCHEDULE 5**CITY OF MORRISTOWN, TENNESSEE****SCHEDULE OF STATE FINANCIAL ASSISTANCE
Year Ended June 30, 2022**

| Grantor Agency/Program | Contract Number | Expenditures |
|-------------------------------|----------------------------|---------------------|
| Airport Improvement Program | 32-555-0765-19 | \$ 37,721 |
| Airport Maintenance Grant | 32-555-07770-22 | 15,000 |
| Airport Improvement Program | 32-555-0169-21 | 18,952 |
| Multi Modal Program | 32LPLM-S3-068 | 28,520 |
| Better Bridge Program | 32ABI-S3-003 | 566,211 |
| | | <u>\$ 666,404</u> |

STATISTICAL SECTION

This part of the City's Annual comprehensive 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 Annual comprehensive financial reports for the relevant year.

TABLE 1

CITY OF MORRISTOWN, TENNESSEE

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

| | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> | <u>6/30/2019</u> | <u>6/30/2020</u> | <u>6/30/2021</u> | <u>6/30/2022</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 29,647,943 | \$ 33,965,440 | \$ 34,875,277 | \$ 40,495,228 | \$ 43,572,086 | \$ 44,366,928 | \$ 44,112,071 | \$ 49,242,104 | \$ 53,742,337 | \$ 61,020,377 |
| Restricted | 1,607,753 | 1,680,576 | 2,420,193 | 1,671,349 | 652,846 | 609,400 | 16,055,663 | 4,551,306 | 3,791,241 | 5,095,811 |
| Unrestricted | 23,431,214 | 24,213,008 | 13,709,843 | 17,464,209 | 17,454,074 | 17,815,244 | 7,753,047 | 18,110,178 | 23,101,156 | 32,927,932 |
| Total governmental activities net position | <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> | <u>\$ 80,634,734</u> | <u>\$ 99,044,120</u> |
| Business-type activities: | | | | | | | | | | |
| Net investment in capital assets | \$ 79,424,880 | \$ 88,050,533 | \$ 98,316,369 | \$ 100,428,103 | \$ 104,788,569 | \$ 110,725,993 | \$ 111,985,630 | \$ 118,518,543 | \$ 121,125,559 | \$ 127,538,262 |
| Restricted | - | - | - | - | - | - | - | - | - | 49,134 |
| Unrestricted | 26,580,161 | 24,920,115 | 19,315,616 | 22,443,531 | 23,637,244 | 22,555,484 | 25,876,369 | 24,225,605 | 27,046,835 | 27,932,453 |
| Total business-type net position | <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> | <u>\$ 148,172,394</u> | <u>\$ 155,519,849</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | \$ 109,072,823 | \$ 122,015,973 | \$ 133,191,646 | \$ 140,923,331 | \$ 148,360,655 | \$ 155,092,921 | \$ 156,097,701 | \$ 167,760,647 | \$ 174,867,896 | \$ 188,558,639 |
| Restricted | 1,607,753 | 1,680,576 | 2,420,193 | 1,671,349 | 652,846 | 609,400 | 16,055,663 | 4,551,306 | 3,791,241 | 5,144,945 |
| Unrestricted | 50,011,375 | 49,133,123 | 33,025,459 | 39,907,740 | 41,091,318 | 40,370,728 | 33,629,416 | 42,335,783 | 50,147,991 | 60,860,385 |
| Total primary government | <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> | <u>\$ 228,807,128</u> | <u>\$ 254,563,969</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)**

| | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> | <u>6/30/2019</u> | <u>6/30/2020</u> | <u>6/30/2021</u> | <u>6/30/2022</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 3,593,414 | \$ 2,837,464 | \$ 4,726,077 | \$ 4,399,314 | \$ 2,623,688 | \$ 5,565,353 | \$ 5,724,079 | \$ 8,523,594 | \$ 5,023,218 | \$ 6,983,503 |
| Public safety | 14,016,226 | 14,634,316 | 14,168,464 | 14,408,187 | 16,205,149 | 15,198,313 | 16,306,668 | 16,712,969 | 17,247,169 | 14,057,920 |
| Public works | 6,665,204 | 6,831,898 | 10,493,687 | 10,389,418 | 11,598,260 | 9,749,660 | 10,736,232 | 11,044,754 | 11,264,215 | 12,980,348 |
| Parks and recreation | 1,773,943 | 2,056,499 | 1,807,804 | 2,057,170 | 3,817,269 | 2,196,230 | 2,055,250 | 1,315,038 | 2,254,193 | 2,437,166 |
| Civic support | 1,098,472 | 1,011,941 | 417,774 | 1,936,921 | 1,994,024 | 1,565,036 | 1,622,080 | 1,746,265 | 1,642,185 | 1,763,877 |
| Economic development | 147,547 | 296,060 | 942,834 | 303,006 | - | - | - | - | - | - |
| Retiree benefits | 401,695 | 306,363 | 382,916 | 389,559 | 366,337 | - | - | - | - | - |
| Airport | - | - | - | - | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - | - | - | - | - |
| Long-term debt expense | 327,064 | 286,676 | 263,167 | 279,047 | - | 643,818 | 1,135,318 | 1,770,299 | 2,209,706 | 2,092,628 |
| Other | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities expenses | <u>28,023,565</u> | <u>28,261,217</u> | <u>33,202,723</u> | <u>34,162,622</u> | <u>36,604,727</u> | <u>34,918,410</u> | <u>37,579,627</u> | <u>41,112,919</u> | <u>39,640,686</u> | <u>40,315,442</u> |
| Business-type activities: | | | | | | | | | | |
| Water | 5,689,323 | 6,287,865 | 6,117,002 | 6,396,446 | 6,676,177 | 6,791,455 | 6,776,689 | 6,977,206 | 7,472,802 | 7,496,219 |
| Wastewater | 9,489,262 | 9,067,056 | 9,385,294 | 10,464,615 | 12,035,984 | 12,957,929 | 14,297,200 | 14,221,715 | 15,101,255 | 15,136,768 |
| Power | 73,724,566 | 75,270,529 | 994,148 | 73,769,967 | 813,226 | 76,594,389 | 77,796,499 | 72,585,833 | 70,548,813 | 1,535,845 |
| Broadband system | 7,256,552 | 6,945,100 | 75,855,798 | 7,059,706 | 76,497,573 | 7,653,604 | 8,580,326 | 8,872,846 | 8,563,862 | 76,976,906 |
| Storm water | 810,198 | 832,132 | 7,330,637 | 1,319,920 | 7,018,332 | 1,078,566 | 1,164,915 | 1,321,479 | 1,482,648 | 8,515,188 |
| Total business-type expenses | <u>96,969,901</u> | <u>98,402,682</u> | <u>99,682,879</u> | <u>99,010,654</u> | <u>103,041,292</u> | <u>105,075,943</u> | <u>108,615,629</u> | <u>103,979,079</u> | <u>103,169,380</u> | <u>109,660,926</u> |
| Total primary government expenses | <u>124,993,466</u> | <u>126,663,899</u> | <u>132,885,602</u> | <u>133,173,276</u> | <u>139,646,019</u> | <u>139,994,353</u> | <u>146,195,256</u> | <u>145,091,998</u> | <u>142,810,066</u> | <u>149,976,368</u> |

(Continued)

TABLE 2

CITY OF MORRISTOWN, TENNESSEE

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

| | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> | <u>6/30/2019</u> | <u>6/30/2020</u> | <u>6/30/2021</u> | <u>6/30/2022</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Expenses (Continued) | | | | | | | | | | |
| Program revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 232,242 | \$ 134,359 | \$ 1,183,648 | \$ 966,744 | \$ 603,535 | \$ 650,780 | \$ 730,749 | \$ 635,530 | \$ 632,062 | \$ 1,013,817 |
| Public safety | 1,178,045 | 1,057,791 | 365,496 | 660,840 | 513,404 | 571,333 | 415,954 | 184,349 | 216,378 | 157,462 |
| Public works | 1,343,759 | 1,370,370 | - | 1,407,639 | 1,406,844 | 1,438,504 | 2,132,234 | 2,124,274 | 2,146,382 | 2,187,094 |
| Culture and recreation | - | - | - | 124,077 | 110,620 | 115,340 | 122,973 | 74,476 | 51,573 | 117,140 |
| Operating grants and contributions | 710,156 | 1,454,535 | 2,949,422 | 466,292 | 128,336 | 191,531 | 175,368 | 203,610 | 192,356 | 4,304,395 |
| Capital grants and contributions | - | - | 1,356,626 | 4,102,716 | 1,668,274 | 701,821 | 347,471 | 431,610 | 434,798 | 4,536,780 |
| Total governmental activities program revenues | <u>3,464,202</u> | <u>4,017,055</u> | <u>5,855,192</u> | <u>7,728,308</u> | <u>4,431,013</u> | <u>3,669,309</u> | <u>3,924,749</u> | <u>3,653,849</u> | <u>3,673,549</u> | <u>12,316,688</u> |
| Business-type activities: | | | | | | | | | | |
| Charge for services: | | | | | | | | | | |
| Water | 6,450,217 | 6,449,809 | 6,411,681 | 6,378,731 | 6,616,395 | 7,005,669 | 7,227,168 | 7,437,738 | 7,611,410 | 8,387,183 |
| Wastewater | 11,227,579 | 12,656,593 | 12,247,129 | 12,852,808 | 13,781,869 | 14,128,788 | 14,415,596 | 14,238,435 | 16,159,332 | 16,185,720 |
| Power | 74,850,804 | 75,425,515 | 75,151,759 | 74,026,335 | 77,244,198 | 78,262,760 | 79,519,049 | 75,488,051 | 74,974,451 | 80,716,809 |
| Broadband system | 7,195,234 | 7,629,190 | 8,239,118 | 8,509,233 | 8,602,426 | 1,345,299 | 8,281,370 | 8,249,700 | 8,609,151 | 9,058,198 |
| Stormwater | 1,342,550 | 1,330,147 | 1,276,062 | 1,080,408 | 1,353,476 | 8,360,510 | 1,617,918 | 1,404,622 | 1,376,972 | 1,251,795 |
| Operating grants and contributions | 2,219,003 | 2,580,025 | 2,586,526 | - | - | - | - | - | - | - |
| Capital grants and contributions | 1,602,948 | 524,286 | 151,200 | 422,950 | 230,150 | 263,600 | 266,000 | 185,380 | 372,610 | 648,050 |
| Total business-type activities program revenue | <u>104,888,335</u> | <u>106,595,565</u> | <u>106,063,475</u> | <u>103,270,465</u> | <u>107,828,514</u> | <u>109,366,626</u> | <u>111,327,101</u> | <u>107,003,926</u> | <u>109,103,926</u> | <u>116,247,755</u> |
| Total primary government program revenue | <u>\$ 108,352,537</u> | <u>\$ 110,612,620</u> | <u>\$ 111,918,667</u> | <u>\$ 110,998,773</u> | <u>\$ 112,259,527</u> | <u>\$ 113,035,935</u> | <u>\$ 115,251,850</u> | <u>\$ 110,657,775</u> | <u>\$ 112,777,475</u> | <u>\$ 128,564,443</u> |

(Continued)

TABLE 2

CITY OF MORRISTOWN, TENNESSEE

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

| | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Expenses (Continued) | | | | | | | | | | |
| Net (expense) revenue: | | | | | | | | | | |
| Governmental activities | \$ (24,559,363) | \$ (24,244,162) | \$ (27,347,531) | \$ (26,434,314) | \$ (32,173,714) | \$ (31,249,101) | \$ (33,654,878) | \$ (37,459,070) | \$ (35,967,137) | \$ (27,998,754) |
| Business-type activities: | 7,918,434 | 8,192,883 | 6,380,596 | 4,259,811 | 4,787,222 | 4,290,683 | 2,711,472 | 3,024,847 | 5,934,546 | 6,586,829 |
| Total primary government program expense | <u>\$ (16,640,929)</u> | <u>\$ (16,051,279)</u> | <u>\$ (20,966,935)</u> | <u>\$ (22,174,503)</u> | <u>\$ (27,386,492)</u> | <u>\$ (26,958,418)</u> | <u>\$ (30,943,406)</u> | <u>\$ (34,434,223)</u> | <u>\$ (30,032,591)</u> | <u>\$ (21,411,925)</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | \$ 9,083,552 | \$ 9,313,995 | \$ 9,916,198 | \$ 10,895,994 | \$ 11,026,905 | \$ 11,133,574 | \$ 11,786,494 | \$ 14,377,982 | \$ 14,554,286 | \$ 15,131,519 |
| Local sales tax | 9,923,645 | 10,061,738 | 10,793,398 | 11,743,470 | 12,280,106 | 12,405,158 | 13,389,122 | 13,543,093 | 15,120,224 | 16,599,588 |
| Other local taxes | 2,592,612 | 2,639,552 | 2,620,843 | 2,631,490 | 2,680,673 | 2,832,219 | 2,791,745 | 3,016,443 | 2,766,855 | 3,352,673 |
| Business and gross receipts tax | 936,935 | 837,434 | 958,795 | 1,049,900 | 1,061,806 | 1,091,623 | 1,113,149 | 1,159,672 | 1,225,928 | 1,445,788 |
| Intergovernmental revenue | | | | | | | | | | |
| unrestricted | 5,146,051 | 4,476,998 | 4,390,483 | 5,318,624 | 4,747,970 | 6,074,849 | 6,105,485 | 5,702,751 | 7,570,005 | 5,163,954 |
| Investment earnings | 253,683 | 750,587 | 502,987 | - | - | - | - | - | - | - |
| Other | - | - | - | 1,766,013 | 489,811 | 811,649 | 1,561,606 | 1,383,478 | 1,018,593 | 2,203,844 |
| Transfers | 1,667,528 | 1,452,361 | 1,597,848 | 1,797,999 | 1,934,663 | 1,928,844 | 2,036,486 | 2,258,458 | 2,442,392 | 2,510,774 |
| Total governmental activities | <u>29,604,006</u> | <u>29,532,665</u> | <u>30,780,552</u> | <u>35,203,490</u> | <u>34,221,934</u> | <u>36,277,916</u> | <u>38,784,087</u> | <u>41,441,877</u> | <u>44,698,283</u> | <u>46,408,140</u> |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 81,739 | 225,086 | 60,378 | 51,870 | 75,541 | 186,200 | 596,817 | 407,078 | 39,876 | 70,914 |
| Other | - | - | - | 2,833,685 | 2,626,079 | 3,008,322 | 3,308,719 | 3,708,682 | 3,522,030 | 3,200,486 |
| Transfers | (1,667,528) | (1,452,361) | (1,597,848) | (1,797,999) | (1,934,663) | (1,928,844) | (2,036,486) | (2,258,458) | (2,442,392) | (2,510,774) |
| Total business-type activities | <u>(1,585,789)</u> | <u>(1,227,275)</u> | <u>(1,537,470)</u> | <u>1,087,556</u> | <u>766,957</u> | <u>1,265,678</u> | <u>1,869,050</u> | <u>1,857,302</u> | <u>1,119,514</u> | <u>760,626</u> |
| Total primary government | <u>\$ 28,018,217</u> | <u>\$ 28,305,390</u> | <u>\$ 29,243,082</u> | <u>\$ 36,291,046</u> | <u>\$ 34,988,891</u> | <u>\$ 37,543,594</u> | <u>\$ 40,653,137</u> | <u>\$ 43,299,179</u> | <u>\$ 45,817,797</u> | <u>\$ 47,168,766</u> |
| Changes in Net Position | | | | | | | | | | |
| Governmental activities | \$ 5,044,643 | \$ 5,288,503 | \$ 3,433,021 | \$ 8,769,176 | \$ 2,048,220 | \$ 5,028,815 | \$ 5,129,209 | \$ 3,982,807 | \$ 8,731,146 | \$ 18,409,386 |
| Business-type activities | 6,332,645 | 6,965,608 | 4,843,126 | 5,347,367 | 5,554,179 | 5,556,361 | 4,580,522 | 4,882,149 | 7,054,060 | 7,347,455 |
| Total primary government | <u>\$ 11,377,288</u> | <u>\$ 12,254,111</u> | <u>\$ 8,276,147</u> | <u>\$ 14,116,543</u> | <u>\$ 7,602,399</u> | <u>\$ 10,585,176</u> | <u>\$ 9,709,731</u> | <u>\$ 8,864,956</u> | <u>\$ 15,785,206</u> | <u>\$ 25,756,841</u> |

TABLE 3

CITY OF MORRISTOWN, TENNESSEE

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

| | <u>6/30/2013</u> | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> | <u>6/30/2019</u> | <u>6/30/2020</u> | <u>6/30/2021</u> | <u>6/30/2022</u> |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Post-GASB 54 Implementation: | | | | | | | | | | |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 11,780,321 | \$ 11,822,098 | \$ 11,716,611 | \$ 8,857,981 | \$ 8,853,869 | \$ 9,587,862 | \$ 9,145,379 | \$ 7,283,183 | \$ 9,056,749 | \$ 8,997,683 |
| Restricted | 1,448,582 | 1,520,896 | 2,265,480 | 1,578,637 | 73,571 | 133,457 | 690,825 | 826,400 | 1,478,396 | 726,971 |
| Committed | 69,710 | 57,058 | - | - | - | - | - | - | - | - |
| Assigned | 8,500 | 156,876 | 5,970,170 | 6,713,983 | 6,397,453 | 7,699,910 | 6,110,594 | 7,709,773 | 7,924,393 | 8,092,887 |
| Unassigned | 11,118,191 | 12,155,081 | 7,062,313 | 8,350,230 | 7,902,354 | 7,482,374 | 5,721,167 | 8,724,598 | 14,592,210 | 21,250,417 |
| Total general fund | <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> | <u>\$ 33,051,748</u> | <u>\$ 39,067,958</u> |
| All other governmental funds | | | | | | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 168,859 |
| Restricted | 159,171 | 159,680 | 154,713 | 529,089 | 8,864,668 | 5,639,588 | 15,364,838 | 42,033,648 | 28,589,591 | 13,384,766 |
| Committed | - | - | - | 1,375,000 | 1,899,728 | 2,859,940 | 659,444 | 906,098 | 2,128,821 | 1,346,706 |
| Assigned | 398,617 | 203,350 | 230,012 | - | - | - | - | - | - | - |
| Total all other governmental funds | <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> | <u>\$ 30,718,412</u> | <u>\$ 14,900,331</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)

| | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|----------------|----------------|
| Revenues: | | | | | | | | | | |
| Taxes | \$ 22,536,744 | \$ 22,852,719 | \$ 24,289,234 | \$ 25,426,851 | \$ 27,005,685 | \$ 27,538,575 | \$ 29,330,294 | \$ 31,670,979 | \$ 34,006,382 | \$ 36,878,038 |
| Licenses, permits and fines | 1,178,045 | 1,057,791 | 365,496 | 645,551 | 299,544 | 529,149 | 426,202 | 366,065 | 564,045 | 888,352 |
| Use of money and property | 253,683 | 750,587 | 502,987 | - | - | - | - | - | - | - |
| Service charges and fees | 1,576,001 | 1,504,729 | 2,540,274 | 2,513,749 | 2,334,859 | 2,246,808 | 770,519 | 493,886 | 2,482,350 | 2,587,161 |
| Other | - | - | - | 1,766,013 | 489,811 | 811,649 | 901,819 | 886,480 | 1,018,593 | 2,203,844 |
| Intergovernmental | 5,856,207 | 5,931,533 | 7,339,905 | 9,533,778 | 6,544,580 | 6,968,201 | 5,430,323 | 5,690,936 | 8,197,159 | 10,229,106 |
| Total revenues | 31,400,680 | 32,097,359 | 35,037,896 | 39,885,942 | 36,674,479 | 38,094,382 | 36,859,157 | 39,108,346 | 46,268,529 | 52,786,501 |
| Expenditures: | | | | | | | | | | |
| General government | 3,629,042 | 4,100,871 | 5,551,674 | 4,283,426 | 6,559,447 | 5,315,372 | 4,542,957 | 5,757,474 | 17,001,236 | 23,247,255 |
| Public safety | 13,972,414 | 15,060,623 | 15,674,562 | 15,712,924 | 17,581,344 | 17,975,611 | 16,645,427 | 17,063,214 | 17,376,723 | 18,611,745 |
| Public works | 8,798,240 | 8,199,366 | 8,723,165 | 12,436,344 | 9,997,726 | 8,494,267 | 6,863,299 | 7,112,936 | 8,989,997 | 13,103,929 |
| Parks and recreation | 1,768,165 | 2,037,972 | 2,024,368 | 2,296,653 | 3,924,041 | 2,393,220 | 2,068,403 | 2,243,483 | 2,119,994 | 2,779,299 |
| Civic support | 841,472 | 750,451 | 756,937 | 1,679,921 | 1,994,024 | 3,655,908 | 1,622,080 | 1,746,265 | 1,642,185 | 1,763,877 |
| Library | 257,000 | 261,490 | 257,000 | 257,000 | - | - | - | - | - | - |
| Economic development | 179,891 | 201,550 | 328,040 | 303,006 | - | - | - | - | - | - |
| Transportation | - | - | - | - | - | - | - | - | - | - |
| Retiree benefits | 401,695 | 306,363 | 382,916 | 389,559 | 370,885 | 463,208 | 536,776 | 499,080 | 524,572 | 474,804 |
| Miscellaneous | - | - | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | | | |
| Principal | 1,675,568 | 1,136,023 | 1,173,560 | 1,211,528 | 1,248,061 | 1,655,663 | 1,648,742 | 1,736,591 | 2,696,407 | 2,819,418 |
| Interest | 239,740 | 187,384 | 169,905 | 165,996 | 342,634 | 658,489 | 1,147,625 | 1,824,272 | 2,416,424 | 2,298,819 |
| Debt expense | 87,324 | 99,292 | 93,262 | 92,982 | - | - | - | - | - | - |
| Total expenditures | 31,850,551 | 32,341,385 | 35,135,389 | 38,829,339 | 42,018,162 | 40,611,738 | 35,075,309 | 37,983,315 | 52,767,538 | 65,099,146 |
| Deficiency of revenue over expenditures | (449,871) | (244,026) | (97,493) | 1,056,603 | (5,343,683) | (2,517,356) | 1,783,848 | 1,125,031 | (6,499,009) | (12,312,645) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 2,059,154 | 2,038,024 | 2,381,066 | 4,244,692 | 6,004,663 | 3,730,510 | 2,036,486 | 2,258,458 | 3,760,476 | 3,378,254 |
| Transfers out | (391,626) | (585,663) | (783,218) | (2,446,693) | (4,070,000) | (1,801,666) | (7,189,100) | (507,500) | (1,318,084) | (867,480) |
| Bonds issued | - | - | - | - | 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) | 1,667,528 | 1,452,361 | 1,597,848 | 1,797,999 | 11,930,406 | 1,928,844 | (5,019,486) | 1,750,958 | 2,442,392 | 2,510,774 |
| Net change in fund balance | \$ 1,217,657 | \$ 1,208,335 | \$ 1,500,355 | \$ 2,854,602 | \$ 6,586,723 | \$ (588,512) | \$ (3,235,638) | \$ 2,875,989 | \$ (4,056,617) | \$ (9,801,871) |
| Debt service as a percentage of noncapital governmental expenditures | 6.81% | 5.06% | 4.15% | 4.08% | 4.54% | 6.69% | 11.82% | 15.00% | 21.54% | 21.56% |

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 |
|-------------|--------------|-------------|---------------|-----------------|----------------------|---------------------------------|------------------------------|-----------------|----------------|---------------------------|-----------|--------------------|--------------|--------------|
| 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 |
| 2021 | 14,893,375 | - | 600,615 | 15,120,224 | 1,387,455 | 1,225,928 | 445,903 | 737,761 | 41,024 | 3,617,444 | 851,834 | 7,346,966 | 3,760,476 | 50,029,005 |
| 2022 | 15,479,989 | - | 684,452 | 16,599,588 | 1,565,406 | 1,445,788 | 888,352 | 1,069,570 | 33,245 | 2,587,161 | 2,203,844 | 10,229,106 | 3,378,254 | 56,164,755 |

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 |
|---------------------|---------------------------------|--------------------------------|------------------------------------|--------------|--------------------------------|------------------------------------|---------------------------------------|--|---|---|
| 2013 | \$ 266,280,800 | \$ 341,958,234 | \$ 707,025 | \$ 5,716,175 | \$ 248,685,433 | \$ 2,270 | \$ 863,349,937 | 1.0500 | \$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 | 1.0500 | 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 | 1.1140 | 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 | 1.2000 | 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 | 1.2000 | 2,879,128,380 | 31.52 |
| 2018 | 244,715,150 | 376,170,327 | 695,695 | 4,647,200 | 298,679,525 | - | 924,907,897 | 1.2000 | 2,934,086,480 | 31.52 |
| 2019 | 246,406,625 | 385,853,750 | 695,695 | 4,703,875 | 305,384,722 | - | 943,044,667 | 1.2500 | 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 | 1.5000 | 3,279,367,845 | 30.86 |
| 2021 | 288,118,350 | 426,114,323 | 377,630 | 4,952,525 | 317,980,983 | - | 1,037,543,811 | 1.3958 | 3,268,980,991 | 31.74 |
| 2022 | 293,825,700 | 444,660,949 | 377,630 | 4,876,600 | 316,102,295 | - | 1,059,843,174 | 1.4000 | 3,336,249,634 | 31.77 |

TABLE 7

CITY OF MORRISTOWN, TENNESSEE

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

| Taxpayer | 2022 | | | 2014 | | |
|------------------------------|------------------------------|------|---|------------------------------|------|---|
| | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | Percentage of Total City Taxable Assessed Value |
| | | | | | | |
| JTEKT(Toyoda-TRW) | \$ 25,768,443 | 1 | 17.35 % | \$ - | - | - % |
| MAHLE | 25,234,816 | 2 | 16.99 | 24,402,240 | 1 | 17.43 |
| OTICS | 18,712,939 | 3 | 12.60 | 13,524,057 | 4 | 9.66 |
| Colgate | 15,049,711 | 4 | 10.13 | - | - | - |
| Tuff Torq Corp | 13,474,110 | 5 | 9.07 | 11,844,057 | 5 | 8.46 |
| Time Equities (formerly CBL) | 11,774,908 | 6 | 7.93 | 10,186,960 | 7 | 7.28 |
| Rich Products | 10,170,379 | 7 | 6.85 | - | - | - |
| Team Technologies | 10,057,416 | 8 | 6.77 | 7,085,157 | 10 | 5.06 |
| VIFAN/Interplast Films | 9,541,343 | 9 | 6.43 | 18,979,302 | 3 | 13.56 |
| Colortech | 8,718,879 | 10 | 5.87 | - | - | - |
| Toyoda-TRW | - | - | - | 22,997,629 | 2 | 16.43 |
| Meritor/Rockwell | - | - | - | 10,987,537 | 6 | 7.85 |
| Lear | - | - | - | 12,727,127 | 8 | 9.09 |
| NCR | - | - | - | 7,260,617 | 9 | 5.19 |
| | <u>\$ 148,502,944</u> | | <u>100.00 %</u> | <u>\$ 139,994,683</u> | | <u>100.00 %</u> |

Source: City of Morristown, Tennessee Finance Department

TABLE 8

CITY OF MORRISTOWN, TENNESSEE

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | |
|-------------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy |
| 2013 | \$ 9,065,786 | \$ 8,579,330 | 94.63 % | \$ 394,911 | \$ 8,974,241 | 98.99 % |
| 2014 | 9,065,786 | 8,545,014 | 94.26 | 354,573 | 8,899,587 | 98.17 |
| 2015 | 9,117,321 | 8,690,500 | 95.32 | 203,214 | 8,893,714 | 97.55 |
| 2016 | 10,933,593 | 10,355,811 | 94.72 | 258,036 | 10,613,847 | 97.08 |
| 2017 | 11,131,901 | 10,356,964 | 93.04 | 393,662 | 10,750,626 | 96.57 |
| 2018 | 11,784,000 | 11,209,575 | 95.13 | 458,210 | 11,667,785 | 99.01 |
| 2019 | 11,874,001 | 11,086,237 | 93.37 | 631,142 | 11,717,379 | 98.68 |
| 2020 | 13,701,894 | 13,169,235 | 96.11 | 366,100 | 13,535,335 | 98.78 |
| 2021 | 14,575,762 | 13,770,863 | 94.48 | 678,865 | 14,449,728 | 99.14 |
| 2022 | 15,058,442 | 14,418,243 | 95.75 | - | 14,418,243 | 95.75 |

Source: City of Morristown, Tennessee Finance Department

TABLE 9

CITY OF MORRISTOWN, TENNESSEE

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

| | <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>2021</u> | <u>2022</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Wastewater rate | | | | | | | | | | |
| Inside | \$ 8.11 | \$ 9.17 | \$ 9.17 | \$ 10.50 | \$ 11.50 | \$ 11.50 | \$ 11.50 | \$ 11.50 | \$ 12.50 | \$ 12.50 |
| Outside | 16.22 | 18.34 | 18.34 | 21.00 | 23.00 | 23.00 | 23.00 | 23.00 | 25.00 | 25.00 |
| Customers | | | | | | | | | | |
| Inside | 11,668 | 10,567 | 10,565 | 10,605 | 10,594 | 10,685 | 10,719 | 10,753 | 10,874 | 11,021 |
| Outside | 106 | 10 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 8 |
| Commodity charge (per 1,000 gallons) | | | | | | | | | | |
| Inside | | | | 5.00 | 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 | 10.00 |

Source: Morristown Utility Commission (2022-2014)
City of Morristown Finance Department (2013)

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Residential | | | | | | | | | | |
| Customer charge per month | \$ 16.71 | \$ 16.71 | \$ 16.71 | \$ 17.00 | \$ 20.27 | \$ 23.27 | \$ 25.27 | \$ 25.27 | \$ 26.27 | \$ 26.27 |
| Energy charge: | | | | | | | | | | |
| First 2,000 kWh | 0.09097 | 0.09515 | 0.09162 | 0.09104 | 0.09454 | 0.09528 | 0.09584 | 0.09248 | 0.00948 | 0.10511 |
| Additional kWh per month | 0.09097 | 0.09915 | 0.09162 | 0.09104 | 0.09454 | 0.09528 | 0.09584 | 0.09248 | 0.00948 | 0.10511 |
| Commercial, Industrial, Governmental, and Institutional | | | | | | | | | | |
| GSA – 1 (demand of up to 50 kW) | | | | | | | | | | |
| Customer charge per month | \$20 or \$37 | \$20 or \$37 | \$20 or \$37 | \$20 or \$37 | \$21 or \$39 | \$25 or \$42 | \$27 or \$44 | \$27 or \$44 | \$28 or \$45 | \$28 or \$45 |
| Energy charge per kWh per month | 0.10076 | 0.10502 | 0.10165 | 0.10289 | 0.10648 | 0.10735 | 0.10852 | 1.1052 | 0.10784 | 0.11804 |
| GSA – 2 (demand of 51 to 1,000 kW) | | | | | | | | | | |
| Customer charge per month | 133.00 | 133.00 | 133.00 | 135.00 | 135.50 | 135.50 | 135.50 | 135.50 | 135.50 | 135.50 |
| Demand charge: | | | | | | | | | | |
| First 50 kW per month | | | | | | | | | | |
| Excess over 50 kW per month | 11.86 | 12.00 | 12.35 | 12.88 | 13.12 | 13.36 | 13.66 | 13.66 | 13.66 | 13.66 |
| Energy charge: | | | | | | | | | | |
| First 15,000 kWh per month | 0.09559 | 0.09986 | 0.09650 | 0.09766 | 0.10126 | 0.10148 | 0.10266 | 0.09934 | 0.10252 | 0.11272 |
| Additional kWh per month | 0.0635 | 0.06695 | 0.06284 | 0.06236 | 0.06515 | 0.06459 | 0.06479 | 0.06151 | 0.06465 | 0.07472 |
| GSA – 3 (demand of 1,001 to 5,000 kW) | | | | | | | | | | |
| Customer charge per month | 270.00 | 270.00 | 270.00 | 275.08 | 275.08 | 275.08 | 275.08 | 275.08 | 275.08 | 275.08 |
| Demand charge: | | | | | | | | | | |
| First 1,000 kW per month | 11.98 | 12.24 | 12.50 | 13.06 | 13.32 | 13.58 | 13.91 | 13.91 | 13.91 | 13.91 |
| Excess over 1,000 kW per month | 13.67 | 13.99 | 14.32 | 15.00 | 15.32 | 15.64 | 16.04 | 16.04 | 16.04 | 16.04 |
| Energy charge: | | | | | | | | | | |
| Per kWh per month | 0.06348 | 0.06691 | 0.06279 | 0.0623 | 0.06508 | 0.06451 | 0.0647 | 0.06142 | 0.06456 | 0.07463 |

(Continued)

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| Commercial, Industrial, Governmental, and Institutional (Continued) | | | | | | | | | | |
| MSB | | | | | | | | | | |
| Demand Charge: | | | | | | | | | | |
| On Peak | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 10.24 | \$ 10.24 | \$ 10.24 |
| Excess off Peak | - | - | - | - | - | - | - | 2.26 | 2.26 | 2.26 |
| Excess over contract | | | | | | | | 10.24 | 10.24 | 10.24 |
| Energry Charge: | | | | | | | | | | |
| On Peak | - | - | - | - | - | - | - | 0.07016 | 0.07403 | 0.08483 |
| Off Peak (200 hours) | - | - | - | - | - | - | - | 0.04516 | 0.04903 | 0.05893 |
| Off Peak (next 200 hours) | - | - | - | - | - | - | - | 0.01547 | 0.01934 | 0.02929 |
| Off Peak (additional kWh) | - | - | - | - | - | - | - | 0.12920 | 0.01679 | 0.02682 |
| TDMSA | | | | | | | | | | |
| Demand charge: | | | | | | | | | | |
| On peak | 16.45 | 16.84 | 17.24 | 9.52 | 9.74 | 9.97 | 11.00 | - | - | - |
| Excess off peak | 4.00 | 4.07 | 4.14 | 3.36 | 3.40 | 4.24 | 4.62 | - | - | - |
| Excess over contract | 16.45 | 16.84 | 17.24 | 9.52 | 9.74 | 9.97 | 11.00 | - | - | - |
| Energy charge: | | | | | | | | | | |
| On peak | 0.09683 | 0.10127 | 0.09815 | 0.06940 | 0.07197 | 0.07152 | 0.08102 | - | - | - |
| Off peak (first 425 kWh) | 0.06215 | 0.06568 | 0.06163 | - | 0.04819 | 0.04718 | 0.05182 | - | - | - |
| Off peak (next 195 kWh) | 0.04349 | 0.04653 | 0.04198 | - | 0.02209 | 0.02126 | 0.02229 | - | - | - |
| Off peak (additional kWh) | 0.02764 | 0.03026 | 0.02529 | - | 0.01966 | 0.01878 | 0.01974 | - | - | - |
| GSB (demand of 5,001 to 15,000 kW) | | | | | | | | | | |
| Customer charge per month | - | - | - | - | - | - | - | - | - | - |
| Demand charge: | | | | | | | | | | |
| Per kWh per month | - | - | - | - | - | - | - | - | - | - |
| Energy charge: | | | | | | | | | | |
| First 620 kWh per Kw per month | - | - | - | - | - | - | - | - | - | - |
| Additional kWh per month | - | - | - | - | - | - | - | - | - | - |

(Continued)

TABLE 10

CITY OF MORRISTOWN, TENNESSEE

POWER RATES
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Commercial, Industrial, Governmental, and Institutional (Continued) | | | | | | | | | | |
| GSB (non-manufacturing) | | | | | | | | | | |
| (demand of 15,001 to 25,000 kW) | | | | | | | | | | |
| Customer charge per month | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Demand charge: | | | | | | | | | | |
| Per kWh per month | - | - | - | - | - | - | - | - | - | - |
| Energy charge: | | | | | | | | | | |
| First 620 kWh per Kw per month | - | - | - | - | - | - | - | - | - | - |
| Additional kWh per month | - | - | - | - | - | - | - | - | - | - |
| Part F (demand greater than 25,000 kW) | | | | | | | | | | |
| Customer charge per month | - | - | - | - | - | - | - | - | - | - |
| Demand charge: | | | | | | | | | | |
| Per kWh per month | - | - | - | - | - | - | - | - | - | - |
| Energy charge: | | | | | | | | | | |
| Per kWh per month | - | - | - | - | - | - | - | - | - | - |
| Active Service (number of customers) | | | | | | | | | | |
| Residential | 11,764 | 11,721 | 11,826 | 11,862 | 11,995 | 12,133 | 12,198 | 12,296 | 12,460 | 12,934 |
| Commercial | 2,121 | 2,120 | 2,141 | 2,160 | 2,163 | 2,191 | 2,239 | 2,231 | 2,252 | 2,282 |
| Industrial | 449 | 458 | 439 | 446 | 458 | 448 | 439 | 446 | 428 | 434 |
| Street and athletic | 70 | 73 | 76 | 75 | 76 | 79 | 79 | 79 | 82 | 82 |
| Outdoor lighting | 34 | 34 | 33 | 33 | 34 | 35 | 77 | 79 | 145 | 143 |
| Total active service | 14,438 | 14,406 | 14,515 | 14,576 | 14,726 | 14,886 | 15,032 | 15,131 | 15,367 | 15,875 |

Source: Morristown Utility Commission

TABLE 11

CITY OF MORRISTOWN, TENNESSEE

WATER RATES AND NUMBER OF CUSTOMERS
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 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 | 2.05 | 2.05 | 2.05 | 2.05 | 2.20 | 2.35 | 2.35 | 2.35 | 2.35 | 2.35 |
| Next 50,000 gallons | 1.80 | 1.80 | 1.80 | 1.80 | 1.95 | 2.10 | 2.10 | 2.10 | 2.10 | 2.10 |
| Over 100,000 | 1.60 | 1.60 | 1.60 | 1.60 | 1.75 | 1.90 | 1.90 | 1.90 | 1.90 | 1.90 |
| Minimum bill: | | | | | | | | | | |
| 5/8" meter | 8.75 | 8.75 | 8.75 | 8.75 | 9.05 | 9.35 | 9.35 | 9.35 | 9.35 | 11.35 |
| 3/4" meter | 9.25 | 9.25 | 9.25 | 9.25 | 9.55 | 9.85 | 9.85 | 9.85 | 9.85 | 14.76 |
| 1" meter | 10.00 | 10.00 | 10.00 | 10.00 | 10.30 | 10.60 | 10.60 | 10.60 | 10.60 | 22.13 |
| 1 1/2" meter | 11.50 | 11.50 | 11.50 | 11.50 | 11.80 | 12.10 | 12.10 | 12.10 | 12.10 | 38.59 |
| 2" meter | 16.00 | 16.00 | 16.00 | 16.00 | 16.30 | 16.60 | 16.60 | 16.90 | 16.60 | 61.86 |
| 3" meter | 61.00 | 61.00 | 61.00 | 61.00 | 61.30 | 61.60 | 61.60 | 61.90 | 61.60 | 147.55 |
| 4" meter | 71.00 | 71.00 | 71.00 | 71.00 | 71.30 | 71.60 | 71.60 | 71.60 | 71.60 | 221.33 |
| 6" meter | 101.00 | 101.00 | 101.00 | 101.00 | 101.30 | 101.60 | 101.60 | 101.60 | 101.60 | 402.93 |
| 8" meter | 114.30 | 114.30 | 114.30 | 114.30 | 114.60 | 114.90 | 114.90 | 114.90 | 114.90 | 607.23 |
| 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 | 4.10 | 4.10 | 4.10 | 4.10 | 4.40 | 4.70 | 4.70 | 4.70 | 4.70 | 4.70 |
| Next 50,000 gallons | 3.60 | 3.60 | 3.60 | 3.60 | 3.90 | 4.20 | 4.20 | 4.20 | 4.20 | 4.20 |
| Over 100,000 gallons | 3.20 | 3.20 | 3.20 | 3.20 | 3.50 | 3.80 | 3.80 | 3.80 | 3.80 | 3.80 |
| Minimum bill: | | | | | | | | | | |
| 5/8" meter | 12.85 | 12.85 | 12.85 | 12.85 | 13.45 | 14.05 | 14.05 | 14.05 | 14.05 | 16.05 |
| 3/4" meter | 13.35 | 13.35 | 13.35 | 13.35 | 13.95 | 14.55 | 14.55 | 14.55 | 14.55 | 20.87 |
| 1" meter | 14.10 | 14.10 | 14.10 | 14.10 | 14.70 | 15.30 | 15.30 | 15.30 | 15.30 | 31.30 |
| 1 1/2" meter | 15.60 | 15.60 | 15.60 | 15.60 | 16.20 | 16.80 | 16.80 | 16.80 | 16.80 | 54.57 |
| 2" meter | 20.10 | 20.10 | 20.10 | 20.10 | 20.70 | 21.30 | 21.30 | 21.30 | 21.30 | 87.47 |
| 3" meter | 65.10 | 65.10 | 65.10 | 65.10 | 65.70 | 66.30 | 66.30 | 66.30 | 66.30 | 208.65 |
| 4" meter | 75.10 | 75.10 | 75.10 | 75.10 | 75.70 | 76.30 | 76.30 | 76.30 | 76.30 | 312.98 |
| 6" meter | 105.10 | 105.10 | 105.10 | 105.10 | 105.70 | 106.30 | 106.30 | 106.30 | 106.30 | 569.78 |
| 8" meter | 118.40 | 118.40 | 118.40 | 118.40 | 119.00 | 119.60 | 119.60 | 119.60 | 119.60 | 858.68 |
| 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 | 12,569 | 12,549 | 12,589 | 12,649 | 12,671 | 12,758 | 12,804 | 12,877 | 12,981 | 13,154 |

TABLE 12

CITY OF MORRISTOWN, TENNESSEE

MONTHLY BROADBAND RATES
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------------|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Standard Cable: | | | | | | | | | | |
| Expanded basic | \$ 46.95 | \$ 50.95 | \$ 56.95 | \$ 56.95 | \$ 60.95 | \$ 60.95 | \$ 60.95 | \$ 60.95 | \$ 60.95 | \$ 60.95 |
| Digital basic | 54.95 | 60.95 | 68.95 | 68.95 | 72.95 | 72.95 | 72.95 | 72.95 | 72.95 | 72.95 |
| Digital basic + 1 | 63.95 | 69.95 | 78.75 | 78.75 | 82.95 | 87.90 | 87.90 | 87.90 | 87.90 | 87.90 |
| Digital basic + 2 | 71.95 | 77.95 | 86.95 | 86.95 | 90.95 | 99.90 | 99.90 | 99.90 | 99.90 | 99.90 |
| Digital basic + 4 | 84.95 | 90.95 | 99.95 | 99.95 | 103.95 | 119.90 | 119.90 | 119.90 | 119.90 | 119.90 |
| Premium channels | 9.95-12.95 | 9.95-12.95 | 11.95-16.35 | 11.95-16.35 | 11.95-16.35 | 14.95-46.95 | 14.95-46.95 | 14.95-46.95 | 14.95-46.95 | 14.95-46.95 |
| Internet: | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Tier 1 | 34.95 | 34.95 | 34.95 | 34.95 | 34.95 | 39.95 | 39.95 | 39.95 | 44.95 | 49.95 |
| Tier 2 | 39.95 | 39.95 | 39.95 | 39.95 | 39.95 | 59.95 | 59.95 | 59.95 | 64.95 | 69.95 |
| Tier 3 | 74.95 | 74.95 | 74.95 | 74.95 | 74.95 | 74.95 | 74.95 | 74.95 | 79.95 | 84.95 |
| Tier 4 | 99.95 | 99.95 | 99.95 | 99.95 | 99.95 | 99.96 | 99.95 | 99.95 | 104.95 | 109.95 |
| Tier 5 | - | - | - | - | - | - | - | - | - | - |
| Commercial | | | | | | | | | | |
| Tier 1 | 44.95 | 44.95 | 49.95 | 49.95 | 49.95 | 49.95 | 49.95 | 49.95 | 54.95 | 59.95 |
| Tier 2 | 74.95 | 74.95 | 79.95 | 79.95 | 79.95 | 79.95 | 79.95 | 79.95 | 84.95 | 89.95 |
| Tier 3 | 99.95 | 99.95 | 104.95 | 104.95 | 104.95 | 104.95 | 104.95 | 104.95 | 109.95 | 114.95 |
| Tier 4 | 149.95 | 149.90 | 154.95 | 154.95 | 154.95 | 154.90 | 154.95 | 154.95 | 159.95 | 164.95 |
| Tier 5 | 199.95 | 199.95 | 199.95 | 199.95 | 199.95 | - | - | - | - | - |
| Tier 6 | 299.95 | - | - | - | - | - | - | - | - | - |
| Telephone: | | | | | | | | | | |
| Residential | | | | | | | | | | |
| Basic Pack | 22.95 | 22.95 | 22.95 | 22.95 | 22.95 | 28.65 | 32.95 | 32.95 | 32.95 | 32.95 |
| Preferred Pack | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 28.65 | 48.95 | 48.95 | 48.95 | 48.95 |
| Additional services | 3.75-11.95 | 3.75-11.95 | 3.79-11.95 | 3.79-11.95 | 3.79-11.95 | 3.95-17.95 | 3.75-17.95 | 3.75-17.95 | 3.75-17.95 | 3.75-17.95 |
| Long distance per minute | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | - | - | - | - |
| Commercial | | | | | | | | | | |
| Access line | 25.95 | 25.95 | 25.95 | 25.95 | 25.95 | 29.95 | 29.95 | 29.95 | 29.95 | 29.95 |
| Business local telephone service | 36.95 | 36.95 | 36.95 | 36.95 | 36.95 | 36.95 | 36.95 | 36.95 | 36.95 | 36.95 |
| Additional services | 7.95-27.95 | 7.95-27.95 | 7.95-27.95 | 7.95-27.95 | 7.95-27.95 | 3.75-36.95 | 3.75-36.95 | 3.75-36.95 | 3.75-36.95 | 3.75-36.95 |
| 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.

Source: Morristown Utility Commission

TABLE 13

CITY OF MORRISTOWN, TENNESSEE

**DEBT CAPACITY INFORMATION RATIOS
OF OUTSTANDING DEBT BY 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 | | | | |
| 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 |
| 2021 | 30,431 | 32,193 | 66,712,256 | 107,672,336 | 174,384,592 | 0.02 | | 5,730 |
| 2022 | 30,777 | 33,511 | 64,685,850 | 104,761,581 | 169,447,431 | 0.02 | | 5,506 |

Source: U.S. Census Bureau

TABLE 14

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 |
|------------------------|-------------------|---|------------------------------------|---|---|
| 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 |
| 2021 | 30,431 | 3,268,980,991 | 66,712,256 | 2.04 | 2,192 |
| 2022 | 30,777 | 3,336,249,634 | 64,685,850 | 1.94 | 2,102 |

TABLE 15

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 |
|-----------------|------------------------------------|-----------------------------|---|-------------------------------|---|
| 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 |
| 2021 | 66,712,256 | 1,037,543,811 | .064 to 1 | 38,582,812 | 1.73 to 1 |
| 2022 | 64,685,850 | 1,059,843,174 | .061 to 1 | 41,703,460 | 1.55 to 1 |

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

TABLE 16

CITY OF MORRISTOWN, TENNESSEE

**DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

| Fiscal Year | Population | Personal Income | Per Capita Personal Income | Median Age (1) | Education Level In Years of Formal Schooling (1) | School Enrollment | Unemployment Rate (2) |
|------------------------|-------------------|----------------------------|---|---------------------------|---|------------------------------|----------------------------------|
| 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 |
| 2021 | 30,431 | 979,665,183 | 32,193 | 37.80 | 14.0 | 17,470 | 5.40 |
| 2022 | 30,777 | 1,031,368,047 | 33,511 | 37.80 | 14.0 | 17,268 | 4.40 |

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

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

TABLE 17

CITY OF MORRISTOWN, TENNESSEE

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

| Employer | 2022 | | | 2014 | | |
|-----------------------------------|--------------|------|--------------------------------------|--------------|------|--------------------------------------|
| | Employees | Rank | Percentage of Total Employment | Employees | Rank | Percentage of Total Employment |
| Hamblen County Dept. of Education | 1,284 | 1 | 16 % | 1,284 | 1 | 18 % |
| Koch Foods | 951 | 2 | 12 | 1,125 | 2 | 15 |
| MAHLE | 801 | 3 | 10 | 1,006 | 3 | 14 |
| Arconic (f/k/a Howmet) | 785 | 5 | 10 | 520 | 7 | 7 |
| Team Technologies | 782 | 4 | 10 | - | - | - |
| Wal-Mart | 749 | 6 | 9 | 432 | 8 | 6 |
| Walters State Community College | 650 | 7 | 8 | 743 | 4 | 10 |
| Morristown Hamblen Healthcare | 716 | 8 | 9 | 716 | 5 | 10 |
| JTEKT Automotive | 700 | 9 | 9 | 715 | 6 | 10 |
| Rich Products | 600 | 10 | 7 | 402 | 10 | 5 |
| Lear Corporation | - | | - | 403 | 9 | 5 |
| | <u>8,018</u> | | <u>100 %</u> | <u>7,346</u> | | <u>100 %</u> |

Source: Morristown Area Chamber of Commerce

TABLE 18

CITY OF MORRISTOWN, TENNESSEE

CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Function/Program | | | | | | | | | | |
| General Government: | | | | | | | | | | |
| Mayor and Council | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| City Administration and Staff | 3 | 4 | 4 | 4 | 6 | 6 | 6 | 6 | 6 | 6 |
| Finance | 6.5 | 6.5 | 6.5 | 6.5 | 6.0 | 7.0 | 7.0 | 6.0 | 6.0 | 6.0 |
| Purchasing | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Information technology | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Human Resources | 1.5 | 2.5 | 2.5 | 2.5 | 2.0 | 2.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Risk Management | - | - | - | - | - | - | 2 | 2 | 2 | 2 |
| Legal services | 2 | 2 | 2 | 2 | 2 | 2 | 1 | - | - | - |
| Court Administration | - | - | - | - | - | - | 2 | 2 | 2 | 2 |
| Planning | 3 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| GIS | - | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Engineering | 3 | 3 | 2 | 2 | 3 | 2 | 2 | 2 | 2 | 2 |
| Inspections | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| LAMTPO | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| CDBG | 1 | 1 | 1 | 1 | 1 | 1 | - | 1 | 1 | 1 |
| Police: | | | | | | | | | | |
| Administration | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Support | - | - | - | - | - | - | 12 | 13 | 13 | 13 |
| Litter Crew | - | - | - | - | - | - | 1 | 1 | 1 | 1 |
| Patrol | 65 | 65 | 64 | 64 | 64 | 63 | 52 | 51 | 51 | 51 |
| Investigations | 15 | 15 | 15 | 15 | 14 | 15 | 13 | 13 | 13 | 13 |
| Codes Enforcement | 2 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Vice | 1 | - | - | - | - | - | - | - | - | - |
| Narcotics and Vice | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 7 | 7 | 7 |
| Fire: | | | | | | | | | | |
| Administration | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Firefighting | 79 | 79 | 79 | 79 | 79 | 79 | 79 | 78 | 78 | 78 |
| Prevention and inspection | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 2 |
| Public works: | | | | | | | | | | |
| Administration | 1.83 | 2.00 | 2.50 | 2.50 | 3.00 | 4.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| Facilities Maintenance | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 |
| Fleet Maintenance | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Repairs and maintenance | 9 | 9 | 14 | 15 | 13 | 15 | 15 | 15 | 15 | 17 |
| Street lights and signs | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Brush and Bulk | 10.7 | 10.7 | 11.0 | 11.0 | 15.0 | 13.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Communication shop | 1.65 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |
| Park and recreation | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 |
| Natural Resource Maintenance | - | - | - | - | - | - | 3 | 3 | 3 | 3 |
| Sewer | 17.98 | 16.00 | - | - | - | - | - | - | - | - |
| Stormwater | 5.44 | 5.10 | 4.20 | 4.20 | 4.00 | 4.00 | 6.00 | 8.00 | 8.00 | 8.00 |
| Solid waste | 12.0 | 12.5 | 13.5 | 13.5 | 13.0 | 13.0 | 13.0 | 10.0 | 10.0 | 7.0 |
| | <u>302</u> | <u>302</u> | <u>293</u> | <u>294</u> | <u>297</u> | <u>299</u> | <u>302</u> | <u>300</u> | <u>300</u> | <u>300</u> |

Source: City of Morristown, Tennessee Finance Department

TABLE 19

CITY OF MORRISTOWN, TENNESSEE

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|
| Function | | | | | | | | | | |
| Police: | | | | | | | | | | |
| Physical arrests | 3,061 | 3,661 | 5,071 | 4,378 | 4,339 | 3,639 | 3,412 | 3,277 | 2,376 | 2,695 |
| Parking violations | 17 | 167 | 102 | 117 | 251 | 42 | 50 | 48 | 36 | 41 |
| Fire: | | | | | | | | | | |
| Number of calls answered | 3,222 | 3,984 | 4,288 | 4,742 | 3,916 | 3,184 | 4,077 | 3,476 | 3,317 | 4,188 |
| Inspections | 2,562 | 2,535 | 2,724 | 2,663 | 2,635 | 2,498 | 2,726 | 703 | 1,516 | 1,206 |
| Highway and streets: | | | | | | | | | | |
| Street maintenance/resurfacing (miles) | 9.40 | 1.33 | 5.10 | 5.60 | 11.50 | 3.85 | 23.16 | 4.50 | 4.75 | 5.30 |
| Sanitation: | | | | | | | | | | |
| Brush collected (annual) | 6,574 | 2,412 | 2,126 | 2,649 | 3,620 | 3,141 | 3,304 | 3,438 | 3,239 | 2,753 |
| Refuse collected | 9,249 | 9,313 | 9,064 | 9,358 | 9,405 | 12,856 | 10,737 | 13,333 | 11,103 | 10,726 |

Source: Various Department of the City of Morristown

TABLE 20

CITY OF MORRISTOWN, TENNESSEE

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|------|------|------|------|------|------|------|------|------|-------|
| 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 | 51 |
| Fire stations | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| Sanitation: | | | | | | | | | | |
| Collection trucks | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 6 |
| 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 | 276 | 328 | 328 | 378.3 |
| Parks | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 17 | 17 | 18 |

Source: Various Department of the City of Morristown

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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, 2022 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 8, 2022. 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.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control described in the accompanying schedule of findings and questioned costs, as item 2022-001 that we consider a significant deficiency.**

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*.**

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Kingsport, Tennessee
December 8, 2022

**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

Opinion 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 programs for the year ended June 30, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion the City of Morristown, Tennessee, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Morristown, Tennessee and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal documentation of the City of Morristown, Tennessee's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Morristown, Tennessee's federal programs.

Report on Compliance for Each Major Federal Program (Continued)

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Morristown's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Morristown's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Morristown, Tennessee's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Morristown, Tennessee's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Morristown, Tennessee's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Kingsport, Tennessee
December 8, 2022

CITY OF MORRISTOWN, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2022

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **One significant deficiency** relating to the audit of the financial statements was 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

Assistance Listing Number:

Coronavirus State and Local Fiscal Recovery Funds

21.027

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001: Auditor Adjustments (Significant Deficiency)

Condition:

Multiple adjustments were proposed as a result of audit procedures on unusual or non-recurring transactions. The City failed to properly record capital assets for the stormwater system, defer recognition for grant awards the City has not yet earned, and record the impact resulting from debt refunding.

Cause:

The City failed to properly follow governmental accounting standards in the above instances.

Effect:

An adjustment was made to the stormwater system for items which were initially expensed which should have been included in capital assets. An adjustment was also required on the ARPA fund to reduce revenue for awards that had not yet been earned by the City and record them as due to other governmental units. An adjustment was also required on the stormwater system to reduce interest expense for premiums on refunded debt and to record deferred loss on debt refunding.

(Continued)

CITY OF MORRISTOWN, TENNESSEE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022**

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-001: Auditor Adjustments (Significant Deficiency)

Recommendation:

The City should also ensure that all items meeting their capitalization policy are properly reported as capital assets either on the statement of net position – proprietary funds or on the statement of net position for governmental capital assets. The City should ensure that expenditures have been incurred prior to recognition of grant revenue. Additionally the City should recognize economic benefits or losses related to debt refunding over the shorter of the life of the prior debt or new debt.

Management Response:

Management concurs with this finding. Reports will be prepared and reviewed no less than annually by the City Administrator or his designee to ensure that all capital assets are accounted for properly and to ensure that grant revenue is properly recognized. In the event of a debt refunding, the calculation relating to the economic benefits or losses will also be reviewed by the City Administrator or his designee.

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, 2022

FINANCIAL STATEMENT FINDINGS

2021-001: Auditor Adjustments (Material Weakness)

Condition:

Multiple adjustments were proposed as a result of audit procedures. The City failed to properly record land held for sale as well as governmental activities capital assets. The City also failed to properly record capital assets for the stormwater system. Additionally the City's estimate for outstanding claims in the internal service fund was overstated.

Recommendation:

The City should track land and improvements to that land as either held for sale or on the capital asset listing. Those items not intended for use by the City and held for resale should be reported on the fund statements as an asset rather than expensed and shown as part of governmental assets. The City should also ensure that all items meeting their capitalization policy are properly reported as capital assets either on the statement of net position – proprietary funds or on the statement of net position for governmental capital assets. Additionally the City should evaluate their estimate for outstanding claims in the internal service fund for reasonableness by comparing to monthly claims estimates.

Current Status:

The City made improvements in the recording of items noted in the prior year. No prior period adjustments were required in the current year. There were still auditor adjustments proposed during the current year resulting in a current year significant deficiency reported as 2022-001.

There were no prior year findings reported for federal awards.

The City of Morristown

Office of Administration



MANAGEMENT'S CORRECTIVE ACTION PLAN For the Year Ended June 30, 2022

CORRECTIVE ACTION PLAN

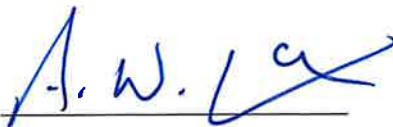
The City of Morristown, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2022.

Name and address of independent public accounting firm:

Brown, Edwards & Company, L.L.P.
433 E. Center Street, Suite 101
Kingsport, TN 37660

Responsible officials for corrective action:

NAME: Anthony W. Cox
TITLE: City Administrator

Signed: 

The findings from the June 30, 2022 schedule of findings and responses is discussed below.

2022-001: Auditor Adjustments (Significant Deficiency)

Recommendation: The City should also ensure that all items meeting their capitalization policy are properly reported as capital assets either on the statement of net position – proprietary funds or on the statement of net position for governmental capital assets. The City should ensure that expenditures have been incurred prior to recognition of grant revenue. Additionally, the City should recognize economic benefits or losses related to debt refunding over the shorter of the life of the prior debt or new debt.

Management's response: Management concurs with this finding. Reports will be prepared and reviewed no less than annually by the City Administrator or his designee to ensure that all capital assets are accounted for properly and to ensure that grant revenue is properly recognized. In the event of a debt refunding, the calculation relating to the economic benefits or losses will also be reviewed by the City Administrator or his designee.

Anticipated completion date: December 2, 2022